**OFFICIAL STATEMENT**
**DATED JULY 15, 2015**

**NEW ISSUE – Book-Entry-Only**

Ratings: Fitch: "A+"
Moody's: "A1"
Standard & Poor's: "A+"
(See "OTHER RELEVANT INFORMATION – Ratings")

*In the opinion of Bond Counsel to the City (each as defined below), assuming compliance with certain covenants by the City, under existing statutes, regulations, published rulings and court decisions existing on the date hereof, interest on the Bonds (defined below) is excluded from gross income for federal income tax purposes, except that no opinion is expressed on any Bonds for any period during which such Bonds are held by a person who, within the meaning of section 147(a) of the Internal Revenue Code of 1986 (the "Code"), is a "substantial user" of the facilities financed with the proceeds of such Bonds or a "related person". For further information, see "TAX MATTERS" herein.*

# CITY OF SAN ANTONIO, TEXAS

## $38,805,000
## Airport System Revenue Improvement Bonds,
## Series 2015 (AMT)

**Dated Date: July 1, 2015 (Interest to accrue from Delivery Date)** **Due: July 1, as shown herein**

The City of San Antonio, Texas (the "City") is issuing its $38,805,000 Airport System Revenue Improvement Bonds, Series 2015 (AMT)" (the "Bonds") pursuant to the laws of the State of Texas, including particularly, Chapter 22, as amended, Texas Transportation Code, and Chapters 1201, 1371 and 1503, as amended, Texas Government Code (collectively, the "Act"), the City's Home Rule Charter (the "Charter"), a master ordinance adopted by the City Council of the City (the "City Council") on April 19, 2001 (the "Master GARB Ordinance"), and a Fifteenth Supplemental Ordinance thereto adopted by the City Council on June 18, 2015 (together with the Master GARB Ordinance, the "Ordinance"), for the purposes described herein. As permitted by applicable provisions of the Act, the City Council of the City has delegated to certain designated City officials the authority to finalize the terms of sale of the Bonds, which terms of sale will be evidenced in a "Pricing Certificate" that will complete such sale of the Series 2015 Bonds. This Pricing Certificate was executed by an authorized City official on July 15, 2015. See "THE BONDS – Authority for Issuance" and "THE BONDS – Purpose of the Bonds" herein. The Bonds are special obligations of the City payable solely from and equally and ratably secured by a first lien on and pledge of the Gross Revenues (defined herein) derived from charges imposed by the City from its ownership and operation of the Airport System (defined herein). See "SECURITY FOR THE BONDS AND CERTAIN ORDINANCE PROVISIONS – The Bonds" herein.

Interest on the Bonds will accrue from their date of initial delivery (the "Delivery Date") to the initial purchasers thereof named below (collectively, the "Underwriters"), will be payable on January 1, 2016 and on each July 1 and January 1 thereafter (until stated maturity or prior redemption), and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are subject to redemption prior to stated maturity at the times and prices and in the amounts as described herein. See "THE BONDS – Redemption Prior to Stated Maturity. The Bonds will be issued as fully registered obligations in book-entry-only form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds. So long as the Securities Depository is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by U.S. Bank, National Association, Dallas, Texas, as the initial Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners. See "THE BONDS – Book-Entry-Only System" herein.

**NO MORTGAGE OF OR LIEN ON ANY OF THE PHYSICAL PROPERTIES FORMING A PART OF THE AIRPORT SYSTEM, INCLUDING THE PROJECT DESCRIBED HEREIN, OR ANY OTHER PROPERTY OR FUNDS OF THE CITY, HAS BEEN PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS. THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE ONLY FROM THOSE REVENUES OF THE AIRPORT SYSTEM PLEDGED AS SECURITY THEREFOR UNDER THE APPLICABLE ORDINANCE. NONE OF THE CITY, THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION THEREOF HAS PLEDGED ITS TAXING POWER AS SECURITY FOR THE BONDS.**

Concurrently with its issuance of the Bonds, the City is issuing its $123,900,000 Customer Facility Charge Revenue Bonds, Taxable Series 2015 (Consolidated Rental Car Special Facilities Project) as the primary source of funds to pay the costs of a consolidated rental car facility at the San Antonio International Airport. The Bonds are being issued to pay the costs of public parking and infrastructure improvements related to this facility (as further described and defined herein as the Project). These other bonds are secured by and a lien on and pledge of the "trust estate" established under the authorizing documentation relating thereto, which is primarily funded with the proceeds of a customer facility charge imposed by the City and collected by the rental car companies using such facility and that are not Gross Revenues of the Airport System. Though this Official Statement includes descriptions of the Project and the relation of these other bonds and the related cash flows to the Bonds, this Official Statement describes only the Bonds. See "PLAN OF FINANCE".

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**SEE INSIDE COVER PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, OFFERING YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE BONDS**

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*The Bonds are offered for delivery, when, as, and if issued and received by the Underwriters and are subject to the approving opinion of the Attorney General of the State of Texas and the legal opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. (See "LEGAL MATTERS" herein). Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriters by their Co-Counsel, Norton Rose Fulbright US LLP and Escamilla & Poneck, LLP, both of San Antonio, Texas. The Bonds are expected to be available for delivery through the services of DTC on or about July 29, 2015.*

**WELLS FARGO SECURITIES** **CITIGROUP**
**FIRSTSOUTHWEST** **J.P. MORGAN**
**RICE FINANCIAL PRODUCTS COMPANY** **RAMIREZ & CO., INC.**

## STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, OFFERING YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS

**CUSIP No. Prefix[(1)]: 796242**

## $38,805,000
## AIRPORT SYSTEM REVENUE IMPROVEMENT BONDS
## SERIES 2015 (AMT)

**$17,965,000 Serial Bonds**

| Maturity (July 1) | Principal Amount ($) | Interest Rate (%) | Offering Yield (%) | CUSIP No. Suffix[(1)] | Maturity (July 1) | Principal Amount ($) | Interest Rate (%) | Offering Yield (%) | CUSIP No. Suffix[(1)] |
|---|---|---|---|---|---|---|---|---|---|
| 2020 | 760,000 | 5.000 | 1.970 | SK2 | 2028 | 1,120,000 | 5.000 | 3.610[(2)] | ST3 |
| 2021 | 795,000 | 5.000 | 2.290 | SL0 | 2029 | 1,180,000 | 5.000 | 3.690[(2)] | SU0 |
| 2022 | 835,000 | 5.000 | 2.640 | SM8 | 2030 | 1,235,000 | 5.000 | 3.760[(2)] | SV8 |
| 2023 | 880,000 | 5.000 | 2.850 | SN6 | 2031 | 1,300,000 | 5.000 | 3.820[(2)] | SW6 |
| 2024 | 925,000 | 5.000 | 3.040 | SP1 | 2032 | 1,365,000 | 5.000 | 3.870[(2)] | SX4 |
| 2025 | 970,000 | 5.000 | 3.230 | SQ9 | 2033 | 1,430,000 | 5.000 | 3.920[(2)] | SY2 |
| 2026 | 1,015,000 | 5.000 | 3.400[(2)] | SR7 | 2034 | 1,505,000 | 5.000 | 3.960[(2)] | SZ9 |
| 2027 | 1,070,000 | 5.000 | 3.520[(2)] | SS5 | 2035 | 1,580,000 | 5.000 | 4.000[(2)] | TA3 |

**$20,840,000 Term Bonds**

**$9,155,000 5.000% Term Bond due July 1, 2040; Priced to Yield 4.180%[(2)]; CUSIP No. Suffix[(1)]: TB1**
**$11,685,000 5.000% Term Bond due July 1, 2045; Priced to Yield 4.260%[(2)]; CUSIP No. Suffix[(1)]: TC9**

**Redemption.** The Bonds are subject to optional and mandatory sinking fund redemption prior to stated maturity at the times, in the amounts, and at the prices described herein. See "THE BONDS – Redemption Prior to Stated Maturity".

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(1) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC, on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Co-Financial Advisors, or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated on the assumption that the Bonds denoted and sold at a premium will be redeemed on July 1, 2025, the first date of optional redemption for the Bonds, at a price of par plus accrued interest to such date of redemption.

## CITY OF SAN ANTONIO, TEXAS
## ADMINISTRATION

**CITY COUNCIL:**

| Name | Tenure on City Council | Term Expires | Occupation |
|---|---|---|---|
| Ivy R. Taylor, Mayor[(1)] | 6 Years, 1 Month | May 31, 2017 | College Lecturer |
| Robert C. Trevino, District 1[(2)] | 7 Months | May 31, 2017 | Architect |
| Alan E. Warrick II, District 2[(3)] | 7 Months | May 31, 2017 | CEO of Nonprofit |
| Rebecca Viagran, District 3 | 2 Years, 1 Month | May 31, 2017 | Business Owner |
| Rey Saldana, District 4 | 4 Years, 1 Month | May 31, 2017 | Adjunct Professor |
| Shirley Gonzales, District 5 | 2 Years, 1 Month | May 31, 2017 | Business Owner |
| Ray Lopez, District 6 | 6 Years, 1 Month | May 31, 2017 | Retired |
| Cris Medina, District 7 | 4 Years, 1 Month | May 31, 2017 | Business Owner |
| Ron Nirenberg, District 8 | 2 Years, 1 Month | May 31, 2017 | Broadcast General Manager |
| Joe Krier, District 9 | 1 Year, 8 Months | May 31, 2017 | Business Owner |
| Mike Gallagher, District 10 | 1 Year, 6 Months | May 31, 2017 | Retired |

(1) A special meeting was held on Tuesday, July 22, 2014, to fill the mayoral vacancy of Julián Castro, at which time the City Council selected Councilwoman Ivy R. Taylor, who has held a Council seat since June 9, 2009, to fill the remainder of the unexpired term, through May 31, 2015. On June 13, 2015, Ivy R. Taylor was elected as Mayor.

(2) Councilman Diego M. Bernal tendered notice of resignation from his place on the City Council on November 12, 2014. On December 11, 2014, City Council appointed Roberto C. Treviño as a member of the City Council for District 1, to serve until the elected candidate takes office. Following the canvassing of the May 9, 2015 election, Roberto C. Treviño was elected as Councilman for District 1.

(3) On August 14, 2014, the City Council voted on applicants to fill the District 2 vacancy and selected Keith Toney to serve as the temporary replacement. At a runoff election on December 9, 2014, Alan E. Warrick, II was elected as councilman and served the remainder of the unexpired term, through May 31, 2015. Following the canvassing of the May 9, 2015 election, Alan E. Warrick, II was elected as Councilman for District 2.

**CITY OFFICIALS:**

| Name | Position | Tenure with City of San Antonio | Tenure in Current Position |
|---|---|---|---|
| Sheryl L. Sculley[(1)] | City Manager | 9 Years, 9 Months | 9 Years, 9 Months |
| Erik J. Walsh | Deputy City Manager | 21 Years, 2 Months | 3 Years, 10 Months |
| Peter Zanoni | Deputy City Manager | 18 Years, 4 Months | 2 Years, 8 Months |
| Lori Houston[(2)] | Assistant City Manager | 13 Years, 2 Months | 0 Months |
| Carlos Contreras | Assistant City Manager | 6 Years, 6 Months | 2 Years, 8 Months |
| Xavier D. Urrutia[(3)] | Acting Assistant City Manager | 19 Years, 2 Months | 2 Months |
| Martha G. Sepeda [(4)] | Acting City Attorney | 11 Years, 7 Months | 8 Months |
| Leticia M. Vacek | City Clerk | 11 Years, 2 Months | 11 Years, 2 Months |
| Ben Gorzell, Jr. | Chief Financial Officer | 24 Years, 9 Months | 5 Years |
| Troy Elliott | Director of Finance | 18 Years, 11 Months | 3 Years, 10 Months |
| Maria Villagomez[(5)] | Director of Management and Budget | 17 Years, 10 Months | 5 Years, 10 Months |
| Frank R. Miller | Aviation Director | 6 Years, 3 Months | 6 Years, 3 Months |

(1) Hired as City Manager in November 2005 with more than 30 years of public management experience, including serving as Assistant City Manager of the City of Phoenix, Arizona for 16 years and City Manager of Kalamazoo, Michigan, for which she worked for 15 years.

(2) The City Manager appointed Lori Houston as Assistant City Manager effective July 13, 2015.

(3) Gloria Hurtado resigned as the Assistant City Manager effective May 29, 2015. The City Manager appointed Xavier D. Urrutia as an Acting Assistant City Manager effective June 1, 2015 until October 1, 2015.

(4) Robert F. Greenblum resigned as the City Attorney effective November 30, 2014. The City Council has appointed Martha G. Sepeda as the Acting City Attorney effective December 1, 2014.

(5) Maria Villagomez will be appointed Assistant City Manager effective October 1, 2015 and Chad Tustison will be appointed as Interim Budget Director.

**CONSULTANTS AND ADVISORS:**

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|---|---|
| **Bond Counsel** | McCall, Parkhurst & Horton L.L.P., San Antonio, Texas |
| **Certified Public Accountants** | Padgett, Stratemann & Co., L.L.P., San Antonio, Texas |
| **Co-Financial Advisors** | Coastal Securities, Inc., San Antonio, Texas<br>and Estrada Hinojosa & Company, Inc., San Antonio, Texas |
| **Airport Consultants** | Ricondo & Associates, Inc., Cincinnati, Ohio,<br>in association with<br>InterVISTAS Consulting LLC, Washington, D.C. |

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances will this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation with respect to the Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Co-Financial Advisors or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

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

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty, or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANYTIME.

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

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

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

None of the City, the Co-Financial Advisors, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System as such information has been provided by DTC.

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**OFFICIAL STATEMENT**
**RELATING TO THE**

**$38,805,000**
**CITY OF SAN ANTONIO, TEXAS AIRPORT SYSTEM REVENUE IMPROVEMENT BONDS, SERIES 2015 (AMT)**

## INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, of the City of San Antonio, Texas (the "City") provides certain information in connection with the City's sale of its $38,805,000 Airport System Revenue Improvement Bonds, Series 2015 (AMT) (the "Bonds"). This Official Statement describes the Bonds, the Ordinance (defined herein), and certain other information about the City and its Airport System (defined herein). Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Ordinance. See "EXCERPTS FROM THE ORDINANCE – Definitions" attached hereto as Appendix C.

All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained, upon request, from the City Finance Department, 111 Soledad, 5th Floor, San Antonio, Texas 78205 and, during the offering period, from the City's Co-Financial Advisors, Coastal Securities, Inc., 2526 North Loop 1604 West, Suite 150, San Antonio, Texas 78248, or Estrada Hinojosa & Company, Inc., 1400 Frost Bank Tower, 100 West Houston Street, San Antonio, Texas 78205, by electronic mail or by physical delivery upon payment of reasonable copying, mailing, and handling charges.

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

## PLAN OF FINANCE

### The Airport System and Capital Improvement Plan

The City's airport system consists of the San Antonio International Airport (the "Airport") and Stinson Municipal Airport ("Stinson") (the Airport and Stinson, collectively, the "Airport System"), both of which are owned by the City and operated by its Department of Aviation (the "Department"). The Bonds will finance the Public Parking Area (defined herein) portion of the Project (defined herein). The Capital Improvement Plan (defined herein), under which the Project is undertaken, provides for and includes the Project.

### The Project

*Current Facilities and New Facility Objectives.* The current rental car operations and facilities for the Airport are located at numerous sites scattered both on and off Airport property, necessitating that each rental car company shuttle its customers to and from the Airport passenger terminals via buses. The individual rental car company customer service sites are difficult for customers to find when returning their rental vehicles; the shuttle buses add to traffic congestion at the terminal curbs and are detrimental to air quality. The Airport and the rental car industry agreed that the current operations do not provide good customer service and are operationally and functionally inefficient. Therefore, in 2008, the Airport began evaluating the feasibility of consolidating all rental car facilities and operations into a single consolidated airport rental car facility (the "CONRAC Facility" or the "CONRAC") with the objectives of: (i) improving customer service, (ii) improving air quality and reducing vehicle emissions at the terminal curbs and on terminal roadways, (iii) enhancing operational efficiency (terminal curbsides and roadways; rental car operations and facilities), (iv) meeting future needs (public parking and rental car industry), (v) implementing a financially affordable structure, (vi) creating a stable rental car operation, and (vii) providing a more user-friendly interface between ground and air transportation.

*Project Description*. After evaluating potential sites, a consensus was reached between the Airport and the rental car industry that an eight-acre site that currently includes the Airport's existing short-term parking structure and the adjacent surface parking lot to the northwest thereof would be the location for the CONRAC Facility. Designs for the CONRAC Facility, prepared by a design team led by TranSystems Corporation, were completed in May 2015.

Upon completion, the CONRAC Facility will include approximately 2,040 ready/return spaces, 1,060 storage spaces, a customer service center, a Quick Turn-Around (QTA) facility that allows rental car companies (each a "RAC" and, together, the "RACs") to provide vehicle service support, and other essential supplemental functions. Additional characteristics of the CONRAC Facility are reflected below and are encompassed within the definition thereof:

- **Customer Service Center** (RAC customer counters; queue space; RAC offices; restrooms; storage areas; common walkways; customer information systems; and exclusive support space for office/breakroom).

- **Ready/Return** (customer service offices and booths; vehicle staging areas; ready parking stalls; return lanes; exclusive exit booths; customer service kiosks; perimeter security; dedicated ramp for customers; dedicated ramp for shuttle operations).

- **QTA Facility** (vehicle fueling system; fuel storage; fuel islands; electric vehicle charging stations; carbon monoxide exhaust systems).

- **Vehicle Wash Facilities/Systems** (wash bays; vehicle wash systems; waste water management systems; hazardous material capture and accountably systems; vacuum stations; vacuum systems).

- **Exclusive Use Vehicle Light Maintenance Bays** (tire change; oil change; oil/waste oil storage; parts and material storage areas; other light maintenance).

- **Traffic Planning** (patron pedestrian access to and from terminal area; RAC service vehicles access to and from facilities; RAC car customers vehicle ingress and egress to and from the CONRAC Facility without interfering with landside terminal operations).

- **Security Systems** (perimeter security; vehicle security; physical barriers; observation systems).

- **Commercial Planning** (food/beverages; news/gift; vending; advertising).

- **Related Infrastructure and Utilities**.

In addition to construction of the CONRAC Facility itself, the Airport is undertaking related public infrastructure and associated capital improvements, including integration of the CONRAC Facility with public parking, replacement of displaced public parking (which will include 1,349 replacement short-term public parking spaces), addressing associated infrastructure and interfacing it with the Airport's parking revenue control system. These other improvements are referred to herein as the "Public Parking Area" and, together with the CONRAC Facility, are referred to herein as the "Project". The Public Parking Area portion of the Project is being financed with proceeds of the Bonds.

Project construction is expected to commence in July 2015 and is expected to be substantially completed in September 2017; the Public Parking Area portion of the Project is expected to be completed and open for public parking in March 2017. In September 2017, the CONRAC Facility will then be turned over to each RAC with whom the City has entered into a lease agreement for approximately six (6) months for tenant finishes and a break-in period. The opening date for CONRAC Facilities operations is estimated to occur on or about March 1, 2018. The Project costs are estimated at approximately $165.6 million (excluding an additional $6,000,000 for initial tenant improvements that are also provided for at the time of initial delivery of the Bonds and the hereinafter-defined Concurrently Issued Bonds), which costs include construction, design and other soft costs associated with construction of the Project, as well as a parking operating funds reimbursements (reflecting reimbursement to the City to compensate for the loss of parking revenues during Project construction, costs of shuttle bus services to and from substitute parking during construction and costs associated with upgrading facilities to accommodate the substitute parking, which are being funded with hereinafter-defined Prior CFC Revenues).

**The Bonds and the Concurrently Issued Bonds**

The Project costs will be funded by the City using the proceeds of the Bonds, the Concurrently Issued Bonds, and other lawfully available funds of the City (generally using revenues derived by Customer Facility Charges heretofore imposed and collected by the City by the Delivery Date (referred to in the hereinafter-defined Indenture as the "Prior CFC Revenues")). Proceeds from the Bonds will be used primarily to pay the costs associated with the design, construction, and equipment of the Public Parking Area.

Concurrently with the Bonds and as part of the same plan of finance, the City is issuing its $123,900,000 Customer Facility Charge Revenue Bonds, Taxable Series 2015 (Consolidated Rental Car Special Facilities Project) (the "Concurrently Issued Bonds), the proceeds from which will be used to pay a portion of the costs of the CONRAC Facility. The Concurrently Issued Bonds are City obligations payable from and secured by a first lien on and pledge of the "Trust Estate" established under the Indenture of Trust (the "Indenture") pursuant to which the Concurrently Issued Bonds are issued. This Trust Estate is primarily funded with CFC Revenues (defined below), the permitted use of which CFC Revenues under the Indenture, at the level of priority specified therein, also includes monthly transfers from the Revenue Fund created under the Indenture, after satisfying debt service and reserve fund requirements relating to the Concurrently Issued Bonds, to be used by the City for the payment of the debt service on the Bonds. Though this Official Statement includes a description of the Project, use of CFC Revenues, and the relation of the Concurrently Issued Bonds to the Bonds and the Project, this Official Statement describes only the Bonds. Investors interested in purchasing the Concurrently Issued Bonds should review the official statement related thereto.

**The Customer Facility Charge**

*Imposition and Collection*. The "Customer Facility Charge" or "CFC" means the customer facility charge or charges, the imposition and establishment of which was reapproved by the City pursuant to Ordinance No. 2015-06-18-0594 (the "CFC Ordinance") adopted by the City Council (defined herein) on June 18, 2015, on rental car transactions occurring on or about the Airport, and required to be collected by each RAC Operator, pursuant to the applicable lease agreement between the City and such RAC (each, an "Operator"), and by each RAC that is a holder of a permit to utilize the CONRAC Facility but that is a not a party to a lease agreement (each, an "Off-Airport Rental Car Permittee"). The revenues resultant from the imposition and collection of the CFC (the "CFC Revenues") are the principal source of revenues of the Trust Estate.

Effective as of the date of initial delivery of the Bonds and the Concurrently Issued Bonds, the City will require each Operator and any Off-Airport Rental Car Permittee to charge, collect, and remit to U.S. Bank National Association, Dallas, Texas, as the initial trustee under the Indenture (the "Trustee"), as assignee of the City's interest therein, the CFC Revenues. By City ordinance, Customer Facility Charge collections at the Airport began on April 1, 2012 at the rate of $4.50 for each Transaction Day; however, it increased to $5.00 per Transaction Day on July 1, 2015 pursuant to the CFC Ordinance and, as indicated in the Report of the Airport Consultant attached hereto as Appendix B, is anticipated to again increase on September 1, 2018 to $5.50 per Transaction Day. Under the Indenture, the City is required to impose a CFC that is projected to produce CFC Revenues equal to at least 125% of the annual debt service requirements on the Concurrently Issued Bonds, any additional bonds hereafter issued that are secured by and payable from a first lien on and pledge of the Trust Estate ("Additional CFC Bonds"), and to fund required deposits into various funds and accounts established under the Indenture (including a fund into which CFC Revenues are required to be deposited to cover debt service payments on the Bonds). The Aviation Director is required to annually (or more often, if necessary) review the Customer Facility Charge and is authorized to adjust the rate thereof if necessary to comply with the rate covenant established under the Indenture.

The Operators and any Off-Airport Rental Car Permittee are required to collect the Customer Facility Charge from all rental car customers. The amount of the Customer Facility Charge charged by an Operator or an Off-Airport Rental Car Permittee shall be the same amount as the Customer Facility Charge charged by each of the other Operators and Off-Airport Rental Car Permittees (if any) and shall be set forth as a separate line item in each rental agreement and identified as a customer charge. Each Operator and Off-Airport Rental Car Permittee is required to remit all CFC Revenues collected by it directly to the Trustee on or before the $15^{th}$ day of each month with respect to CFC Revenues collected during the preceding month. The CFC Revenues collected by each Operator and Off-Airport Rental Car Permittee prior to remittance to the Trustee, are regarded as trust funds held by the Operator and Off-Airport Rental Car Permittee, respectively, as an agent for the beneficial interest of the Trustee. All CFC Revenues collected and held by an Operator and any Off-Airport Rental Car Permittee are property in which the Operator or Off-Airport Rental Car Permittee, respectively, holds only a possessory interest and not an equitable interest, and each Operator acknowledges in its lease agreement (or is recognized in the permit, as applicable) that the CFC Revenues are pledged as security for the Concurrently Issued Bonds. Under the lease agreements or permits, as applicable, the Operators and Off-Airport Rental Car Permittee are required to maintain records and controls which are sufficient to demonstrate the correctness of the CFC Revenue collected by the Operator and by each Off-Airport Rental Car Permittee and the amount of CFC Revenue paid to the Trustee. The records are available for inspection and examination at all times by the Trustee or City, or their duly appointed authorized representatives. The amount of the Customer Facility Charge may be reviewed at any time and may be adjusted periodically by the Airport's Aviation Director in his or her sole discretion, for any reason, including the requirement to meet all covenants or requirements with respect to the Concurrently Issued Bonds on a current and ongoing basis.

*Use of CFC Revenues to Pay Debt Service on the Bonds*. Under the Indenture, the CFC Revenues (along with contingent fees, performance guarantee revenues under the lease agreements between the City and the RACs, and investment income from certain funds and accounts created and maintained under the Indenture that are included in the Trust Estate) are deposited to a "Revenue Fund", from which the Trustee transfers on a monthly basis to the following funds and accounts, generally, in the specified amounts:

(i) *First*, to the Concurrently Issued Bonds' debt service fund, approximately equal monthly installments of the total amount of principal and/or interest coming due on the Concurrently Issued Bonds (and any Additional CFC Bonds) on the next debt service payment date for such bonds (funded on a $1/6^{th}$-$1/12^{th}$ basis);

(ii) *Second*, if the debt service reserve fund for the Concurrently Issued Bonds contains less than the amount to be required on deposit therein (initially and fully funded, in the amount of $9,766,629.40, with proceeds of the Concurrently Issued Bonds), then to such debt service reserve fund in an amount equal to the amount required to replenish such reserve fund requirement;

(iii) *Third*, to the debt service coverage fund for the Concurrently Issued Bonds, the amount necessary to cause the amount on deposit therein to equal the requirement to be held in such fund (initially and fully funded, in the amount of $2,441,657.35, with Prior CFC Revenues);

(iv) *Fourth*, to **a debt service fund established under the Indenture for the benefit of the Bonds, but which is not a part of the Trust Estate created thereunder**, (A) approximately equal monthly installments of the total amount of principal and/or interest coming due on the Bonds on the next debt service payment date for the Bonds (funded on a $1/6^{th}$-$1/12^{th}$ basis); plus (B) approximately equal monthly installments of the amount necessary to restore any deficiency in the GARB Reserve Fund (defined herein) related to the Bonds within sixty (60) months following the month during which such deficiency first occurred;

(v) *Fifth*, to a subordinated debt fund, the amounts required as determined to be necessary, if at all, to support any subordinated indebtedness issued and outstanding under the Indenture;

(vi) *Sixth*, to an administrative costs fund, all funds remaining on deposit in the Revenue Fund until there has been deposited thereto an amount equal to the then budgeted administrative costs relative to the Project for such fiscal year as provided by the City to the Trustee;

(vii) *Seventh*, to a CONRAC Facility renewal and replacement fund, approximately equal monthly installments to restore the amount on deposit in such renewal and replacement fund within the period specified in the Indenture (and which fund is initially and fully funded in the amount of $7,500,000 at the time of initial delivery of the Concurrently Issued Bonds with Prior CFC Revenues); and

(viii) *Eighth*, to the surplus fund, which balance must be used to restore any deficiency in the funds and accounts described above and to maintain therein a minimum balance of $2,000,000 (but after which, excess amounts can be disbursed to other accounts that support the CONRAC Facility but that are not a part of the Trust Estate).

A description of the assumptions and estimates concerning the imposition of the Customer Facility Charge and the collection and use of CFC Revenues, which includes projections and estimates concerning sufficiency of such CFC Revenues to pay regularly-scheduled debt service on the Bonds, is provided in the Report of the Airport Consultants (as further defined and described herein as the "Report"). See "THE REPORT OF THE AIRPORT CONSULTANT" herein and attached hereto as Appendix B.

**THOUGH IT EXPECTS TO PAY DEBT SERVICE ON THE BONDS FROM THE CFC REVENUES, AND THE CUSTOMER FACILITY CHARGE HAS BEEN SIZED TO ACCOMMODATE SUCH USE, THE CFC REVENUES ARE NOT PLEDGED AS SECURITY FOR THE BONDS AND ARE SPECIFICALLY EXCLUDED FROM THE DEFINITION OF GROSS REVENUES. SEE "SECURITY FOR THE BONDS" HEREIN FOR A DESCRIPTION OF THE GROSS REVENUES OF THE AIRPORT SYSTEM THAT ARE PLEDGED AS SECURITY FOR THE BONDS.**

### Sources and Uses of Funds

The proceeds of the Bonds will be applied approximately as follows:

| | |
|---|---|
| **Sources:** | |
| Par Amount | $ 38,805,000.00 |
| Original Issue Premium | 3,349,105.80 |
| **Total Sources of Funds** | **$ 42,154,105.80** |
| **Uses:** | |
| Construction Fund | $ 39,010,609.05 |
| Reserve Fund | 2,701,750.00 |
| Cost of Issuance (Including Underwriters' Discount and contingency) | 441,746.75 |
| **Total Uses of Funds** | **$ 42,154,105.80** |

The proceeds of the Bonds, when combined with the proceeds of the Concurrently Issued Bonds and the Prior CFC Revenues delivered concurrently with the initial delivery of the Bonds to the trustee under the Indenture, will be sufficient to satisfy the costs of the Project and to fully fund all funds and accounts under the Indenture required at such time to be so funded.

## THE BONDS

### General Bond Description

The Bonds are dated July 1, 2015, and mature on July 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will accrue from their date of delivery (the "Delivery Date") to the initial purchasers thereof (the "Underwriters"), will be computed on the basis of a 360-day year composed of twelve 30-day months, and will be payable on January 1, 2016 and on each July 1 and January 1 thereafter. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners (defined herein) of the Bonds (see "THE BONDS – Book-Entry-Only System" herein).

**Purpose of the Bonds**

The Bonds are being issued for the purposes of: (i) paying the costs of the design, construction, and equipping of the Public Parking Area, (ii) making a deposit to the GARB Reserve Fund, and (iii) paying the costs of issuance of the Bonds.

**Authority for Issuance**

The Bonds are being issued by the City pursuant to the laws of the State of Texas, including particularly Chapter 22, as amended, Texas Transportation Code, and Chapters 1201, 1371 and 1503, as amended, Texas Government Code (collectively, the "Act"), the City's Home Rule Charter (the "Charter"), a master ordinance adopted by the City Council of the City (the "City Council") on April 19, 2001 (the "Master GARB Ordinance"), and a Fifteenth Supplemental Ordinance thereto adopted by the City Council on June 18, 2015 (the "Supplemental Ordinance" and, together with the Master GARB Ordinance, the "Ordinance"). As permitted by applicable provisions of the Act, the City Council has delegated to certain designated City officials the authority to finalize the terms of sale of the Bonds, which terms of sale will be evidenced in a "Pricing Certificate" that will complete such sale of the Series 2015 Bonds. This Pricing Certificate was executed by an authorized City official on July 15, 2015.

**Redemption Prior to Stated Maturity**

*Optional Redemption*. On July 1, 2025, and on any date thereafter, the Bonds maturing on and after July l, 2026 may be redeemed prior to their scheduled maturities, at the option of the City, in whole or in part at a price of par, plus accrued interest thereon to the date fixed for redemption.

*Mandatory Sinking Fund Redemption*. The Bonds maturing on July 1, 2040 and July 1, 2045 (collectively, the "Term Bonds") are subject to mandatory sinking fund redemption prior to stated maturity on July in the years and in the amounts shown below, at a redemption price of 100% of the outstanding principal amount of the Term Bonds being redeemed, plus accrued interest to the date of redemption:

| Term Bonds Maturing July 1, 2040 | | Term Bonds Maturing July 1, 2045 | |
|---|---|---|---|
| Redemption Date (July 1) | Principal Amount | Redemption Date (July 1) | Principal Amount |
| 2036 | $1,655,000 | 2041 | $2,115,000 |
| 2037 | $1,740,000 | 2042 | $2,220,000 |
| 2038 | $1,825,000 | 2043 | $2,330,000 |
| 2039 | $1,920,000 | 2044 | $2,450,000 |
| 2040* | $2,015,000 | 2045* | $2,570,000 |

* Stated maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced, at the option of the City, by the principal amount of any such Term Bonds which, prior to the date of the mailing of notice of such mandatory redemption, (i) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (iii) shall have been redeemed pursuant to the optional redemption provisions described above and not credited against a mandatory redemption requirement.

*Selection of Bonds for Redemption.* If fewer than all of the Bonds are called for redemption, the maturities to be redeemed will be selected by the City, and such Bonds to be redeemed within any one maturity will be selected by the Paying Agent/Registrar by lot (or in such manner as the Paying Agent/Registrar may determine) in integral multiples of $5,000; provided, however, that during any period in which ownership of the Bonds is determined only by a book-entry at a securities depository for such Bonds, if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate will be selected in accordance with the arrangements between the City and the securities depository.

*Notice of Redemption*. At least 30 days prior to the date fixed for any redemption of any Bonds or portions thereof prior to stated maturity, the City must cause written notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. The notice may state: (i) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is so rescinded. A copy of such notice of redemption also will be filed with the MSRB through its EMMA system. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN (AND NOT RESCINDED), THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

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

**Defeasance**

Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding under the Ordinance (a "Defeased Bond") when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar (or another entity permitted by Section 1207.061, as amended, Texas Government Code, or other applicable law, which entity, together with the Paying Agent/Registrar, is referred to collectively as the "Defeasance Agent"), in accordance with the requirements of Chapter 1207, as amended, Texas Government Code or other applicable law (which may include the use of an escrow agreement or other similar instrument - the "Future Escrow Agreement"): (1) lawful money of the United States of America sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Defeasance Agent for the payment of its services until all Defeased Bonds shall have become due and payable. Thereafter, the City will have no further responsibility with respect to amounts available to the Paying Agent/Registrar for the payment of such Defeased Bond, including any insufficiency therein caused by the failure of the escrow agent under such Future Escrow Agreement to receive payment when due on the Defeasance Securities. At such time as a Bond shall be deemed to be a Defeased Bond under the Ordinance, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Gross Revenues, and such principal and interest shall be payable solely from such money or Defeasance Securities.

Under the Ordinance, "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

Any money so deposited with the Defeasance Agent may at the written direction of the City be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Defeasance Agent that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing by the City. Any account or Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such money in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the applicable Ordinance requirements that are described above. All income from such Defeasance Securities received by the Defeasance Agent which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the City or deposited as directed in writing by the City.

**Paying Agent/Registrar**

The initial paying agent/registrar is U.S. Bank National Association, Austin, Texas (the "Paying Agent/Registrar"). In the Ordinance, the City covenants to provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of a paying agent/registrar at all times until the Bonds are duly paid, and the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new paying agent/registrar must accept the previous paying agent/registrar's records and act in the same capacity as the previous paying agent/registrar. Any successor paying agent/registrar, selected at the sole discretion of the City, must be a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as a paying agent/registrar for the Bonds. Upon a change in the Paying Agent/Registrar for the Bonds, the City is required to promptly cause written notice thereof to be sent to each registered owner of the Bonds by U.S. mail, first-class postage prepaid.

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

Initially, the Bonds are issued utilizing the Book-Entry-Only System of the DTC. No physical delivery of the Bonds will be made to the Beneficial Owners of the Bonds and the registered owner of the Bonds appearing on the books of the Paying Agent/Registrar will be Cede & Co., the nominee of DTC. The use of the Book-Entry-Only

System may affect the method and timing of payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System".

**Record Date for Interest Payment**

The record date for determining the person to whom the interest on the Bonds is payable on any interest payment date (the "Record Date") is the 15th day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by U.S. mail, first-class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the day next preceding the date of mailing of such notice.

**Transfer, Exchange, and Registration**

In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be registered, transferred, assigned, and exchanged on the Register only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration, transfer, and exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, transfer, and exchange. The Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. The new Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated payment office of the Paying Agent/Registrar, or sent by U.S. registered mail to the new registered owner at the registered owner's request, risk, and expense. New Bonds issued in an exchange or transfer of the Bonds will be delivered to the registered owner or assignee of the registered owner, to the extent possible, within three business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer will be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount, series, and rate of interest as the Bonds surrendered for exchange or transfer. See "THE BONDS – Book-Entry-Only System" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds while the Bonds are issued under DTC's Book-Entry-Only System.

Neither the City nor the Paying Agent/Registrar will be required to transfer or exchange any Bond (i) during the period commencing with the close of business or any Record Date and ending with the opening of business on the following principal or interest payment date, or (ii) with respect to any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

**Defaults and Remedies**

The Ordinance provides that if the City defaults in the payment of principal of or interest on any Bonds or defaults in the performance of any duty or covenant provided by law or in the Ordinance, the owner or owners of a Bond may pursue all legal remedies afforded by the Constitution and laws of the State of Texas (the "State") to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, the Ordinance expressly provides that any owner of a Bond may at law or in equity, by suit, action, mandamus, or other proceedings filed in any court of competent jurisdiction, enforce and compel performance of all duties required to be performed by the City under the Ordinance, including the imposition of reasonably required rates and charges for the use and services of the Airport System, the deposit of the respective Airport System revenues pledged as security for the Bonds into the Funds and Accounts as provided in the Ordinance, and the application of such revenues, in the manner required in the Ordinance. The issuance of a writ of mandamus is controlled by equitable principles, so it rests with the discretion of the court but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners of the Bonds. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS – Authority for Issuance"), the City has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages outside of Chapter 1371, owners may not be able to bring such a suit against the City for breach of the Bonds or authorizing Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as that of the Gross Revenues, such provision is subject to judicial discretion. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce any other remedies available to the registered owners, other than for the enforcement of the respective Airport System revenue pledge securing the applicable series of Bonds, would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

**Book-Entry-Only System**

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

*The City cannot and does not give any assurance that: (i) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct Participants, (ii) Direct Participants or others will distribute debt service payments paid to DTC or its nominee (as the Registered Owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (iii) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission ("SEC"), and the current procedures of DTC to be followed in dealing with Direct Participants are on file with DTC.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity of such issue, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC; and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's Book-Entry-Only-System has been obtained from DTC, but the City takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the Registered Owner of the Bonds, the City will have no obligation or responsibility to the Direct Participants or Indirect Participants, or to the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

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

**Payment Record**

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

## SECURITY FOR THE BONDS AND CERTAIN ORDINANCE PROVISIONS

**The Bonds**

*Outstanding Parity GARBs.* The Bonds will be issued as "Additional Parity Obligations", which (upon issuance of the Bonds) will result in the following series of obligations payable from and secured by a first lien on the Gross Revenues of the Airport System being outstanding as of July 2, 2015 (collectively, the "Outstanding GARBs").

| | |
|---|---:|
| Airport System Revenue Improvement Bonds, Series 2007 (AMT) | 69,030,000 |
| Airport System Revenue Improvement and Refunding Bonds, Series 2010A | 40,595,000 |
| Airport System Revenue Refunding Bonds, Taxable Series 2010B | 13,665,000 |
| Airport System Revenue Refunding Bonds, Series 2012 (AMT) | 59,675,000 |
| The Bonds | 38,805,000 |
| Total Outstanding GARBs | $ 221,770,000 |

The City has reserved the right to issue other Additional Parity Obligations (referred to herein as "Additional Parity GARBs") payable from and secured by a first lien on and pledge of Gross Revenues on a parity with such Outstanding GARBs and in any amount upon satisfaction of certain revenue tests required by the Ordinance. The Outstanding GARBs and any Additional Parity GARBs are referred to herein, collectively, as "Parity GARBs".

*Parity Lien Gross Revenue Pledge.* The Bonds will be payable from and secured by an irrevocable first lien on and pledge of Gross Revenues on parity with the other Outstanding GARBs and all other Additional Parity GARBs hereafter issued. "Gross Revenues" include all of the revenues and income of every nature and from whatever source derived by the City (but excluding grants and donations for capital purposes, PFC Revenues (as defined in the Master GARB Ordinance) or any other similar charges that may be imposed pursuant to federal or State law (the Customer Facility Charge and CFC Revenues are, therefore, specifically excluded from the definition of Gross Revenues), from the operation and/or ownership of the Airport System, including the investment income from the investment or deposit of money in each Fund (except the Project Fund and the Rebate Fund (described herein)) created by the Master Ordinance; provided, however, that if the net rent (excluding ground rent) from any lease is pledged to the payment of principal, interest, reserve, or other requirements in connection with revenue bonds issued by the City to provide special facilities for the Airport System for the lessee (or in connection with bonds issued to refund said revenue bonds), the amount of such net rent so pledged and actually used to pay such requirements does not constitute and is not considered as Gross Revenues, but all ground rent, and any net rent in excess of the amounts so pledged and used, must be deposited in the Revenue Fund (described herein). See "SECURITY FOR THE BONDS AND CERTAIN ORDINANCE PROVISIONS – Other Airport System Debt". Without limiting the generality of the foregoing, the term "Gross Revenues" includes all landing fees and charges, ground rentals, space rentals in buildings and all charges made to Operators, and all revenues of any nature derived from contracts or use agreements with airlines and other users of the Airport System and its facilities.

**NO MORTGAGE OF OR LIEN ON ANY OF THE PHYSICAL PROPERTIES FORMING A PART OF THE AIRPORT SYSTEM, THE PROJECT, OR ANY OTHER PROPERTY OR FUNDS OF THE CITY, HAS BEEN PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS. THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE ONLY FROM A FIRST AND PRIOR LIEN ON AND PLEDGE OF THE GROSS REVENUES OF THE AIRPORT SYSTEM. THE TAXING POWER OF NONE OF THE CITY, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF HAS BEEN PLEDGED AS SECURITY FOR THE BONDS.**

*GARB Rate Covenant.* The City has covenanted in the Master GARB Ordinance to fix, maintain, enforce, charge, and collect rentals, rates, fees, charges and amounts for the use, operation, services, facilities, and occupancy of the Airport System at levels necessary to produce in each fiscal year Gross Revenues at least sufficient to pay the Operation and Maintenance Expenses during each fiscal year and to provide an amount equal to 1.25 times the Annual Debt Service Requirements (which specifically excludes principal and interest on Parity GARBs paid with capitalized interest and funds of the Airport System other than Gross Revenues such as the CFC Revenues) during such fiscal year on all then-outstanding Parity GARBs. If the Airport System becomes liable for any other obligations or indebtedness, the City has covenanted in the Master GARB Ordinance to fix, maintain, enforce, charge, and collect additional rates, fees, charges and amounts for use, occupancy, services, facilities, and operation of the Airport System sufficient to establish and maintain funds for the payment thereof.

*GARB Funds and Accounts.* The following paragraphs briefly describe in summary form the manner in which Gross Revenues are utilized and their priority of payment. For a complete description of the flow of funds as they relate to the Bonds, see Sections 6 through 12 of the Master GARB Ordinance and Sections 7 and 8 of the Supplemental Ordinance thereto, all of which are included in Appendix C attached hereto.

Revenue Fund. All Gross Revenues are credited from day to day as received to the credit of the Revenue Fund. Gross Revenues in the Revenue Fund are deposited to the credit of the other Funds and Accounts described in the Master GARB Ordinance, in the manner and amounts therein provided, and each of such Funds and Accounts has priority as to such deposits in the order as discussed in the following paragraphs.

GARB Bond Fund. The GARB Bond Fund will be used solely to pay the principal of, redemption premium (if any), and interest on, as well as any other payments incurred in connection with, Parity GARBs, as the principal of the same matures and such interest and other payments come due. Deposits to the GARB Bond Fund are made on or before the 25th day of each month in approximately equal monthly installments, as will be sufficient, together with any other funds on deposit therein and available for such purpose, to pay the interest or principal and interest scheduled to come due on all the Parity GARBs, or required to be redeemed prior to stated maturity, on the next debt service payment date.

GARB Reserve Fund. The GARB Reserve Fund is established for the purpose of paying principal of or interest on all Parity GARBs at any time when amounts available in the GARB Bond Fund are insufficient for such purpose, and may also be used to finally retire the last debt service requirements on the Parity GARBs. The GARB Reserve Fund is required to contain an amount of money and investments equal in market value to the Average Annual Debt Service Requirements on all Parity GARBs (the "GARB Required Reserve Amount"). If the combined balance of the cash, investments, and/or amount available for draw under a Credit Facility held therein equals less than the GARB Required Reserve Amount, the Master GARB Ordinance requires that monthly deposits be made to the GARB Reserve Fund in an amount equal to 1/60th of the GARB Required Reserve Amount until such time as the balance of the GARB Reserve Fund equals the GARB Required Reserve Amount.

The amount on deposit in the GARB Reserve Fund as of June 2, 2015 is $11,312,200.68. This amount is greater than the Required Reserve Amount relating to the Outstanding Parity Obligations calculated as of September 30, 2014 of $11,311,728.31. Upon the issuance of the Bonds, the Required Reserve Amount for all Parity Obligations then Outstanding (including the Bonds) will increase to $14,014,550.68 (which amount has been calculated to equal the Average Annual Debt Service Requirements on the Outstanding Parity Obligations, plus an amount equal to the maximum Annual Debt Service Requirements on the Bonds due to the fact that the City expects to use available CFC Revenues – which are revenues other than the Gross Revenues of the Airport System – to pay debt service on the Bonds). On the date of issuance of the Bonds, the City will deposit into the GARB Reserve Fund proceeds of the Bonds in an amount which will cause the balance in such Fund to equal the new Required Reserve Amount. (See "PLAN OF FINANCE - Sources and Uses of Funds" herein.)

Operation and Maintenance Account in the Revenue Fund. All amounts in the Revenue Fund in excess of those required to be made to the credit of the GARB Bond Fund and the GARB Reserve Fund are deemed to constitute, and are designated as, the Operation and Maintenance Account in the Revenue Fund. The amounts in the Operation and Maintenance Account are, first, used to pay all Operation and Maintenance Expenses, and second, transferred to the Subordinated Debt Fund (at the times and in the amounts required by any supplement to the Master GARB Ordinance authorizing such Subordinated Debt) to provide for the payment of principal, premium, if any, and interest on, and other payments (excluding any Operation and Maintenance Expenses, but including payments to a related debt service reserve fund) incurred in connection with any Subordinated Debt, including the other Parity PFC Bonds (as defined in the Master GARB Ordinance). Such payments and transfers described in the preceding sentence have priority over all deposits to the credit of the Capital Improvement Fund as hereinafter provided. No deposit may ever be made to the credit of the Capital Improvement Fund if any such deposit would reduce the amount on hand in the Operation and Maintenance Account to less than the budgeted or estimated Operation and Maintenance Expenses for the ensuing three calendar months.

Subordinated Debt Fund. For the sole purpose of paying the principal amount of, premium, if any, and interest on, and other payments (excluding any Operation and Maintenance Expenses, but including payments to a related debt service reserve fund) incurred in connection with Subordinated Debt, the City may create in an ordinance supplementing the Master GARB Ordinance which authorizes the issuance of Subordinated Debt a separate fund designated as the Subordinated Debt Fund.

Capital Improvement Fund. After making all other required deposits and transfers, if any, to the GARB Bond Fund, the GARB Reserve Fund, the Operation and Maintenance Account in the Revenue Fund, and the Subordinated Debt Fund, if any, the City will transfer the balance remaining in the Operation and Maintenance Account in the Revenue Fund at the end of each fiscal year and deposit the same to the credit of the Capital Improvement Fund. The Capital Improvement Fund will be used for the purposes, and with priority of claim thereon, as follows: first, for the payment of principal, interest, and reserve requirements on any Parity GARBs if funds on deposit in the GARB Bond Fund and the GARB Reserve Fund are insufficient to make such payments; second, for the payment of principal, interest, and reserve requirements on Subordinated Debt if funds on deposit in the Subordinated Debt Fund and any related debt service reserve fund are insufficient to make such payments; third, for the purpose of paying the costs of improvements, enlargements, extensions, additions, replacements, repairs, or other capital expenditures related to the Airport System; and fourth, for any other lawful purpose related to the Airport System.

Construction Fund; Rebate Fund. The City has created in the Supplemental Ordinance a separate fund designated as the Series 2015 Construction Fund (the "Construction Fund"). Proceeds from the sale of the Bonds (other than proceeds to be deposited to the credit of the GARB Reserve Fund; see "PLAN OF FINANCE – Sources and Uses of Funds") are to deposited to the credit of the Construction Fund for use by the City for payment of all lawful costs associated with the construction and equipping of the Public Parking Area. Upon payment of all such costs, any moneys remaining on deposit in the Construction Fund shall be transferred *First* to the hereinafter described Rebate Fund, to the extent the City is liable to pay rebate amounts to the United States of America pursuant to the terms of the Code and *Next* to the GARB Bond Fund. Amounts so deposited to the GARB Bond Fund are to be used in the manner described in the Master Ordinance. Additionally, if the Bonds are optionally or mandatorily redeemed prior to maturity as a whole in accordance with their terms, any amount remaining in the Construction Fund shall be transferred to the Rebate Fund to the extent the amount therein is less than the rebate amount the City is liable to pay the United States of America pursuant to the terms of section 148 of the Code (defined herein) as of the date of such redemption.

All interest and income derived from investment of funds on deposit in the Construction Fund shall be credited to the Construction Fund in accordance with Section 20 of the Master Ordinance. Thereafter, such interest and income shall be transferred from the Construction Fund to the GARB Bond Fund.

The Rebate Fund is for the sole benefit of the United States of America and will not be subject to the lien created by the Ordinance or to the claim of any other Person, including the holders of the Bonds. Amounts deposited to the Rebate Fund, together with any investment earnings thereon, will be held in trust and applied solely as provided in section 148 of the Code.

Additional Parity GARBs. The City may issue Additional Parity GARBs on a parity with all then-outstanding Parity GARBs (including the Bonds) in accordance with the provisions and upon satisfaction of the requirements set forth in Section 19 of the Master GARB Ordinance, which is included in Appendix C attached hereto.

Subordinated Debt. While any Parity GARBs are outstanding and unpaid, the City cannot additionally encumber the Gross Revenues in any manner, except as permitted in the Master GARB Ordinance in connection with its issuance of Additional Parity GARBs, unless said encumbrance is made junior and subordinate in all respect to the liens, pledges, covenants, and agreements of the Master GARB Ordinance and any supplement authorizing the issuance of any Parity GARBs; provided, however, the right of the City to issue obligations payable from a lien which is subordinated to the first lien on Gross Revenues securing the Parity GARBs, including Subordinated Debt, is specifically recognized and retained. The Outstanding PFC Bonds (payable from the PFC) and by a first lien on and pledge of the Subordinate Net Revenues, represent the only Subordinated Debt currently outstanding.

**Other Airport System Debt**

In addition, under the terms of the Ordinance, the City may, from time to time, issue: (i) debt which would be secured by a lien on and pledge of the Subordinate Net Revenues of the Airport System and would be junior and inferior to the pledge of the Gross Revenues securing the Parity GARBs and on a parity with or subordinate to the lien on the Subordinate Net Revenues that further secures the Parity PFC Bonds, and (ii) Special Facilities Debt to provide Special Facilities related to the Airport System which are separately secured by a pledge of certain rentals derived from the leasing of such Special Facilities.

As of the date of delivery of the Bonds, the only outstanding Special Facilities Debt will be the "City of San Antonio, Texas Special Facilities Airport Revenue Refunding Bonds, Series 1995 (The Cessna Aircraft Company Project)", in the principal amount of $2,000,000, and the Concurrently Issued Bonds.

**Perfection of Security Interest in Revenue Pledges**

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the identified Airport System revenues as security therefor, and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of any such Airport System revenues is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledges, the City agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledges to occur.

**Amendments to Ordinance**

*Amendments to Ordinance*. The City has reserved the right to amend the Master GARB Ordinance under the conditions permitted by Section 19 thereof. Certain amendments may be made without the consent of any holders of the Parity GARBs. Other amendments would require the consent of the holders of at least a majority in aggregate principal amount of the Parity GARBs. For a complete description of the manner in which the Master GARB Ordinance may be amended, see Section 19 thereof included in Appendix C attached hereto. In addition, the City has reserved the right to amend the Supplemental Ordinance under the conditions permitted by Section 11 thereof. Certain amendments may be made without the consent of any holders of the Bonds; other amendments would require the consent of the holders of at least a majority in aggregate principal amount of the Bonds. For a complete description of the manner in which the Supplemental Ordinance may be amended, see Section 11 thereof included in Appendix C attached hereto.

## ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule reflects the total principal and interest requirements on all outstanding Parity GARBs, taking into account the issuance of the Bonds.

| | | The Bonds | | | | | |
|---|---|---|---|---|---|---|---|
| **Fiscal Year Ended 09/30** | **Outstanding GARB Debt Service ($)** | **Principal ($)** | **Interest ($)** | **Total Debt Service on the Bonds ($)** | **Total Combined Debt Service ($)** | **Less: Bond Debt Service Expected to be Paid with CFC Revenues ($)** | **Total Combined Debt Service after Applying CFC Revenues ($)** |
| 2016 | 20,575,532 | - | 1,789,342 | 1,789,342 | 22,364,874 | 1,789,342 | 20,575,532 |
| 2017 | 20,575,637 | - | 1,940,250 | 1,940,250 | 22,515,887 | 1,940,250 | 20,575,637 |
| 2018 | 20,585,893 | - | 1,940,250 | 1,940,250 | 22,526,143 | 1,940,250 | 20,585,893 |
| 2019 | 15,614,783 | - | 1,940,250 | 1,940,250 | 17,555,033 | 1,940,250 | 15,614,783 |
| 2020 | 15,622,846 | 760,000 | 1,940,250 | 2,700,250 | 18,323,096 | 2,700,250 | 15,622,846 |
| 2021 | 15,630,409 | 795,000 | 1,902,250 | 2,697,250 | 18,327,659 | 2,697,250 | 15,630,409 |
| 2022 | 15,647,696 | 835,000 | 1,862,500 | 2,697,500 | 18,345,196 | 2,697,500 | 15,647,696 |
| 2023 | 15,653,196 | 880,000 | 1,820,750 | 2,700,750 | 18,353,946 | 2,700,750 | 15,653,196 |
| 2024 | 15,662,021 | 925,000 | 1,776,750 | 2,701,750 | 18,363,771 | 2,701,750 | 15,662,021 |
| 2025 | 15,670,650 | 970,000 | 1,730,500 | 2,700,500 | 18,371,150 | 2,700,500 | 15,670,650 |
| 2026 | 15,679,925 | 1,015,000 | 1,682,000 | 2,697,000 | 18,376,925 | 2,697,000 | 15,679,925 |
| 2027 | 15,689,800 | 1,070,000 | 1,631,250 | 2,701,250 | 18,391,050 | 2,701,250 | 15,689,800 |
| 2028 | 9,029,113 | 1,120,000 | 1,577,750 | 2,697,750 | 11,726,863 | 2,697,750 | 9,029,113 |
| 2029 | 9,029,825 | 1,180,000 | 1,521,750 | 2,701,750 | 11,731,575 | 2,701,750 | 9,029,825 |
| 2030 | 9,028,900 | 1,235,000 | 1,462,750 | 2,697,750 | 11,726,650 | 2,697,750 | 9,028,900 |
| 2031 | 9,030,563 | 1,300,000 | 1,401,000 | 2,701,000 | 11,731,563 | 2,701,000 | 9,030,563 |
| 2032 | 9,029,925 | 1,365,000 | 1,336,000 | 2,701,000 | 11,730,925 | 2,701,000 | 9,029,925 |
| 2033 | 4,474,600 | 1,430,000 | 1,267,750 | 2,697,750 | 7,172,350 | 2,697,750 | 4,474,600 |
| 2034 | 4,452,675 | 1,505,000 | 1,196,250 | 2,701,250 | 7,153,925 | 2,701,250 | 4,452,675 |
| 2035 | 2,807,613 | 1,580,000 | 1,121,000 | 2,701,000 | 5,508,613 | 2,701,000 | 2,807,613 |
| 2036 | 2,809,200 | 1,655,000 | 1,042,000 | 2,697,000 | 5,506,200 | 2,697,000 | 2,809,200 |
| 2037 | 2,810,013 | 1,740,000 | 959,250 | 2,699,250 | 5,509,263 | 2,699,250 | 2,810,013 |
| 2038 | 2,809,788 | 1,825,000 | 872,250 | 2,697,250 | 5,507,038 | 2,697,250 | 2,809,788 |
| 2039 | 2,808,263 | 1,920,000 | 781,000 | 2,701,000 | 5,509,263 | 2,701,000 | 2,808,263 |
| 2040 | 2,810,175 | 2,015,000 | 685,000 | 2,700,000 | 5,510,175 | 2,700,000 | 2,810,175 |
| 2041 | - | 2,115,000 | 584,250 | 2,699,250 | 2,699,250 | 2,699,250 | - |
| 2042 | - | 2,220,000 | 478,500 | 2,698,500 | 2,698,500 | 2,698,500 | - |
| 2043 | - | 2,330,000 | 367,500 | 2,697,500 | 2,697,500 | 2,697,500 | - |
| 2044 | - | 2,450,000 | 251,000 | 2,701,000 | 2,701,000 | 2,701,000 | - |
| 2045 | - | 2,570,000 | 128,500 | 2,698,500 | 2698,500 | 2,698,500 | - |
| **Total** | **273,539,041** | **38,805,000** | **38,989,842** | **77,794,842** | **351,333,883** | **77,794,842** | **273,539,041** |

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## REPORT OF THE AIRPORT CONSULTANTS

### The Airport Consultants

The City has retained Ricondo & Associates, Inc., Cincinnati, Ohio, in association with InterVISTAS Consulting LLC, Washington D.C. (together, the "Airport Consultants") as independent consultants to the Airport System. In such capacity, the Airport Consultants delivered on June 17, 2015, their "Report of the Airport Consultants" (the "Report") detailing the Airport System's past, and forecasting its financial performance. The Report includes descriptions of the Capital Improvement Program, the Airport's service area and economic base, summaries of the historical aviation activity at the Airport System and analyses of factors impacting such statistics. The Report also provides projections of future revenues and expenses, aviation activity at the Airport, debt service requirements, and debt service coverage rates. The Report is attached hereto as Appendix B and made a part hereof for all purposes.

Ricondo & Associates, Inc., is headquartered in Chicago and has established U.S. offices in Atlanta, northern and southern California, Cincinnati, the Dallas/Fort Worth area, Denver, Honolulu, Miami, Orlando, Phoenix, and the Washington, D.C., area, and also has international offices in Abu Dhabi, U.A.E. and London, England.

The InterVISTAS Consulting Group ("IVG") is comprised of several integrated companies that provide a range of services to the world-wide travel and tourism industry. InterVISTAS Consulting Inc. is a U.S. company based in Washington, DC, that specializes in aviation industry consulting, regulatory and legislative advocacy, travel and tourism marketing, security and border facilitation, international transportation policy, and a wide range of related services. In total, InterVISTAS has a staff of 65 professionals in North America, Latin America, and Europe. InterVISTAS has completed more than 2,000 projects with over 500 clients in over 70 countries worldwide.

### Content

The Report is being prepared in conjunction with the delivery of the Bonds and the Concurrently Issued Bonds to demonstrate the sufficiency of the CFC Revenues and the Airport System's revenues in meeting the debt service requirements of its outstanding and contemplated debt obligations. Accordingly, its findings specifically address the Bonds and the Concurrently Issued Bonds; however, the Report also contains general information relating to the operation of the Airport System and all debt obligations, existing or proposed, supported by the revenues therefrom.

The City is under no obligation to update the Report, nor is it required at any time in the future to obtain another such report relating to the Airport System and its outstanding or proposed debt. In addition, the contents of the Report are not subject to the City's continuing disclosure requirements (such requirements detailed herein under "CONTINUING DISCLOSURE OF INFORMATION").

### Assumptions

In its development, the Report utilizes a number of assumptions. Such assumptions are based on present circumstances and certain currently available information provided to the Airport Consultants by the City, as well as by other sources. None of the City, the Co-Financial Advisors, or the Underwriters make any representations or give any assurances that the assumptions incorporated in the Report are valid. Such information may be incomplete and may not necessarily disclose all material facts that might affect the CFC Revenues, Gross Revenues, PFC Revenues, the CIP, and the financial analysis contained in the Report. Accordingly, prospective investors should carefully evaluate the assumptions and other information in the Report in the light of the circumstances then prevailing. The Report has been attached hereto as Appendix B in reliance upon the knowledge and experience of the Airport Consultants. The accuracy of the Report is dependent upon the occurrence of specified assumptions and other future events that cannot be assured; therefore, the actual results achieved during the period will vary from the forecasts contained therein. Those differences may be material. None of the City, the Co-Financial Advisors, or the Underwriters have independently verified the statistical data included in the Report and neither of such parties make any representations or give any assurances that such data is complete or correct.

As noted in the Report, any projection is subject to uncertainties. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between projected and actual results, and those differences may be material. Specifically, to the extent the actual interest rates on the Bonds and the Concurrently Issued Bonds are different from those rates assumed in the Report, the amount of the actual Customer Facility Charges established by the City is likely to vary from the Customer Facility Charges assumed in the Report. See "CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS – Report of the Airport Consultants" for a description of certain risks inherent in the reliance upon the Report.

The Report includes a comprehensive financial analysis projecting debt service coverage ratios for the Bonds resulting from the collection of Gross Revenues. Though the Rate Covenant is based on Gross Revenues, Net Revenues are also projected to yield coverage ratios above 1.25 times throughout the Report's forecast period.

The following data, which has been compiled from the Report, show forecasts during each fiscal year of the forecast period based on the baseline forecast of air traffic activity for Average Airline Cost per Enplaned Passenger, and Debt Service Coverage Test. This data is preliminary and subject to change. See section V of "REPORT OF THE AIRPORT CONSULTANTS" attached hereto as Appendix B for a complete financial analysis and forecast.

| | **Fiscal Year Ended September 30** | | | | | |
|---|---|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
| Projected Annual Enplanement Growth | 4,209,716 | 4,300,000 | 4,405,000 | 4,510,000 | 4,615,000 | 4,720,000 |
| Projected Average Airline Cost per Enplaned Passenger | 7.31 | 7.56 | 7.67 | 7.70 | 7.32 | 7.01 |
| Projected Debt Service Test (per Master GARB Ordinance) | 2.05 | 2.07 | 2.09 | 2.11 | 2.84 | 2.86 |

*Source: City of San Antonio, Department of Aviation.*
Prepared by: Ricondo & Associates, Inc.

## THE AIRPORT SYSTEM

### General

The San Antonio International Airport (the "Airport" or "SAT"), located on a 2,600-acre site that is adjacent to Loop 410 freeway and U.S. Highway 281, is nine miles north of the City's downtown business district. The Airport consists of three runways with the main runway measuring 8,502 feet and able to accommodate up to and including Group V passenger aircraft. Its two terminal buildings contain 25 second-level gates. Presently, the following domestic air carriers provide scheduled service to San Antonio: American Airlines, Delta Air Lines, Southwest Airlines, United Airlines, and US Airways, as well as associated affiliates of certain of the aforementioned air carriers. AeroMexico, Southwest, United, Interjet, Volaris, VivaAerobus and associated affiliates, provide passenger service to five Mexico destinations. VivaAerobus, the newest entrant carrier, started two weekly non-stop flights to Monterrey, Mexico in November 2014 (but recently announced that this service will cease in August 2015). Interjet increased weekly flights to Monterrey, Mexico from two to six in February 2015. New air services that started in March and April 2015 include American to Miami, Florida and Southwest to New Orleans, Louisiana, respectively. In addition to Southwest and United, both American and Delta introduced new non-stop flights to Los Angeles in late 2014 and early 2015, respectively.

The Airport is classified as a medium hub facility by the Federal Aviation Administration (the "FAA"). A "medium hub facility" is defined as a facility that enplanes between 0.25% and 0.50% of all passengers enplaned on certificated route air carriers in all services in the 50 states, the District of Columbia, and other designated territorial possessions of the United States. According to Airports Council International – North America ("ACI-NA"), an airport industry group, the Airport ranked 43rd based on preliminary total U.S. airport's passenger traffic for calendar year 2013. For the calendar year ended December 31, 2014, the Airport enplaned approximately 4.2 million passengers. Airport management has determined that approximately 90% of the Airport's domestic passenger traffic is origination and destination in nature, which is important because it demonstrates strong travel to and from the City independent from any one airline's hubbing strategies. A variety of services are available to the traveling public from approximately 245 commercial businesses, which lease facilities at the Airport and Stinson Municipal Airport ("Stinson" and, together with the Airport, the "Airport System").

The City updated the Master Plan ("Vision 2050") for the Airport, which was approved by City Council on March 31, 2011 and provides direction for the development of the Airport for five, ten, and 20 years into the future. For the five-year plan, the Vision 2050 update recommends modest improvements to complement the Capital Improvement Plan (defined below). Among the recommended improvements to be financed and constructed by the City are renovating and renewing Terminal A, land acquisition, and constructing a taxiway connector, Airport maintenance facility, and an administrative center. Additionally, recommended improvements included in Vision 2050 to be financed and constructed by non-City sources, such as the CFC and third party and/or tenant financing, include an expansion of the Airport fuel farm, a consolidated rental car center and short-term parking garage (which is represented by the CONRAC Facility and the Public Parking Area, respectively), and the expansion of tenant ground service equipment maintenance and storage facilities.

Stinson, located on 300 acres approximately 5.2 miles southeast of the City's downtown business district, was established in 1915, and is one of the country's first municipally owned airports. It is the second oldest continuously operating airport in the U.S. and is the FAA's designated general aviation reliever airport to the Airport. The Airport Master Plan for Stinson was updated in May 2013 to establish a long range development strategy or "blueprint" for the sustained, and fiscally responsible, growth of the Airport through 2031. The Airport Master Plan for Stinson seeks to balance airport growth against the need to minimize impacts on the surrounding environment. In doing so, the study focused on optimizing operations at the airport, providing flexible options for growth, while identifying possible areas suitable for new facilities.

Associated with Stinson, the City entered into an Airport Project Participation Agreement with TxDOT for a Federally Assisted Airport Development Grant on April 11, 2013 for engineering/design services for: evaluation of FAA Advisory Circular 1050/5300-13A on Runway 14/32 and Taxiway A; overlay and mark Runway 14/32; overlay Taxiway A, B, and C; replace medium intensity lights on Taxiway A, B, and C; replace medium intensity runway lights on Runway 14/32; upgrade airfield guidance signs on Runway 14/32 and Taxiway A, B, and C. A second agreement with TxDOT was made on April 18, 2013 for engineering/design services to relocate the air traffic control tower.

**Capital Improvement Plan**

The adopted six-year (fiscal years 2015 – 2020) Capital Improvement Plan (the "CIP") totals approximately $261 million, which is comprised of certain projects including the design and construction of the CONRAC, airfield improvements, land acquisition, residential acoustical treatment, road improvements, aircraft apron expansion, and cargo improvements.

The CIP consists of the following:

*Terminal Facilities*

- Terminal A Renovations and Refurbishments, Phase II. This project is for design and construction for the expansion of the customs facility in Terminal A which will be constructed in phases along with addressing building infrastructure not captured in the first phase.
- TSA-Advanced Surveillance Program. This project provides greater surveillance of the various Terminal locations to enhance security, aid in the speedy resolution of claims, and assist in the resolution of law enforcement issues.
- Terminal A Security Checkpoint Expansion. This project designs and constructs the expansion of Terminal A Security Checkpoint for additional security lines and provides a connector between Terminals A and B to improve checkpoint congestion.

*Airfield Improvements*

- Terminal Area Reconstruction. Phased to minimize construction impacts on airport operations. Package I provides the reconstruction of the southeastern section of Taxiway G, from Runway 4/22 to Taxiway A. Package II provides a reconstruction of Taxiway G at intersections of Taxiway N and L, along with the South Inner Taxilane parallel to Terminal A.
- Perimeter Road Reconstruction. This project provides for the design and phased reconstruction of critical areas of the perimeter road.

*Acoustical Treatment Program*

- Acoustical Program. Continuation of the Residential Acoustical Treatment Program.

*Other Projects*

- Consolidated Rental Car Facility. This project provides a consolidated rental car facility, which centralizes Airport rental car operators into a single facility. This is the CONRAC Facility described herein. (See "PLAN OF FINANCE – The Project".)
- Support Service Building. Provides for the construction of an administrative office facility to house the Airport System staff.
- Outside Plant Campus IT Ring. This project will complete the Outside Plant Communication Ring around the campus.
- Other Capital Projects. Miscellaneous projects at the Airport and at Stinson.

The anticipated sources of funding for the CIP are as follows:

| Funding Sources | Projected Funding ($) |
|---|---|
| **Federal Grants** | |
| Entitlements | 6,400,000 |
| Discretionary | 16,623,760 |
| **General Discretionary** | |
| Noise Discretionary | 6,400,000 |
| TxDOT Grant | 50,000 |
| **Passenger Facility Charges ("PFCs")** | |
| Pay-As-You-Go | 122,500 |
| PFC-Secured Bonds | 1,600,000 |
| **Other Funding** | |
| Airport Funds | 71,919,251 |
| Airport Revenue Bonds | 6,937,278 |
| Customer Facility Charge Bonds | 150,551,805 |
| **Total** | **260,604,594** |

The CIP includes capital improvements, which are generally described as follows:

| Improvement | Amount ($) |
|---|---|
| **Airport** | |
| Terminal Facilities | 17,249,134 |
| Airfield Improvements | 31,278,773 |
| Acoustical Treatment Program | 8,300,000 |
| Consolidated Rental Car Facility | 150,551,805 |
| Other Projects | 48,325,882 |
| **Stinson** | 4,899,000 |
| **Total** | **260,604,594** |

*PFC Projects.* Public agencies wishing to impose PFCs are required to apply to the FAA for such authority and must meet certain requirements specified in 49 USC § 40117, and the implementing regulations issued by the FAA.

The FAA issued a "Record of Decision" on August 29, 2001 approving the City's initial PFC application. The City, as the owner and operator of the Airport, received authority to impose a $3.00 PFC and to collect, in the aggregate, approximately $102,500,000 in PFC Revenues. On February 15, 2005, the FAA approved an application amendment increasing the PFC funding by a net amount of $13,893,537. On February 22, 2005, the FAA approved the City's application for an additional $50,682,244 in PFC collections to be used for 11 new projects. On June 26, 2007, the FAA approved two amendments to approved applications increasing the PFC funding by a net amount of $121,611,491 for two projects and $67,621,461 for four projects. Additionally, the FAA approved the increased collection rate from $3.00 to $4.50, effective October 1, 2007. In May 2010, the FAA approved amendments to the City's PFC collection authorization to increase the scope of the PFC funding for certain PFC projects and permitted the addition of several elements. The May 28, 2010 FAA approvals increased the PFC funding amount from

$380,958,549 to $574,569,629. On March 18, 2015, the City submitted an amendment to reduce the PFC collection authority from the current amount of approximately $573.8 million to approximately $463.7 million (a reduction of approximately $110.1 million). This reduction is due to (i) estimated finance and interest costs were overstated in the submittals compared to actual finance and interest costs and (ii) lower project costs in some cases. The FAA issued the Final Agency Decision on April 13, 2015, approving the proposed PFC amendment.

On October 1, 2007, the City began collecting a $4.50 PFC (less an $0.11 air carrier collection charge) per qualifying enplaned passenger. The City has received PFC "impose and use" authority, meaning that it may impose the PFC and use the resultant PFC Revenues for all projects, contemplated to be completed using proceeds of the Parity PFC Bonds. As of May 31, 2015, the City has collected $176,221,081.79 (unaudited) in PFC Revenues since authority to impose and collect the PFC was received. The estimated PFC collection expiration date is June 1, 2028.

To date, the following projects have been approved as "impose and use" projects:

- Replace Remain Overnight Apron
- Implement Terminal Modifications
- Reconstruct Perimeter Road
- Construct New Terminal B
- Acoustical Treatment Program
- Construct Elevated Terminal Roadway
- Upgrade Central Utility Plant
- Construct Apron – Terminal Expansion
- Install Utilities – Terminal Expansion
- Replace Two Aircraft Rescue and Fire Fighting Vehicles
- Conduct Environmental Impact Statement
- Reconstruct Terminal Area Roadway
- Install Noise Monitoring Equipment
- Install Terminal and Airfield Security Improvements
- Install Airfield Electrical Improvements
- PFC Development and Administration Costs

*CFC and CFC Projects.* As described in greater detail herein, the City Council, by ordinance adopted on March 8, 2012, authorized the Airport to impose the collection of a $4.50 per Transaction Day CFC for rental car customers to pay for all costs and expenses associated with the planning, financing, construction and certain other costs for the CONRAC Facility. The RACs began collecting the CFC on all car rentals at the Airport on April 1, 2012. The CFC was reapproved at a collection rate of $5.00 per Transaction Day, effective July 1, 2015, pursuant to the CFC Ordinance adopted by the City Council on June 18, 2015. As of May 31, 2015, the City has received $28,281,275 (unaudited) in CFC Revenues since the April 1, 2012 inception of the CFC. The CFC is being used to support a majority of the costs of the Project. (See "PLAN OF FINANCE".)

**Airport Operations**

Direct supervision of airport operations is managed by the Department of Aviation (the "Department"). The Department is responsible for: (i) managing, operating, and developing the Airport System and any other airfields that the City may control in the future; (ii) negotiating leases, agreements, and contracts; (iii) computing and supervising the collection of revenues generated by the Airport System under its management; and (iv) coordinating aviation activities under the FAA.

The Department is an enterprise fund of the City. The operations and improvements at the Airport and Stinson are paid for by airport user charges, bond funds, and funds received from the FAA. No general tax fund revenues are used to operate or maintain the Airport System. The City Council appoints a 19-member Airport Advisory Commission (the "AAC" or the "Commission"). The Commission's primary purpose is to advise the Department regarding policies, including any noise-related issues affecting the Airport System and air transportation initiatives.

Frank R. Miller, Aviation Director, has overall responsibility for the management, administration and planning of the Airport System. Mr. Miller has an experienced staff to aid him in carrying out the responsibilities of his position. The principal members of the Department's staff include the Director, the Assistant Aviation Director – Operations, the Assistant Aviation Director – Finance and Administration, and the Assistant Aviation Director – Planning and Development, Construction, and Facilities Maintenance.

The Airport System has police and fire departments on premises. The police and fire fighters are assigned to duty at the Airport System from the City's police and fire departments, but their salaries are paid by the Department as an operation and maintenance expense of the Airport System.

The FAA has regulatory authority over navigational aid equipment, air traffic control, and operating standards for the Airport System.

The passage of the Aviation and Transportation Security Act in November of 2001, created the Transportation Security Administration ("TSA"). The Department has worked closely with the TSA to forge a higher level of security for the traveling public. TSA employs about 300 individuals at the Airport System to meet the federal security requirements.

As of October 1, 2014, the Airport System has 458 authorized positions:

| | |
|---|---|
| Planning, Development & Maintenance | 159 |
| Airport Operations | 142 |
| Police | 58 |
| Fire Rescue | 32 |
| Finance & Administration | 31 |
| Aviation Director | 28 |
| Stinson Airport | 8 |

*Senior Management.*

Aviation Director. Frank R. Miller, A.A.E., has over 30 years' experience managing airports. He has held the position of Aviation Director with the City since 2009. He held the position of Airport Director in Pensacola, Florida for 22 years prior to joining the City. He has held similar positions in Juneau, Alaska, and with the Walker Field Airport Authority in Grand Junction, Colorado. Mr. Miller is a member of the Governing Board for ACI-World. Mr. Miller has previously served as Chairman of ACI-NA's Small Airports Committee and served on the ACI-NA Board of Directors in 2000-2001 and 2004-2006. Mr. Miller is a member of the American Association of Airport Executives ("AAAE") and has served on the AAAE Board of Directors. Mr. Miller is also a member of the Texas Commercial Airports Association and served as Treasurer from 2011-2012. Mr. Miller was Chairman of the Secure Airports for Florida's Economy Council created by the Florida legislature and charged with identifying new and innovative financing sources to help Florida's airports address increasing security and infrastructure needs. Mr. Miller is also past president of the Southeast Chapter of AAAE and of the Florida Airport Managers Association and past chair of the Northwest Region of the Continuing Florida Aviation System Planning Process and of the statewide CFASPP committee.

Assistant Aviation Director – Finance and Administration. Ellen Erenbaum is responsible for Airport System finance, properties, procurement and administration. Ms. Erenbaum has over 30 years' experience in airport management. She has held the position of Assistant Aviation Director since June 2010. Prior to joining the City, she was with the Houston Airport System for 12 years. She also has airport related experience with the Piedmont Triad Airport Authority, KPMG Peat Marwick's Airport Consulting Group, and the City of Atlanta Finance Department. She has participated in the issuance of over $4.0 billion of airport revenue bonds. Ms. Erenbaum is an active member of the ACI-NA Economic Committee and the ACI-NA CFO Forum. Ms. Erenbaum earned a Master of Business Administration in real estate and urban affairs from Georgia State University and a Bachelors of Business Administration in accounting from Oglethorpe University. Ms. Erenbaum is an accredited International Airport Professional ("IAP").

Assistant Aviation Director – Planning and Development, Construction, and Facilities Management. Loyce D. Clark has accomplished more than 44 years combined experience in management in the areas of aviation, airport consulting, airport management and development, real estate, property development, planning and regulatory affairs interface. Mr. Clark has held the position of Assistant Aviation Director since January 2011, overseeing the

Planning and Development, Facilities, Airside, and Landside Maintenance, Information Technology, Environmental Stewardship, Custodial and Terminal Services. His career includes the founder, President and Owner of Excel Aviation Consulting Service, a small airport consulting firm, a practicing Architect with the firm of Wiseman, Bland, Foster and O'Brian Architects, Apprentice Air Traffic Controller with the Federal Aviation Administration, Manager of Design and Engineering with Trammell-Crow Corporation, Project Manager and Manger of Properties and Facilities with Federal Express Corporation, and Director of Planning and Development with Birmingham Airport Authority where he managed over $900 million of capital projects over approximately 20 years. Mr. Clark was successful in the development of many public and private facilities throughout the eastern, southeastern and southwestern United States including 499 facilities with Federal Express Corporation. He has chaired many boards and served in the capacity of president with various private and non-profit boards and private organizations such as Kiwanis International, National YMCA, and Travelers Aid Society. He holds a degree in Architectural Engineering from West Tennessee Community College and is a Commissioned Kentucky Colonel.

Assistant Aviation Director – Operations. Tim O'Krongley, A.A.E., has held the position of Assistant Aviation Director since 2007. Mr. O'Krongley has over 20 years of experience in airport management and currently oversees the Operations Unit, which includes Security, Communications, Strategic Planning, ARFF, Safety Management Systems ("SMS"), Wildlife, Parking/Ground Transportation, Operations, and Stinson. Mr. O'Krongley has also overseen other divisions at the Airport, including Planning and Development, Facilities and Airfield Maintenance, Business Development, Information Technology Environmental Stewardship. Prior to his appointment as the Assistant Aviation Director, Mr. O'Krongley was the Airport Manager for Stinson for nine years. During his tenure at Stinson, Stinson experienced the largest growth since World War II, to include an expanded terminal building, a runway extension, a new Master Plan, an increase in tenant occupancy from 50% to 100% and aircraft operations tripled to 165,000 operations per year. Mr. O'Krongley earned his Masters of Science and Bachelors of Science degrees from Embry-Riddle Aeronautical University and is an Accredited Airport Executive (A.A.E.) and an Accredited IAP.

Airport Advisory Commission. As stated earlier, the Airport Advisory Commission, or "AAC", is comprised of 19 members appointed by City Council at-large for staggered two-year terms. Membership on the AAC includes representation from the following: (i) three aviation industry members, including but not limited to, representatives from the military, commercial airlines, national air transportation association, national business aircraft association, aircraft manufacturers, private aircraft pilots, and Airline Pilots Association; (ii) six community representatives to include a minimum of four neighborhood associations from neighborhoods located near the Airport, each representing a different association; (iii) two travel and tourism industry representatives; (iv) five business community representatives to include one local Chamber of Commerce representative; one taxi cab industry representative; one Airport business - lessee; one Alamo Area Council of Governments representative; and one FAA representative. The purpose of the AAC is to advise the City's Aviation Director on policies affecting the City's Airport System and air transportation initiatives.

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## FINANCIAL ANALYSIS

### Airport Activity

The following Tables 1 through 6 present historical operating performance of the Airport System, all of which have been prepared by the City's Aviation Department.

The total domestic and international enplaned passengers at the Airport on a monthly basis, along with year to year percentage changes for each of the last five calendar years are shown as follows:

**Total Domestic and International Enplaned Passengers** **Table 1**

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| January | 286,314 | 291,442 | 300,104 | 301,797 | 301,855 |
| February | 266,241 | 271,345 | 288,861 | 286,286 | 278,607 |
| March | 347,406 | 354,980 | 356,855 | 363,612 | 363,472 |
| April | 342,751 | 337,932 | 341,161 | 344,955 | 350,667 |
| May | 344,753 | 354,245 | 350,308 | 356,178 | 365,538 |
| June | 377,165 | 382,325 | 380,919 | 383,576 | 394,884 |
| July | 398,187 | 384,521 | 388,330 | 381,639 | 409,555 |
| August | 338,102 | 342,832 | 352,989 | 340,113 | 355,064 |
| September | 304,635 | 321,083 | 303,788 | 305,816 | 317,860 |
| October | 349,750 | 350,901 | 347,570 | 351,458 | 358,858 |
| November | 330,582 | 338,426 | 348,831 | 337,121 | 333,621 |
| December | 336,184 | 341,749 | 343,648 | 366,488 | 361,410 |
| Total | 4,022,070 | 4,071,781 | 4,103,364 | 4,119,039 | 4,191,391 |
| Increase (Decrease) Over Prior 12-Month Period | | 49,711 | 31,583 | 15,675 | 72,352 |
| % Increase (Decrease) Over Prior 12-Month Period | | 1.24% | 0.78% | 0.38% | 1.76% |

*[The remainder of this page is intentionally left blank.]*

The total enplanements at the Airport by airline for each of the last five calendar years are shown below:

**Domestic and International Enplaned Passengers by Airline** **Table 2**

| Airlines | 2010 | | 2011 | | 2012 | | 2013 | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number | % Total | Number | % Total | Number | % Total | Number | % Total | Number | % Total |
| ABC Aerolineas dba InterJet[(1)] | -- | -- | -- | -- | 75,281 | 1.83 | 101,140 | 2.46 | 101,527 | 2.42 |
| Aerolitoral[(2)] | 22,890 | 0.57 | 28,862 | 0.71 | -- | -- | -- | -- | -- | -- |
| Aeromexico | 106 | 0.00 | 44,181 | 1.08 | 79,984 | 1.95 | 69,174 | 1.68 | 56,963 | 1.36 |
| AirTran[(3)] | 135,917 | 3.38 | 115,315 | 2.83 | -- | -- | -- | -- | -- | -- |
| Alaska Airlines[(1)] | -- | -- | -- | -- | 13,846 | 0.34 | 49,809 | 1.21 | 50,280 | 1.20 |
| American | 724,228 | 18.01 | 691,986 | 16.99 | 697,723 | 17.00 | 660,081 | 16.03 | 689,482 | 16.45 |
| American Eagle[(4)] | -- | -- | 18,809 | 0.46 | -- | -- | -- | -- | -- | -- |
| Atlantic Southeast[(5)] | -- | -- | 36,128 | 0.89 | -- | -- | -- | -- | -- | -- |
| Continental[(6)] | 436,879 | 10.86 | 399,848 | 9.82 | -- | -- | -- | | -- | -- |
| Delta | 561,028 | 13.95 | 609,943 | 14.98 | 641,332 | 15.63 | 618,427 | 15.01 | 602,157 | 14.37 |
| Frontier | 62,120 | 1.54 | 81,709 | 2.01 | 15,931 | 0.39 | -- | -- | -- | -- |
| Mexicana | 42,342 | 1.05 | -- | -- | -- | -- | -- | -- | -- | -- |
| SkyWest | 170,108 | 4.23 | -- | -- | -- | -- | -- | -- | -- | -- |
| Southwest | 1,497,648 | 37.24 | 1,519,659 | 37.32 | 1,701,994 | 41.48 | 1,732,478 | 42.06 | 1,748,380 | 41.71 |
| United | 104,617 | 2.60 | 296,296 | 7.28 | 627,886 | 15.30 | 619,712 | 15.04 | 665,649 | 15.88 |
| US Airways | 198,139 | 4.93 | 207,994 | 5.11 | 218,585 | 5.33 | 238,768 | 5.80 | 234,504 | 5.60 |
| Viva AeroBus[(1)] | -- | -- | -- | -- | 15,249 | 0.37 | 7,109 | 0.17 | 1,590 | 0.04 |
| Other Carriers | 66,048 | 1.64 | 21,051 | 0.52 | 15,553 | 0.38 | 22,341 | 0.54 | 40,859 | 0.97 |
| Total | 4,022,070 | 100.00 | 4,071,781 | 100.00 | 4,103,364 | 100.00 | 4,119,039 | 100.00 | 4,191,391 | 100.00 |
| % Increase (Decrease) Over Prior 12-Month Period | | | 1.24% | | 0.78% | | 0.38% | | 1.76% | |

(1) Commenced operations in 2012.
(2) Combined and shown under Aeromexico beginning in 2012.
(3) Combined and shown under Southwest.
(4) Combined and shown under American.
(5) Combined and shown under Delta.
(6) Combined and shown under United.

*[The remainder of this page intentionally left blank.]*

The total enplaned and deplaned international passengers at the Airport are shown below:

**Total Enplaned and Deplaned International Passengers** **Table 3**

| | 2010 | 2011 | 2012[1] | 2013[2] | 2014 |
|---|---|---|---|---|---|
| January | 12,526 | 8,705 | 27,029 | 38,614 | 37,488 |
| February | 10,094 | 9,854 | 22,337 | 27,331 | 25,047 |
| March | 13,441 | 14,600 | 28,677 | 37,564 | 31,032 |
| April | 13,203 | 13,996 | 28,766 | 35,241 | 32,637 |
| May | 13,001 | 13,684 | 27,550 | 35,683 | 34,570 |
| June | 13,284 | 13,370 | 38,127 | 42,877 | 42,407 |
| July | 19,274 | 19,222 | 50,764 | 53,630 | 52,933 |
| August | 12,579 | 13,116 | 43,086 | 45,861 | 45,247 |
| September | 6,701 | 11,125 | 28,033 | 32,141 | 34,611 |
| October | 7,023 | 11,388 | 33,690 | 34,997 | 37,660 |
| November | 7,605 | 14,351 | 44,274 | 41,140 | 39,629 |
| December | 8,239 | 38,620 | 49,385 | 49,530 | 51,504 |
| Total | 136,970 | 182,031 | 421,718 | 474,609 | 464,765 |
| Increase (Decrease) | | | | | |
| Over Prior 12-Month Period | | 45,061 | 239,687 | 52,891 | (9,844) |
| % Increase (Decrease) | | | | | |
| Over Prior 12-Month Period | | 32.90% | 131.67% | 12.54% | (2.07%) |

(1) The increase in total enplaned and deplaned international passengers from 2011 to 2012 is attributable to three new airlines operating in 2012. These airlines are AirTran, InterJet, and Viva AeroBus.
(2) Calendar year 2013 international passengers total was revised to reflect the latest available information.

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The historical aircraft landed weight at the Airport, in 1,000 pound units, by air carrier, in the designated calendar year is shown below. Landed weight is utilized in the computation of the Airport's landing fee.

**Air Carrier Landed Weight (1,000 lbs.)** **Table 4**

| Carriers | 2010 | | 2011 | | 2012 | | 2013[8] | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Weight | % Total | Weight | % Total | Weight | % Total | Weight | % Total | Weight | % Total |
| ABC Aerolineas dba InterJet[1] | -- | -- | -- | -- | 120,015.30 | 2.07 | 133,097.30 | 2.30 | 137,062.40 | 2.42 |
| Aerolitoral[2] | 25,022.50 | 0.45 | 32,630.00 | 0.57 | -- | -- | -- | -- | -- | -- |
| Aeromar | 576.70 | 0.01 | 202.40 | 0.00 | -- | -- | -- | -- | -- | -- |
| Aeromexico | 279.00 | 0.00 | 57,702.00 | 1.01 | 103,109.20 | 1.77 | 92,191.20 | 1.59 | 61,335.50 | 1.08 |
| AirTran[3] | 154,698.50 | 2.75 | 121,632.50 | 2.13 | -- | -- | -- | -- | -- | -- |
| Alaska Airlines[1] | -- | -- | -- | -- | 15,266.30 | 0.26 | 52,898.10 | 0.92 | 51,905.40 | 0.92 |
| American | 763,731.00 | 13.56 | 739,589.00 | 12.96 | 729,526.20 | 12.55 | 734,065.70 | 12.69 | 742,969.60 | 13.12 |
| American Eagle[4] | 17,943.30 | 0.32 | 26,666.00 | 0.47 | -- | -- | -- | -- | -- | -- |
| Atlantic Southeast[5] | 11,438.60 | 0.20 | 40,639.90 | 0.71 | -- | -- | -- | -- | -- | -- |
| Chautauqua | 3,875.20 | 0.07 | -- | -- | -- | -- | -- | -- | -- | -- |
| Comair | 19,762.70 | 0.35 | 94.00 | 0.00 | -- | -- | -- | -- | -- | -- |
| Compass Air[5] | 67,941.90 | 1.21 | 66,691.10 | 1.17 | -- | -- | -- | -- | -- | -- |
| Continental[6] | 475,545.00 | 8.44 | 442,583.00 | 7.75 | -- | -- | -- | -- | -- | -- |
| Continental Express | 20,828.00 | 0.37 | 20,846.30 | 0.37 | -- | -- | -- | -- | -- | -- |
| Delta | 487,363.10 | 8.65 | 625,328.70 | 10.96 | 769,667.60 | 13.24 | 797,096.90 | 13.78 | 740,963.20 | 13.09 |
| Federal Express | 334,244.70 | 5.93 | 401,113.80 | 7.03 | 414,223.80 | 7.13 | 446,275.90 | 7.71 | 464,246.70 | 8.20 |
| Frontier | 77,483.80 | 1.38 | 94,732.90 | 1.66 | 17,568.40 | 0.30 | -- | -- | -- | -- |
| Go Jet[6] | 78,658.00 | 1.40 | 74,169.00 | 1.30 | -- | -- | -- | -- | -- | -- |
| Martinaire | 5,233.00 | 0.09 | 4,972.50 | 0.09 | -- | -- | -- | -- | -- | -- |
| Mesa | 18,425.00 | 0.33 | -- | -- | -- | -- | -- | -- | -- | -- |
| Mesaba[5] | 76,753.90 | 1.36 | 40,403.80 | 0.71 | -- | -- | -- | -- | -- | -- |
| Mexicana | 62,251.40 | 1.11 | 142.20 | 0.00 | 80.00 | 0.00 | -- | -- | -- | -- |
| Northwest[7] | 17,601.50 | 0.31 | -- | -- | -- | -- | -- | -- | -- | -- |
| Pinnacle[5] | 42,308.70 | 0.75 | 19,492.30 | 0.34 | -- | -- | -- | -- | -- | -- |
| SkyWest | 205,167.50 | 3.64 | -- | -- | -- | -- | -- | -- | -- | -- |
| Spirit | 138.00 | 0.00 | -- | -- | -- | -- | -- | -- | -- | -- |
| Southwest | 1,932,976.00 | 34.32 | 1,929,756.00 | 33.81 | 2,140,012.00 | 36.82 | 2,163,256.00 | 37.40 | 2,058,814.00 | 36.37 |
| US Airways | 230,879.40 | 4.10 | 235,673.30 | 4.13 | 247,815.20 | 4.26 | 264,650.10 | 4.58 | 270,185.60 | 4.77 |
| United | 60,506.30 | 1.07 | 270,513.90 | 4.74 | 744,779.10 | 12.82 | 721,435.60 | 12.47 | 764,769.30 | 13.51 |
| United Parcel | 297,698.60 | 5.29 | 330,302.10 | 5.79 | 366,660.90 | 6.31 | 262,089.60 | 4.53 | 256,428.50 | 4.53 |
| Viva AeroBus[1] | -- | -- | -- | -- | 17,898.00 | 0.31 | 8,715.40 | 0.15 | 2,513.20 | 0.04 |
| Other Carriers | 142,871.70 | 2.54 | 131,417.10 | 2.30 | 125,605.10 | 2.16 | 108,965.80 | 1.88 | 110,360.10 | 1.95 |
| Total | 5,632,203.00 | 100.00 | 5,707,293.80 | 100.00 | 5,812,227.10 | 100.00 | 5,784,737.60 | 100.00 | 5,661,553.50 | 100.00 |

[1] Commenced operations in 2012.
[2] Combined and shown under Aeromexico beginning in 2012.
[3] Combined and shown under Southwest.
[4] Combined and shown under American.
[5] Combined and shown under Delta.
[6] Combined and shown under United.
[7] Ceased as Northwest and become Delta as of January 1, 2010.
[8] Calendar year 2013 air carrier landed weight was revised to reflect the latest available information.

The following represents a summary of cargo activities at the Airport by calendar year:

**Enplaned Air Cargo Weights (U.S. Tons)** **Table 5**

| Calendar Year | Mail | Freight | Total Cargo | % Change |
|---|---|---|---|---|
| 2010 | 13,412.89 | 45,154.32 | 58,567.21 | -- |
| 2011 | 14,824.95 | 43,488.21 | 58,313.16 | (0.43) |
| 2012 | 15,046.02 | 40,224.04 | 55,270.06 | (5.22) |
| 2013 | 16,634.27 | 35,067.62 | 51,701.89 | (6.46) |
| 2014 | 17,821.48 | 36,857.80 | 54,679.28 | 5.76 |

Tables 6 and 7 reflect the historical performance of parking operations at the Airport. The current parking rates at the Airport are shown below.

**Current Parking Rates (effective October 1, 2014)** **Table 6**

| | |
|---|---|
| **Hourly Parking Rates** | |
| First 15 Minutes | Free |
| 16 Minutes – ½ Hour | $2 |
| ½ Hour – 1 Hour | $3 |
| 1 – 2 Hours | $5 |
| 2 – 3 Hours | $8 |
| 3 – 4 Hours | $11 |
| 4 – 5 Hours | $14 |
| 5 – 6 Hours | $18 |
| 6 – 24 Hours | $24 |
| Lost Ticket | $24 |
| **Long Term Parking Rates**[1] | |
| First 15 Minutes | Free |
| 16 Minutes – 1 Hour | $2 |
| 1 – 2 Hours | $4 |
| 2 – 3 Hours | $6 |
| 3 – 4 Hours | $8 |
| 4 – 24 Hours | $11 |
| Lost Ticket | $24 |

(1) The overflow parking lot is utilized once the long term parking lot is at full capacity at a rate of $8 per day. On June 18, 2015, the Airport amended the rate to $2 per hour with a maximum charge of $8 per day.

**Airport Parking System Revenues** **Table 7**

| | Fiscal Year Ended September 30 | | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Parking Revenues | $17,169,664 | $19,319,267 | $19,999,670 | $20,060,853 | $22,667,121 |
| Parking Expenses | (3,602,059) | (3,629,456) | (3,541,257) | (3,698,270) | (3,694,785) |
| Net Parking Revenues | $13,567,605 | $15,689,811 | $16,458,413 | $16,362,583 | $18,972,336 |
| Gross Parking Revenues as a % of Airport System Gross Revenues | 26.81% | 23.20% | 22.18% | 22.46% | 24.90% |
| Net Parking Revenues as a % of Airport System Net Revenues | 56.13% | 40.43% | 38.17% | 42.68% | 47.32% |
| Airport System Gross Revenues | $64,045,889 | $83,288,806 | $90,163,733 | $89,323,659 | $91,034,569 |
| Airport System Net Revenues | $24,172,125 | $38,808,642 | $43,114,987 | $38,336,258 | $40,096,367 |

*Source: City of San Antonio, Department of Finance.*

The historical financial performance of the Airport System for the fiscal years ending September 30 is shown in Tables 8 and 9 and has been provided by the City's Finance Department.

A comparison of the major categories comprising Gross Revenues and Operation and Maintenance Expenses for the past five fiscal years is shown below.

**Comparative Statement of Gross Revenues and Expenses** **Table 8**

| | Fiscal Year Ended September 30 | | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| **Gross Revenues** | | | | | |
| Airline Revenues | | | | | |
| Scheduled Carrier Landing Fees | $7,236,225 | $8,664,750 | $9,266,975 | $6,904,626 | $8,310,006 |
| Non-Scheduled Carrier Landing Fees | 2,360,307 | 1,446,665 | 1,570,581 | 1,054,829 | 1,219,699 |
| Terminal Building Rentals(1) | 11,973,132 | 19,007,289 | 16,550,453 | 15,979,397 | 15,075,197 |
| FIS Space Fees | 511,187 | 600,585 | 1,562,989 | 1,926,746 | 1,830,730 |
| Ramp Fees | 398,366 | 2,109,150 | 2,728,096 | 2,788,155 | 2,490,665 |
| Baggage Handling System Charges | -0- | 5,105,855 | 2,438,722 | 1,547,663 | 1,224,651 |
| Passenger Loading Bridges | -0- | 782,666 | 297,011 | 194,997 | 376,732 |
| City Gate Fees | -0- | -0- | 1,118,592 | 1,221,634 | 831,956 |
| Subtotal Airlines Revenues | $22,479,217 | $37,716,960 | $35,533,419 | $31,618,047 | $31,359,636 |
| Non-Airline Revenues | | | | | |
| Concession Contracts | $15,635,177 | $16,776,304 | $18,603,922 | $18,698,313 | $19,111,671 |
| Parking Fees | 17,169,664 | 19,319,267 | 19,999,670 | 20,060,853 | 22,667,121 |
| Property Leases | 7,488,208 | 7,697,458 | 7,533,494 | 7,632,686 | 7,674,649 |
| Stinson Airport | 331,355 | 401,957 | 372,843 | 343,983 | 329,679 |
| General Aviation Fuel | -0- | 593,364 | 597,077 | 599,487 | 595,879 |
| Interest Income | 192,354 | 186,599 | 211,455 | 348,876 | 291,622 |
| Misc. Revenues | 749,914 | 596,897 | 901,456 | 1,132,886 | 2,057,299 |
| Transfer from Other Funds | -0- | -0- | 5,432,543 | 8,003,233 | 6,066,119 |
| RON Fees | -0- | -0- | 977,854 | 885,295 | 880,894 |
| Subtotal Non-Airline Revenues | $41,566,672 | $45,571,846 | $54,630,314 | $57,705,612 | $59,674,933 |
| **Total Gross Revenues** | $64,045,889 | $83,288,806 | $90,163,733 | $89,323,659 | $91,034,569 |
| **Operating & Maintenance Expenses** | | | | | |
| Airfield Area | $2,499,112 | $2,189,071 | $-0- | $-0- | $-0- |
| Service Area | 354,503 | 291,297 | -0- | -0- | -0- |
| Terminal B | 3,156,933 | 3,414,755 | -0- | -0- | -0- |
| Terminal A | 4,601,709 | 4,857,592 | -0- | -0- | -0- |
| Fire & Rescue | 3,895,150 | 4,433,517 | 4,694,290 | 4,314,351 | 4,306,043 |
| Access | 833,489 | 728,766 | -0- | -0- | -0- |
| Central Plant | 659,252 | 609,264 | -0- | -0- | -0- |
| Commercial & Industrial | 41,676 | 78,246 | -0- | -0- | -0- |
| Other Buildings & Area | 37,927 | 25,532 | -0- | -0- | -0- |
| Parking | 3,602,059 | 3,629,456 | 3,541,257 | 3,698,270 | 3,694,785 |
| Stinson Airport | 704,100 | 641,799 | 658,596 | 723,107 | 775,251 |
| Administration | 8,822,961 | 10,577,136 | 12,081,007 | 14,224,694 | 14,414,896 |
| Maintenance & Control | 1,605,743 | 1,823,892 | 8,617,127 | 8,322,856 | 8,632,737 |
| Security | 5,822,768 | 5,813,629 | 6,272,464 | 6,784,156 | 7,310,119 |
| Operations | 1,276,138 | 1,228,199 | 1,280,662 | 1,328,252 | 1,448,867 |
| Ground Transportation | 636,006 | 723,263 | -0- | -0- | -0- |
| Contract Monitoring | 696,833 | -0- | -0- | -0- | -0- |
| Environmental Stewardship | 627,405 | 807,744 | 528,018 | 717,568 | 718,714 |
| Airport Safety/Wildlife Programs | -0- | 301,190 | 454,582 | 472,368 | 500,613 |
| Baggage Handling System | -0- | 2,250,199 | -0- | -0- | -0- |
| Passenger Loading Bridges | -0- | 55,617 | -0- | -0- | -0- |
| Airside & Landside Maintenance | -0- | -0- | 2,970,794 | 3,651,151 | 3,209,795 |
| Custodial & Terminal Service | -0- | -0- | 4,994,179 | 5,343,822 | 4,681,033 |
| Fleet Maintenance | -0- | -0- | 955,770 | 1,406,806 | 1,245,349 |
| **Total Operating & Maintenance Expenses** | $39,873,764 | $44,480,164 | $47,048,746 | $50,987,401 | $50,938,202 |
| **Net Revenues** | $24,172,125 | $38,808,642 | $43,114,987 | $38,336,258 | $40,096,367 |

(1) In 2010, the Signatory Airlines were eligible to receive a credit against their terminal rents, in an amount equal to 50% of funds available in excess of the 25% debt service coverage requirement after the payment of all Operation and Maintenance Expenses, debt service requirements, and deposits to the bond funds. Terminal building rentals are shown net of credit. Beginning in fiscal year 2011, there is no rebate; however, the Signatory Agreement provides for certain credits which will apply toward the next fiscal year's rates and charges. Therefore, the first credits are applied during fiscal year 2012.

**Airport Financial Update and Historical Debt Service Coverage**

As part of its annual Budget Process, the City re-estimates revenues and expenditures for the current fiscal year. During the most recent Budget Process, the fiscal year 2015 Net Revenues for the Airport System were projected at $31.44 million (exclusive of transfers for capital improvements and debt service).

The ratios of Gross Revenues and Net Revenues to the debt service requirements of the outstanding Parity GARBs for the past five fiscal years ended September 30 are shown below:

**Historical Debt Service Coverage** **Table 9**

| | Fiscal Year Ended September 30 | | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Gross Revenues[1] | $64,045,889 | $83,288,806 | $90,163,733 | $89,323,659 | $91,034,569 |
| Airline Rental Credit | 4,178,122 | -0- | -0- | -0- | -0- |
| Adjusted Gross Revenues | $68,224,011 | $83,288,806 | $90,163,733 | $89,323,659 | $91,034,569 |
| Operating Expenses | (39,873,764) | (44,480,164) | (47,048,746) | (50,987,401) | (50,938,202) |
| Net Revenues | $28,350,247 | $38,808,642 | $43,114,987 | $38,336,258 | $40,096,367 |
| Annual Debt Service Requirements | $17,150,414 | $24,985,745 | $23,044,827 | $23,940,121 | $23,314,205 |
| Less: Capitalized Interest | -0- | 734,451 | 1,391,591 | -0- | -0- |
| Less: PFC Allocated Debt Service | -0- | 1,803,587 | 3,597,679 | 3,599,179 | 3,812,929 |
| Net Annual Debt Service Requirements | $17,150,414 | $22,447,707 | $18,055,557 | $20,340,942 | $19,501,276 |
| Gross Revenue Debt Service Coverage[2] | 3.98x | 3.33x | 3.91x | 3.73x | 3.90x |
| Net Revenue Debt Service Coverage | 1.65x | 1.55x | 1.87x | 1.60x | 1.72x |
| Net Revenue Debt Service Coverage – Including Reduction of Debt Service Due to Capitalized Interest and PFC Allocated Debt Service[3] | 1.65x | 1.73x | 2.39x | 1.88x | 2.06x |

(1) As reported in the City's audited financial statements.
(2) Calculated using Gross Revenues adjusted for airline rental credit in fiscal year 2010.
(3) Beginning in fiscal year 2011, the Debt Service Coverage also includes the reduction of Debt Service due to PFC Allocated Debt Service.
*Source: City of San Antonio, Department of Finance.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Operating Statistics**

Operating Activity pertaining to domestic and international enplaned passengers (Table 1) increased by 4.2% for calendar year 2014 as compared to 2010. Operating activity for total enplaned and deplaned international passengers (Table 3) increased by 239.3% for calendar year 2014 as compared to 2010. Air carrier landed weight decreased by 0.5% for the same period.

**Airport Revenues**

Revenues from fiscal years 2010 through 2014 increased by 39.5%; over this same period, non-airline revenues grew by 43.6%. Airline revenues grew over this period due to the new facilities that came online as part of the Airport Expansion Program. As a result, new revenues were also realized from the consolidated baggage handling system and passenger loading bridges. Parking revenue increased due to adjustments to parking rates and a push for increased use of the long term parking garage. Concession revenues were stronger due to additional revenues from car rentals and the new concession revenue opportunities created by the opening of Terminal B. Finally, the new Airline agreement implemented in fiscal year 2011 replaced the Airline Refund calculation with certain credits which will apply towards the next fiscal year's rates and charges. Those credits were first applied in fiscal year 2012. Airline revenues, as a percentage of total revenues, have decreased from 35.1% to 34.4% while non-airline revenues, as a percentage of total revenues, have increased from 64.9% to 65.6%.

**Airport Expenditures**

Operating and Maintenance Expenses are maintained by cost centers. Operating and Maintenance Expenses increased at an average annual rate of 6.4% from fiscal year 2010 through fiscal year 2014. A significant portion of this increase has been in maintenance-related functions. Other factors which contributed to the average annual increase in cost include added security measures, utilities, insurance, wage adjustments, and IT systems support. fiscal year 2012 saw the implementation of a new cost center structure for the Airport System to better align operating budgets with airport division responsibilities. New cost centers were created and others deleted for fiscal year 2012.

## AIRPORT AGREEMENTS

**Airlines**

Historically, the City has had lease agreements (the "Signatory Agreements") with airlines operating at the Airport. The current Signatory Agreement(s) were executed with the Airlines on November 17, 2011. The new agreement is the culmination of more than three years of negotiations with the airlines and accomplished the Airport's primary goals of providing first class service to the traveling public and by keeping costs down while remaining in compliance with City policy for leasing and utilizing city-owned property to generate revenue. The term of the agreement is November 9, 2010 through September 30, 2015. All of the signatory airlines have agreed to extending the agreement for an additional two years. The City and airlines have the option of extending the agreement for an additional three years for a maximum term of ten years.

Under the Signatory Agreement, airline rents and fees recover the maintenance and operating (M&O) costs and the capital costs, including debt service coverage associated with each cost center and adjusted for certain credits. Capital costs are net of costs funded with grants or Passenger Facility Charges. Rents and fees are calculated annually based on the Airport budget. The over/under estimates of Airport revenue and expenses and estimated units (e.g., landed weight) used to calculate airline rents and fees are reconciled annually to the actual costs of Airport operations. The airlines are billed by the Airport for under estimates of costs and expenses and the City provides credit to the airlines for over estimates of costs and expenses.

As part of the Signatory Agreement, the Airlines formed the San Antonio Airport Consortium ("SAAC"), a Texas non-profit corporation, to perform certain maintenance and janitorial services. Initial areas include the maintenance of the consolidated BHS and PLB. In addition, in order to provide consistent maintenance throughout the public view areas (including hold rooms, public space, restrooms, common use airline space, etc.) of the terminals, SAAC will take over janitorial responsibilities of those areas. Airlines can also assign SAAC the responsibility for non-public view exclusive areas.

While the Airport underwent a Terminal Replacement, coinciding with the start date of the Signatory Agreements, the total number of gates remained the same. All the Airport passenger gates and terminal facilities will continue to be leased under preferential use or common use terms. The new preferential use provisions have been negotiated and allow for much greater flexibility in the Airport's management of gates and facilities. New provisions provide for recapture of under-utilized gates and the conversion of preferential gates to common use if minimum utilization requirements are not maintained.

Overall, the Airport Signatory Agreements maintain the Airport's flexibility to improve operational efficiency and continue to grow by providing a predictable and competitive cost structure for the airlines.

**Non-Airline Agreements**

*Car Rental*. The City receives revenues from all major national automobile rental companies under agreements which guarantee annual minimum rental amounts or if greater, a percentage of gross revenues from automobile rentals at both the Airport and Stinson. The City has agreements with eight rental car companies, including Advantage, Alamo, Avis, Budget, Dollar/Thrifty (operating under a dual marketing agreement), Enterprise, Hertz, and National, operating at counters in Terminal A at the Airport. The concession agreement has terms that expired June 30, 2013 and continue to operate on a month-to-month basis until the opening of the CONRAC. Additionally, Avis and Hertz occupy ground and buildings on Airport property for their service centers. These agreements will expire one year after the DBO of the CONRAC. These agreements produced $10,464,717 in revenue in fiscal year 2014.

*Terminal Concessions*. Terminal concessions include food and beverage, retail (news and gifts, and specialty shops), and duty-free merchandise. Other concessions include services such as luggage cart rentals, shoe shine, vending, and phone cards. These services are provided at both Airport terminals and revenues are collected based on the greater of a guaranteed annual minimum rental or a percentage of gross revenues. Concession space improvements completed in the landside terminal and Terminal A in CY 2002 and the new Terminal B have significantly improved the size of food and beverage concessions areas, specialty retail, and news and gifts shops, the location of these concession areas relative to major passenger flows, and the general attractiveness (aesthetics and décor) of the concession areas. Most food and beverage spaces are now located beyond the security checkpoints thereby providing opportunity for passengers to patronize the concessions at leisure before their flights. Concessions have introduced national-brand food outlets in new premises, enhancing the appeal of food concessions to many Airport passengers. These agreements produced $8,424,076 in revenue for fiscal year 2014. Seven of the food and beverage concession locations in Terminal A bid under a seven-year prime concession agreement completed in 2014.

Clear Channel Interspace provides advertising display services at the Airport under the terms of a ten-year agreement that extends to October 2017. Clear Channel interspace pays the City 60% on indoor static, 40% on indoor tech fees, with a minimum rent guarantee of $700,000. In fiscal year 2014, this agreement generated revenues to the City of $700,000.

Terminal concession revenues are forecast to adjust with passenger enplanements and general price inflation.

*Fixed Based Operators (“FBO”).* The Airport currently has four FBO’s. The FBO’s include Landmark Aviation, Signature Flight Support Services, Hallmark/Millionaire, and Sky Place. FBO ground leases vary in size from 363,000 square feet to approximately 700,000 square feet. Leased FBO hangars vary in size from a single hangar of 35,000 square feet to multiple hangars of 20,000 to 40,000 square feet. FBO lease terms expire from November 2012 through March 2037. These leases produced $1,491,634 in revenue in fiscal year 2014.

*Maintenance and Repair Operators*. ST Aerospace San Antonio, LP, a wide-body aircraft maintenance, repair and overhaul facility, leases over 2.3 million square feet of ground space and four hangars and backshop/office space totaling 575,000 square feet. In addition, ST Aerospace completed a seventh hangar of 128,000 square feet in January 2011. Current customers include Delta Airlines and United Parcel Service. ST Aerospace has over 1,000 permanent and contract employees. This lease produced $654,112 in revenue in fiscal year 2014.

M7 Aerospace, LP, a regional jet and military aircraft maintenance, repair, overhaul, and component repair facility, leases 1.1 million square feet of ground space and over 450,000 square feet of hangar/office space. M7 Aerospace, LP currently has over 300 employees at the San Antonio facility. The current ground and building lease was renewed in December 2010 for a term of ten years. The current lease agreement produced $804,000 in revenue in fiscal year 2014.

The Airport is also home to one major corporate jet maintenance, repair, and overhaul facilities, Cessna Citation Service Center (“Cessna”). Cessna leases approximately 373,000 square feet of ground space and occupies a tenant-owned maintenance hangar of 60,000 square feet. Cessna’s lease term expires October 2026. This lease agreement produced $124,777 in revenue in fiscal year 2014.

## FEDERAL LAW AFFECTING AIRPORT RATES AND CHARGES

Federal legislation affects the funding that the Airport receives, its PFC collections and the operational requirements imposed on it. In August 1994, the President of the United States signed into law the FAA Authorization Act of 1994 (the “1994 Act”) which continues the pre-existing federal requirement that airline rates and charges set by airports be “reasonable” and mandates an expedited administrative process by which the Secretary of Transportation (the “Secretary”) shall review rates and charges complaints, 49 U.S.C. § 47129. Under 49 U.S.C.§ 47129, an affected air carrier may file a written complaint requesting a determination of the Secretary as to reasonableness within 60 days after such earner receives written notice of the establishment or increase of such fee.

Congressional authorization for the FAA’s operating authority, including various federal aviation programs and excise taxes, expired in 2007 and was subsequently extended by Congress for only short time periods through February 2012. On February 14, 2012, the President signed into law the FAA Modernization and Reform Act of which establishes federal funding for the FAA for fiscal years 2012-2015. Failure of Congress to reauthorize the FAA’s operating authority beyond that period, or adverse changes in the conditions placed on such authority, may have an adverse impact on Airport operations over the long run because grants awarded under the FAA’s Airport Improvement Program have been a significant source of funding for the Airport.

## CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS

### General

The Bonds are special and limited obligations of the City, the principal of and interest on which is payable pursuant to the Ordinance solely from the Pledged Revenues. The ability to pay debt service on the Bonds will depend on the receipt of sufficient Gross Revenues, which is dependent on a number of factors (many of which are beyond the City’s control). The following is a discussion of certain investor considerations that should be taken into account in evaluating an investment in the Bonds. This discussion does not purport to be either comprehensive or definitive. Any one or more of the risks and other considerations discussed below, or any others, could lead to a decrease in the market value and/or marketability or liquidity of the Bonds. No assurance can be given that other risk factors and investment considerations will not become material in the future. The order in which risks are presented is not intended to reflect either the likelihood that a particular event will occur or the relative significance of such an event.

Further, the financial forecasts in this Official Statement are based generally upon certain assumptions and projections as to estimated revenues (including estimated CFC Revenues) and operating expenses. (See “REPORT OF THE AIRPORT CONSULTANTS” attached hereto as Appendix B.) Inevitably, some underlying assumptions and projections used to develop forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual receipts achieved during the forecast periods will vary from the forecasts, and such differences may be adverse and material.

In considering the matters set forth in this Official Statement, prospective purchasers should carefully review all investment considerations set forth throughout this Official Statement, specifically consider certain risks associated with the Bonds, and confer with their own legal, tax and financial advisors before considering a purchase of the Bonds.. The Bonds may not be suitable investments for all persons.

### Damage and Destruction

The City will maintain insurance in the amount and against such risks as are customarily insured against on-Airport property. There can be no assurance, however, that such property will not suffer extraordinary and unanticipated losses, for which insurance cannot be or has not been obtained, or that the amount of any such loss for the period during which the affected property is not available for use will not exceed the coverage of such insurance policies, which could negatively impact Gross Revenues.

**Vision 2050 and Access to Credit Markets**

As described herein under "THE AIRPORT SYSTEM – General", the City has adopted a Master Plan for capital improvements at the Airport known as Vision 2050. Vision 2050, as previously described, is grouped into five, ten, and 20 year project segments. The Vision 2050 projects included in the initial five-year grouping require a relatively small amount of bond financing (except for the Project, included within such initial five-year group and financing for which is being provided through the Bonds and the Concurrently Issued Bonds); however, other projects included within Vision 2050 will require more substantial amounts of bond financing for their completion. The credit markets experience substantial disruption from time to time. There can be no assurance as to the timing of any disruption or the extent of any recovery that may be made by the credit markets. If the City is unable to access the credit markets as a result of any such disruption, it is likely to have to delay the completion of certain projects until such time as the capital markets rebound. The effect of such delays could result in increased costs for such projects and a delay in the receipt of revenues for such projects.

**Project Completion and Impact of Insufficient CFC Revenues**

Though the Bonds are secured by a pledge of and lien on the Gross Revenues of the Airport System, the City anticipates that the debt service thereon will be paid from CFC Revenues that remain after paying debt service on (and funding related debt service reserves for) the Concurrently Issued Bonds. The City's collection of CFC Revenues is at least in part dependent upon successful and timely completion and operation of the Project, in general, and in particular, the CONRAC Facility. The ability of the construction manager at risk to complete the construction of the Project within budget and on schedule may be adversely affected by various factors. Although the construction contract is for a guaranteed maximum price, includes contingency amounts and payment and performance bonding that reduce the likelihood of budgetary problems, any of the following could impair timely completion of the Project within budget (though the pre-construction services that allows for working with the design team in developing the Project and assuring constructability is specifically intended to mitigate and/or eliminate many of these potential risks): (i) estimating errors, (ii) design and engineering errors, (iii) unforeseen site conditions, (iv) labor cost increases or other difficulties, (v) adverse weather conditions, (vi) unavailability or increased cost of building materials, (vii) contractor defaults, and (viii) litigation. In addition, the CONRAC Facility's ability to generate sufficient CFC Revenues to provide for the payment of debt service on the Concurrently Issued Bonds and the Bonds is predicated upon numerous assumptions and projections that are detailed in the "REPORT OF AIRPORT CONSULTANTS" attached hereto as Appendix B. See "CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS – Report of the Airport Consultant" for a description of certain risks inherent in the reliance upon such a report. An insufficiency of CFC Revenues available to pay debt service on the Bonds could result in an overall reduction in the financial metrics applicable to the Gross Revenues securing all Outstanding GARBS (including the Bonds).

**Airport Passenger Traffic**

The Airport's ability to generate Gross Revenues depends primarily upon sufficient levels of aviation activity and passenger traffic at the Airport. As the only commercial service airport serving the City and its metropolitan statistical area, the Airport's performance is dependent upon the City's status as a business and tourism destination. Additionally, the financial strength and stability of the airlines serving the Airport are key determinants of future airline traffic at the Airport.

Decreases in aviation activity and enplaned passenger traffic at the Airport will result in reduced Gross Revenues. The achievement of passenger traffic will depend partly on the profitability of the airline industry, including their ability to access capital and the ability of individual airlines to provide sufficient capacity to meet demand. A weak economy, war, pandemic illness, geophysical event, and the threat of terrorist activity reduce demand. At the Airport, a reduction in passenger traffic would, in addition to financial pressures upon the airlines providing service to the Airport, result in lower concession revenues, parking revenues, rental car revenues, and CFC Revenues. Additionally, a decrease in aviation activity at the Airport would likely result in an increase in landing fees and terminal rentals to offset the Airport's cost of providing these services as required by the Use Agreements. As landing fees and terminal rentals rise, airlines could elect to discontinue service at the Airport.

### General Factors Affecting Air Carrier Revenues

The revenues of both the Airport and the airlines serving the Airport may be materially affected by many factors including, without limitation, the following: national economic conditions; declining demand; service and cost competition; the availability of alternatives to air travel, such as video conferencing or new train or bus routes; mergers; the availability and cost of fuel and other necessary supplies; high fixed costs; high capital requirements; the cost and availability of financing; technological changes; national and international disasters and hostilities; the cost and availability of employees; strikes and other employee disruptions; the maintenance and replacement requirements of aircraft; the availability of routes and slots at various airports; litigation liability; regulation by the federal government; environmental risks and regulations; public health risks affecting travel; noise abatement concerns and regulation; deregulation; federal and state bankruptcy and insolvency laws; and other risks. Most of these factors are outside of the City's control.

In particular, national economic conditions influence aviation activity at the Airport. Economic expansion increases income, boosts consumer confidence, stimulates business activity, and increases demand. In contrast, an economic recession reduces income, diminishes consumer confidence, dampens business activity, and weakens demand. Many airlines, as a result of these and other factors, have operated at a loss in the past and several have filed for bankruptcy, ceased operations and/or have merged with other airlines. Although the national economy has improved, the recent domestic financial crisis has had, and may continue to have, negative repercussions upon the national economy, including a scarcity of credit, lack of confidence in the financial sector, extreme volatility in the financial markets, fluctuations in interest rates, reduced business activity, increased unemployment, increased consumer bankruptcies and increased business failures and bankruptcies.

In Texas the effect of falling oil prices on the state economy could influence aviation activity at the Airport. Although falling oil prices are advantageous to the operating costs of the airlines, Texas' oil companies have already started cutting capital budgets and laying off workers. Although the Texas economy is now more diverse than it was in the 1980s and is expected to continue growing, the outlook could change if oil prices continue to fall deeper and for much longer.

### General Factors and Uncertainties Affecting Airline Activity and the Airline Industry

Airports benefit from stable or growing air service when airlines are profitable. They risk losing service when airlines suffer financial hardship. The price of jet fuel affects airlines' financial health. The possibility for increases in fuel costs could escalate for a number of reasons, including if oil-producing countries are impacted by hostilities or choose to reduce output, which could also impact fuel availability. Until recently, rising fuel prices increased airline costs dramatically and contributed to significant industry losses.

There are numerous other factors that affect air traffic generally and the financial health of airlines. Demand for air travel is influenced by factors such as population, levels of disposable income, the nature, level and concentration of industrial and commercial activity in the service area and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination, the financial condition, cost structure and strategies of the airlines serving an airport, the willingness of competing airlines to enter into an airport market, the cost of operating at an airport and operating constraints (due to capacity, environmental concerns or other related factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport.

Since its deregulation in 1978, the airline industry has undergone significant changes that include a number of airline mergers, acquisitions, bankruptcies and closures. In addition, the financial results of the airline industry have been subject to substantial volatility since deregulation. The airline industry is highly competitive and susceptible to price discounting. Carriers have used discount fares to stimulate traffic during periods of slack demand, to generate cash flow and to increase market share. Airline profit levels are highly sensitive to changes in fuel costs, fare levels and passenger demand. Passenger demand and fare levels have in the past been influenced by, among other things, the general state of the economy (both internationally and domestically), international events, airline capacity and pricing actions taken by carriers. Further bankruptcy filings and major restructurings by airlines are still possible.

In recent years, the major U.S. airlines have sought to form marketing alliances with other U.S. and foreign air carriers. Such alliances generally provide for "code-sharing", frequent flyer reciprocity, coordinated scheduling of flights of each alliance member to permit convenient connections and other joint marketing activities. Such arrangements permit an airline to market flights operated by other alliance members as its own. This increases the destinations, connections and frequencies offered by the airline, which provide an opportunity to increase traffic on such airline's segment of flights connecting with alliance partners.

The financial strength and stability of the airlines serving the Airport are key determinants of future airline traffic at the Airport. In addition, individual decisions by the airlines regarding level of service at the Airport will affect total enplanements. No assurance can be given as to the levels of aviation activity that will be achieved by the Airport. There is no assurance that the Airport, despite a demonstrated level of airline service and operations over the years, will continue to maintain such levels in the future. The continued presence of the airlines serving the Airport (particularly, the major carriers providing such service), and the levels at which that service will be provided, are a function of a variety of factors. Future airline traffic the Airport will be affected by, among other things, the growth or decline in the population and the economy of the Airport's service region and by national and international economic conditions, federal regulatory actions, airline service, air fare levels and the operation of the air traffic control system.

**Airlines' Financial Reporting**

Certain of the certificated major domestic airlines (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and thus must file reports and other information with the SEC (defined herein). Certain information, including financial information, as of particular dates, concerning the certificated major domestic airlines (or their respective parent corporations) is disclosed in such reports and statements filed with the SEC. Such reports and statements can be inspected and copied at the public reference facilities maintained by the SEC in Washington, D.C. and at the SEC's regional offices around the country, which may be located by calling 1-800-SEC-0330. Copies of such reports and statements can be obtained from the Public Reference Section of the SEC at prescribed rates. The SEC also maintains a web site at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The SEC undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of such material. The City, the City's Co-Financial Advisors, and the Underwriters undertake no responsibility for and make no representations as to the accuracy or completeness of the content of any such material contained on the internet as described in the preceding sentences or elsewhere in this Official Statement, including (but not limited to) updates of such information or links to other internet websites accessed through any such aforementioned websites.

In addition, all major and certain other airlines are required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports can be obtained from the U.S. Department of Transportation at prescribed rates.

**Airline Mergers**

In recent years, and particularly since its deregulation in 1978, the U.S. airline industry has undergone substantial consolidation, and it may in the future undergo additional consolidation. The most recent examples of large mergers include Delta and Northwest in 2009, United and Continental in 2010, Southwest and AirTran in 2011, and American and US Airways in 2013. Airline mergers affect service and traffic at airports when they consolidate facilities, optimize route networks, and route connecting traffic through other hubs. The impact on affected airports is often immediate. The impact can be significant or trivial, depending upon whether the merging airlines have a large market share at the airport, they serve the same markets, and they carry significant connecting traffic through the airport.

**National Security and Threat of Terrorism**

Even with tightened security, terrorism remains a serious threat to the aviation industry. The recurrence of terrorism incidents against either domestic or world aviation targets remains a risk to achieving forecast aviation activity at the Airport. The federal government controls aviation industry security requirements, which can significantly impact the economics of the industry. Security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand. Stringent airport security screening and long waits at security screening lines discourage air travel particularly to destinations that can be reached by ground transportation within a reasonable amount of time. No assurance can be given that increased security precautions will be successful or that increased security costs or uncertainty will not materially affect travel demand or profitability. Another terrorist attack or any other event that undermines confidence in the safety of air travel likely would have an immediate and material adverse effect on air travel demand.

**Report of the Airport Consultants**

The revenue forecasts in the Report of the Airport Consultants (referred to herein as the "Report") are based upon certain assumptions set forth or incorporated therein. (See "THE REPORT OF THE AIRPORT CONSULTANTS" attached hereto as Appendix B.) The Report is not a guarantee of any future events or trends and the forecasts therein are subject to future economic and social conditions and demographic developments that cannot be predicted with certainty. Further, the estimates and assumptions in the Report are inherently subject to significant economic and competitive uncertainties and contingencies, many of which are beyond the control of the City. Neither the City nor the Airport Consultants can be responsible if actual results differ from the forecasts. Failure to achieve or realize any of the assumptions listed in the Report may have a materially adverse effect upon the CFC Revenues and/or Gross Revenues actually realized. No representation is made or intended nor should any representation be inferred with respect to the likely existence of any particular set of facts or circumstances, and prospective purchasers of the Bonds are cautioned not to place undue reliance on the forecasts in the Report or upon any other forecasts or projection.

**Considerations under Bankruptcy Code**

The City may be able to file for bankruptcy under Chapter 9 of the Bankruptcy Code. Should the City become the debtor in a bankruptcy case, the Bondholders may not have a lien on Gross Revenues received by the City after the commencement of the bankruptcy case unless either: (i) the pledge of such revenues by the City constitutes a "statutory lien" within the meaning of the Bankruptcy Code, or (ii) such revenues constitute "special revenues" within the meaning of the Bankruptcy Code. If Gross Revenues are not special revenues or if the Bondholders do not have a statutory lien on post-bankruptcy Gross Revenues, delays or reductions in payments to the Bondholders may result. There may also be delays in payments to the Bondholders while a court considers these issues. Even if a court determines that Gross Revenues are special revenues or that the Bondholders do have a lien on post-bankruptcy revenues, the court may permit the City to spend such revenues to pay Operation and Maintenance Expenses, notwithstanding any provision of the Ordinance to the contrary.

**Passenger Facility Charges**

The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the City) imposing the PFCs, except for any handling fee (which currently is $0.11 per PFC) or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. The airlines, however, are permitted to commingle PFC collections with other revenues, provided that they are not under bankruptcy protection. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the City cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one or more of the airlines operating at the Airport. The PFC Act requires an airline in bankruptcy protection to segregate PFC collections from all of its other revenues.

It is possible that the City could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the City cannot predict whether an airline operating at the Airport that files for bankruptcy protection would have properly accounted for the PFCs owed to the City or whether the bankruptcy estate would have sufficient moneys to pay the City in full for PFCs owed by such airline. **PFCs are not a component of the Gross Revenues**, but they do provide a significant source of Airport funding for projects that are included in Vision 2050.

**Regulations and Restrictions Affecting the Airport**

The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the airline use Agreements, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. The Airport also has been required to implement enhanced security measures mandated by the FAA, Department of Homeland Security, and Airport management.

It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the City, or whether such restrictions or legislation or regulations would adversely affect Gross Revenues.

**Competition and Alternate Modes of Transportation and Communication**

There are alternative forms of ground transportation at the Airport and other airports which compete with the Airport for air travelers. Competition could reduce passenger traffic and the demand for renting motor vehicles at the Airport. Alternate forms of ground transportation that compete with rental cars include taxis, buses, shuttle services, and limousines. Various forms of car-sharing and on-demand vehicle services are also becoming increasingly prevalent and popular with the public, and may offer competition that could reduce the demand for car rentals at the Airport. Technological improvements in communication could reduce the need for business travel.

**Limitations on Remedies**

The Bonds are not subject to acceleration under any circumstances or for any reason, including without limitation on the occurrence or continuance of an Event of Default. Upon the occurrence or continuation of an Event of Default, a Bondholder would only be entitled to principal and interest payments on the Bonds as they come due. Under certain circumstances, Holders of the Bonds may not be able to pursue certain remedies or enforce covenants contained in the Master GARB Ordinance. The enforcement of the remedy of mandamus may be difficult and time consuming. No assurance can be given that a mandamus or other legal action to enforce a default under the Indenture would be successful.

The remedies available under the Master GARB Ordinance are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law, such remedies may not be readily available. In addition, enforcement of such remedies (i) may be subject to general principles of equity which may permit the exercise of judicial discretion, (ii) are subject to the exercise in the future by the State and its agencies and political subdivisions of the police power inherent in the sovereignty of the State, (iii) are subject, in part, to the provisions of the United States Bankruptcy Act and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and (iv) are subject to the exercise by the United States of the powers delegated to it by the federal Constitution. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally. For additional information, see "THE BONDS – Defaults and Remedies".

**Secondary Market**

No assurance can be given concerning the existence of any secondary market in the Bonds or its creation or by the Underwriters. Thus, purchasers of the Bonds should be prepared, if necessary, to hold their Bonds until their respective maturity dates.

**Visitors Taxes**

Pursuant to the provisions of Chapter 334, Texas Local Government Code, a city or county or both may impose a rental car tax in increments of one-eighth of one percent, of up to five percent each of the price of such rental as well as an additional hotel occupancy tax of up to two percent for a venue project, which includes an arena, coliseum, convention facility, civic center, music hall or any other development project. The City has submitted to its citizens for approval, and by a majority vote at an election held for such purpose, the City is authorized to assess and collect, and is collecting, an additional hotel occupancy tax for venue projects; Bexar County has also received voter approval to impose and collect both a hotel occupancy tax and a motor vehicle rental car tax for venue projects. These are referred to as "visitors taxes" and their imposition increases the costs of travelers visiting the City. At this time, though, no increase in the motor vehicle rental car tax (except for the Customer Facility Charge, which itself is not a tax but is the functional equivalent) is under consideration by the City or Bexar County. Neither tax was considered by the Airport Consultant with respect to the Report, nor is either such tax pledged as security for the payment of the Bonds.

## INVESTMENTS

Available investable funds of the City are invested as authorized and required by the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Investment Act"), and in accordance with an Investment Policy approved by the City Council. The Investment Act requires that the City establish an investment policy to ensure that City funds are invested only in accordance with State law. The City has established a written investment policy, which was most recently amended and adopted on September 11, 2014. The City's investments are managed by the City's Department of Finance, which, in accordance with the Investment Policy, reports investment activity to the City Council.

### Legal Investments

Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) (a) certificates of deposit and share certificates issued by a depository institution that has its main office or branch office in the State, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or are secured as to principal by obligations described in clauses (1) through (5) and clause (13) or in any other manner and amount provided by law for City deposits, and in addition (b) the City is authorized, subject to certain conditions, to invest in certificates of deposit with a depository institution that has its main office or branch office in the State and that participates in the Certificate of Deposit Account Registry Service® network (CDARS®) and as further provided by State law; (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), requires the securities being purchased by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer or a financial institution doing business in the State; (8) bankers' acceptances with the remaining term of 270 days or less, which will be liquidated in full at maturity, is eligible for collateral for borrowing from a Federal Reserve Bank, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (9) commercial paper with a stated maturity of 270 days or less and is rated at least "A-1" or "P-1" or the equivalent by either (i) two nationally recognized credit rating agencies or (ii) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (10) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission (the "SEC") that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and provide the City with a prospectus and other information required by the Securities and Exchange Act of 1934 or the Investment Act of 1940; (11) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent; and conforms to the requirements for eligible investment pools; (12) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or "AAA-m" or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days; (13) bonds issued, assumed, or guaranteed by the State of Israel; and (14) guaranteed investment contracts secured by obligations of the United States of America or its agencies and instrumentalities, other than prohibited obligations described in the next succeeding paragraph, with a defined termination date, and pledged to the City and deposited with the City or a third party selected and approved by the City.

Entities such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (5) and clause (13) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (5) and clause (13) above, clause (9) through (11) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City or a third party selected and approved by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pool is rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

**Investment Policies**

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

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

The City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in said ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, or other investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in no-load mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

### Current Investments

As of March 31, 2015, investable City funds (unaudited) in the approximate amount of $1,281,790,207 were 93.08% invested in obligations of the United States, or its agencies and instrumentalities, 3.67% invested in a money market mutual fund, 3.13% invested in a local government investment pool, and 0.12% in a collateralized repurchase agreement, with the weighted average maturity of the portfolio being less than one year. The investments and maturity terms are consistent with State law and the City's Investment Policy objectives to satisfy cash flow requirements, preservation and safety of principal, liquidity and diversification, maximize yield, and proactive portfolio management.

The market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100.01% of their book value. No funds of the City are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

## THE BUDGET PROCESS

### Fiscal Year 2016 Budget

The fiscal year 2016 Budget Process represents a comprehensive effort that involves input from residents, the Mayor and City Council, outside governmental agencies and private organizations, all City departments and offices, and City employees. There are several major components to the process and each phase of the fiscal year 2016 Budget Process is explained below.

*Five-Year Financial Forecast*. The Budget Process is guided with the development and presentation of the Five-Year Financial Forecast (the "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 service delivery plans including the identification of service delivery policy issues that will be encountered in the next five years and 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 is intended to provide the City Council and the community with an early financial outlook for the City, and to identify significant issues that need to be addressed in the budget development process. Future revenues and expenditures are taken into account in an effort to determine the level of surplus or deficit the City may face during the next five years. On May 14, 2015, the Forecast was presented to the City Council.

*Public and Employee Input*. The Budget Input Box provides the community and employees the opportunity to offer their suggestions on how the City may become more efficient, generate revenues, and make effective changes to service delivery. City staff maintains Budget Input Boxes in public libraries, the City's office lobbies, and other venues. Information and access for this budget initiative is provided to the community and City employees in both English and Spanish. Budget Input Box resources are also available on the City's internet website. The City also utilizes both Facebook and Twitter for public and employee input.

In addition, the City hosted five (5) Community Budget Input Hearings during the week of June 15 through June 18, 2015. The purpose of the hearings was to gather input and feedback from the residents on service areas that could be reduced or revenue that could be enhanced in preparation of the fiscal year 2016 Proposed Budget. During each meeting, a brief video highlighting the major services provided by the City will be shown to help educate residents. After the video, residents were arranged into discussion groups and asked to identify potential reductions and revenue enhancements the City should focus on in the upcoming budget and service delivery priorities. Each table reported back to the group. Their input was compiled by City staff and provided to the City Council on June 25, 2015 at the City Council goal setting session.

*City Council Goal Setting Work Session*. The Goal Setting Work Session for the annual budget is a formal mechanism for City Council as a body to provide City staff with budget policy direction. This year's work session was held on June 25, 2015, and focused on establishing strategic goals and service delivery priorities to lead the City's efforts and resources for the fiscal year 2016 and fiscal year 2017 Budget development. The outcome of the session will guide City staff to align service delivery and spending plans with the City Council priorities.

*Proposed Budget Preparation*. Prior to the Proposed Budget Presentation, each City department's base budget is reviewed by the Office of Management and Budget, along with the City department's respective Executive Leadership Team member. Costs such as fuel, electricity, and other similar maintenance and operational expenses may be adjusted to meet current market demands. Concurrent to these reviews, the Executive Leadership Team and Budget Staff review preliminary fund schedules in order to determine the financial position for each City department and fund. Other items discussed in these meetings included performance measures, capital and grant programs, policy issues, revenue changes, and potential reductions. As part of the Budget Development Process, City departments will be asked to look for efficiency and operational proposals that reflect the City Council strategic goals and the community service delivery priorities.

*Fiscal Year 2016 Proposed Budget*. After obtaining the priorities of the community and City Council, as well as conducting reviews of each City department, the City Manager will present the fiscal year 2016 Proposed Operating and Capital Budget to City Council on August 6, 2015. The fiscal year 2016 Proposed Budget will represent City staff's professional recommendation reflecting the priorities of the community and City Council.

The fiscal year 2016 Proposed Budget focuses on the City's core services and addresses City Council budget priorities and community needs while maintaining financial strength despite existing financial challenges. The fiscal year 2016 Proposed Budget will include recommendations to address the fiscal year 2017 Budget Plan to allow the City to better manage expectations and service levels over multiple years.

*Public Input on Budget Priorities*. Prior to developing the fiscal year 2016 Proposed Budget, five area-wide community hearings will be held across the City to obtain the public's input on service delivery priorities for the upcoming fiscal year. The City will host Community Budget Hearings from August 10, 2015 through August 13, 2015. In each budget hearing, an explanatory video regarding the fiscal year 2016 Proposed Budget will be shown and residents will be asked to provide input on the fiscal year 2016 Proposed Budget. Last year, over 300 individuals attended the Community Budget Hearings and provided comments on the fiscal year 2015 Proposed Budget. The City also will hold two additional Budget Public Hearings on August 19, 2015 and September 2, 2015 in which residents can provide input.

*Fiscal Year 2016 Adopted Budget*. After receipt of the fiscal year 2016 Proposed Budget, the City Council will hold several work sessions to review the proposed service program details, and discuss potential City Council budget amendments. The budget work sessions provide a forum for discourse on significant policy issues as well as an opportunity to review departmental service plans highlighting proposed program enhancements, reductions, efficiencies, redirections, and revenue adjustments. After considering all the recommendations and receiving input from citizens, the budget will be presented to City Council for adoption on September 10, 2015, and may include amendments added by City Council.

## LITIGATION

### General Litigation and Claims

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits claiming damages that allege that the City caused personal injuries and wrongful deaths; class actions and promotional practices; various claims from contractors for additional amounts under construction contracts; and property tax assessments and various other liability claims. The amount of damages in most of the pending lawsuits is capped under the Texas Tort Claims Act. Therefore, as of fiscal year ended September 30, 2014, the amount of $23,873,766 is included as a component of the Reserve for claims liability. The estimated liability, including an estimate of incurred but not reported claims, is recorded in the Insurance Reserve Fund. The status of such litigation ranges from early discovery stage to various levels of appeal of judgments both for and against the City. The City intends to defend vigorously against the lawsuits; including the pursuit of all appeals; however, no prediction can be made, as of the date hereof, with respect to the liability of the City for such claims or the outcome of such lawsuits.

In the opinion of the City Attorney, it is improbable that the lawsuits now outstanding against the City could become final in a timely manner so as to have a material adverse financial impact upon the City.

Information regarding various lawsuits against the City is included as Note 11, entitled "Commitments and Contingencies", of the City's Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended September 30, 2014, attached hereto as Appendix D. The City provides the following updated information related to the lawsuits, none of which involve the Airport or make a claim against Gross Revenues or CFC Revenues:

*Kopplow Development, Inc. v. City of San Antonio*. Plaintiff contends that the construction of a regional stormwater detention facility was an inverse condemnation of its property by increasing the flood plain elevation on its property. The City also filed a statutory condemnation to acquire an easement involving Plaintiff's property to construct and maintain part of the facility. This matter was tried in July 2008 with a favorable ruling to Plaintiff; but the City's motion for new trial was granted. After a retrial, the jury awarded approximately $600,000 to Plaintiff for the inverse condemnation and statutory condemnation. The City and Plaintiff have appealed. The Fourth Court of Appeals issued its opinion affirming the trial court's ruling awarding Plaintiff $4,600 as compensation for the land taken, but reversed the other portion of the judgment for the remainder of the damages. Plaintiff's motion for rehearing was denied on December 29, 2010. Plaintiff filed its brief on the merits in October 2011 and the City filed its reply in December of 2011. On March 8, 2012, the Texas Supreme Court issued their opinion, reversing the Fourth Court's opinion and remanding the matter back to State district court for further proceedings consistent with their opinion. The City's Motion for Rehearing was denied in June 2013. On February 5, 2014, the Fourth Court of Appeals issued an opinion finding that the trial court erred in excluding evidence of Kopplow's vested rights status and remanded the case to the trial court for a new trial on the issue of damages. The Supreme Court recently denied both parties petitions for review and remanded the case back to the trial court on the issue of remainder damages.

*Barbara Webb, et. al. v. City of San Antonio.* Plaintiffs sued under the TTCA for injuries sustained in a motor vehicle accident. A San Antonio police officer was en route to an emergency call when a vehicle turned into the street in front of her. The officer swerved to avoid that vehicle and lost control of her car, moving into the oncoming traffic striking Plaintiff's vehicle. Plaintiff seeks damages of $250,000.

*Valemas v. City of San Antonio (Valemas I).* In 2005, Plaintiff entered into a construction contract with the City for work at the City's Brackenridge Park. Plaintiff alleges that it experienced delays in the work due to actions of the City, resulting in damages to Plaintiff. Plaintiff filed suit alleging breach of contract. The City sought to have some of the claims dismissed for want of jurisdiction which was denied. The City appealed to the Fourth Court of Appeals, which upheld the denial. The City filed a petition for review with the Texas Supreme Court, which was denied. The case has been returned to the trial court, but no trial date has been set. Damages could exceed $250,000. This case has been set for trial on September 8, 2015.

*Valemas, et. al v. City of San Antonio (Valemas II).* Valemas and subcontractor L. Payne performed construction work for the City on W.W. White Road, but there have been issues with subsidence. The City withheld payment of the final invoice and retainage payments, totaling approximately $400,000. Plaintiffs also allege delay damages. The City accepted the completed project but requires proof of payment to all subcontractors and vendors prior to releasing final payment. The City denies delay damages are owing. This case has been set for trial on October 19, 2015.

*Shavonda Bailey, et. al. v. City of San Antonio, et. al.* Plaintiffs allege that San Antonio police officers used excessive force when they arrested Pierre Abernathy after a low speed vehicle pursuit. Plaintiffs, the survivors of Mr. Abernathy, allege that he was subjected to excessive force during the arrest including the uses of tasers. Mr. Abernathy died at the scene after allegedly suffering an episode of "excited delirium". Plaintiffs' sued the City, and seven police officers under 42 U.S.C. §1983 alleging excessive use of force. They seek damages for Mr. Abernathy's pain and suffering as well as damages for his death. Plaintiffs seek damages of at least $1,000,000. The City was dismissed from this case on May 5, 2015; the case is proceeding with respect to the Defendant Officers.

*Anthony Ortega, et. al. v. City of San Antonio, et. al.* A San Antonio police officer was involved in a motor vehicle accident while allegedly in pursuit of a stolen vehicle. Plaintiffs' decedent, Laura Zepeda, was killed as a result of the incident. Discovery in this case is ongoing. This case is not yet set for trial.

*Rogers Shavano Ranch, Ltd., et. al. v. City of San Antonio.* Plaintiffs are developers of property known as Rogers Shavano Ranch. They claim this property has been under development since 1993. They claim that the City has violated their vested right to develop this property pursuant to ordinances and regulations existing in 1993. The parties have filed cross motions for summary judgment, which have been continued until further depositions are completed. Plaintiffs have not made a demand for monetary damages except for recovery of attorneys' fees. If successful, Plaintiffs could recoup attorneys' fees in excess of $250,000. The City filed a Plea to the Jurisdiction, contesting the Court's jurisdiction to assess attorneys' fees in this case. That plea was granted by the Fourth Court of Appeals, but this issue is currently pending review by the Texas Supreme Court, which has requested briefing on the merits.

*Jones, Cheryl, et al. v. City of San Antonio et al.* On February 28, 2014 Marquise Jones was shot by a San Antonio police officer at Chacho's Restaurant. Plaintiffs' are asserting claims under 42 USC §1983 against the City and Encina for excessive force, racial profiling, and failure to train and under the Texas Survivor Statute and Texas Wrongful Death Statute for assault and battery, intentional infliction of emotional distress, and gross negligence. Plaintiffs seek damages of at least $5,000,000 for loss of affection, consortium, financial assistance, pain and suffering of decedent prior to death, mental anguish, emotional distress, quality of life, exemplary and punitive damages, attorney fees, and costs of court.

*Maspero, Jimmy and Regina Maspero, et al. v City of San Antonio et al.* Plaintiffs allege that on September 19, 2012 Plaintiffs' vehicle was involved in a collision with a vehicle being pursued by an San Antonio Police Department patrol car causing the death of two of Plaintiffs' children and severe permanent injuries to the remaining Plaintiffs (two children, two adults). The Plaintiffs have asserted a "state-created danger" theory under 42 USC §1983 alleging a violation of Plaintiff's 14th Amendment substantive due process. Plaintiffs are also asserting State law theories of negligence. Plaintiffs seek to recover damages for mental anguish, physical pain, impairment, medical expenses, and the wrongful death of two of their children. Plaintiffs are seeking monetary damages of at least $3,000,000. This case has been set for trial on November 2, 2015.

*Mathews, Scott v. City of San Antonio et al.* Plaintiff, claims that on April 14, 2013 San Antonio police officers were called to his house as a result of a domestic dispute between he and his wife. He alleges that San Antonio police officers repeatedly hit him while he was on the ground in handcuffs, and he alleges that, as a result, he suffered sub-dural hemorrhage, torn bridging vein, partial paralysis, trauma to his back, legs, chest and abdomen, and lacerations to his extremities. Plaintiff filed suit under 42 USC § 1983 for violation of his civil rights and excessive force and also alleges assault and battery pursuant to Texas state law. Plaintiff seeks damages for his medical expenses, disability as well as for pain and suffering, emotional and mental distress, and loss of wage earning capacity. Plaintiffs are seeking damages in an amount of at least $1,000,000. The City has been dismissed from this lawsuit; the case is proceeding against the Defendant Officers. The case is not yet set for trial.

*Rios, Destiny AnnMarie v. City of San Antonio et al.* Plaintiff claims that on July 4, 2012 she was arrested for an outstanding warrant for prostitution. She claims San Antonio police officers violently threw her to the ground and "brutally and savagely beat her while she lay there helplessly in handcuffs". She alleges numerous severe and painful bodily injuries as a result of the alleged excessive use of force, including an alleged miscarriage of her pregnancy. Plaintiff field suit under 42 USC §1983 for excessive force and under Texas law for assault and battery and Intentional Infliction of Emotional Distress. Her alleged damages include physical and emotional personal injury, pain and suffering, and emotional and mental distress associated with the loss of her unborn child. She is seeking at least $1,000,000. This case has been reset for trial on January 25, 2016.

*Tenorio, Roxana, Individually and on behalf of Pedro Tenorio, Deceased v. Benito Garza and City of San Antonio.* Plaintiff claims that an San Antonio Police Department high speed pursuit of Defendant Benito Garza was the cause of a vehicle accident on September 21, 2012 in which Pedro Tenorio was killed. The accident occurred in the 9400 block of SW Loop 410. Plaintiff sued Benito Garza and the City of San Antonio under the TTCA for Negligence. Plaintiff is seeking monetary relief in excess of $1,000,000 for past and future mental anguish, loss of consortium, loss of inheritance, loss of companionship and pecuniary damages under the Texas Wrongful Death Act and Texas Survival Act. The City's Plea to the Jurisdiction was denied by Judge Walsh. The City has filed an interlocutory Appeal to the Fourth Court of Appeals.

*Rogelio and Norma Galvan v. City of San Antonio.* This suit, brought under the TTCA, involves a collision between Plaintiff's vehicle and a Solid Waste truck. The City's solid waste truck stopped at the intersection of 36th Street and Lark. Believing traffic to be clear, the truck proceeded to turn onto 36th Street. Plaintiff was travelling on 36th Street and drove into the rear of the truck as it was completing the turn. Plaintiff suffered severe brain injury and nerve damage and has already incurred medical expenses in excess of $150,000. Damages could reach the $250,000 cap for damages under the TTCA. This case has been recently filed and is not yet set for trial.

*Jerry Arispe v City of San Antonio.* Plaintiff filed suit under the TTCA for damages incurred in a motor vehicle collision involving an SAPD officer. Plaintiff alleges that he was stopped to make a left turn when an SAPD vehicle, traveling behind him, failed to stop, colliding with his vehicle. It is alleged that the officer was looking at his Mobile Data Terminal (MDT) at the time of the collision. Plaintiff suffered back injuries and anticipates future back surgery. If successful, damages could meet the $250,000 cap for damages under the TTCA. This case is set for trial on August 24, 2015.

*Estate of Jesse Aguirre, Deceased, et al. v. City of San Antonio, et al.* Plaintiffs filed suit alleging that after handcuffing Plaintiffs' decedent, SAPD officers flipped him over a barricade, knocking him unconscious. Attempts to revive decedent were unsuccessful, resulting in his death while in custody. Plaintiffs' filed suit alleging violations of the TTCA and 42 USC Section 1983. This case was recently filed and is not yet set for trial. Damages could be in excess of $250,000.

*Arlene Perez, A/N/F of A.P., a Minor v. City of San Antonio & J. Silva.* Plaintiff claims that her minor daughter was pulled over by an SAPD officer, who proceeded to use excessive force. Plaintiff filed suit under 42 USCA Section 1983. This case was recently filed and is not yet set for trial. Damages could be in excess of $250,000.

*David Brian Ricks v. City of San Antonio et al.* Plaintiff was arrested for public intoxication. He alleges that SAPD Officers used excessive force during his arrest, causing severe bodily injuries. Plaintiff sued pursuant to 42 USC Section 1983. This case was recently filed and is not yet set for trial. Damages could be in excess of $250,000.

*Sharlene Lewis et al. v. City of San Antonio, et al.* This suit arises from a motor vehicle accident when a city vehicle was driving northbound on Hackberry approaching E. Houston St. The city vehicle entered the intersection and collided with Plaintiffs' vehicle, containing a driver and two passengers. The parties dispute which vehicle had the green light. One plaintiff allegedly suffered severe brain injury. Suit was brought under the TTCA. Damages are capped at $250,000 per person, $500,000 per incident. This case was recently filed and is not yet set for trial.

*Escobedo, Isabel v. city of San Antonio.* Plaintiff, an elderly woman who uses a walker, alleges the street was cracked and broken and she fell due to the condition of the street while getting out of a car. There were numerous reports prior to the accident that the street was in need of repair. Plaintiff alleges that the condition of the street constitutes a "special defect" under the TTCA. Plaintiff fractured her ankle and suffered a dramatic decline in her health as a result of the accident. She now must reside in a nursing home. Her medical expenses exceed $250,000.

**Collective Bargaining Negotiations**

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

Collective Bargaining Agreement between the City of San Antonio and the International Association of Fire Fighters, Local 624. The City Council approved a collective bargaining agreement (the “CBA”) with Local 624 on May 19, 2011, which provides for a term through September 30, 2014, with automatic renewals possible through September 30, 2024. The parties have not started negotiations on a new collective bargaining agreement.

Collective Bargaining Agreement between the City of San Antonio and the San Antonio Police Officers’ Association.

The City Council approved a collective bargaining agreement with the SAPOA on May 20, 2010, which provides for a term through September 30, 2014, with automatic renewals possible through September 30, 2024. The parties started negotiations on a new agreement in March 2014, and this is ongoing.

**CITY PENSION AND OTHER POSTEMPLOYMENT RETIREMENT BENEFIT LIABILITIES**

An actuarial valuation is conducted annually on each of the City’s pension benefit plans (collectively, the “City Pension Benefits Plans”), which include the Texas Municipal Retirement System (“TMRS”) and the Fire and Police Pension Fund (the “Fund”). Such actuarial valuations, conducted in accordance with generally accepted actuarial principles and practices, summarize the funding status of each of such plans as of the respective ending dates of the prior two fiscal years, as well as projects funding contribution requirements for the immediately succeeding fiscal year. The respective actuarial values of each plan’s assets represents an adjusted value, as determined by the actuary in accordance with industry standards, and will not, therefore, equal the amounts shown in the City’s statement of net assets.

As a part of its valuation of the City Civilian Pension Benefit Plan, the actuary calculates and reports any “unfunded actuarial accrued liability” (“UAAL”) relating to the plan. The UAAL is calculated on a present value basis and includes assumptions such as (among others) rates of mortality, retirement, and disability, respectively; the estimated number of participants expected to withdraw from the subject plan; expected base salary increases; overtime rates; and investment returns. The UAAL includes liabilities for current retirees, active employees that are fully eligible, and for active employees that are not fully eligible. The City’s Civilian Pension Benefit Plan is TMRS, whose UAAL as of December 31, 2014 was $169.6 million with a funded ratio of 87.8%.

As of October 1, 2014, the Fire and Police Pension Fund had a UAAL of $209.9 million with an amortization period of 6.15 years and a funded ratio of 92.9%. On April 29, 2015, the Fire and Police Pension Fund Board of Trustees voted to approve a reduction in the Investment Rate of Return Assumptions from 7.50% to 7.25%. This change increased the UAAL by approximately $93 million to $302.9 million and extended the amortization period to 10.87 years.

The City will be implementing GASB Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27) in Fiscal Year 2015. To comply with this Statement’s implementation, the Fire and Police Pension Fund implemented GASB Statement No. 67, Financial Reporting for Pension Plans (an amendment of GASB Statement No. 25) in Fiscal Year 2014 which modified the information provided in the actuarial report and required to be disclosed by the City to: (1) a calculation of the Net Pension Liability (NPL), which is the plan’s total pension liability calculated with the Entry Age Normal actuarial funding method, less the plan’s fiduciary net position; and (2) the Fund’s Net Position as a percentage of the Total Pension Liability (TPL). The NPL as of October 1, 2014 was $304.6 million with a Fund Net Position as a percentage of the TPL of 89.8%. See the following for additional information on these two plans.

**Fire and Police Pension Plan**

The Fund is a single-employer defined benefit plan which provides retirement benefits to eligible employees of the San Antonio fire and police departments. The Fund was established in accordance with the laws of the State. The Fund is administered by a nine member board of trustees which includes two City Council members, the mayor or her appointee, two police officers, two firefighters, and two uniformed retirees.

The Fund's annual required contribution for FY 2014 is determined by pension law. The Fund's October 1, 2014 actuarial valuation used the entry-age normal cost method. Significant assumptions included (a) 7.5% investment rate of return and (b) projected annual salary increase of 3.5%. On April 29, 2015, the Fire and Police Pension Fund Board of Trustees voted to approve a reduction in the Investment Rate of Return Assumptions from 7.50% to 7.25%. The unfunded actuarial liability is amortized as a level percentage of projected payroll on an open basis.

The actuarial valuation also utilizes a technique that smoothes the effects of short-term volatility in the market value of investments over a five-year period. As is the case with most public pension plans, the Fire and Police Pension Fund incurred investment losses in prior years. Under this approach, the Fund's investment returns have been smoothed which results in the deferral of $75.4 million in investment losses as of October 1, 2014. These investment losses will be recognized in future years' actuarial valuations to the extent they are not offset by recognition of investment gains above the Fund's assumed investment return of 7.25% or other actuarial gains.

**Texas Municipal Retirement System**

The City provides benefits for all eligible employees (excluding firefighters and police officers) through a nontraditional, joint contributory, hybrid defined benefit plan in TMRS. TMRS is a statewide agent multiple-employer public employee retirement system created by law in 1947 to provide retirement and disability benefits to City employees. TMRS as of December 31, 2014, is the agent for 849 participating entities. It is the opinion of the TMRS management that the plans in TMRS are substantially defined benefit plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the TMRS plan.

In October 2013, the TMRS Board of Trustees adopted actuarial changes to be first reflected in the December 31, 2013 actuarial valuation. The changes were adopted as a "package" and included Post-Retirement Mortality Assumptions, changes to Entry Age Normal Actuarial Cost Method, and amortization policy as discussed below.

The mortality tables used in calculating the Annuity Purchase Rate (APR) factors for determining service and disability retirement benefits were adopted in 1981. The APRs calculated using the old mortality tables no longer accurately reflected a member's life expectancy at retirement. As a result, City contribution rates increased due to the longer payout period over longer retiree lifespans. Beginning with the December 31, 2013 actuarial valuation, TMRS calculated the APRs based on an updated mortality table on a fully generational basis. A generational mortality table is more accurate and includes automatic adjustments over time to reflect the expectation for increasing life expectancies.

Since its inception, TMRS had used the traditional Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date but does not project the potential future liability of provisions adopted by a participating government. Two-thirds of the governments participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. These provisions are considered to be "committed" benefits (or likely to be guaranteed); as such, for the December 31, 2007 valuation, TMRS' Board adopted the Projected Unit Credit ("PUC") actuarial funding method, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. These changes had a significant impact on TMRS' UAAL and funded position as well as the City's contribution requirements. As of December 31, 2006, the City's Plan had a UAAL of $178.5 million with a funded ratio of 72.2%. After adoption of these changes, the City's Plan had a UAAL of $317.7 million with a funded ratio of 60.1% as of December 31, 2007.

The Board adopted a change in the actuarial cost method from the Projected Unit Credit (PUC) method to the Entry Age Normal (EAN) method. The EAN cost method produces contribution rates that are more predictable and are less volatile than those produced under the PUC method. Another reason for changing to the EAN cost method is to be in compliance with the GASB Statements No. 67 and No. 68. Effective 2014, GASB No. 67 and No. 68 require the EAN to be used for financial reporting purposes. This will eliminate the potential confusion resulting from utilizing two different cost methods in determining the individual employer funding requirements.

The Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period may be increased up to 30 years, unless a participating government requests that the period remain at 25 years. For governments with repeating features, these changes resulted initially in higher required contributions and lower funded ratios. To assist in this transition to higher rates, the TMRS Board also approved an eight-year phase-in period, which will allow governments the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate). As a result of these changes, the City's contribution rate was projected to increase from 12.5% to 16.7%. Due to the significant increase in contribution requirements, the City selected to phase in the contribution rate in FY 2009 from 12.5% to 13.1% with an ultimate projected rate to be in excess of 18.0% after phase-in (or triple the employee contribution rate).

TMRS legislation was passed during the State's 82nd Legislative Session in 2013 to combine the Municipal Accumulation Fund ("MAF"), Current Service Annuity Reserve Fund ("CSARF"), and the Employees Savings Fund ("ESF"), into a single city trust fund. Under TMRS, assets were held in trust in three distinct accounts, which were called "funds". The MAF holds city contributions and interest. The ESF holds member contributions and interest. When a member retires, the accumulated contributions and interest in the member's account transfer from the ESF, along with matching funds from the city's MAF into the CSARF. The basic retirement benefit is therefore fully funded at the time of a member's retirement and is then paid monthly to the retiree from the CSARF. At the time a member retires, the basic retirement benefit becomes a liability of TMRS. Since the passage of House Bill 360 in 2009, each year the ESF and CSARF were credited, by law, with 5.0% interest. This guaranteed interest credit resulted in a highly leveraged (positive or negative) interest credit to the MAF. In years when TMRS as a whole earned less than the amount needed to provide the 5.0% guaranteed interest credit to the ESF and CSARF, additional funding was needed from the MAF. Additionally, as each city's plan matured and retirements increased, more funds transferred into the CSARF from the ESF and the MAF, and the MAF balance, combined with the highly leveraged interest allocations, would have resulted in city contribution rates more volatile than a typical pension plan.

Restructuring, or combining, funds eliminated the leverage inherent in the asset structure and helped to make city contribution rates less volatile. Under a restructured pension fund, at the time of retirement, money would not be transferred to the CSARF (it would stay in the combined/single trust fund of the city). By reallocating the CSARF assets and liabilities and the ESF assets into each city's single trust fund, all future investment earnings based on that city's contributions for active and retired members would be directly applied to that specific city's trust assets and included in the funding equation, resulting in decreased liabilities and contribution rates. Additionally, a city's funded ratio would improve because the city would receive "credit" for the excess of the assets over liabilities for those retirements that are currently being paid from the CSARF; and the city's annual required contribution would be reduced since the city would receive interest on a larger base of assets over a longer period of time. The vast majority of defined benefit plans are funded under a similar structure. This proposal passed as Senate Bill 350 and was enacted in June 2011. This legislation permitted the actuarial valuation to be completed, as if restructuring occurred on December 31, 2010.

In addition to the restructuring, the actuarial assumptions were updated based on an actuarial experience study that was adopted by the TMRS Board at its May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). The City's UAAL as of December 31, 2010 prior to restructuring was calculated at $201.4 million with a funded ratio of 73.0%. The City's UAAL using the new rate structure calculates to $100.4 million with a funded ratio of 90.6%. Further, the amortization periods differed; prior to restructuring the period is 25.6 years; after restructuring the period is 24.1 years, resulting in a reduction to the contribution rate from 12.6% to 10.0% for the first quarter of FY 2012. TMRS permitted the City to early implement this contribution rate reduction in the first quarter of fiscal year 2012, resulting in a first quarter difference of 2.6% or $1.8 million in Annual Required Contribution, not being funded. This Net Pension Obligation will be funded through future TMRS contribution rate changes.

The City additionally created a work plan to review and address the changes being made by TMRS. Six focus groups with employees and retirees were held to obtain input via a survey on their TMRS benefits and priorities to assist the City in evaluating its options and decisions made on the TMRS Board. Furthermore, the City engaged a legal firm to provide legal advice on TMRS and other pension related issues. The legal firm engaged an actuarial firm to evaluate the assumptions and results of TMRS' report to provide a historical performance analysis of the funds within TMRS, and assist in exploring viable pension alternatives. A task force of current employees and retirees was formed to provide input regarding the work to be completed by this actuarial firm.

The City further adopted a plan change in 2010 removing the annually repeating Cost of Living Adjustment ("COLA") feature as a way to mitigate future contribution increases. This change does not prevent adoption of either ad hoc or annually repeating COLAs in the future, but it did reduce the City's contribution rate in 2010 from 13.9% to 12.3%.

In the FY 2014 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 70.0% of the percentage change in the Consumer Price Index for 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. This one-time annuity caused the contribution rate to increase to 10.8%, effective January 1, 2014.

Benefits depend upon the sum of the employee's contributions to the TMRS plan, with interest, and the City-financed monetary credits, with interest. At the date the TMRS plan began, the City granted monetary credits for service rendered before the TMRS plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the TMRS plan. 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, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the TMRS plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percentage had always been in existence and if the employee's salary had always been the average salary for the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the City-financed monetary credits with interest were used to purchase an annuity.

Members are eligible to retire upon attaining the normal retirement age of 60 and above with five or more years of service, or with 20 years of service regardless of age. The TMRS plan also provides death and disability benefits. 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.

TMRS provisions and contribution requirements are adopted by the governing body of the City within the options available in the state statutes governing TMRS and within the actuarial constraints contained in the statutes.

Contribution requirements are actuarially determined by TMRS' actuary. The contribution rate for the City's employees is 6.0% and the matching percent was 10.8% for calendar year 2015, both as adopted by the governing body of the City. Under the state law governing TMRS, the employer's contribution rates are annually determined by the actuary, using the Entry Age Normal actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percentage of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortized the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The normal cost contribution finances the currently accruing monetary credits due to the City matching percentage, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percentage of payroll necessary to satisfy the obligation of the City to each employee at the time the employee's retirement becomes effective. The prior service contribution rate amortizes the UAAL over the remainder of the plan's 19.9 year amortization period. When the City periodically adopts updated service credits and increases annuities in effect, the increased UAAL is being amortized over a new 19.9 year period. Currently, the UAAL is amortized over a constant 19.9 year period as a level percentage of payroll. Contributions are made monthly by both the employees and the City. All current year required contributions of the employees and the City were made to TMRS. Due to the fact that the City requires the contribution rates in advance for budget purposes, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

TMRS' December 31, 2014 actuarial valuation noted that the City's UAAL reduced to $169.6 million with a funded ratio of 87.8%. It further indicated that the amortization period decreased to 18.5 years with a contribution rate effective January 1, 2016 of 10.45%.

Investments are reported at fair value. The fair values of fixed income securities are valued by the custodian using the last trade date price information supplied by various pricing data vendors. Fair values of the equity index funds (comingled funds) are determined based on the funds' net asset values at the date of valuation. Short-term investment funds are reported at cost, which approximates market value. Security transactions are reported on a trade date basis.

| Membership as of the Valuation Date | 12/31/2014 |
|---|---|
| Number of: | |
| Active Members | 6,266 |
| Retirees and beneficiaries | 4,154 |
| Inactive members | 2,101 |
| Total | 12,521 |

TMRS' administration costs are funded from a portion of TMRS' annual investment earnings.

TMRS issues a publicly available financial report that includes financial information and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used related to participating municipalities. The report may be obtained by writing to the TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling (800) 924-8677. In addition, the report is available on TMRS' website at www.TMRS.com. The required schedule of funding progress follows immediately the notes to the financial statements, and they present multi-year trend information regarding the actuarial value of plan assets relative to the actuarial liability for benefits.

**Other City Postemployment Retirement Benefits**

In addition to the Pension Benefits, the City provides most retired employees with certain health benefits under two postemployment retirement benefit programs. Pursuant to GASB Statement No. 45, the City is required to account for and disclose its other postemployment liability for these programs. The City continues to actively review and have actuarial valuations performed for these programs as required. In addition to the disclosure provided in Note 9 of the City's CAFR, the following information is provided for each of the City's other postemployment retirement benefit programs.

The first of the two programs is a health insurance plan, which provides benefits for nonuniformed City retirees and for pre-October 1, 1989 uniformed (fire and police) retirees who are not eligible for Medicare. The program is comprised of three self-funded PPO health plans currently administered by United Healthcare. These plans may be amended at any time with approval from the City Council. This program is funded on a pay-as-you-go basis with an aggregate sharing of premium costs based on the following targets: 67.0% by the City and 33.0% by the retiree for those retirees hired prior to October 2007. With the adoption of the FY 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 10 years of service are eligible to participate in the program but without City subsidy; and (3) Employees who separate from employment with 10 years of service or more will pay for 50.0% of the pay-as-you-go contributions to the program and the City will contribute the remaining 50.0%. The ability to participate in the program remains based on meeting retirement criteria for the TMRS Pension Plan.

As of September 30, 2014, there are 6,335 active civilian employees who may become eligible in the future. Employees may become eligible to participate in this program based on eligibility for a retirement benefit under the rules for TMRS Pension Plan and their number of years of service to the City. Under the TMRS Pension Plan, employees may retire at age 60 and above with five or more years of service or with 20 years of service regardless of age. Retiree medical benefits continue for the life of the retiree and their surviving eligible dependents that were covered at the time of the employee's severance of service. Non-uniformed City employees who qualify for a disability pension under TMRS rules are also eligible to receive the retiree medical benefit under this plan. As of September 30, 2014, there were 387 retirees and surviving spouses participating in this program.

The second program with 1,063 participating retirees and surviving spouses is available to eligible retirees who have Medicare coverage. All retirees and dependents are required to apply for and maintain Medicare Parts A & B coverage once they reach age 65 or otherwise become eligible for Medicare in order to participate in the Medicare Advantage PPO or HMO Plan. Of the current 1,063 participating Medicare retirees and surviving spouses, 135 participate in a fully insured Medicare Advantage HMO and the remaining 928 participate in a fully insured Medicare Advantage PPO.

The City intends to conduct actuarial studies of this plan bi-annually with annual reviews of assumptions and changes in benefits to compute OPEB liability. Most recently, an actuarial valuation of the plan was performed as of January 1, 2014, for fiscal year ended September 30, 2014, with the UAAL reported at $318.9 million. The plan continues to be funded on a pay-as-you-go basis and no prefunding has occurred to date.

The other postemployment benefit program of the City, the Fire and Police Retiree Health Care Fund, San Antonio ("Health Fund") is a Texas statutory retirement health trust for firefighters and police officers of the City. 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 health care benefits to police officers and firefighters of the City retiring after September 30, 1989. Authority to establish and amend the Plan's postemployment health care benefits is based on such contracts and the Texas Legislature enacts regulations that control the operation of the Health Fund. The statutory trust is governed by a Board of Trustees that meets on a monthly basis. The Board consists of nine members: the Mayor or her appointee; 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.

During the 2007 State Legislative Session, the City, the Health Fund Board, Fire Association, and Police Association actively pursued amendments to the Health Fund's governing legislation, which amendments were enacted. These amendments were made in order to address the long-term actuarial position of the Health Fund. The changes primarily include: (a) making certain changes to the benefits plans; (b) providing the Health Fund Board the authority to make additional changes to the health benefits plans in the future; (c) maintaining the City's contribution to the health plan at 9.4% of payroll over the next 10 years; (d) phase-in over five years of employee contributions from 2.0% of covered payroll to 4.7%; and (e) other administrative changes. Additionally, if after 10 years, the UAAL of the Health Fund cannot be amortized over a period of 30 years or less, the Health Fund Board shall increase the City and employee contributions, and deductibles and out of pocket maximums for retirees by a percentage not to exceed 10% each year until the UAAL can be amortized over a period of 30 years or less.

The Health Fund's actuarial study with a valuation date of October 1, 2014, for fiscal year ending September 30, 2015, indicates that the UAAL, calculated in compliance with GASB regulations, was $443.9 million with a funded ratio of 40.9%. The study further indicates that after the 10-year period as defined in the governing legislation, a projected total increase of 1.7% in the total contribution requirement would provide for the amortization of the Health Fund's UAAL over 30 years. In effect, in FY 2018, the City's contribution rate is projected to increase from 10.0% to 10.5% of covered payroll and active fire and police employees from 4.9% to 5.3% of covered payroll.

Additionally, the actuarial valuation includes a five-year smoothing of market value with an 80%/120% corridor. As such, investment losses are being smoothed which results in the deferred recognition of $623.6

thousand in investment losses. These losses will be recognized in future actuarial valuations to the extent they are not offset by investment gains above the assumed investment return of 8.3%.

**CAFR Discussion**

In the CAFR, the City's existing pension and other OPEB plans are described (see, for example, "FINANCIAL INFORMATION - Fiscal Management and Administrative Topics" included in the CAFR, as well as Notes 8 and 9 thereof discussed above). In addition, the pension schedules included in the CAFR under the heading "REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS LAST THREE FISCAL YEARS" disclose certain pension plan funding liabilities, including the UAAL. Investors should carefully review this information and the information contained herein prior to investing in the Bonds.

## TAX MATTERS

**Opinion**

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, except for any holder who is treated pursuant to section 147(a) of the Internal Revenue Code of 1986 (the "Code") as a "substantial user" of the projects refinanced with the proceeds of the Bonds or a "related person" to such user. Except as stated above, Bond Counsel will express no opinion as to any other federal, state, or local tax consequences of the purchase, ownership, or disposition of the Bonds. See "FORM OF BOND COUNSEL'S OPINION", attached hereto as Appendix E, for a copy of the opinion relating to the Bonds that is expected to be delivered by Bond Counsel upon closing and delivery of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (i) certain information and representations of the City, including information and representations contained in the City's federal tax certificate and (ii) covenants of the City contained in the documents authorizing the Bonds relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of the issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the property financed or refinanced with the proceeds of the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Bonds may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

**Future and Proposed Legislation**

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

**Federal Income Tax Accounting Treatment of Original Issue Discount Bonds**

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year. Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

**Collateral Federal Income Tax Consequences**

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

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds is an item of tax preference, as defined in section 57(a)(5) of the Code, for purposes of determining the alternative minimum tax imposed on individuals and corporations by section 55 of the Code.

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

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

### State, Local, and Foreign Taxes

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

## REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

## LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

## LEGAL MATTERS

On the Closing Date, the City will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding special obligations of the City, and based upon examination of such transcript of proceedings, the legal opinion of Bond Counsel to the effect that the Bonds are valid and legally binding special obligations of the City and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security or in any manner questioning the validity of the Bonds will also be furnished. In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, has reviewed the information appearing in this Official Statement under the captions "THE BONDS" (other than under the subsection "Book-Entry-Only System", "Defaults and Remedies", and "Payment Record", as to which no view will be expressed), "SECURITY FOR THE BONDS AND CERTAIN ORDINANCE PROVISIONS", "TAX MATTERS", "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE", "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS", "LEGAL MATTERS", and "CONTINUING DISCLOSURE OF INFORMATION" (other than under the subsection "Compliance with Prior Undertakings", as to which no view will be expressed) to determine whether such information fairly summarizes the material and documents referred to therein and is correct as to matters of law. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinions of any kind with regard to the accuracy or completeness, of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance and delivery of the Bonds. The form of legal opinion of Bond Counsel expected to be delivered on the date of issuance of the Bonds is attached hereto as Appendix E. Certain legal matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Norton Rose Fulbright US LLP and Escamilla & Poneck, LLP, both of San Antonio, Texas.

None of Bond Counsel, the City Attorney, nor Underwriters' Co-Counsel has been engaged to investigate or verify, and accordingly none will express any opinion concerning, the financial condition or capabilities of the City or the Airport System or the sufficiency of the security for, or the value or marketability of, the Bonds.

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

Bond Counsel represent certain of the Underwriters from time to time on various legal matters; however, Bond Counsel does not represent any of the Underwriters in connection with the issuance of the Bonds. Underwriters' Co-Counsel represents the City from time to time on certain legal matters; however, they are not representing the City in connection with the issuance of the Bonds.

## RATINGS

The Bonds are rated "A+", "A1", and "A+" by Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's"), and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), respectively. An explanation of the significance of such ratings may be obtained from each rating agency. The rating of the Bonds by each rating agency reflects only the views of said companies at the time the ratings are given, and the City makes no representations as to the appropriateness of the ratings. There is no assurance that the ratings will continue for any given period of time, or that the ratings will not be revised downward or withdrawn entirely by a rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB through its EMMA system, where it is available free of charge at www.emma.msrb.org.

### Annual Reports

Under State law, including but not limited to, Chapter 103, Texas Local Government Code, as amended, the City must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant, and must file each audit report with the City Clerk. The City's fiscal records and audit reports are available for public inspection during the regular business hours of the City Clerk. Additionally, upon the filing of these financial statements and the annual audit, these documents are subject to the Texas Open Records Act, Texas Government Code, Chapter 552, as amended. Thereafter, any person may obtain copies of these documents upon submission of a written request to the City Clerk, City of San Antonio, Texas, 100 Military Plaza, San Antonio, Texas 78205, and upon paying the reasonable copying, handling, and delivery charges for providing this information.

The City will file annually with the MSRB certain updated financial information and operating data. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement indicated as Tables 1 through 9 and in the CAFR, substantially in the manner set forth in Appendix D to this Official Statement. The City will update and provide this information within six months after the end of its fiscal year.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited information within the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the CAFR, substantially in the manner set forth in Appendix D to this Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's fiscal year ends September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of such change with the MSRB.

### Notice of Certain Events

*Notice of Occurrence of Certain Events, Whether or Not Material*. The City will notify the MSRB through EMMA in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, **regardless of whether such event is material within the meaning of the federal securities laws**: (i) principal and interest payment delinquencies; (ii) unscheduled draws on debt service reserves reflecting financial difficulties; (iii) unscheduled draws on credit enhancements reflecting financial difficulties; (iv) substitution of credit or liquidity providers, or their failure to perform; (v) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (vi) tender offers; (vii) defeasances; (viii) rating changes; and (ix) bankruptcy, insolvency, receivership or similar event of an obligated person. Neither the Bonds nor the Financing Documents make any provision for credit enhancement or liquidity enhancement with respect to the Bonds.

*Notice of Occurrence of Certain Events, If Material.* The City also will notify the MSRB through EMMA in an electronic format as prescribed by the MSRB within ten business days following the occurrence of any of the following events with respect to the Bonds, **if such event is material within the meaning of the federal securities**

**laws**: (i) non-payment related defaults; (ii) modifications to rights of Registered Owners; (iii) Bond calls; (iv) release, substitution, or sale of property securing repayment of the Bonds; (v) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (vi) appointment of a successor or additional trustee or the change of name of a trustee.

*Notice of Failure to Timely File*. The City also will notify the MSRB through EMMA, in a timely manner, of the occurrence of any failure to provide financial information or operating data in accordance with the provisions described above.

**Availability of Information**

Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

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

**Limitations and Amendments**

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

The provisions of the continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (i) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (ii) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment, or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

**Compliance with Prior Undertakings**

Except as hereinafter described, the City, during the past five (5) years, has complied in all material respects with continuing disclosure agreements made thereby in accordance with the Rule.

Due to an administrative oversight, the City neglected to file its annual financial disclosure information (the CAFR for fiscal year 2009 and the required Continuing Disclosure of Financial and Operating Data Information for the same reporting period) for its outstanding obligations having a base CUSIP number of 796236. This information was timely filed with respect to all other City obligations (where it was available to the general public from the MSRB through EMMA) and, on March 28, 2011, was filed with respect to the outstanding obligations having the base CUSIP of 796236.

Additionally, due to an administrative oversight by CPS staff, on September 18, 2012, the City was informed by the MAC that CPS did not file its annual financial information and operating data for the City of San Antonio, Texas Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project) (the "Starbright Bonds") having a base CUSIP number of 796300 and being secured by CPS revenues transferred to the City. CPS filed on October 9, 2012 all required annual financial disclosure information to the EMMA website for the City's Starbright Bonds (CUSIP 796300), in addition to a non-compliance notice.

For additional information relating to the City's continuing disclosure filing history, see www.emma.msrb.org.

## FORWARD-LOOKING STATEMENTS DISCLAIMER; INFORMATION FROM ONLINE SOURCES

The statements contained in this Official Statement, including, but not limited to the information under the headings "SECURITY FOR THE BONDS AND CERTAIN ORDINANCE PROVISIONS" and "CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS", and in any other information provided by the City that are not purely historical are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

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

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

## CO-FINANCIAL ADVISORS

Coastal Securities, Inc. and Estrada Hinojosa & Company, Inc. (the "Co-Financial Advisors") are engaged by the City in connection with the issuance of the Bonds and, in such capacity, have assisted the City in the preparation of certain documents related thereto. The Co-Financial Advisors' fee for service rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

The Co-Financial Advisors have not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the City's records and from other sources which are believed to be reliable, including financial records of the City and other entities which may be subject to interpretation. No guarantee is made by the Co-Financial Advisors as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Co-Financial Advisors as an implicit or explicit expression of opinions as to the completeness and accuracy of the information contained in this Official Statement.

## UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase Bonds from the City at a price equal to the initial offering prices to the public, as shown on the inside cover page of this Official Statement, less an underwriting discount of $223,904.98, and no accrued interest.

The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

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

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

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**AUTHORIZATION OF THE OFFICIAL STATEMENT**

This Official Statement has been approved as to form and content and the use thereof in the offering of the Bonds was authorized, ratified, and approved by the City Council on the date of sale, and the Underwriters will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the City.

This Official Statement has been approved by the City Council for distribution in accordance with the provisions of the Rule.

/s/ Ivy R. Taylor
Mayor
City of San Antonio, Texas

ATTEST:

/s/ Leticia M. Vacek
City Clerk
City of San Antonio, Texas

# APPENDIX A

## CITY OF SAN ANTONIO, TEXAS – GENERAL DEMOGRAPHIC AND ECONOMIC INFORMATION

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## APPENDIX A

## CITY OF SAN ANTONIO, TEXAS
## GENERAL DEMOGRAPHIC AND ECONOMIC INFORMATION

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

**Population and Location**

The 2010 Decennial Census ("2010 Census"), prepared by the United States Census Bureau ("U.S. Census Bureau"), found a City population of 1,327,407. For the 2010 San Antonio population, it was determined that the U.S. Census Bureau had erroneously assigned 35 census blocks to the City that are actually outside of the City limits. The revised 2010 San Antonio population is 1,326,539.

The City's Information Technology Services Department has estimated the City's population to be 1,432,006 in 2015. The U.S. Census Bureau ranks the City as the second largest in the State of Texas (the "State") and the seventh largest in the United States ("U.S.").

The City is the county seat of Bexar County. Bexar County had a population of 1,714,773 according to the 2010 Census. The City's Information Technology Services Department has estimated Bexar County's population to be 1,902,590 and the San Antonio-New Braunfels Metropolitan Statistical Area ("MSA") population to be 2,397,009 in 2015. The City is located in south central Texas approximately 80 miles south of the State capital in Austin, 165 miles northwest of the Gulf of Mexico, and approximately 150 miles from the U.S./Mexico border cities of Del Rio, Eagle Pass, and Laredo.

The following table provides the population of the City, Bexar County, and the San Antonio-New Braunfels MSA[1] for the years shown:

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

1 Data for 1920-1990 has been restated from the redefined eight-county MSA to the original four-county MSA.
2 As of June 2003, the U.S. Office of Management and Budget redefined the MSA by increasing the number of counties from four to eight: Atascosa, Bandera, Kendall, and Medina Counties were added to its mainstays of Bexar, Comal, Guadalupe, and Wilson Counties. (The 2000 figure reflects the new 2003 redefined eight-county area.) As of December 2009, New Braunfels, Texas qualified as a new principal city of the San Antonio MSA, and the MSA was re-titled San Antonio-New Braunfels MSA.
3 Provided by the 2010 Decennial Census.
*Sources: U.S. Census Bureau; Texas Association of Counties – County Information Project; and City of San Antonio, Information Technology Services Department.*

**Area and Topography**

The area of the City has increased through numerous annexations and now contains approximately 486 square miles. The topography of San Antonio is generally hilly with heavy black to thin limestone soils. There are numerous streams fed with underground spring water. The average elevation is 795.5 feet above mean sea level.

**Three-Year Annexation Plan Process**

Through both full and limited purpose annexations, the City has grown from its original size of 36 square miles to its current area, encompassing 494.6 square miles, and having a tax year 2014 net taxable assessed value of $79.8 billion.

By City Charter and State law, City Council has the power to annex territory by passage of an ordinance following an open public process. State law provides two methods by which properties may be annexed. Full-purpose annexation entails that municipalities prepare an Annexation Plan that specifically identifies the areas that may be annexed and that no annexation may occur until the third anniversary of the date such plan was adopted. There are minor exceptions to the State law that allow for exemptions from the formal Three-Year Annexation Plan process, such as for property owner-initiated annexation. Limited purpose annexation extends some city regulations, and plans for capital improvements, where by the end of the third year of limited purpose annexation, the area must be annexed for full purposes.

The City Council adopted an updated Annexation Policy in February 2013 and adopted an Annexation Program on December 4, 2014 that identified 66 square miles for consideration for limited purpose annexation.

**Governmental Structure**

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

**City Charter**

The City may only hold an election to amend its City Charter every two years. Since its adoption, the City Charter has been amended on nine separate occasions including: November 1974, January 1977, May 1991, May 1997, November 2001, May 2004, November 2008, May 2012, and May 2015.

At a Special Election held on May 9, 2015, the City submitted four propositions to amend the City Charter, to the voters for their consideration. The Charter amendments were as follows: Proposition 1 provides that the city may not alter or damage a public way or appropriate any funds for a streetcar unless first approved by a majority of the voters at a subsequent election on the matter; Proposition 2 provides for an annual salary of $45,722 (which is the median household income in the San Antonio area) to the City Council Members and $61,725 (median household income plus 35%) for the Mayor; Proposition 3 provides for the filling of City Council and Mayoral vacancies at a special election, rather than by appointment, if more than 120 days remain in the unexpired council term, and allows the City Council to appoint a temporary Council Member or Mayor until such special election can be held; and Proposition 4 provides for the "clean-up" of language or provisions in the Charter because the provisions have been superseded by state law or to update the language to current usage. All four propositions passed by a majority vote and became effective May 20, 2015. The City Charter was amended to reflect the changes.

**Services**

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

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

Electric and gas services to the San Antonio area are provided by CPS Energy ("CPS"), an electric and gas utility owned by the City that maintains and operates certain utilities infrastructure. This infrastructure includes a 21-generating unit electric system and the gas system that serves the San Antonio area. CPS' operations and debt service requirements for capital improvements are paid from revenues received from charges to its customers. As specified in the City ordinances authorizing the issuance of its system debt, CPS is obligated to transfer a portion of its revenues to the City. CPS revenue transfers to the City for the City's fiscal year ended September 30, 2014 were $335,932,050. (See "San Antonio Electric and Gas Systems" herein.)

Water services to most of the City are provided by the San Antonio Water System ("SAWS"), San Antonio's municipally-owned water supply, water delivery, and wastewater treatment utility. SAWS is in its 23rd year of operation as a separate, consolidated entity. SAWS' operating and debt service requirements for capital improvements are paid from revenues received from charges to its customers. SAWS is obligated to transfer a portion of its revenues to the City. SAWS revenue transfers to the City for the City's fiscal year ended September 30, 2014 were $12,548,175. (See "San Antonio Water System" herein.)

On January 28, 2012, by operation of legislation passed by the 82nd Texas Legislature and popular vote held on November 8, 2011, the City, acting by and through SAWS, assumed the Bexar Metropolitan Water District. (See "San Antonio Water System – Bexar Metropolitan Water District" herein.)

**Economic Factors**

The City facilitates a favorable business environment that supports economic diversification and growth. San Antonio's economic base is composed of a variety of industries, including convention and tourism, healthcare and bioscience, government employment, automotive manufacturing, information security, financial services, oil and gas, all with growing international trade. Support for these economic activities is demonstrated in the City's commitment to ongoing infrastructure improvements and development, and investment in a growing and dedicated work force. This commitment and San Antonio's continued status as one of the top leisure and convention destinations in the country support a strong and growing economy.

San Antonio's rate of unemployment fares well when compared to the State and nation. The San Antonio-New Braunfels MSA unemployment rate increased to 3.8% in June 2015, up from 3.5% reported in May 2015. The Texas unadjusted (actual) unemployment rate increased to 4.4% in June 2015, up from 4.1% reported in May 2015. The nation's unadjusted (actual) unemployment rate increased to 5.5% in June 2015, up from 5.3% reported in May 2015.

Total nonfarm employment in the San Antonio-New Braunfels MSA for June 2015 was 982,000. Since June 2014, the San Antonio-New Braunfels MSA has added 26,600 jobs for an annual growth rate of 2.8%.

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***Healthcare and Bioscience Industry***

The healthcare and bioscience industry is the largest industry in the San Antonio economy and has experienced robust growth since the early 1990s. The industry is composed of related industries such as research, pharmaceuticals, and medical device manufacturing contributing approximately the same economic impact as health services. According to the *San Antonio's Health Care and Bioscience Industry: 2014 Economic Impact Study* commissioned by the Greater San Antonio Chamber of Commerce, the economic impact from this industry sector totaled approximately $30.6 billion in 2013. The industry provided 164,537 jobs, or more than 18% of the City's total employment. The healthcare and bioscience industry's annual payroll in 2013 approached $7.6 billion. The 2013 average annual wage of San Antonio workers was $43,450, compared to $46,333 for healthcare and bioscience employees. The healthcare and bioscience industry has added 41,567 net new jobs over the past decade, an increase of 40%.

*Health Care*. According to the *2014 South Texas Medical Center Area Progress Report* written by the San Antonio Medical Foundation, the 900-acre South Texas Medical Center (the "Medical Center") has over 100 medically related treatment, education, and research facilities. There are several nursing facilities and more than 20 medical professional office buildings. Other support activities include banks, a post office, a power plant, pharmacies, and housing facilities. Approximately 300 acres are held for future expansion. Over 29,000 Medical Center employees have provided care for over 5.64 million outpatients and over 106,728 inpatients. Physical plant values, not adjusted for inflation, representing the original investments in physical facilities and equipment (less depreciation) represent approximately $3.352 billion. Capital projects currently in progress as of January 2014 represent $438 million, with an additional $509 million planned over the next five years, for a total of approximately $947 million.

Central to the Medical Center is the University of Texas Health Science Center at San Antonio (the "UT Health Science Center"), located on more than 100 acres in the heart of the Medical Center. A total of 4,400 students (including residents and fellows) are enrolled in the UT Health Science Center's five schools – the School of Allied Health Sciences, the Dental School, the Graduate School of Biomedical Sciences, the Medical School, and the School of Nursing. The UT Health Science Center has nearly two million square feet of education, research, treatment and administrative facilities. The UT Health Science Center employs approximately 5,500 persons with a total annual operating budget of approximately $788 million, supporting six campuses in San Antonio, Laredo, Harlingen, and Edinburg. The UT Health Science Center also oversees the federally funded Regional Academic Health Center in the Rio Grande Valley with facilities in Harlingen, McAllen, Brownsville, and Edinburg.

The UT Health Science Center is one of the country's leading health sciences universities, and ranks in the top 3% of all institutions worldwide receiving federal funding from the National Institute of Health ("NIH"). In FY 2014, UT Health Science Center received a total of $185 million in annual research awards supported by private gifts and $83 million in grant funding from the NIH. The university's schools of medicine, nursing, dentistry, health professions, and graduate biomedical sciences have produced 31,000 graduates since inception.

The UT Health Science Center's newly-opened Medical Arts and Research Center offers state-of-the-art patient care under UT Medicine San Antonio and its Cancer Therapy & Research Center, and is one of only four National Cancer Institute ("NCI") designated Cancer Centers in Texas. In 2015, UT Health Science Center's Dental School, regarded as one of the top in the nation, will open its new 198,000 square foot Center for Oral Health Care & Research.

There are numerous other medical facilities outside the boundaries of the Medical Center, including 25 short-term general hospitals, two children's psychiatric hospitals, and two State hospitals. The U.S. Department of Defense ("DoD") has historically operated two major regional hospitals in San Antonio, Wilford Hall Medical Center ("Wilford Hall"), today known as the Wilford Hall Ambulatory Surgical Center ("WHASC"), and Brooke Army Medical Center ("BAMC"), today known as the San Antonio Military Medical Center ("SAMMC"). As a result of the 2005 Base Realignment and Closure actions ("BRAC 2005"), DoD is investing over $1.3 billion in two projects, expanding BAMC into one of two national DoD Regional Medical Centers and constructing a new outpatient clinic to replace Wilford Hall. BAMC also participates with UT Health Science Center and University Hospital in operating two Level I trauma centers in the community.

On February 2, 2012, City Council authorized an economic development incentive package for the Metropolitan Methodist Hospital Expansion, including a $120,000 grant for the creation of 40 jobs located in the City's downtown area. Methodist Healthcare System proposed a $43.6 million expansion of its intensive care unit located at 1310 McCullough Avenue. The project was to be constructed in two phases and include the following: Phase 1, an investment of $36.9 million in real and personal property; construction of a 65,000 square foot facility that includes 24 Intensive Care Unit ("ICU") beds and their respective support facilities that would enable the relocation of existing laboratory facilities and allow for the expansion of the endoscopy facilities; the creation of 30 new full-time jobs; and Phase 2, construction of 12 additional ICU beds and their respective support facilities, and the creation of five full-time jobs. Since opening in January 2014, the Methodist Hospital has reported creating 1,146 jobs and investing $50 million for the project which added 85,000 square feet of new space to the downtown hospital. That space will house expanded radiology and emergency department services, a new gastrointestinal lab, and a 24-bed intensive care unit. Additional space in the new tower is reserved for future growth needs.

Two major hospital systems are combining efforts to build a freestanding children's hospital in San Antonio. The Tenet Healthcare Corp. ("Tenet") along with Vanguard Health Systems ("Vanguard"), the parent company of Baptist Health System, have combined efforts to develop a new children's hospital in San Antonio. This effort is being led by the UT Health Science Center and Bexar County's University Health System to form a partnership where Vanguard would invest $350 million to build up to a 250-bed hospital, while Tenet would provide its renowned expertise in pediatric care. Along with Vanguard and Tenet, UT Health Science Center will bring to the partnership a network of pediatric services throughout the region from its faculties from UT Medicine San Antonio who will offer both general and specialty care to children and adolescents. The faculty members from the school will also lead medical students, residents, and fellows in instruction and cutting edge research.

*Biomedical Research and Development*. Research and development are important areas that strengthen San Antonio's position as an innovator in the biomedical field.

The Texas Research Park (the "Park") is a 1,236-acre campus owned and operated by the Texas Research & Technology Foundation ("TRTF"), a 501(c)(3) non-profit organization. TRTF is San Antonio's champion for driving economic development in the biosciences and technology industry. The Park is home to the UT Health Science Center's Research Park Campus, which includes the Institute for Biotechnology, the South Texas Centers for Biology in Medicine, and the Barshop Institute for Longevity and Aging. Several biopharmaceutical and medical device commercial ventures call the Park home, as well. TRTF also develops and funds new innovative technology ventures focused on building San Antonio's emerging technology economy.

The Texas Biomedical Research Institute ("Texas Biomed"), formerly the Southwest Foundation for Biomedical Research, which conducts fundamental and applied research in the medical sciences, is one of the largest independent, non-profit, biomedical research institutions in the U.S. and is internationally renowned. As one of the world's leading independent biomedical research institutions, Texas Biomed is dedicated to advancing the health of San Antonio's global community through innovative biomedical research. Today, Texas Biomed's multidisciplinary team of 72 doctoral-level scientists work on more than 200 major research projects.

Located on a 200-acre campus in the City, Texas Biomed partners with hundreds of researchers and institutions around the world, pursuing advances in the prevention and treatment of heart disease, diabetes, obesity, cancer, osteoporosis, psychiatric disorders, tuberculosis, AIDS, hepatitis, malaria, parasitic infections, and a host of other diseases. Texas Biomed is the site of the Southwest National Primate Research Center and home to the world's largest baboon research colony, including a unique pedigreed baboon colony that is invaluable for genetic studies on complex diseases.

Texas Biomed enjoys a distinguished history in the innovative, humane and appropriate use of nonhuman primates in biomedical research. Texas Biomed also is home to other extraordinary resources that give its scientists and their collaborators an advantage in the search for discoveries to fight disease. With the nation's only privately owned biosafety level 4 laboratory, designed for maximum containment, Texas Biomed investigators can safely study deadly pathogens for which there currently are no treatments or vaccines, including potential bio-terror agents and emerging diseases. Another resource that puts the TRTF on the cutting edge of biomedical research is the AT&T Genomics Computing Center, which houses the world's largest computer cluster for human genetic and genomic research. This high-performance computing facility allows scientists to search for disease-influencing genes at record speed.

The UT Health Science Center has been a major bioscience research engine since its inception, with strong research groups in cancer, cancer prevention, diabetes, drug development, geriatrics, growth factor and molecular genetics, heart disease, stroke prevention, and many other fields. Established by the largest single oncology endowment in the nation's history, $200 million from the State tobacco settlement, the Greehey Children's Cancer Research Institute is part of the UT Health Science Center. The UT Health Science Center, along with the Cancer Therapy and Research Center, form the San Antonio Cancer Institute, a NCI-designated Comprehensive Cancer Center.

The University of Texas at San Antonio ("UTSA") houses a number of research institutes. The Neuroscience Research Center, which is funded by $6.3 million in ongoing grants, is tasked with training students in research skills while they perform basic neuroscience research on subjects such as aging and Alzheimer's disease. UTSA is also a partner in Morris K. Udall Centers of Excellence for Parkinson's Disease Research, which provides research for the causes and treatments of Parkinson's disease and other neurodegenerative disorders. A joint partnership between UTSA, the UT Health Science Center, and the participation of Texas Biomed and the Southwest National Primate Research Center, has resulted in the formation of the San Antonio Institute of Cellular and Molecular Primatology ("SAICMP"). The focus of the SAICMP is the study of primate stem cells and early embryos to develop nonhuman model systems for studies of primate stem cells and their applications to regenerative medicine, as well as to develop methods of primate transgenesis and to facilitate other investigations of primate embryology and biogenesis. The South Texas Center for Emerging Infectious Diseases ("STCEID") was established to focus State and national attention on UTSA in the fields of molecular microbiology, immunology, medical mycology, virology, microbial genomics, vaccine development, and biodefense. One of the major areas of emphasis at STCEID is on the pathogenic mechanisms of emerging infectious diseases.

A number of highly successful private corporations, such as Mission Pharmacal, DPT Laboratories, Ltd., and Genzyme Oncology, Inc., operate their own research and development groups and act as guideposts for numerous biotech startups, bringing new dollars into the area's economy. A notable example of the results of these firms' research and development is Genzyme Oncology, Inc., which has developed eight of the last 11 cancer drugs approved for general use by the U.S. Food and Drug Administration ("FDA").

As an equity investment, InCube Labs, LLC ("InCube") was the impetus for the City to establish the San Antonio Economic Development Corporation ("SAEDC"). The mission of the SAEDC is to foster the commercialization of intellectual property in San Antonio through direct equity investment in projects. This model represents a new economic development strategy that seeks to realize a direct return on investment back to the City through its economic development efforts. By making equity investments in later stage companies or key entrepreneurs with proven track records, the City seeks to support commercialization of intellectual property in San Antonio, creating more jobs, investment, and entrepreneurs.

On June 17, 2010, InCube Chairman and CEO Mir Imran announced that InCube planned to establish a branch of its operations in San Antonio and launch five life science companies in San Antonio over the next five years. InCube, formerly located in San Jose, California is a life sciences research laboratory focused on developing medical breakthroughs that dramatically improve patient outcomes. The organization is led by Mr. Imran who has founded more than 20 companies and holds more than 200 patents. Mr. Imran has created many innovations that have resulted in new standards of care, including the first FDA-approved Automatic Implantable Cardioverter Defibrillator. Mr. Imran and his partners also manage a venture fund, InCube Ventures, which invests in life science companies and has raised approximately $30 million from local investors. InCube will create at least 50 jobs within the business incubator with salaries ranging from $50,000 to over $200,000. In September 2010, the State awarded $9.2 million through the Emerging Technology Fund for three existing InCube start-up life science companies to relocate to San Antonio from San Jose, California. By April 27, 2011, InCube had relocated three companies and begun its operations in San Antonio, and on May 2, 2013, InCube announced the formation of two new companies, Theracle and iBridge Medical, fulfilling a requirement to create two new companies in San Antonio prior to July 1, 2013. As of December 31, 2014, InCube has raised $9,568,779 in non-public funds on its activities in San Antonio toward a requirement to spend $15 million during the five-year term. InCube is also collaborating with UTSA and UT Health Science Center on research opportunities.

In June 2011, the City approved an economic development grant ("EDG") through the SAEDC to assist in funding the construction of the UT Health Science Center South Texas Research Facility (the "STRF"). This action also authorized the SAEDC to enter into an economic development agreement with UT Health Science Center. The City, through the SAEDC, has committed funding in the amount of $3.3 million through June 2014 with the potential to receive repayment of the principal amount plus a return on its investment through acquiring a percentage equity interest in UT Health Science Center start-up companies over a ten-year period.

The STRF is a state-of-the-art $200 million research building. The project is expected to be a significant economic generator for the community, creating over 150 new high-paying research and scientific jobs. The facility will primarily house the Institute of Integration of Medicine and Science, which will be the home for the $26 million National Institutes of Health Clinical and Translational Science Awards program. The facility will also house other core research programs on cancer, diseases affecting the elderly, disorders such as stroke, diabetes in children and adults, and the engineering of new body tissues to cure diseases in partnership with the military.

The City's $3.3 million investment in the STRF at UT Health Science Center will greatly enhance the university's research capabilities by increasing opportunities for growing local entrepreneurs and companies, helping attract top tier researchers and scientists, demonstrating an investment in the City's local institutions and talent, and providing opportunities to leverage other research, such as military medicine.

The $3.3 million investment also provides the City the opportunity to leverage its investment through the SAEDC, which was created by the City as a nonprofit corporation in May 2010. Through the SAEDC, the City can invest in economic development projects and take out an equity position in a project to potentially achieve a return on the public's investment. The UT Health Science Center has agreed to enter into an economic development agreement with the SAEDC and provide the SAEDC, over ten years, a 15% interest in any equity position (e.g., founders shares of stock) taken by the university in start-up companies formed through the discovery of intellectual property owned by the university. The SAEDC could then potentially receive a return on its investment up to a cap of $4,000,000 (the $3,300,000 principal amount plus an additional $700,000 return) during the term of the agreement from the university's distribution to the SAEDC based on its equity interest in start-up companies as those companies are acquired or go public. The SAEDC has an equity interest in two UT Health Science Center startup companies.

Also through the SAEDC, the City invested $300,000 in assisting Innovative Trauma Care, Inc. ("ITC") to establish its first U.S. based operations in San Antonio to market, sell, and distribute the ITClamp, and entered into an economic development agreement with ITC on August 30, 2012. The device is a wound clamp designed to control severe bleeding within seconds of application. In exchange for financial assistance, ITC agreed to provide the City, through its SAEDC, an equity interest in the parent company's stock. ITC will add high-paying jobs in the targeted SA2020 Bioscience and Healthcare industry, and will also bring its life-saving device to the world, from San Antonio. ITC has secured approval and initiated the marketing and selling of the ITClamp in Canada and 16 countries in Europe. Approval to market and sell the ITClamp in the U.S. was received from the FDA in May 2013. Additionally, ITC has achieved its fourth regulatory milestone with an expanded indication for use from the FDA to include the temporary control of severe bleeding of the scalp. ITC has already created eight full-time jobs in San Antonio with plans to add more personnel as sales increase.

Another SAEDC equity investment was approved by City Council on October 21, 2013 for StemBioSys, Inc. ("SBS"). SBS a local bioscience startup company formed in November 2010 by Dr. Xiao-Dong Chen, of the UT Health Science Center, and Dr. Steve Davis, a local dermatologist. SBS has four full-time employees and plans to add at least two more employees in the next 12 months. While at the UT Health Science Center, Dr. Chen discovered a way to isolate and expand adult stem cells for research, diagnostics, and therapeutic treatments. SBS has secured two patents on its stem cell technology platforms, and has three other patents pending. In May 2011, SBS signed an agreement with the UT Health Science Center to license, develop, and commercialize Dr. Chen's technologies in the regenerative medicine market which is expected to grow by 48% over the next six years. City Council authorized the SAEDC to invest these funds in SBS through a loan at a 5% interest rate for five years in exchange for a Convertible Promissory Note (the "Note") for $200,000. The Note would provide the SAEDC the option to convert the loan into preferred shares of SBS stock during the term or to accept repayment of the loan at the end of the term with interest ($255,256). For the loan, SBS agreed to retain its business operations in San Antonio for the term of the Note or until such time as the SAEDC may exercise its option to convert the Note into shares of equity. SBS also agreed to retain and create a minimum of six full-time jobs by December 2014 and pay an average annual salary of at least $50,000. As of December 2014, SBS employs 8 people.

*Military Health Care*. San Antonio's military healthcare facilities have positively impacted the City for decades. Many military medical transformations came as a result of the BRAC 2005 legislation.

Historically, BAMC at Joint Base San Antonio-Fort Sam Houston ("JBSA-Fort Sam Houston") was known as a hospital and an Army Unit, but the BAMC name is now specifically the unit that commands Army medical activity in San Antonio. BAMC's medical facilities include SAMMC, Center for the Intrepid, Fort Sam Houston Primary Care Clinic, McWethy Troop Medical Clinic, Taylor Burk Clinic at Camp Bullis, and the Schertz Medical Home. These BAMC facilities have a total workforce of over 7,500 personnel.

The renowned hospital known as BAMC became SAMMC in September 2011 and has expanded to 2.1 million square feet due to BRAC 2005 legislation. SAMMC is the largest inpatient medical facility in the DoD, the only DoD Burn Center, and the only DoD Level 1 Trauma Center in the U.S. SAMMC hosts Centers of Excellence for amputee care, burn care, and breast imaging and contains dedicated inpatient units for bone marrow transplant, maternal-child and neonatal intensive care; as well as pediatric, burn, cardiac and psychiatric care. On any given day at SAMMC, the emergency department averages 174 visits and admits approximately five civilian emergencies, four babies are born and 238 inpatient beds are occupied.

WHASC at Joint Base San Antonio-Lackland ("JBSA-Lackland") is the largest in the DoD with more than 29 sub-specialties and 30 Credited Graduate Medical Education training programs. The facility is manned by more than 2,600 personnel and provides primary and specialty care; outpatient surgery; a sleep center; a contingency aeromedical staging facility; and eye, hearing and diabetes centers of excellence. A new 651,684 square foot Ambulatory Surgical Center is currently under construction at JBSA-Lackland and is scheduled to open in 2015. It is part of the $390 million recapitalization of the old Wilford Hall Medical Center facility.

The San Antonio Military Health System ("SAMHS") oversees the healthcare delivery of 230,000 DoD beneficiaries in the San Antonio metropolitan region. Healthcare services are provided by the SAMMC and the WHASC. The SAMHS treatment facility manages a total combined budget of over $839 million and contributes over $138 million annually in inpatient/outpatient private sector care expenses.

Previously, all U.S. Army combat medic training was conducted at Fort Sam Houston. As a result of BRAC 2005, all DoD military enlisted combat medic training is now accomplished at the new Medical Education and Training Campus at JBSA-Fort Sam Houston.

San Antonio received a new medical research mission due to BRAC 2005. BRAC 2005 transformed the U.S. Army Institute of Surgical Research ("USAISR") into a tri-service Battlefield Health and Trauma ("BHT") Research Institute that has been operating at Fort Sam Houston since August 2010. The BHT is composed of the USAISR, Naval Medical Research Unit San Antonio and the Air Force Dental Evaluation and Consultation Service. This new research facility is adjacent to the SAMMC and was created to remove redundancy and create a synergy in combat casualty care research.

***Finance Industry***

The largest private sector employer in the industry is United Services Automobile Association ("USAA"). The company has about 9.4 million customers, comprised of military members, veterans and their families. The company currently employs a total of 16,400 people. While this sector is led by USAA, San Antonio is home to other insurance company headquarters such as Catholic Life and GPM Life, as well as being the home to many regional operations centers for many health care insurers. Insurers with substantial regional operations centers in San Antonio include Allstate Insurance Company ("Allstate"), Nationwide Mutual Insurance Company ("Nationwide"), Caremark, United Health, and PacifiCare.

After considering Little Rock, Tulsa, and Raleigh, Nationwide established a new regional corporate headquarters location in San Antonio in October 2009. Nationwide, headquartered in Columbus, Ohio, is a national insurance provider with over 34,000 employees, and had $23.9 billion in revenues in 2013. With its announcement to expand in San Antonio, Nationwide committed to retaining 932 current employees and creating an additional 838 new jobs over the life of the agreement with the City which ends in 2028. Phase I of the project involved a consolidation of existing operations into an existing facility, and $3 million in new personal property improvements. Nationwide has broken ground on Phase II of its investment in San Antonio with an $89 million corporate campus.

On September 27, 2012, the City and Nationwide officials inaugurated the grand opening of the 300,000 square foot facility which is located in the master-planned Westover Hills community, near the intersection of Hyatt Resort Drive and State Highway 151 on the City's far west side. As of December 2014, Nationwide reported that it employs 1,377 people at this location.

On February 9, 2010, Allstate announced its decision to locate a customer operations center, invest $12 million, and create 600 new full-time jobs in San Antonio. The core function of this operations center will support direct sales calls and selling additional insurance products to existing clients. Allstate is the nation's largest publicly held personal lines insurer. Allstate's main lines of insurance include automobile, property, life, and retirement and investment products. Allstate has two other sales support centers located in Northbrook, Illinois (its headquarters) and Charlotte, North Carolina. As of December 2014, Allstate reported that it employs 504 people at its San Antonio operations center and eventually expects the center will employ 600 employees, who will sell Allstate products and provide service to the company's customers.

San Antonio is also the home of many banking headquarters and regional operation centers such as Frost Bank, Broadway National Bank, and USAA Federal Savings Bank. Companies with large regional operations centers in San Antonio include Bank of America, Wells Fargo, J.P. Morgan Chase, and Citigroup.

***Hospitality Industry***

The City's diversified economy includes a significant sector relating to the hospitality industry. A 2014 Economic Impact Report of San Antonio's Hospitality Industry (representing 2013 data) found that the hospitality industry has an economic impact of more than $13 billion. The estimated annual payroll for the industry is $2.49 billion, and the industry employs more than 122,500 people.

In 2014, the City's overall level of hotel occupancy increased by 3.0%; room supply was flat at -0.1%; total room nights sold increased by 2.9%; the average daily room rate increased 3.0%; revenue per available room increased 6.0%; and overall revenue increased 5.9%.

*Tourism*. The list of attractions in the San Antonio area includes, among many others, the Alamo and other sites of historic significance, the River Walk, and two major theme parks, SeaWorld San Antonio and Six Flags Fiesta Texas. San Antonio attracted 31 million visitors in 2013. Of these, over 15 million were overnight leisure visitors, placing San Antonio as one of the top U.S. destinations in Texas. Recent FY 2014 accomplishments contributing to the City's success included: (1) launched the Unforgettable Campaign to consumers in October 2013 that showcases and celebrates the multitude of attributes that represent the depth and diversity of San Antonio; the campaign uses photography to show multiple San Antonio assets in unexpected ways; the campaign displays many attributes of San Antonio and then encourages deeper exploration with a custom microsite for each ad; (2) reported more than $31 million in earned Media Value for FY 2014; this is the dollar value of the positive media coverage generated by San Antonio Convention & Visitors Bureau's ("CVB") communications team; this represents the stories and articles in print (i.e., magazines, newspapers, etc.), TV, radio, and online media; the dollar figure aligns with what the advertising cost of that coverage would have been if the City had purchased the exposure; (3) launched Synchronicities Three City Partnership (Anaheim, California, Baltimore, Maryland, and San Antonio); an unparalleled solution for meeting professionals looking to maximize return on investment; using valuable information from focus groups and surveys, it unites three premier destinations for a seamless year-to-year knowledge transfer and partnership; designed to give professionals consistent service and customized attendee engagement; and (4) achieved 2,000 Certified Ambassadors (doubling prior year); the San Antonio Tourism Ambassadors Program teaches how to turn every visitor encounter into a positive experience; overall, the program benefits the visitor, the industry, and the local economy.

*Conventions*. San Antonio is also one of the top convention cities in the country and hosted 6.2 million business visitors in 2014 that came to the area for a convention, meeting or other business purpose. In FY 2014, the

CVB sales staff booked over 859,000 room nights for current and future years. Significant meetings booked included: PAX South with a total of 31,000 room nights for 2015, 2016, and 2017; American Association of Nurse Practitioners with 19,100 room nights for 2016; Future Business Leaders of America with 26,200 room nights for 2019; and American Water Works Association with 14,300 room nights. The Henry B. Gonzalez Convention Center transformation is scheduled for completion in January 2016 and promises to make San Antonio more competitive in attracting meetings and conventions. In addition, the CVB continues to be proactive in attracting convention business through its management practices and marketing efforts.

The following table shows both overall City performance as well as convention activity hosted by the CVB for the calendar years indicated:

| Calendar Year | Hotel Occupancy [1] | Revenue per Available Room (RevPAR) [1] | Room Nights Sold [1] | Convention Attendance [2] | Convention Room Nights [2] | Convention Delegate Expenditures (Millions) [2] |
|---|---|---|---|---|---|---|
| 2005 | 68.8 | 63.06 | 7,283,824 | 503,601 | 699,932 | 523.3 |
| 2006 | 69.1 | 69.43 | 7,439,783 | 467,426 | 736,659 | 485.8 |
| 2007 | 66.3 | 69.90 | 7,397,123 | 455,256 | 647,386 | 473.1 |
| 2008 | 64.6 | 70.82 | 7,669,475 | 563,164 | 691,525 | 607.5 |
| 2009 | 57.1 | 55.94 | 7,167,603 | 399,408 | 660,736 | 474.5 |
| 2010 | 59.3 | 57.02 | 7,768,002 | 535,400 | 736,325 | 636.1 |
| 2011 | 61.3 | 58.08 | 8,236,019 | 499,171 | 637,593 | 593.0 |
| 2012 | 63.5 | 60.79 | 8,651,826 | 449,202 | 635,829 | 533.7 |
| 2013 | 63.1 | 63.44 | 8,610,676 | 712,577 | 734,190 | 846.6 |
| 2014 | 64.9 | 67.32 | 8,817,338 | 652,443 | 725,333 | 775.1 |

[1] Data obtained from Smith Travel Research based on hotels in the San Antonio selected zip code reports dated January 2015, January 2014, January 2013, and January 2012, which applies to 2014 data, 2013 data, 2012 data, and 2005-2011 data, respectively.
[2] Reflects only those conventions hosted by the CVB.
*Source: City of San Antonio, Convention and Visitors Bureau.*

***Military Industry***

The growth in new missions and significant construction activities brought about by BRAC 2005, strengthened San Antonio's role as a leading military research, training, and education center. One of the major outcomes of BRAC 2005 was the creation of Joint Base San Antonio ("JBSA") which is the largest joint base in the United States. JBSA consolidates all the base support functions, real property, and land for JBSA-Lackland, JBSA-Randolph, and JBSA-Fort Sam Houston (including Camp Bullis) under the 502nd Air Base Wing. The Joint Base includes over 46,500 acres, supports 80,000 personnel, has a plant replacement value of $37 billion, and an annual budget of $800 million. Over 132,000 personnel are trained at Joint Base facilities every year.

JBSA, and its more than 200 mission partners, represent a significant component of the City's economy providing an annual economic impact, when combined with other DoD contracts and contractors, military retirees, veterans, and direct and indirect jobs, of over $27 billion for the City. In addition, the property of the former Brooks Air Force Base ("Brooks AFB"), a fourth major military installation, was transferred from the U.S. Air Force to the City-created Brooks Development Authority ("BDA") in 2002, as part of the Brooks City-Base Project ("Brooks City-Base"). Furthermore, the military is still leasing over 1.7 million square feet of space at Port San Antonio (the "Port"), which is the former Kelly Air Force Base that was closed in 2001.

One of the other significant events brought about by BRAC 2005 is the realignment of medical facilities resulting in a major positive impact on military medicine in San Antonio, with $3.2 billion in construction and the addition of approximately 12,500 jobs at the JBSA complex.

*JBSA-Fort Sam Houston*. JBSA-Fort Sam Houston is engaged in military-community partnership initiatives to help reduce infrastructure costs and pursue asset management opportunities using military facilities. In

April 2000, the U.S. Army entered into a partnership with the private organization, Fort Sam Houston Redevelopment Partners, Ltd. ("FSHRP"), for the redevelopment of the former Brooke Army Medical Center and two other buildings at Fort Sam Houston. These three buildings, totaling about 500,000 square feet in space and located in a designated historic district, had been vacant for several years and were in a deteriorating condition. On June 21, 2001, FSHRP signed a 50-year lease with the U.S. Army to redevelop and lease these three properties to commercial tenants.

Some of the major mission partner organizations on JBSA-Fort Sam Houston are: U.S. Army North, the Army Installation Management Command, the Army Medical Command, U.S. Army South, the Army Medical Department and School, the Southern Regional Medical Command, Brooke Army Medical Center, the Medical Educational and Training Campus, the Mission and Installation Contracting Command, the Navy Medicine Education and Training Command, Three Army Reserve Depots, a Navy/Marine Reserve Operations Center, and a Texas Army National Guard armory.

The potential economic impact from JBSA-Fort Sam Houston due to the BRAC 2005 expansion, along with major growth from the Army Modular Force and Army Grow the Force programs, is estimated at nearly $8.3 billion. The economic impact due to the amount of construction on post to accommodate the new mission accounts for approximately 80% of the impact ($6.7 billion). While the major surge of construction from BRAC 2005 and the other major force programs are complete, the economic impact from JBSA-Fort Sam Houston will increase by nearly $1.6 billion annually with additional annual sales tax revenue of $4.9 million. The major personnel moves under BRAC 2005 were completed by September 15, 2011, and this increase in personnel and missions at JBSA-Fort Sam Houston could support the employment of over 15,000 in the community.

Various construction projects continue at JBSA-Fort Sam Houston. The new Walters Street Gate and Entry Control Point and a new Medical Education and Training Campus Headquarters Building have been completed. A new Student Activity Center opened in November 2013 and construction was completed on a new SAMMC Visitor Control Center and Entry Control Point in January 2014. A new 310-room hotel completed in October, 2014, and a new 206-room apartment style dormitory will break ground in 2015. A small addition to the hospital for a hyperbaric chamber and a new fire station for the SAMMC area are also planned for FY 2015 and a new Army-Air Force Exchange Services Exchange Main Store is planned for 2017 or 2018.

*JBSA-Camp Bullis*. Armed Forces medics at JBSA-Fort Sam Houston, receive additional field training at JBSA-Camp Bullis, which comprises 28,000 acres. JBSA-Camp Bullis is also used by the 37$^{th}$ Training Wing for Security Forces technical and professional development training. Additionally, JBSA-Camp Bullis is home to the USAF Medical Training Readiness Center, which encompasses four medical related courses. It is also home to multiple Army Reserve and Army National Guard units of all types, to include Military Intelligence, Engineer, Medical, Infantry and Special Forces. The 470$^{th}$ Military Intelligence Brigade, headquartered at JBSA-Fort Sam Houston, operates the INSCOM Detention Training Facility at JBSA-Camp Bullis, and the Defense Medical Readiness Training Institute operates the Combat Casualty Care Course. JBSA-Camp Bullis also supports regular use by local law enforcement agencies and Federal entities. In 2013, JBSA-Camp Bullis supported the training of approximately 180,000 personnel. Because of its geographical size, numerous units and missions are continually looking at JBSA-Camp Bullis as a viable place to locate and train.

*JBSA-Lackland*. JBSA-Lackland is home to the 37$^{th}$ Training Wing, situated on 9,700 acres, all within the city limits of San Antonio. According to a recent Economic Impact Analysis, over 53,000 military, civilian, student, contractors and military dependents work, receive training, or utilize JBSA-Lackland services. JBSA-Lackland hosts the Air Force's only Basic Military Training ("BMT") function for all enlisted airmen, which is known as the "Gateway to the Air Force". Additionally, JBSA-Lackland hosts many of the technical training courses which the BMT graduates are routed to prior to their first assignment. On an annual basis, JBSA-Lackland is expected to graduate 86,000 trainees per year. The Air Force is in the middle of a $900 million program to replace the BMT Recruit Housing and Training buildings that have been in continuous operation since construction in the late 1960s. Construction is now complete for three of the Airmen Training Complexes ("ATC") and the first two Dining/Classroom Facilities ("DCF") that supports the ATCs. Construction is also complete for the Pfingston BMT Reception Center, every new recruit's entry into BMT. Construction is moving ahead on the fourth ATC with estimated completion of in late 2015. The beginning of the second half of the Basic Military Training Complex replacement program is planned for FY 2016 with the start of the fifth ATC and the third DCF. Each ATC will house up to 1,200 trainees and the DCF includes dining halls and classroom facilities for two ATCs. The BMT replacement program is estimated to be complete by FY 2021.

Projected growth also includes a 160,000 square foot expansion of the $24^{th}$ Air Force, the Cyber Command, facilities, and a potential increase of 1,500 students at the Defense Language Institute English Learning Center. Permanent beddown of the Transportation Security Agency's Canine Academy is on-going as construction of their headquarters, additional kennels, and training lab facilities began in 2014. Finally, the Defense Health Program is planning the replacement of the Reid Medical Center in FY 2016.

Adjacent and contiguous to JBSA-Lackland is Port San Antonio, where the Air Force maintains a significant presence. The Air Force and the Port jointly utilize the Kelly Field runway for military and commercial airfield operations. The Air Force continues to lease over 30 buildings, which consist of 1.75 million square feet of space and over 270 acres. The largest Air Force leaseback is at Building 171, a 460,000 square foot facility previously closed from the 1995 Base Realignment and Closure of Kelly AFB. Approximately 7,000 Air Force and other DoD employees work at this and other facilities on the Port in this post-BRAC 2005 era.

Much of the new BRAC 2005 growth which occurred on the Port property is at Building 171. The Air Force spent $26.5 million to renovate the building, which houses 11 missions. Seven missions and approximately 800 personnel have relocated to the building from Brooks City-Base. These include the Air Force Civil Engineer Center, four medical missions including Air Force Medical Operations Agency, and other support missions. Building 171 also houses the new "Cyber" $24^{th}$ Air Force consisting of approximately 450 personnel and the Air Force Real Property Agency.

*JBSA-Randolph*. JBSA-Randolph, which is known as "the Showplace of the Air Force" because of its consistent Spanish Colonial Revival architectural standard retained from when the installation was first constructed in the early 1930s, is on the northeast side of San Antonio and houses the Headquarter Air Education and Training Command and the Air Force Personnel Center. Other major tenant organizations include the Air Force Manpower Agency, $19^{th}$ Air Force, the Air Force Recruiting Service, and the Air Force Office of Special Investigations (Region 4). The main operational mission is carried out by the $12^{th}$ Flying Training Wing (the "Wing") which equips and trains aviators and supports worldwide contingency operations. The $12^{th}$ Flying Training Wing operates parallel runways on either side of the main installation facilities and conducts 24-hour-a-day flight training operations. In a related aviation mission, JBSA-Randolph, which recently added 85 instructors and staff to its Remotely Piloted Aircraft ("RPA") training unit, will produce RPA pilots to man an Unmanned Aerial Systems ("UAS") force which now encompasses 8.5% of total Air Force pilot manning. The UAS force is projected to grow by approximately 25% between FY 2013 and FY 2017.

The BRAC 2005 growth supported the City's economic development strategy to promote development in targeted areas of the City, to leverage military installation economic assets to create jobs, and to assist the City's military installations in reducing base support operating costs.

San Antonio is home to two large projects which serve all of the military branches. The Audie L. Murphy Veterans Administration Hospital, which includes a new $67 million Level I Polytrauma Center, was completed in 2011. This hospital is designed to be the most advanced in the world and is capable of providing state-of-the art medical care to veterans with multiple serious injuries. San Antonio is also home to the National Trauma Institute ("NTI"), a collaborative military-civilian trauma institute involving SAMMC, University Hospital, the UT Health Science Center, and the USAISR. The NTI coordinates resources from the institutions to most effectively treat the trauma victims and their families.

In 2005, the San Antonio community put in place organizations and mechanisms to assist the community and the military with the BRAC 2005 and other military-related issues. The Military Transformation Task Force ("MTTF") is a City, Bexar County, and Greater San Antonio Chamber of Commerce organization which provides a single integrated voice from the community to the military. The MTTF is formed of several committees each dedicated to working with the community and military on the BRAC 2005 actions and post-BRAC 2005 actions.

In January 2007, the City established the Office of Military Affairs ("OMA") as the single point of contact for the City on military-related issues. The mission of OMA is to work with the military to sustain and enhance mission readiness, develop and institutionalize relations to strengthen a community-military partnership, and to provide an official formalized point of contact for the military on issues of common concern. OMA provides staff support to the MTTF and works closely with each MTTF committee in order to facilitate their work. OMA is also working with the local military bases to address compatible land-use issues around the installations in order to enhance mission readiness. Finally, the City and the military have established the Community-Military Advisory Council. This Community-Military Advisory Council provides a mechanism for local government, business, and military leaders to address issues of common concern.

In 2008, OMA introduced the Growth Management Plan as one of the responses to the growth brought about by the BRAC 2005 actions, and it clearly laid out the partnership between the San Antonio community and the military. One example of the partnership is the City's effort to gather over $30 million in resources and funding from bond proceeds, City funding, federal earmarks, and grants to provide significant infrastructure improvements around Fort Sam Houston. The premier project was the reconstruction and widening of Walters Street, a primary entrance to Fort Sam Houston. This project was substantially completed in June of 2013. This project is complex, since it is the center segment of a cooperative effort joining the already completed Texas Department of Transportation ("TxDOT") improvements on IH-35 to a new, high security gate entrance that was completed by Fort Sam Houston. An even more unique project is the City's construction of a much improved bridge over Salado Creek on Binz Engleman Road, which was actually built on federal property and was gifted to the military upon completion in June of 2012. Other key projects include intersection improvements on Harry Wurzbach Road between the JBSA-Fort Sam Houston Gate and Rittiman Road, and the construction of a new bridge on Rittiman Road, west of IH-35. The City also expended significant funding to support development along Walters Street by improving utilities, installing a new water line and improving numerous side streets in that area. These improvements are now complete. The City was also selected by the DoD's Office of Economic Adjustment to receive an award of $25 million in federal funds to construct new ramp connectors between IH-35 and Loop 410 near SAMMC. This project is under construction. This initiative with TxDOT will greatly improve traffic flow and safety for personnel seeking access to the medical facility area.

Currently, DoD is the community's largest employer, supporting the employment of over 189,000 people, with an economic impact of $27.7 billion annually. JBSA alone directly employs 80,000 people and has a total economic impact of $12.78 billion in payroll, contract expenditures, and value of jobs created. Over 55,000 military retirees reside in San Antonio and receive over $1.5 billion in annual benefit payments. The BRAC 2005 program in San Antonio concluded in 2011, but the construction momentum continues. Multiple projects are planned through FY 2015. The value of the proposed construction projects during this time period is anticipated to average between $200 to $300 million per year.

***Other Major Industries***

*Aerospace*. According to the Economic Impact Study commissioned by the Greater San Antonio Chamber of Commerce in 2010, the aerospace industry's annual economic impact to the City was about $5.4 billion. This industry provides approximately 13,616 jobs, with employees earning total annual wages of over $678 million. The aerospace industry continues to expand as the City leverages its key aerospace assets, which include San Antonio International Airport, Stinson Municipal Airport, the Port, JBSA-Randolph, JBSA-Lackland, and training institutions. Many of the major aerospace industry participants such as Boeing, Lockheed Martin, General Electric, Pratt & Whitney, Raytheon, Cessna, San Antonio Aerospace – a division of Singapore Technologies, Southwest Airlines, American Airlines, Delta Air Lines, United Airlines, US Airways, FedEx, UPS, and others, have significant operations in San Antonio. The aerospace industry in San Antonio is diversified with continued growth in air passenger service, air cargo, maintenance, repair, overhaul, and general aviation.

In February 2011, Southwest Airlines ("SWA") finalized its acquisition of AirTran Holdings, Inc. for $1.4 billion in cash and stock. The acquisition provided SWA with a presence in 37 new cities, including Hartsfield-Jackson Atlanta International Airport (AirTran's main hub) and two AirTran customer service centers in Orlando, Florida and Atlanta, Georgia. As of March 1, 2012, SWA and AirTran are operating under a single operating certificate. Following this acquisition, SWA began discussions with City staff about its intent to consolidate customer service operations in San Antonio or at one or more of their other customer service centers.

In 1981, SWA opened its customer services and support center in San Antonio. This facility currently accommodates the existing workforce of 478 employees, but could not expand to include the additional 322 employees SWA planned to hire. Therefore, SWA began exploring other sites in San Antonio to accommodate a potential consolidation and growth. Other expansion sites SWA considered included Orlando, Florida, Atlanta, Georgia, Oklahoma City, Oklahoma, and Phoenix, Arizona. After consideration, SWA decided that due to changing needs and requirements in the company, and new technology being utilized to meet customer needs, it would only need to hire an additional 227 employees for a total of 705. SWA remains committed to its Customer Support and Service Operations in San Antonio, having signed a long-term lease at its new facility, and plans to maintain its workforce in San Antonio.

In early 2012, Boeing announced that its San Antonio facility would gain 300 to 400 workers and maintenance responsibilities for the nation's executive fleet due to a decision to close a Wichita, Kansas plant. The aircraft maintenance and support work moving to San Antonio will include improvements to the nation's fleet of executive jets, including Air Force One, the Boeing 747s that transport the President of the United States, and the jets that transport the Vice President, Cabinet members, and other government officials.

*Applied Research and Development.* The Southwest Research Institute ("SwRI") is one of the original and largest independent, nonprofit, applied engineering and physical sciences research and development organizations in the U.S., serving industries and governments around the world in the engineering and physical sciences field. SwRI has contracts with the Federal Aviation Administration (the "FAA"), General Electric, Pratt & Whitney, and other organizations to conduct research on many aspects of aviation, including testing synthetic jet fuel, developing software to assist with jet engine design, and testing turbine safety and materials stability. SwRI occupies 1,200 acres and provides nearly two million square feet of laboratories, test facilities, workshops, and offices for approximately 3,000 scientists, engineers, and support personnel. SwRI's total revenue for FY 2014 was $549 million, managing more than 73 projects with expenditures of more than $6.9 million to its internally sponsored research and development program which is designed to encourage new ideas and innovative technologies.

*Information Technology*. The information technology ("IT") industry plays a major role in San Antonio. The economic impact of IT and cyber business already measures in the billions ($10 billion in 2010, with conservative estimates of growth to $15 billion in 2015). The industry itself is both large and diverse, including IT and Internet-related firms that produce and sell IT products. San Antonio is particularly strong in information security. In fact, San Antonio is recognized as a national leader in this vital field, with the U.S. Air Force's Air Intelligence Agency, a large and growing National Security Agency ("NSA") presence, and the Center for Infrastructure Assurance and Security ("CIAS") at UTSA.

San Antonio boasts some of the most sophisticated uses of IT in the world, even though much of that advanced usage remains undisclosed for security reasons, since the community is home to a large concentration of military and intelligence agencies charged with the missions of intelligence, surveillance and reconnaissance, information operations and network defense, attack and exploitation. Prominent activities in cyber warfare, high tech development, acquisition and maintenance are found among the Air Intelligence Agency, Joint Information Operations Warfare Command, NSA/Central Security Service Texas, 67th Network Warfare Wing, Air Force Information Operations Center, and Cryptology Systems Group.

The CIAS at UTSA is one of the leading research and education institutions in the area of information security in the country. The CIAS has established partnerships with major influential governmental and non-governmental organizations such as the DoD, Department of Homeland Security, and the United States Secret Service. The CIAS has also been actively involved with sector-based Information Sharing and Analysis Centers' security preparedness exercises for organizations in critical infrastructures.

Chevron U.S.A. Inc. ("Chevron") has selected San Antonio as the site for the construction of a 130,000 square foot data center to consolidate all of its North American data center operations. City Council approved the execution of a tax abatement agreement with Chevron. The data center involves a capital investment of over $335 million over ten years and will create 17 new jobs that pay approximately $60,000 annually in the targeted industry of IT. Chevron completed construction of the data center on a 33.82 acre site in Westover Hills (adjacent to the Microsoft Center), located at 5200 Rogers Road, and commenced operations in September 2014.

CyrusOne is a publicly traded owner, operator, and developer of enterprise-class data center properties. CyrusOne currently owns and operates a 107,000 square foot co-location data center at 9999 Westover Hills Blvd. The company's customers include 15 of the top 100 global companies and five of the top 10 companies, including local companies such as Christus Health, Schlumberger, and Halliburton. City Council approved a six year, 50% tax abatement agreement with CyrusOne on its planned investment of approximately $120 million in real and personal property improvements, and the creation of 15 new full-time jobs.

*Manufacturing Industry.* Toyota Motor Corporation ("Toyota"), one of the largest manufacturing employers in San Antonio with an estimated workforce of 2,850, expanded its local production in 2010, adding the production of the Tacoma truck at its manufacturing facility in San Antonio. Toyota shifted its Tacoma manufacturing from Fremont, California to San Antonio, creating an additional 1,000 jobs and investing $100 million in new personal property, inventory, and supplies. Toyota and its 21 on-site suppliers, located on San Antonio's south side, have created 88 new jobs and retained 6,024 jobs through 2014, bringing the total number of jobs supporting Toyota's production of Tundra and Tacoma vehicles to 6,112, with an estimated annual impact of $1.7 billion.

NBTY Manufacturing Texas, LLC ("NBTY") is the largest vertically integrated manufacturer of nutritional supplements in the United States. The company manufactures, wholesales, and retails more than 25,000 products including vitamins, minerals, herbs, and sports drinks. The company sells its goods through pharmacies, wholesalers, supermarkets, and health food stores around the world. NBTY is owned by the investment firm, The Carlyle Group, which purchased 100% of the firm's publicly traded shares on October 1, 2010. NBTY was considering an expansion of its vitamin manufacturing operations at 4266 Dividend – the site of the former Judson-Atkinson Candies, Inc., which closed its operations in November 2011. NBTY was also considering other potential sites in Long Island, New York and Hazelton, Pennsylvania. To attract NBTY to San Antonio, the City offered the company a cash grant of $200,000 over four years and the annual reimbursement of ad valorem taxes paid on new real and personal property improvements over ten years not to exceed $201,546 for a total cumulative grant of up to $401,546. Based on the City's offer of incentives, NBTY indicated its intent to expand in San Antonio, create 65 new jobs by January 1, 2016, occupy the former Judson-Atkinson facility, and invest $6 million in improvements. NBTY also intends to offer employment to former Judson Candy Factory employees by hiring the former plant director to connect with former employees with production experience with the existing manufacturing equipment. As of December 31, 2014, NBTY has created 61 jobs and invested over $30 million in real and personal property improvements.

Xenex Healthcare Services LLC ("Xenex"), formerly headquartered in Austin, Texas, manufactures a patented mobile disinfection machine to decontaminate patient care environments. Xenex is an early stage company selling its disinfection machines to hospitals around the country. City Council authorized an EDG of $150,000 from the Economic Development Incentive Fund to Xenex contingent upon Xenex relocating its headquarters and operations from Austin to San Antonio and creating 27 jobs over two years. Xenex relocated the company to San Antonio in 2012. Xenex business operations in San Antonio have expanded as more hospitals and health facilities are investing in the company's disinfecting robot. Since moving to San Antonio in 2012, Xenex has grown from 15 employees to 52 employees.

*Support Operations*. On November 22, 2010, PETCO Animal Supplies, Inc. ("PETCO") announced it had selected San Antonio over 47 other communities as the site of a new satellite support center, which is as an extension of the company's San Diego headquarters and called the National Support Center. The National Support Center in San Antonio will house 400 PETCO associates in functions including accounting, human resources, internal audit, loss prevention, risk management, and ethics and compliance over the life of the agreement with the City which ends in 2027. These 400 new jobs will have an annual average wage of approximately $58,000 with at least 10% of the jobs paying $80,000 or more. Many of these jobs are corporate-level positions with decision-making authority over major company functions. As of December 2014, PETCO has reported employing 374 people in its facility. PETCO is the second-largest U.S. retailer of specialty pet supplies. PETCO operates more than 1,000 stores in all 50 states and the District of Columbia, making it the only pet store to cover the entire U.S. market.

Glazer's Wholesale Drug Company ("Glazer's"), headquartered in Dallas, is one of the largest beverage distributors in the U.S. The company represents a wide variety of wine, spirits, malt beverage, and non-alcoholic suppliers in 11 states and employs over 6,000 people. Glazer's has operated in San Antonio since 1940 and is currently located at 3030 Aniol Street, where it employs 125 people. Glazer's has requested an amendment to a Tax Abatement Agreement with the City, dated August 19, 2010, to reflect a new investment of over $32 million in real and personal property at a new facility purchased by Glazer's, and creation of 100 new jobs and retainment of 350 jobs, for a total of 450 jobs to be located at the new facility. Glazer's has also purchased an additional 9.37 acres of City-owned land adjacent to the previous 35-acre purchase to accommodate the larger facility. City staff has negotiated to sell the additional land for $399,999 plus a $75,000 charitable donation by Glazer's to the City for the benefit of targeted area redevelopment, such as the West side, with payments of $25,000 over each of the three years from 2014 to 2016.

*Green Technology*. In response to an April 2009 Request for Proposal, CPS negotiated and entered into a 30-year power purchase agreement with TX Solar I, LLC to construct a clean, dependable, and renewable energy solar farm in San Antonio and Bexar County, known as the "Blue Wing Solar Energy Generation Project". TX Solar I, LLC, a wholly owned subsidiary of Duke Energy, is one of the largest electric power companies in the U.S. The project will consist of 214,500 ground-mounted thin film panels manufactured by First Solar with an annual generation of about 14 megawatts ("MW"). This project created approximately 100 green jobs during the construction and operation phases with a capital investment of approximately $41,590,000 in real and personal property. The site is located southwest of the City near the intersection of IH-37 and U.S. Highway 181. Approximately 80% of the property site lies within Bexar County and approximately 20% is within the City limits.

In June 2010, CPS and UTSA announced a ten-year, $50 million agreement to position San Antonio as a national leader in green technology research. The agreement will establish the Texas Sustainable Energy Research Institute at UTSA. Dr. Les Shephard, the USAA Robert F. McDermott Distinguished Chair in Engineering at UTSA, will head the institute formerly known as the Institute for Conventional, Alternative and Renewable Energy. This research institute will work with other academic and research entities with robust green programs including the SwRI as well as the Mission Verde Center, a City partnership that includes the Alamo Colleges and the Texas A&M University Texas Engineering Experiment Station. It also has an active military establishment looking to address specific energy needs. CPS will invest $50 million over ten years in the UTSA Institute beginning in 2011.

The City continues to maximize the municipally-owned CPS utility to develop investment and employment in San Antonio. Through a combination of power purchase agreements and local economic development incentives, the City and CPS are steadily securing jobs, investment, and enhancing university research and development in the area of renewable energy.

As of January 2015, CPS' renewable energy capacity totals 1,207.4 MW in service with another 309.8 MW under contract and in varying levels of project construction. CPS has executed a Master Agreement with OCI Solar Power ("OCI") for 400 MW from seven facilities expected to be built and operational by 2017. Each individual facility comprising OCI's 400 MW will have its own Purchase Power Agreement. OCI's Alamo 1 project facility of 40.7 MW achieved commercial operation in December 2013, St. Hedwig (Alamo 2) for 4.4 MW achieved commercial operation in March 2014. The Brackettville (Alamo 4) project at 39.6 MW achieved commercial operation in August 2014 and the Walzem (Alamo 3) project at 5.5 MW achieved commercial operation in January 2015. The Nelson Gardens 4.2 MW landfill gas generation project achieved commercial operation in April 2014. CPS has one of the strongest renewable energy programs in Texas, with a renewable capacity under contract totaling 1,517.2 MW.

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On June 20, 2011, CPS and the City announced the expansion of five companies into the area directly related to renewable energy and energy efficiency technologies. These firms were: Consert, GreenStar, ColdCar USA, Summit Power, and SunEdison. Since that time, these companies have begun implementing their commitments to San Antonio. In early January 2014, CPS allowed its agreement with Summit Power to expire. Recent developments include the following:

- Three separate purchase power contracts have been signed with SunEdison that will bring approximately 30 MW of renewable solar energy to CPS. CPS will provide about 60% of the long-term capital for development of the project by prepaying for a portion of the anticipated electrical output. SunEdison will utilize these funds to reduce the interest cost of the project. These uniquely structured contracts, a first in the solar industry, will ultimately provide CPS ratepayers with more than $32 million in energy savings over the next 25 years. The two 10 MW solar farm projects on approximately 200 acres at the SAWS Dos Rios Water Recycling Center are operational. The third solar farm achieved commercial operation in August 2012.
- GreenStar, a manufacturer of LED streetlights, has moved into a new manufacturing space in the Alamo Downs area. Currently, the company employs about 42 people in its San Antonio location. At the end of September 2011, the first shipment containing 100 LED lights was delivered to CPS. A total of 25,000 LED streetlights will be installed throughout the City over the next several years.
- Consert relocated its corporate headquarters from North Carolina to San Antonio and has hired 53 employees. Consert has completed close to 17,000 installations of its innovative energy management technology in the San Antonio area.
- ColdCar USA continues to actively seek a manufacturing facility site in San Antonio. In November 2011, ColdCar USA delivered its first all electric refrigeration truck to Ft. Collins, Colorado.
- On January 11, 2012, OCI and Nexolon were selected by CPS to build one of the country's largest solar projects, a 400-megawatt solar power manufacturing plant in San Antonio, resulting in an investment of more than $100 million. This solar project is the largest in the nation and will catapult Texas into the top five U.S. solar producing states. CPS reached an agreement with OCI to build the 400-megawatt solar energy project, and entered into a 25-year Power Purchase Agreement ("PPA") on July 23, 2012. The PPA with CPS requires OCI to ensure the following: (1) establishment of an "anchor" facility to manufacture solar energy related products and one or more manufacturing facilities for multiple components of the solar energy value chain, such as racking systems; (2) investment of at least $100 million for the proposed "anchor" facility; and (3) the creation of at least 800 total solar energy related jobs with an annual payroll of $30 million. One of OCI's partners, Nexolon will initially create 404 solar manufacturing jobs toward meeting the total job requirement and both companies plan to establish their U.S. corporate headquarters in San Antonio, with OCI creating 76 corporate jobs and Nexolon creating 40 corporate jobs.

***Inner City Development***

On February 4, 2010, the City Council approved the Inner City Reinvestment/Infill Policy as a strategy to stimulate growth in the inner city. Current market trends support a renewed interest in the heart of San Antonio, as illustrated by studies conducted for San Antonio such as the Downtown Housing Study, the Real Estate Market Value Analysis, and the Housing + Transportation Affordability Index. In particular, the Real Estate Market Value Analysis shows that a substantial portion of San Antonio's core has very high rates of vacant properties, properties that could be put to use to support increasing demand for near-downtown housing, jobs, and services. This policy establishes the Inner City Reinvestment/Infill Policy Target Area as the highest priority for incentives. Specifically, the following actions are endorsed: (1) waiver of certain City fees and SAWS fees within the target area, and (2) provide greater incentives for economic development projects within the target area. The policy is designed to combat sprawl by strengthening San Antonio's vibrant urban core and driving investment into the heart of the City.

Argo Group US, Inc. ("Argo") moved its insurance operations from Menlo, California to San Antonio in 2001 and maintains its U.S. corporate headquarters in San Antonio. In 2007, Argo merged with PXRE Group Ltd., a Bermuda-based property reinsurer, and established its international headquarters in Bermuda. Argo has about 1,300 employees worldwide in eight countries, including 17 offices in 12 states, with annual revenues of approximately $1.3 billion. Argo was located at 10101 Reunion Place and considering relocation of its San Antonio operations to other sites within San Antonio, as well as to sites in other U.S. cities. In order to retain these good-paying corporate headquarters jobs in San Antonio, the City offered Argo free parking at the St. Mary's garage for ten years valued at approximately $2,850,120 for up to 300 parking spaces. In exchange for this financial incentive, Argo located over 200 jobs at the IBC Centre building at 175 E. Houston Street and has agreed to retain these jobs at this location for the ten-year term of the agreement. Argo also agreed to meet the City's minimum wage requirements and pay an average annual salary of at least $50,000. These incentives were approved by City Council on September 15, 2011.

HVHC Inc. ("HVHC") established its headquarters in San Antonio in 1988 and currently employs 440 people at its headquarters facility downtown with plans to add another 100 jobs over the next two years. HVHC operates the third largest optical retail sector in the U.S. under several brand names, such as Visionworks. The company currently operates over 540 retail stores in 36 states and plans to grow to 1,000 stores in the next five years. City staff met with representatives of the company in December 2010 as part of the community's Business Retention and Expansion program administered through the City's contract with the Economic Development Foundation. During this meeting, City staff learned the company planned to relocate from its current facility at 11103 West Avenue and was considering a consolidation and expansion of its operations at either another site in San Antonio or in other Texas cities, including Dallas and Austin. In order to retain the company's operations and headquarters in San Antonio, the City offered the following financial incentives to HVHC: (1) a cash grant of $1,050,000 payable over two years at $3,000 per job created/retained, and (2) approximately $2,923,200 in parking subsidies in the St. Mary's garage over ten years, to include free parking for up to 350 employees for five years and parking at a 60% discount for up to 350 employees for another five years. In exchange for these financial incentives, HVHC agreed to: (1) retain its operations and corporate headquarters in San Antonio; (2) relocate 265 corporate jobs to the IBC Centre building on Houston Street; (3) relocate its vision care benefits subsidiary, Davis Vision, from Latham, New York to San Antonio; (4) add 85 new jobs for a total of 350 jobs at the IBC Centre no later than December 31, 2012; (5) meet the City's minimum wage requirements in the Tax Abatement Guidelines; and (6) pay an annual average salary of at least $50,000. These incentives were approved by City Council on September 1, 2011. As of December 31, 2012, HVHC has complied with all of the outlined requirements.

Additionally, HVHC entered into another agreement with the City, expanding its headquarter operations by agreeing to create an additional 150 jobs for a total of 500 jobs by December 31, 2015 and retaining these jobs downtown for the remainder of the term of the grant through September 11, 2021. In turn, City Council approved an amendment to the current parking grant agreement in the amount of $360,000 payable over five years at $72,000 per year. In September 2012, HVHC advised City staff that the company was considering San Antonio and two sites in the Dallas area for the expansion of their manufacturing operations. To secure the manufacturing project for San Antonio, City staff recommended City Council approve a cash grant of up to $1,140,000 for the manufacturing project. For this grant, HVHC must locate its new manufacturing operations at 655 Richland Hills for a term of at least ten years, create up to 600 jobs, pay the living wage of $11.08/hour to all employees, designate a minimum of 50 "high wage" jobs paying an annual salary of at least $43,186 and invest approximately $25 million in personal property improvements. Both of these incentives were approved by City Council on April 11, 2013.

On June 21, 2012, City Council adopted the Center City Housing Incentive Policy which provides greater incentives to housing projects within the targeted growth areas identified in the City's Downtown Strategic Framework Plan. The policy encourages historic rehabilitation, adaptive reuse, brownfield redevelopment, and transit oriented development; rewards good urban design; and encourages mixed use and mixed income redevelopment. The policy is an as-of-right housing incentive system which applies to multi-family rental and for sale housing projects within the Inner City Reinvestment Policy Target Area. Eligible projects receive City fee waivers, SAWS fee waivers, and real property tax reimbursement grants for new residential development and residential conversions in the Center City, in order to normalize land values and provide greater certainty and speed of approvals to developers. Additionally, Inner City Incentive Fund loans and mixed use development forgivable loans are awarded based on the terms outlined in the policy which vary based on the geographic location of the housing project with projects located within the Urban Core receiving a higher grant amount per housing unit than projects in other target growth areas. As of January 15, 2015, 22 incentive agreements have been executed under the program which will produce 2,487 new housing units in the Center City.

***Port San Antonio***

The Port is a logistics-based industrial platform on the 1,900-acre site of the former Kelly Air Force Base. It was created by the Texas Legislature in 2001 following the closure of the base and tasked with redeveloping and managing the property to ensure that it continues serving as an economic engine for the region. Though created by the local government, the Port is self-sustaining and operates like a business – receiving its income from the properties it leases and services it provides, and reinvesting profits into further development of the property.

The Port is the region's single largest real estate management and leasing firm, overseeing 12.9 million square feet of facilities and logistics assets that include an industrial airport, Kelly Field, SKF, and a 350-acre railport, East Kelly Railport. The entire site is contained within a foreign-trade zone, FTZ #80-10, and has quick road connections to Interstate Highways 35, 10, and 37.

The Port redevelopment efforts to date have attracted almost 80 customers to its site, including aerospace, logistics and military/governmental organizations. These customers employ more than 14,000 workers and generate over $4 billion in regional economic activity each year. The Port has received numerous recognitions for its innovative work, including being named Redevelopment Community of the Year in 2010 by the Association of Defense Communities. A regional sustainability leader since 2009, two of the Port's newly developed properties have been LEED-certified by the U.S. Green Building Council.

Fourteen of the Port's customers are aerospace-related firms, including industry leaders Boeing, Lockheed Martin, StandardAero, Chromalloy, Gore Design Completions ("Gore"), and Pratt & Whitney. Of the 14,000 workers at the Port, about 5,000 are employed in the aerospace sector.

The Port reached important milestones in 2011, positioning it and its customers for further growth as an important economic engine for the region.

In the aerospace sector, Boeing San Antonio continues the legacy of aviation as a high performance, nationally-recognized facility. The company, which has been operating at Kelly Field since 1998 with a focus on maintenance, repair, and overhaul of military aircraft, welcomed its first 787 Dreamliner in the spring of 2011. The airplane is one of four scheduled to undergo change incorporation (electronics and software upgrades) at the Port before final completion and delivery to customers worldwide. In addition, the first of six new 747-8 tankers arrived at Boeing's Port facility in 2011 where they underwent change incorporation through 2013. Based on the success of this project, the Port San Antonio Boeing facility will continue to incorporate commercial maintenance, repair, and overhaul into their operations.

Similarly, Gore (now called GDC Technics), which is North America's largest outfitter of custom interiors for wide body jets and the third largest company of its type in the world, has been steadily growing since its arrival at the Port in 2005. In 2010, Gore added over 100,000 square feet to its hangar and workshop facilities at Kelly Field, giving it the necessary room to deliver luxury interiors for a Boeing 767 and its first Boeing 777 completion to foreign heads of state in 2011. Projects in the GDC Technics portfolio include green completions, refurbishments, or maintenance for aircraft such as the Boeing 727, Boeing 737 BBJ, Boeing 767-300, Boeing 777-200LR, Boeing 757, and Boeing 777, along with the Airbus 320, Airbus 330, Airbus A340-200, and Airbus A340-500.

Elsewhere at the Port, efforts to upgrade a 450,000 square foot office facility known as Building 171 continued in 2011. The facility accommodates 11 Air Force agency headquarters and 3,000 personnel. Since 2009, the Port has managed over $60 million in upgrades to the property to meet new Anti-Terrorism Force Protection standards that ensure the safety of its occupants and the sensitive work that takes place within. In 2012, the completion of final bays allowed the 24$^{th}$ Air Force-Cyber Command to become the final occupant of the building. There, the unit leads operations to defend the Air Force's information systems worldwide against the new frontier in warfare-cyber attacks.

Four properties adjacent to Building 171 are also undergoing upgrades managed by the Port to support Air Force expansion within a single 70-acre containment area. Buildings 178, 179, and 200, measuring a combined 218,000 square feet, provide additional offices and specialized space for important servers and other computer equipment, including those utilized by the 24$^{th}$ Air Force-Cyber Command.

In 2010, the Port also completed a $10 million upgrade to a former World War II era warehouse, which now comprises 85,000 square feet of modern office space. The building allowed ACS, a Xerox Company and Port customer since 2000, to relocate from a 45,000 square foot space it previously occupied into its new facility as it grew its workforce from 400 to over 800 employees throughout 2010 and 2011. The company provides business support services to private and governmental customers, including serving as the State Disbursement Unit for Texas child support payments.

The Port will reach an important milestone as two road construction phases which began in 2011 are expected to be completed in 2016. The first phase of construction which was completed in 2013 starts on the Port's northwest entrance, where 36th Street intersects with Growdon Road, and stretching for almost a mile to the south until it intersects with Billy Mitchell Boulevard. The new 36th Street extension creates an enhanced route inside the Port. The first phase of construction, also known as the 36th Street Project, is now fully open inside the Port between U.S. Highway 90 and Billy Mitchell Boulevard, and has improved overall access to the Port and opens 150 acres at Kelly Field for the development of new air-served facilities. In late 2015, the City will begin the second phase of construction on work that extends the road from Billy Mitchell Boulevard to General Hudnell Drive, creating additional connections for Port workers and commercial drivers.

The new sites opened by the 36th Street extension will enable the construction of new hangars and workshops that can support an additional 8,000 new jobs in that part of the Port alone – further positioning the region as an important and thriving aerospace center. The project is headed by the City's Capital Improvement Management Services Department. Additional project partners include the Metropolitan Planning Organization, CPS, SAWS, and TxDOT.

***Brooks City-Base***

Brooks City-Base continues to foster the development of its business and technology center on the south side of San Antonio through its aggressive business attraction and retention efforts. Recognized as one of the most innovative economic development projects in the United States, Brooks City-Base is a 1,200 acre campus with approximately 250 acres available for immediate development. The U.S. Air Force ceased all operations at Brooks City-Base on September 15, 2011.

Since the project's inception, more than 2,400 jobs have been created with an average salary of $48,000. More than $300 million in real estate development has occurred on campus, with another $170 million in projects being planned and constructed at Brooks City-Base through 2016.

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Brooks Development Authority ("BDA") encouraged economic growth noting the following projects:

- VMC Consulting expands its center at Brooks City-Base creating 600 additional jobs to support San Antonio client base.
- Brooks City-Base is working to restore Hangar 9 and maintain its historical presence on campus.
- Spine and Pain Center of San Antonio, PLLC signed a ten-year lease agreement with BDA. The center opened its doors with approximately 9,622 rentable square feet.
- The Landings at Brooks City-Base completed the first phase of construction on a 300 unit multi-family apartment complex. The development is owned by the BDA and the NRP Group is the co-developer.
- The City completed construction of its new Fire and Police Emergency Dispatch Center, a state-of-the-art communications facility located across from the City's Emergency Operations Center and replaced the 9-1-1 center located at the police headquarters downtown.
- BDA finalized a land sale to Head and Neck, a medical facility, to establish a 20,000 square foot medical office building on the Brooks City-Base Campus.
- On June 27, 2011, the Mission Trail Baptist Hospital, located on 28 acres at Brooks City-Base, opened its doors. This facility consists of three stories, with the capability of adding additional floors and square footage as needed. It currently employs 567 people.
- In June 2014, the University of the Incarnate Word ("UIW") announced plans to build the city's first osteopathic medical school on the campus of Brooks City-Base.
- Phase 1 of the medical school will begin with four buildings in the historic district of Brooks City-Base. The cost of building the school is approximately $12 million. UIW will lease the buildings starting August 1, 2014 and will take ownership after 25 years. The school is scheduled to open in 2016.

To continue fostering economic activities on the south side of San Antonio, BDA has leveraged resources in the following ways:

- BDA applied for designation as an EB-5 Regional Center in July 2011, and was granted its first EB-5 Regional Center Designation in October 2012. BCB is developing a master plan development with the goal of promoting and sustaining economic development activities in the area. BCB is seeking to raise EB-5 dollars to fund such projects as luxury lofts and the construction of a full service hotel at the former Air Force barracks. These specific projects amount to a capital investment of approximately $60 million, and are expected to generate approximately 400 direct and indirect new jobs.
- BDA was awarded $1.9 million from the State Energy Conservation Office ("SECO") for energy saving upgrades to eight buildings and 163 residential housing units. The SECO loans were obtained by BDA for energy saving upgrades to various residential housing units, new chiller systems for various buildings, replacement of heating, ventilation, and air conditioning systems associated with Buildings 160 and 170, and upgrades to Buildings 532, 570, 775, and 150, for installation of rooftop solar panels and the replacement of the HVAC system.

On December 13, 2012, City Council designated Brooks City-Base as a Reinvestment Zone in accordance with State statute for the purpose of the Nexolon project. A Reinvestment Zone designation to the Brooks City-Base site will contribute to the retention and expansion of primary employment and attract major investment in the zone. The City also provided Nexolon a tax abatement and an EDG incentive. In turn, Nexolon has decided to locate its solar panel manufacturing operations and its U.S. corporate headquarters at Brooks City-Base. Nexolon has also agreed to support the creation and sustainment of a renewable energy and advanced manufacturing workforce through a $500,000 contribution to the Alamo Colleges over five years. These funds will be used by the Alamo Colleges to continue its efforts to develop a customized curriculum and training program to support the development of a renewable energy workforce.

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*Sources: The Greater San Antonio Chamber of Commerce; San Antonio Medical Foundation; City of San Antonio, Department of International and Economic Development Department; Convention and Visitors Bureau; and the Strategic Alliance for Business and Economic Research Institute.*

## Growth Indices

### *San Antonio Electric and Gas Customers*

| For the Month of December | Electric Customers | Gas Customers |
|---|---|---|
| 2005 | 638,344 | 310,699 |
| 2006 | 662,029 | 314,409 |
| 2007 | 681,312 | 319,122 |
| 2008 | 693,815 | 320,407 |
| 2009 | 706,235 | 321,984 |
| 2010 | 717,109 | 324,634 |
| 2011 | 728,344 | 328,314 |
| 2012 | 741,566 | 330,945 |
| 2013 | 754,893 | 333,587 |
| 2014 | 770,588 | 336,367 |

*Source: CPS.*

### *SAWS Average Customers per Fiscal Year*

| Fiscal Year Ended December 31 | Water Customers [1] |
|---|---|
| 2005 | 320,661 |
| 2006 | 331,476 |
| 2007 | 341,220 |
| 2008 | 346,865 |
| 2009 | 350,859 |
| 2010 | 355,085 |
| 2011 | 358,656 |
| 2012 | 362,794 |
| 2013 | 367,388 |
| 2014 | 371,573 |

[1] Average number billed, excluding SAWS irrigation customers.
*Source: SAWS.*

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*__Construction Activity__*

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

| Calendar Year | Residential Single Family Permits | Residential Single Family Valuation | Residential Multi-Family [1] Permits | Residential Multi-Family [1] Valuation | Other [2] Permits | Other [2] Valuation |
|---|---|---|---|---|---|---|
| 2005 | 8,207 | $943,804,795 | 347 | $5,221,672 | 20,126 | $1,772,959,286 |
| 2006 | 7,301 | 890,864,655 | 560 | 13,028,440 | 19,447 | 1,985,686,296 |
| 2007 | 4,053 | 617,592,057 | 29 | 4,715,380 | 13,268 | 2,343,382,743 |
| 2008 | 2,588 | 396,825,916 | 13 | 2,033,067 | 9,637 | 2,634,745,310 |
| 2009 | 2,084 | 311,309,870 | 50 | 5,692,447 | 6,933 | 1,684,823,866 |
| 2010 | 1,976 | 307,406,128 | 10 | 1,612,057 | 5,702 | 1,320,800,279 |
| 2011 | 1,663 | 260,602,240 | 2 | 445,000 | 5,128 | 1,723,212,400 |
| 2012 | 2,001 | 330,367,267 | 29 | 4,240,304 | 5,192 | 1,876,833,267 |
| 2013 | 1,905 | 341,140,466 | 16 | 3,036,631 | 3,369 | 1,387,318,007 |
| 2014 | 2,309 | 409,534,507 | 13 | 1,596,105 | 5,457 | 2,936,277,109 |

[1] Includes two-family duplex projects.
[2] Includes commercial building permits, commercial additions, improvements, extensions, and certain residential improvements.
*Source: City of San Antonio, Department of Development Services.*

*__Total Municipal Sales Tax Collections – Ten Largest Texas Cities__*

Set forth below in alphabetical order is total municipal sales tax collections for the calendar years indicated:

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Amarillo | $ 72,301,582 | $ 70,744,051 | $ 65,386,227 | N/A | $ 56,863,740 |
| Arlington | 93,694,878 | 94,043,810 | 88,941,229 | $ 86,127,967 | 83,143,848 |
| Austin | 182,254,926 | 167,597,270 | 158,855,261 | 144,161,036 | 137,309,212 |
| Corpus Christi | 80,774,939 | 76,088,455 | 72,581,730 | 62,721,436 | N/A |
| Dallas | 256,926,027 | 242,456,290 | 232,445,766 | 215,394,908 | 204,732,898 |
| El Paso | 78,615,134 | 75,831,660 | 74,164,329 | 72,347,296 | 68,348,227 |
| Fort Worth | 126,263,002 | 118,919,449 | 112,745,847 | 105,424,832 | 100,569,555 |
| Houston | 646,063,653 | 608,189,684 | 569,942,545 | 507,928,840 | 473,149,941 |
| Plano | 75,393,702 | 69,804,509 | 68,410,251 | 66,325,563 | 58,888,948 |
| Round Rock | N/A | N/A | N/A | 63,030,582 | 61,644,122 |
| SAN ANTONIO | 303,992,585 | 269,947,330 | 244,094,371 | 220,171,017 | 208,322,621 |

*Source: State of Texas, Comptroller's Office.*

**Education**

There are 15 independent school districts within Bexar County with a combined enrollment of 326,764 encompassing 47 high schools, 71 middle/junior high schools, 267 early education/elementary schools, 20 magnet schools, and 45 alternative schools as of October 2014. There are an additional 27 charter school districts with 61 open enrollment charter schools at all grade levels. In addition, Bexar County has 81 accredited private and parochial schools at all education levels. Generally, students attend school in the districts in which they reside. There is currently no busing between school districts in effect. The seven largest accredited and degree-granting universities, which include a school of medicine, a school of nursing, a dental school, a law school, and five public community colleges, had combined enrollments of 118,750 for Fall 2014.

*Sources: Texas Education Agency; and Texas Higher Education Coordinating Board.*

**Employment Statistics**

The following table shows current nonagricultural employment estimates by industry in the San Antonio-New Braunfels MSA for the period of June 2015, as compared to the prior periods of May 2015 and June 2014, respectively.

***Employment by Industry***

| San Antonio-New Braunfels MSA [1] | June 2015 | May 2015 | June 2014 |
|---|---|---|---|
| Mining and Logging | 8,200 | 8,100 | 8,400 |
| Construction | 51,100 | 51,400 | 46,000 |
| Manufacturing | 45,800 | 45,600 | 46,300 |
| Trade, Transportation, and Utilities | 167,000 | 166,600 | 163,100 |
| Information | 22,200 | 22,000 | 21,600 |
| Financial Activities | 84,900 | 86,100 | 80,900 |
| Professional and Business Services | 124,300 | 124,700 | 121,200 |
| Education and Health Services | 148,300 | 149,700 | 145,100 |
| Leisure and Hospitality | 130,600 | 126,000 | 125,500 |
| Other Services | 35,900 | 35,400 | 35,500 |
| Government | 163,700 | 165,300 | 161,800 |
| Total Nonfarm | 982,000 | 980,900 | 955,400 |

1 *Based on Labor Market Information Department, Texas Workforce Commission (model-based methodology).*

The following table shows civilian labor force estimates, the number of persons employed, the number of persons unemployed, and the unemployment rate in the San Antonio-New Braunfels MSA, Texas, and the United States for the period of June 2015, as compared to the prior periods of May 2015 and June 2014, respectively.

***Unemployment Information*** *(all estimates in thousands)*

| San Antonio-New Braunfels MSA [1] | June 2015 | May 2015 | June 2014 |
|---|---|---|---|
| Civilian Labor Force | 1,099.5 | 1,102.6 | 1,103.1 |
| Number of Employed | 1,057.2 | 1,063.5 | 1,048.6 |
| Number of Unemployed | 42.3 | 39.1 | 54.5 |
| Unemployment Rate (%) | 3.8 | 3.5 | 4.9 |
| **Texas (Actual) [1]** | **June 2015** | **May 2015** | **June 2014** |
| Civilian Labor Force | 13,097.4 | 13,114.1 | 13,162.1 |
| Number of Employed | 12,517.2 | 12,575.6 | 12,447.3 |
| Number of Unemployed | 580.2 | 538.5 | 714.8 |
| Unemployment Rate (%) | 4.4 | 4.1 | 5.4 |
| **United States (Actual) [1]** | **June 2015** | **May 2015** | **June 2014** |
| Civilian Labor Force | 158,283.0 | 157,719.0 | 156,997.0 |
| Number of Employed | 149,645.0 | 149,349.0 | 147,104.0 |
| Number of Unemployed | 8,638.0 | 8,370.0 | 9,893.0 |
| Unemployment Rate (%) | 5.5 | 5.3 | 6.3 |

1 *Based on Labor Market Information Department, Texas Workforce Commission (model-based methodology).*

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**San Antonio Electric and Gas Systems**

***History and Management***

The City acquired its electric and gas utilities in 1942 from the American Light and Traction Company, which had been ordered by the federal government to sell properties under provisions of the Holding Company Act of 1935. The bond ordinances establish management requirements and provide that the complete management and control of the City's electric and gas systems (the "EG Systems") is vested in a Board of Trustees consisting of five U.S. citizens permanently residing in Bexar County, Texas (the "CPS Board"). The Mayor of the City is a voting member of the CPS Board, represents the City Council, and is charged with the duty and responsibility of keeping the City Council fully advised and informed at all times of any actions, deliberations, and decisions of the CPS Board and its conduct of the management of the EG Systems.

Vacancies in membership on the CPS Board are filled by majority vote of the remaining members. New CPS Board appointees must be approved by a majority vote of the City Council. A vacancy, in certain cases, may be filled by the City Council.

The CPS Board is vested with all of the powers of the City with respect to the management and operation of the EG Systems and the expenditure and application of the revenues therefrom, including all powers necessary or appropriate for the performance of all covenants, undertakings, and agreements of the City contained in the bond ordinances, except regarding rates, condemnation proceedings, and issuances of bonds, notes, or commercial paper. The CPS Board has full power and authority to make rules and regulations governing the furnishing of electric and gas service and full authority with reference to making extensions, improvements and additions to the EG Systems, and to adopt rules for the orderly handling of CPS' affairs. It is also empowered to appoint and employ all officers and employees and must obtain and keep in force a "blanket" type employees' fidelity and indemnity bond (also known as commercial crime bond) covering losses in the amount of not less than $100,000.

The management provisions of the bond ordinances also grant the City Council authority to review CPS Board action with respect to policies adopted relating to research, development, and planning.

***Service Area***

The CPS electric system serves a territory consisting of substantially all of Bexar County and small portions of the adjacent counties of Comal, Guadalupe, Atascosa, Medina, Bandera, Wilson, and Kendall. Certification of this service area was granted by the Public Utility Commission of Texas (the "PUCT"). CPS is currently the exclusive provider of retail electric service within this service area, including the provision of electric service to some federal military installations located within the service area that own their own distribution facilities. In 1999, the Texas Legislature enacted Senate Bill 7 ("SB 7"), which allows for retail electric competition within designated service areas upon a decision of the governing body having jurisdiction within such areas affirmatively acting to opt-in to such a competitive scenario. CPS and the City have not so elected to "opt-in." Until and unless the City Council and the CPS Board exercise the option to opt-in to retail electric competition (called "Texas Electric Choice" by the PUCT), CPS has the sole right to provide retail electric services in its service area.

The CPS gas system serves the City and its environs, although there is no certificated CPS gas service area. In Texas, no legislative provision or regulatory procedure exists for certification of natural gas service areas. As a result, CPS competes against other gas supplying entities on the periphery of its service area.

CPS maintains "Franchise Agreements" with 31 incorporated communities in the San Antonio area. These Franchise Agreements permit CPS to operate its facilities in the cities' streets and public ways in exchange for a franchise fee of 4.5% on electric and natural gas revenues earned within the respective municipal boundaries.

***Retail Service Rates***

CPS' electric and gas monthly rate schedules list the currently effective monthly charges payable by CPS customers. Each rate schedule briefly describes the types of service CPS renders to customers billed in accordance with that rate schedule, plus customer eligibility criteria. Customers with similar load and usage characteristics are grouped into rate classes and are billed in accordance with the same rate schedule. The different electric rate classes include rate schedules for residential, commercial, and industrial customers. There are also rate schedules for street lighting, all night security lights, and wholesale power to other electric utilities. The gas rate schedules are categorized into general, commercial and industrial.

Under the Texas Public Utility Regulatory Act ("PURA"), significant original jurisdiction over the rates, services, and operations of "electric utilities" is vested in the PUCT. In this context, "electric utility" means an electric investor-owned utility ("IOU"). Since the electric deregulation aspects of SB 7, which were adopted by the Texas Legislature in 2001 and became effective on January 1, 2002, the PUCT's jurisdiction over IOU companies primarily encompasses only the transmission and distribution functions. PURA generally excludes municipally-owned utilities (referred to individually as a "Municipal Utility" and collectively as the "Municipal Utilities"), such as CPS, from PUCT jurisdiction, although the PUCT has jurisdiction over electric wholesale transmission rates. Under the PURA, a municipal governing body or the body vested with the power to manage and operate a Municipal Utility such as CPS has exclusive jurisdiction to set rates applicable to all services provided by the Municipal Utility with the exception of electric wholesale transmission activities and rates. Unless and until the City Council and CPS Board choose to opt-in to electric retail competition, CPS' retail service electric rates are subject to appellate, but not original, rate regulatory jurisdiction by the PUCT in areas that CPS serves outside the City limits. To date, no such appeal to the PUCT of CPS' retail electric rates has ever been filed. CPS is not subject to the annual PUCT gross receipts fee payable by electric utilities.

The Railroad Commission of Texas ("RRCT") has significant original jurisdiction over the rates, services, and operations of all natural gas utilities in Texas. Municipal Utilities such as CPS are generally excluded from regulation by the RRCT, except in matters related to natural gas safety. CPS retail gas service rates are applicable to rate payers outside the City and are subject to appellate, but not original rate regulatory jurisdiction, by the RRCT in areas that CPS serves outside the City limits. To date, no such appeal to the RRCT of CPS' retail gas rates has ever been filed.

The City has covenanted and is obligated under the bond ordinances, as provided under the rate covenant, to establish and maintain rates, and collect charges in an amount sufficient to pay all maintenance and operating expenses as well as debt service requirements on all revenue debt of the EG Systems, and to make all other payments prescribed in the bond ordinances.

CPS has periodic rate increases with the most recent electric and gas base rate increase of 4.25% implemented on February 1, 2014 (the first such rate increases since a 7.5% electric base rate increase and a 8.5% gas base rate increase became effective on March 1, 2010). CPS announced in late October 2014 that it will not need to request a rate adjustment through fiscal year ending January 31, 2017. Several factors contributed to this decision, including: lower debt costs due to recent refunding of debt; better than expected wholesale sales; a successful voluntary retirement incentive program; strong investment returns on the employee benefit plans, which reduces requirement for company funding; continued successful focus on additional cost control measures; a successful interim Transmission Cost of Service filing; and maintaining very strong cash and liquidity levels. CPS expects to continue to periodically seek electric and gas base rate increases that are intended to maintain debt coverage, debt to equity, and liquidity ratios.

In addition to standard service rates, CPS also provides several rates and riders for a variety of programs and products. Since May 2000, under Rider E15, CPS has offered a monthly contract for renewable energy service (currently wind-generated electricity). The High Load Factor ("HLF") rate, first offered in February 2014, is available to customers with new or added of 10 megawatts ("MW") or greater. The HLF rate requires eligible customers to maintain a load factor of 90% or more and also meet the requirements of Rider E16. Rider E16 offers discounts off the Super Large Power ("SLP") and HLF demand charge for a period up to four years for new or added load of at least 10 MW. Under certain conditions, the discount may be extended for an additional six years. Eligible customers that qualify for Rider E16 discounts must also meet City employment targets or other related performance metrics and targets for purchases of goods or services from local businesses. Since June 2012, under Rider E19, CPS provides an optional service offering of electricity generated by wind-powered turbines, solar-powered systems, or other renewable resources. Additionally, Rider E20, which became effective February 1, 2015, waives late fees for individuals 60 years or older with income at or below 125% of the federal poverty level. CPS also has rates that permit recovery of certain miscellaneous customer charges and for extending lines to provide gas and electric service to its customers. The Policy for Miscellaneous Customer Charges is approved periodically by the CPS Board and is subject to a corresponding City ordinance.

Each of CPS' retail and wholesale rates contain an electric fuel or gas cost adjustment clause, which provides for current recovery of fuel costs. Fuel cost recovery adjustments are performed monthly.

In May 2009, the City Council passed a mechanism to fund CPS' Save for Tomorrow Energy Plan ("STEP") energy efficiency and conservation program, which will largely be funded through changes in the electric fuel adjustment fee. The total cost of the STEP program during the 2009 to 2020 time period is estimated at $849 million with annual costs ranging from $12.3 million to over $77 million. While approximately $8 to $9 million a year is currently recovered through existing base rates, the additional costs for the STEP program will be recovered through a STEP surcharge applied to the electric fuel adjustment. From 2009 to 2014, the accumulated cost was $221 million. If energy use is reduced to levels predicted, the benefits of this program should exceed the implementation costs. CPS will reassess the STEP program in calendar year 2019 to determine if continuing the program beyond 2020 is a viable option based on projected annual reductions in energy consumption going forward and the costs that would be incurred to achieve such reductions.

***Fuel and Gas Cost Adjustment***

The EG Systems' rates feature a fuel cost adjustment provision in the electric rates and a gas adjustment provision in the gas rates, which allow CPS to reconcile fuel and gas cost variances above or below fuel levels included in base rates. CPS' electric rates are subject to a positive or negative monthly adjustment equal to the variance in the price of fuel above or below a base cost of $0.01416 per kilowatt-hour ("kWh"). Similarly, CPS's base gas rates are subject to an adjustment equal to the variance in the price of fuel above or below a base cost of $0.220 per 100 cubic feet ("CCF"), equivalent to $2.157 per MMBtu.

***Governmentally Imposed Fees, Taxes or Payments***

The rates, as previously approved by various rate ordinances adopted by the City Council, may be adjusted without further action by the City Council to reflect the increase or decrease in fees, taxes or other required payments to governmental entities or for governmental or municipal purposes which may be hereafter assessed, imposed, or otherwise required and which are payable out of or are based upon net revenues of the Systems.

In March 2000, two new governmental assessments resulting from regulatory changes in the Texas electric utility industry, including the open access wholesale transmission charges, were added to CPS's electric billings as regulatory adjustments and are updated annually or as needed. The first assessment recovers additional Electric Reliability Council of Texas ("ERCOT") related transmission expenditures not recovered through CPS' current base rates. For residential CPS customer rates, this adjustment (effective February 2015) adds $0.00947 per kWh sold. The second assessment relates to CPS's share of the cost to fund the staffing and operation of the Independent System Operator ("ISO") for ERCOT, and the quarterly Electric Reliability Organization ("ERO") fee. The PUCT retains oversight authority over ERCOT. For residential CPS customers, this charge increases bills by $0.00060 per kWh sold.

In March 2005, the RRCT began imposing a regulatory fee to cover the cost of regulation by the RRCT. The fee is based upon the number of active gas customers and is recovered from CPS gas customers through the payment of an annual fee assessed one time during the year.

***Transmission Access and Rate Regulation***

Pursuant to amendments made by the Texas Legislature in 1995 to the PURA ("PURA95"), Municipal Utilities, including CPS, became subject to the regulatory jurisdiction of the PUCT for transmission of wholesale energy. PURA95 requires the PUCT to establish open access transmission on the interconnected Texas grid for all utilities, co-generators, power marketers, independent power producers, and other transmission customers.

In 1999, the Texas Legislature amended the PURA95 to expressly authorize rate authority over Municipal Utilities for wholesale transmission and to require that the postage stamp method be used for wholesale transmission transactions. The PUCT in late 1999 amended its transmission rule to incorporate fully the postage stamp pricing method, which sets the price for transmission at the system average for the ERCOT. CPS' wholesale open access transmission charges are set out in tariffs filed with the PUCT, and are based on its transmission cost of service approved by the PUCT, representing CPS' input into the calculation of the statewide postage stamp pricing method. The PUCT's rule, consistent with provisions in PURA § 35.005(b), also provides that the PUCT may require construction or enlargement of transmission facilities in order to facilitate wholesale transmission service.

*Additional Impacts of Senate Bill 7 (Deregulation)*. SB 7 provides for an independent transmission system operator ("ISO") that is governed by a board comprised of market participants and independent members and is responsible for directing and controlling the operation of the transmission network within ERCOT. The PUCT has designated ERCOT as the ISO for the portion of Texas within the ERCOT area. In addition, SB 7 (as amended by the Texas Legislature after 1999) directs the PUCT to determine electric wholesale transmission open access rates on a 100% "postage stamp" pricing methodology.

The greatest potential impact on CPS' electric system from SB 7 could result from a decision by the City Council and the CPS Board to participate in a fully competitive market, particularly since CPS is among the lowest cost electric energy producers in Texas. On April 26, 2001, the City Council passed a resolution stating that the City did not intend to opt-in to the deregulated electric market beginning January 1, 2002. However, CPS believes that it is taking all steps necessary to prepare for possible competition, should the City Council and the CPS Board make a decision to opt-in, or if future legislation forces Municipal Utilities into retail competition.

*Strategic Initiatives.* CPS has a comprehensive corporate strategic plan that is designed to make CPS more efficient and competitive, while delivering value to its various customer groups and the City.

In 2008, CPS implemented Vision 2020, outlining CPS' long-term view and focusing on four key objectives: increasing its energy efficiency and conservation efforts; expanding renewable-energy resources; providing cost-competitive electricity; and maintaining its strong commitment to the environment. To ensure achievement of the vision, the following key strategic business drivers were established, along with targets for each: customer relationships, employee relationships, external relationships, operational excellence, renewable/carbon constraints/environment, technology and innovation, and financial integrity. CPS periodically updates Vision 2020 to ensure it properly reflects CPS' perspective and direction and continues to work with City and community leaders in the development of sustainability initiatives to improve the overall quality of life in San Antonio.

In support of Vision 2020 and the key strategic drivers, CPS developed an enterprise-wide two-year business plan to improve its results and fulfill its core purpose. The CPS Business Plan was developed by a cross-functional team, became effective in March 2011, and has been updated annually through a collaborative process between units, with challenges made to ensure continuous improvement. The CPS Business Plan is supported by the individual business plans of each Operational Group and Business Unit within CPS, and specifies how it will measure success through the definition of 63 officer level metrics and associated targets. Some targets are corporate-wide, while others are specific to the individual Business Units. Major initiatives and milestone action plans necessary to accomplish the corporate objectives and meet or exceed the targets are also included in each plan. Additional metrics have been added at lower levels in the business, ensuring a traceable path from corporate level objectives, to unit goals and down to individual performance accountabilities. Status reports on strategies, risks and market changes are provided to executive management on a regular basis, and the plan is updated on an annual basis to maintain a forward-looking two-year view at all times. The enterprise business planning process is governed by the Office of the President & CEO to ensure consistency with the corporate vision and strategic process.

To enhance its relationship with the community and to provide community input directly to the CPS Board and CPS staff, CPS has established a 15-member Citizens Advisory Committee ("CAC"). The CAC meets monthly with the primary goal of providing recommendations on utility-related projects and programs to offer a customer perspective on community issues, assist in identifying strengths and offer suggestions for improvement to the organization. Representing the various sectors of CPS' service area, the CAC encompasses a broad range of customer groups in order to identify their concerns and understand their issues. City Council members nominate ten of the 15 members, one representing each City Council district. The other five members are at-large candidates interviewed and nominated by the CAC from those submitting applications and resumes. The CPS Board appoints all members to the CAC. Members can serve up to three two-year terms.

With respect to State and national legislative action regarding competition, CPS continues to participate actively in the legislative process to voice the interests of Municipal Utilities and play an integral part in shaping the new environment in which it will operate. CPS continues to evaluate the price components of the energy services it provides, recognizing that the price for electricity will be a paramount factor for succeeding in a deregulated environment. Cost containment initiatives coupled with additional phases of debt management strategies will continue in the years ahead.

*Energy Conservation.* CPS' programs and activities to assist customers in understanding energy and ways to reduce electric and gas usage include:

- comprehensive suite of energy efficiency programs offering rebates and incentives for residential, commercial and industrial customers;
- maintaining a web site, Manage My Account at https://www.cpsenergy.com/en/customer-support/manage-my-account.html. Using an internet connection to log in, CPS customers can: access the all new My Energy Portal; view their current bill; view current balance due; view past bills; pay by check or credit card; start / stop / transfer service; make a payment plan; view Home Manager; view energy usage; update mailing address; update phone number; authorize contacts; set up alert preferences; manage their profile;
- maintaining a web site, named My Energy Portal at https://www.cpsenergy.com/en/customer-support/my-home-billing-acct/my-energy-portal.html. The secure portal is available through Manage My Account. With a smart meter and the My Energy Portal, customers can see energy usage (both gas and electric) as recently as the day before. Customers are able to: see their monthly bill, as far back as a year; compare energy efficiency to similar "neighbors"; access nearly 170 energy efficiency tips; set up their own customized energy savings plan; compare month-to-month bills and see reasons for a decrease or increase. These additional insights will eventually be available to all customers as CPS continues their four-year smart meter deployment;
- maintaining a phone number where customers can obtain conservation and other energy-related information;
- maintaining a special Home Manager concierge where the customers can get information on its Home Manager system and personalized setup / troubleshooting assistance;
- providing a free comprehensive weatherization program for low-income customers;
- providing commercial and residential load curtailment programs;
- scheduling consumer information exhibits at high-traffic locations such as customer care fairs, special events, trade shows;
- conducting utility-related presentations for schools, community service organizations, and business and professional groups; and
- making available a residential self-energy audit software on the CPS web site.

On January 20, 2009, the CPS Board approved a new Sustainable Energy Policy Statement. Centralized power plants, including utility scale solar, and the traditional electric utility business model are needed now to bridge the gap to the future. However, in the future, more electricity will come from distributed renewable resources and stored energy, and will be distributed on a "smart grid," to customers empowered with the information to better control their own energy cost and consumption. CPS offers rebates for residential and commercial customers who elect to install a "rooftop" solar PV system. In addition to receiving a rebate, these customers currently receive the additional benefit of being placed on net metering, in which the credit value of the energy their system produces is equivalent to the retail value of the energy delivered by the utility. The current net metering program does not include recovery of the utility's costs for maintaining and upgrading its systems. In order to address this disparity, CPS originally proposed (and later withdrew) SunCredit, a regulatory mechanism to resolve cost recovery issues and replace net metering. A team comprised of the City, solar stakeholders, and CPS met regularly from June 2013 to September 2014 to discuss these concerns and potential revisions to the net metering program. The CPS Board approved on May 21, 2014 a plan to expand the City's rooftop solar program, which includes net metering, partial cost recovery, additional funding for rooftop solar rebates and evaluation of pilot leasing and community solar projects. At this time, the City Council has directed CPS to continue discussions with all parties to determine what regulatory mechanisms should be approved. Proposed changes still require approval from City Council, who postponed a vote in June 2014 to examine funding, the basis of cost recovery, and feedback on efficiency from customers and stakeholders. Alternatively, CPS has issued two one-megawatt solar Requests for Proposal this year. Responses to these pilot program Request for Proposals are under evaluation as potential replacement solar programs for STEP-funded rebates. One pilot is focused on the community solar model; the other is a standard PPA for solar power sited on customer rooftops. Evaluation of these options is expected to be completed in the fall of 2015.

In connection with CPS' development of a Strategic Energy Plan that includes energy efficiency as well as generation, CPS has committed to STEP. The goal of the STEP program is to save 771 MW of demand between 2009 and 2020. The 771 MW is equivalent to the amount of energy produced by a medium-sized power plant on an annual basis. To put this into perspective, the CPS Spruce1 power plant generates 555 MW and the newest Spruce2 generates 785 MW of electricity. Cumulatively, the STEP program has, since its implementation, saved approximately 352.5 MW through fiscal year 2015.

CPS has plans to evaluate and modify program offerings annually to target the most effective methods for energy reduction. To facilitate program development, CPS has hired a leading consulting firm. It is estimated that the programs will cost approximately $849 million through 2020 and CPS worked with the City to establish a fair and equitable funding mechanism to support these goals.

On June 8, 2010, CPS committed to partner with the Texas Sustainable Energy Research Institute at the University of Texas at San Antonio for sustainable energy research. CPS agreed to invest up to $50 million over 10 years in the Institute. From its inception in September 2010 through May 2015, CPS has invested $5.9 million in the Institute. Future funding will be determined by the scope of the projects defined by the partnership and will be subject to annual approval by the CPS Board.

*Debt and Asset Management Program.* CPS has developed a debt and asset management program ("Debt Management Program") for the purposes of lowering the debt component of energy costs, maximizing the effective use of cash and cash equivalent assets, and enhancing financial flexibility. An important part of the Debt Management Program is debt restructuring through the prudent employment of variable rate debt. The program also focuses on the use of unencumbered cash and available cash flow, when available, to redeem debt ahead of scheduled maturities as a means of reducing outstanding debt. The Debt Management Program is designed to lower interest costs, fund strategic initiatives, and increase net cash flow. CPS has a Debt Management Policy (the "Policy") providing guidelines under which financing and debt transactions are managed. These guidelines focus on financial options intended to lower debt service costs on outstanding debt, facilitate alternative financing methods to capitalize on the present market conditions and optimize capital structure, and maintain favorable financial ratios. Under these guidelines CPS' gross variable rate exposure cannot exceed 25% of total outstanding debt. Variable rate debt as of January 31, 2015, comprised approximately 14.07% of CPS' debt portfolio.

CPS management continually evaluates the inventory of all non-core business assets and determines if these assets should be divested for more efficient use. As part of this process, in January 2014, CPS sold its communication towers to Crown Castle in a transaction valued at $41 million (net cash benefit to CPS). Communication tower management is not in line with CPS' core business and, as a result, CPS determined that this asset was better utilized to pay down existing CPS debt. Adequate communication capacity on the towers was reserved to cover CPS's existing and future communication needs.

***Electric System***

One of CPS' strongest aspects of operational and financial effectiveness has been the benefit it has derived from its diverse and low-cost generation portfolio. Continued diversification is a primary objective of the CPS management team. Accordingly, this team periodically assesses future generation options that would be viable for future decades. This extensive assessment of various options involves projections of customer growth and demand, technological viability, upfront financial investment requirements, annual asset operation and maintenance costs, environmental impacts, and other factors.

CPS continues to monitor proposed regulatory changes that could raise the costs of operating plants, such as those that have been proposed for units that use carbon-based fuels. To work towards mitigating this carbon based regulatory risk, CPS management announced the planned deactivation of its two oldest non-scrubbed coal units, Deely1 & Deely2 at the end of 2018 (and whose native load will be substantially replaced with the Rio Nogales Plant output). CPS management is pursuing a multifaceted strategy with the goal of maintaining a well balanced portfolio, in addition to analyzing traditional generation sources and aggressively growing its renewable energy portfolio and expanding its efforts towards community-wide energy efficiency and conservation. These mitigation efforts are also referred to as the "5$^{th}$ Fuel" and are very important to CPS' strategic energy plans and specifically to its new generation needs. Additionally, CPS management has explored and continues to cooperatively develop opportunities with the City Council for potential changes in ordinances, codes and administrative regulations focused on encouraging commercial and residential utility customers, builders, contractors and other market participants to implement energy conservation measures.

*Power Generation Sources.* CPS operates 19 non-nuclear electric generating units, four of which are coal-fired and 15 of which are gas-fired. Some of the gas-fired generating units may also burn fuel oil, providing greater fuel flexibility and reliability. CPS also owns a 40% interest in South Texas Project's ("STP") two nuclear generating Units 1 and 2. The nuclear units supplied 35.8% of the FY 2015 electric system's native load. *See* the Generating Capability table below.

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## Generating Capability[1]

| Plant | Unit | Fuel | Year Installed | Summer Net Max Capability MW[2] | Total Capability MW | |
|---|---|---|---|---|---|---|
| STP (40% interest)[7] | Unit 1 | Nuclear | 1988 | 531.0 | | |
| | Unit 2 | Nuclear | 1989 | 533.0 | 1,064.0 | Nuclear |
| Spruce Plant | Unit 1 | Coal | 1992 | 555.0 | | |
| | Unit 2 | Coal | 2010 | 600.0[8] | | |
| Deely Plant | Unit 1 | Coal | 1977 | 420.0 | | |
| | Unit 2 | Coal | 1978 | 420.0 | 1,995.0 | Coal |
| AVR Plant[3] (NGCC 2x1) | Unit 1 | Gas | 2000 | 480.0 | | |
| Sommers Plant | Unit 1 | Gas / Oil | 1972 | 420.0 | | |
| | Unit 2 | Gas / Oil | 1974 | 410.0 | | |
| Braunig Plant | Unit 1 | Gas / Oil | 1966 | 220.0 | | |
| | Unit 2 | Gas / Oil | 1968 | 230.0 | | |
| | Unit 3 | Gas / Oil | 1970 | 410.0 | | |
| Milton B. Lee West Plant[4] | MBLCT 1[4] | Gas | 2004 | 46.0 | | |
| | MBLCT 2[4] | Gas | 2004 | 46.0 | | |
| | MBLCT 3[4] | Gas | 2004 | 46.0 | | |
| | MBLCT 4[4] | Gas | 2004 | 46.0 | | |
| Milton B. Lee East Plant[4] | MBLCT 5[4] | Gas / Oil | 2010 | 48.0 | | |
| | MBLCT 6[4] | Gas / Oil | 2010 | 48.0 | | |
| | MBLCT 7[4] | Gas / Oil | 2010 | 48.0 | | |
| | MBLCT 8[4] | Gas / Oil | 2010 | 48.0 | | |
| Rio Nogales Plant[5] (NGCC 3x1) | Unit 1 | Gas | 2002 | 750.0 | 3,296.0 | Gas / Oil |
| Total Capability Owned by CPS Energy | | | | | 6,355.0 | |
| Renewable Purchased Power Nameplate Capability: | | | | | | |
| Desert Sky Wind Farm | | Wind | 2002 | 160.5 | | |
| Cottonwood Creek Wind Farm | | Wind | 2005 | 100.5 | | |
| Sweetwater 4 | | Wind | 2007 | 240.8 | | |
| Penascal | | Wind | 2009 | 76.8 | | |
| Papalote Creek | | Wind | 2009 | 130.4 | | |
| Cedro Hill | | Wind | 2010 | 150.0 | | |
| Los Vientos | | Wind | 2012 | 200.1 | 1,059.1 | Wind |
| Covel Gardens | | Landfill Gas | 2005 | 9.6 | | |
| Nelson Gardens | | Landfill Gas | 2014 | 4.2 | 13.8 | Landfill Gas |
| Blue Wing | | Solar PV[6] | 2010 | 13.9 | | |
| Sinkin 1 | | Solar PV[6] | 2012 | 9.9 | | |
| Sinkin 2 | | Solar PV[6] | 2012 | 9.9 | | |
| Somerset | | Solar PV[6] | 2012 | 10.6 | | |
| Alamo 1 | | Solar PV[6] | 2014 | 40.7 | | |
| St. Hedwig | | Solar PV[6] | 2014 | 4.4 | | |
| Eclipse | | Solar PV[6] | 2014 | 39.6 | | |
| Walzem | | Solar PV[6] | 2015 | 5.5 | 134.5 | Solar PV |
| Total Renewable Nameplate Capability | | | | | 1,207.4 | |
| Total Capability including Wind, Landfill Gas, and Solar | | | | | 7,562.4 | |

(1) Data as of February 1, 2015.
(2) Summer net max capability reflects net summer rating for CPS Energy owned plants.
(3) Arthur Von Rosenberg
(4) "CT" means "Combustion Turbine ". Plants renamed MBL (Milton B. Lee) CT March 6, 2014.
(5) The Rio Nogales Plant was purchased on April 9, 2012. All or a portion of the Rio Nogales Plant capacity is sold into the wholesale market during the first few years of ownership, eventually dedicating the entire capacity to CPS Energy native load demand by approximately the beginning of fiscal year 2017.
(6) Solar PV capacity is reported on an alternating current (AC) basis.
(7) Current nominal electric rating (MWe) for CPS Energy's share of STP1&2.
(8) JKS2 current capacity rating is a temporary derating due to a generator limit use. CPS Energy is evaluating its options to bring the unit back to full capacity.

***Renewable Resources***. As of February 1, 2015, CPS' renewable energy capacity totals 1,207.4 MW in service with another 309.8 MW under contract and in varying levels of project construction. CPS has one of the strongest renewable energy programs in Texas with a renewable capacity under contract totaling 1,517.2 MW. As a step in diversifying its energy resource plan,

CPS is aggressively pursuing renewable energy supplies. CPS is currently receiving renewable energy under several long-term contracts. CPS has two contracts for wind-generated energy from the Desert Sky Wind Project: a 20-year contract for 135 MW and a 15-year contract for 25.5 MW; a 20-year contract for 100.5 MW from the Cottonwood Creek Wind Farm; a 20-year contract for 240.8 MW from the Sweetwater Wind Farm; a 15-year contract for 76.8 MW from the Penascal Wind Farm; a 15-year contract for 130.4 MW from the Papalote Creek Wind Farm; a 20-year contract for 150 MW from the Cedro Hill Wind Farm, and a 25-year contract for 200.1 MW from the Los Vientos Wind Farm.

CPS also has a 15-year contract for a landfill gas-generated energy project totaling 9.6 MW which came on-line in December 2005. Under an additional contract, the Nelson Gardens 4.2 MW landfill gas generation project achieved commercial operation in April 2014.

CPS is growing its solar energy portfolio with a 30-year contract for the 13.9 MW Blue Wing solar energy project which entered into commercial operation in November 2010; two 25-year contracts for Sinkin 1 and 2, each 9.9 MW which became operational in May 2012 and a 25-year contract for 10.6 MW from the Somerset Solar project, which became operational in August 2012. Sinkin 1 and 2 and Somerset Solar projects comprise what was formally referred to as the SunEdison Project.

CPS executed a Master Agreement with OCI Solar Power for 400 MW from nine facilities expected to be built and operational by 2016. Each individual facility comprising OCI Solar' 400 MW will have its own 25 year Purchase Power Agreement. OCI's Alamo 1 project facility of 40.7 MW achieved commercial operation in December 2013; St. Hedwig (Alamo 2) for 4.4 MW achieved commercial operation in March 2014; Eclipse (Alamo 4) facility at 39.6 MW, achieved commercial operation in August 2014; Walzem (Alamo 3) project at 5.5 MW achieved commercial operation in January 2015. The Uvalde (Alamo 5) facility at 95 MW is currently under construction and is expected to be operational by the end of 2015.

CPS receives energy from 1,059.1 MW of wind, 134.5 MW of solar and 13.8 MW of landfill gas generated energy for a total renewable energy capacity in operation of 1,207.4 MW. With the addition of the 309.8 MW of solar generated energy still under contract with OCI Solar, this will bring CPS' total renewable capacity under contract to 1,517.2 MW, thereby exceeding CPS' goal of 1,500 MW of renewable capacity by 2020.

An estimate of 1.0 MW of solar electricity will be produced by the utility's Solartricity Producer Program. The Solartricity Producer Program is a limited pilot project that is currently closed to any new subscribers. Each Solartricity participant has a 20-year contract with CPS.

*Nuclear.* South Texas Project is a two-unit nuclear power plant with Unit 1 and Unit 2 (or "STP1 and STP2") having a nominal output of approximately 1,330 MW each. STP is located on a 12,220 acre site in Matagorda County, Texas, near the Texas Gulf Coast, approximately 200 miles from San Antonio. CPS currently owns 40% of these units. Participant Ownership ("Participants") in STP1 and STP2 and their shares therein are as follows:

| | Ownership Effective February 2, 2006[(1)] | |
|---|---|---|
| Participants | % | MW (approximate) |
| NRG Energy ("NRG") | 44.0 | 1,170 |
| CPS | 40.0 | 1,064 |
| City of Austin-Austin Energy | 16.0 | 426 |
| | 100.0 | 2,660 |

(1) In 2006, Texas Genco, holder of a 44% interest in STP, was acquired by NRG Energy, Inc. NRG Energy, Inc. holds its interest in STP1 and STP2 in NRG South Texas LP.

STP is maintained and operated by a non-profit Texas corporation ("STP Nuclear Operating Company" or "STPNOC") financed and controlled by the owners pursuant to an operating agreement among the owners and STPNOC. Currently, a four-member board of directors governs the STPNOC, with each owner appointing one member to serve with the STPNOC's chief executive officer. All costs and output continue to be shared in proportion to ownership interests.

STP1 and STP2 each has a 40-year NRC license that expires in 2027 and 2028, respectively. In October 2010, STPNOC filed an application to the NRC to extend the operating licenses of STP1 and STP2 to 2047 and 2048, respectively. The NRC issued a revision to STPNOC's license renewal application schedule due to a scheduling request from the Advisory Committee on Reactor Safeguards and due to continued work on one of the open items. This schedule change lists milestones associated with issuance of the Safety Evaluation Report as "to be determined."

During the 12 months ended January 31, 2015, STP1 and STP2 operated at approximately 82.9% and 106.2% of net capacities, respectively.

*Used Nuclear Fuel Management*. Under the Nuclear Waste Policy Act, 42 U.S.C. 10101, et seq. ("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 United States commercial nuclear power plants such as STP. To fund that obligation, all owners or operators of commercial nuclear power plants have entered into a standard contract under which the owner(s) pay a fee to DOE of 1.0 mill per kilowatt hour 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. To date, no high-level waste repository has been licensed to accept used fuel. The National Association of Regulatory Utility Commissioner ("NARUC") has challenged further collection of this fee. On November 19, 2013, the U.S. Court of Appeals for the District of Columbia ruled in favor of NARUC and ordered the DOE to submit to Congress a proposal to reduce the fee to zero until certain conditions are met. While the reporting of volumes will continue, effective May 16, 2014, the rate changed to 0.0 mill per kilowatt hour (0/M/kWh), or no fee.

To date, DOE has not accepted used fuel from any domestic commercial nuclear power plant. According to the filings in one recent suit brought against the DOE, at least 66 cases have been filed in the Court of Federal Claims against the DOE related to its failure to meet its obligations under the NWPA by the existing owners or operators of nuclear facilities seeking damages related to ongoing used nuclear fuel storage costs**.** On August 31, 2000, in *Maine Yankee Atomic Power Company, et. al. v. US*, the United States Court of Appeals for the Federal Circuit affirmed that the DOE has breached its obligations to commercial nuclear power plant owners for failing to live up to its obligations to dispose of used nuclear fuel. Subsequent to that decision, the DOE has settled with certain commercial nuclear power plant owners and agreed to provide funds to pay for storage costs while the DOE continues to develop a permanent high-level waste repository. In early February 2013, STPNOC, on behalf of the owners of STP, entered into a similar settlement with the DOE. Under the terms of the settlement, the DOE will reimburse STP for certain costs that will be incurred in continuing onsite storage of all of its used nuclear fuel. As with similar settlements throughout the nuclear industry, the terms of the agreement call for the DOE to reimburse for certain costs incurred through December 2013. In early November 2013, STPNOC and its outside counsel received notice from the Department of Justice that the DOE was offering to extend the terms of the settlement to allow for the DOE to reimburse for costs incurred through December 2016. The settlement extension (addendum) was executed on January 24, 2014, and extends the term of the Spent Fuel Settlement Agreement with the DOE through December 31, 2016.

Until DOE is able to fulfill its responsibilities under the NWPA, the NWPA has provisions directing the NRC to create procedures to provide for interim storage of used nuclear fuel at the site of a commercial nuclear reactor. Pursuant to STPNOC analysis of recent NRC guidance, STPNOC has started the process of planning, licensing, and building an on-site independent spent fuel storage installation ("ISFSI", also known as "Dry Cask Storage") with the expectation that the ISFSI will be operational towards the middle of the decade. Expenditures for the spent fuel management project are being funded by the STP owners as the costs are incurred. CPS funds its 40% ownership share of these costs and periodically requests reimbursement from its Decommissioning Trusts for allowable costs.

Annually, STPNOC submits claims to the DOE for the reimbursement of allowable costs for spent fuel management. Allowable costs are returned by STP to the owners upon receipt of funds from the DOE. CPS reimburses the Decommissioning Trusts for the settlement amount received from the DOE. Qualifying spent fuel management costs not reimbursable by the DOE are funded by the Decommissioning Trusts. Any costs not reimbursable by the DOE or the Trusts are recorded as STP operational and maintenance expenses or capital costs.

CPS received reimbursement for certain initial costs related to the Dry Cask Storage project incurred prior to May 1, 2012. A second claim submitted to the DOE under the Spent Fuel Settlement Agreement was submitted on October 31, 2013, sought reimbursement for covered costs during the period of May 1, 2012 through July 31, 2013. On April 14, 2014, the DOE issued a letter that denied reimbursement for certain costs associated with upgrading the spent fuel dry cask handling cranes. On May 8, 2014, STPNOC agreed to accept the DOE's decision but reserved the right to seek reimbursement for future costs associated with upgrading the cranes. CPS Energy expects that the DOE will render its decision regarding the eligibility for reimbursement of future crane upgrade costs as part of the review process for each annual claim. For those costs that have been deemed, or that in the future may be determined to be, non-reimbursable by the DOE, CPS expects to pay these costs using funds currently held in the STP Decommissioning Trusts. CPS received its share of the allowable reimbursement costs from the DOE on August 6, 2014. The current (third) claim with the DOE under the Spent Fuel Settlement Agreement was submitted on October 31, 2014, and seeks reimbursement for covered costs during the period of August 1, 2013 through July 31, 2014. In January 2015, $3.2 million was recorded for STP spent fuel management project capital costs. It is expected that these costs will be reimbursed by the DOE. On February 25, 2015 STPNOC received DOE's "Determination letter" regarding this claim which disallowed reimbursement of certain costs associated with dry cask handling crane upgrades. STPNOC filed a Request for Reconsideration with the DOE on March 27, 2015. On June 25, 2015, the DOE issued a Supplemental Determination letter which determined that a portion of the costs to upgrade the dry cask handling cranes was reimbursable as allowable cost .

A June 2012 decision by the United States Court of Appeals for the District of Columbia vacated the NRC's waste confidence rule update. In response, the NRC issued an order stating that final approval of licenses dependent on the waste confidence rule, such as new reactor licenses and license renewals (combined construction and operating license application – "COLA"), would not be granted until the court ruling had been addressed. Subsequently, the NRC directed staff to develop a new waste confidence rule and Generic Environmental Impact Statement ("GEIS") by September 2014. In January 2014, the NRC revised the review schedule for the GEIS and to have a new final rule by October 3, 2014. The slight delay in schedule was related to time lost during the government shutdown and lapse of appropriations in October 2013. On August 26, 2014, the NRC approved the GEIS and final rule (renamed the Continued Storage rule). In a separate order, NRC approved lifting the licensing suspension once the Continued Storage rule becomes effective. The rule became effective on October 20, 2014. On September 29, 2014, intervenors filed a petition to suspend the new rule with the Atomic Safety and Licensing Board (a unit of the NRC) and a proposed contention opposing the NRC's action. On February 26, 2015, the NRC issued a decision that rejects the petition, the proposed contention, and the motion to reopen filed by the intervenors in September 2014. On January 28, 2015, the intervenors filed a petition with the NRC to require reactor specific environmental impact statement for each license application for a new reactor and license extension (renewal). The NRC issued a decision in April 2015 that denied the petition. On April 24, 2015, the intervenors filed a petition with the NRC to intervene in the STP1 and STP2 license renewal and STP3 and STP4 license application proceedings regarding the Continued Storage Rule. On May 1, 2015, NRC staff responded to the intervener's hearing request and motion to reopen the record in the license renewal proceeding for STP1 and STP2. The NRC concluded the intervention petition was inadmissible because it raised an issue that was beyond the scope of the proceedings by challenging a NRC rule without requesting a waiver of the rule. Furthermore, the NRC noted that the petition failed to raise a genuine issue of material fact or law and was filed late without good cause. The motion to reopen was deemed inadmissible because it was "untimely without addressing an extremely grave issue", did not address a significant environmental issue, and did not demonstrate that a materially different result would be likely if its proposed new contention had been raised at the beginning of the proceeding.

In late October 2014, the states of New York, Vermont and Connecticut filed a timely petition for review of the Continued Storage rule by the U.S. Court of Appeals for the D.C. Circuit. The NRC issued further guidance in February 2015 determining the Atomic Energy Act does not require a waste confidence safety filing and declined to suspend final licensing decisions. Barring further action by the D.C. Circuit Court of Appeals, CPS expects that STPNOC's license renewal applications for STP1 and STP2 will be approved in the later part of 2016. Upon approval of these applications, it is expected that STP1 and STP2 will be licensed for a total of 60 years of operation.

*Additional Nuclear Generation Opportunities*.
CPS annually conducts an assessment of generation resource options to meet its expected future electric requirements. This assessment includes updates to fuel prices, wholesale electric market forecasts, and updates to its electric peak demand forecast, which incorporate the most recent economic, demographic and historical demand data for the CPS service territory. Additionally, this assessment includes updated demand reductions due to the STEP energy efficiency and conservation program.

Before a commitment is made to construct the next generation facility, CPS management pursues several objectives. These objectives include the pursuit of additional stakeholder input; expanded community education about the long-term energy and conservation needs of the San Antonio community; continued option analyses and evaluations, including CPS' own formalized cost estimates; additional Board approval to move forward; and expanded presentations to the City Council, which governs the related rate increases and bond issuances that may be required to support any generation construction project or existing generation asset purchase.

In mid-2006, CPS management directed that staff conduct an initial investigation, study and analysis of additional nuclear capacity as one type of possible generation infrastructure. In 2007, CPS received CPS Board approval to participate in the early development phase of two additional nuclear projects that involved third-party co-owners. The first possible nuclear project was development of two additional reactors at the STP site, also known as STP3 and STP4. The second possible nuclear project was a proposed new two-unit facility tentatively located in Victoria County, which is also located in South Texas.

In June 2009, CPS management provided the CPS Board its formal assessment and recommendations concerning these options compared to other possible new generation types including the first public estimate of the cost of the first possible project at $13 billion, inclusive of financing costs. Reports of higher cost estimates, however, resulted in reconsideration of the advisability of participating in the STP3 and STP4 Project and, ultimately, in CPS' decision to limit participation in further development of STP3 and STP4. In a settlement negotiated with NRG and the other participants in the development of STP3 and STP4, CPS received a 7.625% ownership interest in the combined STP3 and STP4. CPS is not liable for any STP3 and STP4 Project development costs incurred after January 31, 2010, however, once the new units reach commercial operation, CPS will be responsible for its 7.625% share of ongoing costs to operate and to maintain the units. CPS will also receive two $40 million installment payments upon award of a DOE loan guarantee to Nuclear Innovation North America LLC ("NINA"), a NRG / Toshiba joint venture. NINA also agreed and has substantially made, a contribution of $10.0 million over a four-year period to the Residential Energy Assistance Partnership, which provides emergency bill payment assistance to low-income customers in San Antonio and Bexar County. CPS continues to monitor the licensing effort and to maintain regular communication with all stakeholders, including Toshiba America Nuclear Energy Corporation, the rating agencies, and other stakeholders, regarding ongoing assessment of the viability of the project and the impact to its financial position.

As briefly mentioned above, in addition to the STP3 and STP4, CPS has also explored another potential nuclear project with Exelon. In December 2007, CPS and Exelon signed an agreement granting CPS an option to participate in a possible joint investment in a nuclear-powered electric generation facility in southeast Texas ("Exelon Project"). On August 28, 2012, Exelon announced that they had notified the NRC that they intended to withdraw the Early Site Permit application, effectively ending development of the Exelon Project. CPS wrote-off its $2.7 million investment in the Exelon Project during the third quarter of Fiscal Year 2013.

*External Events Impacting Nuclear Power Generation Industry and STP1 and STP2, and CPS's Response.* On March 11, 2011, a magnitude-9.0 earthquake struck off of the north-eastern coast of Japan. This earthquake triggered a tsunami that devastated portions of Japan. The Fukushima Daiichi nuclear power plant site was one of the areas struck by the earthquake and tsunami. This event resulted in core damage to Units 1, 2, and 3 at that plant. The nuclear industry response to the events at Fukushima continues to evolve. The NRC formulated a Near-Term Task Force to conduct a review of the NRC's processes and regulations in light of the events at Fukushima. The Near-Term Task Force's 90-day report confirmed the safety of United States nuclear power plants and included twelve recommendations to the Commissioners. In October 2011, the Commissioners directed NRC staff to implement seven of the recommendations that were identified as those that should be implemented without unnecessary delay. In addition, the Commissioners directed the staff to identify the schedule and resource needs associated with those Near-Term Task Force recommendations that were identified as long-term actions and / or that require additional staff study to inform potential regulatory changes. On March 12, 2012, the NRC issued three Orders and one Request for Information letter. These actions represented the first regulatory activity initiated as a result of the lessons learned from the events at Fukushima. The Orders outline actions that must be taken and also provide a compliance deadline. License holders must complete the actions within two refueling outages or by December 31, 2016 (whichever comes first). The Request for Information letter requires specific responses from license holders. To date, STPNOC has submitted the requested information and complied with the NRC Orders in a timely manner to comply with all deadlines that have come due. The CPS budget for STP includes both operating and maintenance and capital for costs associated to comply with regulatory changes that are being implemented from the Fukushima task force recommendations. As part of CPS' on-going oversight of STP, CPS continues to work with STPNOC to identify cost estimates for any additional exposures related to the industry response to Fukushima that may result from future actions taken by the NRC.

*Qualified Scheduling Entity ("QSE").* CPS operates as an ERCOT Level 4 QSE representing all of CPS' assets and load. The communication with ERCOT and the CPS power plants is monitored and dispatched 24 hours per day, 365 days a year. QSE functions include load forecasting, day ahead and real time scheduling of load, generation and bilateral transactions, generator unit commitment and dispatch, communications, invoicing and settlement.

*Transmission System.* CPS maintains a transmission network for the movement of large amounts of electric power from generating stations to various parts of the service area, to or from neighboring utilities, and for wholesale energy transactions as required. This network is composed of 138 and 345 kilovolt ("kV") lines with autotransformers that provide the necessary flexibility in the movement of bulk power.

*Distribution System.* The distribution system is supplied by 88 substations, which are strategically located on the high voltage 138 kV transmission system. The central business district of the City is served by nine underground networks, each consisting of four primary feeders operated at 13.8 kV, transformers equipped with network protectors, and both a 4-wire 120/208 volt secondary grid system and a 4-wire 277/480 volt secondary spot system. This system is well-designed for both service and reliability. Approximately 7,783 circuit miles (three-phase equivalent) of overhead distribution lines are included in the distribution system. These overhead lines also carry secondary circuits and street lighting circuits. The underground distribution system consists of 499 miles of three-phase equivalent distribution lines, 84 miles of three-phase downtown network distribution lines, and 4,660 miles of single-phase underground residential distribution lines. Many of the residential subdivisions added in recent years are served by underground residential distribution systems.

*Smart Grid Modernization Program.* Starting in 2013, CPS began building a converged Advanced Metering Infrastructure ("AMI") and distribution automation ("DA") network. The rollout of new electric meters and gas interface management units ("IMUs") using this network began in 2014 and will continue for 48 months. CPS believes this new program will reduce operational costs and improve reliability. A new energy portal was implemented to give customers the opportunity to better track and manager their energy usage. The combined cost of the network, electric and gas upgrades is estimated at $290 million. Operational savings, accurate reads and distribution automation are all factored in the program. Savings are expected to cover the cost in approximately 12 years.

***Gas System***

*Transmission System.* The gas transmission system consists of a network of approximately 89 miles of steel mains that range in size from 4 to 30 inches. Over 62 miles of the gas transmission system were placed into service since 2000 and over 90% are less than 25 years old. The entire system is coated and cathodically protected to mitigate corrosion. The gas transmission system operates at pressures between 135 pounds per square inch ("psig") and 1,100 psig, and supplies gas to the gas distribution system and CPS Generating Plants. A Supervisory Control and Data Acquisition ("SCADA") computer system monitors the gas pressure and flow rates at many strategic locations within the transmission system. Additionally, most of the critical pressure regulating stations and isolation valves are remotely controlled by SCADA. CPS has completed the required baseline assessments of the gas transmission system, in accordance with state and federal transmission integrity rules, using the most recently available technology. Furthermore, CPS maintains an ongoing reassessment plan and maintains a more conservative leak survey and patrol schedule interval than is required by regulation.

*Distribution System*. The gas distribution system consists of 294 pressure regulating stations and approximately 5,275 miles of mains. The system consists of 2 to 30-inch steel mains and 1-1/4 to 8-inch high-density polyethylene (plastic) mains. The distribution system operates at pressures between 9 psig and 274 psig. All steel mains are coated and cathodically protected to mitigate corrosion. Critical areas of the distribution system are designated critical pressure regulating stations and isolation valves are remotely controlled by SCADA. CPS has been methodical in its assessment and renewal of distribution infrastructure utilizing a risk-based leak survey approach to identify both mains and services that are in highest need of replacement and has an annual budget for on-going system renewal.

***Implementation of New Accounting Policies***

For the fiscal year ended January 31, 2014, CPS implemented:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Additionally, this Statement provides reporting guidance related to deferred outflows of resources and deferred inflows of resources. Adoption of this Statement resulted in the reclassification of certain items previously reported as assets or liabilities. Additionally, a regulatory asset was established for the debt issuance costs that would otherwise have been expensed upon implementation of GASB Statement No. 65.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, removes from GASB Statement No. 10 certain provisions pertaining to fund-based reporting and modifies specific guidance in GASB Statement No. 62 on accounting for (1) certain types of lease payments, (2) certain elements of purchased loan transactions, and (3) certain fees related to mortgage loans that are sold. There was no impact on CPS' financial statements from implementation of this guidance.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantee Transactions*, provides accounting and disclosure guidance for transactions in which a government has extended or received a financial guarantee without directly receiving equal-value consideration in exchange. This guidance requires a government that has extended or received a nonexchange financial guarantee to recognize a liability in certain circumstances involving the likelihood or actuality or payments being made on those guarantees. There was no impact from the implementation of this guidance, as CPS is currently neither the grantor nor the beneficiary of any nonexchange financial guarantees.

For the fiscal year ended January 31, 2015, CPS implemented:

GASB Statement No. 67, *Financial Reporting for Pension Plans,* amends the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts, or equivalent arrangements. This Statement enhances note disclosures and required supplementary information ("RSI") for both defined-benefit and defined-contribution pension plans. It also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in ten-year RSI schedules. This Statement is implemented in FY 2014 by the CPS-sponsored pension benefit trust in its fiscal year ended December 31, 2014.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to governmental employers that account for pensions that are provided through trusts, or equivalent arrangements. Employers are required to report the difference between the actuarial total pension liability and the pension plan's fiduciary net position as the net pension liability on the statement of net position. Previously, a liability was recognized only to the extent that contributions made to the plan were exceeded by the actuarially calculated contributions. Preliminary analysis performed by CPS and its actuarial consultant indicate that CPS will be required to report a net pension liability that will be significantly higher compared to the net pension obligation currently measured and reported in accordance with GASB Statement No. 27. The adoption of GASB Statement No. 68 is recognized retroactively for all periods reported concurrently with FY 2015. CPS is using regulatory accounting, as permitted under GASB Statement No. 62, to account for the adjustment required to offset the increased pension liability recognized with the implementation of GASB Statement No. 68 pension accounting methods.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting guidance related to government combinations and disposals of government operations. The term government combinations refer to a variety of transactions and may be mergers, acquisitions, or transfers of operations. This standard sets forth definitions of each of these transaction types and prescribes the specific accounting and reporting treatment to be given for each. The Statement also provides accounting and reporting guidance for disposals of government operations that have been sold or transferred. The requirements of this Statement are applied prospectively, beginning in FY 2015. The effect of this guidance on CPS will be limited to its impact on recognition of potential combination and disposal transactions into which CPS may enter in the future.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, was issued to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The effect of this guidance on CPS is limited to recognition of a deferred outflow of resources in FY 2015 for contributions made subsequent to the measurement date of the net pension liability.

For the fiscal year ended January 31, 2016, CPS will implement:

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value 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 a measurement date. Statement No. 72 requires that investments should generally be measured at fair value, with certain investments, such as short-term money market instruments, being specifically excluded from the requirement. Disclosures required by the standard include a description of the inputs and methods used to measure fair value. CPS is currently evaluating the impact that adoption of this Statement will have on its financial statements.

Other than the aforementioned changes, no additional significant accounting principles or reporting changes were implemented in the fiscal years ending January 31, 2014 and January 31, 2015. Other accounting and reporting changes that occurred during the prior reporting years continued into the fiscal year ending January 31, 2015.

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***Recent Financial Transactions***

On March 29, 2012, CPS issued $521.0 million of Taxable New Series 2012 Revenue Bonds to purchase the Rio Nogales natural gas power generation plant.

On June 28, 2012, CPS issued $655.4 million of Revenue Refunding Bonds, New Series 2012 to refund $716.3 million of Revenue Bonds, New Series 2005 and 2006A, and Revenue Refunding Bonds, New Series 2005A.

On November 29, 2012, CPS issued $143.6 million of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2012A, 2012B, and 2012C to refund $147.6 million of Junior Lien Revenue Bonds, Series 2004.

On June 7, 2013, CPS cash defeased $63.5 million of New Series 2003A Bonds.

On July 25, 2013, CPS issued $375.0 million of Junior Lien Revenue Bonds, Series 2013 to fund the Capital Construction Program.

On July 3, 2014, CPS issued $200.0 million of Junior Lien Revenue Bonds, Series 2014 to fund capital expenditures to the EG Systems.

On November 5, 2014, CPS issued $262.5 million of Junior Lien Revenue Refunding Bonds, Series 2014 to refund $294.6 million of Revenue Refunding Bonds, New Series 2005.

On December 1, 2014, CPS remarketed for a four year term $47.14 million of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2012A, while at the same time defeasing $1.04 million of the original issued bonds.

On January 7, 2015, CPS issued $250.0 million of Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015A and 2015B to refund $250.0 million of Junior Lien Revenue Bonds, Series 2003.

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***CPS Historical Net Revenues and Coverage***[1]

| | Fiscal Years Ended January 31, (Dollars in Thousands) | | | | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Gross Revenues [2] | $2,099,240 | $2,296,138 | $2,207,863 | $2,434,969 | $2,666,411 |
| Maintenance & Operating Expenses | 1,233,286 | 1,411,334 | 1,375,027 | 1,528,300 | 1,608,959 |
| Available For Debt Service | $ 865,954 | $ 884,804 | $ 832,836 | $ 906,669 | $ 1,057,452 |
| Actual Principal and Interest Requirements: | | | | | |
| Senior Lien Obligations [3, 4] | $ 357,054 | $ 363,339 | $ 366,474 | $ 333,089 | $ 335,440 |
| Junior Lien Obligations [5] | $ 10,774 | $ 22,372 | $ 23,256 | $ 34,284 | $ 52,026 |
| Actual Coverage-Senior Lien | 2.43x | 2.44x | 2.27x | 2.72x | 3.15x |
| Actual Coverage-Senior and Junior Liens | 2.35x | 2.29x | 2.14x | 2.47x | 2.73x |
| Pro Forma MADS Coverage | | | | | |
| Senior Lien Obligations [6] | 2.70x | 2.76x | 2.60x | 2.83x | 3.30x |
| Senior and Junior Lien Obligations [7] | 2.01x | 2.05x | 1.93x | 2.10x | 2.45x |

[1] Certain amounts in prior years have been reclassified to conform to current-year presentation. Some numbers may have been adjusted due to rounding.
[2] Calculated in accordance with the CPS bond ordinances.
[3] Net of accrued interest where applicable.
[4] Includes a reduction of $14.5 million, $15.6 million, $15.6 million, $14.4 million and $14.5 million for the fiscal years ending 2011, 2012, 2013, 2014, and 2015 respectively, related to the direct subsidy for the Build America Bonds. Also, takes into account the effects of Sequestration.
[5] Includes a reduction of $10.5 million, $10.5 million, $9.7 million and $9.8 million for the fiscal years ending 2012, 2013, 2014 and 2015 respectively, related to the direct subsidy for the Build America Bonds. Also, takes into account the effects of Sequestration.
[6] Maximum annual debt service on Senior Lien Obligations.
[7] Maximum annual debt service on Senior Lien Obligations and the Junior Lien Obligations. The Junior Lien Obligations include both fixed rate and two multi-modal variable rate bonds as follows: 1) Fixed Rate Notes with a 2% rate for a set term and a Stepped Rate of 7% thereafter and 2) SIFMA Index Mode with an assumed rate of 3% for a set term and a Stepped Rate of 8% thereafter.

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## San Antonio Water System

### *History and Management*

In 1992, the City Council consolidated all of the City's water-related systems, functions, agencies, and activities into one agency. This action was taken due to the myriad of issues confronting the City related to the development and protection of its water resources. The consolidation provided the City a singular voice of representation when promoting or defending the City's goals and objectives for water resource protection, planning, and development when dealing with local, regional, state, and federal water authorities and officials.

Final City Council approval for the consolidation was given on April 30, 1992 with the approval of Ordinance No. 75686 (the "System Ordinance"), which created the City's water system into a single, unified system consisting of the former City departments comprising the waterworks, wastewater, and water reuse systems, together with all future improvements and additions thereto, and all replacements thereof. In addition, the System Ordinance authorizes the City to incorporate into SAWS a stormwater system and any other water-related system to the extent permitted by law.

The City believes that establishing SAWS has allowed the City greater flexibility in meeting future financing requirements. More importantly, it has allowed the City to develop, implement, and plan for its water needs through a single agency.

The complete management and control of SAWS is vested in a board of trustees (the "SAWS Board") currently consisting of seven members, including the City's Mayor and six persons who are residents of the City or reside within the SAWS service area. With the exception of the Mayor, all SAWS Board members are appointed by the City Council for four-year staggered terms and are eligible for reappointment for one additional four-year term. Four SAWS Board members must be appointed from four different quadrants in the City, and two SAWS Board members are appointed from the City's north and south sides, respectively. SAWS Board membership specifications are subject to future change by City Council.

With the exception of fixing rates and charges for services rendered by SAWS, condemnation proceedings, and the issuance of debt, the SAWS Board has absolute and complete authority to control, manage, and operate SAWS, including the expenditure and application of gross revenues, the authority to make rules and regulations governing furnishing services to customers, and their subsequent payment for SAWS' services, along with the discontinuance of such services upon the customer's failure to pay for the same. The SAWS Board, to the extent authorized by law and subject to certain various exceptions, also has authority to make extensions, improvements, and additions to SAWS and to acquire, by purchase or otherwise, properties of every kind in connection therewith.

### *Service Area*

SAWS provides water and wastewater service to the majority of the population within the corporate limits of the City and Bexar County, which totals approximately 1.7 million residents. SAWS employs over 1,700 personnel and maintains over 10,000 miles of water and sewer mains. The tables that follow show historical water consumption and water consumption by class for the fiscal years indicated.

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***Historical Water Consumption (Million Gallons)*** **[1]**

| | | | | | | Total Direct Rate | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Water | | Sewer | |
| Fiscal Year | Gallons of Water Production [b] | Gallons of Water Usage | Gallons of Water Unbilled | Average Percent Unbilled | Gallons of Wastewater Treated [c] | Base Rate [d] | Usage Rate [e] | Base Rate [f] | Usage Rate [g] |
| 2014 | 68,265 | 57,261 | 11,004 | 16.12% | 50,689 | $7.49 | $21.43 | $11.99 | $14.81 |
| 2013 | 66,391 | 55,108 | 11,283 | 16.99% | 50,076 | 7.31 | 20.09 | 11.54 | 14.27 |
| 2012 | 66,596 | 55,320 | 11,276 | 16.93% | 49,055 | 7.31 | 20.24 | 9.92 | 12.24 |
| 2011 | 70,699 | 59,133 | 11,566 | 16.36% | 49,918 | 7.10 | 18.10 | 8.73 | 10.78 |
| 2010 [a] | 61,272 | 52,578 | 8,694 | 14.19% | 48,152 | 7.10 | 18.10 | 8.73 | 10.78 |
| 2009 | 62,649 | 55,295 | 7,354 | 11.74% | 51,987 | 6.77 | 20.04 | 7.76 | 9.63 |
| 2008 | 67,523 | 58,828 | 8,695 | 12.88% | 50,347 | 6.56 | 19.92 | 7.37 | 9.14 |
| 2007 | 55,043 | 49,511 | 5,532 | 10.05% | 49,217 | 6.56 | 19.59 | 7.37 | 9.14 |
| 2006 | 63,388 | 57,724 | 5,664 | 8.94% | 53,270 | 6.56 | 19.69 | 7.37 | 9.14 |
| 2005 | 58,990 | 55,005 | 3,985 | 6.76% | 49,287 | 6.11 | 18.42 | 7.33 | 9.10 |

(1) Unaudited.
(a) Reflects rate increase and rate restructuring for water usage beginning in November 2010. Prior to November, Water Base Rate (including Texas Commission on Environmental Quality ("TCEQ") fees) was $6.96, Water Usage Rate was $20.52, Sewer Base Rate (including TCEQ fees) was $7.81 and Sewer Usage Rate was $9.63.
(b) Pumpage is total potable water production less Aquifer Storage and Recovery recharge.
(c) Represents amounts billed to customers. Residential Class customers are billed based on water usage during a consecutive three month billing period from November through March. All other customer classes are billed for wastewater treatment based on actual water usage during each monthly billing period.
(d) Rate shown is for 5/8" meters.
(e) Represents standard (non-seasonal) usage charge for monthly residential water usage of 7,788 gallons per month. Includes water supply and Edwards Aquifer Authority ("EAA") fees.
(f) Minimum service availability charge (includes charge for first 1,496 gallons).
(g) Represents usage charge for a residential customer based on winter average water consumption of 6,178 gallons per month.
*Source: SAWS.*

***Water Consumption by Customer Class (Million Gallons)*** **[1]**

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| Water Sales [a]: | | | | | | | | | | |
| Residential Class | 29,310 | 29,206 | 30,070 | 34,153 | 28,932 | 30,667 | 33,025 | 26,651 | 33,162 | 30,917 |
| General Class | 20,870 | 20,614 | 20,393 | 20,986 | 19,465 | 20,309 | 20,297 | 19,166 | 20,232 | 19,769 |
| Wholesale Class | 3,861 | 1,943 | 1,412 | 128 | 101 | 119 | 108 | 90 | 114 | 121 |
| Irrigation Class | 3,220 | 3,345 | 3,445 | 3,866 | 4,080 | 4,200 | 5,398 | 3,604 | 4,216 | 4,198 |
| Total Water | 57,261 | 55,108 | 55,320 | 59,133 | 52,578 | 55,295 | 58,828 | 49,511 | 57,724 | 55,005 |
| Wastewater Sales: | | | | | | | | | | |
| Residential Class | 27,896 | 27,617 | 26,572 | 27,371 | 26,746 | 29,825 | 28,148 | 27,383 | 28,859 | 25,293 |
| General Class | 20,502 | 20,100 | 20,066 | 20,134 | 20,002 | 20,338 | 20,352 | 19,634 | 21,967 | 22,262 |
| Wholesale Class | 2,291 | 2,359 | 2,417 | 2,413 | 1,404 | 1,824 | 1,847 | 2,200 | 2,444 | 1,732 |
| Total Wastewater | 50,689 | 50,076 | 49,055 | 49,918 | 48,152 | 51,987 | 50,347 | 49,217 | 53,270 | 49,287 |
| Conservation – Residential Class [b] | 2,296 | 2,520 | 3,026 | 4,106 | 2,935 | 3,469 | 3,948 | 2,432 | 4,276 | 3,613 |
| Recycled Water Sales | 18,323 | 18,359 | 18,129 | 18,990 | 14,968 | 16,321 | 16,559 | 14,148 | 14,836 | 14,048 |

(1) Unaudited.
(a) Water Supply and EAA fees are billed based on the gallons billed for water sales.
(b) Gallons billed for conservation are included in the gallons billed for water sales.
*Source: SAWS.*

***SAWS System***

SAWS includes all water resources, properties, facilities, and plants owned, operated, and maintained by the City relating to supply, storage, treatment, transmission, and distribution of treated potable water, and chilled water (collectively, the "waterworks system"), collection and treatment of wastewater (the "wastewater system"), and treatment and reuse of wastewater (the "water reuse system") (the waterworks system, the wastewater system, and the water reuse system, collectively, the "System"). The System does not include any "Special Projects", which are declared by the City, upon the recommendation of the SAWS Board, not to be part of the System and are financed with obligations payable from sources other than ad valorem taxes, certain specified revenues, or any water or water-related properties and facilities owned by the City as part of its electric and gas system.

In addition to the water-related utilities that the SAWS Board has under its control, on May 13, 1993, the City Council approved an ordinance establishing initial responsibilities over the stormwater quality program with the SAWS Board and adopted a schedule of rates to be charged for stormwater drainage services and programs. As of the date hereof, the stormwater program is not deemed to be a part of the System.

SAWS' operating revenues are provided by its four core businesses: Water Delivery, Water Supply, Wastewater, and Chilled Water. The SAWS rate structure is designed to provide a balance between residential and business rates and strengthen conservation pricing for all water users. For detailed information on the current rates charged by SAWS, see www.saws.org/service/rates.

*Waterworks System*. The City originally acquired its waterworks system in 1925 through the acquisition of the San Antonio Water Supply Company, a privately owned company. Since such time and until the creation of SAWS in 1992, management and operation of the waterworks system was under the control of the City Water Board. The SAWS' waterworks system currently extends over approximately 662 square miles, making it the largest water purveyor in Bexar County. SAWS serves approximately 79% of the water utility customers in Bexar County, which amount increases to approximately 93% when factoring the customers of the District Special Project (the "DSP"). As of December 31, 2014, SAWS provided potable water service to approximately 374,000 customer connections, which includes residential, commercial, multifamily, industrial, and wholesale accounts. To service its customers, the waterworks system utilizes 40 elevated storage tanks and 43 ground storage reservoirs with combined storage capacities of 220.6 million gallons. As of December 31, 2014, the waterworks system had in place 5,117 miles of distribution mains, ranging in size from four to 61 inches in diameter (the majority being between six and 12 inches).

*Wastewater System*. The City Council created the City Wastewater System in 1894. A major sewer system expansion program began in 1960 with bond proceeds that provided for new treatment facilities and an enlargement of the wastewater system. In 1970, the City became the Regional Agent of the Texas Commission on Environmental Quality ("TCEQ") (formerly known as the Texas Water Commission and the Texas Water Quality Board). In 1992, the wastewater system was consolidated with the City's waterworks and recycling systems to form the System.

SAWS serves a substantial portion of the residents of the City, 12 governmental entities, and other customers outside the corporate limits of the City. As Regional Agent, SAWS has certain prescribed boundaries that currently cover an area of approximately 630 square miles. SAWS also coordinates with the City for wastewater planning for the City's total planning area, extraterritorial jurisdiction ("ETJ"), of approximately 1,109 square miles. The population for this planning area is approximately 1.6 million people. As of December 31, 2014, SAWS provided wastewater services to approximately 424,000 customer connections.

In addition to the treatment facilities owned by SAWS, there are six privately owned and operated sewage and treatment plants within the City's ETJ.

The wastewater system is composed of approximately 5,283 miles of mains and three major treatment plants, Dos Rios, Leon Creek, and Medio Creek. All three plants are conventional activated sludge facilities. SAWS holds Texas Pollutant Discharge Elimination System wastewater discharge permits, issued by the TCEQ for 187 million gallons per day ("MGD") in treatment capacity and 46 MGD in reserve permit capacity. The permitted flows from the wastewater system's three regional treatment plants represent approximately 98% of the municipal discharge within the City's ETJ.

The System has applied to the TCEQ to expand its Certificates of Convenience and Necessity ("CCN") or service areas for water and sewer from the existing boundaries initially to the ETJ boundary of the City. When the TCEQ grants a CCN to a water or sewer purveyor, it provides that purveyor with a monopoly for retail service. By expanding the CCN to the ETJ, developments needing retail water and sewer service within the ETJ must apply to SAWS. Service can then be provided according to System standards, avoiding small, undersized systems servicing new development. Since 2006, the System has submitted 21 separate applications to the TCEQ to expand its CCN or service areas, for water and sewer service, to the ETJ boundary of the City. These applications have added 28,309 acres to the water service area and 276,849 acres to the sewer service area. The expansion of the CCN to the ETJ supports development regulations for the City. Within the ETJ, the City has certain standards for the development that ensure areas developed in the ETJ and then annexed by the City will already have some City development regulations in place.

In March 2007, SAWS was orally notified by Region 6 of the United States Environmental Protection Agency (the "EPA") of alleged failures to comply with the Clean Water Act due to the occurrence of sanitary sewer overflows. The EPA subsequently referred the matter to the United States Department of Justice (the "DOJ") for enforcement action. SAWS engaged in settlement negotiations with the EPA and the DOJ to resolve the allegations. On June 4, 2013, the Board approved a Consent Decree between SAWS and the United States of America and the State of Texas to resolve this enforcement action. SAWS signed the Consent Decree on June 5, 2013, and the Consent Decree was subsequently executed by the United States of America and the State of Texas. On September 13, 2013, after consideration of the comments received, the United States of America filed its Motion for entry of the Consent Decree, requesting the Court to approve the Consent Decree by signing and entering it. The Consent Decree was signed and entered by the Court on October 15, 2013. During the ten to twelve year term of the Consent Decree, SAWS estimates the cost to perform the operating and maintenance requirements of the Consent Decree will be approximately $250 million. Additionally, SAWS estimates that capital investments of approximately $850 million will be required over the Consent Decree term. As with any estimates, the actual amounts incurred could differ materially. Since entry into the Consent Decree, SAWS has performed its obligations under the terms of the Consent Decree and is in material compliance with its terms, conditions, and requirements. Since 2010, SAWS has seen a significant reduction in sanitary sewer overflows, from 538 in 2010 to 196 in 2014.

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

*Chilled Water System*. SAWS owns, operates, and maintains five thermal energy facilities providing chilled water services to governmental and private entities. Two of the facilities, located in the City's downtown area, provide chilled water to 21 customers. They include various City facilities such as the Henry B. Gonzalez Convention Center and the Alamodome, which constitute a large percentage of the SAWS' downtown chilled water annual production requirements. In addition to City facilities, the two central plants also provide chilled water service to a number of major hotels in the downtown area, including the Grand Hyatt, Marriott Riverwalk, and Hilton Palacio Del Rio. The other three thermal facilities, owned and operated by SAWS, are located at the Port and provide chilled water to large industrial customers that include Lockheed Martin and Boeing Aerospace. SAWS' chilled water producing capacity places it as one of the largest producers of chilled water in south Texas.

Prior to June 2014, SAWS was providing thermal steam services to 11 downtown customers from a central downtown plant. In light of advancements in modular heating technology, it became increasingly apparent in recent years that continuing to operate a centralized steam system was not sustainable economically over the long term for the System or its customers. As a consequence, working in close coordination with customers to ensure uninterrupted heating service, SAWS discontinued steam service in June of 2014. SAWS anticipates this action to have a positive financial impact as a result of operational costs savings outweighing any resultant loss in revenues.

*Stormwater System*. In September 1997, the City created its Municipal Drainage Utility and established its Municipal Drainage Utility Fund to capture revenues and expenditures for services related to the management of the municipal drainage activity in response to EPA-mandated stormwater runoff and treatment requirements under the 40 CFR 122.26 Storm Water Discharge. The City, along with SAWS, has the responsibility, pursuant to the permit from the TCEQ, for water-quality monitoring and maintenance. The City and SAWS have entered into an interlocal agreement to set forth the specific responsibilities of each regarding the implementation of the requirements under the permit. The approved annual budget for the SAWS share of program responsibilities for SAWS FY 2015 is approximately $4.8 million, for which SAWS anticipates being reimbursed in full from the stormwater utility fee imposed by the City.

***Water Supply***

The primary source of water for the City is the Edwards Aquifer. The Edwards Aquifer is also the primary source of water for the agricultural economy in the two counties west of San Antonio and is the source of water for Comal and San Marcos Springs in New Braunfels and San Marcos, respectively, which depend upon springflow for their tourist-based economy. Edwards Aquifer water from these springs provides the habitat for species listed as endangered by the United States Fish & Wildlife Service (the "USFWS") under the federal Endangered Species Act and provides base flow for the Guadalupe River. Water levels in the Edwards Aquifer are affected by rainfall or lack thereof, water usage region-wide, and discharge from the aforementioned springs. One unique aspect of the Edwards Aquifer is its prolific rechargeability and the historical balance between recharge and discharge in the form of well withdrawals and spring discharges.

During the 1980s, increasing demand on the Edwards Aquifer threatened to exceed average historical recharge, generating concerns by the areas dependent upon springflow for water and the local economy. Also, the fluctuations in Edwards Aquifer levels threatened to jeopardize flow from Comal and San Marcos Springs. Since groundwater, including the Edwards Aquifer, is subject to the rule of capture in Texas, meaningful management could not be accomplished in the absence of new State legislation.

Regional planning efforts to address these issues were undertaken in the mid-1980s, resulting in recommendations for new State legislation for management of the Edwards Aquifer. Failure to adopt this legislation in the 1989 Texas Legislative Session resulted in the initiation of various lawsuits and regulatory efforts by regional interests dependent upon springflow to force limitations on overall usage from the Edwards Aquifer. In addition to the litigation discussed below, litigation was initiated in State District Court to have the Edwards Aquifer declared an underground river under State law, and therefore owned by the State. This litigation was unsuccessful. In addition, efforts were undertaken to have the Texas Water Commission (now the TCEQ) regulate the Edwards Aquifer. In April 1992, the Texas Water Commission adopted emergency rules declaring the Edwards Aquifer to be an underground stream, and therefore State water subject to regulation by the State. After final adoption of permanent rules, litigation was initiated in State court challenging the Texas Water Commission's determination. The Texas Water Commission's permanent rules and the Commission's determination that the Edwards Aquifer was an underground stream, and, therefore, subject to regulation by the State, were declared invalid by the State courts.

The various litigations and regulatory efforts to manage withdrawals from the Edwards Aquifer resulted in passage of the Edwards Aquifer Authority Act in 1993 and its amendment in 1995 to allow its implementation. The Edwards Aquifer Authority ("EAA") began operation on July 1, 1996, with a goal of implementing State regulatory legislation aimed at the elimination of uncertainties concerning access to and use of Edwards Aquifer water by the City and all other Aquifer users.

The Board of the EAA has adopted rules for: (1) drought management and (2) withdrawal permits governing the use of water from the Edwards Aquifer. Drought management rules mandate staged reductions in water supplies withdrawn from the Edwards Aquifer. The City currently has a series of accompanying demand restrictions targeting discretionary water use, such as use of decorative water features and landscape irrigation. Drought demand rules do not materially adversely affect revenues or SAWS' ability to supply water to its customers for primary needs.

In 2007, the Texas Legislature passed Senate Bill 3 establishing a cap on annual pumping from the Edwards Aquifer of 572,000 acre-feet and placing restrictions into State statute regarding supply availability during drought periods, thus making these restrictions State law. SAWS currently has access to approximately 45% of the 572,000 acre-feet available. In addition, to support ongoing efforts to identify and evaluate methods to protect threatened and endangered species, the Texas Legislature prescribed in detail an Edwards Aquifer Recovery Implementation Program ("EARIP") for the Edwards Aquifer region. The EARIP is being undertaken in coordination with USFWS, and is intended to help the region meet the needs of endangered species, while respecting and protecting the legal rights of water users. The program consists of a facilitated, consensus-based process involving a broad cross-section of regional stakeholders. On November 7, 2011, the EARIP steering committee and stakeholders endorsed the final draft of a Habitat Conservation Plan ("HCP"), an Implementing Agreement, and a Funding and Management Agreement. The stakeholders and the members of the steering committee reached broad consensus on the fundamental elements and associated details of a multi-year adaptive management plan which formed the foundation of the HCP in support of the desired Incidental Take Permit with a term of 15 years.

The City, acting by and through SAWS, along with the EAA, the City of New Braunfels, the City of San Marcos, and Texas State University – San Marcos, filed an application for an Incidental Take Permit to protect future groundwater withdrawals from the Edwards Aquifer and other activities affecting listed threatened or endangered species associated with the Edwards Aquifer. On March 18, 2013, the USFWS approved the submitted HCP and issued Incidental Take Permit No. TE63663A-0.

For additional information on the HCP, see the official statement for the **CITY OF SAN ANTONIO, TEXAS WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2015B (NO RESERVE FUND) - EDWARDS AQUIFER RECOVERY IMPLEMENTATION PROGRAM AND THE EDWARDS AQUIFER HABITAT CONSERVATION PLAN** filed with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system.

***Edwards Aquifer Authority***

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

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

| UVALDE POOL | | | | |
|---|---|---|---|---|
| Comal Springs Flow [1] | San Marcos Springs Flow [1] | Index Well J-27 Level [2] | Critical Period Stage [3] | Withdrawal Reduction (%) |
| N/A | N/A | N/A | I | N/A |
| N/A | N/A | < 850 | II | 5 |
| N/A | N/A | < 845 | III | 20 |
| N/A | N/A | < 842 | IV | 35 |
| N/A | N/A | < 840 | V | 44 |

1 Measured in cubic feet per second.
2 Measured in mean sea level.
3 A change to a critical period stage with higher withdrawal reduction percentages, including initially into Stage I for the San Antonio Pool and Stage II for the Uvalde Pool, is triggered if the 10-day average of daily springflows at the Comal Springs or the San Marcos Springs or the 10-day average of daily Aquifer levels at the J-17 or J-27 Index Wells, as applicable, drop below the lowest number of any of the trigger levels for that stage. A change from any critical period stage to a critical period stage with a lower withdrawal reduction percentage, including existing from Stage I for the San Antonio Pool and Stage II for the Uvalde Pool, is triggered only when the 10-day average of daily springflows at the Comal Springs and the San Marcos Springs and the 10-day average of daily Aquifer levels at the J-17 or J-27 Index Wells, as applicable, are all above the same stage trigger level.
4 In order to enter into Critical Period Stage V, the applicable springflow trigger is either less than 45 cubic feet per second based on a ten-day rolling average or less than 40 cubic feet per second based on a three-day rolling average. Expiration of Critical Period Stage V is based on a ten-day rolling average of 45 cubic feet per second or greater.

The EAA has lifted Stage I reductions which ends critical period management for the first time since April 18, 2011 for users within the San Antonio Pool. The change is effective as of May 30, 2015. The Uvalde Pool is currently in Critical Period Stage IV (effective June 4, 2015). For additional information on the various levels of drought restrictions imposed by the EAA and current level of the Edwards Aquifer, see www.edwardsaquifer.org.

***City's Edwards Aquifer Management Plan***

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

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

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

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

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

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

Due to varying weather patterns, the City has been in and out of drought restrictions based on the fluctuating mean sea level of the Edwards Aquifer at the J-17 monitoring well as well as changes in spring flow. As of the date hereof, all drought restrictions have been lifted. Year round water use rules are currently in place (effective June 10, 2015).

***Water Transmission and Purchase Agreement for Carrizo and Simsboro Aquifer Water***

In an effort to achieve significant diversification of the City's water supply, the SAWS Board, on January 14, 2011, solicited requests for competitive sealed proposals for the provision and delivery of alternative water supplies for the purpose of meeting the SAWS system's water supply needs (the "Solicitation"). In response to the Solicitation, the SAWS Board received nine responses, from which three finalists were selected and reviewed prior to determining that a joint-venture proposal (such proposer, hereafter referred to as "Abengoa VR") to deliver Carrizo and Simsboro aquifer water presented the most advantageous possibility for the City to obtain an alternative water source. On July 1, 2014, the SAWS Board formally selected the water supply proposal of Abengoa VR as the most advantageous to the SAWS system, subject to negotiation of an acceptable contract and City Council support.

On September 29, 2014 and October 15, 2014 the SAWS Board adopted resolutions, and on October 30, 2014 the City Council adopted an ordinance, approving the execution of a Water Transmission and Purchase Agreement (the "Agreement") between the City, acting by and through SAWS, and Abengoa Vista Ridge, LLC ("Abengoa VR"), pursuant to which Abengoa VR 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 (10 year) extension period under certain events (hereinafter referred to as the "operational" phase). To produce and deliver the Project Water, Abengoa VR will develop 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 construct (or cause to be constructed) a 142-mile pipeline from this well field to northern Bexar County (the well fields and the pipeline, together, the "Project"). The pipeline will be connected to the SAWS distribution system at this delivery point in northern Bexar County (the "Connection Point").

The Agreement is separated into three distinct phases. The "development" phase commenced on November 4, 2014, which was the date of complete execution and delivery of the Agreement, and is scheduled to last between 18 and 30 months. The "development" phase concludes upon satisfaction of certain contractual requirements, the most significant of which is when Abengoa VR obtains permanent construction financing for the Project. These events are referred to as "financial closure" and its occurrence results in the conclusion of the "development" phase and commencement of the "construction" phase of the Project by Abengoa VR. During the "construction" phase of the Project, SAWS will also begin construction of improvements to the SAWS system necessary to accept and integrate the Project Water, at an anticipated capital cost to SAWS of approximately $115 million. This "construction" phase is scheduled to last 42 months and its conclusion will result in the commencement of the aforementioned 30-year "operational" phase, during which period SAWS is obligated to pay for Project Water (up to 50,000 acre-feet annually) made available to it by Abengoa VR at the Connection Point.

During the "development" phase, SAWS has retained the right to terminate the Agreement for its convenience, subject to its payment of a termination fee to Abengoa VR (determined based on the costs incurred by Abengoa VR pursuant to the Agreement from commencement of the "development" phase to the date of termination, such termination fee being capped at $40.1 million). After "financial closure", SAWS has also retained the right to terminate the Agreement by purchasing the Project for the aggregate amount of the outstanding Project debt, contract breakage costs and return of and on equity contributions by Abengoa VR's principals (no cap is imposed upon such amount as exists if the Agreement is terminated during the "development" phase). 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 the 50,000 acre-feet of untreated groundwater upon the termination of the Agreement and transfer of the Project to SAWS, and the cost of such water at the end of the Agreement will be tied to the costs of then-prevailing two-year Edwards Aquifer water leases.

Pursuant to the terms of the Agreement, SAWS will pay costs arising under the Agreement, as a maintenance and operating expense of the SAWS system, only for Project Water made available at the Connection Point (which payment will include the costs of operating and maintaining the Project). SAWS will have no obligation to pay for any debt issued by Abengoa VR, and any such debt will be non-recourse to SAWS. SAWS anticipates that Project Water (the cost of which is paid directly to Abengoa VR), together with Project operations and maintenance (as a direct pass through under the Agreement) and Project electricity (paid directly by SAWS to the utility providers), will initially cost approximately $2,200 per acre foot, resulting in an annual charge to the SAWS system of approximately $110 million (which amount does not take into account potential revenue increases resultant from Project Water being available to SAWS for sale). The SAWS Board and the City Council have committed to account for the anticipated payment obligation of the SAWS system under the Agreement for purposes of rate making and setting not later than the date of "financial closure". SAWS projects that, absent any increase in SAWS system revenues attributable to the availability of Project Water for sale, its payment obligation under the Agreement will result in a rate increase of approximately 16% to the average monthly SAWS residential bill by 2020 (which increase does not include other projected rate increases anticipated to occur by such time).

The execution of the Agreement represents a significant diversification of the City's water source, as SAWS projects that Project Water, if delivered at the maximum amount (which is the expectation of both SAWS and Abengoa VR), will account for approximately 20% of the SAWS system's and the DSP's current annual usage.

Abengoa VR is led by Abengoa (NASDAQ: ABGB), an international company with more than 70 years of experience in sustainable and innovative technology solutions and project financing in the water, energy and environmental sectors. Abengoa has successfully completed more than 100 infrastructure projects worldwide using private financing, with a total investment in excess of $21 billion.

***Water Reuse Program***

SAWS supplies reuse water to CPS. The revenues derived from such agreement have been restricted in use to only reuse activities and are excluded from the calculation of SAWS gross revenues, and are not included in any transfers to the City's General Fund. Revenues derived from this agreement are approximately $3.2 million each year.

SAWS has constructed a direct reuse, or recycled water, system that provides non-potable water to various customers now using Edwards Aquifer water. The Reuse Program serves golf courses, universities, parks, and commercial and industrial customers throughout the City. Revenue from recycled water sales are recorded as normal revenue of SAWS and do not have the restrictions of the reuse agreement with CPS.

***Sewer Management Program***

In March 2007, SAWS was orally notified by Region 6 of the United States Environmental Protection Agency (the "EPA") of alleged failures to comply with the Clean Water Act due to the occurrence of sanitary sewer overflows ("SSOs"). The EPA subsequently referred the matter to the United States Department of Justice (the "DOJ") for enforcement action. SAWS engaged in settlement negotiations with the EPA and the DOJ to resolve the allegations. On June 4, 2013, the SAWS Board approved a Consent Decree between SAWS and the United States of America and the State to resolve this enforcement action. SAWS signed the Consent Decree on June 5, 2013 and the Consent Decree was subsequently executed by the United States of America and the State. On September 13, 2013, after consideration of the comments received, the United States of America filed its Motion for entry of the Consent Decree, requesting the Court to approve the Consent Decree by signing and entering it. The Consent Decree was signed and entered by the Court on October 15, 2013. During the 10 to 12 year term of the Consent Decree, SAWS estimates the cost to perform the operating and maintenance requirements of the Consent Decree will be approximately $250 million. Additionally, SAWS estimates that capital investments of approximately $850 million will be required over the Consent Decree term. As with any estimate, the actual amounts incurred could differ materially. Since entry into the Consent Decree, SAWS has performed its obligations under the terms of the Consent Decree and is in material compliance with its terms, conditions, and requirements. Since 2010, SAWS has seen a significant reduction in SSOs, from 538 in 2010 to 196 in 2014.

***Bexar Metropolitan Water District***

*Except for information specifically pertaining to SAWS or the City, the information in this section was made publically available by the former Bexar Metropolitan Water District ("BexarMet"). Neither SAWS nor the City has verified the accuracy or completeness of information relating to BexarMet operations or the financial results hereinafter described or referenced that were the sole responsibility of BexarMet prior to its dissolution and assumption by the City.*

BexarMet was created by the 49th Texas Legislature in 1945, to serve anticipated growth in Bexar County. From an initial account base of 4,765 primarily residential accounts, it grew to more than 92,000 residential and commercial accounts served in 2011. Over several years, repeated customer complaints about inadequate service, alleged mismanagement, and excessive rates resulted in legislative intervention in 2007, through the enactment of House Bill 1565, by the 80th Texas Legislature mandating various operational and financial audits of BexarMet along with the creation of the Joint Committee on Oversight of the Bexar Metropolitan Water District (the "Oversight Committee") to monitor operations, management, and governance of BexarMet. Attempts to implement legislative remedies concerning BexarMet operations during the 81st Texas Legislative Session were unsuccessful and monitoring by the Oversight Committee continued through the start of the 82nd Texas Legislative Session in January 2011. During that time, BexarMet dismissed its General Manager for failing to disclose an indictment for conduct alleged to have occurred at his prior place of employment and unrelated to BexarMet operations (a charge to which he pled guilty in 2012). Additionally, allegations were made that BexarMet was misstating certain revenues recognized in its 2010 interim preliminary unaudited financial statements. To remove any appearance of impropriety, the governing body of BexarMet (the "BexarMet Board") hired an external forensic auditor to review the claims. The revenue entries at issue were reversed during the completion of the final audit, and BexarMet received an unqualified opinion in its final annual audit. As disclosed in its preliminary financial statements and in the final 2010 audit, due to abnormally high rainfall during the 2010 fiscal year, BexarMet revenues were down approximately 10% which resulted in BexarMet failing to maintain its debt service coverage ratio as required by its authorizing orders for its debt obligations. In anticipation of the potential debt service coverage ratio shortfall, the BexarMet Board, with the assistance of an outside rate consultant, expedited its review of its existing rates and rate structure, and diligently worked to formulate a new rate structure to provide sufficient revenues to meet its covenanted rate coverage requirements and maintain its capital improvement plan, while balancing the impact on its ratepayers. The new rate structure was adopted with implementation of a 7% increase on September 1, 2010. BexarMet anticipated that additional budget cutting measures coupled with the new rates and additional revenues generated thereby, would restore its fiscal health. In addition to the foregoing, and during this time, BexarMet continued to report to the Oversight Committee and worked diligently to improve its operations and financial position. For fiscal year ended April 30, 2011, according to the records released by BexarMet, BexarMet realized a record amount of gross revenues, ended the fiscal year with a debt service coverage ratio of 1.57; and received an unqualified opinion on its 2011 audited financial statements.

***Dissolution and Assumption by the City***

At the beginning of the 82nd Texas Legislative Session, the Oversight Committee recommended that two bills be passed. In May 2011, the 82nd Texas Legislature enacted Senate Bill 341 ("Senate Bill 341" or "SB 341"). SB 341 established several key measures including the immediate monitoring and review of BexarMet operations by the TCEQ. The primary component of SB 341, however, required the conduct of an election (the "Election") by BexarMet ratepayers to vote on the dissolution of BexarMet and consolidation with SAWS, which Election was held on November 8, 2011. At this Election, BexarMet ratepayers voted in favor of dissolution (9,047 votes for versus 3,172 votes against).

These results were canvassed by the BexarMet Board and certified to the Texas Secretary of State on November 18, 2011. The last prerequisite to the assumption of operational control and management of BexarMet by SAWS was preclearance of the Election results by the DOJ, which was received on January 27, 2012. The City commenced assumption procedures on January 28, 2012. SAWS, acting by and through the City, took action to accommodate the assumption of BexarMet in accordance with the requirements and specifications of SB 341. On October 20, 2011, the City Council adopted an ordinance creating a "Special Project", as authorized by SB 341 and pursuant to City ordinances authorizing then-outstanding Senior Lien Obligations, where the assumed BexarMet will reside as a segregated component unit of SAWS until full integration into the SAWS system occurs within the timeframe specified by SB 341. The City received judicial validation of this position pursuant to declaratory judgment action filed under Chapter 1205, as amended, Texas Government Code (In re the City of San Antonio and Certain Public Securities, Cause No. D-1-GV-12-000115, 410th Judicial District Court of Travis County, Texas).

Pursuant to SB 341: (a) the term of each Director of BexarMet expired on the date the Election results were certified to the Secretary of State of the State of Texas; (b) SAWS assumed control of the operation and management of BexarMet on the date the Election results were certified to the Secretary of State of the State of Texas; (c) not later than the 90th day after the date the Election results were certified to the Secretary of State of the State of Texas, the TCEQ, in consultation with the Oversight Committee, was required to transfer or assign to the SAWS all: (1) rights and duties of BexarMet, including existing contracts, duties, assets, and obligations of BexarMet, (2) files, records, and accounts of BexarMet, including those that pertained to the control, finances, management, and operation of BexarMet, and (3) permits, approvals, and certificates necessary to provide water services; (d) to the extent that a transfer of an item required the approval of a state agency, the state agency was required to grant approval without additional notice or hearing; and (e) after the TCEQ transferred the property, assets, and liabilities as prescribed by this section, the TCEQ was required to enter an order dissolving BexarMet. On May 30, 2012, the TCEQ entered an order finally dissolving BexarMet in accordance with the provisions of SB 341. Information filings for the former BexarMet made prior to these dates remain available on the Municipal Advisory Council ("MAC") website under the City's listings as its "Water System Special Project".

SB 341 stated that its intent was not to enhance or harm the position of a party that had contracted with BexarMet and no law or charter provision may be construed to limit the SAWS performance of an obligation under a contract transferred or assigned to SAWS as a result of the dissolution of BexarMet, if revenue from the contract was pledged wholly or partly to pay debt service on revenue bonds approved by the Texas Attorney General.

In the five years prior to dissolution, BexarMet made, in addition to its requisite annual filings, periodic material event notice filings with EMMA concerning the following matters: enactment of SB 341; covenant default under a direct-pay letter of credit with Wells Fargo Bank, National Association supporting its then-existing commercial paper program; covenant defaults under its bond documentation, including failure to meet debt service coverage requirements; material litigation; and termination of an existing interest rate hedging agreement. In addition, BexarMet timely made its annual disclosure filings during this period, with the exception of its requisite filing for the fiscal year ending April 30, 2011 (filed late in two parts on November 14, 2011 and November 17, 2011, respectively). BexarMet filed notice with EMMA of this late filing on November 29, 2011.

BexarMet's financial statements for the fiscal year ending April 30, 2011 and official statements are available on EMMA and through the MAC as described above.

***DSP Waterworks System***

The waterworks system assumed by SAWS through the District Special Project (the "District Special Project" or the "DSP") that belonged to the former BexarMet (the "DSP Waterworks System") provides water service to an area of approximately 272 square miles in Bexar, Atascosa, and Medina counties. The service area is a non-contiguous area that consists of portions of the south side of San Antonio, portions of south and west Bexar County, northern Atascosa County and eastern Medina County. The service area also includes the cities of Somerset, Castle Hills, Hill Country Village, and Hollywood Park; the Stone Oak and Timberwood Park subdivisions in northern Bexar County; and a portion of northeast San Antonio. Within the service area, there are approximately 101,500 water connections. There are approximately 88 water wells that provide water to approximately 91 ground storage facilities which have a capacity totaling approximately 37 million gallons of storage, and 21 elevated storage facilities totaling approximately 27 million gallons of storage. In addition, there are approximately 1,380 miles of transmission and distribution water lines.

The DSP assumed ownership and operational responsibilities of the DSP Waterworks System on January 28, 2012. The former BexarMet was dissolved by order of the TCEQ on May 30, 2012. All references to the former BexarMet, including with respect to references to actions preceding these dates, are replaced with references to the DSP as a result of the foregoing. The DSP is not currently a part of the SAWS system, but SB 341 requires that the waterworks system maintained by the DSP be merged into the SAWS system, creating one consolidated system, not later than 2017. SAWS anticipates compliance with this legislative deadline.

Please refer to Table 18 herein for historical transfers from SAWS to the City's General Fund.

***SAWS Summary of Pledged Revenues for Debt Coverage (Dollars in Thousands)*** **[1]**

| | | | | Revenue Bond Debt Service[a] | | | | Maximum Annual Debt Service Requirements | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Gross Revenues[b] | Operating Expenses[c] | Net Revenue Available | Principal | Interest[d] | Total | Coverage | Total Debt[e] | Coverage | Senior Lien Debt[e] | Coverage[f] |
| 2014 | $498,334 | $245,055 | $253,279 | $57,850 | $91,704 | $149,554 | 1.69 | $160,510 | 1.58 | $117,126 | 2.16 |
| 2013 | 460,776 | 244,348 | 216,428 | 47,315 | 86,058 | 133,373 | 1.62 | 152,496 | 1.42 | 117,126 | 1.85 |
| 2012 | 437,253 | 237,576 | 199,677 | 44,780 | 80,320 | 125,100 | 1.60 | 138,420 | 1.44 | 122,816 | 1.63 |
| 2011 | 417,077 | 209,058 | 208,019 | 39,730 | 79,534 | 119,264 | 1.74 | 132,226 | 1.57 | 112,715 | 1.85 |
| 2010 | 367,847 | 226,489 | 141,358 | 38,590 | 77,098 | 115,688 | 1.22 | 127,264 | 1.11 | 108,947 | 1.30 |
| 2009 | 366,753 | 215,812 | 150,941 | 34,900 | 71,824 | 106,724 | 1.41 | 121,367 | 1.24 | 101,917 | 1.48 |
| 2008 | 384,228 | 205,486 | 178,742 | 27,630 | 67,810 | 95,440 | 1.87 | 98,840 | 1.81 | 86,140 | 2.08 |
| 2007 | 344,772 | 185,561 | 159,211 | 24,880 | 69,693 | 94,573 | 1.68 | 102,880 | 1.55 | 86,138 | 1.85 |
| 2006 | 372,193 | 177,265 | 194,928 | 22,415 | 63,432 | 85,847 | 2.27 | 91,175 | 2.14 | 78,373 | 2.49 |
| 2005 | 331,032 | 171,853 | 159,179 | 16,505 | 55,542 | 72,047 | 2.21 | 94,992 | 1.68 | 78,373 | 2.03 |

(1) Unaudited.

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

(b) Gross Revenues are defined as operating revenues plus nonoperating revenues less revenues from the City Public Service contract, interest on Project Funds, and federal subsidy on Build America Bonds. 2009 and prior years have been restated to reclass the provision for uncollectible accounts from operating expenses to operating revenues.

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

(d) Interest reported net of the U.S. federal interest subsidy on the Series 2009A & 2010B revenue bonds.

(e) Debt service requirements consist of principal and interest payments net of the U.S federal interest subsidy on the Series 2009B & 2010B revenue bonds.

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

*Source: SAWS.*

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# APPENDIX B

## REPORT OF THE AIRPORT CONSULTANTS

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# Report of the Airport Consultants

City of San Antonio, Texas
Customer Facility Charge Revenue Bonds, Taxable Series 2015

and

City of San Antonio, Texas
Airport System Revenue Improvement Bonds, Series 2015 (AMT)


PREPARED BY:

RICONDO & ASSOCIATES, INC.
105 East Fourth Street, Suite 1700
Cincinnati, OH 45202
(513) 651-4700 (phone)
(513) 412-3570 (facsimile)


RICONDO® & ASSOCIATES

July 1, 2015

Mr. Frank Miller, A.A.E.
Aviation Director
City of San Antonio, Aviation Department
9800 Airport Blvd.
San Antonio, Texas 78216

RE: Report of the Airport Consultants for the City of San Antonio, Texas Customer Facility Charge Revenue Bonds, Taxable Series 2015 and the City of San Antonio, Texas Airport System Revenue Improvement Bonds, Series 2015 (AMT)

Dear Mr. Miller:

Ricondo & Associates, Inc. (R&A), in association with Inter*VISTAS* Consulting, Inc. (Inter*VISTAS*), is pleased to present this Report of the Airport Consultants (the Report) to the City of San Antonio (the City) for inclusion in the Official Statement for the City of San Antonio, Texas, Customer Facility Charge (CFC) Revenue Bonds, Taxable Series 2015 (the Series 2015 CFC Bonds) and the Official Statement for the City of San Antonio, Texas Airport System Revenue Improvement Bonds, Series 2015 (AMT) (the Series 2015 GARB Bonds). Collectively, the Series 2015 CFC Bonds and the Series 2015 GARB Bonds will be referred to as the Series 2015 Bonds.

The Series 2015 CFC Bonds are being issued by the City under the Trust Indenture (the Special Facility Indenture) by and between the City and U.S. Bank National Association (the Trustee), for the purpose of financing the costs of the Series 2015 Project (defined below) and certain other costs. The Series 2015 CFC Bonds, together with any Additional Bonds, when and if issued are payable from and secured solely by a first lien on and pledge of the Trust Estate established by the Special Facility Indenture, which includes the CFC Revenues and certain funds and accounts held under the Special Facility Indenture.

The Series 2015 GARB Bonds are being issued by the City pursuant to the laws of the State of Texas (Texas), including particularly Chapter 22, as amended, Texas Transportation Code, and Chapter 1503, as amended, Texas Government Code (collectively, the Act), the City's Home Rule Charter (the Charter), a master ordinance adopted by the City Council of the City (the City Council) on April 19, 2001 (the Master GARB Ordinance), and a Fifteenth Supplemental Ordinance thereto adopted by the City Council on [June 18, 2015] (together with the Master GARB Ordinance, the GARB Ordinance).

This Report sets forth findings, assumptions, and projections of the air traffic and financial analyses developed by R&A and Inter*VISTAS* in conjunction with the planned issuance by the City of the Series 2015 Bonds, which along with CFCs collected by rental car companies from rental car customers prior to issuance of the Series 2015 Bonds will be used (1) to fund construction of a Consolidated Rental Car Facility (CONRAC Facility), including additional covered short-term public parking, together with associated roadways and infrastructure at the Airport, and (2) to fund the Debt Service Reserve Fund, and Debt Service Coverage Fund, and (3) to pay the costs of issuing the Series 2015 Bonds (together the Series 2015 Project). Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Official Statement for the Series 2015 CFC Bonds, the Official Statement for the Series 2015 GARB Bonds, the Special Facility Indenture or the GARB Ordinance.

The City owns and operates the Airport and Stinson Municipal Airport (Stinson), which comprise the Airport System. The Airport is classified as a medium-hub airport by the Federal Aviation Administration (FAA) and is the only commercial service airport serving the City and the San Antonio metropolitan area. Stinson is primarily a general aviation airport.

This Report presents the analysis undertaken by R&A to demonstrate the ability of the City to comply with the requirements of the Special Facility Bond Ordinance and GARB Ordinance on a pro forma basis for Fiscal Years[1] (FYs) 2016 through 2023 (the Projection Period) based on the assumptions regarding the planned issuance of the Series 2015 Bonds and the timely completion of the Series 2015 Project established by the City through consultation with its financial advisors and senior managing underwriter. In developing its analysis, R&A has reviewed historical trends and formulated projections, based on the assumptions put forth in this Report which have been reviewed and agreed to by the City and its professionals, regarding the ability of the Air Trade Area (defined herein) to generate demand for air service and rental cars at the Airport; the amount of air service, passenger activity, and rental car activity at the Airport; and the generation of Revenues at the Airport through the Projection Period. The report is organized as follows:

- Summary of Findings
- Chapter 1: The Series 2015 Project and the Series 2015 Bonds
- Chapter 2: San Antonio International Airport
- Chapter 3: Economic Base for Air Transportation
- Chapter 4: Air Traffic
- Chapter 5: The Airport Rental Car Market
- Chapter 6: Financial Analysis – Series 2015 CFC Bonds
- Chapter 7: Financial Analysis – Series 2015 GARB Bonds

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1 The City's fiscal year is October 1 through September 30.

On the basis of the assumptions and analyses described in this report, R&A is of the opinion that the City's CFC Revenues will be sufficient to meet the City's Rate Covenant, as set forth in the Special Facility Indenture. R&A is also of the opinion that Net Revenues are sufficient to meet the City's Rate Covenant, as set forth in the GARB Ordinance, during the Projection Period and that the Airport's airline rates and charges, incorporating estimated increases in operating and capital costs related to capital projects expected to be completed during the Projection Period will remain reasonable through the Projection Period.

Founded in 1989, R&A is a full-service aviation consulting firm providing airport physical and financial planning services to airport owners and operators, airlines, and federal and state agencies. R&A has prepared Reports of the Independent Airport Consultant in support of over $24.6 billion of airport related revenue bonds since 1996. R&A is not registered as a municipal advisor under Section 15B of the Securities Exchange Act of 1934. R&A is not acting as a municipal advisor and has not been engaged by the City to provide advice with respect to the structure, timing, terms and other similar matters concerning the issuance of municipal securities. The assumptions regarding such matters included in this report have been provided by the City, the City's financial advisors, or the City's senior managing underwriter, or, with the City's approval, have been derived from general, publically available data approved by the City. R&A owes no fiduciary duty to the City. The City should discuss the information and analysis contained in this report with internal and external advisors and experts that the City deems appropriate before taking any action. Any opinions, assumptions, views or information contained herein are not intended to be, and do not constitute, "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934.

The techniques and methodologies used by R&A and Inter*VISTAS* in the preparation of this Report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While R&A and Inter*VISTAS* believe that the approach and assumptions used in the Report are reasonable, some assumptions regarding future trends and events detailed in the Report may not materialize. Therefore, actual performance will likely differ from the projections put forth in the Report and the variations may be material.

In developing its analysis, R&A has utilized information from various sources including the City, its financial advisors, the senior managing underwriter, federal and local governmental agencies, and independent private providers of economic and aviation industry data which are identified in the notes accompanying the related tables and exhibits in the Report. R&A believes these sources to be reliable, but has not audited this data and does not warrant their accuracy. The analysis presented is based on conditions known as of the date of the Report. R&A has no responsibility to update the Report for events or circumstances occurring after the date of the Report.

Sincerely,

Ricondo & Associates, Inc.

RICONDO & ASSOCIATES, INC.

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# List of Tables

# List of Tables (continued)

# List of Tables (continued)

# List of Exhibits

# Summary of Findings

The City of San Antonio (the City) commissioned Ricondo & Associates, Inc., (R&A) in association with Inter*VISTA*S Consulting, Inc. (Inter*VISTAS*), (collectively, the Airport Consultants), to prepare this Report of the Airport Consultants (the Report) for inclusion in the Official Statement for the City of San Antonio, Texas Customer Facility Charge (CFC) Revenue Bonds, Taxable Series 2015 (the Series 2015 CFC Bonds) and the City of San Antonio, Texas Airport System Revenue Improvement Bonds, Series 2015 (AMT) (the Series 2015 GARB Bonds). Collectively, the Series 2015 CFC Bonds and the Series 2015 GARB Bonds will be referred to as the Series 2015 Bonds.

The Report will provide an independent assessment of the City's ability to meet its obligations regarding the Series 2015 Bonds. The Series 2015 CFC Bonds are being issued by the City under the Trust Indenture (the Special Facility Indenture) by and between the City and U.S. Bank National Association (the Trustee), for the purpose of financing the costs of the Series 2015 Project (defined below) and certain other costs. The Series 2015 CFC Bonds, together with any Additional Bonds, when and if issued are payable from and secured solely by a first lien on and pledge of the Trust Estate established by the Special Facility Indenture, which includes the CFC Revenues and certain funds and accounts held under the Special Facility Indenture. The Series 2015 GARB Bonds are being issued by the City pursuant to the laws of the State of Texas (Texas), including particularly Chapter 22, as amended, Texas Transportation Code, and Chapter 1503, as amended, Texas Government Code (collectively, the Act), the City's Home Rule Charter (the Charter), a master ordinance adopted by the City Council of the City (the City Council) on April 19, 2001 (the Master GARB Ordinance), and a Fifteenth Supplemental Ordinance thereto adopted by the City Council on June 18, 2015 (together with the Master GARB Ordinance, the GARB Ordinance).

This Report sets forth findings, assumptions, and projections of the air traffic and financial analyses developed by the Airport Consultants in conjunction with the planned issuance by the City of the Series 2015 Bonds, which along with CFCs collected by rental car companies from rental car customers prior to issuance of the Series 2015 Bonds will be used to fund (1) construction of certain projects and associated costs as described below.

The City owns and operates the Airport and Stinson Municipal Airport (Stinson), which comprise the Airport System. The Airport is classified as a medium-hub airport by the Federal Aviation Administration (FAA) and is the only commercial service airport serving the City and the San Antonio metropolitan area.[1] Stinson is primarily a general aviation airport.

To develop a *pro forma* analysis regarding the financial performance of the proposed Consolidated Rental Car Facility (CONRAC Facility), R&A reviewed the Consolidated Rental Car Facility Lease Agreement (CONRAC Lease) by and between the City and the rental car companies operating at the Airport (Concessionaires) that establish the business arrangements between the City and the Concessionaires who will be the primary users of the CONRAC Facility. The 2015 CFC Bonds, and any additional bonds subsequently issued on parity with the 2015 CFC Bonds, are secured solely by the CFC Revenues. The 2015 CFC Bonds are not secured by or payable from the general airport revenues of the Airport. The 2015 GARB Bonds are secured by both CFC Revenues and general airport revenues of the Airport.

CFC Revenues are in large measure driven by passenger demand for air service and rental cars at the Airport, which is a function of national and local economic conditions, and the ability and willingness of the commercial airlines to supply service at a level commensurate with this demand. Thus, the Airport Consultants reviewed the historical relationships between economic activity and demand for air service, the airlines' provision of air service to meet this demand, and the relationship between passenger activity and rental car activity at the Airport. Based on this historical review, the Airport Consultants developed assumptions regarding these factors and relationships for Fiscal Years[2] (FYs) 2016 through 2023 (the Projection Period), which provide the basis for the projections of passenger activity, rental car demand, and the generation of Revenues presented in this Report.

The following sections present a summary of the Airport Consultants' assumptions, projections and findings that are detailed in the body of the Report, which should be read in its entirety. Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Official Statement for the Series 2015 CFC Bonds, the Official Statement for the Series 2015 GARB Bonds, Special Facility Indenture, or the GARB Ordinance.

## The Series 2015 Project and the Series 2015 Bonds

The City is issuing the Series 2015 Bonds to (1) fund the construction of a CONRAC Facility including additional covered short-term public parking, together with associated roadway improvements and associated infrastructure at the Airport and (2) to fund the Debt Service Reserve Fund, and Debt Service Coverage Fund, and (3) to pay the costs of issuing the Series 2015 Bonds (together the Series 2015 Project). The new CONRAC Facility will be located adjacent to the terminal facility and will be connected to the terminal facility via an enclosed skybridge. The CONRAC Facility will include approximately 2,040 ready/return spaces, 1,060 storage spaces, a customer service center, a Quick Turn-Around (QTA) facility that allows rental-a-car companies

1 A medium-hub airport is at least 0.25 percent, but less than 1.0 percent of annual passenger boardings, as defined by the FAA.

2 The City's fiscal year is October 1 through September 30.

(RACs) to provide vehicle service support, and other essential supplemental functions. In addition, there are approximately 1,349 short-term public parking spaces.

**Table S-1** reflects the Series 2015 Bonds funding plan:

**Table S-1: Series 2015 Bonds**

| SERIES DESIGNATION | PROJECTS TO BE FUNDED | TAX STATUS |
|---|---|---|
| Series 2015 CFC Bonds | CONRAC Facility | Taxable |
| Series 2015 GARB Bonds | Public Parking Area | AMT |

SOURCE: City of San Antonio, Department of Aviation, May 2015.
PREPARED BY: Ricondo & Associates, Inc., May 2015.

## San Antonio International Airport

The Airport is the main commercial facility serving the San Antonio Metropolitan Statistical Area (MSA), which for the purposes of this Report is considered the Airport's air trade area (see Chapter 3 of this Report for the definition of Air Trade Area). Built in July 1941 as a military base, the Airport became a commercial airport in 1953. The Airport, which occupies approximately 2,600 acres of land, is located nine miles from the center of the City at the intersection of Interstate 410 and Interstate 37 (US-281).

The Airport's existing airfield infrastructure consists of runways and taxiways, ramp/apron areas and holding pads, and other airfield facilities. The Airport has two all-weather air carrier runways, Runway 12R/30L and Runway 4/22, which are both approximately 8,500 feet in length and 150 feet wide. The Airport's general aviation runway, Runway 12L/30R, is approximately 5,520 feet in length and 100 feet wide.

The Airport has two passenger terminals with abutting apron areas for aircraft parking. Terminal A (also referred to as Concourse A), which was constructed in 1984, has 16 gates and contains approximately 395,000 square feet. Terminal B (also referred to as Concourse B), which opened on November 9, 2010, contains approximately 245,000 square feet and includes 8 gates. Both terminals include hold rooms, operations, ticketing, and common areas, concessions, aviation offices, and pedestrian access to existing parking facilities.

The Airport currently has approximately 8,155 parking spaces, consisting of approximately 7,235 public parking spaces and approximately 920 employee parking spaces. Parking facilities include a short-term parking garage, a long-term parking garage, and surface parking. The most recent parking expansion project, completed in May 2008, increased parking capacity by approximately 2,100 public parking spaces. A free cell phone lot with approximately 80 spaces is also available at the Airport.

# Economic Base for Air Transportation

The demand for air transportation and, consequently, rental car activity is, to a large degree, dependent upon the demographic and economic characteristics of an airport's air trade area. This relationship is particularly true for origin and destination (O&D) passenger traffic, which has historically been the largest component of demand at the Airport. Potential rental car customers at the Airport primarily consist of deplaning passengers whose destination is within the San Antonio MSA or surrounding area. The major portion of demand for air travel and rental cars at the Airport, therefore, is influenced more by the local characteristics of the area served than by individual air carrier decisions regarding service patterns in support of connecting activity. Rental car customer levels at the Airport are a product of the percentage of the activity at the Airport from inbound air travelers who begin their journeys in markets other than San Antonio. At the Airport, approximately 53.0 percent of total passengers in 2014 were travelers destined for San Antonio. This segment of the air travel market represents the primary customer base for the rental car market.

Chapter 3 presents data indicating that the Airport's Air Trade Area has an economic base that attracts both business and tourist visitors, which, in turn, positively impacts the demand for both inbound air travel and rental car activity at the Airport during the Projection Period. Chapter 3 provides an overview of the Airport's Air Trade Area, including key observations on economic and demographic trends.

- The Airport primarily serves a twelve county Air Trade Area centered on the eight counties in the San Antonio MSA.
- The Air Trade Area outperformed Texas and the United States (U.S.) as a whole from 2000 to 2015. Population, Employment and Gross Regional Product have all expanded faster than Texas and the U.S. as a whole. These trends in the growth of economic and demographic metrics that have a close correlation to air travel demand generation are projected to continue to outperform in the 2016 to 2023 timeframe.
- The Air Trade Area's economy reflects that of Texas, which has shown greater success in maintaining economic output and employment levels relative to other major markets in the U.S. in the post Great Recession period. This success is related to the business-friendly environment, low cost of living, and high quality of life available to businesses and individuals in the Air Trade Area.
- The Air Trade Area's economy centered in San Antonio, the seventh largest city in the U.S., is highly diversified. The size and growth of the population base of the seventh largest city and the surrounding jurisdictions in the Air Trade Area are an important factor in driving air traffic at the airport and visitation to the Air Trade Area.
- The diversified economy in the Air Trade Area has shown its resiliency in the post Great Recession economy. Unemployment rates in the Air Trade Area are below those in Texas and U.S. as a whole.
- San Antonio is a major tourist destination for travelers from the United States and international visitors. In the last five years, San Antonio experienced an increase in visitation from approximately 25.0 million visitors in 2008 to approximately 31.0 million visitors in 2013. Visitation levels in a market are a direct indicator of future potential demand levels for rental cars in the market and at the Airport.

- As discussed in Chapter 3 the Air Trade Area's population growth has outperformed Texas and the U.S. as a whole from 2000 to 2015, and is projected to continue to expand at rate greater than Texas and the U.S. as a whole over the Projection Period.
- The Air Trade Area's economy is anchored by the strong military presence, and expansion in the health care and bioscience, IT and Cyber security and hospitality sectors. These key sectors of the economy will propel the Air Trade Area's economic development from 2015 to 2023, driving inbound air traffic growth and the potential demand in the rental car market at the Airport.

A summary of demographic and economic data described in Chapter 3 is presented in **Table S-2**.[3]

# Air Traffic

The Airport is served by a mix of network and low cost carriers that provide passengers a wide range of carrier choice, and a variety of destinations. As of July 2015, the Airport had scheduled passenger service by four U.S. network carriers and nine of their regional affiliates as well as low cost carrier Southwest Airlines. In addition, Mexican network carrier AeroMexico and three Mexican low cost carriers offer scheduled service at the airport. Finally, five all-cargo airlines served the Airport.

Southwest Airlines is the largest carrier at the Airport in terms of passenger activity. In FY 2014, Southwest accounted for approximately 42.2 percent of all enplaned passengers at the Airport, followed by American Airlines with approximately 21.9 percent. The airlines serving the Airport combine to offer 126 daily departures and provide nonstop service to 30 markets, including 19 of the Airport's largest 20 domestic destinations.

Enplaned passengers at the Airport increased each year in the period FY 2009 through FY 2014. Enplaned passengers reached a new record level in FY 2014 of approximately 4.2 million. Robust and diverse service offerings both in terms of carriers and destinations has enabled the Airport to retain its local passenger base in light of surrounding airports within relatively close proximity, including Austin Bergstrom, Corpus Christi, and Laredo international airports.

3 Woods and Poole Economics, Inc. (W&P) is an independent firm that specializes in long-term county economic and demographic projections. W&P has been making county projections since 1983. The Complete Economic and Demographic Data Source (CEDDS), a W&P product contains over 2.8 million statistics presented in data table and text formats for all regions, states, Metropolitan Statistical Areas (MSA's) and all 3,091 counties in the W&P regional database. W&P's economic and demographic projections benefit from its approach that utilizes the comprehensive historical county database and the integrated nature of the projection model. The projection for each county in the United States is done simultaneously so that changes in one county will affect growth or decline in other counties. The methodology reflects the flow of growth around the country as new industries emerge or relocate in growing areas and as people migrate, in part because of job opportunities. As all data points are estimates when not in a Census year (2010), the release year of the data (in this case 2015) is considered to be the base or "current" year estimate which is the base year to begin forecasting from. Years prior to the base year are considered to be historical, while the years after the base year are considered to be forecasted estimates (all years are subject to annual revision). Source: CEDDS 2015, The Complete Economic and Demographic Data Source, Volume 1, Projection Overview. For additional information on W&P, please see www.woodsandpoole.com.

## Table S-2: Summary of Demographic and Economic Characteristics

| POPULATION | CURRENT 2015 | PROJECTED 2023 | CAGR 1/ |
|---|---|---|---|
| Air Trade Area | 2,630,000 | 2,994,000 | 1.6% |
| State of Texas | 27,248,000 | 30,886,000 | 1.6% |
| United States | 321,449,000 | 345,892,000 | 0.9% |

| PER CAPITA PERSONAL INCOME (2009 dollars) 2/ | CURRENT 2015 | PROJECTED 2023 | CAGR |
|---|---|---|---|
| Air Trade Area | $ 38,447 | $ 43,823 | 1.6% |
| State of Texas | $ 42,284 | $ 47,733 | 1.5% |
| United States | $ 43,021 | $ 48,369 | 1.5% |

| GRP/GDP (millions of 2009 dollars) 2/ | CURRENT 2015 | PROJECTED 2023 | CAGR |
|---|---|---|---|
| Air Trade Area | $ 116,512 | $ 145,929 | 2.9% |
| State of Texas | $ 1,509,390 | $ 1,878,801 | 2.8% |
| United States | $ 16,261,994 | $ 19,353,691 | 2.2% |

| NON-SEASONALLY ADJUSTED UNEMPLOYMENT RATES | AIR TRADE AREA | UNITED STATES | VARIANCE |
|---|---|---|---|
| 2010 3/ | 7.4% | 9.6% | -2.2% |
| March 2015 | 3.6% | 5.6% | -2.0% |

| OTHER DEMOGRAPHIC/ECONOMIC CHARACTERISTICS | AIR TRADE AREA | TEXAS | UNITED STATES |
|---|---|---|---|
| CAGR Total Non-Ag. Employment (2000-2015) | 2.1% | 1.9% | 0.9% |

NOTES:
1/ CAGR = Compound Annual Growth Rate
2/ Constant 2009 dollars are used to compare true growth in values beyond the current time period.
3/ The Air Trade Area's non-seasonally adjusted unemployment rate peaked in January 2010.

SOURCE: Woods and Poole Economics, Inc., *2015 The Complete Economic and Demographic Data Source (CEDDS)*, (Population, Income, GDP/GRP); U.S. Department of Labor, Bureau of Labor Statistics (Unemployment and Total Nonagricultural Employment), March 2015.
PREPARED BY: InterVistas Consulting, Inc., June 2015.

Of the passengers served by the Airport, approximately 92.3 percent begin or end their journeys at the Airport (O&D passengers), and approximately 7.7 percent utilize the Airport as an intermediate point to connect to or from other airports.

Long-term projections of activity are assumed to increase as a result of expected growth in socioeconomic indicators both nationally and in the Air Trade Area. It is also assumed that the Airport will continue its role of serving primarily O&D passengers, and that the composition of its air carrier base will continue to foster competitive pricing and scheduling diversity. As discussed in Chapter 4, growth in passenger activity is expected through the Projection Period at a compound annual growth rate of approximately 2.1 percent from FY 2014 through FY 2023.

## The Airport Rental Car Market

The Airport is currently served by all major national rental car companies, which provide service through 10 different rental car brands. Hertz holds the largest share among the brands operating at the Airport, as measured by gross sales in FY 2014, at approximately 21.3 percent, followed by Avis Rent A Car System, LLC at approximately 17.6 percent.

The Airport implemented its CFC on April 1, 2012 at $4.50 per transaction day to help fund the CONRAC Facility with plans to increase the CFC to $5.00 per transaction day on July 1, 2015 and to $5.50 per transaction day on September 1, 2018.[4] Rental car activity at the Airport, as primarily measured by rental car transaction days and gross rental car sales, has a distinct seasonal pattern, with the highest demand during the summer tourism season. After a recent period of decreasing demand from FY 2011 through the first half of FY 2013, rental car transaction days at the Airport began increasing in the second half of FY 2013 through the end of FY 2014. During this same period, gross rental car sales at the Airport have steadily increased at a compound annual growth rate of approximately 4.0 percent between FY 2011 and FY 2014, which can be attributed to increasing daily rental rates that averaged from $39.43 in FY 2011 to $49.37 in FY 2014.[5]

Rental car transaction days per deplaned passenger are assumed at approximately 48.8 percent throughout the Projection Period, which is a historical average ratio of transaction days to deplaned passengers for FY 2013, FY 2014, and year-to-date FY 2015. Rental car transaction days, which are the basis for CFC revenues, are projected to increase at the same rate as deplaned passengers at a compound annual growth rate of approximately 2.3 percent, from approximately 2.0 million transaction days in FY 2015 to approximately 2.5 million transaction days in FY 2023.

4 CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

5 Historical average daily rental rates were calculated using gross rental car sales divided by rental car transaction days.

# Financial Analysis

The financial analysis chapters of this Report present the analysis undertaken by R&A to demonstrate the ability of the City to comply with the requirements of the Special Facility Indenture and GARB Ordinance on a pro forma basis for the Projection Period based on the assumptions regarding the planned issuance of the Series 2015 Bonds and the timely completion of the Series 2015 Project.

*Series 2015 CFC Bonds*

Based on the projection of rental car transaction days, CFC collections are projected to increase from approximately $9.4 million in FY 2015 to approximately $13.5 million in FY 2023. CFC collections from FY 2016, the first full year of the $5.00 collection level, through FY 2023 are projected to increase at a compound annual growth rate of approximately 3.7 percent.

**Table S-3** presents the projection of the annual debt service coverage ratio pursuant to the Rate Covenant established in the Special Facility Indenture. Based on the projections presented in Chapter 6, revenue divided by annual debt service requirements result in a debt service coverage ratio ranging from a low of approximately 1.57x in FY 2017 and FY 2023 to a high of approximately 1.81x in FY 2019, which exceeds the required Rate Covenant in each year of the Projection Period.

Table S-3 also presents the coverage ratio of total resources to debt service Total resources includes funds in the Debt Service Coverage Fund established pursuant to the Special Facility Indenture. The Debt Service Coverage Fund Requirement is funded from Series 2015 CFC Bonds proceeds and is equivalent to 25.0 percent of the maximum annual debt service requirement for the Series 2015 CFC Bonds. As presented on Table S-3, the total resources to debt service coverage ranges from a low of approximately 1.85x in FY 2023 to a high of approximately 2.16x in FY 2019.

*Series 2015 GARB Bonds*

The average airline cost per enplaned passenger is projected to range from a low of $7.01 in FY 2020 to a high of $7.70 in FY 2018 over the Projection Period. Projected airline rates and charges together with other Airport revenues are sufficient to ensure that all expenses of operation, maintenance, debt service, and fund deposit requirements can be generated through reasonable user fees.

The City's ability to satisfy the Rate Covenant contained in the GARB Ordinances is presented in **Table S-4**. The Rate Covenant is based on Gross Revenues. As previously presented, the GARB Ordinances requires the City to generate Gross Revenues in each Fiscal Year at least sufficient: (1) to pay all Operation and Maintenance Expenses during each Fiscal Year, and also (2) to provide an amount equal to 1.25 times the Annual Debt Service Requirements during each Fiscal Year on all then Outstanding Parity Bonds.

Based on the financial projections presented in Chapter 7, debt service coverage (per Master GARB Ordinance) over the Projection Period is projected to range from a low of approximately 2.05x in FY 2015 to a high of approximately 2.92x in FY 2023.

## Table S-3: CFC Debt Service Coverage

(For Fiscal Years Ending September 30)

| | | | | | | PROJECTED | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Total Resources to Debt Service Coverage** | | | | | | | | | | |
| Revenue: | | | | | | | | | | |
| CFC Collections [1/] | [A] | $ 2,467,755 | $ 10,467,600 | $ 10,723,800 | $ 10,980,000 | $ 12,359,820 | $ 12,641,640 | $ 12,923,460 | $ 13,205,280 | $ 13,487,100 |
| Contingent Fees | [B] | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Interest Income [2/] | [C] | $ 20,767 | $ 145,127 | $ 158,945 | $ 166,578 | $ 171,279 | $ 186,856 | $ 189,100 | $ 185,129 | $ 171,455 |
| Total Revenue | [D] = [A] + [B] + [C] | $ 2,488,522 | $ 10,612,727 | $ 10,882,745 | $ 11,146,578 | $ 12,531,099 | $ 12,828,496 | $ 13,112,560 | $ 13,390,409 | $ 13,658,555 |
| Total Debt Service | [E] | $ - | $ 6,380,932 | $ 6,939,987 | $ 6,939,987 | $ 6,939,987 | $ 7,939,987 | $ 8,157,917 | $ 8,412,692 | $ 8,687,738 |
| Debt Service Coverage - Rate Covenant | [F] = [D] / [E] | N/A | 1.66 | 1.57 | 1.61 | 1.81 | 1.62 | 1.61 | 1.59 | 1.57 |
| **Total Resources to Debt Service Coverage** | | | | | | | | | | |
| Debt Service Coverage Fund | [G] | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 |
| Total Resources | [H] = [D] + [G] | $ 4,933,433 | $ 13,057,638 | $ 13,327,656 | $ 13,591,489 | $ 14,976,010 | $ 15,273,407 | $ 15,557,471 | $ 15,835,320 | $ 16,103,466 |
| Total Resources to Debt Service Coverage | [I] = [H] / [E] | N/A | 2.05 | 1.92 | 1.96 | 2.16 | 1.92 | 1.91 | 1.88 | 1.85 |

NOTES:

1/ CFC collections for the first nine months of FY 2015 will be applied towards project costs. CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. The CFC rate is projected to increase to $5.00 per transaction day on July 1, 2015 and is projected to increase to $5.50 per transaction day on September 1, 2018. CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

2/ Interest rate of 0.5% on fund balances.

SOURCES: Coastal Securities (Debt Service), June 8 2015; Ricondo & Associates, Inc. (Projections), June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015

**Table S-4: GARB Debt Service Coverage**

(for the Fiscal Years ending September 30)

| | | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| **GARB Debt Service Coverage:** | | | | | | | | | | |
| Gross Revenues | [A] | $ 90,093,767 | $ 91,839,792 | $ 94,282,787 | $ 96,780,850 | $ 97,201,804 | $ 99,786,536 | $ 102,458,584 | $ 105,194,904 | $ 107,990,619 |
| Total O&M Expenses | | $ (56,538,373) | $ (57,754,161) | $ (59,834,920) | $ (61,994,644) | $ (64,236,499) | $ (66,563,783) | $ (68,979,933) | $ (71,488,534) | $ (74,093,319) |
| Adjustment: Capital Outlay (57GL) | | $ 756,929 | $ 545,580 | $ 564,675 | $ 584,439 | $ 604,894 | $ 626,066 | $ 647,978 | $ 670,657 | $ 694,130 |
| Net O&M Expense | [B] | $ (55,781,443) | $ (57,208,581) | $ (59,270,244) | $ (61,410,205) | $ (63,631,605) | $ (65,937,717) | $ (68,331,955) | $ (70,817,876) | $ (73,399,189) |
| Net Revenues | [C=A+B] | $ 34,312,324 | $ 34,631,212 | $ 35,012,543 | $ 35,370,644 | $ 33,570,199 | $ 33,848,819 | $ 34,126,629 | $ 34,377,027 | $ 34,591,431 |
| Less: Prior Period Debt Service Coverage Deposit | [D] | $ (2,489,318) | $ (2,363,245) | $ (2,369,867) | $ (2,369,956) | $ (2,370,404) | $ (1,919,123) | $ (1,919,198) | $ (1,919,674) | $ (1,920,898) |
| Less: Prior Period Competitive Credit | [E] | $ (4,666,951) | $ (3,364,862) | $ (3,025,756) | $ (3,069,902) | $ (3,084,823) | $ (5,551,544) | $ (5,500,658) | $ (5,444,883) | $ (5,356,290) |
| Net Revenues Excluding Debt Service Coverage Deposit and Competitive Credit | [F=C+D+E] | $ 27,156,055 | $ 28,903,105 | $ 29,616,921 | $ 29,930,787 | $ 28,114,972 | $ 26,378,152 | $ 26,706,773 | $ 27,012,470 | $ 27,314,242 |
| GARB Debt Service | [G] | $ 20,569,304 | $ 22,383,390 | $ 22,541,887 | $ 22,552,144 | $ 17,581,034 | $ 18,359,096 | $ 18,368,159 | $ 18,384,946 | $ 18,387,946 |
| Less: GARB Paid with PFCs | [H1] | $ (3,809,705) | $ (3,808,029) | $ (3,808,029) | $ (3,808,029) | $ (3,808,029) | $ (3,808,029) | $ (3,808,029) | $ (3,808,029) | $ (3,808,029) |
| Less: GARB Paid with CFCs | [H2] | $ - | $ (1,807,858) | $ (1,966,250) | $ (1,966,250) | $ (1,966,250) | $ (2,736,250) | $ (2,737,750) | $ (2,737,250) | $ (2,734,750) |
| Net GARB Debt Service | [I=G+H1+H2] | $ 16,759,599 | $ 16,767,503 | $ 16,767,608 | $ 16,777,865 | $ 11,806,755 | $ 11,814,817 | $ 11,822,380 | $ 11,839,667 | $ 11,845,167 |
| **GARB Debt Service Coverage Ratios:** | | | | | | | | | | |
| Gross Revenue Test | [A/I] | 5.38 | 5.48 | 5.62 | 5.77 | 8.23 | 8.45 | 8.67 | 8.88 | 9.12 |
| **Debt Service Coverage Test (per Master GARB Ordinance)** | **[C/I]** | **2.05** | **2.07** | **2.09** | **2.11** | **2.84** | **2.86** | **2.89** | **2.90** | **2.92** |
| Additional Bonds Test: Based on Net Revenues and Total GARB Debt Service | [C/G] | 1.67 | 1.55 | 1.55 | 1.57 | 1.91 | 1.84 | 1.86 | 1.87 | 1.88 |

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

# 1. The Series 2015 Project and the Series 2015 Bonds

## 1.1 The Series 2015 Project

The City is issuing the Series 2015 Bonds to (1) fund the construction of a CONRAC Facility including additional covered short-term public parking, together with associated roadway improvements and associated infrastructure at the Airport and (2) to fund the Debt Service Reserve Fund, and Debt Service Coverage Fund, and (3) to pay the costs of issuing the Series 2015 Bonds (together the Series 2015 Project). The CONRAC Facility will be located across from the terminal facility and will be connected to the terminal facility via an enclosed skybridge.

### 1.1.1 BACKGROUND

The current rental car operations and facilities for the Airport are located at numerous sites scattered both on and off Airport property, necessitating that each company shuttle its customers to and from the Airport passenger terminals via buses. The individual rental car company customer service sites are difficult for customers to find when returning their rental vehicles; the shuttle buses add to traffic congestion at the terminal curbs and are detrimental to air quality. The Airport and the rental car industry agreed that the current operations do not provide good customer service and are operationally and functionally inefficient. Therefore, in 2008, the Airport began evaluating the feasibility of consolidating all rental car facilities and operations into a single CONRAC Facility with the objectives of:

- Improving customer service
- Improving air quality and reducing vehicle emissions at the terminal curbs and on terminal roadways
- Enhancing operational efficiency (terminal curbsides and roadways; rental car operations and facilities)
- Meeting future needs (public parking and rental car industry)
- Implementing a financially affordable structure
- Creating a stable rental car operation
- Providing a more user-friendly interface between ground and air transportation

Eleven potential sites were initially identified for the CONRAC Facility and the following list of desired attributes for the CONRAC Facility at the Airport was developed:

- Facility should be in close proximity to passenger terminals
- Facility should have easy access and wayfinding for both pedestrians and vehicles
- There must be adequate land area to accommodate space for the CONRAC Facility
- The site should have a reasonable site configuration for operations
- The rental car market size should support cost of facility
- The facility should accommodate the entire Airport rental car market

After evaluating each of the potential sites, a consensus was reached between the Airport and the rental car industry that an eight-acre site that currently includes the existing short-term parking structure and the adjacent surface parking lot to the northwest would be the location for the CONRAC Facility. The City issued a request for qualifications for a design team in November 2012 and selected the design team led by TranSystems Corporation to design the CONRAC Facility. Design efforts commenced in early 2013 and were completed in May 2015.

### 1.1.2 DESCRIPTION OF CONRAC FACILITY

The CONRAC Facility will include approximately 2,040 ready/return spaces, 1,060 storage spaces, a customer service center, a Quick Turn-Around (QTA) facility that allows rental-a-car companies (RACs) to provide vehicle service support, and other essential supplemental functions. In addition, there are approximately 1,349 short-term public parking spaces.

Additional characteristics of the CONRAC Facility are reflected below:

- Customer Service Center
  - RAC customer counters
  - Queue space
  - RAC offices
  - Restrooms
  - Storage areas
  - Common walkways
  - Customer information systems
  - Exclusive support space for office/breakroom

- Ready/Return
  - Customer service offices, kiosks, and booths
  - Vehicle staging areas
  - Ready parking stalls
  - Return lanes
  - Exclusive exit booths
  - Perimeter security
  - Dedicated ramp for customers
  - Dedicated ramp for shuttle operations
- QTA facility, exclusive use and/or common use
  - Vehicle fueling system
  - Fuel storage
  - Fuel islands
  - Electric vehicle charging stations
  - Carbon monoxide exhaust systems
  - Third party CONRAC Manager's office space
- Vehicle wash facilities/systems
  - Wash bays
  - Vehicle wash systems
  - Waste water management systems
  - Hazardous material capture and accountably systems
  - Vacuum stations
  - Vacuum systems
- Exclusive Use Vehicle Light Maintenance Bays
  - Tire change
  - Oil change
  - Oil/waste oil storage
  - Parts and material storage areas
  - Other light maintenance

- Traffic planning
  - Patron pedestrian access to and from terminal area
  - RAC service vehicles access to and from facilities
  - RAC car customers vehicle ingress and egress to and from the CONRAC Facility without interfering with landside terminal operations
- Related infrastructure and utilities
- Security systems
  - Perimeter security
  - Vehicle security
  - Physical barriers
  - Observation systems
- Commercial planning
  - Food/beverages
  - News/gift
  - Vending
  - Advertising
- Public parking
  - Integrate the CONRAC Facility with public parking
  - Replace displaced public parking
  - Address associated infrastructure
  - Interface public parking revenue control system

Construction of the CONRAC Facility is expected to commence in August 2015 and is expected to be substantially completed (Substantial Completion Date) in September 2017. Then the CONRAC Facility will be turned over to the RACs for approximately six months for tenant finishes and a break-in period. The opening date for operations (Opening Date) is estimated to be March 1, 2018. The Series 2015 Project costs are estimated to be approximately $171.6 million, including the $6.0 million Tenant Improvement Reimbursement Allowance, as presented in **Table 1-1**. The Series 2015 Project costs include construction, design and other soft costs associated with construction of the CONRAC Facility. In addition, the Series 2015 Project costs include the following allowances: Parking Revenue Loss Allowance, which reflects reimbursement to the City to compensate for the loss of parking revenues during construction of the CONRAC Facility; Shuttle and Customer Service Allowance that reflects reimbursement to the City for lost revenues and additional operating costs as parkers are displaced from the short-term garage adjacent to the terminal building, which has higher daily parking rates to the economy lot and requires shuttle bus service during construction of the CONRAC Facility; and Tenant Improvement Allowance, which reflects reimbursements for improvements to each Operator's Exclusive Use Premises and Preferential areas that the Rental Car Operator deems necessary or desirable in connection with the Operator's operation of a Rental Car Concession.

**Exhibit 1-1** presents a drawing of the CONRAC Facility.

**Table 1-1: The Series 2015 Project Costs**

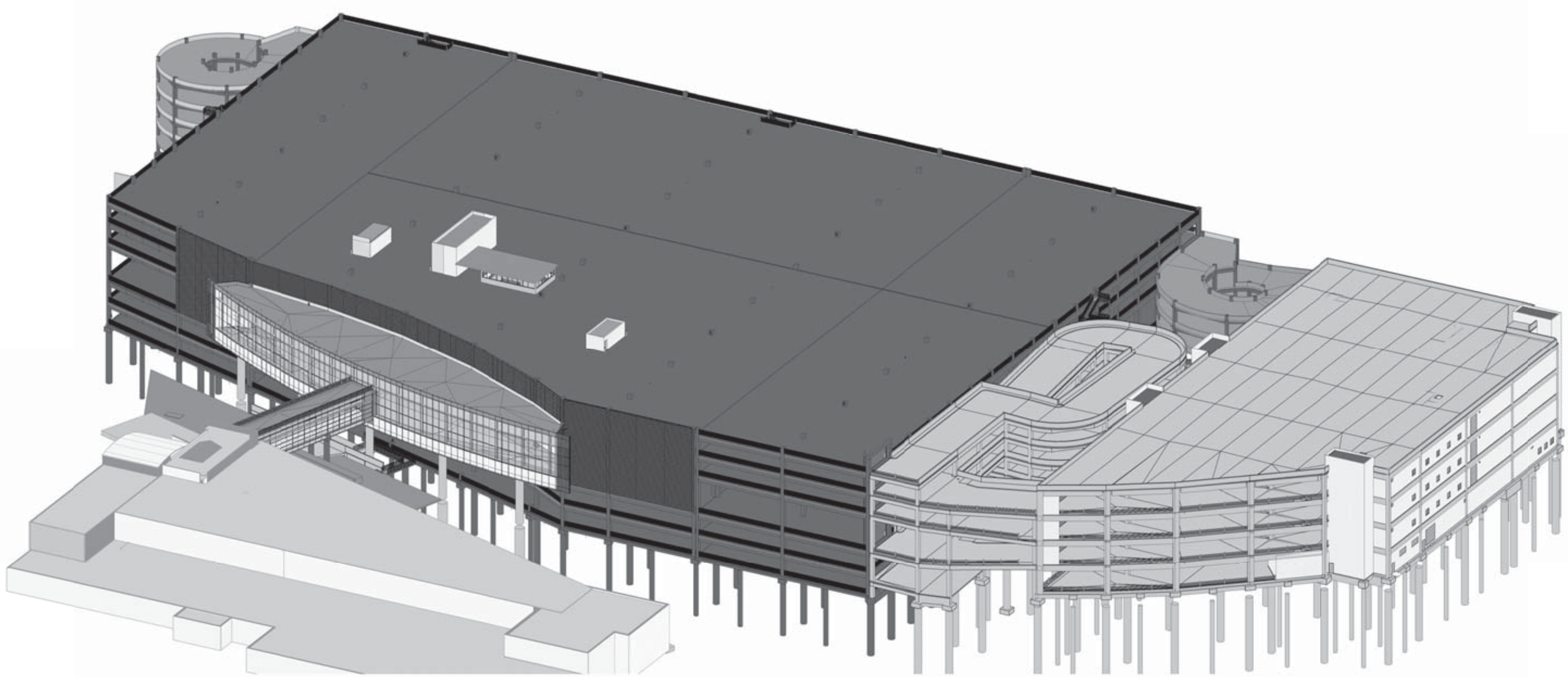
| | | PROJECT COSTS |
|---|---|---|
| Base CONRAC Construction (GMP) | $ | 135,116,938 |
| Other Construction | $ | 3,046,310 |
| Total Construction | $ | 138,163,248 |
| Design | $ | 12,782,500 |
| Project Management | $ | 4,982,063 |
| Total CONRAC | $ | 155,927,811 |
| Interim Wayfinding | $ | 422,189 |
| Tenant Improvement Allowance | $ | 6,000,000 |
| Consulting Services (RACs and Aviation) | $ | 750,000 |
| Shuttling Costs/Lost Parking Revenue 1/ | $ | 8,500,000 |
| Total Reimbursements to RACs and Aviation | $ | 9,250,000 |
| **Total Series 2015 Project Costs** | **$** | **171,600,000** |

NOTE:

1/ Parking shuttling costs estimated to be approximately $3.7 million plus 20-month revenue parking loss at $250,000 per month.

SOURCE: City of San Antonio, Department of Aviation, June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015



SOURCE: TranSystems, April 2015.
PREPARED BY: Ricondo & Associates, inc., April 2015.

**EXHIBIT 1-1**

CONRAC Facility

## 1.2 Structure of Transaction

The CONRAC Facility is being developed for City ownership pursuant to a CONRAC Lease Agreement and a Concession Agreement by and between the City and the Concessionaires (Operators), as well as an Operators Member Agreement between the Operators. The Operator must be a party to the CONRAC Lease Agreement, the Concession Agreement and the Operators Member Agreement at all times; a default under any of these agreements constitutes a default under the other two agreements.

CONRAC Lease Agreement means the Consolidated Rental Car Facility Lease Agreement between the City and the Operators for the use and occupancy of the CONRAC.

Operators Member Agreement means the agreement providing for the membership rights, requirements, obligations and procedures of the Operators with respect to (i) the operation and maintenance of certain areas of the CONRAC; (ii) the payment for such operation and maintenance costs for certain areas in the CONRAC to the extent such operation and maintenance is not paid for by CFC proceeds; (iii) the allocation and reallocation of the foregoing costs, as well as other Operator expenses; (iv) review, approve, and/or enter into agreements with third parties; and (v) the allocation and reallocation of space in the CONRAC that are not inconsistent with the CONRAC Lease Agreement.

CONRAC Management Contract means the agreement between the Operators and the CONRAC Manager approved by the Aviation Director in writing to provide for the performance of Routine Maintenance and Major Maintenance for the CONRAC and the management of all operations of and activities in the CONRAC. The City shall be a third-party beneficiary of the CONRAC Management Contract.

Unless terminated pursuant to the provisions of the CONRAC Lease Agreement, the lease agreements are effective and binding from their Commencement Date until the last day of the 20th Fiscal Year. So long as an Operator is in good standing pursuant to the terms of the CONRAC Lease Agreement and Concession Agreement, the City, in its sole discretion, may extend the term of the Concession Agreement or enter into a successor Concession Agreement with an Operator, and the Lease Term shall automatically be extended for the same term as the subsequent Concession Agreement.

The appendix of the Official Statement for the City of San Antonio, Texas, Series 2015 CFC Bonds provides a summary of certain provisions of the CONRAC Lease Agreement.

## 1.3 Plan of Finance

**Table 1-2** reflects the Series 2015 Bonds funding plan:

**Table 1-2: Series 2015 Bonds**

| SERIES DESIGNATION | PROJECTS TO BE FUNDED | TAX STATUS |
|---|---|---|
| Series 2015 CFC Bonds | CONRAC Facility | Taxable |
| Series 2015 GARB Bonds | Public Parking Area | AMT |

SOURCE: City of San Antonio, Department of Aviation, May 2015.
PREPARED BY: Ricondo & Associates, Inc., May 2015.

**Table 1-3** reflects the sources and uses for the Series 2015 Project. As described further in Chapter 6, through June 30, 2015, the City expects to accumulate approximately $29.7 million of previously collected CFCs, which it intends to apply to the Series 2015 Project.

In addition to funding the Series 2015 Project, previously collected CFCs and proceeds from the Series 2015 Bonds will be used to fund the Debt Service Reserve Fund, the Debt Service Coverage Fund, the initial deposit of $7.5 million in the CFC Renewal and Replacement Fund, and pay certain costs of issuance incurred in connection with the issuance of the Series 2015 Bonds. Unless otherwise defined herein, all capitalized terms in this report are used as defined in the Official Statement, the Special Facility Indenture or the GARB Ordinance.

### 1.3.1 THE SERIES 2015 CFC BONDS

The Series 2015 CFC Bonds are being issued pursuant to provisions of the Special Facility Indenture, which is described below. For the Series 2015 CFC Bonds, the City's Financial Advisor has assumed the following:

| | SERIES 2015 CFC BONDS |
|---|---|
| First Maturity Date: | 07/01/2020 |
| Last Maturity Date: | 07/01/2045 |
| True Interest Cost: | 5.72% |

The Special Facility Indenture sets forth the obligations of the City to the Trustee and bondholders relative to the Series 2015 CFC Bonds. A summary of certain provisions of the Special Facility Indenture is provided in the appendix to the Official Statement for the Series 2015 CFC Bonds. The capitalized terms used in this report are used as defined in the Special Facility Indenture. Several key provisions of the Special Facility Indenture are described in the following paragraphs:

**Table 1-3: The Series 2015 Project Sources and Uses of Funds**

| | SERIES 2015 CFC BONDS | SERIES 2015 GARB BONDS | TOTAL |
|---|---|---|---|
| **Funding Sources:** | | | |
| Bond Proceeds | $ 124,210,000 | $ 42,184,414 | $ 166,394,414 |
| Previously collected CFCs (through June 2015) | $ 27,563,033 | $ 2,086,967 | $ 29,650,000 |
| **Total Sources** | **$ 151,773,033** | **$ 44,271,381** | **$ 196,044,414** |
| **Estimated Project Costs and Reserves:** | | | |
| Series 2015 Project Costs | $ 130,502,423 | $ 41,097,577 | $ 171,600,000 |
| CFC Renewal and Replacement Fund | $ 7,500,000 | $ - | $ 7,500,000 |
| Debt Service Reserve Fund | $ 9,779,644 | $ 2,737,750 | $ 12,517,394 |
| Debt Service Coverage Fund | $ 2,444,911 | $ - | $ 2,444,911 |
| Issuance Costs | $ 800,000 | $ 200,000 | $ 1,000,000 |
| Underwriter's Discount | $ 745,260 | $ 235,950 | $ 981,210 |
| Additional Proceeds | $ 794 | $ 105 | $ 899 |
| **Total Estimated Costs and Reserves (Uses)** | **$ 151,773,033** | **$ 44,271,381** | **$ 196,044,414** |

SOURCE: Coastal Securities, June 8, 2015, Ricondo & Associates, Inc., June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015

### 1.3.1.1 Rate Covenant

(a) As long as any Bonds remain outstanding, the City will require the Operators and the Off-Airport Rental Car Permitees to charge and collect the Customer Facility Charge and remit to the Trustee funds derived from the Customer Facility Charge. The initial amount of the Customer Facility Charge as it exists on the Closing Date of the Series 2015 Bonds (which shall be subject to adjustment pursuant to Section 2.05(c) of the Special Facility Indenture) is set forth in the Bond Ordinance. The amount of the Customer Facility Charge shall remain in effect until such time as it is adjusted by the Aviation Director pursuant to Section 2.05(b) or (c) of the Special Facility Indenture.

(b) The Customer Facility Charge shall be reviewed and adjusted (if necessary) annually, or more frequently as required below, by the Aviation Director based upon the CFC Report prepared by the City , at a rate estimated to generate during the applicable Fiscal Year (or such other period as applicable) CFC Revenues, together with

(i) funds estimated to be transferred from the Debt Service Coverage Fund to the Debt Service Fund in accordance with Section 5.07(c) of the Special Facility Indenture *First* hereof,

(ii) funds estimated to be transferred by the Trustee in accordance with the last sentence of Section 5.12(c)(ii) of the Special Facility Indenture hereof from the CFC Surplus Fund which are not held within any Account thereunder (if any), and

(iii) Pledged Investment Income estimated to be transferred to the Revenue Fund during the applicable Fiscal Year,

equal to not less than the aggregate of:

(A) 125% of the Debt Service requirements on the Bonds for such Fiscal Year; and

(B) with the residual expected to remain after providing for the payment of actual Debt Service requirements on the Bonds sufficient to provide the following:

(1) 125% of the debt service requirement on the Public Parking Area GARB Debt for such Fiscal Year; and

(2) fully fund in such Fiscal Year all transfers from the Revenue Fund as required by Section 5.04(b) *Second, Third, Fifth, Sixth* and *Seventh* of the Special Facility Indenture.

The provisions set forth above shall be determined on the assumption that no Contingent Fees shall be established by the City, and no draws shall be made under any Performance Guarantees, for the applicable Fiscal Year for purposes of satisfying the required rate covenant; however, with respect to preparing its annual financial reports and submitting information required by a Rating Agency in connection with the Series 2015 Bonds, the City shall base any debt service coverage calculations and other reporting statistics on Pledged Revenues (including but not limited to Contingent Fees and draws on Performance Guarantees, if applicable) actually received by the City during the applicable Fiscal Year.

(c) The Aviation Director shall cause the CFC Report to be prepared and to be filed with the Trustee prior to the start of each Fiscal Year, based upon the Transaction Days (as defined in the Lease Agreements) and other rental information required to be provided to the City by the Operators pursuant to the Lease Agreements and by the Off-Airport Rental Car Permitees pursuant to the Off-Airport Rental Car Permits. If at any time during such ensuing Fiscal Year,

(i) the aggregate collections of CFC Revenues are less than 90% of the pro forma aggregate collections for the corresponding period as shown in the CFC Report filed with the Trustee, the Aviation Director, following consultation with the Operators, may promptly increase the Customer Facility Charge without waiting for the next annual review; or

(ii) for four (4) consecutive months the monthly collections of the CFC Revenues are less than 80% of the pro forma monthly collections for the corresponding periods as shown in the most recent CFC Report filed with the Trustee,

then Aviation Director shall promptly engage an Airport Consultant to review the Transaction Day and CFC collection history and issue and deliver to the City, Trustee, and the Operators a new CFC Report recommending appropriate action with respect to the CFC rate and other appropriate actions (including but not limited to transferring funds from the Renewal and Replacement Fund in accordance with Section 5.11(a) of the Special Facility Indenture), which CFC Report recommendation shall be implemented as promptly as practicable; provided, that if such CFC Report is to be issued within the final three (3) months of a calendar year, it may also include recommendations for the ensuing calendar year, in which case no additional CFC Report for such ensuing calendar year will be required, except as may be required by this clause (ii).

(d) In the event the rate covenant described in Section 2.05(b) of the Special Facility Indenture shall not be satisfied in any Fiscal Year, it shall not constitute an Event of Default so long as no payment default has occurred and the Aviation Director promptly causes the recommendations in the CFC Report to be enacted, including but not limited to increasing the Customer Facility Charge to the recommended rate, making transfers from funds on deposit in the CFC Surplus Fund which are not held in any Account thereunder, or implementing Contingent Fees.

(e) The Aviation Director shall file a certificate with the Trustee no less than annually setting forth the current Customer Facility Charge and stating whether the actions described within Sections 2.05(c)(i) or (ii) of the Special Facility Indenture have been taken during the previous twelve (12) months.

### 1.3.1.2 Revenue Fund; Flow of Funds

(a) Deposits into the Revenue Fund.

(i) *CFC Revenues and Contingent Fees from Operators and Off-Airport Rental Car Permittees.* Pursuant to the Lease Agreements, each Operator is required to remit to the Trustee (A) all CFC Revenues collected and held by such Operator on or before the fifteenth (15th) day of each month following the month in which the CFC Revenues were collected, and (B) its pro rata share of any Contingent Fee, if a Contingent Fee has been imposed by the City on all Operators in accordance with the Lease Agreements, on or before the fifteenth (15th) day of each month following the month in which the Contingent Fee was collected for so long as a Contingent Fee is being imposed by the City in accordance with the Lease Agreements. Similarly, pursuant to the Off-Airport Rental Car Permits, each Off-Airport Rental Car Permittee is required to remit to the Trustee all CFC Revenues collected and held by such Off-Airport Rental Car Permittee on or before the fifteenth (15th) day of each month following the month in which the CFC Revenues were collected. All CFC Revenues and Contingent Fees received by the Trustee from the Operators and Off-Airport Rental Car Permittees shall be deposited upon receipt to the Revenue Fund. Upon receipt thereof, the Trustee shall provide notice to the City and to the submitting party acknowledging the receipt of such CFC Revenues and Contingent Fees.

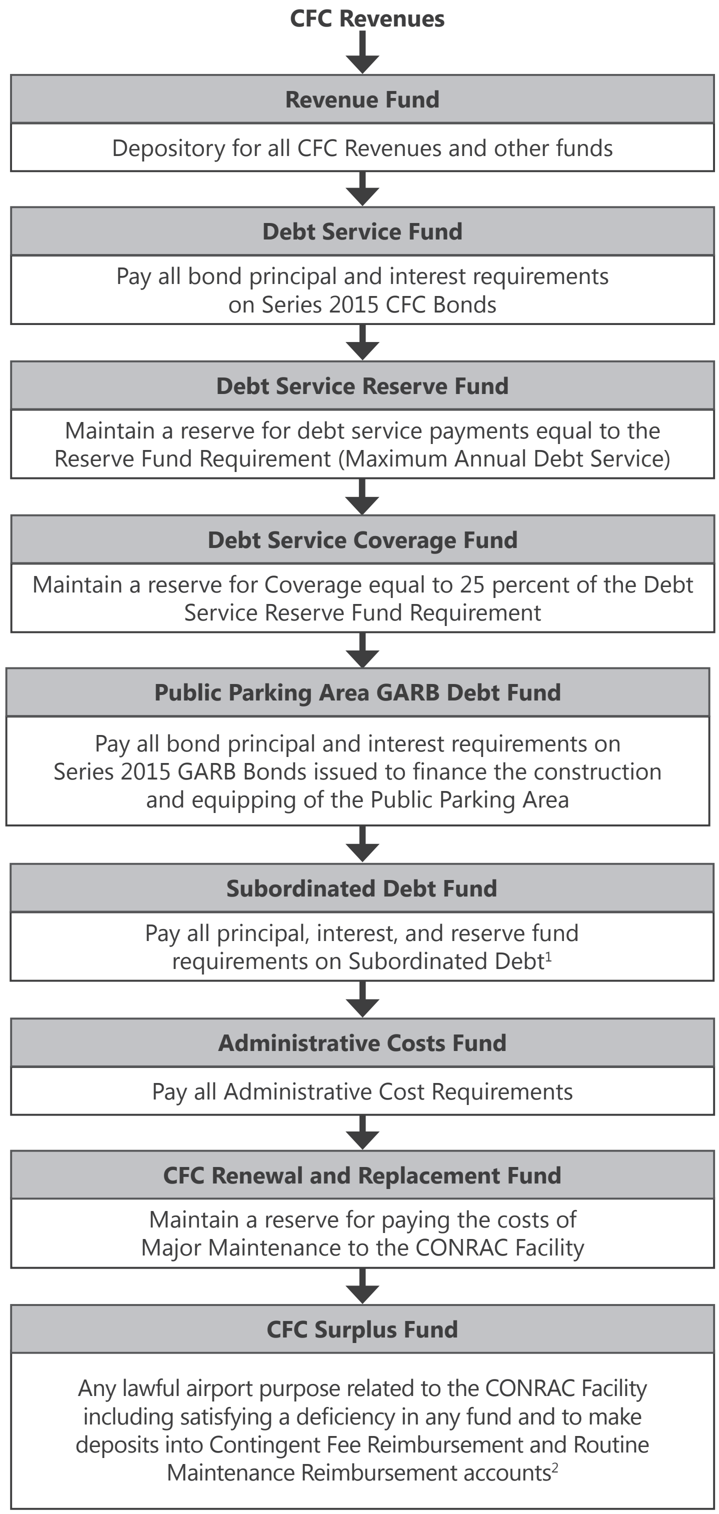
**Exhibit 1-2** illustrates the application and priority in the uses of CFC Revenues as specified in the Special Facility Indenture. CFC Revenues are to be transferred from the Revenue Fund and deposited in the accounts listed below in the following order of priority:

- To the Debt Service Fund, to pay all bond principal and interest requirements on all Outstanding Bonds including the Series 2015 CFC Bonds;
- To the Debt Service Reserve Fund, if necessary, to maintain the Reserve Fund Requirement;
- To the Debt Service Coverage Fund, to maintain a reserve for coverage equal to the Debt Service Coverage Fund Requirement;
- To the Public Parking Area GARB Debt Fund, to pay all bond principal and interest requirements on Series 2015 GARB Bonds issued to finance the construction and equipping of the public parking area and amounts necessary to restore deficiencies in the debt service reserve fund related to the Public Parking Area GARB Debt;
- To the Subordinated Debt Fund, to pay all principal, interest, and reserve fund requirements on Subordinated Debt;
- To the Administrative Costs Fund to pay all administrative cost requirements;
- To the CFC Renewal and Replacement Fund to maintain a reserve for and paying the costs of Major Maintenance to the CONRAC Facility;
- To the CFC Surplus Fund for any lawful Airport purpose related to the CONRAC Facility including satisfying a deficiency in any fund and to make deposits into the Contingent Fee Reimbursement and Routine Maintenance Reimbursement accounts.

#### 1.3.1.3 CFC Surplus Fund

As presented on Exhibit 1-2, all amounts transferred from the Revenue Fund to the CFC Surplus Fund pursuant to Section 5.04(b) *Eighth* of the Special Facility Indenture, hereof, together with any funds then on deposit in the CFC Surplus Fund which are not then held within an Account of the CFC Surplus Fund, shall be utilized and deposited by the Trustee in accordance with the following order of priority:

*First*, to satisfy a deficiency in any Fund, and in the order of priority set forth in Section 5.04(b) of the Special Facility Indenture *First* through *Seventh* hereof, with the amount of deficiency in a Fund with a higher priority being fully satisfied before satisfying a deficiency in a lower Fund;




**NOTES**

1/ The City currently has no Subordinated Debt.

2/ The Airport Parking Operating Funds Account shall be funded on the delivery date of the Series 2015 Bonds. No funds from the Revenue Fund shall be deposited into the Airport Parking Operating Funds Account.

SOURCE: Special Facility Bonds Ordinance, June 2015.
PREPARED BY: Ricondo & Associates, Inc., June 2015.

**EXHIBIT 1-2**

Series 2015 Bonds
Flow of Funds

*Second*, to make a deposit into the Contingent Fee Reimbursement Account up to an aggregate amount equal to the Contingent Fee Reimbursement Account Requirement, which funds shall be used to reimburse the Operators and the City for the payment of Contingent Fees made under the Lease Agreements, if any, and shall be disbursed as provided in Section 5.12(c)(i) of the Special Facility Indenture and;

*Third*, to make a deposit into the Routine Maintenance Reimbursement Account to fully restore the balance therein to the Routine Maintenance Reimbursement Account Recommended Amount, which funds shall be used to pay CFC Eligible Routine Maintenance (as defined in the Lease Agreements) and shall be disbursed as provided in Section 5.12(c)(ii) of the Special Facility Indenture; provided, however, in the event making such deposit into the Routine Maintenance Reimbursement Account to fully restore the balance therein to the Routine Maintenance Reimbursement Account Recommended Amount would cause the amount on deposit in the CFC Surplus Fund which is not held within any Account of the CFC Surplus Fund to be reduced below *$2,000,000*, the amount to be deposited into the Routine Maintenance Reimbursement Account shall be reduced by an amount necessary so as not to cause the amount on deposit in the CFC Surplus Fund which is not held within any Account thereof to go below $2,000,000.

All remaining funds on deposit in the CFC Surplus Fund after making such required transfers shall remain therein and may be used for any lawful purpose related to the CONRAC Facility, including but not limited to (i) satisfying any future monthly deposits described in clauses *First* through *Third* in Section 5.12(a) of the Special Facility Indenture, (ii) transferring funds therein for deposit into the CFC Renewal and Replacement Fund in order to pay the costs of Major Maintenance, (iii) making other improvements, enlargements, extensions, additions, replacements, repairs or other capital expenditures related to the CONRAC Facility as deemed necessary or appropriate by the Aviation Director, and (iv) transferring funds therein for deposit into the Debt Service Fund for the purpose of optionally redeeming Bonds in accordance with Section 4.02(a) of the Special Facility Indenture hereof, which funds shall be used and disbursed in accordance with Section 5.12(c)(ii) of the Special Facility Indenture.

The Airport Parking Operating Funds Account of the CFC Surplus Fund shall be funded on the date of delivery of Series 2015 Bonds in accordance with clause (i) of Section 5.13 of the Special Bond Indenture hereof. No funds from the Revenue Fund shall be deposited into the Airport Parking Operating Funds Account. Funds on deposit in the Airport Parking Operating Funds Account of the CFC Surplus Fund may be used by the City prior to the completion of the CONRAC Facility to pay Airport Parking Operating Costs as determined by the Aviation Director or the Assistant Aviation Director, Finance and Administration, and shall be disbursed by the Trustee in accordance with Section 5.12(c)(i) of the Special Bond Indenture. Upon the receipt by the Trustee of a certificate from an Authorized City Representative and an Authorized Aviation Department Representative that construction of the CONRAC Facility has been completed and is open for operations by the Operators and no amounts remain to be paid to any contractors, vendors or other entities related to the construction thereof, the Trustee shall close the Airport Parking Operating Funds Account of the CFC Surplus Fund and shall disburse or utilize all funds on deposit therein in the same manner and order of priority as set forth of Section 5.12(a) of the Special Bond Indenture.

### 1.3.2 THE SERIES 2015 GARB BONDS

The Series 2015 GARB Bonds are being issued pursuant to provisions of the General Airport Revenue Bond Ordinance (GARB Ordinance), which is described below and was adopted by the San Antonio City Council on June 18, 2015. For the Series 2015 GARB Bonds, the City's Financial Advisor has assumed the following:

| | SERIES 2015 GARB BONDS |
|---|---|
| First Maturity Date: | 07/01/2020 |
| Last Maturity Date: | 07/01/2045 |
| True Interest Cost: | 4.47% |

#### 1.3.2.1 General Airport Revenue Bond Ordinances

The Series 2015 GARB Bonds are being issued by the City pursuant to the laws of the State of Texas (Texas), including particularly Chapter 22, as amended, Texas Transportation Code, and Chapters 1207 and 1503, as amended, Texas Government Code (collectively, the Act), the City's Home Rule Charter (the Charter), a master ordinance adopted by the City Council of the City (the City Council) on April 19, 2001 (the Master GARB Ordinance), and a Fifteenth Supplemental Ordinance thereto adopted by the City Council on June 18, 2015 (together with the Master GARB Ordinance, the GARB Ordinance). The GARB Ordinances sets forth the obligations of the City to the Trustee and bondholders relative to the Series 2015 GARB Bonds and all currently outstanding and subsequently issued bonds that are on parity with the Series 2015 GARB Bonds (collectively, Parity GARBs), including the pledge of security for the Parity GARBs, the rate covenant, the creation of certain funds and accounts and the order of priority for the use of pledged revenues, and requirements for issuing additional bonds. A summary of certain provisions of the GARB Ordinances is provided in the appendix to the Official Statement for the Series 2015 GARB Bonds. The capitalized terms used in this report are used as defined in the GARB Ordinances.

#### GARB Rate Covenant

In the GARB Ordinance, the City covenants to "fix, maintain, enforce, charge, and collect rentals, rates, fees, charges and amounts for the use, occupancy, services, facilities, and operation of the Airport System which will produce in each Fiscal Year Gross Revenues at least sufficient: (A) to pay all Operation and Maintenance Expenses during each Fiscal Year, and also (B) to provide an amount equal to 1.25 times the Annual Debt Service Requirements during each Fiscal Year on all then Outstanding Parity GARBs."

# 2. San Antonio International Airport

## 2.1 Existing Airport Facilities

Built in July 1941 as a military base, the Airport became a commercial airport in 1953. The Airport, which occupies approximately 2,600 acres of land, is located nine miles from the center of the City at the intersection of Interstate 410 and Interstate 37 (US-281). **Exhibit 2-1** presents an aerial perspective of the Airport and the surrounding area. The following sections describe the Airport in greater detail.

### 2.1.1 AIRFIELD

The Airport's existing airfield infrastructure consists of runways and taxiways, ramp/apron areas and holding pads, and other airfield facilities. The Airport has two all-weather air carrier runways, Runway 12R/30L and Runway 4/22, which are both approximately 8,500 feet in length and 150 feet wide. The Airport's general aviation runway, Runway 12L/30R, is approximately 5,520 feet in length and 100 feet wide.

Each runway has a full-length parallel taxiway, a 90-degree entrance/exit taxiway located at each end, and several 90-degree intersecting taxiways. The airfield has approximately 85.9 acres of concrete apron for commercial aircraft parking in the terminal area and an additional 16.7 acres at the East Cargo Ramp. There are holding pads at the ends of Runways 12R and 4.

Other airfield facilities include underground storm sewer systems, fencing and security gates, navigational aids and an airfield lighting system, and an FAA Airport Traffic Control Tower.

### 2.1.2 TERMINAL

The Airport has two passenger terminals with abutting apron areas for aircraft parking. Terminal A (also referred to as Concourse A), which was constructed in 1984, has 16 gates and contains approximately 395,000 square feet. Terminal B (also referred to as Concourse B), which opened on November 9, 2010, contains approximately 245,000 square feet and includes 8 gates. Both terminals include hold rooms, operations, ticketing, and common areas, concessions, aviation offices, and pedestrian access to existing parking facilities.

SOURCE: City of San Antonio, Department of Aviation, December 2014
PREPARED BY: Ricondo & Associates, Inc., December 2014.

**EXHIBIT 2-1**

## Airport Facilities

### 2.1.3 PUBLIC VEHICLE ACCESS AND PARKING

The Airport currently has approximately 8,155 parking spaces, consisting of approximately 7,235 public parking spaces and approximately 920 employee parking spaces. Parking facilities include a short-term parking garage, a long-term parking garage, and surface parking. The most recent parking expansion project, completed in May 2008, increased parking capacity by approximately 2,100 public parking spaces. A free cell phone lot with approximately 80 spaces is also available at the Airport. The Aviation Department closed the economy parking lot, containing approximately 1,500 spaces, in October 2010, but has used it as necessary for an overflow lot.

### 2.1.4 AIR CARGO

Air cargo facilities at the Airport include the Air Cargo East complex and the Air Cargo West complex. A total of over 137,000 square feet of cargo warehouse space and over 1.7 million square feet of air cargo aircraft apron space are available. The Airport has two designated Foreign Trade Zones and is served by 12 air cargo service providers.

### 2.1.5 GENERAL AVIATION FEDERAL INSPECTION STATION

A new General Aviation Federal Inspection Station (GA/FIS) is scheduled for completion by the end of 2016. The approximately 5,000 square foot facility will be located across the airfield from commercial operations. The Aviation Department will construct the access taxiway and ramp area in front of the GA/FIS, which is located on the north side of the airfield.

### 2.1.6 OTHER FACILITIES

Other facilities at the Airport include a roadway system, Fixed Base Operator (FBO) facilities, aircraft maintenance and manufacturing facilities, corporate/business facilities, Airport maintenance shop, and utility systems.

## 2.2 Capital Improvement Program

The Aviation Department's Capital Improvement Program (CIP) includes projects for the Airport System, which the Aviation Department management has determined are necessary to accommodate growth in aircraft and passenger activity at the Airport and to replace and rehabilitate certain facilities and equipment at the Airport and Stinson.

**Table 2-1** presents the Aviation Department's current CIP for FY 2015 through FY 2020. The total costs of the CIP are estimated at approximately $650.9 million, including project costs of approximately $145.3 million that were funded as of September 30, 2014 for projects anticipated to be completed between FY 2015 and FY 2020. The projects included in the CIP are expected to be funded from the following sources: federal, state, and other grants; PFC revenues; Aviation Department funds; prior bond proceeds; and the Series 2015 Bonds. The anticipated funding sources and financing plan for the CIP are further described in Chapter 7 of this Report.

**Table 2-1 (1 of 3): Capital Improvement Program by Year**

(For Fiscal Years Ending September 30)

| PROJECT CATEGORY | TOTAL COSTS FUNDED TO DATE [2/] | PROJECTED [1/] FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | TOTAL PROJECT COSTS |
|---|---|---|---|---|---|---|---|---|
| **SERIES 2015 PROJECT** | | | | | | | | |
| **CONRAC Project** | | | | | | | | |
| Consolidated Rental Car Facility | $ 13,232,191 | $ 158,367,809 | $ - | $ - | $ - | $ - | $ - | $ 171,600,000 |
| **Total CONRAC Project** | **$ 13,232,191** | **$ 158,367,809** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ 171,600,000** |
| **TOTAL SERIES 2015 PROJECT** | **$ 13,232,191** | **$ 158,367,809** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ 171,600,000** |
| **OTHER CAPITAL PROJECTS** | | | | | | | | |
| **Airfield Projects** | | | | | | | | |
| Air Operations Area Perimeter Fence | $ - | $ 1,823,000 | $ 930,000 | $ 959,000 | $ 984,000 | $ - | $ - | $ 4,696,000 |
| Apron & Utilities | $ - | $ - | $ - | $ - | $ - | $ - | $ 11,152,000 | $ 11,152,000 |
| Drainage Master Plan | $ - | $ - | $ - | $ 477,000 | $ - | $ - | $ - | $ 477,000 |
| Northside Development Access | $ - | $ 100,000 | $ 1,280,000 | $ - | $ - | $ - | $ - | $ 1,380,000 |
| Pavement Maintenance Management Program | $ - | $ 386,000 | $ - | $ - | $ - | $ - | $ - | $ 386,000 |
| Perimeter Road Reconstruction | $ - | $ 820,000 | $ 820,000 | $ 827,000 | $ - | $ - | $ - | $ 2,467,000 |
| Runway 12L Improvements | $ - | $ - | $ - | $ 1,131,333 | $ 10,299,000 | $ 2,363,000 | $ - | $ 13,793,333 |
| Runway 12R Decouple & Reconstruction | $ - | $ - | $ - | $ - | $ 280,000 | $ - | $ 15,510,000 | $ 15,790,000 |
| Runway 12R Rehabilitation | $ 4,297,731 | $ - | $ 5,429,700 | $ 18,026,070 | $ - | $ - | $ - | $ 27,753,501 |
| Taxiway E Reconstruct | $ 495,000 | $ - | $ 2,107,000 | $ - | $ - | $ - | $ - | $ 2,602,000 |
| Taxiway H Reconstruction | $ - | $ - | $ - | $ - | $ 307,000 | $ 3,149,000 | $ - | $ 3,456,000 |
| Terminal Area Taxiways | $ 23,722,477 | $ 20,517,000 | $ 14,663,900 | $ - | $ 3,676,600 | $ - | $ - | $ 62,579,977 |
| **Total Airfield Projects** | **$ 28,515,208** | **$ 23,646,000** | **$ 25,230,600** | **$ 21,420,403** | **$ 15,546,600** | **$ 5,512,000** | **$ 26,662,000** | **$ 146,532,811** |
| **Acoustical Program Project** | | | | | | | | |
| Residential Acoustical Treatment Program | $ 95,201,187 | $ 8,300,000 | $ 8,000,000 | $ 8,000,000 | $ 8,000,000 | $ 8,000,000 | $ 8,000,000 | $ 143,501,187 |
| **Total Accoustical Program Project** | **$ 95,201,187** | **$ 8,300,000** | **$ 8,000,000** | **$ 8,000,000** | **$ 8,000,000** | **$ 8,000,000** | **$ 8,000,000** | **$ 143,501,187** |
| **Terminal Projects** | | | | | | | | |
| Air Conditioning Condensate Capture And Reuse | $ - | $ - | $ - | $ 709,000 | $ 4,761,000 | $ - | $ - | $ 5,470,000 |
| Common Use Implementation | $ 309,000 | $ - | $ 1,837,000 | $ 4,372,000 | $ - | $ - | $ - | $ 6,518,000 |
| Paging Modernization | $ - | $ 798,000 | $ - | $ - | $ - | $ - | $ - | $ 798,000 |
| Passenger Boarding Bridges | $ - | $ - | $ - | $ 1,800,000 | $ 800,000 | $ - | $ - | $ 2,600,000 |
| Tenant VOIP | $ - | $ - | $ 100,000 | $ 550,000 | $ - | $ - | $ - | $ 650,000 |
| Terminal A Cutover | $ - | $ - | $ 641,000 | $ 2,431,000 | $ - | $ - | $ - | $ 3,072,000 |
| Terminal A Security Checkpoint Expansion | $ - | $ - | $ - | $ - | $ 4,000,000 | $ 20,000,000 | $ - | $ 24,000,000 |
| Terminal A Renovations & Refurbishment, Phase II | $ 1,600,000 | $ 3,150,000 | $ 14,372,134 | $ - | $ 2,600,000 | $ 1,675,000 | $ 620,000 | $ 24,017,134 |
| Terminal B Blast Protection | $ - | $ - | $ 38,000 | $ 289,000 | $ - | $ - | $ - | $ 327,000 |
| **Total Terminal Projects** | **$ 1,909,000** | **$ 3,948,000** | **$ 16,988,134** | **$ 10,151,000** | **$ 12,161,000** | **$ 21,675,000** | **$ 620,000** | **$ 67,452,134** |

**Table 2-1 (2 of 3): Capital Improvement Program by Year**

(For Fiscal Years Ending September 30)

| PROJECT CATEGORY | TOTAL COSTS FUNDED TO DATE 2/ | PROJECTED 1/ FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | TOTAL PROJECT COSTS |
|---|---|---|---|---|---|---|---|---|
| **Other Projects** | | | | | | | | |
| Abandoned Site Rehabilitation | $ - | $ - | $ 132,000 | $ - | $ - | $ - | $ - | $ 132,000 |
| Airport Electronic Sign | $ - | $ - | $ - | $ - | $ 563,000 | $ - | $ - | $ 563,000 |
| Airport Lighting Control & Monitoring System | $ - | $ - | $ - | $ - | $ - | $ - | $ 716,000 | $ 716,000 |
| Airport Owned Facility Refurbishments | $ 1,107,391 | $ 200,000 | $ 200,000 | $ - | $ - | $ - | $ - | $ 1,507,391 |
| Airport Roadway Improvements | $ - | $ - | $ 400,000 | $ 315,000 | $ 500,000 | $ 350,000 | $ - | $ 1,565,000 |
| Airport Security Plan Implementation | $ - | $ 603,000 | $ 3,565,930 | $ - | $ - | $ - | $ - | $ 4,168,930 |
| Airside Security Program | $ - | $ - | $ - | $ - | $ 411,000 | $ 1,900,000 | $ 1,502,000 | $ 3,813,000 |
| CUP Building Addition | $ - | $ - | $ 421,000 | $ - | $ - | $ - | $ - | $ 421,000 |
| Demolition of 3 Surplus Hangars | $ - | $ - | $ 212,000 | $ - | $ - | $ - | $ - | $ 212,000 |
| Distributed Antenna System Upgrade | $ - | $ - | $ - | $ - | $ 437,000 | $ - | $ - | $ 437,000 |
| Electrification of Ground Support Equipment For Emissions Reduction | $ - | $ - | $ - | $ - | $ - | $ 139,000 | $ - | $ 139,000 |
| Facilities Fleet Expansion | $ - | $ 568,000 | $ - | $ - | $ - | $ - | $ - | $ 568,000 |
| Facilities Management Software Programs | $ 1,115,000 | $ 1,136,000 | $ - | $ - | $ - | $ - | $ - | $ 2,251,000 |
| Former MSW Remediation | $ - | $ - | $ - | $ 87,000 | $ 968,000 | $ - | $ - | $ 1,055,000 |
| Freight Elevator, Additional | $ - | $ - | $ - | $ - | $ 115,000 | $ 523,000 | $ - | $ 638,000 |
| Fuel Tank Replacement | $ - | $ 1,030,000 | $ - | $ - | $ - | $ - | $ - | $ 1,030,000 |
| General Aviation FIS Facility, SAT | $ 990,000 | $ 4,399,000 | $ - | $ - | $ - | $ - | $ - | $ 5,389,000 |
| Identity Management Solution | $ - | $ 824,000 | $ - | $ - | $ - | $ - | $ - | $ 824,000 |
| Improvements to Airport-Owned Property | $ 650,950 | $ 1,050,000 | $ 250,000 | $ 250,000 | $ 250,000 | $ 250,000 | $ 250,000 | $ 2,950,950 |
| Integrated Control Center | $ - | $ 764,000 | $ - | $ 10,800,000 | $ - | $ - | $ - | $ 11,564,000 |
| IT Master Plan | $ 249,959 | $ - | $ 200,000 | $ - | $ - | $ - | $ - | $ 449,959 |
| Maintenance Office Renovation | $ 350,000 | $ - | $ - | $ 112,000 | $ 562,000 | $ - | $ - | $ 1,024,000 |
| Master Plan Update, SAT | $ - | $ - | $ - | $ - | $ - | $ 3,000,000 | $ 1,500,000 | $ 4,500,000 |
| Outside Plant Campus IT Ring | $ - | $ - | $ - | $ 507,000 | $ 3,000,000 | $ 1,883,000 | $ - | $ 5,390,000 |
| Parking Area Surveillance | $ 605,000 | $ 110,310 | $ - | $ - | $ - | $ - | $ - | $ 715,310 |
| Parking Development Property | $ - | $ - | $ - | $ - | $ - | $ 2,181,000 | $ 7,729,000 | $ 9,910,000 |
| Parking, Bus Area & Transfer Cut Out | $ - | $ 81,370 | $ - | $ - | $ - | $ - | $ - | $ 81,370 |
| Parking, Command Center Remodel | $ - | $ 231,750 | $ - | $ - | $ - | $ - | $ - | $ 231,750 |
| Parking, Garage Elevators, Replacement | $ - | $ 1,000,000 | $ - | $ - | $ - | $ - | $ - | $ 1,000,000 |
| Parking, Garage Signage & Space Improvements | $ - | $ 1,264,000 | $ 318,000 | $ - | $ - | $ - | $ - | $ 1,582,000 |
| Parking, Green Lot Canopies | $ - | $ - | $ - | $ 51,000 | $ 1,302,000 | $ - | $ - | $ 1,353,000 |
| Parking, Green Lot, 4, 8, Improvements | $ 100,000 | $ 306,200 | $ - | $ - | $ 2,018,832 | $ - | $ - | $ 2,425,032 |
| Parking, Upgrade Wiring And Space Indicatorsin Long Term Parking Garage | $ - | $ - | $ - | $ 1,421,000 | $ - | $ - | $ - | $ 1,421,000 |
| Physical Security Information Management | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,493,000 | $ 1,493,000 |
| Rehabilitate West Cargo Facilities | $ - | $ - | $ - | $ 302,000 | $ 3,200,000 | $ - | $ - | $ 3,502,000 |
| Relocation of Gate 20, Central Delivery | $ - | $ 364,000 | $ - | $ - | $ - | $ 200,000 | $ - | $ 564,000 |
| Stormwater Outfall Repairs | $ 112,000 | $ 650,000 | $ - | $ - | $ - | $ - | $ - | $ 762,000 |
| Support Services Building | $ - | $ - | $ - | $ - | $ 2,662,000 | $ 18,985,000 | $ - | $ 21,647,000 |
| Systems Integration Project (AODB) | $ - | $ - | $ - | $ - | $ 760,000 | $ 863,000 | $ - | $ 1,623,000 |
| Taxi Hold Area Restrooms | $ - | $ 206,000 | $ - | $ - | $ - | $ - | $ - | $ 206,000 |
| Triturator Facility Improvement | $ - | $ 858,000 | $ - | $ - | $ - | $ - | $ - | $ 858,000 |
| Wireless Mesh | $ 342,669 | $ - | $ - | $ 206,000 | $ 1,100,000 | $ 437,000 | $ - | $ 2,085,669 |
| **Total Other Projects** | **$ 5,622,969** | **$ 15,645,630** | **$ 5,698,930** | **$ 14,051,000** | **$ 17,848,832** | **$ 30,711,000** | **$ 13,190,000** | **$ 102,768,361** |

**Table 2-1 (3 of 3): Capital Improvement Program by Year**

(For Fiscal Years Ending September 30)

| PROJECT CATEGORY | TOTAL COSTS FUNDED TO DATE [2/] | PROJECTED [1/] FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | TOTAL PROJECT COSTS |
|---|---|---|---|---|---|---|---|---|
| **Stinson Projects** | | | | | | | | |
| Air Traffic Control Tower | $ 537,638 | $ 3,474,405 | $ - | $ - | $ - | $ - | $ - | $ 4,012,043 |
| Building Modifications | $ 293,331 | $ 100,000 | $ 100,000 | $ 100,000 | $ 100,000 | $ 100,000 | $ 100,000 | $ 893,331 |
| Commander's House Redevelopment | $ - | $ - | $ 145,000 | $ - | $ - | $ - | $ - | $ 145,000 |
| Field Security And It Upgrades | $ - | $ - | $ - | $ - | $ 2,815,000 | $ - | $ - | $ 2,815,000 |
| Land Prep | $ - | $ 412,000 | $ 424,000 | $ 437,000 | $ - | $ - | $ - | $ 1,273,000 |
| Master Plan Update | $ - | $ - | $ - | $ - | $ - | $ 580,000 | $ - | $ 580,000 |
| Monument & Directional Signage | $ - | $ - | $ 545,000 | $ - | $ - | $ - | $ - | $ 545,000 |
| Parking Lot | $ - | $ 145,000 | $ - | $ - | $ - | $ - | $ - | $ 145,000 |
| Roosevelt Access Parkway | $ - | $ 357,000 | $ 1,633,000 | $ 989,000 | $ - | $ - | $ - | $ 2,979,000 |
| Taxiway D Upgrade | $ - | $ - | $ 505,000 | $ 4,545,000 | $ - | $ - | $ - | $ 5,050,000 |
| Terminal Office Space Build-Outs | $ 28,530 | $ 289,000 | $ - | $ - | $ - | $ - | $ - | $ 317,530 |
| Terminal Roof Replacement | $ - | $ - | $ 50,000 | $ 250,000 | $ - | $ - | $ - | $ 300,000 |
| **Total Stinson Projects** | **$ 859,499** | **$ 4,777,405** | **$ 3,402,000** | **$ 6,321,000** | **$ 2,915,000** | **$ 680,000** | **$ 100,000** | **$ 19,054,904** |
| **TOTAL OTHER CAPITAL PROJECTS** | **$ 132,107,862** | **$ 56,317,035** | **$ 59,319,664** | **$ 59,943,403** | **$ 56,471,432** | **$ 66,578,000** | **$ 48,572,000** | **$ 479,309,396** |
| **TOTAL CAPITAL IMPROVEMENT PROGRAM** | **$ 145,340,053** | **$ 214,684,844** | **$ 59,319,664** | **$ 59,943,403** | **$ 56,471,432** | **$ 66,578,000** | **$ 48,572,000** | **$ 650,909,396** |

NOTE:

1/ Estimated expenditure by year for each project

2/ As of September 30, 2014

SOURCE: City of San Antonio, Department of Aviation, June 2015.

PREPARED BY: Ricondo & Associates, Inc. June 2015.

### 2.2.1 SUMMARY OF CAPITAL PROJECTS

For purposes of this report, the Aviation Department's CIP is organized into the following two categories (each of which is discussed in the sections that follow):

#### 2.2.1.1 The Series 2015 Project

The Series 2015 Project includes capital projects described in Chapter 1 to be funded, in part, with the proceeds of the Series 2015 Bonds. As shown on Table 2-1, The Series 2015 Project is estimated to cost approximately $171.6 million in total.

#### 2.2.1.2 Other Capital Projects

Other Capital Projects are other Airport capital projects that are currently anticipated by the Aviation Department to be undertaken through FY 2020. There are no significant anticipated impacts to operating costs or revenues associated with the Other Capital Projects. Other Capital Projects total approximately $479.3 million through FY 2020. Sources of funding for the Other Capital Projects are described in Chapter 7 of this Report.

It should be noted that certain capital projects included in Other Capital Projects could potentially be deferred or not otherwise undertaken by the Aviation Department (depending on circumstances such as aviation demand levels, availability of project funding, etc.) during the Projection Period. However, for purposes of this analysis, such projects have been incorporated in this Report and the accompanying financial tables to be conservative.

It is possible that during the Projection Period, the Aviation Department may consider other potential future Airport improvements not planned for at this time. However, the Aviation Department will only undertake construction on any other potential future projects when demand warrants, necessary environmental reviews have been completed, necessary approvals have been obtained, and associated project costs and/or related debt service can be supported by a reasonable level of Airport user fees or other discrete funding sources such as state/federal grants, PFCs, Airport funds, or third party funds.

Descriptions of the Other Capital Projects and associated costs are described in more detail in the following sections.

*Airfield Projects*

Airfield projects are estimated to cost approximately $146.5 million in total. Approximately $28.5 million of the total cost has been funded as of September 30, 2014 with approximately $118.0 to be funded between FY 2015 and FY 2020. As shown on Table 2-1, airfield projects include the following:

- **Apron and Utilities.** This multi-phased project is estimated to cost approximately $11.2 million in total and will complete the reconstruction of aircraft parking apron and underground utilities between Terminal B and future Terminal C.

- **Runway 12L Improvements.** This project is estimated to cost approximately $13.8 million in total and will rehabilitate the general aviation Runway 12L and sections of adjacent Taxiways M, A, P, and D.

- **Runway 12R Decouple and Reconstruction.** This project is estimated to cost approximately $15.8 million in total. The project will design and construct the decoupling of Runway 12R from Runways 4/22 and includes an environmental assessment and a memorandum of agreement with the FAA. The project will also design and reconstruct Runway 12R in phases, beyond the current six-year capital program.

- **Runway 12R Rehabilitation.** This project is estimated to cost approximately $27.8 million in total. This project will reconstruct two separate sections of concrete runway pavement of Runway 12R, including the rehabilitation of portions of adjacent taxiways, and runway lighting improvements.

- **Terminal Area Taxiways.** This project is estimated to cost approximately $62.6 million in total and includes the reconstruction of Taxiway G, from Runway 4/22 to Taxiway A, and Taxiway N, from Runway 12R southwest to Runway 4/22; and construction of new parallel taxiways to both Taxiways G and N. The project also includes the development of a Surface Movement Guidance Control System (SMGCS) Plan.

- Other airfield projects included in the CIP are estimated to cost approximately $15.5 million in total.

*Acoustical Program Project*

The Aviation Department's Residential Acoustical Treatment Program (Acoustical Program) project is estimated to cost approximately $143.5 million in total. As shown on Table 2-1, approximately $95.2 million of the total cost has been funded as of September 30, 2014 with approximately $48.3 million to be funded between FY 2015 and FY 2020. As part of the Acoustical Program, residences located within eligible noise exposure levels are renovated to reduce interior noise levels.

*Terminal Projects*

Terminal projects are estimated to cost approximately $67.5 million in total. Approximately $1.9 million of the total cost has been funded as of September 30, 2014 with approximately $65.5 to be funded between FY 2015 and FY 2020. As shown on Table 2-1, terminal projects include the following:

- **Terminal A Security Checkpoint Expansion.** This project is estimated to cost approximately $24.0 million in total. This project designs and constructs the expansion of the Terminal A security checkpoint to allow for additional security lines. Project will include the construction of a connector between Terminals A and B to improve checkpoint congestion and provide passengers with access to both terminals.
- **Terminal A Renovations and Refurbishment, Phase II.** This project is estimated to cost approximately $24.0 million in total. This project provides for the design and construction for the

second phase of work. The project includes the design and expansion of the customs facility in Terminal A that will be constructed in phases.

- Other terminal projects included in the CIP are estimated to cost approximately $19.4 million in total.

### *Other Projects*

Other projects are estimated to cost approximately $102.8 million in total. Approximately $5.6 million of the total cost has been funded as of September 30, 2014 with approximately $97.1 to be funded between FY 2015 and FY 2020. As shown on Table 2-1, other projects include the following:

- **Integrated Control Center.** This project is estimated to cost approximately $11.6 million in total. This project includes the plans, designs and construction of a new integrated control center for the Airport.

- **Parking Development Property.** This project is estimated to cost approximately $9.9 million in total. This project includes the design and construction of infrastructure necessary to develop the Nakoma Property, which will include a parking and solar farm at a minimum.

- **Support Services Building.** This project is estimated to cost approximately $21.6 million in total. This project provides for the construction of a new building to centralize Airport personnel displaced by the new terminal. The building will also house central IT functions and a control center to support the operational needs of the Airport.
- Other projects included in the CIP are estimated to cost approximately $59.6 million in total.

### *Stinson Projects*

Stinson projects are estimated to cost approximately $19.1 million in total. Approximately $860,000 of the total cost has been funded as of September 30, 2014 with approximately $18.2 to be funded between FY 2015 and FY 2020. As shown on Table 2-1, Stinson projects include the following:

- **Air Traffic Control Tower.** This project is estimated to cost approximately $4.0 million in total. This project includes the site selection, design, and construction of a new air traffic control tower (ATCT) at Stinson. A new ATCT will eliminate anticipated line-of-sight issues that will occur with future development.
- **Taxiway D Upgrade.** This project is estimated to cost approximately $5.1 million in total and includes the design and construction of a separation between Runway 9-27 and Taxiway D to bring Runway 9-27 to a B-II standard. The Texas Department of Transportation will administer the project.
- Other Stinson projects included in the CIP are estimated to cost approximately $10.0 million in total.

# 3. Economic Base for Air Transportation

## 3.1 Introduction

The CONRAC Facility will primarily serve visitors traveling on airlines serving San Antonio International Airport. Economic and demographic activity in the San Antonio area as well as in the U.S. as a whole impact activity at the Airport, and the derived demand for rental vehicles at the airport. The attractiveness of the destination, in this case San Antonio, impacts passenger demand levels of visitors, the primary customers for rental cars. The traffic (business and leisure passengers) to and from the San Antonio area is the primary source of demand at the Airport as 92.3 percent of passengers using the Airport begin or end their journeys there. The passengers originating air travel at the Airport represent approximately 47.0 percent of the Airport's customers, while travellers from other markets are approximately 6.0 percent higher at approximately 53.0 percent of the air travel demand for those beginning or ending their journeys at the Airport. The population and economy of the San Antonio Area generate demand at the Airport, though the visitors to the area exceed trips taken by residents of the area, so economic growth of the nation as a whole is the most significant predictor of air traffic at the Airport. Because the economy of the San Antonio area and the U.S. impact traffic growth at the Airport, this section presents historical and forecast information related thereto.

The City of San Antonio is the seventh largest city in the U.S. The diverse economy centered in the City of San Antonio benefits from a myriad of drivers of demand. Among the key sectors of the City's economy are hospitality and tourism, finance, military, aerospace, information technology and cyber security, manufacturing, health care and bioscience, and higher education.

- The many attractions and activities for visitors make the meeting and convention business along with tourism a major force in the economy of San Antonio. With the San Antonio River Walk, Sea World, Six Flags Fiesta Texas, the Alamo, the City's geographic position as the gateway to the Texas Hill Country, and the Annual Fiesta Celebration in spring, San Antonio truly offers something for everyone visiting for leisure or business.
- As a geographic and cultural gateway to Mexico, San Antonio enjoys strong business, leisure and family ties to Mexico. The Airport and the network of highways and railroads to Mexico makes San Antonio a crossroads for trade with Mexico that generates travelers coming to shop, vacation, do business, and visit family.
- San Antonio's economy has a strong military presence that generates travel demand and provides a critical economic foundation that complements its leisure, convention and business industries.

- The diversified private sector economy includes the following Fortune 500 companies: USAA, Tesoro, Valero Energy, CST Brands, Inc. and CC Media Holdings, Inc.
- San Antonio is home to Toyota Manufacturing of Texas, a subsidiary of Toyota Motor Engineering and Manufacturing of North America, Inc. H-E-B Grocery Company, LP, the 15th largest private company[1] in the United States, is also headquartered in San Antonio.
- San Antonio is the health care center for south Texas. The Air Trade Area is home to 40 hospitals, including four major hospital systems.
- The many institutions of higher learning including the University of Texas at San Antonio (UTSA), the University of Texas Health Science Center at San Antonio, St. Mary's University, University of the Incarnate Word, Trinity University and Texas A&M University at San Antonio are major employers based in the market, sources of talent and a major local asset to business, military and government as San Antonio competes for economic development opportunities in the knowledge economy of the 21st century.

## 3.2 Air Trade Area

The San Antonio Air Trade Area comprises the primary service region of the Airport. The Air Trade Area encompasses the eight county San Antonio Metropolitan Statistical Area (MSA) that includes Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, and Wilson and the surrounding counties of Kerr, Gillespie, Gonzales, and Hays immediately adjacent to the San Antonio MSA as displayed on **Exhibit 3-1**. The City is the seat of Bexar County, as well as the economic and cultural center for the Air Trade Area.

The Airport is located nine miles from the center of the City at the intersection of Interstate 410 and Interstate 37 (US-281). Interstate 37 runs from the Airport to downtown San Antonio, and southeast to the City of Corpus Christi. The Airport's location is also five miles from Interstate 10, which is the major ground transportation corridor for the southern tier of the U.S. stretching from Jacksonville, Florida to Los Angeles, California. Interstate 35 provides direct access northeast to Austin and Dallas (and as far as Duluth, Minnesota), and southwest to Laredo. These highways ensure that surrounding counties outside the MSA have convenient access to the Airport. It also provides access between the Air Trade Area and other major markets within the State of Texas (Texas) and the southwest U.S.

The location of the Airport and its ease of access to the national highway system are major influences on the definition of the Air Trade Area. The interrelationship with the surrounding counties and nearby metropolitan areas is greatly influenced by the access provided by multiple interstate and state highways bisecting the Air Trade Area.

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1 Forbes, October 2014.


SOURCE: Inter*VISTAS* Consulting Inc, December 2014.
PREPARED BY: Inter*VISTAS* Consulting Inc., December 2014.

**EXHIBIT 3-1**

San Antonio MSA and Air Trade Area

Supporting the definition of the Air Trade Area is the San Antonio International Airport 2013 Market Share Analysis prepared in February 2013 by Inter*VISTAS*. This Report and earlier studies completed in 2008 and 2009 analyzed prior year data to calibrate demand for air travel within the San Antonio MSA and adjacent markets. In these studies, Inter*VISTAS* analyzed origin and destination demand patterns to determine the propensity of travelers in the region to utilize the Airport versus other alternative airports, and the factors that influenced air service and airport choice of consumers of air travel. The definition of the Air Trade Area of the Airport is based on these analyses.

The economic and demographic analysis of the Air Trade Area that follows describes the drivers of air traffic demand in the Air Trade Area as defined geographically in Exhibit 3-1.

## 3.3 State of the Air Trade Area Economy – Economic Trends

The Air Trade Area economy was not immune to the economic downturn of 2008 and 2009 (Great Recession). However, the underlying strength, diversity and resiliency of the economy of the Air Trade Area has been evident in the growth from 2010 to 2015 as shown in Table 3-1. The Air Trade Area's economy reflects that of Texas, which has shown greater success in maintaining economic output and employment levels relative to other major markets in the U.S. in the post Great Recession period. This success is related to the business-friendly environment, low cost of living, and high quality of life available to businesses and individuals in the Air Trade Area.

As shown on **Table 3-1**, growth in the economy of the Air Trade Area and Texas has exceeded that of the U.S. as a whole for many years. The economy of the Air Trade Area as measured by Real Gross Regional Product (GRP) increased an average of 3.5 percent annually from 2000 through 2015 according to Woods and Poole Economics, Inc.[2], an independent provider of historical and forecast economic and demographic data. This rate of growth exceeded the average annual rate of growth of the U.S. Real Gross Domestic Product (GDP) of approximately 1.9 percent over the period, and matched that of the Real Gross State Product (GSP) of Texas, which increased an average of approximately 3.5 percent annually.

[2] Woods and Poole Economics, Inc. (W&P) is an independent firm that specializes in long-term county economic and demographic projections. W&P has been making county projections since 1983. The Complete Economic and Demographic Data Source (CEDDS), a W&P product contains over 2.8 million statistics presented in data table and text formats for all regions, states, Metropolitan Statistical Areas (MSA's) and all 3,091 counties in the W&P regional database. W&P's economic and demographic projections benefit from its approach that utilizes the comprehensive historical county database and the integrated nature of the projection model. The projection for each county in the United States is done simultaneously so that changes in one county will affect growth or decline in other counties. The methodology reflects the flow of growth around the country as new industries emerge or relocate in growing areas and as people migrate, in part because of job opportunities. As all data points are estimates when not in a Census year (2010), the release year of the data (in this case 2015) is considered to be the base or "current" year estimate which is the base year to begin forecasting from. Years prior to the base year are considered to be historical, while the years after the base year are considered to be forecasted estimates (all years are subject to annual revision). Source: CEDDS 2015, The Complete Economic and Demographic Data Source, Volume 1, Projection Overview. For additional information on W&P, please see www.woodsandpoole.com.

**Table 3-1: Real Economic Output Air Trade Area, State of Texas, and United States**

(In 2009 Dollars, Amounts in Millions)

| | GROSS REGIONAL PRODUCT | | GROSS STATE PRODUCT | | GROSS DOMESTIC PRODUCT | |
|---|---|---|---|---|---|---|
| CALENDAR YEAR | AIR TRADE AREA | ANNUAL CHANGE | TEXAS | ANNUAL CHANGE | UNITED STATES | ANNUAL CHANGE |
| **Historical** | | | | | | |
| 2000 | $ 69,812 | | $ 897,900 | | $ 12,306,432 | |
| 2005 | $ 84,754 | 4.0% | $ 1,081,814 | 3.8% | $ 14,116,075 | 2.8% |
| 2006 | $ 89,904 | 6.1% | $ 1,154,656 | 6.7% | $ 14,549,282 | 3.1% |
| 2007 | $ 93,044 | 3.5% | $ 1,212,092 | 5.0% | $ 14,831,230 | 1.9% |
| 2008 | $ 92,641 | -0.4% | $ 1,242,523 | 2.5% | $ 14,626,740 | -1.4% |
| 2009 | $ 91,854 | -0.8% | $ 1,167,233 | -6.1% | $ 14,328,010 | -2.0% |
| 2010 | $ 97,534 | 6.2% | $ 1,228,209 | 5.2% | $ 14,620,949 | 2.0% |
| 2011 | $ 101,413 | 4.0% | $ 1,303,227 | 6.1% | $ 14,816,834 | 1.3% |
| 2012 | $ 106,515 | 5.0% | $ 1,379,402 | 5.8% | $ 15,218,600 | 2.7% |
| 2013 | $ 109,348 | 2.7% | $ 1,422,292 | 3.1% | $ 15,514,792 | 1.9% |
| 2014 | $ 113,126 | 3.5% | $ 1,467,021 | 3.1% | $ 15,892,855 | 2.4% |
| **Current** | | | | | | |
| 2015 | $ 116,512 | 3.0% | $ 1,509,390 | 2.9% | $ 16,261,994 | 2.3% |
| **Forecast** | | | | | | |
| 2016 | $ 119,945 | 2.9% | $ 1,552,353 | 2.8% | $ 16,632,973 | 2.3% |
| 2017 | $ 123,417 | 2.9% | $ 1,595,881 | 2.8% | $ 17,005,442 | 2.2% |
| 2018 | $ 126,956 | 2.9% | $ 1,640,334 | 2.8% | $ 17,382,455 | 2.2% |
| 2019 | $ 130,580 | 2.9% | $ 1,685,870 | 2.8% | $ 17,765,537 | 2.2% |
| 2020 | $ 134,291 | 2.8% | $ 1,732,542 | 2.8% | $ 18,155,067 | 2.2% |
| 2021 | $ 138,093 | 2.8% | $ 1,780,337 | 2.8% | $ 18,550,436 | 2.2% |
| 2022 | $ 141,974 | 2.8% | $ 1,829,122 | 2.7% | $ 18,950,272 | 2.2% |
| 2023 | $ 145,929 | 2.8% | $ 1,878,801 | 2.7% | $ 19,353,691 | 2.1% |
| | **Compound Annual Growth Rates** | | | | | |
| 2000-2015 | | 3.5% | | 3.5% | | 1.9% |
| 2007-2015 | | 2.9% | | 2.8% | | 1.2% |
| 2015-2023 | | 2.9% | | 2.8% | | 2.2% |

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS).

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Over the most recent business cycle from 2007 through 2015, the U.S. GDP increased at an average annual rate of approximately 1.2 percent. The GRP of the Air Trade Area increased at two and one-half times that rate, approximately 2.9 percent on average annually. The GSP of Texas increased at slightly lower rate than the Air Trade Area's GRP at 2.8 percent on average annually.

From 2015 through 2023, the Air Trade Area's Real GRP is forecast to grow at an average rate of approximately 2.9 percent annually, as shown on Table 3-1. This compares favorably to the forecasted increase in U.S. Real GDP of approximately 2.2 percent, and is in line with the forecast of Real GSP for Texas of approximately 2.8 percent annually. These forecasts indicate that the growth in the economy of the Air Trade Area will be consistent with that of Texas, and will outperform that of the nation as a whole.

## 3.4 Population

As shown on **Table 3-2**, the San Antonio MSA is the core population base of the Air Trade Area. Certain other surrounding counties are included in the Air Trade Area based on ease of access to the Airport as well as the propensity of residents of those areas to use the Airport. The San Antonio MSA is at the center of the Air Trade Area with over 2.3 million residents as of January 1, 2015[3], the latest available data, or 89.4 percent of the Air Trade Area's population, as shown on **Table 3-3**.

The population of the Air Trade Area has increased an average of approximately 2.2 percent per year from 2000 through 2015 from approximately 1.9 million to 2.6 million people. This increase in population exceeds the average annual increases of approximately 1.8 percent annually for Texas, and approximately 0.9 percent for the U.S. as a whole.

## 3.5 Income

**Table 3-4** displays Real Income per Capita for the Air Trade Area, Texas, and the U.S. as a whole. The dollar amount of Real Income per Capita in the Air Trade Area trails that of Texas and the U.S

In 2015, Air Trade Area Real Income per Capita was estimated to be $38,447, which was approximately 9.0 percent below the average of $42,248 for Texas, and approximately 10.6 percent below the average of $43,021 for the nation as a whole. From 2000 through 2015, Real Income per Capita in the Air Trade Area increased at an average of approximately 1.1 percent annually, from $32,448 to $38,447. This is similar to the average annual increase in Texas over the period of approximately 1.4 percent, and the average for the U.S. as a whole of approximately 1.0 percent.

[3] Woods & Poole Economics, Inc. The Complete Economic and Demographic Data Source (2015 CEDDS).

**Table 3-2: Population Air Trade Area, State of Texas, and United States**

(Amounts in Thousands)

| | HISTORICAL | | | | | | | | | CURRENT | FORECAST | | | | | | | | COMPOUND ANNUAL GROWTH RATES | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2000 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2000-2015 | 2007-2015 | 2015-2023 |
| **Air Trade Area** | | | | | | | | | | | | | | | | | | | | | |
| San Antonio MSA | 1,720 | 2,012 | 2,061 | 2,106 | 2,153 | 2,193 | 2,234 | 2,278 | 2,314 | 2,352 | 2,392 | 2,433 | 2,474 | 2,516 | 2,559 | 2,602 | 2,646 | 2,690 | 2.1% | 2.0% | 1.7% |
| Gillespie County | 21 | 24 | 24 | 25 | 25 | 25 | 25 | 25 | 26 | 26 | 26 | 27 | 27 | 28 | 28 | 28 | 29 | 29 | 1.4% | 1.1% | 1.4% |
| Gonzales County | 19 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 22 | 0.6% | 0.6% | 0.6% |
| Hays County | 99 | 140 | 148 | 154 | 158 | 164 | 169 | 176 | 178 | 180 | 183 | 185 | 187 | 190 | 192 | 194 | 197 | 199 | 4.1% | 3.2% | 1.2% |
| Kerr County | 44 | 48 | 49 | 49 | 50 | 50 | 50 | 50 | 50 | 51 | 51 | 52 | 52 | 53 | 53 | 53 | 54 | 54 | 1.0% | 0.6% | 0.9% |
| **Total** | **1,903** | **2,244** | **2,302** | **2,353** | **2,406** | **2,451** | **2,498** | **2,549** | **2,589** | **2,630** | **2,673** | **2,717** | **2,761** | **2,807** | **2,853** | **2,899** | **2,946** | **2,994** | 2.2% | 2.0% | 1.6% |
| **Average annual growth** | | 2.4% | 2.6% | 2.2% | 2.3% | 1.9% | 1.9% | 2.0% | 1.5% | 1.6% | 1.6% | 1.6% | 1.6% | 1.6% | 1.6% | 1.6% | 1.6% | 1.6% | | | |
| Texas | 20,944 | 23,832 | 24,309 | 24,802 | 25,245 | 25,641 | 26,061 | 26,448 | 26,839 | 27,248 | 27,678 | 28,115 | 28,559 | 29,011 | 29,469 | 29,934 | 30,406 | 30,886 | 1.8% | 1.7% | 1.6% |
| **Average annual growth** | | 1.9% | 2.0% | 2.0% | 1.8% | 1.6% | 1.6% | 1.5% | 1.5% | 1.5% | 1.6% | 1.6% | 1.6% | 1.6% | 1.6% | 1.6% | 1.6% | 1.6% | | | |
| United States | 282,162 | 301,231 | 304,094 | 306,772 | 309,326 | 311,583 | 313,874 | 316,129 | 318,699 | 321,449 | 324,392 | 327,372 | 330,383 | 333,427 | 336,500 | 339,602 | 342,734 | 345,892 | 0.9% | 0.8% | 0.9% |
| **Average annual growth** | | 0.9% | 1.0% | 0.9% | 0.8% | 0.7% | 0.7% | 0.7% | 0.8% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | | | |

NOTE: Figures may not add due to rounding.

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS)
PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Table 3-3: Population By County Air Trade Area**

(For Calendar Year 2015)

| COUNTIES | POPULATION | SHARE OF POPULATION |
|---|---|---|
| San Antonio MSA | 2,352,170 | 89.4% |
| Hays | 180,265 | 6.9% |
| Kerr | 50,760 | 1.9% |
| Gillespie | 26,034 | 1.0% |
| Gonzales | 20,526 | 0.8% |
| | 2,629,755 | 100.0% |

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS)

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Table 3-4: Real Income Per Capita Air Trade Area, State of Texas, and United States**

(In 2009 Dollars)

| CALENDAR YEAR | AIR TRADE AREA | AVERAGE ANNUAL CHANGE | TEXAS | AVERAGE ANNUAL CHANGE | UNITED STATES | AVERAGE ANNUAL CHANGE |
|---|---|---|---|---|---|---|
| **Historical** | | | | | | |
| 2000 | $ 32,448 | | $ 34,092 | | $ 36,794 | |
| 2005 | $ 33,853 | 0.9% | $ 35,988 | 1.1% | $ 38,899 | 1.1% |
| 2006 | $ 34,867 | 3.0% | $ 37,443 | 4.0% | $ 40,249 | 3.5% |
| 2007 | $ 35,349 | 1.4% | $ 37,963 | 1.4% | $ 40,992 | 1.8% |
| 2008 | $ 35,612 | 0.7% | $ 39,619 | 4.4% | $ 40,847 | -0.4% |
| 2009 | $ 34,549 | -3.0% | $ 36,946 | -6.7% | $ 39,379 | -3.6% |
| 2010 | $ 34,856 | 0.9% | $ 37,447 | 1.4% | $ 39,492 | 0.3% |
| 2011 | $ 36,449 | 4.6% | $ 39,382 | 5.2% | $ 40,646 | 2.9% |
| 2012 | $ 37,218 | 2.1% | $ 40,798 | 3.6% | $ 41,674 | 2.5% |
| 2013 | $ 37,140 | -0.2% | $ 40,866 | 0.2% | $ 41,707 | 0.1% |
| 2014 | $ 37,792 | 1.8% | $ 41,582 | 1.8% | $ 42,365 | 1.6% |
| **Current** | | | | | | |
| 2015 | $ 38,447 | 1.7% | $ 42,248 | 1.6% | $ 43,021 | 1.5% |
| **Forecast** | | | | | | |
| 2016 | $ 39,080 | 1.6% | $ 42,892 | 1.5% | $ 43,653 | 1.5% |
| 2017 | $ 39,714 | 1.6% | $ 43,538 | 1.5% | $ 44,287 | 1.5% |
| 2018 | $ 40,363 | 1.6% | $ 44,200 | 1.5% | $ 44,935 | 1.5% |
| 2019 | $ 41,030 | 1.7% | $ 44,882 | 1.5% | $ 45,602 | 1.5% |
| 2020 | $ 41,720 | 1.7% | $ 45,587 | 1.6% | $ 46,291 | 1.5% |
| 2021 | $ 42,412 | 1.7% | $ 46,294 | 1.6% | $ 46,978 | 1.5% |
| 2022 | $ 43,119 | 1.7% | $ 47,015 | 1.6% | $ 47,677 | 1.5% |
| 2023 | $ 43,823 | 1.6% | $ 47,733 | 1.5% | $ 48,369 | 1.5% |
| | | **Compound Annual Growth Rates** | | | | |
| 2000-2015 | | 1.1% | | 1.4% | | 1.0% |
| 2007-2015 | | 1.1% | | 1.3% | | 0.6% |
| 2015-2023 | | 1.6% | | 1.5% | | 1.5% |

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS).

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

During the most recent economic cycle 2007 to 2015, Real Income per Capita in the Air Trade Area increased an average of approximately 1.1 percent annually, which is higher than the average of approximately 0.6 percent annually in the U.S., and slightly more modest than the average of 1.3 percent annually in Texas.

Real Income per Capita in the Air Trade Area is forecast to continue to increase at an average annual rate of approximately 1.6 percent from 2015 through 2023. This level of growth in Real Income per Capita is comparable to the forecasts for the U.S. as a whole and Texas of approximately 1.5 percent, on average annually.

The Air Trade Area's income levels, which are lower than those of Texas and the U.S., are a reflection of the mix of employment sectors. As shown on **Table 3-5**, service industries are among the largest in the Air Trade Area, which have historically corresponded to lower income levels. Texas Comptroller of Public Accounts expects that the key growth industries of the Alamo Region[4] economy, which includes the Air Trade Area, to include Education and Health Services, Financial Activities, and Trade, Transportation and Utilities. All of these industries have higher than average income levels, and thus, are expected to close the income gap in the Air Trade Area vis-à-vis Texas and the U.S. over the long term.

While Real Income per Capita trails that of Texas and the U.S., the Air Trade Area has a relatively low cost of living, which allows the Air Trade Area residents' disposable income and buying power to remain competitive, as discussed in the following section.

## 3.6 Cost of Living

The ACCRA Cost of Living Index[5] quantifies the relatively low cost of living and affordability of San Antonio. As shown on **Table 3-6**, San Antonio scored a 95.7 on the Cost of Living Composite Index indicating that the cost of living in the city is below the national average, which corresponds to a score of 100. The cost of living in San Antonio is one of the lowest among comparably sized U.S. cities shown on Table 3-6.

Among the drivers of the low cost of living in San Antonio are competitive housing costs, one of the largest single demands on a resident's income. In addition, other necessities such as groceries and utilities are available at lower costs in San Antonio, when compared to other similarly sized cities and the national average.

4 The Alamo Region comprises 19 counties in of south central Texas. Eleven counties of the Air Trade Area, with the exception of Hays, are part of the Alamo Region.

5 ACCRA, 2012 Annual; Woods & Poole Economics, Inc. The Complete Economic and Demographic Data Source (2015 CEDDS). The ACCRA Cost of Living Index (Index) is published by the Council for Community and Economic Research since 1968, this survey is the premier source of data on living cost differentials among U.S. urban areas. For more information on the Index, please visit www.C2er.org.

**Table 3-5: Employment By Industry Sector 2015 San Antonio Metropolitan Statiscal Area**

| INDUSTRY | PERCENTAGE OF TOTAL EMPLOYMENT | SUB SECTOR | EMPLOYMENT | PERCENTAGE OF NON-FARM EMPLOYMENT |
|---|---|---|---|---|
| **Service Providing** | 73% | Healthcare and Social Assistance | 143,950 | 11% |
| | | Retail Trade | 131,776 | 10% |
| | | Accommodation and Food Services | 114,376 | 9% |
| | | Finance and Insurance | 100,444 | 8% |
| | | Administrative and Waste Services | 89,452 | 7% |
| | | Professional and Technical Services | 75,507 | 6% |
| | | Other Services, except Public Administrative | 72,355 | 6% |
| | | Real Estate, Rental, and Lease | 59,521 | 5% |
| | | Wholesale Trade | 38,216 | 3% |
| | | Transportation and Warehousing | 32,998 | 3% |
| | | Arts, Entertainment, and Recreation | 26,306 | 2% |
| | | Information | 24,930 | 2% |
| | | Educational Services | 23,527 | 2% |
| | | Management of Companies and Enterprises | 13,025 | 1% |
| | | Utilities | 1,324 | 0% |
| **Goods Producing** | 12% | Construction | 83,829 | 6% |
| | | Manufacturing | 50,685 | 4% |
| | | Mining | 19,417 | 1% |
| | | Forestry, Fishing, Related Activites, and Other | 2,200 | 0% |
| **Government** | 16% | State and Local Government | 131,441 | 10% |
| | | Federal Military | 35,838 | 3% |
| | | Federal Civilian Government | 35,505 | 3% |
| **Total Non-farm Employment** | | | 1,306,622 | |
| **Farm** | | | 14,627 | |
| **Total Employment** | | | 1,321,249 | |

NOTE: Totals may not add due to rounding

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS).

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Table 3-6: Cost of Living Indicators Selected Citites**

| CITY | COMPOSITE INDEX | GROCERY ITEMS | HOUSING | UTILITIES | TRANSPORATION | HEALTH CARE | MISCELLANEOUS GOODS AND SERVICES |
|---|---|---|---|---|---|---|---|
| San Jose, California | 156.1 | 115.3 | 260.3 | 137.2 | 114.0 | 119.0 | 103.6 |
| Portland, Oregon | 111.3 | 105.8 | 130.8 | 87.1 | 105.8 | 113.6 | 105.1 |
| Milwaukee, Wisconsin | 101.9 | 98.1 | 112.7 | 98.6 | 99.2 | 108.1 | 94.8 |
| Cleveland, Ohio | 101.0 | 108.1 | 93.3 | 109.0 | 101.4 | 104.3 | 102.1 |
| Salt Lake City, Utah | 100.6 | 100.1 | 108.0 | 72.5 | 102.1 | 98.8 | 102.9 |
| Tucson, Arizona | 96.5 | 97.2 | 91.9 | 86.8 | 104.6 | 99.2 | 100.5 |
| San Antonio, Texas | 95.7 | 84.9 | 95.3 | 82.8 | 100.7 | 99.9 | 102.2 |
| Austin, Texas | 95.5 | 89.3 | 85.1 | 110.7 | 100.2 | 100.3 | 100.4 |
| Houston, Texas | 92.2 | 85.1 | 82.0 | 97.7 | 99.2 | 94.6 | 99.9 |
| Dallas, Texas | 91.9 | 96.2 | 70.7 | 105.5 | 100.9 | 103.8 | 100.4 |
| Fort Worth, Texas | 91.1 | 89.8 | 78.0 | 106.2 | 97.6 | 93.8 | 96.1 |

NOTE: Selected Cities within Metropolitan Statistical Areas with populations ranging from one million to 2.5 million and top five cities based on estimated 2014 population.

SOURCES: ACCRA, 2012 Annual; Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS).

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

This lower cost of living relative to the average in the U.S. as a whole and other comparably sized cities provides residents of the Air Trade Area with discretionary and disposable income on par with the U.S. average, despite incomes lower than the national average. This is demonstrated in the following discussion of Retail Sales per Capita.

## 3.7 Real Retail Sales per Capita

**Table 3-7** presents historical and forecast Real Retail Sales per Capita for the Air Trade Area, Texas and the U.S. Real Retail Sales per Capita in the Air Trade Area exceed those of Texas and the U.S. as a whole in 2015. This provides evidence that the low cost of living in the Air Trade Area allows the population to maintain a similar level of disposable income as the nation as a whole despite lower income per capita.

In 2015, Real Retail Sales per Capita was estimated to be $15,635 in the Air Trade Area, which is higher than the average of $15,054 for Texas and $15,019 for the U.S. as a whole. Since 2000, Real Retail Sales per Capita in the Air Trade Area have increased an average of approximately 0.9 percent annually. This increase is significantly more robust than the average annual increase of approximately 0.5 percent and approximately 0.6 percent experienced in Texas and for the U.S. as a whole, respectively.

From 2015 through 2023, Real Retail Sales per Capita in the Air Trade Area are forecast to increase an average of approximately 0.7 percent per year, which is substantially similar to increases of approximately 0.7 percent forecast for Texas and the U.S. as a whole. By 2023, Real Retail Sales per Capita will continue to be higher than the average for Texas, and the average for the U.S. as a whole. Therefore, purchasing power in the Air Trade Area is forecast to continue to keep pace with the level of growth expected for the state and the nation in the future.

## 3.8 Employment

Employment in the Air Trade Area was estimated to total 1.47 million in 2015 as shown on **Table 3-8**. From 2000 to 2015, the Air Trade Area was estimated to have added approximately 396,000 jobs, which corresponded to an average growth rate of approximately 2.1 percent annually. Employment growth in the Air Trade Area outperformed employment growth in Texas and the U.S. as a whole. During the same period, Texas and the U.S. saw average annual growth rates of approximately 1.9 percent and approximately 0.9 percent, respectively.

Over the last economic cycle from 2007 through 2015, the Air Trade Area was estimated to have added approximately 193,000 jobs, or an average annual increase of approximately 1.8 percent. During the same period, Texas and the U.S. average annual growth rates of 1.8 percent and 0.6 percent, respectively.

**Table 3-7: Per Capita Real Retail Sales Air Trade Area, State of Texas, and United States**

(In 2009 Dollars)

| | AIR TRADE AREA | AVERAGE ANNUAL CHANGE | TEXAS | AVERAGE ANNUAL CHANGE | UNITED STATES | AVERAGE ANNUAL CHANGE |
|---|---|---|---|---|---|---|
| **Historical** | | | | | | |
| 2000 | $ 13,620 | | $ 13,904 | | $ 13,832 | |
| 2005 | $ 15,139 | 2.1% | $ 14,665 | 1.1% | $ 14,666 | 1.2% |
| 2006 | $ 15,457 | 2.1% | $ 14,901 | 1.6% | $ 14,876 | 1.4% |
| 2007 | $ 15,565 | 0.7% | $ 14,923 | 0.2% | $ 14,875 | 0.0% |
| 2008 | $ 14,814 | -4.8% | $ 14,214 | -4.8% | $ 14,170 | -4.7% |
| 2009 | $ 13,610 | -8.1% | $ 13,067 | -8.1% | $ 13,028 | -8.1% |
| 2010 | $ 14,006 | 2.9% | $ 13,452 | 2.9% | $ 13,413 | 3.0% |
| 2011 | $ 14,568 | 4.0% | $ 14,002 | 4.1% | $ 13,963 | 4.1% |
| 2012 | $ 14,925 | 2.4% | $ 14,357 | 2.5% | $ 14,319 | 2.5% |
| 2013 | $ 15,227 | 2.0% | $ 14,653 | 2.1% | $ 14,616 | 2.1% |
| 2014 | $ 15,496 | 1.8% | $ 14,916 | 1.8% | $ 14,880 | 1.8% |
| **Current** | | | | | | |
| 2015 | $ 15,635 | 0.9% | $ 15,054 | 0.9% | $ 15,019 | 0.9% |
| **Forecast** | | | | | | |
| 2016 | $ 15,754 | 0.8% | $ 15,173 | 0.8% | $ 15,140 | 0.8% |
| 2017 | $ 15,876 | 0.8% | $ 15,294 | 0.8% | $ 15,263 | 0.8% |
| 2018 | $ 15,993 | 0.7% | $ 15,412 | 0.8% | $ 15,381 | 0.8% |
| 2019 | $ 16,108 | 0.7% | $ 15,526 | 0.7% | $ 15,497 | 0.8% |
| 2020 | $ 16,221 | 0.7% | $ 15,639 | 0.7% | $ 15,612 | 0.7% |
| 2021 | $ 16,316 | 0.6% | $ 15,735 | 0.6% | $ 15,709 | 0.6% |
| 2022 | $ 16,405 | 0.5% | $ 15,824 | 0.6% | $ 15,800 | 0.6% |
| 2023 | $ 16,491 | 0.5% | $ 15,912 | 0.6% | $ 15,889 | 0.6% |
| | | | **Compound Annual Growth Rates** | | | |
| 2000-2015 | | 0.9% | | 0.5% | | 0.6% |
| 2007-2015 | | 0.1% | | 0.1% | | 0.1% |
| 2015-2023 | | 0.7% | | 0.7% | | 0.7% |

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2014 CEDDS).

PREPARED BY: Inter*VISTAS* Consulting LLC. December 2014.

**Table 3-8: Employment Air Trade Area, State of Texas, and United States**

(Amounts in Thousands)

| | HISTORICAL | | | | | | | | | CURRENT | FORECAST | | | | | | | | COMPOUND ANNUAL GROWTH RATES | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2000 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2000-2015 | 2007-2015 | 2015-2023 |
| **Air Trade Area** | | | | | | | | | | | | | | | | | | | | | |
| San Antonio MSA | 980 | 1,154 | 1,184 | 1,177 | 1,180 | 1,208 | 1,236 | 1,268 | 1,295 | 1,321 | 1,348 | 1,374 | 1,401 | 1,428 | 1,455 | 1,482 | 1,509 | 1,537 # | 2.0% | 1.7% | 1.9% |
| Gillespie County | 13 | 17 | 17 | 17 | 17 | 18 | 18 | 18 | 19 | 19 | 20 | 20 | 20 | 21 | 21 | 21 | 22 | 22 | 2.6% | 1.8% | 1.7% |
| Gonzales County | 10 | 11 | 11 | 11 | 10 | 11 | 11 | 11 | 11 | 12 | 12 | 12 | 12 | 12 | 12 | 13 | 13 | 13 | 1.0% | 1.1% | 1.2% |
| Hays County | 50 | 70 | 74 | 76 | 77 | 80 | 84 | 87 | 89 | 91 | 93 | 95 | 96 | 98 | 100 | 102 | 104 | 105 | 4.1% | 3.2% | 1.9% |
| Kerr County | 24 | 30 | 31 | 30 | 29 | 29 | 30 | 30 | 30 | 31 | 31 | 32 | 32 | 32 | 33 | 33 | 34 | 34 | 1.5% | 0.2% | 1.4% |
| **Total** | 1,078 | 1,281 | 1,316 | 1,311 | 1,315 | 1,346 | 1,378 | 1,415 | 1,444 | 1,474 | 1,503 | 1,532 | 1,561 | 1,591 | 1,621 | 1,651 | 1,681 | 1,711 | 2.1% | 1.8% | 1.9% |
| Average Annual Growth | | 2.5% | 2.7% | -0.4% | 0.3% | 2.4% | 2.4% | 2.7% | 2.1% | 2.1% | 2.0% | 1.9% | 1.9% | 1.9% | 1.9% | 1.9% | 1.8% | 1.8% | | | |
| **Texas** | 12,139 | 14,045 | 14,409 | 14,254 | 14,286 | 14,712 | 15,115 | 15,505 | 15,828 | 16,155 | 16,481 | 16,804 | 17,128 | 17,455 | 17,786 | 18,120 | 18,457 | 18,795 | 1.9% | 1.8% | 1.9% |
| Average Annual Growth | | 2.1% | 2.6% | -1.1% | 0.2% | 3.0% | 2.7% | 2.6% | 2.1% | 2.1% | 2.0% | 2.0% | 1.9% | 1.9% | 1.9% | 1.9% | 1.9% | 1.8% | | | |
| **United States** | 165,371 | 179,886 | 179,646 | 174,244 | 173,045 | 176,287 | 178,846 | 182,278 | 185,152 | 188,033 | 190,871 | 193,656 | 196,418 | 199,184 | 201,959 | 204,739 | 207,514 | 210,275 # | 0.9% | 0.6% | 1.4% |
| Average Annual Growth | | 1.2% | -0.1% | -3.0% | -0.7% | 1.9% | 1.5% | 1.9% | 1.6% | 1.6% | 1.5% | 1.5% | 1.4% | 1.4% | 1.4% | 1.4% | 1.4% | 1.3% | | | |

NOTE: Figures may not add due to rounding.

SOURCE: Woods & Poole Economics, Inc., The Complete Economic and Demographic Data Source (2015 CEDDS)

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Employment growth in the Air Trade Area is forecast to be consistent with that of Texas and to outpace that of the U.S. from 2015 through 2023. The Air Trade Area is forecast to add approximately 237,000 jobs between 2015 and 2023, which corresponds to an average annual growth rate of 1.9 percent. This compares favorably with growth rates of approximately 1.9 percent and approximately 1.4 percent for Texas and the U.S., respectively.

The unemployment rate (civilian labor force) in the Air Trade Area for March 2015 was reported to be approximately 3.6 percent as shown on **Table 3-9**. This compares favorably to the approximately 4.2 percent Unemployment Rate for Texas and the approximately 5.6 percent Unemployment Rate for the U.S. as a whole.

As shown on **Table 3-10**, the Bureau of Labor Statistics found in April 2015 that among U.S. Metropolitan Statistical Areas with a population over one million, San Antonio had among the lowest unemployment rates (not seasonally adjusted). The economy of San Antonio continues to generate high levels of employment when compared to Texas and the U.S. as a whole.

## 3.9 Employment by Sector and Employees

The largest employment sector in the San Antonio MSA is comprised of companies offering services (Service Providing), which represents approximately 73.0 percent of the Total Employment. As shown in Table 3-5, the Government sector represents approximately 16.0 percent of the employment base of the MSA, with the Goods Producing sector comprising approximately 12.0 percent.

Employers in the Air Trade Area are diverse, offering a broad base for a stable yet dynamic economy in the Air Trade Area as exemplified by the current unemployment rate and employment growth over the last five years. The largest sixteen regional employers shown on **Table 3-11** are in major industries of the economy including financial services, energy, telecommunications and health care. The military installations in the Air Trade Area employ over 95,000 people as shown on **Table 3-12**. A more thorough discussion of the military's role in the Air Trade Area economy will follow in a subsequent section. Non-military governmental entities such as local school districts in the City of San Antonio, and Bexar County offer employment to an estimated 19,750 in the Air Trade Area. Three major employers in the health care sector are Methodist Healthcare System, University of Texas Health Science Center and the Baptist Health System.

**Table 3-13** lists the Largest Corporate Headquarters in the Air Trade Area. The HEB Grocery Company, LP (H-E-B) is San Antonio's largest private sector employ. The company is headquartered in San Antonio where 20,000 of its employees manage and operate its local stores that are part of more than 300 stores located across Texas and Mexico. H-E-B is Texas' largest privately held company, and the 15th largest in the U.S. as ranked by Forbes, with estimated annual sales of over $20.0 billion.

**Table 3-9: Civilian Labor Force Air Trade Area, State of Texas, and United States**

(Amounts in Thousands)

| | LABOR FORCE | EMPLOYED | UNEMPLOYED | UNEMPLOYMENT RATE |
|---|---|---|---|---|
| Air Trade Area | 1,233 | 1,188 | 45 | 3.6% |
| Texas | 13,088 | 12,533 | 555 | 4.2% |
| United States | 156,318 | 147,635 | 8,682 | 5.6% |

NOTE: Not Seasonally Adjusted.

SOURCE: The Texas Workforce Commission, March 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Table 3-10: Large Metropolitan Statistical Areas with the Lowest Unemployment Rates**

| RANK | METROPOLITAN STATISTICAL AREA | UNEMPLOYMENT RATE |
|---|---|---|
| **1** | Austin, TX | **3.3%** |
| 1 | Okalhoma City, OK | 3.3% |
| 3 | Salt Lake City, UT | 3.5% |
| 4 | San Antonio, TX | 3.7% |
| **5** | Dallas, TX | **4.0%** |
| 5 | Minneapolis, MN | 4.0% |
| **7** | Houston, TX | **4.2%** |
| 7 | San Francisco, CA | 4.2% |
| 7 | San Jose, CA | 4.2% |
| 10 | Denver, CO | 4.3% |
| | United States | 5.6% |

NOTE: Large Metropolitan Statistical Areas have a Census 2000 population of 1 million or more
Not seasonally adjusted, March 2015 data.

SOURCE: U.S. Bureau of Labor Statistics, April 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Table 3-11: Largest Sixteen Regional Employers in the Air Trade Area**

| ORGANIZATION | BUSINESS | NUMBER OF EMPLOYEES IN SAN ANTONIO |
|---|---|---|
| Lackland Air Force Base | Military | 46,577 |
| Fort Sam Houston – U.S. Army Base | Military | 32,633 |
| H-E-B Food Stores | Super Market Chain | 20,000 |
| USAA | Financial Services and Insurance | 16,000 |
| Randolph Air Force Base | Military | 15,942 |
| Northside Independent School District | School District | 12,751 |
| City of San Antonio | City Government | 9,145 |
| Methodist Healthcare System | Health Care Services | 8,118 |
| Baptist Health System | Health Care Services | 7,205 |
| San Antonio Independent School District | School District | 7,000 |
| JPMorgan Chase | Contact Center and Banking Services | 5,200 |
| Wells Fargo | Financial Services | 5,153 |
| The University of Texas Health Science Center at San Antonio | Health Care Education and Research | 5,076 |
| AT&T | Telecommunications | 4,200 |
| Bill Miller BBQ | Restaurant Chain | 4,190 |
| Valero Energy | Oil Refiner and Gasoline Marketing | 3,700 |

SOURCE: San Antonio Economic Development Foundation, 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Table 3-12: Air Trade Area Military Labor Force Employment**

| | NUMBER OF EMPLOYEES |
|---|---|
| Fort Sam Houston Army Base | 46,577 |
| Lackland Air Force Base | 32,633 |
| Randolph Air Force Base | 15,942 |
| Total Military and Civilian-Related Employment | 95,152 |

SOURCE: San Antonio Economic Development Foundation, 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Table 3-13: Corporate Headquarters in the Air Trade Area**

| COMPANY | BUSINESS | NUMBER OF EMPLOYEES IN SAN ANTONIO |
|---|---|---|
| HEB Grocery Stores, LP | Supermarket Chain | 20,000 |
| USAA* | Financial Services and Insurance | 16,000 |
| Bill Miller Bar-B-Q | Fast Food Chain | 4,190 |
| Cullen / Frost Bankers | Financial Services | 3,982 |
| Valero Energy* | Oil Refinery & Gasoline Mktg. | 3,700 |
| Rackspace | IT Managed Hosting Solutions | 3,300 |
| Southwest Research Institute | Applied Research | 2,715 |
| Toyota Motoring Manufacturing | Auto Manufacturing | 2,900 |
| CC Media Holdings, Inc.* | TV & Radio Stations, Outdoor Ads | 2,800 |
| Zachry Holding, Inc. | General Contractors | 2,000 |
| Kinetic Concepts, Inc. | Specialty Medical Products | 1,400 |
| Harland Clarke | Check Printing | 1,500 |
| American Funds | Mutual Funds and Investments | 1,500 |
| Taco Cabana | Fast Food Chain | 1,500 |
| HVHC | Optical Manufacturing | 1,200 |
| Security Service Federal Credit Union | Financial Institution | 1,111 |
| CCC Group, Inc. | General Contractors | 900 |
| DPT Laboratories | Pharmaceutical and Cosmetic Products | 800 |
| Tesoro* | Petroleum Exploration, Extraction & Refining | 800 |
| Whataburger | Fast Food Headquarters | 700 |
| Southwest Business Corporation | Financial Services and Insurance | 675 |
| Broadway Bank | Financial Services | 600 |
| NuStar Energy L.P. | Petroleum Pipeline & Terminal Operators | 550 |
| CST Brands, Inc.* | Fuel and Convience Retailer | 400 |

NOTE: * indicates Fortune 500 Company.

SOURCE: San Antonio Economic Development Foundation, 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

USAA is a Fortune 500 company with its headquarters in San Antonio and employs almost 16,000 people at its locations in the Air Trade Area, making it the second largest private sector employer in the Air Trade Area. Other major private sector employers and Fortune 500 companies headquartered in the Air Trade Area include Valero Energy, Tesoro, CC Media Holdings, Inc., and CST Brands, Inc. JPMorgan Chase, Wells Fargo and AT&T, also Fortune 500 companies with a large presence in the City, employ 5,200, 5,150 and 4,200 people, respectively.

## 3.10 Education

The workforce in the Air Trade Area is highly educated as shown on **Table 3-14**. The Educational Attainment of the Air Trade Area is similar to that of Texas and the U.S. Over 50.0 percent of the Air Trade area's population over 25 years of age has at least some level of college education, a college degree or graduate level degree. Higher levels of educational attainment have a direct correlation to higher incomes, and therefore the propensity to travel by air.

There are major initiatives in the Air Trade Area to advance educational excellence at all levels. These initiatives are supported by local and state training and education programs as well as the higher education system in the Air Trade Area, anchored by the campuses of University of Texas and Texas A&M University, which is discussed in greater detail later in this report.

## 3.11 Industry Sectors

### 3.11.1 HEALTHCARE AND BIOSCIENCES

The Healthcare and bioscience sectors are major drivers of the Air Trade Area's economy. According to the 2014 *San Antonio Health Care and Bioscience Industry: Economic Impact Study* commissioned by the Greater San Antonio Chamber of Commerce, the total economic impact from this sector was approximately $23.9 billion in 2013. In 2013, it was estimated by the San Antonio Chamber of Commerce that 146,190 jobs in the City were directly related to healthcare and bioscience. In the last decade, the sector added 41,567 jobs an increase of 40 percent. Health Services, Health Education, Biomedical Research and Bioscience firms are the main components of the San Antonio Healthcare and Biosciences Industry.

The Greater San Antonio area is home to 40 hospitals, including four major hospital systems. Downtown San Antonio is home to two major medical facilities: Santa Rosa Health Care and Baptist Health System. The South Texas Medical Center (the Medical Center) is a campus that includes forty-five medical related institutions: medical, dental, nursing schools as well as research and specialty care. Twelve hospitals are located on the 900-acre property, including two of the four largest in San Antonio, Methodist Healthcare System and University Health System.

**Table 3-14: Educational Attainment Air Trade Area, State of Texas, and United States**

(Population Age 25 and Over)

| | AIR TRADE AREA | | STATE OF TEXAS | | UNITED STATES | |
|---|---|---|---|---|---|---|
| | POPULATION | SHARE | POPULATION | SHARE | POPULATION | SHARE |
| Less than 9th grade | 124,777 | 7.9% | 1,520,001 | 9.1% | 12,134,368 | 5.8% |
| 9th to 12th grade, No Diploma | 130,700 | 8.3% | 1,497,796 | 9.0% | 16,133,858 | 7.6% |
| High School Graduate (includes equivalency) | 405,199 | 25.6% | 4,207,669 | 25.2% | 58,659,473 | 27.8% |
| Some College, No Degree | 373,990 | 23.7% | 3,765,377 | 22.6% | 44,510,161 | 21.1% |
| Associate's Degree | 116,281 | 7.4% | 1,090,662 | 6.5% | 17,006,372 | 8.1% |
| Bachelor's Degree | 280,395 | 17.7% | 3,044,921 | 18.3% | 38,881,973 | 18.4% |
| Graduate or Professional Degree | 149,099 | 9.4% | 1,547,230 | 9.3% | 23,584,410 | 11.2% |
| Total Population age 25 years and over | 1,580,441 | 100.0% | 16,673,656 | 100.0% | 210,910,615 | 100.0% |

NOTE: Figures may not add due to rounding.

SOURCE: American Community Survey, 2013.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Health education offerings in San Antonio cover all aspects of dental and medical professions. The University of Texas Health Science Center at San Antonio (UTHSC) is the largest with 2,700 students. The UTHSC has nearly two million square feet of education, research, treatment and administrative facilities with a faculty and staff of approximately 5,076. UTHSC offers 69 health-related undergraduate and graduate degrees. Health care management is one of the fastest growing segments of the economy. U.S. News and World Report ranked Trinity University's graduate program in health care management one of the top programs in the U.S.

San Antonio is at the forefront of the biomedical research sector. It is a national center for bioscience research and innovation. Private, academic and non-profit research entities are developing new treatments, vaccines and prevention techniques for some of the most challenging and complex diseases. The military also has major medical and medical research facilities at its installations in the Air Trade Area and works collaboratively with civilian partners.

The Texas Research Park (the Park) is the site of the University of Texas Institute of Biotechnology, Department of Molecular Medicine and the Cancer Therapy and Research Center. The Park is home to the Southwest Oncology Group, and dozens of new biotechnology-related companies. The Park is owned and operated by the Texas Research and Technology Foundation, whose mission includes building a world-class center for life-science research and medical education.

Bioscience firms in San Antonio range from local pioneers in the bioscience sector to global leaders in the biotechnology sector. DPT Laboratories, Ltd. is a contract development and manufacturing organization. It offers full service solutions to pharmaceutical, biotech and healthcare companies specializing in semi-solid and liquid dosage forms. Kinetic Concepts, Inc., established in 1976 in San Antonio, is a global medical technology company. Genyzme Oncology is based in San Antonio. It is a division of Genzyme Corporation, one of the world's leading biotechnology companies. Of note, Genzyme Oncology, Inc. has developed eight of the last eleven cancer drugs approved for general use by the U.S. Food and Drug Administration.

### 3.11.2 MILITARY HEALTH CARE

The San Antonio Military Medical Center (SAMMC) has been established as a result of the 2005 Base Realignment and Closure (BRAC 2005) and combines the Level 1 Trauma elements of Wilford Hall and Brook Army Medical Center (BAMC). Wilford Hall has been renamed SAMMC-South and BAMC has been renamed SAMMC-North. SAMMC-North is doubling its Level I trauma facility by incorporating the Level I trauma admissions from SAMMC-South. SAMMC-South is an outpatient only facility and has received outpatient admissions from SAMMC-North. Wilford Hall Medical Center (SAMMC-South) will be replaced with Lackland Ambulatory Care Center. In 2015, this $486 million center is providing world-class medical care for the community.

BRAC 2005 actions have had a major positive impact on military medicine in San Antonio resulting in $3.1 billion in construction and the net gain of over 12,500 personnel in San Antonio. Currently, all U.S. Army combat medic training is conducted at Fort Sam Houston Army Base. As a result of BRAC 2005, all military combat medics training is undertaken at the new Medical Education and Training Campus at Fort Sam Houston Army Base.

In addition, San Antonio will receive new medical research missions. BRAC 2005 will transform the U.S. Army Institute for Surgical Research into a tri-service Joint Center of Excellence for Battlefield Health and Trauma Research. This new research facility will be adjacent to SAMMC-North. The new mission will continue its cutting edge research in the areas of robotics, prosthetics, and regenerative medicine.

### 3.11.3 MANUFACTURING

San Antonio has maintained its strong position in manufacturing in the past decade, despite the overall decline in the U.S. manufacturing sector. Leading Manufacturers in the Air Trade Area support over 19,300 jobs as shown on **Table 3-15**.

Toyota Motor Manufacturing of Texas, at its San Antonio vehicle assembly plant, produces Tundra and Tacoma pick-up trucks. Toyota is one of the largest manufacturing employers in the Air Trade Area with an estimated workforce of approximately 2,900. This facility represents approximately $1.5 billion in investment in the Air Trade Area economy.[6]

Caterpillar Tractor Company, one the leading producers of heavy equipment and a Fortune 100 company, constructed a $169.0 million engine plant along Interstate 10 in Seguin, Texas, the County seat of Guadalupe County. The plant employs an estimated 900 people manufacturing engines for the truck, marine, and electric power industries, adding to the economic vibrancy of the manufacturing sector in the Air Trade Area.

Albany Engineered Composites, located north of San Antonio in Boerne is a global advanced textiles and material processing company. The company's Boerne facility employs 250 people developing advanced composite structures and textiles used in airplane and aerospace manufacturing.

### 3.11.4 HOSPITALITY AND TOURISM

Over 31.0 million visitors came to San Antonio in 2013. Visitors to San Antonio traveling for business were estimated to exceed 6.2 million travelers in 2013. A study for the Office of the Governor, Economic Development and Tourism, estimated 15.0 percent of these visitors arrived by air, with the vast majority of visitors to San Antonio arriving by automobile.

The San Antonio Hospitality Sector in 2013, the most recent data available, estimated the Economic Impact of Tourism on the market to be over $13.4 billion per annum. From 2003 to 2013 the economic impact of the Hospitality Industry increased by more than 66 percent. As a key component of the economy of the Air Trade Area, tourism supports over 76,110 direct jobs and visitor spending was approximately $7.8 billion in 2013 as shown on **Table 3-16**.

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[6] Source: www.toyota.com as of December 2009.

**Table 3-15: Largest Manufacturers in the Air Trade Area**

| COMPANY | PRODUCT | NUMBER OF EMPLOYEES IN SAN ANTONIO |
|---|---|---|
| Toyota Motor Manufacturing, Texas | Truck Manufacturing Plant | 2,900 |
| The Boeing Company | Aircraft Maintenance Facility | 2,800 |
| Harland Clark | Check Printing | 1,500 |
| Kinetic Concepts, Inc. | Specialty Medical Products | 1,400 |
| HVHC | Optical Manufacturing | 1,200 |
| Lockheed Martin | Aircraft Engine Overhaul | 1,000 |
| San Antonio Aerospace | Aircraft Maintenance | 1,000 |
| CMC Steel Texas | Steel Manufacturing | 1,000 |
| Caterpillar | Construction and Mining Equipment | 900 |
| Coca-Cola / Dr. Pepper Bottling | Soft Drink Bottling | 800 |
| DPT Laboratories | Pharmaceutical and Cosmetic Products | 800 |
| Tyson Foods, Inc. | Poultry Production | 800 |
| L&H Packing Company | Boned Beef and Ground Beef Patties | 625 |
| Maxim | Semi-Conductor Manufacturers | 575 |
| C.H. Guenther & Sons Inc. | Flour, Baking Mixes, and Other Food | 500 |
| SAS Shoemakers | Shoes and Handbags | 500 |
| Standard Aero | Small Gas Turbine Engine and Accessory Repair | 500 |
| Sterling Foods | Production of Specialty Bakery Products | 500 |

SOURCE: San Antonio Economic Development Foundation, 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Table 3-16: Air Trade Area Direct Travel Impacts**

| COUNTY | TOTAL DIRECT SPENDING (000) | VISITOR SPENDING (000) | EARNINGS (000) | NUMBER OF JOBS |
|---|---|---|---|---|
| Atascosa | $ 73,660 | $ 73,660 | $ 21,950 | 780 |
| Bandera | $ 35,480 | $ 31,850 | $ 21,870 | 1,380 |
| Bexar | $ 7,168,840 | $ 6,542,410 | $ 1,853,110 | 60,960 |
| Comal | $ 382,130 | $ 364,780 | $ 112,320 | 3,720 |
| Gillespie | $ 89,050 | $ 87,270 | $ 25,270 | 980 |
| Gonzales | $ 35,650 | $ 35,650 | $ 8,400 | 380 |
| Guadalupe | $ 155,120 | $ 151,650 | $ 55,130 | 1,730 |
| Hays | $ 287,890 | $ 285,630 | $ 81,250 | 2,840 |
| Kendall | $ 87,230 | $ 80,300 | $ 23,930 | 1,040 |
| Kerr | $ 91,910 | $ 89,790 | $ 34,210 | 1,590 |
| Medina | $ 45,500 | $ 45,500 | $ 7,530 | 340 |
| Wilson | $ 39,830 | $ 39,830 | $ 8,480 | 370 |
| Total | $ 8,492,290 | $ 7,828,320 | $ 2,253,450 | 76,110 |

NOTE: 2013 Preliminary data used to compile this report.

SOURCE: Direct Travel Impacts by County; The Economic Impact of Travel on Texas, June 2014, Prepared for Texas Tourism Office of the Governor, Texas Economic Development and Tourism by Dean Runyan Associates.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

San Antonio is one of the top meeting and convention cities in the country, with over 44,600 hotel rooms. Recent initiatives contributing to the success of the Hospitality and Tourism sectors include the opening in January 2010 of the JW Marriott San Antonio Hill Country Resort and Spa. The resort is situated is located 20 minutes from the Airport in Cibolo Canyons. The resort features 1,002 guest rooms and suites, 265,000 square-feet of meeting and event space, the 36-hole Tournament Players Club San Antonio and the Lantana Spa. In 2016, the expansion of the Henry B. Gonzalez Convention Center and Municipal Auditorium will be completed. The expansion project will add 900,000 sq. to the Center. This expansion project will provide San Antonio with the opportunity to host a greater number of meetings and conventions simultaneously.

In 2013,[7] San Antonio hosted over 600 events at the Henry B. Gonzalez Convention Center and Municipal Auditorium. The Alamodome, a multi-purpose sports, convention, and entertainment facility, can accommodate up to 72,000 attendees for an event. It has hosted the NCAA Men's and Women's Basketball Final Four tournament games, the Valero Alamo Bowl, and multiple sporting and entertainment events attracting thousands of out of town visitors to the Air Trade Area. Recently, it was announced San Antonio will again host the NCAA Men's Basketball Final Four in the spring 2018. In 2013, the Alamodome hosted 150 event dates. Of note, in 2015 the International Seventh Day Adventist Conference with over 65,000 attendees will be hosted at the Alamodome.

A summary of the Convention activity hosted by the CVB from 2000 through 2014 is shown in **Table 3-17**.

The convention and meeting market is a major driver of air traffic rental car demand, at the Airport and visitation to the Air Trade Area. As such, future bookings by the CVB provide an indication of future economic activity related to the hospitality sector. In the next 12 months, as of January 1, 2015, an estimated 220,000 people are expected to attend nine large (3,000 plus peak room nights) conventions and meetings. The CVB has a number of notable future meeting and convention bookings in 2016, including the ReedPOP and San Japan, LLC. These and other future meeting and convention bookings for 2016 have an estimated attendance of over 156,000 people that will generate substantial demand for room nights in the Air Trade Area.

Among the many attractions of the Air Trade Area centered in San Antonio are:

- The Alamo – The 300-year-old Mission San Antonio de Valero was the site of the pinnacle battle of the Texas Revolution and is visited by more than 2.5 million people each year.
- River Walk – The San Antonio River Walk is the epicenter of the City of San Antonio offering a wide variety of cultural, shopping and dining experiences along its banks.
- San Antonio Missions National Historic Park – The eight-mile Missions Bike and Hike Trail connects visitors with four out of five San Antonio missions.
- Mission San Jose y San Miguel de Aguayo – The largest mission in San Antonio built in the late 1700's.
- La Villita – San Antonio's first neighborhood is a historic arts village that houses galleries and restaurants.

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[7] Fiscal Year 2013 ending September 30th. San Antonio Convention and Visitors Bureau Annual Report.

**Table 3-17: City of San Antonio Convention Activity Impacts 2000-2014**

| CALENDAR YEAR | CONVENTION ATTENDANCE[1/] | CONVENTION ROOM NIGHTS[1/] | CONVENTION DELEGATE EXPENDITURES (Millions)[1/] |
|---|---|---|---|
| 2000 | 389,448 | 696,215 | $350.8 |
| 2001 | 419,970 | 712,189 | 378.3 |
| 2002 | 483,452 | 693,921 | 435.5 |
| 2003 | 429,539 | 613,747 | 387.0 |
| 2004 | 491,287 | 621,640 | 510.5 |
| 2005 | 503,601 | 699,932 | 523.3 |
| 2006 | 467,429 | 736,659 | 485.8 |
| 2007 | 455,256 | 647,386 | 473.1 |
| 2008 | 563,164 | 691,525 | 607.5 |
| 2009 | 399,408 | 660,736 | 474.5 |
| 2010 | 535,400 | 736,325 | 636.1 |
| 2011 | 499,171 | 637,593 | 593.0 |
| 2012 | 449,202 | 635,829 | 533.7 |
| 2013 | 712,577 | 734,190 | 846.6 |
| 2014 | 652,443 | 725,333 | 775.1 |

NOTES:

1/ Reflects only those conventions hosted by the San Antonio Convention and Visitors Bureau.

SOURCE: City of San Antonio Covention and Visitors Bureau, March 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

- SeaWorld San Antonio – One of Sea World's three marine life adventure parks in the U.S.
- Six Flags Fiesta Texas – A family oriented adventure park.
- Tower of the Americas – Built for the 1968 World's Fair, the Tower rises 750 feet over downtown San Antonio offering spectacular views of the surrounding region and the Texas hills.
- San Antonio Zoo – One of the largest zoos in the U.S.
- Witte Museum, McNay Art Museum, San Antonio Museum of Art.
- Texas Hill Country – San Antonio is the southern gateway to the Texas Hill Country offering visitors outdoor adventure, recreational activities, wine tours, dining and shopping in the small towns that dot the region.
- The Pearl – An educational and dining facility including one of only three Culinary Institutes of America.

### 3.11.5 INFORMATION TECHNOLOGY AND CYBER SECURITY

The San Antonio Economic Development Foundation estimates the economic impact of this sector of the economy as approximately $15.0 billion in 2015. The Air Trade Area is home to the second largest concentration of data centers. It is an attractive location for data centers due to its abundance of reasonably priced electricity, highly developed power and networking infrastructure, and the low risk of natural disasters impacting operations. Microsoft, Lowes, and Valero are some of the corporations with data centers in the Air Trade Area.

The IT sector is particularly strong in the areas of information security and government contracting. Among the institutions focused on IT, the Center For Infrastructure Assurance and Security at UTSA is one of the leading research and education institutions in the field of information security in the U.S. The Air Intelligence Agency, which is the premier IT agency for the U.S. Air Force and the Department of Defense, is located in the Air Trade Area.

The mix of IT products and services delivered has changed in the past ten years as the region has developed a greater reliance on IT services, particularly information security services for civilian and defense agencies of the U.S. government. San Antonio's Cyber Security sector is anchored by the presence of the National Security Agency (NSA) and the U.S. Air Force's Cyber Command. These government agencies and others are supported in the Air Trade Area over 80 private sector providers of cyber security services. The IT sector in the Air Trade Area comprises over 900 companies employing a workforce of 56,000 science and technology professionals.

### 3.11.6 EDUCATION

As shown in **Table 3-18**, there are 21 colleges, universities, and institutes in the Air Trade Area. During 2013/14, over 118,000 students were enrolled in Air Trade Area institutions of higher learning. UTSA is the second largest campus in the University of Texas system. U.S. News and World Report recently named Trinity University the top ranked regional institute of higher learning in the west.

**Table 3-18: Air Trade Area Colleges and Universities by Enrollment and Institution Type**

| COLLEGE/UNIVERSITY | STUDENT ENROLLMENT | INSTITUTION TYPE |
|---|---|---|
| The University of Texas at San Antonio | 30,258 | 4-year, Public |
| San Antonio College | 23,134 | 2-year, Public |
| Northwest Vista College | 14,584 | 2-year, Public |
| St Philips College | 10,313 | 2-year, Public |
| Palo Alto College | 8,568 | 2-year, Public |
| University of the Incarnate Word | 8,442 | 4-year, Private not-for-profit |
| St. Mary's University | 3,941 | 4-year, Private not-for-profit |
| The University of Texas Health Science Center at San Antonio | 3,249 | 4-year, Public |
| Texas A&M University-San Antonio | 3,120 | 2-year, Public* |
| Our Lady of the Lake University-San Antonio | 2,799 | 4-year, Private not-for-profit |
| Trinity University | 2,498 | 4-year, Private not-for-profit |
| University of Phoenix | 1,167 | 4-year, Private for-profit |
| The Art Institute of San Antonio | 953 | 4-year, Private for-profit |
| Galen College of Nursing | 920 | 2-year, Private-for-profit |
| Career Point College | 774 | 2-year, Private-for-profit |
| Hallmark College of Technology/Hallmark College of Aeronautics | 756 | 4-year, Private-for-profit |
| ITT Technical Institute-San Antonio | 710 | 2-year, Private-for-profit |
| Everest Institute-San Antonio | 615 | less than 2-year, Private-for-profit |
| Kaplan Career Institute-San Antonio Campus | 548 | less than 2-year, Private-for-profit |
| International Academy of Design and Technology | 416 | 2-year, Private-for-profit |
| Southwest School of Business and Technical Careers | 379 | less than 2-year, Private-for-profit |

NOTES: Institutions with more than 300 students enrolled.
* Offers junior and senior level college curriculum.

SOURCE: Collegeview.com, November 2014.
PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

### 3.11.7 AEROSPACE

According to the Economic Impact Study commissioned by the Greater San Antonio Chamber of Commerce, the aerospace industry's annual economic impact to the City is approximately $5.4 billion. This industry provides approximately 13,000 jobs, with employees earning an annual average wage in excess of $80,000. The aerospace industry continues to expand as the City leverages its key aerospace assets, which include San Antonio International Airport, Stinson Municipal Airport, Port San Antonio (The Port), Randolph AFB, Lackland AFB, and training institutions.

Many of the major aerospace industry participants such as Boeing, Lockheed Martin, General Electric, Pratt & Whitney, Raytheon, Cessna, VT San Antonio Aerospace, Southwest Airlines, American Airlines, Delta Air Lines, FedEx, United Parcel Service (UPS), and others, have significant operations in San Antonio. The industry in San Antonio is diversified with continued growth in air passenger service, air cargo, maintenance, repair, overhaul, and general aviation.

VT San Antonio Aerospace is a company of VT Systems a global engineer company headquartered in Singapore, providing aircraft maintenance support services for commercial and military aircraft. VT San Antonio Aerospace began operations in April 2002, after acquiring Dee Howard aircraft maintenance facilities through the bankruptcy court. VT San Antonio Aerospace expanded its Maintenance Repair and Overhaul (MRO) operations by investing $16 million to construct an 80,000 square feet maintenance hangar, an adjacent 61,500 square feet warehouse, and a 21,000 square feet office building at the Airport. VT San Antonio Aerospace currently leases 2,072,161 square feet of ground space at the Airport. The VT San Antonio Aerospace lease includes 287,665 square feet of hanger space to accommodate its commercial MRO work on large aircraft for clients such as Delta Air Lines and UPS.

### 3.11.8 FINANCE

The largest component of the finance industry is insurance. USAA, headquartered in the City, is the largest private sector insurance employer in the Air Trade Area. Other insurance companies with headquarters in San Antonio are Catholic Life and GPM Life. These companies along with many regional operations centers for health care insurers are located in the Air Trade Area. In addition, Caremark, United Health Care and PacifiCare all have substantial regional operations in the Air Trade Area.

## 3.12 Military

The U.S. military represents a significant component of the Air Trade Area's economy with Joint Base San Antonio providing an annual economic impact of over $46.39 billion[8]. Joint Base San Antonio comprises three major military installations located in the Air Trade Area, Lackland AFB, Fort Sam Houston, and Randolph AFB. In addition, the property of Brooks Air Force Base (Brooks AFB), a fourth military installation, was transferred from the U.S. Air Force to the City-created Brooks Development Authority (BDA) in 2002, as part of the Brooks

8 State of Texas Comptroller of Accounts, U.S. Military Installations and the Texas Economy, June 2014.

City-Base Project (Brooks City-Base). Furthermore, the military continues to lease over 1.7 million square feet of space at The Port, which is the former Kelly Air Force Base (Kelly AFB) that closed in 2001.

One of the most significant events in San Antonio's recent economic history is related to the recommendations of the BRAC in 2005. BRAC's recommended realignment of medical facilities resulted in a major positive impact on military medicine in San Antonio, with approximately $3.1 billion in construction and the addition of 12,500 jobs at Fort Sam Houston. Currently, medical training for all branches of the United States military services is conducted at Fort Sam Houston.

The 2005 BRAC recommendations established an internationally renowned teaching and research hospital by creating the largest school for training medical technicians in the world. Each year, San Antonio graduates over 152,000 students across all three bases. The BRAC recommended locating management and command centers for the Fifth Army, Sixth Army, Military Property Management, and Military Health Care in the Air Trade Area. As a result, it provides jobs in six targeted industries: health care, health care education, communications, technology, intelligence, and security.

The 2005 BRAC recommendations strengthened San Antonio's role as a leading military research, training, and education center. It established a Joint Base San Antonio; it consolidates installation management at the three military bases in San Antonio, thereby creating the largest installation in the Department of Defense, while supporting 78,000 personnel and approximately $10.3 billion in property.

Fort Sam Houston serves as the command headquarters for the U.S. Army North, U.S. Army South, and Army Medical Command. It is also home to the Army Medical Department Center. The San Antonio Military Medical Command became fully operational in 2012, and it is now the largest medical teaching and research center in the military.

Lackland AFB provides basic military training for all enlisted personnel entering the Air Force, Air Force Reserve and Air National Guard. Lackland AFB is home to the 37th Training Group and is situated on 9,700 acres within the City. Lackland AFB also is home to the Defense Language Institute English Language Center and the Inter-American Air Forces Academy, which train international military personnel from more than 130 countries. More than 86,000 students graduate annually from Lackland AFB's various training centers.

Randolph AFB is home of the 902nd Mission Support Wing. Randolph's mission is to train pilots, navigators and electronic warfare officers.

Brooks City-Base continues to draw private business investment. However, the military missions have been relocated as a result of the 2005 BRAC recommendations. While many of the military missions are being relocated from Brooks City-Base, private development is increasing. In addition, Brooks City-Base is continuing its goal of sustainability by creating a Tax Increment Reinvestment Zone (TIRZ).

The TIRZ has been established and the City is utilizing the tax increments generated to assist in funding street infrastructure projects

The installations employ over 95,152 uniformed and civilian personnel as shown on Table 3-12. On any given day, there are an additional 39,000 military dependents and 20,000 students on the bases.

The BRAC process expanded and consolidated the military health care platform in the Air Trade Area presenting opportunities for increasing the civilian medical research and bioscience sectors in the Air Trade Area.

In addition to these military installations, the Air Trade Area is home to Port San Antonio, formerly Kelly AFB. On July 13, 2001, Kelly AFB officially closed and the land and facilities were transferred to the Greater Kelly Development Authority (GKDA), a City-created Local Redevelopment Authority responsible for overseeing the redevelopment of the base into a business and industrial park. The business park is now known as the Port, which is adjacent and contiguous to Lackland AFB. The Port has developed a rail port for direct international rail operations, including inland port distribution with the maritime Port of Corpus Christi, and continues to work on establishing international air cargo operations and the expansion and addition of new tenants.

With a stable tenant base of over 80 organizations, the Port has over 14,000 workers generating a payroll of over $487 million a year. The Port's customer base adds over $4.0 billion to the local economy.

# 4. Air Traffic

This section presents historical and forecast aviation activity at the Airport and discusses key factors affecting these activity levels. Because of their impact on traffic at the Airport, the status of the airline industry and aviation activity at Austin-Bergstrom International Airport (Austin-Bergstrom), the nearest competing facility to the Airport, are also discussed in this chapter.

## 4.1 State of the Airline Industry

In addition to the socioeconomic factors presented in the previous section, the state of the airline industry has the potential to affect the projections of aviation demand at the Airport. The airline industry as a whole has transformed itself into a profitable business since 2010. The industry's profitability followed a period of prolonged financial difficulty from 2001 through 2009 that resulted from weak economic conditions, political instability and military activity in the world, and the terrorist events occurring on and after September 11, 2001. Since 2010, several airlines have merged, opportunities to generate ancillary, revenue by charging for services previously included in the price of a ticket have been implemented, and seat capacity in the market has been limited to allow airlines to generate revenue that allows them to earn a return on invested capital. Details of these trends are discussed below.

From January 2001 through August 2001, average domestic passenger airfares decreased approximately 20.0 percent from their heights reached in 2000. These fare decreases were a leading indicator of a slowing economy in the U.S. and around the world during the period immediately prior to the downfall of the dot-com companies. During this period, airlines in the U.S. began to struggle to earn a profit under cost structures built around revenue generation at higher fare levels.

The events of September 11, 2001 and the subsequent military actions in Iraq and Afghanistan, Severe Acute Respiratory Syndrome (SARS), and the Avian Flu Virus exacerbated the airlines' financial difficulties. Not only were passengers paying 20 percent less on average for domestic airline tickets compared to 2000, but many passengers also chose not to fly out of fear or because of the inconvenience caused by time consuming and confusing security procedures at airports.

From 2002 through 2005, the U.S. airline industry as a whole operated at a net loss primarily for two reasons. First, low cost carriers including AirTran, Frontier, JetBlue, and Southwest increased their collective market share of U.S. domestic enplanements from approximately 18.0 percent to approximately 30.0 percent. With this larger market share, low cost carriers had a substantial impact on domestic airfare pricing. As a result, domestic airfares did not return to levels experienced prior to 2001. Second, jet fuel prices began to rise appreciably for the first time in many years. Jet fuel commodities became the largest component of most airlines' cost structures, surpassing labor.

In response to these circumstances, network airlines in the U.S. engaged in a cost-cutting process from 2002 through 2005 to reduce their non-fuel costs so that they could earn a profit at new prevailing domestic airfare levels. This cost-cutting process included: (1) simplifying fleets by retiring older less-efficient aircraft, (2) improving labor productivity and lowering compensation levels, (3) rationalizing route networks by allocating smaller or regional aircraft to markets where demand was insufficient to support larger aircraft, and eliminating under-performing hubs, (4) focusing efforts at attracting higher yield passengers, and (5) allocating more capacity to international routes while curtailing domestic capacity growth plans.

As a result of these cost-cutting initiatives, the U.S. airline industry as a whole achieved a net profit in 2006 and 2007 for the first time since 2000. However, upward pressure on costs, especially fuel costs, and downward pressure on ticket prices continued to dampen a full recovery.

In 2008, airlines took further steps to rationalize domestic capacity and safeguard the financial recovery of the industry as a result of fuel costs and downward pressure on airfares. However, oil prices spiked to approximately $150 per barrel, the "housing bubble" burst, and a credit crisis occurred, resulting in the U.S. and world economies falling into recession; unemployment rates quickly doubled.

In 2009, while the airlines' cost outlook improved as oil prices stabilized at approximately $80.00 per barrel, the airlines' revenue outlook deteriorated as ticket prices declined more precipitously than they did following September 11, 2001 as a result of the global credit crisis. Early in 2009, the airlines engaged in another round of capacity reductions resulting in increases in airfares in the second half of 2009. AirTran and Southwest posted net profits for the year, and many other airlines, including JetBlue, achieved positive operating margins in their fourth quarter.

The U.S. airline industry returned to net profitability in 2010 and has remained profitable to date, though domestic seat capacity levels have remained relatively flat since 2009. Growth in airline seat capacity has been consistent with slow but positive U.S. economic growth over the period. More robust economic growth, and resultant air traffic growth, has occurred in 2014.

Since 2010, three large airline mergers have taken place, including American Airlines – US Airways, United Airlines – Continental Airlines, and Southwest Airlines – AirTran Airways. Each of these mergers has allowed the combined company to eliminate overlapping capacity, and curtail service to hubs such as Continental's Cleveland hub, and AirTran's Atlanta hub. This is consistent with the earlier merger of Delta Air Lines and Northwest Airlines, which resulted in the elimination of hub service at Cincinnati and Memphis. The merger of American and US Airways is relatively recent and major capacity reductions have not yet occurred, but it is likely the combined network will be adjusted over the next two years.

The lack of airline seat capacity growth has allowed airlines to raise ticket prices since 2010. Historically high oil prices, averaging approximately $100.00 per barrel over much of the period, have required airlines to raise airfares and limit seat capacity growth. In addition, airlines have un-bundled the pricing of their products, and now charge separately for checked baggage, advanced seat assignments, inflight food and beverages, as well as other goods and services that were formerly included in the airfare. These ancillary charges now represent approximately 20.0 percent of passenger revenue to the largest U.S. airlines.

In recent months, oil prices have decreased over 50.0 percent, and economic growth in the U.S. has increased to the highest rates observed since the global credit crisis of 2008 and the global recession that followed in 2009. While these circumstances may signal a return to more robust air traffic growth, the airline industry is more concentrated with the largest four airlines representing over 80.0 percent of the U.S. domestic market, and airline management teams are more focused on maximizing profits and returns on invested capital rather than expanding market share, so more moderate traffic growth than was seen in previous periods of strong economic growth is more likely over the forecast period.

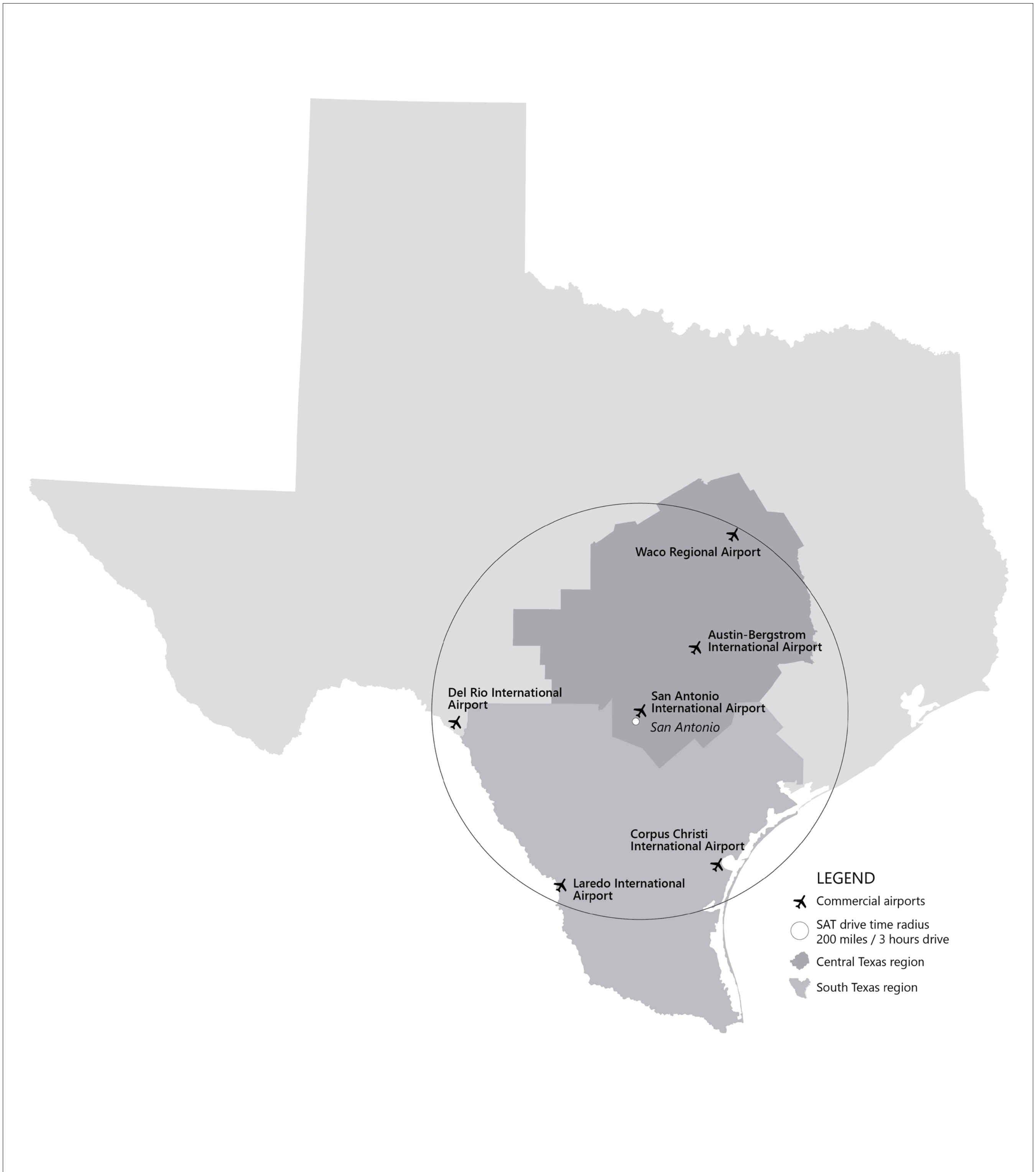
## 4.2 San Antonio International Airport

The Air Trade Area is the primary source of demand for air transportation at the Airport as approximately 92.0 percent of passengers using the Airport begin or end their journeys there. In general, an airport's potential service area is limited by distance from the airport as well as the time it takes to travel to the airport. An airport's service area is further defined by the availability and quality of air service at surrounding airports. **Exhibit 4-1** and **Table 4-1** display airports with commercial airline service within 200 miles of the Airport, which corresponds to a drive time of approximately three hours.

While airports located in Corpus Christi, Laredo, and Waco, Texas are within this region, they are relatively far from the Airport, and have significantly more limited flight options. Austin-Bergstrom is located within the potential service area of the Airport and has comparable air service to what is offered at the Airport. However, significant traffic diversion between the two facilities does not occur due to comparable fare and service levels at each airport.

Austin-Bergstrom is located approximately 78.0 road miles northeast of the Airport. Under favorable driving conditions, the travel time from the Airport to Austin-Bergstrom by car is approximately one hour and seventeen minutes. As a result, the reach of the Airport's service region to the northeast has been limited to reflect competition from Austin-Bergstrom.

The commercial air services available at Austin-Bergstrom are substantially similar to that available at the Airport as shown on **Table 4-2**, though the two markets are distinct and air service at each airport reflects that. Austin-Bergstrom is projected to have 21,993 average daily departure seats in July 2015, approximately 41.3 percent more than the Airport's 15,560. Similarly, Austin-Bergstrom is projected to have an average of 170 daily departing flights, approximately 34.9 percent more than the Airport's 126 daily departing flights. The difference in capacity between the two airports is, in aggregate, not likely to generate significant traffic diversion between them, though each has distinct strengths that cause a limited amount of diversion.




SOURCE: Inter*VISTAS* Consulting Inc., April 2015.
PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**EXHIBIT 4-1**

Commercial Airports
within 200 Miles of the Airport

**Table 4-1: Air Services at Surrounding Airports,
San Antonio International Airport, San Antonio Airport System, July 2015**

| | ROAD DISTANCE (MILES)1/ | APPROXIMATE DRIVE TIME1/ | NON-STOP DESTINATIONS SERVED2/ | AVERAGE DAILY DEPARTURES2/ | AVERAGE DAILY DEPARTURE SEATS2/ |
|---|---|---|---|---|---|
| San Antonio International Airport | - | - | 30 | 126 | 15,560 |
| Austin-Bergstrom International Airport | 78 | 1 hour, 17 minutes | 36 | 170 | 21,993 |
| Corpus Christi International Airport | 151 | 2 hours, 13 minutes | 2 | 17 | 1,328 |
| Laredo International Airport | 167 | 2 hours, 36 minutes | 4 | 8 | 507 |
| Waco Municipal Airport | 186 | 2 hours, 57 minutes | 1 | 5 | 240 |

NOTES:

1/ Mapquest.com, data capture date: April 4, 2015.

2/ Innovata schedules via Diio online portal, data capture date: April 29, 2015.

SOURCE: See notes above.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Table 4-2: Comparison of Air Services San Antonio International Airport and Austin-Bergstrom International Airport, July 2015**

| | SAN ANTONIO INTERNATIONAL AIRPORT | AUSTIN-BERGSTROM INTERNATIONAL AIRPORT |
|---|---|---|
| Non-stop Destinations Served | | |
| Domestic | 25 | 32 |
| International | 5 | 4 |
| Total | 30 | 36 |
| | | |
| Scheduled Carriers | | |
| United States Flag | 5 | 11 |
| Foreign Flag | 4 | 2 |
| Total | 9 | 13 |
| | | |
| Average Daily Departures | 126 | 170 |
| Average Daily Departure Seats | 15,560 | 21,993 |

SOURCE: Innovata schedules via Diio online portal, data capture date: April 29, 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

The Airport had non-stop service to 30 destinations, while Austin-Bergstrom had non-stop service to 36 destinations in July 2015.[1] The Airport and Austin-Bergstrom both had non-stop service to 26 of the same markets. The three markets that are unique to the Airport are Guadalajara, Mexico City and Monterrey, Mexico. San Antonio has generated significantly more demand for travel to Mexico than Austin, and the service pattern at the Airport reflects that. The ten markets that are unique to Austin-Bergstrom are Boston, Branson, Cincinnati, Harlingen, Lubbock, Portland (Oregon), Victoria (Texas), Los Cabos, Mexico, London, England, and Toronto, Canada. Austin is the capital of Texas and is home to a large high-technology business sector that generates more demand to these markets than does San Antonio.

In July 2015, nine airlines have published scheduled service at the Airport, and thirteen airlines have published scheduled service at Austin-Bergstrom. Five airlines have published scheduled service at both airports including network carriers Alaska, American, Delta, and United, and low cost carrier Southwest. Air Canada, Allegiant, Branson Air Express, British Airways, Frontier, JetBlue, Public Charters, and Virgin America are unique airlines to Austin-Bergstrom, while AeroMexico, InterJet, Viva Aerobus, and Volaris are unique airlines to the Airport. Southwest is the largest carrier at each airport offering approximately 45.4 percent of seat capacity at the Airport and approximately 38.6 percent of seat capacity at Austin-Bergstrom. American is the second largest carrier at each airport offering approximately 22.1 percent of seat capacity at the Airport and approximately 20.0 percent of seat capacity at Austin-Bergstrom. United is the third largest carrier at each airport offering approximately 15.8 percent of seat capacity at the Airport and approximately 15.1 percent of seat capacity at Austin-Bergstrom. While the differences in air service do reflect the differences in demand generated by each market, and do drive some diversion between the two airports' service areas based on the availability of non-stop service, they do not cause diversion between the two airports' service areas for similar services available at both airports.

**Table 4-3** displays the average one-way airfares at the Airport and Austin-Bergstrom for the Airport's largest 28 markets by O&D passengers. Of the 28 markets, the Airport has a lower airfare in 15 markets, while Austin-Bergstrom has a lower airfare in 13 markets. On average, airfares in these markets are $181.59 at the Airport and $179.61 at Austin-Bergstrom. Because the airfares at the Airport and Austin-Bergstrom do not differ materially, there is limited economic incentive to cause significant traffic diversion between the two airports' service areas.

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1 The words, "destination," and, "market," are used interchangeably in this report to describe passenger service between one urban area and another rather than service between unique pairs of airports. For example, the San Antonio – New York City market includes passenger services between SAT and both Newark Liberty and John F. Kennedy international airports.

Focusing on markets or destinations rather than unique airport pairs is more appropriate because the various airports in an urban area largely serve the same demand flows. This report is focused on demand generated by and for the San Antonio market, whereas the variety of airports served within those markets is more typically driven by an airline's network structure.

**Table 4-3: Airfare Comparison San Antonio International Airport and Austin-Bergstrom International Airport**

| RANK | MARKET | | SAN ANTONIO INTERNATIONAL AIRPORT | | AUSTIN-BERGSTROM INTERNATIONAL AIRPORT |
|---|---|---|---|---|---|
| 1 | Dallas/Fort Worth [1/] | $ | 126.93 | $ | 137.00 |
| 2 | Washington, D.C./Baltimore [2/] | $ | 227.14 | $ | 222.30 |
| 3 | Los Angeles [3/] | $ | 204.16 | $ | 185.67 |
| 4 | New York City [4/] | $ | 211.22 | $ | 192.79 |
| 5 | Chicago [5/] | $ | 189.22 | $ | 203.65 |
| 6 | Las Vegas | $ | 167.16 | $ | 148.46 |
| 7 | Denver | $ | 151.93 | $ | 124.79 |
| 8 | Atlanta | $ | 175.83 | $ | 183.79 |
| 9 | Orlando [6/] | $ | 163.28 | $ | 135.98 |
| 10 | San Francisco [7/] | $ | 219.92 | $ | 195.49 |
| 11 | Phoenix [8/] | $ | 178.85 | $ | 176.58 |
| 12 | Seattle/Tacoma/Bellingham [9/] | $ | 171.00 | $ | 188.38 |
| 13 | San Diego/Carlsbad [10/] | $ | 170.94 | $ | 187.16 |
| 14 | El Paso | $ | 129.02 | $ | 143.74 |
| 15 | Houston [11/] | $ | 143.00 | $ | 145.93 |
| 16 | Philadelphia | $ | 186.94 | $ | 201.64 |
| 17 | Boston/Manchester/Providence [12/] | $ | 240.02 | $ | 196.37 |
| 18 | Saint Louis | $ | 180.51 | $ | 189.46 |
| 19 | Nashville | $ | 165.87 | $ | 169.55 |
| 20 | Miami/Fort Lauderdale/Palm Beach [13/] | $ | 227.18 | $ | 157.24 |
| 21 | Minneapolis/Saint Paul | $ | 224.21 | $ | 245.66 |
| 22 | Tampa Bay [14/] | $ | 174.59 | $ | 178.97 |
| 23 | Detroit | $ | 232.25 | $ | 237.03 |
| 24 | Salt Lake City | $ | 192.84 | $ | 198.57 |
| 25 | Charlotte | $ | 193.26 | $ | 216.07 |
| 26 | Kansas City | $ | 159.54 | $ | 151.59 |
| 27 | Richmond/Norfolk/Newport News [15/] | $ | 208.11 | $ | 198.32 |
| 28 | New Orleans | $ | 173.27 | $ | 151.52 |
| Weighted Average | | $ | 181.59 | $ | 179.61 |

NOTES:

1/ Dallas Love Field and Dallas/Fort Worth International Airport.

2/ Baltimore/Washington International Thurgood Marshall, Ronald Reagan Washington National, and Washington Dulles International airports.

3/ Bob Hope, John Wayne, Long Beach, Los Angeles International, and LA/Ontario International airports.

4/ John F. Kennedy International, LaGuardia, Long Island Macarthur, Newark Liberty International, Stewart International, and Westchester County airports.

5/ Midway and O'Hare international airports.

6/ Orlando and Orlando Sanford international airports.

7/ Norman Y. Mineta San Jose, Oakland, and San Francisco international airports.

8/ Phoenix Sky Harbor International and Phoenix-Mesa Gateway airports.

9/ Bellingham and Seattle/Tacoma international airports.

10/ McClellan - Palomar and San Diego International airports.

11/ George Bush Intercontinental and William P. Hobby airports.

12/ Boston Logan International, Manchester Boston Regional, and T. F. Green airports.

13/ Fort Lauderdale/Hollywood, Miami, and Palm Beach international airports.

14/ Saint Petersburg/Clearwater, Sarasota Bradenton, and Tampa international airports.

15/ Newport News/Williamsburg, Norfolk, and Richmond international airports.

SOURCE: United States Department of Transportation O&D Passenger Survey for the year ended December 31, 2014.

PREPARED BY: Inter*VISTAS* Consulting, Inc., April 2015.

In summary, the adjacent service area of Austin-Bergstrom to the northeast limits the service area of the Airport. While both airports have similar airfares and service patterns, each airport serves a unique market. There are modest differences in airlines serving the markets and destinations served, which does cause a modest amount of traffic diversion for non-stop service at one airport that is not available at the other. However, there are no significant differences in price or service at each airport, so there is not a significant amount of net traffic diversion between the two markets despite their geographic proximity.

## 4.3 Airlines Serving the Airport

Airlines offering scheduled service at the Airport in July 2015 are shown on **Table 4-4**. The Airport has scheduled passenger service from one low cost carrier, four U.S. network carriers and nine of their regional affiliates, and four Mexican carriers. Four U.S. all-cargo carriers and one foreign all-cargo carrier provide service to the Airport. This diverse group of airlines provides a stable base of scheduled service to the Airport.

Low cost carrier Southwest provides service to a wide variety of business and leisure destinations ensuring significant seat capacity is available at competitive airfares. All of the U.S. network carriers including Alaska, American, Delta, and United, serve the Airport with a combination of mainline narrow-body equipment supplemented by regional jet equipment of their affiliates. Mexican carriers AeroMexico Connect, InterJet, Viva Aerobus, and Volaris provide service to three Mexican cities; the latter three Mexican carriers are low cost carriers. Ameriflight, FedEx, Kalitta, Martinair, and UPS provide all-cargo service to the Airport.

This diverse set of airlines also provides a competitive environment at the Airport. Network airlines and their regional affiliates provide access to large hubs where Air Trade Area passengers can make connections to hundreds of markets throughout the U.S. and around the world. Low cost carriers provide quality services to popular destinations at competitive fares at the Airport. Mexican Airlines provide non-stop access to significant markets in Mexico. All-cargo carriers offer shippers of time-sensitive materials high quality and cost effective access to the Air Trade Area. Together, the diversity of airline service provides Air Trade Area passengers and shippers with a wide range of air service options.

## 4.4 Historical Air Service

Passenger traffic at the Airport in the year-ended December 31, 2014, the most recent period for which data is available, was comprised of approximately 92.3 percent O&D passengers. **Table 4-5** displays the 28 largest domestic O&D passenger markets at the Airport for the year-ended December 31, 2014. Each of these markets represents at least 1.0 percent of total domestic O&D traffic at the Airport. Collectively, the largest 28 markets represent approximately 72.2 percent of domestic O&D traffic at the Airport.

Domestic O&D traffic patterns at the Airport are relatively diversified as none of the largest markets represents more than approximately 8.1 percent of domestic traffic. Most of the largest markets correspond to large metropolitan areas in the U.S. located far enough from the Air Trade Area to make air travel an efficient option in terms of total trip time.

## Table 4-4: Airlines Serving San Antonio International Airport, July 2015

| MAJOR AND NATIONAL AIRLINES | REGIONAL AND COMMUTER AFFILIATE AIRLINES | CARGO AIRLINES |
|---|---|---|
| **United States Flag** | **United States Flag** | **United States Flag** |
| Alaska Airlines | American | Ameriflight |
| American Airlines | Compass Airlines 1/ | FedEx |
| Delta Air Lines | Mesa Airlines 2/ | Kalitta Air |
| Southwest Airlines | PSA Airlines | UPS |
| United Airlines | Republic Airlines | |
| | SkyWest Airlines 3/ | |
| | Delta | |
| | Compass Airlines 1/ | |
| | Endeavor Airlines | |
| | ExpressJet Airlines 4/ | |
| | SkyWest Airlines 3/ | |
| | United | |
| | ExpressJet Airlines 4/ | |
| | GoJet Airlines | |
| | Mesa Airlines 2/ | |
| | Shuttle America | |
| | SkyWest Airlines 3/ | |
| **Foreign Flag** | **Foreign Flag** | **Foreign Flag** |
| InterJet | AeroMexico | Martinair Aviation |
| Viva Aerobus | AeroMexico Connect | |
| Volaris | | |

NOTES:

1/ Compass Airlines serves as a regional affiliate of American Airlines and Delta Air Lines.

2/ Mesa Airlines serves as regional affiliate of American Airlines and United Airlines.

3/ SkyWest Airlines serves as a regional affiliate of American Airlines, Delta Air Lines, and United Airlines.

4/ ExpressJet Airlines serves as a regional affiliate of Delta Air Lines and United Airlines.

SOURCE: City of San Antonio, Department of Aviation.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Table 4-5: Largest Domestic Origin and Destination Passenger Markets**
**San Antonio International Airport**

| RANK | MARKET | PASSENGERS | MARKET SHARE |
|---|---|---|---|
| 1 | Dallas/Fort Worth 1/ | 547,390 | 8.1% |
| 2 | Washington, D.C./Baltimore 2/ | 346,460 | 5.1% |
| 3 | Los Angeles 3/ | 321,840 | 4.8% |
| 4 | New York City 4/ | 305,490 | 4.5% |
| 5 | Chicago 5/ | 291,030 | 4.3% |
| 6 | Las Vegas | 277,380 | 4.1% |
| 7 | Denver | 236,080 | 3.5% |
| 8 | Atlanta | 225,600 | 3.3% |
| 9 | Orlando 6/ | 171,750 | 2.5% |
| 10 | San Francisco 7/ | 171,550 | 2.5% |
| 11 | Phoenix 8/ | 164,170 | 2.4% |
| 12 | Seattle/Tacoma/Bellingham 9/ | 154,800 | 2.3% |
| 13 | San Diego/Carlsbad 10/ | 147,730 | 2.2% |
| 14 | El Paso | 134,080 | 2.0% |
| 15 | Houston 11/ | 122,170 | 1.8% |
| 16 | Philadelphia | 121,310 | 1.8% |
| 17 | Boston/Manchester/Providence 12/ | 107,910 | 1.6% |
| 18 | Saint Louis | 106,960 | 1.6% |
| 19 | Nashville | 106,820 | 1.6% |
| 20 | Miami/Fort Lauderdale/Palm Beach 13/ | 104,130 | 1.5% |
| 21 | Minneapolis/Saint Paul | 102,050 | 1.5% |
| 22 | Tampa Bay 14/ | 98,560 | 1.5% |
| 23 | Detroit | 93,550 | 1.4% |
| 24 | Salt Lake City | 90,690 | 1.3% |
| 25 | Charlotte | 89,260 | 1.3% |
| 26 | Kansas City | 84,280 | 1.2% |
| 27 | Richmond/Norfolk/Newport News 15/ | 75,100 | 1.1% |
| 28 | New Orleans | 72,750 | 1.1% |
| Others | | 1,877,990 | 27.8% |
| Total 16/ | | 6,748,880 | 100.0% |

NOTES:

1/ Dallas Love Field and Dallas/Fort Worth International Airport.

2/ Baltimore/Washington International Thurgood Marshall, Ronald Reagan Washington National, and Washington Dulles International airports.

3/ Bob Hope, John Wayne, Long Beach, Los Angeles International, and LA/Ontario International airports.

4/ John F. Kennedy International, LaGuardia, Long Island Macarthur, Newark Liberty International, Stewart International, and Westchester County airports.

5/ Midway and O'Hare international airports.

6/ Orlando and Orlando Sanford international airports.

7/ Norman Y. Mineta San Jose, Oakland, and San Francisco international airports.

8/ Phoenix Sky Harbor International and Phoenix-Mesa Gateway airports.

9/ Bellingham and Seattle/Tacoma international airports.

10/ McClellan - Palomar and San Diego International airports.

11/ George Bush Intercontinental and William P. Hobby airports.

12/ Boston Logan International, Manchester Boston Regional, and T. F. Green airports.

13/ Fort Lauderdale/Hollywood, Miami, and Palm Beach international airports.

14/ Saint Petersburg/Clearwater, Sarasota Bradenton, and Tampa international airports.

15/ Newport News/Williamsburg, Norfolk, and Richmond international airports.

16/ Figures may not add due to rounding.

SOURCE: United States Department of Transportation O&D Passenger Survey for the year ended December 31, 2014.

PREPARED BY: Inter*VISTAS* Consulting, Inc., April 2015.

**Table 4-6** summarizes non-stop scheduled passenger service at the Airport in May 2015, and **Exhibit 4-2** displays points served non-stop from the Airport graphically. Airlines offer non-stop service to 29 markets from the Airport. Markets with non-stop service from the Airport include 25 of the Airport's 28 largest domestic O&D markets. Thirteen markets have non-stop service on multiple airlines, and low cost carriers serve twenty markets.

The Airport has non-stop service to four Mexican markets, which are not included on Table 4-5. Cancun, Guadalajara, Mexico City/Toluca, and Monterrey are the four largest markets in Mexico with significant business and cultural links to San Antonio. Each of the Mexican markets is served by multiple carriers and each is served by at least one low cost carrier. Service to Mexico is a market in which the Airport has a clear advantage over Austin-Bergstrom, and is able to attract passengers from further to the northeast of San Antonio.

There are three markets among the largest 28 without non-stop service from the Airport. They are Boston, Massachusetts, Kansas City, Missouri and Richmond, Virginia, which are relatively efficiently served on numerous one-stop or single connecting flights from the Airport. Each of these markets represents a significant opportunity for new airline service at the Airport in the future. Only one of the markets not served from the Airport, Boston, has non-stop service from Austin-Bergstrom.

## 4.5 Historical Passenger Activity

**Table 4-7** and **Exhibit 4-3** present historical enplanements at the Airport from FY 1995 through FY 2014. Enplanements at the Airport have increased at a compound annual growth rate of approximately 1.6 percent from FY 1995 to FY 2014 from approximately 3.1 million to approximately 4.2 million passengers. From FY 2002 to FY 2010, enplanements have increased more rapidly at a compound annual growth rate of approximately 2.0 percent. The continued increase in air service at the Airport and competitive fares offered by airlines at the Airport have ensured that demand for travel to and from the Air Trade Area continues to be met at the Airport.

Enplanements have increased in 15 of the last 20 years at the Airport, indicating the overall strength of the market. Enplanements at the Airport generally follow economic trends of the U.S. since the Air Trade Area is a significant business, convention, and tourist destination.

In FY 1998, enplanements at the Airport decreased a modest 0.4 percent annually as a result of Conquest, Western Pacific, and US Airways discontinuing service at the Airport. Conquest Airlines was a small commuter airline that provided service on turbo-prop equipment to a number of cities in Texas. The airline was not affiliated with a major network carrier, and its business proved unsustainable. Western Pacific Airlines offered service to its hub at Colorado Springs, but went bankrupt after prolonged competition with Frontier Airlines and United Airlines. US Airways eliminated service to the Airport in FY 1998, but subsequently returned.

Passenger enplanements declined in FY 2001, FY 2002, and FY 2003 as a result of the terrorist attacks of September 11, 2001 and the subsequent military action in Iraq and Afghanistan, SARS, and the economic recession. The Airport was impacted by many passengers choice not to fly out of fear or because of the inconvenience caused by time consuming and confusing security procedures at airports.

**Table 4-6: Non-stop Markets Served**
**San Antonio International Airport, July 2015**

| MARKET/AIRPORT | AIRLINE(S) | AVERAGE DAILY DEPARTURES | AVERAGE DAILY DEPARTURE SEATS |
|---|---|---|---|
| Dallas | | | |
| Dallas Love Field | Southwest | 9 | 1,266 |
| Dallas/Fort Worth International | American | 14 | 2,064 |
| | | 24 | 3,330 |
| Houston | | | |
| George Bush Intercontinental | United, United Express | 10 | 1,044 |
| William P. Hobby | Southwest | 4 | 519 |
| | | 14 | 1,563 |
| Atlanta | Delta | 7 | 1,160 |
| | Southwest | 2 | 286 |
| | | 9 | 1,446 |
| Chicago | | | |
| Midway International | Southwest | 3 | 434 |
| O'Hare International | American Eagle | 3 | 223 |
| | United, United Express | 3 | 366 |
| | | 9 | 1,023 |
| Los Angeles International | American Eagle | 3 | 228 |
| | Delta Connection | 2 | 152 |
| | Southwest | 2 | 290 |
| | United Express | 3 | 201 |
| | | 10 | 871 |
| Phoenix Sky Harbor International | American Eagle | 5 | 370 |
| | Southwest | 3 | 427 |
| | | 8 | 798 |
| Denver | Southwest | 3 | 415 |
| | United, United Express | 3 | 347 |
| | | 6 | 763 |
| Mexico City | | | |
| Benito Juarez International | AeroMexico Connect | 2 | 198 |
| | InterJet | 2 | 252 |
| | Southwest | 1 | 143 |
| Adolfo López Mateos International (Toluca) | InterJet | 0 | 27 |
| | | 5 | 620 |
| Las Vegas | Southwest | 4 | 598 |
| Washington, D.C. - Baltimore | | | |
| Baltimore/Washington International | Southwest | 3 | 424 |
| Washington Dulles International | United Express | 2 | 154 |
| | | 5 | 578 |
| El Paso | Southwest | 3 | 373 |
| Orlando International | Southwest | 2 | 313 |
| Nashville | Southwest | 2 | 309 |
| New York City | | | |
| John F. Kennedy International | Delta | 1 | 160 |
| Newark Liberty International | United | 1 | 129 |
| | | 2 | 289 |
| San Diego International | Southwest | 2 | 286 |
| Charlotte | American, American Eagle | 3 | 275 |
| Saint Louis | Southwest | 2 | 268 |
| Detroit | Delta, Delta Connection | 3 | 249 |
| Minneapolis/Saint Paul | Delta Connection | 3 | 216 |
| Cancun | Southwest | 1 | 143 |
| | United | 0 | 61 |
| | | 1 | 204 |
| Salt Lake City | Delta, Delta Connection | 2 | 202 |
| Monterrey | AeroMexico Connect | 1 | 50 |
| | InterJet | 1 | 78 |
| | Viva Aerobus | 0 | 48 |
| | | 2 | 176 |
| Seattle/Tacoma | Alaska | 1 | 163 |
| New Orleans | Southwest | 1 | 143 |
| Tampa International | Southwest | 1 | 143 |
| Guadalajara | InterJet | 0 | 44 |
| | Volaris | 0 | 73 |
| | | 1 | 117 |
| Philadelphia | American | 1 | 99 |
| San Francisco International | United Express | 1 | 76 |
| Miami | American | 1 | 70 |
| | | 126 | 15,560 |

NOTE: Totals may not add due to rounding. Markets listed with zero average daily departures have fewer than four scheduled departures per week.

SOURCE: Innovata schedules via Diio online portal, data capture date: April 29, 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.


SOURCE: Inter*VISTAS* Consulting Inc., April 2015.
PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**EXHIBIT 4-2**

Non-Stop Cities Served from the Airport

**Table 4-7: Historical Enplaned Passengers**
**San Antonio International Airport**

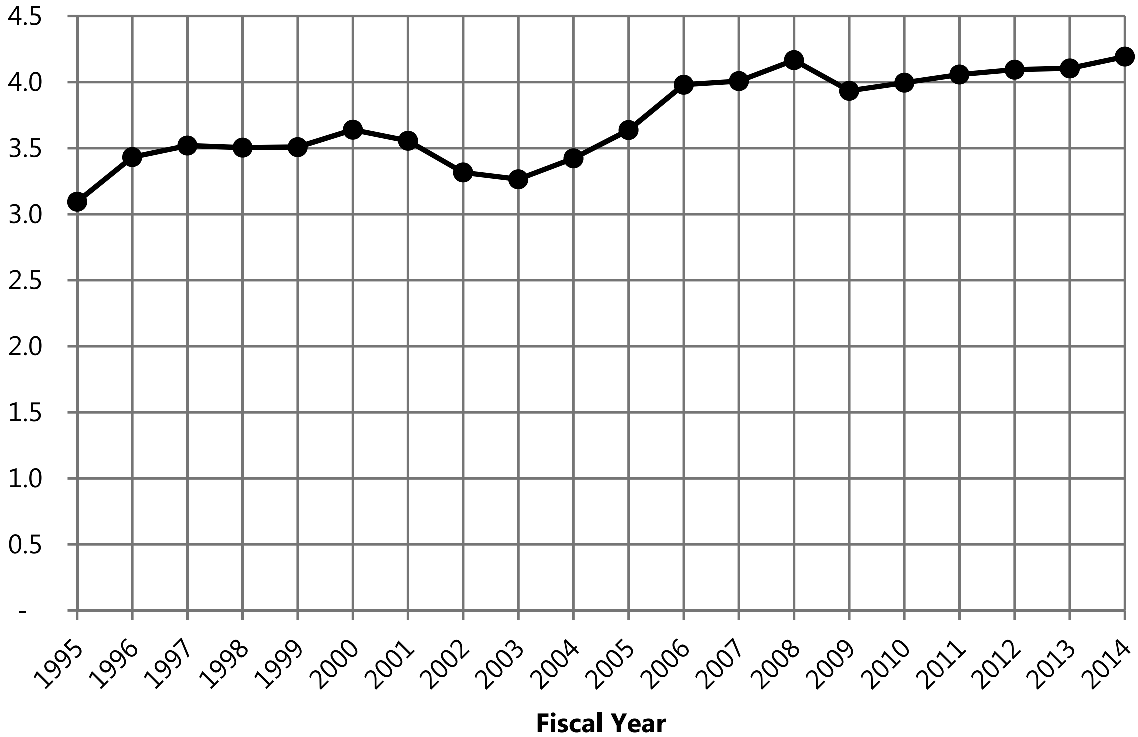
(For the Fiscal Years Ending September 30)

| FISCAL YEAR | MAJOR/ NATIONAL | REGIONAL/ COMMUTER | CHARGER/ UNSCHEDULED | TOTAL | ANNUAL CHANGE |
|---|---|---|---|---|---|
| 1995 | 2,987,912 | 42,615 | 63,730 | 3,094,257 | |
| 1996 | 3,270,232 | 95,984 | 65,916 | 3,432,132 | 10.9% |
| 1997 | 3,418,471 | 51,426 | 49,450 | 3,519,347 | 2.5% |
| 1998 | 3,394,197 | 47,813 | 61,516 | 3,503,526 | -0.4% |
| 1999 | 3,425,634 | 18,864 | 63,460 | 3,507,958 | 0.1% |
| 2000 | 3,585,073 | 23,321 | 30,638 | 3,639,032 | 3.7% |
| 2001 | 3,491,885 | 26,523 | 37,593 | 3,556,001 | -2.3% |
| 2002 | 3,149,587 | 89,359 | 76,799 | 3,315,745 | -6.8% |
| 2003 | 3,088,101 | 128,116 | 48,028 | 3,264,245 | -1.6% |
| 2004 | 3,167,556 | 232,909 | 22,236 | 3,422,701 | 4.9% |
| 2005 | 3,337,715 | 267,523 | 31,590 | 3,636,828 | 6.3% |
| 2006 | 3,583,829 | 388,380 | 7,925 | 3,980,134 | 9.4% |
| 2007 | 3,595,064 | 407,134 | 5,603 | 4,007,801 | 0.7% |
| 2008 | 3,675,083 | 485,170 | 6,199 | 4,166,452 | 4.0% |
| 2009 | 3,556,054 | 372,319 | 6,111 | 3,934,484 | -5.6% |
| 2010 | 3,357,390 | 624,958 | 13,193 | 3,995,541 | 1.6% |
| 2011 | 3,412,127 | 632,743 | 12,351 | 4,057,221 | 1.5% |
| 2012 | 3,354,431 | 727,776 | 12,184 | 4,094,391 | 0.9% |
| 2013 | 3,272,059 | 809,609 | 22,353 | 4,104,021 | 0.2% |
| 2014 | 3,333,629 | 827,047 | 31,893 | 4,192,569 | 2.2% |
| | Compound Annual Growth Rate | | | | |
| 1995-2014 | 0.6% | 16.9% | -3.6% | 1.6% | |
| 2002-2014 | 0.5% | 20.4% | -7.1% | 2.0% | |

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Exhibit 4-3: Historical Enplaned Passengers**




SOURCE: City of San Antonio Department of Aviation, November 2014.
PREPARED BY: Inter*VISTAS* Consulting Inc., March 2015.

As the airline industry began to recover after three years of business transformation and economic growth improved, passenger enplanements began to increase again at the Airport in FY 2004. From FY 2004 through FY 2008, the U.S. economy grew while a more stable and diverse group of airlines were serving the Airport. Passenger enplanements grew each year during this period to reach record levels in FY 2008. In FY 2009, enplanements decreased approximately 5.6 percent as a result of national and global economic weakness and the Avian Flu crisis. Airport enplanements increased approximately 1.4 percent in FY 2010, and enplanements increased each year thereafter as U.S. economic conditions improved.

Consistent with trends at most U.S. airports, passenger activity at the Airport has shifted toward regional/commuter airlines from major/national airlines over the past fifteen years. From FY 1995 to FY 2014, passenger traffic on regional/commuter airlines increased at a compound annual growth rate of approximately 16.9 percent, while passenger traffic on major/national airlines increased at a compound annual rate of approximately 0.6 percent. Over this period, major/national airlines transferred many routes to regional affiliates to better match capacity with demand. This trend is even more pronounced between FY 2002 and FY 2014 when regional/commuter airline traffic increased at a compound annual growth rate of approximately 20.4 percent while major/national airline traffic increased at a compound annual growth rate of approximately 0.5 percent. Passenger activity on charter/unscheduled airlines has decreased as more passengers have been accommodated on scheduled services. Approximately two-thirds of chartered/unscheduled passengers are being deported from the United States on flights operated for Immigration and Customs Enforcement.

The trend toward replacement of mainline equipment with regional equipment will likely continue as American and US Airways combine their operations over the next two years. Following recent airline mergers, each airline now serves more markets from the Airport, though mainline equipment has been replaced by regional equipment to better match capacity with demand and eliminate redundancies.

**Table 4-8** presents monthly enplanements at the Airport for FY 2013, FY 2014, and FY 2015. In FY 2014, enplanements at the Airport increased approximately 2.2 percent over FY 2013. Enplanements increased year-over-year each month from April through September of FY 2014. In November, February, and March of FY 2014, enplanements trailed those of the prior year when bad weather in the northeast and midwest caused several airline cancellations at the Airport. In October, December, and January of FY 2014, passenger enplanements increased over the prior year.

In the first seven months of FY 2015, enplanements at the Airport increased approximately 0.8 percent over the same period in FY 2014. Enplanements were higher than the previous year in October 2014 and January, March, and April 2015 as a result of improved economic conditions and higher airline capacity. Enplanements were lower than the previous year in November and December of 2014 and February 2015 due to higher levels of cancellations caused by bad weather.

From FY 2011 through FY 2015 airlines have added new capacity to the market to meet demand to and from the Air Trade Area:

- Alaska Airlines inaugurated service to Seattle
- American Airlines inaugurated service to Los Angeles and Miami
- Delta Air Lines inaugurated service to Los Angeles
- InterJet inaugurated service to Mexico City and Toluca
- InterJet and Viva Aerobus each inaugurated service to Monterrey
- InterJet and Volaris each inaugurated service to Guadalajara
- Southwest Airlines inaugurated service to Cancun, Mexico City, New Orleans, and Saint Louis
- United Airlines inaugurated service to Cancun
- US Airways inaugurated service to Philadelphia

The new seat capacity on these new and existing routes will continue to help meet growing demand in the Air Trade Area.

**Table 4-8: Monthly Enplaned Passengers**
**San Antonio International Airport**

(For the Fiscal Years Ending September 30)

| | FISCAL YEAR 2013 | FISCAL YEAR 2014 | ANNUAL CHANGE | FISCAL YEAR 2015 | ANNUAL CHANGE |
|---|---|---|---|---|---|
| October | 347,570 | 351,458 | 1.1% | 358,858 | 2.1% |
| November | 348,831 | 337,121 | -3.4% | 333,621 | -1.0% |
| December | 343,648 | 366,488 | 6.6% | 361,410 | -1.4% |
| January | 301,797 | 301,855 | 0.0% | 304,944 | 1.0% |
| February | 286,286 | 278,607 | -2.7% | 277,783 | -0.3% |
| March | 363,612 | 363,472 | 0.0% | 367,525 | 1.1% |
| April | 344,955 | 350,667 | 1.7% | 364,790 | 4.0% |
| May | 356,178 | 365,538 | 2.6% | | |
| June | 383,576 | 394,884 | 2.9% | | |
| July | 381,639 | 409,555 | 7.3% | | |
| August | 340,113 | 355,064 | 4.4% | | |
| September | 305,816 | 317,860 | 3.9% | | |
| October - April | 2,336,699 | 2,349,668 | 0.6% | 2,368,931 | 0.8% |
| Total | 4,104,021 | 4,192,569 | 2.2% | | |

SOURCE: City of San Antonio, Department of Aviation, April 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

### 4.5.1 IMPACT OF MEXICAN LOW-COST CARRIER SERVICE AT THE AIRPORT

As shown on **Table 4-9**, international enplanements at the Airport have increased significantly over the last five fiscal years. In FY 2009, international enplanements represented approximately 1.8 percent of total enplanements, while in FY 2014 international enplanements represented approximately 5.6 percent of total enplanements. Although Southwest Airlines and United Airlines offer non-stop service to Mexico City and Cancun, the vast majority of international enplanements at the Airport traveled on Mexican carriers AeroMexico, InterJet, Viva Aerobus, or Volaris. Viva Aerobus served the market between November, 2011 and August, 2013, and reentered the market in November, 2014.

Passengers boarding flights to Mexico at the airport have availed themselves of convenient flights to Cancun, Guadalajara, Mexico City, Monterrey, and Toluca. Since 2011, nominal passenger airfares between San Antonio and Mexico have decreased from approximately $267 to $205 one-way as published by the United States Department of Transportation Origin and Destination Passenger Survey. Lower prices have stimulated demand by attracting passengers that might otherwise have traveled to Mexico by a surface mode. Furthermore, airfares to Mexico from San Antonio are approximately $65.00 less expensive than from Austin, which has likely caused some passengers from Austin to travel from the Airport to Mexico.

Increased international enplanements at the Airport has not been achieved at the expense of domestic enplanements traveling to Mexico via an intermediate point. Some passengers travelling to Mexico board a domestic flight at the Airport, and make a connection at an intermediate airport such as Dallas/Fort Worth International Airport or George Bush Intercontinental Airport - Houston to a flight bound for Mexico. At the same time that Mexican low cost carriers started service at the Airport and airfares between the Airport and Mexico decreased, passengers traveling to Mexico via an intermediate point increased from approximately 93,000 annual passengers to approximately 160,000 annual passengers as published by the United States Department of Transportation Origin and Destination Passenger Survey.

### 4.5.2 REAL AIRFARES

As reported on the U.S. Department of Transportation’s Origin and Destination Passenger Survey, the real price of domestic airline tickets to and from the Airport were relatively flat, increasing an average of 0.6 percent annually from approximately $178.00 in 2002 to approximately $190.00 in 2013 (constant 2010 dollars). The real average yield per revenue passenger mile (the average amount paid by passengers to fly one mile) was the same in 2002 as it was 2013, approximately 15.5 cents. Since real airfares increased slightly while real yields remained flat, the average length of a passenger journey has increased over the period.

Relatively flat airfares have been partially offset by increases in ancillary fees charged by airlines. However, airlines report that passenger price sensitivity to air travel is related to the initial purchase price, but not for additional services. This is consistent with the experience of airport operators, which earn a significant portion of non-aeronautical revenues from purchase decisions subsequent to the initial decision to purchase air travel. Therefore, the minimal changes in real ticket prices contributed to increases in passenger activity at the airport as steady average airfares made flying more affordable and more attractive to a larger number of people.

**Table 4-9: Domestic and International Enplaned Passengers**
**San Antonio International Airport**

(For the Fiscal Years Ending September 30)

| FISCAL YEAR | DOMESTIC | SHARE | INTERNATIONAL | SHARE | TOTAL | ANNUAL CHANGE |
|---|---|---|---|---|---|---|
| 1995 | 3,012,061 | 97.3% | 82,196 | 2.7% | 3,094,257 | |
| 1996 | 3,341,313 | 97.4% | 90,819 | 2.6% | 3,432,132 | 10.9% |
| 1997 | 3,419,329 | 97.2% | 100,018 | 2.8% | 3,519,347 | 2.5% |
| 1998 | 3,382,708 | 96.6% | 120,818 | 3.4% | 3,503,526 | -0.4% |
| 1999 | 3,392,138 | 96.7% | 115,820 | 3.3% | 3,507,958 | 0.1% |
| 2000 | 3,518,472 | 96.7% | 120,560 | 3.3% | 3,639,032 | 3.7% |
| 2001 | 3,439,091 | 96.7% | 116,910 | 3.3% | 3,556,001 | -2.3% |
| 2002 | 3,218,056 | 97.1% | 97,689 | 2.9% | 3,315,745 | -6.8% |
| 2003 | 3,178,789 | 97.4% | 85,456 | 2.6% | 3,264,245 | -1.6% |
| 2004 | 3,334,258 | 97.4% | 88,443 | 2.6% | 3,422,701 | 4.9% |
| 2005 | 3,543,679 | 97.4% | 93,149 | 2.6% | 3,636,828 | 6.3% |
| 2006 | 3,882,346 | 97.5% | 97,788 | 2.5% | 3,980,134 | 9.4% |
| 2007 | 3,902,810 | 97.4% | 104,991 | 2.6% | 4,007,801 | 0.7% |
| 2008 | 4,074,551 | 97.8% | 91,901 | 2.2% | 4,166,452 | 4.0% |
| 2009 | 3,865,354 | 98.2% | 69,130 | 1.8% | 3,934,484 | -5.6% |
| 2010 | 3,916,980 | 98.0% | 78,561 | 2.0% | 3,995,541 | 1.6% |
| 2011 | 3,989,229 | 98.3% | 67,992 | 1.7% | 4,057,221 | 1.5% |
| 2012 | 3,918,253 | 95.7% | 176,138 | 4.3% | 4,094,391 | 0.9% |
| 2013 | 3,862,130 | 94.1% | 241,891 | 5.9% | 4,104,021 | 0.2% |
| 2014 | 3,957,035 | 94.4% | 235,534 | 5.6% | 4,192,569 | 2.2% |
| | Compound Annual Growth Rate | | | | | |
| 1995-2014 | 1.4% | | 5.7% | | 1.6% | |
| 2002-2014 | 1.7% | | 7.6% | | 2.0% | |

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Real average ticket prices have remained nearly constant at the Airport for a variety of reasons. First, the trend at the Airport is consistent with trends nationally over the period in which real passenger yield decreased only slightly, an average of -0.5 percent annually from 2002 to 2013. This trend was driven by increased market share by low cost carriers in the U.S. At the Airport, additional low cost carrier service from InterJet, Southwest, and Volaris was added during this period. Second, real airfares have been under pressure during the period as a result of weak economic conditions as well as the impacts of terrorist events on and after September 11, 2001, global political instability, the global credit crisis, and military activity throughout the world. Finally, airlines have reduced their cost structures over the period, and some of those savings have been passed on to consumers in the form of lower airfares.

Airlines are earning a profit from services to the Airport.

### 4.5.3 AIRLINE PASSENGER MARKET SHARE

**Table 4-10** presents the Airport's historical enplanement market share for FY 2000, FY 2010, and FY 2014. The Airport's market is competitive, featuring the U.S. network carriers Alaska, American, Delta, and United, low cost carrier Southwest Airlines, Mexican network carrier AeroMexico, and Mexican low cost carriers InterJet and Volaris. Low cost carrier market share at the Airport including InterJet, Southwest, and Volaris was approximately 44.8 percent in FY 2014. Network carriers AeroMexico, Alaska, American, Delta, and United carried approximately 54.5 percent of enplanements during the same period. Mexican carriers AeroMexico, InterJet, and Volaris represented approximately 4.0 percent of the market in FY 2014. In general, the broad base of airlines serving the Airport and relative balance in market share between network and low cost airlines has made the Airport a more stable market capable of sustaining consistent growth in enplanements enhanced by new capacity, and lower fares.

The market for passenger traffic at the Airport is competitive as no single airline (including code-share partners) has more than a 42.2 percent share of passengers, the market share achieved by Southwest. Southwest provides non-stop service from the Airport to most of the airline's "Mega Cities" including Atlanta, Baltimore/Washington, Chicago, Dallas, Denver, Houston, Las Vegas, Los Angeles, and Phoenix. These destinations serve large flows of local passengers as well as connecting passengers to various other points on the Southwest network beyond these Mega Cities. Oakland is the only Southwest Mega City not yet served non-stop from the Airport. In addition, Southwest operates from the Airport to several other significant points on its network located in Nashville, Orlando, Saint Louis, San Diego, and Tampa. Finally, Southwest provides service to four other significant markets from San Antonio including Cancun, El Paso, Mexico City, and New Orleans.

Southwest has grown incrementally at the Airport ever since the airline was founded in 1971. Since FY 2000, the airline has increased enplaned passengers and market share as shown on Table 4-10. Over the forecast period, no major changes to Southwest's service pattern are expected at the Airport, and incremental growth is expected to continue.

**Table 4-10: Enplaned Passenger Market Share**
**San Antonio International Airport**

(For the Fiscal Years Ending September 30)

| | FY 2000 | MARKET SHARE | FY 2010 | MARKET SHARE | FY 2014 | MARKET SHARE |
|---|---|---|---|---|---|---|
| Southwest Airlines | 1,255,619 | 34.5% | 1,481,973 | 37.1% | 1,621,333 | 38.7% |
| AirTran Airways | - | 0.0% | 136,295 | 3.4% | 146,333 | 3.5% |
| | 1,255,619 | 34.5% | 1,618,268 | 40.5% | 1,767,666 | 42.2% |
| American Airlines | 604,380 | 16.6% | 696,884 | 17.4% | 617,061 | 14.7% |
| American Eagle 1/ | - | 0.0% | 15,443 | 0.4% | 66,212 | 1.6% |
| US Airways | - | 0.0% | 79,860 | 2.0% | 82,128 | 2.0% |
| US Airways Express 2/ | - | 0.0% | 110,080 | 2.8% | 151,774 | 3.6% |
| Trans World Airlines (TWA) | 177,316 | 4.9% | - | 0.0% | - | 0.0% |
| America West Airlines | 88,945 | 2.4% | - | 0.0% | - | 0.0% |
| | 870,641 | 23.9% | 902,267 | 22.6% | 917,175 | 21.9% |
| United Airlines | 164,618 | 4.5% | 37,685 | 0.9% | 259,567 | 6.2% |
| United Express 3/ | - | 0.0% | 299,623 | 7.5% | 382,623 | 9.1% |
| Continental Airlines | 451,212 | 12.4% | 408,188 | 10.2% | - | 0.0% |
| | 615,830 | 16.9% | 745,496 | 18.7% | 642,190 | 15.3% |
| Delta Air Lines | 575,243 | 15.8% | 333,458 | 8.3% | 446,472 | 10.6% |
| Delta Connection 4/ | 8,580 | 0.2% | 183,230 | 4.6% | 166,708 | 4.0% |
| Northwest Airlines | 112,007 | 3.1% | 58,264 | 1.5% | - | 0.0% |
| | 695,830 | 19.1% | 574,952 | 14.4% | 613,180 | 14.6% |
| InterJet | - | 0.0% | - | 0.0% | 98,141 | 2.3% |
| AeroMexico | - | 0.0% | 366 | 0.0% | 841 | 0.0% |
| Aerolitoral | 14,019 | 0.4% | 16,267 | 0.4% | 59,730 | 1.4% |
| | 14,019 | 0.4% | 16,633 | 0.4% | 60,571 | 1.4% |
| Alaska Airlines | - | 0.0% | - | 0.0% | 50,961 | 1.2% |
| Volaris | - | 0.0% | - | 0.0% | 10,714 | 0.3% |
| Frontier Airlines | - | 0.0% | 64,736 | 1.6% | - | 0.0% |
| Midwest Airlines | 30,128 | 0.8% | - | 0.0% | - | 0.0% |
| | 30,128 | 0.8% | 64,736 | 1.6% | - | 0.0% |
| Mexicana de Aviación | 63,803 | 1.8% | 59,681 | 1.5% | - | 0.0% |
| Aeromar | 722 | 0.0% | 315 | 0.0% | - | 0.0% |
| Sun Country Airlines | 61,802 | 1.7% | - | 0.0% | - | 0.0% |
| Unscheduled Airlines | 30,638 | 0.8% | 13,193 | 0.3% | 31,971 | 0.8% |
| Total | 3,639,032 | 100.0% | 3,995,541 | 100.0% | 4,192,569 | 100.0% |

NOTES:

1/ Includes Chautauqua Airlines, Envoy Airlines, Republic Airlines, and Trans States Airlines doing business as American Eagle.

2/ Includes Mesa Airlines, PSA Airlines, Republic Airlines, and SkyWest Airlines doing business as US Airways Express.

3/ Includes Continental Express, ExpressJet Airlines, GoJet Airlines, Mesa Airlines, Shuttle America Airlines, SkyWest Airlines, and Trans States Airlines doing business as United Express.

4/ Includes Atlantic Southeast Airlines (ASA), Chautauqua Airlines, Comair, Compass Airlines, Endeavor Airlines, ExpressJet Airlines, GoJet Airlines, Mesaba Airlines, Pinnacle Airlines, Shuttle America Airlines, and SkyWest Airlines doing business as Delta Connection.

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

American, United, and Delta, the second, third, and fourth largest airlines at the Airport, have enplaned passenger market shares of 21.9 percent, 15.3 percent, and 14.6 percent, respectively. InterJet, AeroMexico, Alaska, and Volaris have a more limited presence at the Airport. The diverse and competitive group of airlines serving the market provide the Airport with the ability to sustain its traffic base even if the Airport were to lose the service of one airline.

American and US Airways announced their intention to merge in 2013, and have received approval from the U.S. Department of Justice to do so without violating anti-trust laws. In addition, the two airlines have been granted a single operating certificate from the FAA. The combination of American and US Airways is not expected to have a material impact on service or traffic at the Airport. American serves its hubs at Chicago, Dallas/Fort Worth, Los Angeles, and Miami, while US Airways serves its hubs at Charlotte, Philadelphia, and Phoenix from the Airport. Each of these markets is among the Airport's largest 28, so they have significant local demand that will continue to support non-stop service. In addition, the connecting opportunities available at each airline's hubs are distinct from one another because they are located in different geographic regions and focus on distinct connecting traffic flows. While capacity to one or more of the hubs of the combined airline may be adjusted, for the reasons described above it is not likely that there will be a material decrease in capacity or demand overall at the Airport.

## 4.6 Historical Cargo Activity

**Table 4-11** presents historical cargo activity at the Airport. From FY 1995 through FY 2014, cargo handled at the Airport has increased an average of 1.3 percent annually from approximately 181.0 million tons to approximately 231.5 million tons. Since FY 2002, cargo activity at the Airport has decreased approximately 0.9 percent annually, which is consistent with national and international decreases in air cargo activity in recent years. Cargo is comprised of freight and mail, of which freight represented approximately 70.4 percent of the tonnage in FY 2014, up from approximately 67.7 percent in earlier years.

As shown on **Table 4-12**, FedEx and UPS are the largest cargo haulers at the Airport, and collectively handle approximately 91.7 percent of cargo. FedEx and UPS primarily handle express freight and mail, while Ameriflight, Kalitta, Martinair, and Others handle heavy freight. Heavy freight represents a relatively small component of freight handled at the Airport; together Ameriflight, Kalitta, Martinair, and Others handle approximately 3.0 percent of freight at the Airport. Passenger airlines at the Airport also handle approximately 5.2 percent of express freight and mail in the bellies of their aircraft. The cargo airlines at the Airport led by FedEx and UPS have served the market for many years, and form a diversified service offering. Increases in cargo activity over the forecast period will be incremental.

**Table 4-11: Historical Air Cargo (tons)**
**San Antonio International Airport**

(For the Fiscal Years Ending September 30)

| FISCAL YEAR | FREIGHT | MAIL | TOTAL | ANNUAL CHANGE |
|---|---|---|---|---|
| 1995 | 122,923,492 | 58,039,474 | 180,962,966 | |
| 1996 | 127,249,074 | 60,847,101 | 188,096,175 | 3.9% |
| 1997 | 183,100,369 | 59,273,715 | 242,374,084 | 28.9% |
| 1998 | 218,694,027 | 61,271,856 | 279,965,883 | 15.5% |
| 1999 | 225,291,754 | 77,130,543 | 302,422,297 | 8.0% |
| 2000 | 203,078,741 | 79,984,136 | 283,062,877 | -6.4% |
| 2001 | 155,447,220 | 68,774,468 | 224,221,688 | -20.8% |
| 2002 | 198,040,016 | 58,903,871 | 256,943,887 | 14.6% |
| 2003 | 171,974,124 | 82,211,086 | 254,185,210 | -1.1% |
| 2004 | 188,617,516 | 78,149,239 | 266,766,755 | 4.9% |
| 2005 | 185,809,080 | 75,265,578 | 261,074,658 | -2.1% |
| 2006 | 203,284,801 | 76,369,884 | 279,654,685 | 7.1% |
| 2007 | 212,630,963 | 72,220,199 | 284,851,162 | 1.9% |
| 2008 | 214,324,213 | 68,164,459 | 282,488,672 | -0.8% |
| 2009 | 197,952,753 | 62,263,902 | 260,216,655 | -7.9% |
| 2010 | 208,920,146 | 63,758,876 | 272,679,022 | 4.8% |
| 2011 | 198,198,233 | 67,481,309 | 265,679,542 | -2.6% |
| 2012 | 193,594,641 | 69,921,499 | 263,516,140 | -0.8% |
| 2013 | 166,180,721 | 68,392,853 | 234,573,574 | -11.0% |
| 2014 | 162,891,167 | 68,622,370 | 231,513,537 | -1.3% |
| | Compound Annual Growth Rate | | | |
| 1995-2014 | 1.5% | 0.9% | 1.3% | |
| 2002-2014 | -1.6% | 1.3% | -0.9% | |

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Tabel 4-12: Air Cargo Market Share (FY 2014)**
**San Antonio International Airport**

| | CARGO (TONS) | MARKET SHARE |
|---|---|---|
| Freighter Cargo | | |
| FedEx | 143,601,917 | 62.0% |
| UPS | 68,756,932 | 29.7% |
| Ameriflight | 5,423,479 | 2.3% |
| Martinair | 1,381,585 | 0.6% |
| Kalitta Air | 195,861 | 0.1% |
| Others | 1,710 | 0.0% |
| Total | 219,361,484 | 94.8% |
| Belly Cargo | 12,152,053 | 5.2% |
| Total | 231,513,537 | 100.0% |

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

## 4.7 Historical Aircraft Operations and Landed Weight

**Table 4-13** presents historical aircraft operations at the Airport between FY 1995 and FY 2014. From FY 1995 to FY 2014, aircraft operations decreased at a compound annual rate of approximately 0.3 percent. Over the more recent period from FY 2002 to FY 2014, aircraft operations increased at a compound annual rate of approximately 0.6 percent. Major/national airline operations have decreased over the period as a significant amount of passenger airline activity was reallocated to regional/commuter airline operators, which have increased operations significantly. Charter/unscheduled activity has decreased significantly as more travelers have opted to fly on scheduled services. Charter airline activity has been negatively impacted by increased scheduled capacity on leisure routes from the Airport to destinations such as Cancun, Mexico and Las Vegas, Nevada and by the increase in the price of fuel, which disproportionately impacts charter airlines because they use older less-fuel efficient aircraft. Cargo airline activity has decreased modestly over the period as a result of changes in the air cargo business and the increase in the cost of fuel.

Over the period FY 1995 to FY 2014, major/national carrier operations decreased at a compound annual rate of approximately 1.5 percent as regional/commuter operations increased at a compound annual rate of approximately 5.9 percent. In the more recent period from FY 2002 through FY 2014 major/national airline operations decreased approximately 1.9 percent while regional/commuter operations increased approximately 12.7 percent as airlines aggressively sought efficiency gains following the events of September 11, 2001 and the global credit crisis of 2008 by replacing mainline narrow-body equipment with regional jet equipment.

Cargo airline operations have decreased slightly at a compound annual rate of approximately 0.7 percent from FY 1995 through FY 2014, but increased at a compound annual growth rate of approximately 0.5 percent from FY 2002 through FY 2014. FedEx and UPS have served the Airport consistently over the entire period and provide dependable shipping options for time sensitive express freight and mail to and from the Air Trade Area. Ameriflight, Kalitta Air, and Martinair operate flights at the Airport that provide shipping options to the Air Trade Area for heavy freight.

**Table 4-14** presents historical landed weight at the Airport from FY 1995 to FY 2014. During this time period, landed weight increased at a compound annual rate of approximately 0.2 percent, and from FY 2002 to FY 2014 it increased at a compound annual rate of approximately 1.6 percent. This increase is largely the result of increased passenger airline activity, with the largest increases coming from regional/commuter airlines.

From FY 1995 through FY 2014, major/national airline landed weight decreased at a compound annual growth rate of approximately 1.1 percent while regional/commuter airline landed weight increased at a compound annual growth rate of approximately 13.6 percent. From FY 2002 through FY 2014, major/national airline landed weight increased at a compound annual growth rate of approximately 0.3 percent while regional/commuter landed weight increased at a compound annual growth rate of approximately 17.8 percent as network airlines reallocated a significant amount of flying to their regional affiliates. In the future, increases in landed weight can be expected as a result of new service and the replacement of smaller regional jets with larger regional jets by legacy carriers. The relative distribution of landed weight between major/national and regional/commuter carriers will likely skew modestly toward regional/commuter carriers over the forecast period.

**Table 4-13: Historical Aircraft Operations**
**San Antonio International Airport**

(For the Fiscal Years Ending September 30)

| FISCAL YEAR | MAJOR/ NATIONAL | REGIONAL/ COMMUTER | CARGO | CHARTER/ UNSCHEDULED | TOTAL | ANNUAL CHANGE |
|---|---|---|---|---|---|---|
| 1995 | 79,000 | 9,276 | 9,226 | 4,688 | 102,190 | |
| 1996 | 80,134 | 10,920 | 9,244 | 7,516 | 107,814 | 5.5% |
| 1997 | 80,236 | 8,292 | 13,724 | 1,680 | 103,932 | -3.6% |
| 1998 | 79,044 | 6,542 | 15,780 | 1,120 | 102,486 | -1.4% |
| 1999 | 79,650 | 3,374 | 13,176 | 1,490 | 97,690 | -4.7% |
| 2000 | 80,994 | 3,572 | 10,152 | 2,358 | 97,076 | -0.6% |
| 2001 | 78,686 | 3,076 | 8,428 | 1,474 | 91,664 | -5.6% |
| 2002 | 74,648 | 6,600 | 7,584 | 1,156 | 89,988 | -1.8% |
| 2003 | 75,040 | 8,962 | 7,264 | 736 | 92,002 | 2.2% |
| 2004 | 73,226 | 16,006 | 7,272 | 426 | 96,930 | 5.4% |
| 2005 | 73,992 | 15,184 | 7,300 | 462 | 96,938 | 0.0% |
| 2006 | 76,272 | 21,982 | 7,188 | 500 | 105,942 | 9.3% |
| 2007 | 77,608 | 20,478 | 9,284 | 548 | 107,918 | 1.9% |
| 2008 | 80,134 | 21,338 | 8,980 | 432 | 110,884 | 2.7% |
| 2009 | 76,276 | 13,908 | 7,602 | 698 | 98,484 | -11.2% |
| 2010 | 70,272 | 18,612 | 7,144 | 1,274 | 97,302 | -1.2% |
| 2011 | 64,946 | 21,858 | 7,416 | 1,124 | 95,344 | -2.0% |
| 2012 | 62,390 | 24,808 | 8,434 | 1,500 | 97,132 | 1.9% |
| 2013 | 61,428 | 28,352 | 8,390 | 1,512 | 99,682 | 2.6% |
| 2014 | 59,582 | 27,784 | 8,010 | 1,228 | 96,604 | -3.1% |
| | Compound Annual Growth Rate | | | | | |
| 1995-2014 | -1.5% | 5.9% | -0.7% | -6.8% | -0.3% | |
| 2002-2014 | -1.9% | 12.7% | 0.5% | 0.5% | 0.6% | |

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Table 4-14: Historical Landed Weight (1,000-Pound Units)**
**San Antonio International Airport**

(For the Fiscal Years Ending September 30)

| FISCAL YEAR | MAJOR/ NATIONAL | REGIONAL/ COMMUTER | CARGO | CHARTER/ UNSCHEDULED | TOTAL | ANNUAL CHANGE |
|---|---|---|---|---|---|---|
| 1995 | 4,862,133 | 84,411 | 469,630 | 58,226 | 5,474,400 | |
| 1996 | 4,717,142 | 136,284 | 543,600 | 60,698 | 5,457,724 | -0.3% |
| 1997 | 4,770,028 | 76,525 | 640,894 | 19,229 | 5,506,676 | 0.9% |
| 1998 | 4,768,247 | 90,094 | 783,797 | 57,715 | 5,699,852 | 3.5% |
| 1999 | 4,859,597 | 31,582 | 734,442 | 105,798 | 5,731,419 | 0.6% |
| 2000 | 4,990,463 | 40,146 | 658,122 | 179,683 | 5,868,414 | 2.4% |
| 2001 | 4,849,842 | 48,529 | 636,967 | 111,962 | 5,647,300 | -3.8% |
| 2002 | 3,762,408 | 131,715 | 705,083 | 88,591 | 4,687,797 | -17.0% |
| 2003 | 4,475,334 | 194,769 | 736,325 | 55,735 | 5,462,163 | 16.5% |
| 2004 | 4,234,234 | 390,773 | 752,062 | 34,605 | 5,411,674 | -0.9% |
| 2005 | 4,333,756 | 396,986 | 758,734 | 38,350 | 5,527,826 | 2.1% |
| 2006 | 4,491,417 | 573,225 | 796,105 | 36,242 | 5,896,989 | 6.7% |
| 2007 | 4,637,393 | 576,350 | 843,085 | 32,700 | 6,089,529 | 3.3% |
| 2008 | 4,712,667 | 682,290 | 814,124 | 27,852 | 6,236,932 | 2.4% |
| 2009 | 4,312,437 | 609,361 | 739,907 | 46,013 | 5,707,718 | -8.5% |
| 2010 | 4,168,667 | 705,179 | 626,117 | 85,102 | 5,585,065 | -2.1% |
| 2011 | 4,160,325 | 725,553 | 724,917 | 70,899 | 5,681,693 | 1.7% |
| 2012 | 4,041,428 | 825,950 | 825,980 | 94,670 | 5,788,027 | 1.9% |
| 2013 | 3,988,137 | 942,356 | 749,652 | 94,308 | 5,774,454 | -0.2% |
| 2014 | 3,903,199 | 944,969 | 732,320 | 76,610 | 5,657,098 | -2.0% |
| | Compound Annual Growth Rate | | | | | |
| 1995-2014 | -1.1% | 13.6% | 2.4% | 1.5% | 0.2% | |
| 2002-2014 | 0.3% | 17.8% | 0.3% | -1.2% | 1.6% | |

NOTE: Figures may not add due to rounding.

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Cargo landed weight increased at an average annual rate of approximately 2.4 percent from FY 1995 through FY 2014, and increased at a more modest average rate of approximately 0.3 percent annually from FY 2002 through FY 2014. The increases in cargo landed weight correspond with increases in express and mail cargo at the Airport handled by FedEx and UPS. Freighter flights operated by Ameriflight, Kalitta, and Martinair are a modest but stable component of cargo landed weight.

Charter/unscheduled landed weight increased approximately 1.5 percent per annum from FY 1995 through FY 2014, but decreased approximately 1.2 percent per annum from FY 2002 through FY 2014 as a result of more passengers using scheduled airline services and higher fuel prices making charter operations on largely fuel-inefficient aircraft uneconomic.

## 4.8 Forecasts of Aviation Demand

Forecasts of aviation demand were prepared on the basis of socio-economic and demographic factors in the Air Trade Area and the U.S. as a whole, the Airport's traffic performance over the long-term as well as during the most recent seven-year period, and anticipated airline activity at the Airport. These forecasts are based on a number of assumptions, discussed below.

The forecasts anticipate that the Airport will continue to attract O&D travelers to and from the Air Trade Area with air service to both major markets and airline connecting hubs provided by both network carriers and their regional affiliates as well as low cost carriers and Mexican carriers.

- Net traffic diversion between the Airport and Austin-Bergstrom is not forecast to be an issue over the forecast period. The air service patterns at both facilities are expected to reflect demand generated in their respected air service areas, and airfare levels are expected to remain comparable over the forecast period. It is anticipated that the air service offered at each airport will not be identical because Austin and San Antonio are adjacent but distinct markets where a minority of air service offerings will be unique to each market. The vast majority of airlines will serve both markets with substantially similar service patterns similar to the circumstances at the present time. Passengers and shippers to and from the Air Trade Area will continue to choose to use the Airport over the forecast period rather than use Austin-Bergstrom.

- Forecasts of aviation demand anticipate that the balance of major/national operations and regional/commuter operations will evolve modestly in favor of regional/commuter carriers over the forecast period. As discussed in previous sections, airlines attempt to match capacity and demand, and are now beginning to increase capacity and add new markets where appropriate. Cargo operations will increase incrementally over the forecast period.

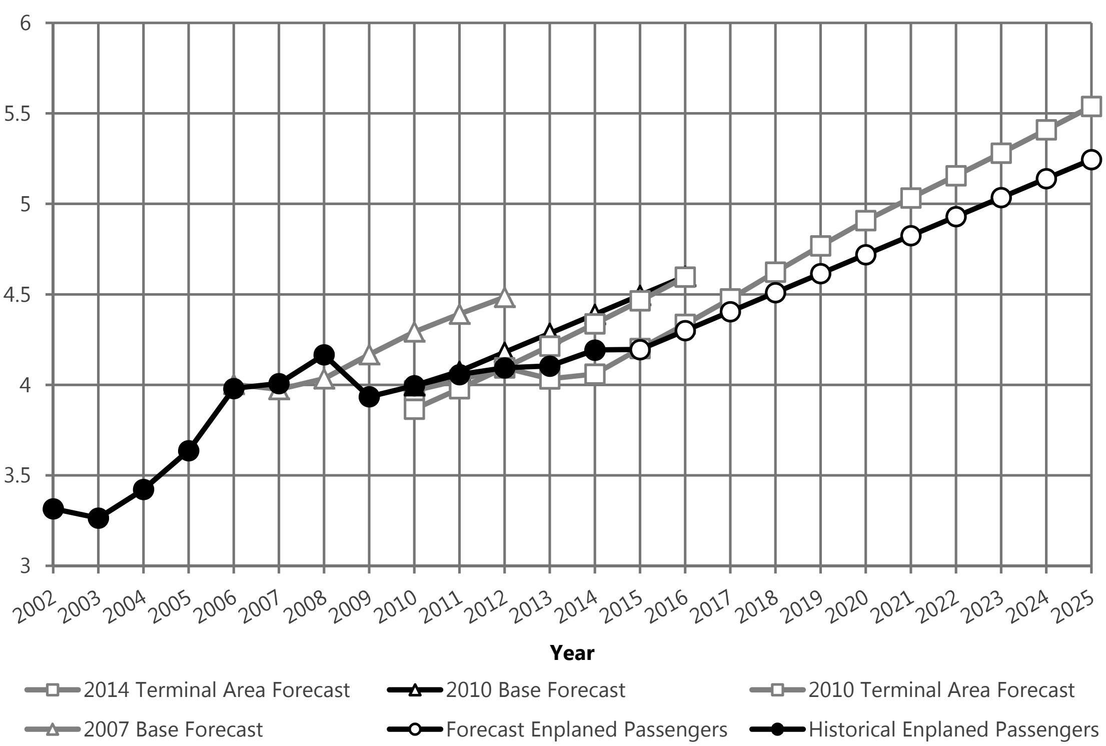
- Increases in future enplanements at the Airport can be expected as airlines increase capacity to meet demand as flights currently operate at record load factors. Many of the smaller 37-50 seat regional jets that operate at the Airport will likely be replaced with larger 70-100 seat regional jets.

- The forecasts do not account for the occurrence of unforeseen external events including, but not limited to, labor disruptions, airline mergers, extraordinary increases in airfares, political instability, military or terrorist action, extraordinary increases in aviation fuel costs, or economic booms or busts.

## 4.8.1 ENPLANEMENT FORECASTS

The enplanement forecast has been developed using a macro-economic analysis of the relationship between traffic growth and economic growth in the U.S. as measured by Real GDP and real airfares combined with a micro-economic analysis of likely capacity deployment of airlines currently serving the market as well as those likely to serve the market over the forecast period. **Exhibit 4-4** and **Table 4-15** present historical and forecast enplanements at the Airport for major/national airlines, regional/commuter airlines, and charter/unscheduled airlines. Total enplanements are forecast to increase at a compound annual growth rate of approximately 2.1 percent from 4,192,569 in FY 2014 to 5,035,000 in FY 2023. This increase is similar to rates experienced over the past 12 years even though economic growth in the U.S. as a whole is expected to be higher over the forecast period because real airfares are not expected to decrease over the forecast period as they did over the historical period.

**Exhibit 4-4: Comparison of Enplaned Passenger Forecasts**




SOURCES: City of San Antonio, Department of Aviation, November 2010; Forecast, Inter*VISTAS* Consulting LLC, November 2010.
PREPARED BY: Inter*VISTAS* Consulting Inc. March 2015.

**Table 4-15: Forecast Enplaned Passengers**
**San Antonio International Airport**

(For the Fiscal Years Ending September 30)

| FISCAL YEAR | MAJOR/ NATIONAL | REGIONAL/ COMMUTER | CHARTER/ UNSCHEDULED | TOTAL | ANNUAL CHANGE |
|---|---|---|---|---|---|
| Historical | | | | | |
| 2002 | 3,149,587 | 89,359 | 76,799 | 3,315,745 | |
| 2003 | 3,088,101 | 128,116 | 48,028 | 3,264,245 | -1.6% |
| 2004 | 3,167,556 | 232,909 | 22,236 | 3,422,701 | 4.9% |
| 2005 | 3,337,715 | 267,523 | 31,590 | 3,636,828 | 6.3% |
| 2006 | 3,583,829 | 388,380 | 7,925 | 3,980,134 | 9.4% |
| 2007 | 3,595,064 | 407,134 | 5,603 | 4,007,801 | 0.7% |
| 2008 | 3,675,083 | 485,170 | 6,199 | 4,166,452 | 4.0% |
| 2009 | 3,556,054 | 372,319 | 6,111 | 3,934,484 | -5.6% |
| 2010 | 3,357,390 | 624,958 | 13,193 | 3,995,541 | 1.6% |
| 2011 | 3,412,127 | 632,743 | 12,351 | 4,057,221 | 1.5% |
| 2012 | 3,354,431 | 727,776 | 12,184 | 4,094,391 | 0.9% |
| 2013 | 3,272,059 | 809,609 | 22,353 | 4,104,021 | 0.2% |
| 2014 | 3,333,629 | 827,047 | 31,893 | 4,192,569 | 2.2% |
| Forecast | | | | | |
| 2015 1/ | 3,344,692 | 832,912 | 32,112 | 4,209,716 | 0.4% |
| 2016 | 3,388,000 | 880,000 | 32,000 | 4,300,000 | 2.1% |
| 2017 | 3,443,000 | 930,000 | 32,000 | 4,405,000 | 2.4% |
| 2018 | 3,498,000 | 980,000 | 32,000 | 4,510,000 | 2.4% |
| 2019 | 3,553,000 | 1,030,000 | 32,000 | 4,615,000 | 2.3% |
| 2020 | 3,608,000 | 1,080,000 | 32,000 | 4,720,000 | 2.3% |
| 2021 | 3,663,000 | 1,130,000 | 32,000 | 4,825,000 | 2.2% |
| 2022 | 3,718,000 | 1,180,000 | 32,000 | 4,930,000 | 2.2% |
| 2023 | 3,773,000 | 1,230,000 | 32,000 | 5,035,000 | 2.1% |
| | Compound Annual Growth Rate | | | | |
| 2002-2014 | 0.5% | 20.4% | -7.1% | 2.0% | |
| 2014-2023 | 1.4% | 4.5% | 0.0% | 2.1% | |

NOTE:

1/ Forecast of 2015 enplanements is based on FY 2015 mid-year estimate.

SOURCES: Historical, City of San Antonio, Department of Aviation, November 2014; Forecast, Inter*VISTAS* Consulting LLC, July 2015.

PREPARED BY: Inter*VISTAS* Consulting Inc., July 2015.

Major/national airlines are forecast to increase enplanements at a compound annual growth rate of approximately 1.4 percent from FY 2014 to FY 2023 while regional/commuter airlines are forecast to increase at a compound annual growth rate of approximately 4.5 percent. The difference in growth rates anticipates that the relative share of enplanements between the two groups evolve modestly in favor of regional/commuter enplanements over the forecast period. Major/national enplanements are forecast to increase more modestly than regional/commuter enplanements because the regional/commuter category includes the carriers that have smaller aircraft suitable for developing new non-stop markets. Major/national carriers will increase activity as they up-gauge capacity in larger markets incrementally. It is expected that both groups will gradually increase the average aircraft size over the period. This forecast corresponds to an increase in enplaned passengers per operation from approximately 95.0 in FY 2014 to approximately 98.0 in FY 2023. Charter/unscheduled passenger activity is forecast to remain a constant at the Airport over the forecast period.

For FY 2015, estimates of enplanements indicate an increase of approximately 0.4 percent over levels experienced in FY 2014. In FY 2016, forecast enplanements are expected to increase approximately 2.1% as a result of additional capacity added to the market in the second half of FY 2015, including additional service to Miami and Los Angeles on American Airlines, to Los Angeles on Delta Air Lines, to New Orleans on Southwest Airlines, and to Mexico on AeroMexico.

From FY 2016 through FY 2023, passenger traffic is forecast to increase in a linear fashion. Therefore, the increment of passenger growth is assumed to be constant while the growth rate is assumed to diminish over time due to the higher base of each successive year. This is consistent with the historical trend of linear growth of passenger traffic at the Airport and in the U.S. Enplanement growth at the Airport has been forecast based on the expected average growth in the economy of the U.S. as a whole as measured by increases in Real GDP.

Increases in enplaned passengers at the Airport fluctuate with U.S. Real GDP rather than measures of economic growth in the Air Trade Area due to the significant influence of inbound business, convention, and leisure traffic on activity at the Airport. Even though economic growth in the Air Trade Area has exceeded national economic growth historically, activity at the Airport has more closely mirrored changes in the national economy. Average annual passenger enplanement growth of approximately 2.0 percent from FY 1995 through FY 2014 was driven by growth in the U.S. Real GDP of approximately 2.5 percent on average annually during the period. This implies a multiplier between U.S. GDP and passenger enplanements at the Airport of 1.3.

From FY 2014 through FY 2023, U.S. Real GDP is forecast by Woods and Poole Economics, Inc. to increase an average of approximately 2.3 percent annually. As noted previously, passenger enplanements are forecast to increase an average of approximately 2.1 percent annually. The rate of passenger enplanement growth during the forecast period is consistent with the more robust outlook for the growth in the U.S. Economy as a whole. However, the multiplier between U.S. Real GDP and passenger enplanements at the Airport has been reduced to approximately 1.1 during the forecast period primarily because it is not expected that real airfares will decrease over the forecast period as they did over the historical period.

The multiplier between U.S. GDP and passenger enplanements at the Airport is forecast to diminish for a variety of reasons. First, forecasts of U.S. GDP are inherently uncertain. At present, most economists are increasing their expectations for U.S. economic growth over the next year, but it is prudent that passenger forecasts at the Airport reflect a more conservative increase in economic growth. Second, the multiplier between economic growth and traffic growth typically diminishes over time without material decreases in real airfares. Finally, the airlines currently serving the market and those that might serve the market in the future are planning only incremental additions in capacity, so larger increases to traffic are unlikely to be accommodated.

The diverse and competitive mix of airlines serving the Airport is expected to have new aircraft available to support expansion at the Airport in the future. AeroMexico, Alaska, American, Delta, InterJet, Southwest, United, Viva Aerobus, and Volaris are taking deliveries of new aircraft that will likely be deployed in U.S. markets, including the Airport. While airlines are not adding significant domestic capacity, they do have aircraft on order for fleet growth or to replace smaller regional jet aircraft with larger regional jets.

The forecasts presented herein are somewhat more conservative than those prepared in the FAA's February 2014 Terminal Area Forecast (TAF) for the Airport as shown on Exhibit 4-4. Through FY 2023, the TAF anticipated growth of approximately 1,221,000 enplanements at the Airport, or at a compound annual growth rate of approximately 3.0 percent. The forecast in Table 4-15 anticipates a compound annual growth rate of approximately 2.1 percent, or 842,431 enplanements, to arrive at a forecast of approximately 5,035,000 enplanements by FY 2023. The forecast presented in this report reflects historical growth in enplaned passengers of approximately 2.0 percent per annum, which is offered as appropriate for financial planning purposes.

### 4.8.2 DEPLANEMENT FORECASTS

Because demand for rental cars is related to arriving passengers, deplaned passenger forecasts have been prepared. Deplaned passenger forecasts have been developed in exactly the same manner as the enplaned passenger forecasts described above. **Table 4-16** presents historical and projected deplaned passengers by major category. As shown, total deplaned passengers are expected to increase from 4,181,865 in FY 2014 to approximately 5,025,000 in FY 2023, which corresponds to a compound annual growth rate of approximately 2.1 percent.

Deplaned passengers on major/national airlines, regional/commuter, and charter/unscheduled airlines are forecast to increase at the same increments of growth as enplaned passengers. It bears mention that the number of charter/unscheduled deplaned passengers has been significantly lower than the number of enplaned passengers in recent years. There are a significant number of foreign nationals being deported on charter flights from the Airport by Immigration and Customs Enforcement, which accounts for the discrepancy between enplaned and deplaned charter/unscheduled passengers. This discrepancy is projected to remain over the forecast period.

**Table 4-16: Forecast Deplaned Passengers**
**San Antonio International Airport**

(For the Fiscal Years Ending September 30)

| FISCAL YEAR | MAJOR/ NATIONAL | REGIONAL/ COMMUTER | CHARTER/ UNSCHEDULED | TOTAL | ANNUAL CHANGE |
|---|---|---|---|---|---|
| Historical | | | | | |
| 2002 | 3,160,427 | 87,863 | 78,400 | 3,326,690 | |
| 2003 | 3,110,014 | 130,221 | 47,751 | 3,287,986 | -1.2% |
| 2004 | 3,193,418 | 226,630 | 22,233 | 3,442,281 | 4.7% |
| 2005 | 3,336,066 | 265,625 | 31,095 | 3,632,786 | 5.5% |
| 2006 | 3,596,210 | 391,956 | 7,489 | 3,995,655 | 10.0% |
| 2007 | 3,610,413 | 419,103 | 5,415 | 4,034,931 | 1.0% |
| 2008 | 3,691,101 | 487,225 | 6,437 | 4,184,763 | 3.7% |
| 2009 | 3,572,018 | 380,790 | 9,330 | 3,962,138 | -5.3% |
| 2010 | 3,331,677 | 636,598 | 16,427 | 3,984,702 | 0.6% |
| 2011 | 3,410,380 | 652,164 | 13,904 | 4,076,448 | 2.3% |
| 2012 | 3,366,994 | 750,577 | 14,289 | 4,131,860 | 1.4% |
| 2013 | 3,282,051 | 825,751 | 18,758 | 4,126,560 | -0.1% |
| 2014 | 3,321,391 | 842,845 | 17,629 | 4,181,865 | 1.3% |
| Forecast | | | | | |
| 2015 | 3,321,000 | 846,000 | 18,000 | 4,185,000 | 0.1% |
| 2016 | 3,376,000 | 896,000 | 18,000 | 4,290,000 | 2.5% |
| 2017 | 3,431,000 | 946,000 | 18,000 | 4,395,000 | 2.4% |
| 2018 | 3,486,000 | 996,000 | 18,000 | 4,500,000 | 2.4% |
| 2019 | 3,541,000 | 1,046,000 | 18,000 | 4,605,000 | 2.3% |
| 2020 | 3,596,000 | 1,096,000 | 18,000 | 4,710,000 | 2.3% |
| 2021 | 3,651,000 | 1,146,000 | 18,000 | 4,815,000 | 2.2% |
| 2022 | 3,706,000 | 1,196,000 | 18,000 | 4,920,000 | 2.2% |
| 2023 | 3,761,000 | 1,246,000 | 18,000 | 5,025,000 | 2.1% |
| | Compound Annual Growth Rate | | | | |
| 2002-2014 | 0.4% | 20.7% | -11.7% | 1.9% | |
| 2014-2023 | 1.4% | 4.4% | 0.2% | 2.1% | |

SOURCES: Historical, City of San Antonio, Department of Aviation, November 2014; Forecast, Inter*VISTAS* Consulting LLC, December 2014.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

### 4.8.3 OPERATIONS FORECASTS

**Table 4-17** presents historical and projected aircraft operations by major category. As shown, total operations are expected to increase from 96,604 in FY 2014 to approximately 112,000 in FY 2023, which corresponds to a compound annual growth rate of approximately 1.7 percent.

Passenger airline operations forecasts were developed based on recent relationships between enplanements, load factors, and average seating capacity of aircraft utilized at the Airport. Specifically, enplaned passengers per operation are expected to rise from approximately 95.0 to approximately 98.0 over the forecast period. This assumption is based on the continued increase in narrow-body and larger regional jet activity experienced over the last several years as airlines optimize efficiency both at the Airport and nationally. Major/national airline operations are forecast to increase at a compound annual growth rate of approximately 0.7 percent while regional/commuter airline operations are forecast to increase at a compound annual growth rate of approximately 3.7 percent to reflect the gradual replacement of existing aircraft with incrementally larger aircraft between FY 2014 and FY 2023.

Cargo operations are forecast to increase at a compound annual growth rate of approximately 1.1 percent from FY 2014 to FY 2023. While the forecast rate of growth is higher than rates of growth in cargo operations from FY 2002 through FY 2014, the number of incremental cargo operations over the forecast period is consistent with historical development of cargo operations at the Airport in recent years driven by FedEx and UPS.

Charter/unscheduled operations have been forecast to remain flat from FY 2014 through FY 2023. Charter/unscheduled operations are driven by flights chartered by Immigration and Customs Enforcement to deport people from the U.S. The forecast of charter/unscheduled operations is consistent with charter/unscheduled passenger enplanements remaining approximately 0.6 percent to approximately 0.8 percent of total Airport enplanements.

### 4.8.4 LANDED WEIGHT FORECASTS

**Table 4-18** presents historical and forecast airline landed weight at the Airport. As shown, landed weight is forecast to increase from approximately 5.7 billion pounds in FY 2014 to approximately 6.5 billion pounds in FY 2023. This corresponds to a compound annual growth rate of approximately 1.6 percent.

Major/national airline landed weight is forecast to increase at a compound annual growth rate of approximately 1.1 percent, while regional/commuter airline landed weight is forecast to increase at a compound annual growth rate of approximately 4.0 percent. Major/national landed weight is forecast to increase more modestly than operations due to the replacement of smaller aircraft with larger aircraft along with the inauguration of new frequencies. Regional/commuter landed weight is forecast to increase more modestly than operations due to the replacement of older-generation regional jets with more weight efficient models.

**Table 4-17: Forecast Aircraft Operations**
**San Antonio International Airport**

(For the Fiscal Years Ending September 30)

| FISCAL YEAR | MAJOR/ NATIONAL | REGIONAL/ COMMUTER | CARGO | CHARTER/ UNSCHEDULED | TOTAL | ANNUAL CHANGE |
|---|---|---|---|---|---|---|
| Historical | | | | | | |
| 2002 | 74,648 | 6,600 | 7,584 | 1,156 | 89,988 | |
| 2003 | 75,040 | 8,962 | 7,264 | 736 | 92,002 | 2.2% |
| 2004 | 73,226 | 16,006 | 7,272 | 426 | 96,930 | 5.4% |
| 2005 | 73,992 | 15,184 | 7,300 | 462 | 96,938 | 0.0% |
| 2006 | 76,272 | 21,982 | 7,188 | 500 | 105,942 | 9.3% |
| 2007 | 77,608 | 20,478 | 9,284 | 548 | 107,918 | 1.9% |
| 2008 | 80,134 | 21,338 | 8,980 | 432 | 110,884 | 2.7% |
| 2009 | 76,276 | 13,908 | 7,602 | 698 | 98,484 | -11.2% |
| 2010 | 70,272 | 18,612 | 7,144 | 1,274 | 97,302 | -1.2% |
| 2011 | 64,946 | 21,858 | 7,416 | 1,124 | 95,344 | -2.0% |
| 2012 | 62,390 | 24,808 | 8,434 | 1,500 | 97,132 | 1.9% |
| 2013 | 61,428 | 28,352 | 8,390 | 1,512 | 99,682 | 2.6% |
| 2014 | 59,582 | 27,784 | 8,010 | 1,228 | 96,604 | -3.1% |
| Forecast | | | | | | |
| 2015 | 59,500 | 27,300 | 8,000 | 1,200 | 96,000 | -0.6% |
| 2016 | 60,000 | 28,700 | 8,100 | 1,200 | 98,000 | 2.1% |
| 2017 | 60,500 | 30,100 | 8,200 | 1,200 | 100,000 | 2.0% |
| 2018 | 61,000 | 31,500 | 8,300 | 1,200 | 102,000 | 2.0% |
| 2019 | 61,500 | 32,900 | 8,400 | 1,200 | 104,000 | 2.0% |
| 2020 | 62,000 | 34,300 | 8,500 | 1,200 | 106,000 | 1.9% |
| 2021 | 62,500 | 35,700 | 8,600 | 1,200 | 108,000 | 1.9% |
| 2022 | 63,000 | 37,100 | 8,700 | 1,200 | 110,000 | 1.9% |
| 2023 | 63,500 | 38,500 | 8,800 | 1,200 | 112,000 | 1.8% |
| | Compound Annual Growth Rate | | | | | |
| 2002-2014 | -1.9% | 12.7% | 0.5% | 0.5% | 0.6% | |
| 2014-2023 | 0.7% | 3.7% | 1.1% | -0.3% | 1.7% | |

SOURCES: Historical, City of San Antonio, Department of Aviation, November 2014; Forecast, Inter*VISTAS* Consulting LLC, November 2010.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

**Table 4-18: Forecast Aircraft Landed Weight (1,000-Pound Units)**
**San Antonio International Airport**

(For the Fiscal Years Ending September 30)

| FISCAL YEAR | MAJOR/ NATIONAL | REGIONAL/ COMMUTER | CARGO | CHARTER/ UNSCHEDULED | TOTAL | ANNUAL CHANGE |
|---|---|---|---|---|---|---|
| Historical | | | | | | |
| 2002 | 3,762,408 | 131,715 | 705,083 | 88,591 | 4,687,797 | |
| 2003 | 4,475,334 | 194,769 | 736,325 | 55,735 | 5,462,163 | 16.5% |
| 2004 | 4,234,234 | 390,773 | 752,062 | 34,605 | 5,411,674 | -0.9% |
| 2005 | 4,333,756 | 396,986 | 758,734 | 38,350 | 5,527,826 | 2.1% |
| 2006 | 4,491,417 | 573,225 | 796,105 | 36,242 | 5,896,989 | 6.7% |
| 2007 | 4,637,393 | 576,350 | 843,085 | 32,700 | 6,089,529 | 3.3% |
| 2008 | 4,712,667 | 682,290 | 814,124 | 27,852 | 6,236,932 | 2.4% |
| 2009 | 4,312,437 | 609,361 | 739,907 | 46,013 | 5,707,718 | -8.5% |
| 2010 | 4,168,667 | 705,179 | 626,117 | 85,102 | 5,585,065 | -2.1% |
| 2011 | 4,160,325 | 725,553 | 724,917 | 70,899 | 5,681,693 | 1.7% |
| 2012 | 4,041,428 | 825,950 | 825,980 | 94,670 | 5,788,027 | 1.9% |
| 2013 | 3,988,137 | 942,356 | 749,652 | 94,308 | 5,774,454 | -0.2% |
| 2014 | 3,903,199 | 944,969 | 732,320 | 76,610 | 5,657,098 | -2.0% |
| Forecast | | | | | | |
| 2015 | 3,900,000 | 950,000 | 730,000 | 75,000 | 5,655,000 | 0.0% |
| 2016 | 3,950,000 | 1,000,000 | 740,000 | 75,000 | 5,765,000 | 1.9% |
| 2017 | 4,000,000 | 1,050,000 | 750,000 | 75,000 | 5,875,000 | 1.9% |
| 2018 | 4,050,000 | 1,100,000 | 760,000 | 75,000 | 5,985,000 | 1.9% |
| 2019 | 4,100,000 | 1,150,000 | 770,000 | 75,000 | 6,095,000 | 1.8% |
| 2020 | 4,150,000 | 1,200,000 | 780,000 | 75,000 | 6,205,000 | 1.8% |
| 2021 | 4,200,000 | 1,250,000 | 790,000 | 75,000 | 6,315,000 | 1.8% |
| 2022 | 4,250,000 | 1,300,000 | 800,000 | 75,000 | 6,425,000 | 1.7% |
| 2023 | 4,300,000 | 1,350,000 | 810,000 | 75,000 | 6,535,000 | 1.7% |
| | Compound Annual Growth Rate | | | | | |
| 2002-2014 | 0.3% | 17.8% | 0.3% | -1.2% | 1.6% | |
| 2014-2023 | 1.1% | 4.0% | 1.1% | -0.2% | 1.6% | |

SOURCES: Historical, City of San Antonio, Department of Aviation, September 2014; Forecast, Inter*VISTAS* Consulting LLC, November 2010.

PREPARED BY: Inter*VISTAS* Consulting Inc., April 2015.

Landed weight generated by cargo aircraft activity is forecast to increase at a compound annual growth rate of approximately 1.1 percent from FY 2014 through FY 2023. This forecast reflects incremental growth over time that is consistent with the historical growth of cargo landed weight driven by FedEx and UPS.

Charter/unscheduled landed weight is forecast to be relatively constant from FY 2014 through FY 2023. Historically, charter/unscheduled landed weight per landing has been consistent, and it is not expected that the fleets of charter/unscheduled operators at the Airport will change significantly over the forecast period. The average landed weight per landing corresponds to that of a small narrow-body aircraft such as an Airbus 320 or Boeing 737 type aircraft. Forecast charter/unscheduled landed weight is consistent with forecast charter/unscheduled passenger enplanements remaining approximately 0.6 percent to approximately 0.8 percent of total Airport enplanements.

# 5. The Airport Rental Car Market

This chapter focuses on rental car activity and demand at the Airport and its relationship to deplaned passenger levels. The chapter consists of an overview of the rental car industry, a description of recent trends and events occurring in the rental car industry nationwide, and a review of the Airport's rental car market including current rental car operators, historical rental car activity, and the nature of Airport rental car activity.

## 5.1 Industry Overview[1]

The U.S. rental car market consists of two basic components: (1) the airport segment and (2) the local/insurance replacement segment. As discussed in more detail later in this chapter, demand for rental cars within the airport segment is directly related to trends in the national economy. Nationwide, airport-related rental car activity declined significantly in 2002 due to the economic recession and the events of September 11, 2001 and the subsequent downturn in the aviation industry. Airport-related rental car demand grew steadily between 2002 and 2008 as the national economy expanded, before declining again in 2009 due to the economic recession. Beginning in 2010, airport-related demand for rental cars has again demonstrated steady growth as the economy continues to strengthen.

The recent consolidation of the U.S. rental car industry has created three major rental car companies that operate a total of eleven national brands: Avis Budget Car Rental, LLC (owner of the Avis Rent A Car System, LLC, Budget Rent a Car, Zipcar[2], and Payless Rent A Car brands), EAN Holdings, LLC (owner of the Enterprise Rent-A-Car, Alamo Rent A Car, and National Car Rental brands), and the Hertz Corporation (owner of Hertz, Dollar Rent A Car, Thrifty Car Rental, and Firefly brands).[3]

There are other international, national, and local rental car companies who hold minor market shares in their respective airport markets. Below are brief profiles of each of the eleven major national brands, obtained from their respective websites, grouped by their parent organization.

1 This section provides an overview of the rental car industry. The rental car market at the Airport is discussed in Section 5.3.

2 Includes Zipcar, which operates as a car sharing and car club service, providing 24 hour access car rental reservations to company members who pay for automobile services via membership fees and hourly usage.

3 These national brands have historically operated at the Airport; in some cases as franchise operators.

*Avis Budget Car Rental, LLC., owner of Avis Rent A Car System, LLC, Budget Rent a Car, Zipcar, and Payless Rent A Car*

- **Avis Rent A Car System, LLC** was founded in 1946 and was the first company to rent cars from airport locations. The company's business mix is 60 percent corporate and 40 percent leisure; 75 percent airport and 25 percent off-airport; and 85 percent U.S. domestic and 15 percent international. As of November 2014, the company had 5,450 locations in 165 countries.[4]
- **Budget Rent a Car** was founded in 1958 and the name was chosen to appeal to the "budget minded" or "value-conscious" renter. The company's business mix is 30 percent corporate and 70 percent leisure; 75 percent airport and 25 percent off-airport; and 90 percent U.S. and 10 percent international. Budget Rent a Car has more than 3,000 locations in more than 120 countries.[5] [6]
- **Budget Car & Truck Rental** offers the opportunity for self-employed agencies and operators to own and manage independent rental car locations under the Budget Rent a Car brand.
- **Zipcar** was founded in 1999 and is the world's largest car sharing and car club service. The company provides 24 hour access car rental reservations to company members who pay for automobile services via membership fees and hourly usage. Zipcar's mission is to reduce global automobile pollution and congestion through alternative transportation solutions.[7] Zipcar was acquired by Avis Budget Group on January 2, 2013.
- **Payless Rent A Car** was founded in 1971 and offers discount rental car deals at major airport locations.[8] The company operates approximately 120 rental locations in the United States, Europe, and South America and was acquired by Avis Budget Group on July 15, 2013.

*EAN Holdings LLC, Owner of Enterprise Rent-A-Car, Alamo Rent A Car, and National Car Rental*

- **Enterprise Rent-A-Car** was founded in 1957 in St. Louis. The company has more than 6,500 neighborhood and airport branch offices, with more than 5,500 offices located within 15 miles of 90 percent of the U.S. population.[9]
- **Alamo Rent A Car** was founded in 1974 in Florida, and it is known for pioneering the concept of unlimited free mileage. Primarily, the company brands itself providing rental cars to family and leisure travelers.[10]

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4 Source: www.Avis.com, last accessed November 2014.

5 Source: www.Budget.com, last accessed November 2014.

6 In addition to the Budget Rent a Car brand operating by the Avis Budget Group, Inc., Budget Franchise offers the opportunity for self-employed agencies and operators to own and manage independent rental car locations under the Budget Rent a Car brand.

7 Source: www.zipcar.com/about, last accessed November 2014.

8 Source: www.paylesscar.com, last accessed November 2014.

9 Source: www.Enterprise.com, *Fact Sheet*, last accessed November 2014.

10 Source: www.Alamo.com, *About Alamo Rent A Car*, last accessed November 2014.

- **National Car Rental** was founded in 1947 by a group of 24 independent car rental operators. The company brands itself as a premium, international recognized brand serving the daily rental needs of the frequent airport business traveler.[11]

*The Hertz Corporation, Owner of Hertz, Dollar Rent A Car, Thrifty Car Rental, and Firefly*

- **Hertz** was founded in 1918 in Chicago. The company has approximately 8,800 locations in 150 countries. Hertz is the largest general use car rental brand in the world and the leading rental car brand in the U.S airport market segment.[12]
- **Dollar Rent A Car** was founded in 1965 in Los Angeles, California. The company has more than 570 worldwide locations in 61 countries, including more than 260 in the United States and Canada.[13]
- **Thrifty Car Rental** was founded in 1958. The company brands itself as a value-oriented car rental company that has a significant presence both in the airport and local car rental markets. In the U.S., approximately 80 percent of its business is focused on the airport market and 20 percent in the local market. The company operates more than 1,000 locations in 77 countries through corporately-owned and franchised stores.[14]
- **Firefly** was launched in March 2013 by Hertz Holdings to provide discount rates on car rentals designed for vacation and holiday travel. Firefly currently operates in Australia, Mexico, and the United States.

**Table 5-1** presents the overall U.S. rental car market share, based on gross sales held by each major rental car company between CY 2011 and CY 2014. In CY 2014 the three rental car leaders in gross sales account for an estimated 94.7 percent of total gross rental car sales generated in the U.S.[15] As shown in Table 5-1, in CY 2014 Enterprise Holdings has the largest share (approximately 49.2 percent) of the total U.S. rental car market, with an estimated $12.9 billion of gross sales, due in large part to its dominance of the insurance/car replacement market through its Enterprise Rent-A-Car brand.

Recent and past mergers and acquisitions within the rental car market have created select leaders among the rental car companies at airports in the U.S. These transactions have had minimal effect on the demand for rental cars at the Airport; as such demand is largely a function of economic conditions and trends in demand for travel-related services rather than the presence of any one particular rental car company at the Airport. **Exhibit 5-1** presents a timeline regarding the creation of multi-brand rental car organizations since 1995.

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[11] Source: www.NationalCar.com, *Company Information*, last accessed November 2014.

[12] Source: www.Hertz.com, *Hertz History*, last accessed November 2014.

[13] Source: www.Dollar.com, *Corporate Background*, last accessed November 2014.

[14] Source: www.Thrifty.com, *General Information*, last accessed November 2014.

[15] Source: Auto Rental News, http://www.autorentalnews.com/Content/Research-Statistics.aspx, November 2014.

## Table 5-1: U.S. Rental Car Company Market Share

(Dollars in Billions for Calendar Years Ending December 31)

| | TOTAL U.S. RENTAL CAR MARKET | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | ACTUAL 2011 | | ACTUAL 2012 | | ACTUAL 2013 | | ESTIMATED 2014 | |
| **COMPANY** | **GROSS SALES** | **SHARE** | **GROSS SALES** | **SHARE** | **GROSS SALES** | **SHARE** | **GROSS SALES** | **SHARE** |
| Enterprise Holdings 1/ | $11.100 | 48.8% | $11.500 | 48.7% | $11.900 | 48.7% | $12.850 | 49.2% |
| Hertz 2/ | 4.241 | 18.7% | 5.200 | 22.0% | 6.324 | 25.9% | 6.400 | 24.5% |
| Avis Budget Group 3/ | 4.500 | 19.8% | 4.600 | 19.5% | 5.000 | 20.5% | 5.500 | 21.1% |
| Dollar Thrifty Automotive Group 4/ | 1.597 | 7.0% | - | 0.0% | - | 0.0% | - | 0.0% |
| Others | 1.298 | 5.7% | 2.300 | 9.7% | 1.190 | 4.9% | 1.377 | 5.3% |
| Total | $22.736 | 100.0% | $23.600 | 100.0% | $24.414 | 100.0% | $26.127 | 100.0% |

NOTES:
1/ Enterprise Holdings includes Alama Rent A Car, Enterprise Rent-A-Car, National Car Rental
2/ Hertz Global Holdings sold the Advantage Rent-A-Car brand to Macquarie Capital and Franchise Services of North America, Inc. (Simply Wheelz LLC) in December 2012, and Dollar Thrifty Automotive Group was acquired by Hertz Global Holdings, Inc. in November 2012. In March 2013, Hertz launched Firefly Car Rental that currently operates across Europe and the United States.
3/ Avis Budget Group acquired Zipcar January 2, 2013 and Payless Car Rental July 15, 2013.
4/ Dollar Thrifty Automotive Group was acquired by Hertz Global Holdings, Inc. on November 20, 2012.

SOURCE: Auto Rental News, http://www.autorentalnews.com/Content/Research-Statistics.aspx, March 2015.

PREPARED BY: Ricondo & Associates, Inc., May 2015.

**Exhibit 5-1: Timeline of Rental Car Company Brand Consolidation [1/]**


NOTES:

1/ This table presents the timing of transactions that resulted in a combination of rental car brands under a holding company, not every financial transaction where a brand changed ownership.

SOURCES: www.enterpriseholdings.com, www.avis.com, www.zipcar.com, www.fireflycarrental.com, www.dollar.com, www.advantage.com, www.hertz.com, paylesscar.com, last accessed November 2014.

PREPARED BY: Ricondo & Associates, Inc., June 2015.

## 5.2 Industry Trends

This section presents a review of historical rental car industry activity trends, a discussion of consolidated rental car facilities, and a discussion of airport taxes and surcharges that are added to a customer's total rental car bill.

### 5.2.1 RENTAL CAR INDUSTRY ACTIVITY

Demand within the U.S. airport rental car market is generally influenced by economic trends. While rental car rates and other costs, as well as the availability of other forms of transportation, may factor into a particular decision to rent a vehicle, generally as economic activity increases and the propensity of travel rises, demand for rental cars increases as well. In periods of economic weakness, the propensity of travel tends to decline, as does demand for rental cars. Thus, airport-related rental car activity is primarily related to passenger activity in a particular market.

**Exhibit 5-2** depicts total U.S. rental car gross sales compared to total U.S. domestic O&D deplanements between 1994 and 2014, while **Exhibit 5-3** illustrates the annual growth of U.S. rental car gross sales and U.S. nominal GDP compared to total U.S domestic O&D deplanements, between 1995 and 2014. These two exhibits demonstrate the relationship between economic conditions and demand for travel-related services. The U.S. economy expanded at approximately 5.8 percent compound annual growth rate, as measured by GDP, between 1994 and 2000. The strong economy during this period spurred demand for travel, with deplanements rising at approximately 3.8 percent compound annual growth rate and total U.S. rental car gross sales increasing at approximately 7.3 percent compound annual growth rate. The U.S. economy began to weaken in early 2001, a trend that was exacerbated by the events of September 11, 2001. Furthermore, air travel demand was depressed by the outbreak of SARS during this period.

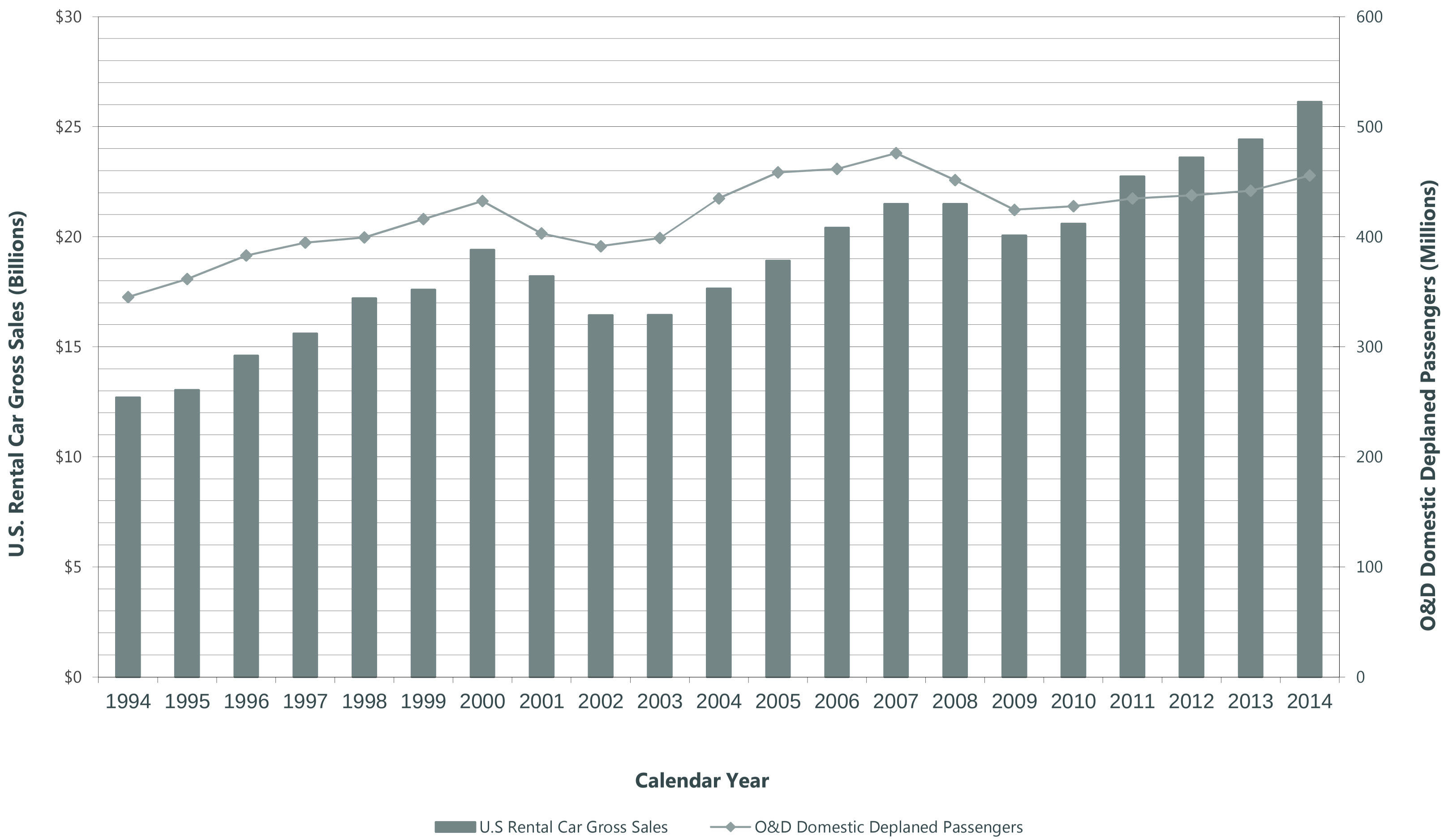
For the 2001 to 2002 period, GDP growth slowed to approximately 3.4 percent compound annual rate, with deplanements declining at approximately 2.9 percent compound annual rate and total U.S. rental car gross sales declining at approximately 9.7 percent compound annual rate.

The U.S. economy began to rebound in 2003, with GDP rising at approximately 5.9 percent compound annual growth rate through 2007. During this period, total U.S. domestic O&D deplanements increased at a compound annual growth rate of approximately 4.5 percent, while total U.S. rental car gross sales grew at approximately 6.9 percent compound annual growth rate, reflecting gains in both the airport and local/insurance replacement markets. In December 2007, the economy entered an economic downturn,[16] with GDP growth slowing to approximately 1.9 percent for 2008 and approximately 2.5 percent decline for 2009.

[16] Source: National Bureau of Economic Research Business Cycle Dating Committee, "Determination of the December 2007 Peak in Economic Activity", December 11, 2008.

**Exhibit 5-2: U.S. Rental Car Market Gross Sales**

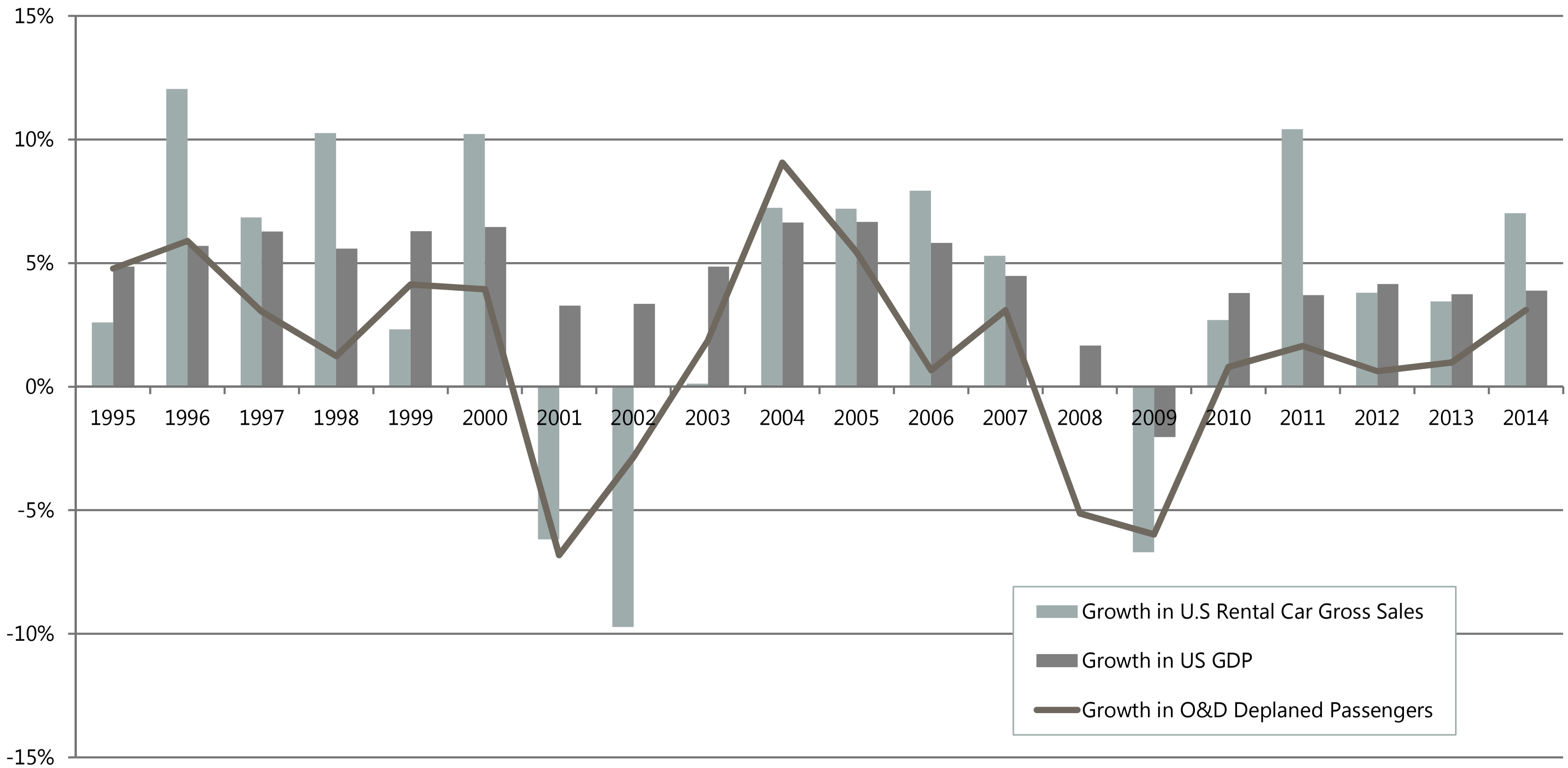
(Calendar Years Ending December 31)




SOURCES: Auto Rental News, US DOT Origin & Destination Survey of Airline Passenger Traffic, May 2015.
PREPARED BY: Ricondo & Associates, Inc., June 2015.

**Exhibit 5-3: Comparison of Growth in Annual U.S. Rental Car Gross Sales, US GDP, and O&D Deplaned Passengers**

(Calendar Years Ending December 31)




SOURCES: Auto Rental News; US DOT Origin & Destination Survey of Airline Passenger Traffic; Bureau of Economic Analysis, US DOT O&D Passengers, accessed through Diio LLC, May 2015.
PREPARED BY: Ricondo & Associates, Inc., June 2015.

Due to the economic weakness and the airlines' actions to reduce system wide capacity, the number of deplaning passengers decreased approximately 5.1 and 6.0 percent nationwide in 2008 and 2009, respectively, effecting U.S. rental car gross sales which held flat through 2008 and decreased by approximately 6.7 percent in 2009. The U.S. economy began to rebound in 2010, with GDP rising nationwide in 2010 through 2014, and predictably the same trend was evident for travel activity as measured by deplaned passengers and rental car gross sales. U.S. deplaned passengers and rental car gross sales grew at approximately 1.4 and 5.4 percent, respectively, following the rebound of the economic downturn in 2009 to 2014. The nation experienced marked growth in rental car gross sales, GDP, and O&D deplaned passengers in 2014, with annual growth of 7.0, 3.9, and 3.1 percent, respectively.

### 5.2.2 CONSOLIDATED RENTAL CAR FACILITIES

As airline passenger activity has grown over the past 20 years, so has terminal roadway congestion at many of the nation's airports. A contributing factor to this congestion was the presence of numerous buses required to transport rental car customers to their vehicles. CONRAC facilities became a popular means for airport operators to address this element of the congestion problem. Instead of each rental car company having its own shuttle bus system to transport customers to and from individual remote sites, a CONRAC facility brings all the on-airport rental car companies together at a single location with a single transit system, typically a bus system, transporting rental car customers to and from the terminal. Where space permits, as is the case with the City's planned CONRAC Facility, airports are locating their consolidated rental car facilities adjacent to or within walking distance of the terminal building. This serves to enhance the customer service experience by making rental cars more accessible and eliminating the need for shuttle buses altogether.

One of the first CONRAC facilities in the U.S. was completed at San Francisco International Airport. Subsequently, consolidated facilities opened at Dallas/Fort Worth International, George Bush Intercontinental Houston, Baltimore-Washington International Thurgood Marshall, Fort Lauderdale/Hollywood International, Miami International, and Hartsfield-Jackson Atlanta International Airport, among others. Typically, the primary source of financing for these facilities has been revenue bonds (either special facility or general airport revenue bonds) backed by a CFC, which is a fee imposed by an airport upon the customers of the rental car companies specifically to fund construction of a facility. These fees are typically based on rental car transaction days, although some CFCs are applied on a per-contract basis.

### 5.2.3 AIRPORT TAXES AND SURCHARGES

Airport taxes and surcharges received a lot of attention from the rental car industry during the 1990s, both in terms of their opposition to new taxes to pay for non-rental car-related facilities (such as convention centers and sports arenas) and their support of actions that allowed them to pass through charges, such as airport concession fees, to their customers. The concept of taxing rental car transactions for non-rental car-related facilities is often a popular option for local governments since they can export part of the tax burden to non-residents. The opponents to this concept point out that it raises the cost of rental cars which, in economic theory, decreases demand.

The rental car companies themselves began passing through certain costs and fees to their customers in the late 1990s as they sought ways to increase profitability. This practice allowed rental car companies to increase fees and outsource some of the expense to the customer, while not lowering their base rental rates.

## 5.3 Rental Car Market at the Airport

The Airport is currently served by 10 different rental car brands. The rental car companies that operate the brands at the Airport are as follows:

- The Hertz Corporation d/b/a Hertz, Dollar Rent a Car and Thrifty Car Rental (Dollar Thrifty Group)
- EAN Holdings, LLC d/b/a Enterprise Rent-A-Car, Alamo Rent a Car, National Car Rental
- Avis Budget Car Rental[17], LLC d/b/a Avis Rent A Car System, LLC and Payless Rent A Car
- Advantage OPCO, LLC d/b/a Advantage Rent A Car
- Satrac Inc dba Budget Rent A Car d/b/a Budget Car & Truck Rental

**Table 5-2** presents the FY 2010 to FY 2014 market share held by each brand as measured by gross sales. The most recent data available for FY 2014 shows Hertz led the market with approximately 21.3 percent share, followed by Avis Rent A Car at approximately 17.6 percent, Dollar Thrifty Group at approximately 16.1 percent, Enterprise Rent-A-Car at approximately 14.7 percent, and National Car Rental at approximately 13.4 percent.

Table 5-2 also presents the market share by Concessionaire. For FY 2014, Hertz Corporation has the largest market share at approximately 37.5 percent, followed by EAN Holdings, LLC at approximately 36.3 percent, Avis Budget Rent Car Rental LLC at approximately 18.5 percent, Satrac Inc. dba Budget Rent A Car at approximately 4.9 percent, and Advantage OPCO, LLC at approximately 2.8 percent. Currently, there is no presence of off-Airport rental car companies serving the Airport.

## 5.4 Historical Rental Car Demand at the Airport

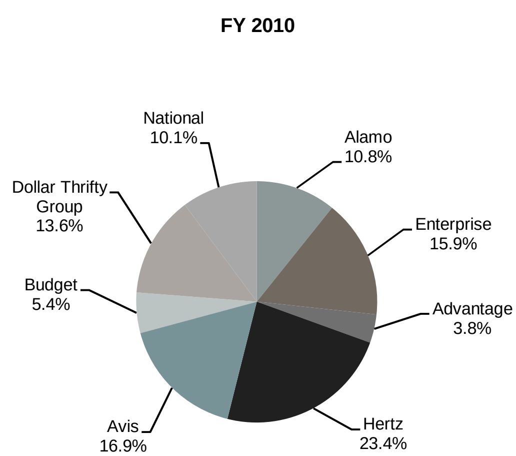
This section discusses historical rental car activity at the Airport for FY 2010 through FY 2014. Rental car demand at the Airport is primarily measured by the amount of rental car gross sales and the number of rental car transaction days.

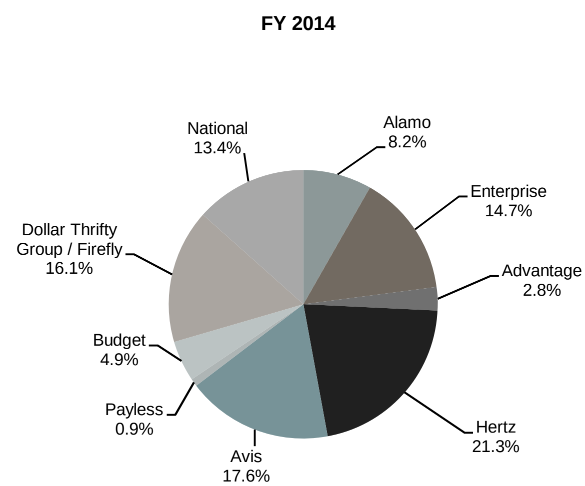
[17] Avis Budget Car Rental acquired Zipcar in January 2013, however, Zipcar is not included as a rental car brand at the Airport. Zipcar operates as a car sharing and car club service, providing 24 hour access car rental reservations to company members who pay for automobile services via membership fees and hourly usage.

**Table 5-2: San Antonio International Airport Rental Car Market Share by Gross Revenue**

(Fiscal Years Ended September 30)

| BRAND | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| **Hertz Corporation [1/]** | **27.2%** | **24.8%** | **36.4%** | **36.7%** | **37.5%** |
| *Hertz* | *23.4%* | *21.4%* | *21.7%* | *22.1%* | *21.3%* |
| *Dollar Thrifty Group / Firefly [2/]* | | | *14.8%* | *14.6%* | *16.1%* |
| *Advantage Rent A Car* | *3.8%* | *3.4%* | | | |
| **EAN Holdings, LLC** | **36.8%** | **38.2%** | **38.7%** | **36.7%** | **36.3%** |
| *Enterprise Rent-A-Car* | *15.9%* | *16.1%* | *16.8%* | *15.9%* | *14.7%* |
| *Alamo Rent a Car* | *10.8%* | *10.6%* | *9.4%* | *7.9%* | *8.2%* |
| *National Car Rental* | *10.1%* | *11.5%* | *12.6%* | *12.9%* | *13.4%* |
| **Avis Budget Car Rental LLC [3/]** | **16.9%** | **17.8%** | **17.6%** | **18.1%** | **18.5%** |
| *Avis Rent A Car System, LLC* | *16.9%* | *17.8%* | *17.6%* | *18.1%* | *17.6%* |
| *Payless Rent A Car* | | | | | *0.9%* |
| **Advantage OPCO, LLC [1/]** | | | **3.0%** | **3.7%** | **2.8%** |
| *Advantage Rent A Car* | | | *3.0%* | *3.7%* | *2.8%* |
| **Dollar Thrifty Group [1/]** | **13.6%** | **15.0%** | | | |
| *Dollar Thrifty Group* | *13.6%* | *15.0%* | | | |
| **Satrac Inc. dba Budget Rent A Car** | **5.4%** | **4.3%** | **4.3%** | **4.8%** | **4.9%** |
| *Budget Car & Truck Rental [4/]* | *5.4%* | *4.3%* | *4.3%* | *4.8%* | *4.9%* |




NOTES: Figures may not add due to rounding.

1/ Hertz Global Holdings sold the Advantage Rent-A-Car brand to Macquarie Capital and Franchise Services of North America, Inc. (Simply Wheelz LLC) in December 2012, and Dollar Thrifty Automotive Group was acquired by Hertz Global Holdings, Inc. in November 2012.

2/ In March 2013, Hertz launched Firefly Car Rental that currently operates across Europe and the United States. As shown, the airport combines gross revenues of Firefly and Dollar Thrifty Group. As of [Month 2015] Firefly no longer operates at the Airport.

3/ Avis Budget Group acquired Payless Car Rental July 15, 2013.

4/ Budget Car & Truck Rental operates as a Franchise at the Airport.

SOURCE: City of San Antonio, Department of Aviation, November 2014.

PREPARED BY: Ricondo & Associates, Inc., June 2015.

**Exhibit 5-4** depicts the annual growth of deplaned passengers compared to the growth in gross rental car sales at the Airport between FY 2011 and FY 2014. Similar to the nationwide experience, both deplaned passenger activity and gross rental car sales increased at the Airport following the 2009 economic downturn of the U.S. economy. Between FY 2011 and FY 2013, the Airport experienced a decline in growth of deplaned passengers while growth in rental car gross sales held relatively level. However, in FY 2014 the

Airport experienced a significant growth in rental car gross sales while deplaned passengers regained positive growth, growing at approximately 10.1 percent and approximately 1.3 percent, respectively.

**Exhibit 5-5** presents gross sales generated by the rental car companies on a quarterly basis, compared to the rolling 12-month percent change for both gross rental car sales and O&D deplaned passengers from the first quarter of FY 2010 through the second quarter of FY 2015. This data indicates that the trend in rental car activity and gross rental car sales continue to grow despite a relatively stagnant deplaned passenger growth. The most recent first and second quarter FY 2015 gross rental car sales have increased approximately 5.5 and 1.6 percent, respectively, over the same periods in FY 2014, indicating consistent growth in most recent rental car demand.

**Table 5-3** reflects rental car transactions days, deplaned passengers, ratio of transaction days to deplaned passengers, CFC rate per transaction day, CFC collections, gross rental car revenue, and average daily rental rate at the Airport for FY 2010 through FY 2014. As shown on Table 5-3, deplaned passengers have increased at a compound annual growth rate of approximately 1.2 percent between FY 2010 and FY 2014. Rental car transaction days have conversely decreased at a compound annual rate of approximately 1.5 percent during this same period. Since introduced on April 1, 2012, actual CFC collections have remained flat at the Airport between FY 2012 (estimated proration) and FY 2014 at approximately $9.1 million annually.

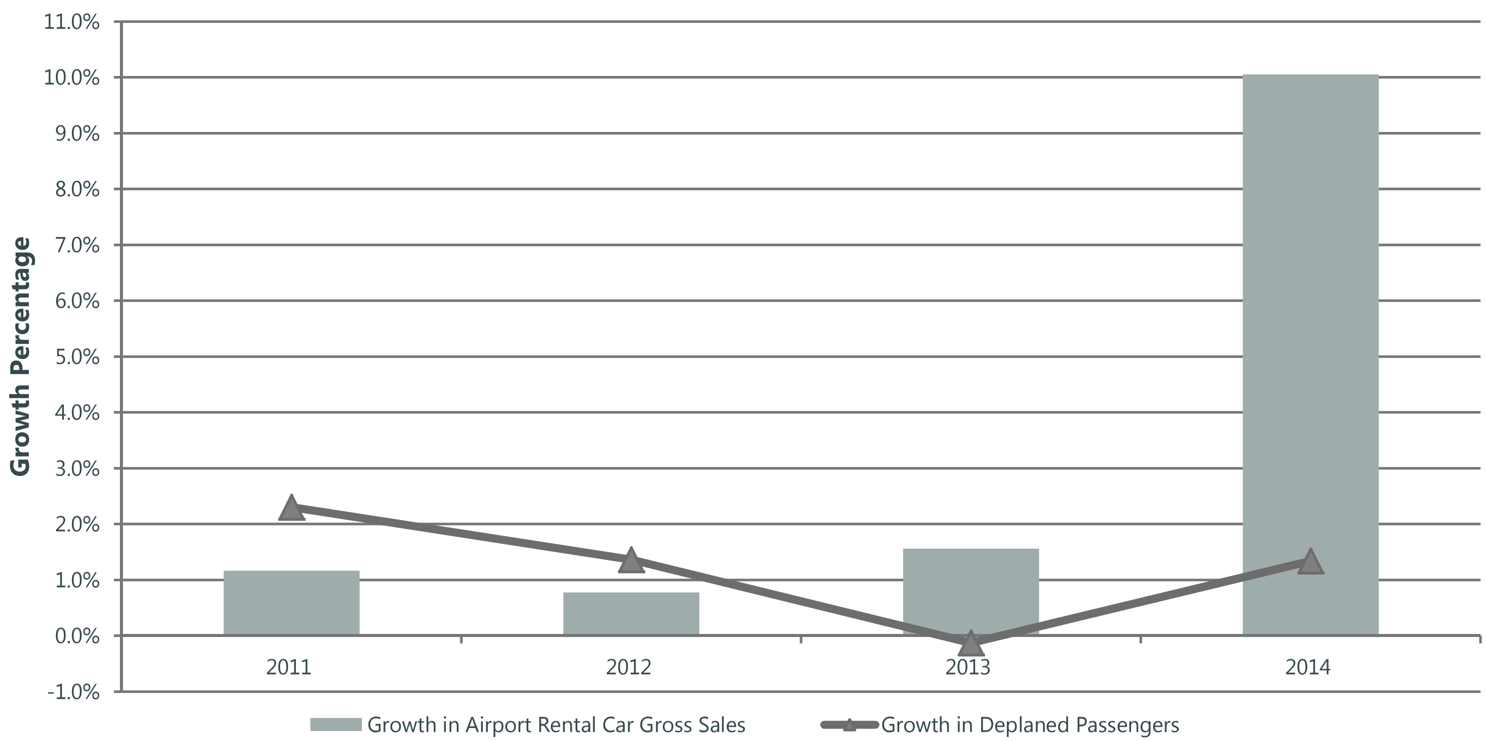
Table 5-3 also presents data on Airport gross rental car sales at the Airport, which grew at approximately 3.3 percent compound annual growth rate between FY 2010 and FY 2014, while deplaned passengers grew at approximately 1.2 percent compound annual growth rate for the same time period. The average daily rental rate has increased steadily from $40.74 in FY 2010, to $49.37 in FY 2014 with a compound annual growth rate of approximately 4.9 percent.

Table 5-3 also presents the ratio of rental car transaction days to deplaned passengers which has decreased from approximately 54.3 percent of deplaned passengers renting cars in 2010 to approximately 48.7 percent in FY 2014.

**Exhibit 5-6** reflects monthly rental car transaction days from October 2009 through March 2015. The monthly data indicates the seasonality of rental car transaction days at the Airport, with highs in the summer months and lows during the winter months. Exhibit 5-6 shows that the Airport's monthly rental car transaction days experienced a declining trend in FY 2013 after strong growth in FY 2010 through FY 2012. Since March of FY 2013, the Airport has reversed the declining trend in year over year percent change and rolling twelve month percent change of rental car transaction days.

**Exhibit 5-4: Growth Comparison of Airport Gross Rental Car Sales and Deplaned Passengers at the Airport**

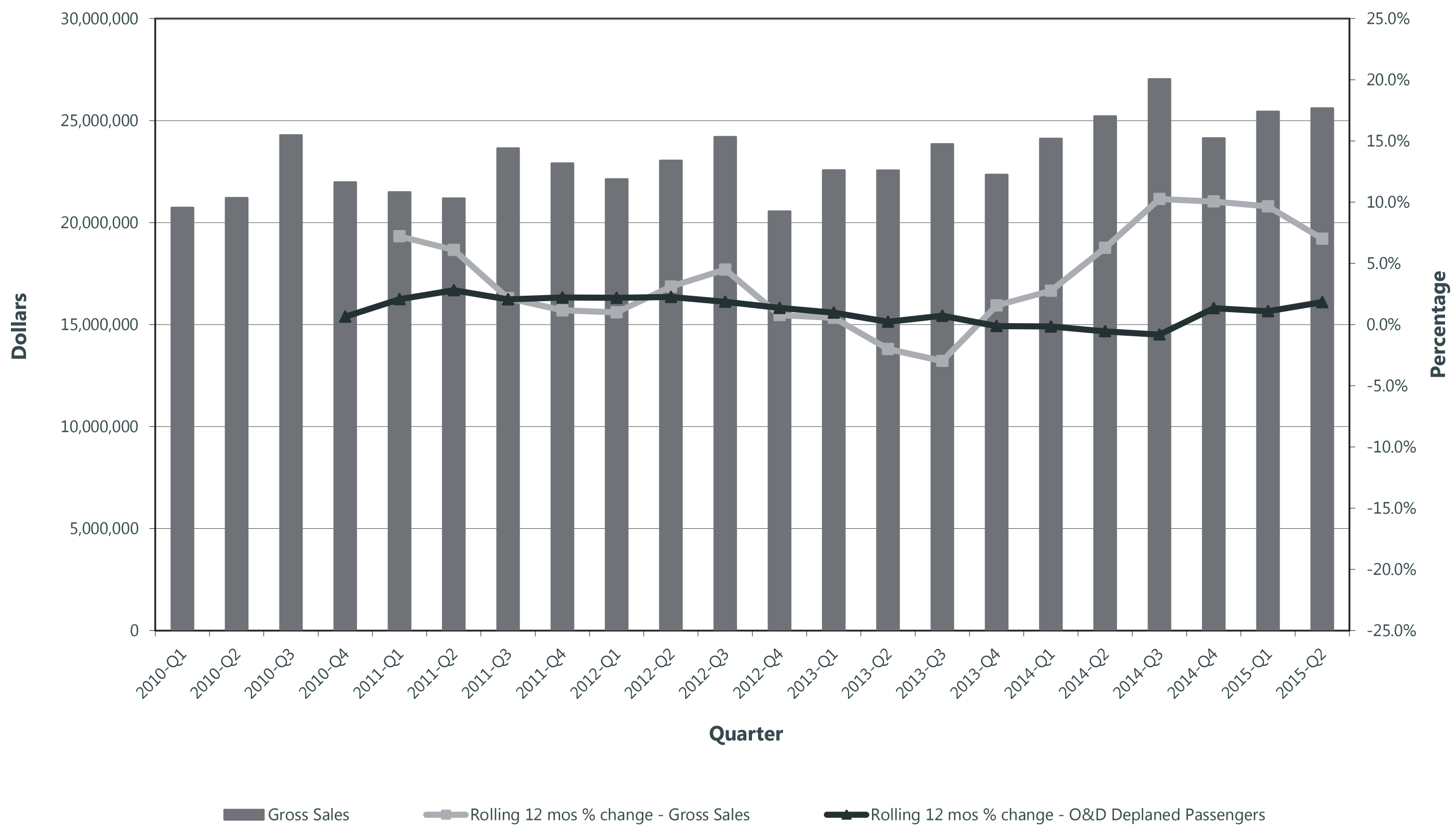
(Fiscal Years Ending September 30)




SOURCE: City of San Antonio, Department of Aviation, November 2014.
PREPARED BY: Ricondo & Associates, Inc., June 2015.

**Exhibit 5-5: Quarterly Gross Sales Compared to the Rolling 12 Month Percent Change in Gross Sales and O&D Deplaned Passengers**

(Fiscal Years Ending September 30)




SOURCE: City of San Antonio, Department of Aviation, May 2015.

PREPARED BY: Ricondo & Associates, Inc., June 2015.

**Table 5-3: Historical Rental Car Activity**

(Fiscal Years Ended September 30)

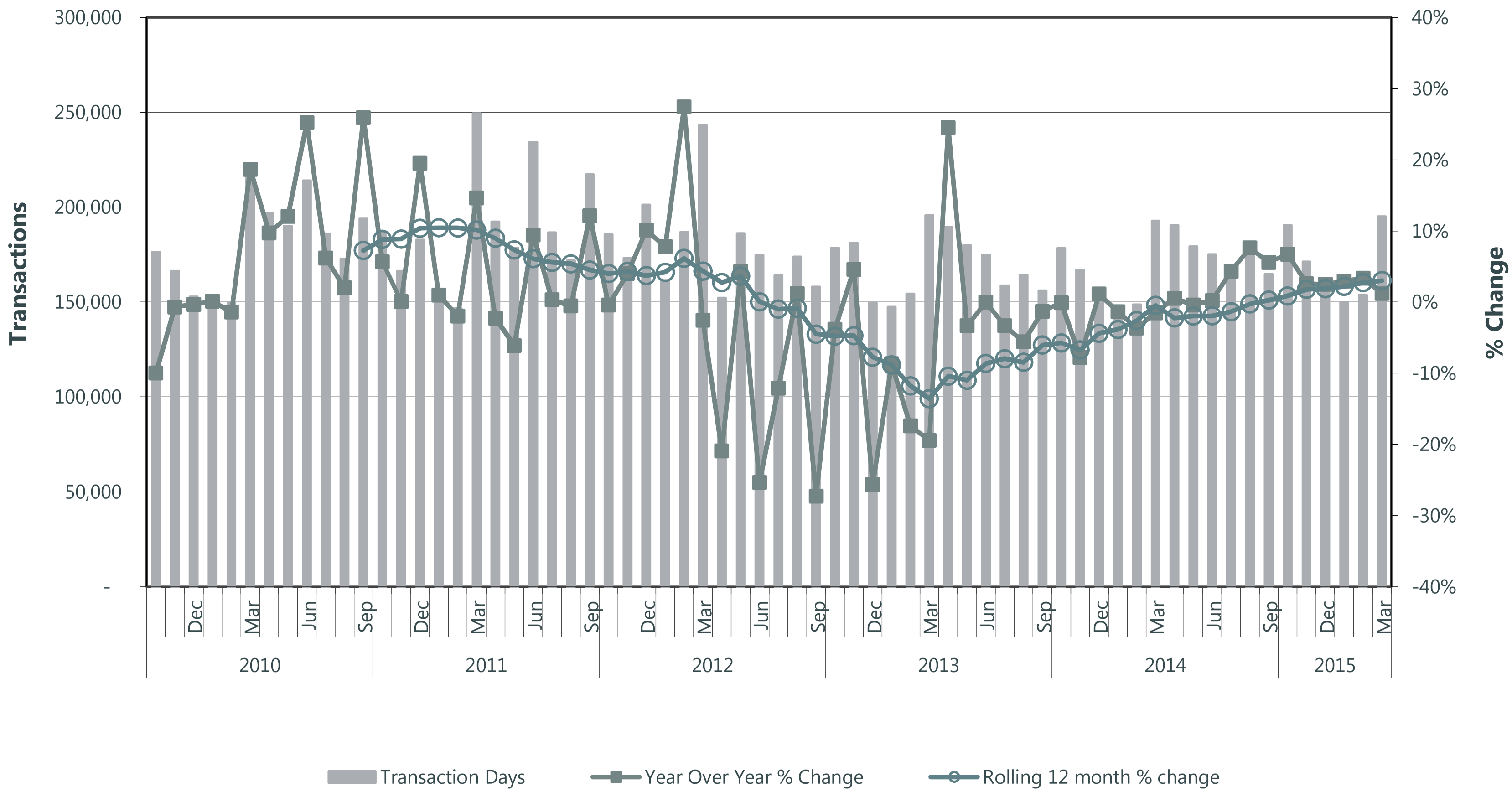
| | | ACTUAL | | | | | CAGR 4/ |
|---|---|---|---|---|---|---|---|
| | | 2010 | 2011 | 2012 1/ | 2013 | 2014 | 2010-2014 |
| Rental Car Transaction Days 2/ | [A] | 2,164,939 | 2,262,722 | 2,160,785 | 2,030,130 | 2,035,682 | -1.5% |
| Deplaned Passengers | [B] | 3,984,702 | 4,076,448 | 4,131,860 | 4,126,560 | 4,181,865 | 1.2% |
| Ratio of Transactions Days to Deplaned Passengers | [C] = [A] / [B] | 54.3% | 55.5% | 52.3% | 49.2% | 48.7% | -2.7% |
| CFC Rate ($ per transaction day) | [D] | N/A | N/A | $ 4.50 | $ 4.50 | $ 4.50 | N/A |
| Calculated CFC Collections | [E] = [A] * [D] | N/A | N/A | $ 9,723,533 | $ 9,135,585 | $ 9,160,569 | N/A |
| **Actual CFC Collections 3/** | | **N/A** | **N/A** | **$ 4,524,984** | **$ 9,140,378** | **$ 9,160,569** | N/A |
| Gross Rental Car Sales | [F] | $ 88,199,983 | $ 89,224,958 | $ 89,915,162 | $ 91,314,822 | $ 100,495,241 | 3.3% |
| Average Daily Rental Rate | [G] = [F] / [A] | $ 40.74 | $ 39.43 | $ 41.61 | $ 44.98 | $ 49.37 | 4.9% |

NOTES:
1/ CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. Actual CFC collections in FY 2012 are based on six months of collections
2/ FY 2014 Rental Car Transaction Days are an estimate based off of FY 2014 Actual CFC Collections divided by the CFC Rate
3/ It is assumed that Actual CFC Collections do not exactly equal Rental Car Transaction Days times the CFC Rate due to timing of collections
4/ Compound Annual Growth Rate

SOURCE: City of San Antonio, Department of Aviation, November 2014.
PREPARED BY: Ricondo & Associates, Inc., June 2015.

## Exhibit 5-6: Airport Montly Rental Car Transaction Days

(Fiscal Years Ending September 30)




SOURCE: City of San Antonio, Department of Aviation, May 2015.

PREPARED BY: Ricondo & Associates, Inc., June 2015.

## 5.5 Factors Influencing Rental Car Demand at the Airport

Rental car customers generally make purchasing decisions based primarily on rental rates and convenience, and other secondary factors including the presence of alternative forms of transportation. This section discusses specific factors that could influence rental car demand at the Airport—including rental rates, CFC level, local rental car markets, and other demand factors.

### 5.5.1 CAR RENTAL RATES

**Table 5-4** reflects two-day leisure (weekend) and three-day business (weekday) rental car rates for the Airport and five other Texas airports including Austin-Bergstrom (AUS), Dallas/Fort Worth International (DFW), George Bush Intercontinental Houston (IAH), William P. Hobby (HOU), and Killeen-Fort Hood Regional (GRK). Rental rates were obtained on November 25, 2014 from the websites of several major U.S. rental car companies operating at the Airport and were based on the following:

**Two-day weekend rental (leisure):**

- Pick up Friday, July 10, 2015 at 5pm
- Drop off Sunday, July 12, 2015 at 5pm
- Standard size car

**Three-day weekday rental (business):**

- Pick up Monday, July 13, 2015 at 10am
- Drop off Thursday, July 16, 2015 at 10am
- Standard size car

As shown on Table 5-4 the rates at the Airport for a two-day weekend rental is approximately $157.07, which is the highest rate among the sample airports, with AUS second at approximately $156.85. DFW had the lowest rate among the sample airports at approximately $75.32 for the two-day weekend rental.

The Airport has the fourth highest rates in the survey for weekday rentals, with a three-day weekday rental rate of approximately $365.07. AUS has the highest rate for a three-day weekday rental at approximately $418.46. GRK had the lowest three-day weekday rental at approximately $134.58. Table 5-4 also reflects the breakdown of other charges and taxes charged at each airport. As shown, CFCs, facility fees, and/or transportation charges range from zero to eleven percent of total rental rates for weekend rentals (with the Airport at approximately six percent), and from zero to four percent of total rental rates for weekday rentals (with the Airport at approximately four percent).[18] While rental car rates at the Airport rank in the higher tier of the peer group of surrounding airports, rental rates at the Airport are comparable to those at other airports in major cities across the country.

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[18] HOU is the only airport in the sampling that does not charge a CFC.

**Table 5-4: Car Rental Rate Comparison - Selected Surrounding Airports**

***Two-Day Weekend Rental*** [1/]
*(ordered most expensive to least expensive)*

| | SAN ANTONIO (SAT) | AUSTIN-BERGSTROM (AUS) | HOUSTON (IAH) | HOUSTON (HOU) | KILLEEN/FORT HOOD (GRK) | DALLAS/FORT WORTH (DFW) |
|---|---|---|---|---|---|---|
| Base Rental Rate | $110.25 | $107.59 | $97.45 | $108.50 | $65.70 | $44.45 |
| Taxes | $18.14 | $18.09 | $17.20 | $16.69 | $7.93 | $8.95 |
| Customer Facility Charge | $9.00 | $11.90 | $8.00 | $0.00 | $4.00 | $8.00 |
| Airport Concession Fee Recovery | $12.76 | $12.45 | $11.31 | $12.43 | $6.84 | $5.09 |
| Vehicle License Fee | $4.92 | $4.93 | $4.32 | $4.70 | $1.23 | $3.45 |
| Energy Recovery Fee | $2.00 | $1.89 | $1.89 | $2.00 | $1.49 | $0.99 |
| Transportation Fee | $0.00 | $0.00 | $5.17 | $0.00 | $0.00 | $4.40 |
| **Total Rental Rate** | **$157.07** | **$156.85** | **$145.35** | **$144.32** | **$87.19** | **$75.32** |
| *Base Rental Rate* | *70%* | *69%* | *67%* | *75%* | *75%* | *59%* |
| *Customer Facility Charge* | *6%* | *8%* | *6%* | *0%* | *5%* | *11%* |
| *Other Charges* [2/] | *13%* | *12%* | *16%* | *13%* | *11%* | *18%* |
| *Taxes* | *12%* | *12%* | *12%* | *12%* | *9%* | *12%* |
| *Total* | *100%* | *100%* | *100%* | *100%* | *100%* | *100%* |

***Three-Day Weekday Rental*** [3/]
*(ordered most expensive to least expensive)*

| | AUSTIN-BERGSTROM (AUS) | HOUSTON (IAH) | DALLAS/FORT WORTH (DFW) | SAN ANTONIO (SAT) | HOUSTON (HOU) | KILLEEN/FORT HOOD (GRK) |
|---|---|---|---|---|---|---|
| Base Rental Rate | $304.99 | $274.37 | $264.69 | $266.95 | $245.28 | $101.93 |
| Taxes | $49.07 | $44.05 | $42.52 | $42.07 | $38.58 | $12.24 |
| Customer Facility Charge | $17.85 | $12.00 | $12.00 | $13.50 | $0.00 | $6.00 |
| Airport Concession Fee Recovery | $34.60 | $31.11 | $29.63 | $30.39 | $27.78 | $10.58 |
| Vehicle License Fee | $9.36 | $9.16 | $9.07 | $9.39 | $7.22 | $1.85 |
| Energy Recovery Fee | $2.59 | $2.59 | $1.49 | $2.76 | $2.76 | $1.99 |
| Transportation Fee | $0.00 | $5.17 | $6.60 | $0.00 | $0.00 | $0.00 |
| **Total Rental Rate** | **$418.46** | **$378.45** | **$366.00** | **$365.07** | **$321.61** | **$134.58** |
| *Base Rental Rate* | *73%* | *72%* | *72%* | *73%* | *76%* | *76%* |
| *Customer Facility Charge* | *4%* | *3%* | *3%* | *4%* | *0%* | *4%* |
| *Other Charges* [2/] | *11%* | *13%* | *13%* | *12%* | *12%* | *11%* |
| *Taxes* | *12%* | *12%* | *12%* | *12%* | *12%* | *9%* |
| *Total* | *100%* | *100%* | *100%* | *100%* | *100%* | *100%* |

NOTES:
1/ Standard size car; pick-up Friday, July 10, 2015 at 5:00 pm; drop off Sunday, July 12, 2015 at 5:00 pm.
2/ Other Charges include Airport Concession Fee Recovery, Vehicle License Fee, Energy Recovery Fee, and Transportation Fee.
3/ Standard size car; pick-up Monday, July 13, 2015 at 10:00 am; drop off Thursday, July 16, 2015 at 10:00 am.

SOURCES: www.hertz.com, www.avis.com, www.enterprise.com, May 6, 2015.
PREPARED BY: Ricondo & Associates, Inc., June 2015.

### 5.5.2 CFC LEVEL

Airports also began adding airport fees to pay for CONRAC facilities and consolidated shuttle bus costs. Unlike PFCs at many airports, CFCs and transportation fees are not regulated by the federal government.

A list of rental car CFCs and transportation fees at selected U.S. airports is shown in **Table 5-5**. Table 5-5 reflects CFC levels and transportation fees at various U.S. airports. As shown, many of the Airports on the table charge a CFC per transaction day, while other airports (San Francisco, Los Angeles, Oakland, Louisville, and Tucson) charge on a per contract basis. Currently, Chicago – O'Hare and Philadelphia share the highest fee per transaction day in the nation at $8.00 while San Francisco has the highest fee per contract at $20.00. At least five airports, Phoenix, Houston-Intercontinental, Dallas/Fort Worth, Kansas City, and Columbus, charge both a CFC (per transaction day) and an additional fee for busing or facility costs (per transaction) on rental car contracts.

### 5.5.3 OTHER FACTORS INFLUENCING RENTAL CAR DEMAND

Travel and tourism is a growing industry in the Air Trade Area, stimulating demand for inbound air travel and rental car activity at the Airport. The Air Trade Area has shown success in maintaining economic output and employment levels relative to other major markets in the U.S. since the turn of the recession. The San Antonio market benefits from the size and diversity of the seventh largest city in the U.S., driving air traffic at the airport and tourism to the Air Trade Area.

The diversified economy in the Air Trade Area has helped unemployment rates in the Air Trade Area fall below those in Texas and the U.S. as a whole. San Antonio is a major tourist destination for domestic and international visitors, generating strong demand for rental cars in the market and at the Airport. The Air Trade Area is also home to a large military presence and expansions in the health care, bioscience, IT, and hospitality sectors that assist in economic development and air traffic within San Antonio and at the Airport.

Other factors that influence rental car demand at the Airport include local/nationwide economic conditions and consumer income. The Air Trade Area's stable and diverse local economy, as described in Chapter 3, helps support future long-term growth in Airport passenger travel and the demand for rental cars. The strength of the U.S. economy in large part dictates growth of air travel and rental car demand nationwide. As the U.S. economy expands, consumer income and the demand for goods and services (including rental cars) increases. Conversely, nationwide economic recession generally decreases consumer income and the demand for goods and services, including rental cars.

## 5.6 Projection of Airport Rental Car Transaction Days

Based on a review of historical rental car activity data, demand for rental cars at the Airport is not primarily a function of deplaned passenger activity. However, rental car transaction days at the Airport remain to be dependent on deplaned passenger activity in each fiscal year between FY 2010 and FY 2014, but not necessarily a converse relationship in any given fiscal year. In the long-term, it is reasonable to expect that the relationship between rental car transaction days and deplaned passenger will correlate as deplaned passengers continue to grow at the Airport.

**Table 5-5: Customer Facility Charge and Transportation Fees at Select U.S. Airports**

| AIRPORT | AIRPORT CODE | HUB SIZE | CFC | ADDITIONAL FEE | FEE MAXIMUM |
|---|---|---|---|---|---|
| **Charged Per Transaction Day** | | | **Per Transaction Day** | | |
| Chicago - O'Hare | ORD | L | $8.00 | | |
| Philadelphia | PHL | L | $8.00 | | |
| San Diego | SAN | L | $7.50 | | |
| San Jose | SJC | M | $7.50 | | 5 days |
| Anchorage | ANC | M | $7.00 | | |
| New Orleans | MSY | M | $6.20 | | |
| Burbank | BUR | M | $6.00 | | 5 days |
| Phoenix | PHX | L | $6.00 | $1.81 [1/] | |
| Providence | PVD | M | $6.00 | | |
| Seattle | SEA | L | $6.00 | | |
| Austin-Bergstrom | AUS | M | $5.95 | | |
| Tampa | TPA | L | $5.95 | | |
| Atlanta | ATL | L | $5.00 | | |
| Kansas City | MCI | M | $5.00 | $3.00 [2/] & $2.00 [3/] | |
| Salt Lake City | SLC | L | $5.00 | | |
| Cincinnati | CVG | M | $4.75 | | |
| Miami | MIA | L | $4.60 | | |
| Columbus | CMH | M | $4.50 | $0.50 [4/] | |
| Honolulu | HNL | l | $4.50 | | |
| Nashville | BNA | M | $4.50 | | |
| **San Antonio** | **SAT** | **M** | **$4.50** | | |
| Houston-Intercontinental | IAH | L | $4.00 | $4.72 [5/] | |
| Charlotte | CLT | L | $4.00 | | |
| Dallas/Fort Worth | DFW | L | $4.00 | $2.20 [6/] | |
| Indianapolis | IND | M | $4.00 | | |
| Memphis | MEM | M | $4.00 | | |
| Fort Lauderdale | FLL | L | $3.95 | | 7 days |
| Baltimore | BWI | L | $3.75 | | |
| Chicago - Midway | MDW | L | $3.75 | | |
| Las Vegas | LAS | L | $3.75 | | |
| Albuquerque | ABQ | M | $3.50 | | |
| Hartford | BDL | M | $3.50 | | |
| El Paso | ELP | S | $3.50 | | |
| Minneapolis | MSP | L | $3.25 | | |
| Pittsburgh | PIT | M | $3.00 | | |
| Newark | EWR | L | $2.50 | | |
| Orlando | MCO | L | $2.50 | | 5 days |
| Washington Reagan | DCA | L | $2.50 | | |
| Cleveland | CLE | M | $2.15 | | |
| Denver | DEN | L | $2.15 | | |
| Killeen/Fort Hood | GRK | N | $2.00 | | |
| Fort Myers | RSW | M | $1.00 | | |
| Milwaukee | MKE | M | $1.00 | | |
| **Charged Per Contract** | | | **Per Contract** | | |
| San Francisco | SFO | L | $20.00 | | |
| Los Angeles | LAX | L | $10.00 | | |
| Oakland | OAK | M | $10.00 | | |
| Louisville | SDF | M | $5.00 | | |
| Tucson | TUS | M | $4.50 | | |

NOTES:
1/ Facility maintenance fee per day.
2/ Facility fee per day.
3/ Transportation fee per day.
4/ Garage recoupment charge per transaction.
5/ Transportation fee per transaction day.
6/ Busing fee per transaction.

SOURCE: Ricondo & Associates; Rental Car Company web sites, May 2015.
PREPARED BY: Ricondo & Associates, Inc., May 2015.

For purposes of this analysis, specific assumptions were made regarding rental car transactions per deplaned passenger, as follows:

- **Deplaned Passengers**. The assumptions for deplaned passengers are explained in Chapter 4.
- **Rental Car Transaction Days.** Rental car transaction days per deplaned passenger are assumed to be 48.8 percent throughout the Projection Period, which is the approximate historical average ratio of transaction days per deplaned passengers for FY 2013, FY 2014, and year-to-date FY 2015.

Other assumptions used in developing the projection of rental car transaction days include the following:

- **Local/National Economy.** The economic base of the Air Trade Area will remain stable and diversified during the Projection Period, as described in Chapter 3 of this report.
- **Passenger Levels at the Airport.** Passenger projections described earlier herein will be realized.
- **Car Rental Rates.** Car rental rates at the Airport will continue to be competitive in relation to other means of transportation, and are not anticipated to depress rental car demand.
- **CFC level.** The CFC level at the Airport is assumed to increase from its current level of $4.50 per transaction day to $5.00 per transaction day on July 1, 2015 and to $5.50 per transaction day on September 1, 2018.[19] The scheduled increase is not assumed to have a material effect on rental car demand or transactions days at the Airport.
- **CONRAC Facility.** The new CONRAC Facility will not have a material effect on rental car demand or rental car transaction days at the Airport.
- **Rental Car Companies.** It is anticipated that all of the existing rental car companies at the Airport will continue to operate at the Airport. Additionally, there are other rental car companies who are not currently operating at the airport that are expected to lease space in the CONRAC Facility.

Based on the methodology and assumptions described above, the projection of rental car activity and CFC collections is presented in **Table 5-6**. Projected rental car transaction days are calculating by applying the growth rate for deplaned passengers (as presented in Chapter 4, Table 4-16) to the actual FY 2014 rental car transactions days. Rental car transaction days at the Airport are expected to grow from approximately 2.0 million in FY 2015 to approximately 2.5 million in FY 2023. Furthermore, CFC Collections are expected to increase from approximately $9.4 million in FY 2015 to approximately $13.5 million in FY 2023, representing a compound annual growth rate of approximately 4.7 percent. This significant growth in CFC Collections through the projection period is due in part to the expected CFC rate increases on July 1, 2015 and September 1, 2018 to $5.00 per transaction day and $5.50 per transaction day, respectively. Although it is reasonable to assume that total demand for rental cars may increase upon substantial completion of the CONRAC Facility, the relationship between deplaned passengers and rental car transactions has been held constant to develop a conservative projection of CFC collections.

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[19] CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

**Table 5-6: Projected Rental Car Activity and CFC Collections**

(Fiscal Years Ending September 30)

| | | | | | | PROJECTED | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Growth Rate | | 0.1% | 2.5% | 2.4% | 2.4% | 2.3% | 2.3% | 2.2% | 2.2% | 2.1% |
| Deplaned Passengers | [A] | 4,185,000 | 4,290,000 | 4,395,000 | 4,500,000 | 4,605,000 | 4,710,000 | 4,815,000 | 4,920,000 | 5,025,000 |
| Historical Average Ratio of Transaction Days to Deplaned Passengers [1/] | [B] | 48.8% | 48.8% | 48.8% | 48.8% | 48.8% | 48.8% | 48.8% | 48.8% | 48.8% |
| Rental Car Transaction Days | [C] = [A] x [B] | 2,042,280 | 2,093,520 | 2,144,760 | 2,196,000 | 2,247,240 | 2,298,480 | 2,349,720 | 2,400,960 | 2,452,200 |
| CFC Rate ($ per transaction day) [2/] | [D] | $4.50/$5.00 | $ 5.00 | $ 5.00 | $5.00/$5.50 | $ 5.50 | $ 5.50 | $ 5.50 | $ 5.50 | $ 5.50 |
| CFC Collections | [E] = [C] x [D] | $ 9,360,450 | $ 10,467,600 | $ 10,723,800 | $ 10,980,000 | $ 12,359,820 | $ 12,641,640 | $ 12,923,460 | $ 13,205,280 | $ 13,487,100 |

| **Compound Annual Growth Rate in CFC Collections** | |
|---|---|
| 2016 - 2018 ($5.00 CFC Rate Collections) | 2.4% |
| 2019 - 2023 ($5.50 CFC Rate Collections) | 2.2% |
| 2015 - 2023 (Projection Period) | 4.7% |

NOTES:

1/ Based on average ratio of transaction days to deplaned passengers for FY 2013, FY 2014, and year-to-date FY 2015 through January.

2/ CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. The CFC rate is projected to increase to $5.00 per transaction day on July 1, 2015 and is projected to increase to $5.50 per transaction day on September 1, 2018. CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

SOURCES: City of San Antonio, Department of Aviation (Historical Average Ratio); Coastal Securities (CFC Rates as of May 20, 2015); Inter*VISTAS* Consulting Inc. (Deplaned Passengers); Ricondo & Associates, Inc. (Projections), May 2015.

PREPARED BY: Ricondo & Associates, Inc., June 2015.

# 6. Financial Analysis – Series 2015 CFC Bonds

## 6.1 Financial Framework

This section discusses the Aviation Department's financial structure and the CONRAC Lease Agreements and Concession Agreements.

### 6.1.1 FINANCIAL STRUCTURE AND ACCOUNTING

The Aviation Department is an enterprise fund of the City. From an accounting perspective, the Aviation Department is operated as an independent enterprise and is separate from other City enterprises and funds. For financial reporting purposes, the City combines the operations of the two airports that comprise the Airport System.

The Aviation Department funds operations at the Airport System with revenues generated from Airport rentals, fees, and charges. Capital improvements at the Airport are funded by the Aviation Department with (1) revenues generated from Aviation Department rentals, fees, and charges; (2) federal, state, and other grants-in-aid; (3) PFC revenues; (4) PFC Bond proceeds; (5) Airport Revenue Bond proceeds; and (6) CFCs including Series 2015 Bond proceeds. No general tax fund revenues are used to operate or maintain either the Airport or Stinson.

### 6.1.2 CONRAC LEASE AGREEMENTS

The CONRAC Lease Agreements term begins at the Date of Beneficial Occupancy (DBO) through twenty (20) full Fiscal Years. DBO is the date on which the Aviation Director declares that the CONRAC is open for business and can begin serving the public. There will be one DBO for the entire CONRAC. No Operator may begin rental car operations in the CONRAC until the DBO. Key terms of the CONRAC Lease Agreement are identified below:

1. Rents and Fees

   a. Ground Rent: For use of the facility site on which the facility is going to be constructed, a ground rent of $1.00 per square foot per year is being charge to the facility users. The initial ground rent is $488,275 per year. This amount is prorated between the CONRAC and the Public Parking area based on square footage. The Operators will pay the Airport Ground Rent of $361,078 annually. The ground rental rate per square foot will be escalated 15.0 percent every five years during the term of the Lease Agreement.

b. Customer Facility Charge: The CFC will pay the debt service and certain operating costs of the Facility. The CFC is a per transaction day charge at a rate established by the City to be charged to every rental car customer entering into a customer contract with an Operator at or near the Airport. Under the Lease Agreement, the initial CFC rate is $5.00 per transaction day, as approved by City Council on June 18, 2015. The CFC proceeds are to be held in trust by the Operators for the City. These funds are the City's property and Operators, as agents for the City, only hold a possessory interest, not an equitable interest in these funds held in trust. The CFC is to pay: Facility Debt Service (including coverage and reserves), Administrative Costs, Major Maintenance, CFC Eligible Routine Maintenance, Facility Renewals and Replacements, and other Bond requirements.

c. Customer Facility Charge Rate Adjustment: Each year, the City will analyze the adequacy of the CFC rate per transaction day to produce sufficient proceeds to pay debt service and the costs and expenses of the Facility in the subsequent year. If necessary, the City can increase or decrease the CFC rate per transaction day to a level that is adequate to pay all Facility requirements in the subsequent year but not generate excessive surpluses.

d. Contingent Fee: A Contingent Fee will be imposed on the Operators and the Airport, if necessary. The purpose of the Contingent Fee is to provide sufficient additional revenue to remain in compliance with the Bond Documents when CFC proceeds and Bond deposits are forecast to be inadequate to pay when due all financial requirements of the Facility.

e. Contingent Fee Reimbursement: Both the Airport and Operators will be reimbursed Contingent Fees paid in prior fiscal years, if, as, and when in subsequent fiscal years surpluses are available in the CFC Surplus Fund.

2. Facility Maintenance

a. Major Maintenance: Facility Major Maintenance will be performed by the City or Operators and funded with balances available in the CFC Renewal and Replacement Fund. The CFC Renewal and Replacement Fund will be initially funded with $7.5 million from Series 2015 CFC Bonds proceeds and will be subsequently funded with transfers from the CFC Surplus Fund, when available.

b. Public Parking Routine Maintenance: The City will perform and pay for Public Parking Routine Maintenance.

c. CONRAC Routine Maintenance: The Operators are financially responsible for performing and paying for Routine Maintenance of the CONRAC. CONRAC Routine Maintenance is estimated by the Operators to cost approximately $4.0 million per year and is categorized as either CFC Eligible

Routine Maintenance (eligible for reimbursement) or Non-CFC Eligible Routine Maintenance (not eligible for reimbursement).

i. CONRAC CFC Eligible Routine Maintenance: Subject to the availability of funds in the CFC Surplus Fund[1], the Operators will be reimbursed CFC Eligible Routine Maintenance. CFC Eligible Routine Maintenance consists of maintenance of the CONRAC's vertical circulation (elevators and escalators), janitorial services, utilities costs, maintenance in public view areas of the Customer Service Center, CONRAC allocation of Routine Maintenance and replacement thereof, and maintenance of the exterior of the CONRAC, including finishes and lighting.

ii. Facility Maintenance Fee: The Operators will recover the costs of Non-CFC Eligible Routine Maintenance together with the projected shortfalls to funding of CFC Eligible Routine Maintenance by levying a Facility Maintenance Fee (FMF) on their customers. The FMF will be a per Transaction Day charge. Annually, the City will calculate the FMF daily rate for the subsequent year. The FMF proceeds will be remitted monthly to the CONRAC Manager to pay the cost of Non-CFC Eligible Routine Maintenance and shortfalls to the CFC Eligible Routine Maintenance. The City has no interest in or claim to the FMF proceeds. The annual cost of Non-CFC Eligible Routine Maintenance is estimated to be $2.5 million.

3. Tenant Improvement Reimbursements: Operators shall be reimbursed for certain costs of Initial Tenant Improvements incurred by the Operators during the course of construction in an aggregate total amount not to exceed the lesser of: (i) six million dollars ($6,000,000.00) or (ii) fifty percent (50%) of the total aggregate amount of Initial Tenant Improvements constructed by all Operators as described in the CONRAC Lease Agreement.

### 6.1.3 CONCESSION AGREEMENT

The Concession Agreement shall be effective and binding between the parties conditioned upon Operator then being a party in Good Standing if Operator is party to a Prior Concession Agreement or Off-Airport Rental Car Agreement. The Concession Agreement Term shall commence on the first day of the month following DBO and, unless earlier terminated pursuant to the provisions of this Concession Agreement, shall extend until the last day of the tenth (10th) full Fiscal Year. The period of time between DBO and the first Fiscal Year will be referred to as the Initial Concession Period. Fiscal Year means each successive year during the Term, beginning with the first Fiscal Year after DBO. The City in its sole discretion may agree in writing to extend the Term for up to one additional ten (10) year period; provided that the Operator (1) provides the City with written notice of its request to renew nine (9) months prior to expiration of the Term; and (2) is in Good Standing.

[1] In each year, reimbursements for Routine Maintenance will occur as long as a $2 million balance is maintained in the CFC Surplus Fund.

While the Special Facility Indenture does not contain a covenant by the City to provide for the operation of rental car concessions at the CONRAC under the Concession Agreements until the final maturity of the Series 2015 Bonds, the City has covenanted in the Special Facility Indenture that, from the Opening Date until the Series 2015 Bonds are no longer outstanding, it will maintain concession agreements (but not necessarily the Concession Agreements). No assurances can be given that upon the expiration of the Concession Agreements, the Operators, or any other rental car companies, will execute and deliver to the City concession agreements. The failure of any Operator or other rental car company to execute and deliver such an agreement may preclude the Operator or other rental car company from being able to offer rental car services at the Airport.

## 6.2 CFC Revenues

The CONRAC Lease Agreements provide for the collection of a CFC to cover the costs associated with the construction of the CONRAC Facility including additional covered parking, together with associated roadway improvements and associated infrastructure at the Airport, as well as certain operating expenses as defined in the CONRAC Lease Agreement. The new CONRAC Facility will be located across from the terminal facility and will be connected to the terminal facility via an enclosed skybridge. As previously described in Chapter 1.3, the City intends to use CFCs collected through June 30, 2015 of approximately $29.7 million to fund a portion of the Series 2015 Project on a PAYGO basis.

### 6.2.1 HISTORICAL AND PROJECTED CFC COLLECTIONS AND REVENUES

**Table 6-1** depicts the City's historical and projected collections of CFCs on an annual basis. As previously mentioned, CFC collections began at the Airport on April 1, 2012. Six months of CFCs were collected at the rate of $4.50 per transaction day for a total of approximately $4.5 million in FY 2012. CFC collections increased from approximately $9.1 million in FY 2013, the first full year of CFC collections at the $4.50 per day rate, to approximately $9.2 million in FY 2014. This increase between FY 2013 and FY 2014 represents a compound annual growth rate of approximately 0.2 percent.

Based on the projection of rental car activity presented in Chapter 5, R&A has developed projections of CFC collections, associated interest earnings, debt service coverage, and cash flow under the Special Facility Indenture through the Projection Period. Key assumptions made in these projections include:

- The current on-Airport Concessionaires will continue to operate at the Airport for the duration of the Projection Period. In the event one or more Concessionaires leave the market, the remaining Concessionaires or new entrant Concessionaires will act to serve demand and capture market share with minimal effect on the collection of CFCs.
- Any off-Airport rental car company will be required to pick up and drop off customers at the CONRAC Facility and thus be required to collect and remit the CFC.

**Table 6-1: Historical and Projected Rental Car Activity and CFC Collections**

(Fiscal Years Ending September 30)

| | | ACTUAL | ACTUAL | ACTUAL | PROJECTED | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Growth Rate | | | | | 0.1% | 2.5% | 2.4% | 2.4% | 2.3% | 2.3% | 2.2% | 2.2% | 2.1% |
| Deplaned Passengers | [A] | 4,131,860 | 4,126,560 | 4,181,865 | 4,185,000 | 4,290,000 | 4,395,000 | 4,500,000 | 4,605,000 | 4,710,000 | 4,815,000 | 4,920,000 | 5,025,000 |
| Historical Average Ratio of Transaction Days to Deplaned Passengers 1/ | [B] | | | | 48.8% | 48.8% | 48.8% | 48.8% | 48.8% | 48.8% | 48.8% | 48.8% | 48.8% |
| Rental Car Transaction Days | [C] = [A] * [B] | 2,160,785 | 2,030,130 | 2,035,682 | 2,042,280 | 2,093,520 | 2,144,760 | 2,196,000 | 2,247,240 | 2,298,480 | 2,349,720 | 2,400,960 | 2,452,200 |
| CFC Rate ($ per transaction day) 2/ | [D] | $ 4.50 | $ 4.50 | $ 4.50 | $4.50/$5.00 | $ 5.00 | $ 5.00 | $5.00/$5.50 | $ 5.50 | $ 5.50 | $ 5.50 | $ 5.50 | $ 5.50 |
| CFC Collections 3/ | [E] = [C] * [D] | $ 4,524,984 | $ 9,140,378 | $ 9,160,569 | $ 9,360,450 | $ 10,467,600 | $ 10,723,800 | $ 10,980,000 | $ 12,359,820 | $ 12,641,640 | $ 12,923,460 | $ 13,205,280 | $ 13,487,100 |

| **Compound Annual Growth Rate of CFC Collections** | |
|---|---|
| 2012 - 2014 | 42.3% |
| 2013 - 2014 | 0.2% |
| 2014 - 2016 | 6.9% |
| 2016 - 2023 | 3.7% |
| 2013 - 2023 | 4.0% |

NOTES:

1/ Based on average ratio of transaction days to deplaned passengers for FY 2013, FY 2014, and year-to-date FY 2015 through January.

2/ CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. The CFC rate is projected to increase to $5.00 per transaction day on July 1, 2015 and is projected to increase to $5.50 per transaction day on September 1, 2018. CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

3/ CFC collections based on actual collections for FY 2012 (six months), FY 2013, and FY 2014 and are projected for FY 2015 through FY 2023 (based on deplanement projections).

SOURCES: City of San Antonio, Department of Aviation (Historical Average Ratio); Coastal Securities (CFC Rates as of June 8, 2015); Inter*VISTAS* Consulting Inc. (Deplaned Passengers Growth Rate); Ricondo & Associates, Inc. (Projections), June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015

- It is expected that additional Concessionaires will operate at the Airport after the CONRAC Facility opens. Additionally, it's possible that passengers who currently do not rent cars due to the inconvenience of being bussed to a remote location will decide to rent cars once the CONRAC Facility opens. However, the ratio of transaction days to deplaned passengers has been conservatively held constant for the projection period.

As shown on Table 6-1, projected CFC collections through FY 2023 are derived by multiplying projected rental car transaction days by the assumed CFC rate for each Fiscal Year of the Projection Period. An increase in the CFC rate of $4.50 per transaction day to $5.00 per transaction day is scheduled to be implemented on July 1, 2015.[2] On September 1, 2018, the CFC rate is assumed to increase to $5.50 per transaction day and is assumed to remain at this rate throughout the remainder of the Projection Period. As discussed previously in this Report, rental car transaction days are projected to grow primarily as a function of deplaned destination passenger activity at the Airport.

With the CFC rate scheduled to increase to $5.00 per transaction day on July 1, 2015, CFC collections are projected to increase from approximately $9.2 million in FY 2014 to approximately $10.5 million in FY 2016, the first full year of CFC collections at the $5.00 per transaction day rate. This increase represents a compound annual growth rate of approximately 6.9 percent between FY 2014 and FY 2016. CFC collections are projected to increase from approximately $10.5 million in FY 2016 to approximately $13.5 million in FY 2023, which represents a compound annual growth rate of approximately 3.7 percent during this same period and reflects the projected CFC rate increase to $5.50 on September 1, 2018.

### 6.2.2 APPLICATION OF REVENUES AND FLOW OF FUNDS

**Table 6-2** presents projected CFC Revenues and the application of CFC Revenues over the period FY 2015 through FY 2023.

**Table 6-3** presents R&A's projection of annual cash flow as provided for in the Special Facility Indenture and the CONRAC Lease Agreements over the period FY 2015 through FY 2023. In each year of the Projection Period, CFC Revenues are sufficient to meet the City's debt service obligations and make all deposits required under the Special Facility Indenture and the CONRAC Lease Agreements.

As shown on Table 6-3, expenses for Major Maintenance are projected to range from approximately $1.3 million to approximately $3.2 million between FY 2021 and FY 2023 and are projected to be paid out from the CFC Renewal and Replacement Fund with funds transferred from the CFC Surplus Fund. Major Maintenance is estimated each year based on a percentage of construction costs. As defined in the CONRAC Lease Agreement, Major Maintenance means any single item, repair, replacement, renewal, or removal of improvements in, of, or to the CONRAC site or any structural aspect of the CONRAC Facility that having a cost in excess of $50,000 and a useful life in excess of five years. Major Maintenance includes the repair or replacement of failed or failing building components as necessary to return the CONRAC to its currently intended use, to prevent further damage, or to make it compliant with changes in laws, regulations, codes, or standards.

2 CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

## Table 6-2: CFC Application of Revenues

(For Fiscal Years Ending September 30)

| | | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Gross Revenues:** | | | | | | | | | |
| CFC Collections [1/] | $ 2,467,755 | $ 10,467,600 | $ 10,723,800 | $ 10,980,000 | $ 12,359,820 | $ 12,641,640 | $ 12,923,460 | $ 13,205,280 | $ 13,487,100 |
| Interest Income [2/] | $ 20,767 | $ 145,127 | $ 158,945 | $ 166,578 | $ 171,279 | $ 186,856 | $ 189,100 | $ 185,129 | $ 171,455 |
| **Total Gross Revenues** | **$ 2,488,522** | **$ 10,612,727** | **$ 10,882,745** | **$ 11,146,578** | **$ 12,531,099** | **$ 12,828,496** | **$ 13,112,560** | **$ 13,390,409** | **$ 13,658,555** |
| **Application of Gross Revenues:** | | | | | | | | | |
| Debt Service Fund | | | | | | | | | |
| Debt Service Payments [3/] | $ - | $ 6,380,932 | $ 6,939,987 | $ 6,939,987 | $ 6,939,987 | $ 7,939,987 | $ 8,157,917 | $ 8,412,692 | $ 8,687,738 |
| Public Parking Area GARB Debt Fund | | | | | | | | | |
| Debt Service Payments [3/] | $ - | $ 1,807,858 | $ 1,966,250 | $ 1,966,250 | $ 1,966,250 | $ 2,736,250 | $ 2,737,750 | $ 2,737,250 | $ 2,734,750 |
| Administrative Costs Fund | | | | | | | | | |
| Administrative Costs | $ 30,000 | $ 20,000 | $ 50,000 | $ 300,000 | $ 300,000 | $ 300,000 | $ 300,000 | $ 300,000 | $ 300,000 |
| CFC Surplus Fund | | | | | | | | | |
| CFC Surplus Deposits | $ 2,458,522 | $ 2,403,938 | $ 1,926,509 | $ 1,940,341 | $ 3,324,863 | $ 1,852,259 | $ 1,916,893 | $ 1,940,467 | $ 1,936,068 |
| **Total Application of Gross Revenues** | **$ 2,488,522** | **$ 10,612,727** | **$ 10,882,745** | **$ 11,146,578** | **$ 12,531,099** | **$ 12,828,496** | **$ 13,112,560** | **$ 13,390,409** | **$ 13,658,555** |

NOTES:

1/ CFC collections for the first nine months of FY 2015 will be applied towards project costs. CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. The CFC rate is projected to increase to $5.00 per transaction day on July 1, 2015 and is projected to increase to $5.50 per transaction day on September 1, 2018. CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

2/ Interest rate of 0.5% on fund balances.

3/ Debt service provided by Coastal Securities; Interest only payments for first five years; adjusted to reflect additional PAYGO CFCs.

SOURCES: Coastal Securities (Debt Service), June 8, 2015; Ricondo & Associates, Inc. (Projections), June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015

## Table 6-3 (1 of 3): Series 2015 Bonds Cash Flow

(For Fiscal Years Ending September 30)

| | | | | | | PROJECTED | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Revenue Fund** | | | | | | | | | | |
| Beginning Balance | | $ 29,650,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Deposit | CFC Collections [1/] | $ 2,467,755 | $ 10,467,600 | $ 10,723,800 | $ 10,980,000 | $ 12,359,820 | $ 12,641,640 | $ 12,923,460 | $ 13,205,280 | $ 13,487,100 |
| Transfer In | Debt Service Reserve Fund (Interest) [2/] | $ 10,431 | $ 62,587 | $ 62,587 | $ 62,587 | $ 62,587 | $ 62,587 | $ 62,587 | $ 62,587 | $ 62,587 |
| Transfer In | Debt Service Coverage Fund (Interest) [2/] | $ 2,037 | $ 12,225 | $ 12,225 | $ 12,225 | $ 12,225 | $ 12,225 | $ 12,225 | $ 12,225 | $ 12,225 |
| Transfer In | CFC Renewal and Replacement Fund (Interest) [2/] | $ 6,250 | $ 37,500 | $ 37,500 | $ 37,500 | $ 37,500 | $ 37,500 | $ 37,500 | $ 37,500 | $ 37,500 |
| Transfer In | CFC Surplus Fund (Interest) [2/] | $ 2,049 | $ 12,293 | $ 24,312 | $ 31,945 | $ 36,647 | $ 45,572 | $ 46,903 | $ 41,869 | $ 27,043 |
| Transfer Out | Construction Fund | $ (21,150,000) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Transfer Out | Airport Parking Operating Funds Account | $ (8,500,000) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Transfer Out | Debt Service Fund [3/ 4/] | $ - | $ (6,364,940) | $ (6,922,593) | $ (6,922,593) | $ (6,922,593) | $ (7,918,439) | $ (8,135,540) | $ (8,389,341) | $ (8,663,322) |
| Transfer Out | Public Parking Area Debt Fund [3/ 4/] | $ - | $ (1,803,327) | $ (1,961,322) | $ (1,961,322) | $ (1,961,322) | $ (2,728,825) | $ (2,730,241) | $ (2,729,652) | $ (2,727,065) |
| Transfer Out | Administrative Costs Fund | $ (30,000) | $ (20,000) | $ (50,000) | $ (300,000) | $ (300,000) | $ (300,000) | $ (300,000) | $ (300,000) | $ (300,000) |
| Transfer Out | CFC Surplus Fund | $ (2,458,522) | $ (2,403,938) | $ (1,926,509) | $ (1,940,341) | $ (3,324,863) | $ (1,852,259) | $ (1,916,893) | $ (1,940,467) | $ (1,936,068) |
| Ending Balance | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Debt Service Fund** | | | | | | | | | | |
| Beginning Balance | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Transfer In | Revenue Fund | $ - | $ 6,364,940 | $ 6,922,593 | $ 6,922,593 | $ 6,922,593 | $ 7,918,439 | $ 8,135,540 | $ 8,389,341 | $ 8,663,322 |
| Deposit | Interest [5/] | $ - | $ 15,992 | $ 17,393 | $ 17,393 | $ 17,393 | $ 21,547 | $ 22,376 | $ 23,351 | $ 24,415 |
| Payment | Debt Service [3/] | $ - | $ (6,380,932) | $ (6,939,987) | $ (6,939,987) | $ (6,939,987) | $ (7,939,987) | $ (8,157,917) | $ (8,412,692) | $ (8,687,738) |
| Ending Balance | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Debt Service Reserve Fund** | | | | | | | | | | |
| Beginning Balance | | $ - | $ 12,517,394 | $ 12,517,394 | $ 12,517,394 | $ 12,517,394 | $ 12,517,394 | $ 12,517,394 | $ 12,517,394 | $ 12,517,394 |
| Deposit | Reserve Requirement | $ 12,517,394 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Deposit | Interest [5/] | $ 10,431 | $ 62,587 | $ 62,587 | $ 62,587 | $ 62,587 | $ 62,587 | $ 62,587 | $ 62,587 | $ 62,587 |
| Transfer Out | Revenue Fund [2/] | $ (10,431) | $ (62,587) | $ (62,587) | $ (62,587) | $ (62,587) | $ (62,587) | $ (62,587) | $ (62,587) | $ (62,587) |
| Ending Balance | | $ 12,517,394 | $ 12,517,394 | $ 12,517,394 | $ 12,517,394 | $ 12,517,394 | $ 12,517,394 | $ 12,517,394 | $ 12,517,394 | $ 12,517,394 |
| **Debt Service Coverage Fund** | | | | | | | | | | |
| Beginning Balance | | $ - | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 |
| Deposit | Coverage Requirement | $ 2,444,911 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Deposit | Interest [5/] | $ 2,037 | $ 12,225 | $ 12,225 | $ 12,225 | $ 12,225 | $ 12,225 | $ 12,225 | $ 12,225 | $ 12,225 |
| Transfer Out | Revenue Fund [2/] | $ (2,037) | $ (12,225) | $ (12,225) | $ (12,225) | $ (12,225) | $ (12,225) | $ (12,225) | $ (12,225) | $ (12,225) |
| Ending Balance | | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 |

**Table 6-3 (2 of 3): Series 2015 Bonds Cash Flow**

(For Fiscal Years Ending September 30)

| | | PROJECTED | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Public Parking Area GARB Debt Fund** | | | | | | | | | | |
| Beginning Balance | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Transfer In | Revenue Fund | $ - | $ 1,803,327 | $ 1,961,322 | $ 1,961,322 | $ 1,961,322 | $ 2,728,825 | $ 2,730,241 | $ 2,729,652 | $ 2,727,065 |
| Deposit | Interest 5/ | $ - | $ 4,531 | $ 4,928 | $ 4,928 | $ 4,928 | $ 7,425 | $ 7,509 | $ 7,598 | $ 7,685 |
| Payment | Debt Service 3/ | $ - | $ (1,807,858) | $ (1,966,250) | $ (1,966,250) | $ (1,966,250) | $ (2,736,250) | $ (2,737,750) | $ (2,737,250) | $ (2,734,750) |
| Ending Balance | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Administrative Costs Fund** | | | | | | | | | | |
| Beginning Balance | | $ - | $ 30,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Transfer In | Revenue Fund | $ 30,000 | $ 20,000 | $ 50,000 | $ 300,000 | $ 300,000 | $ 300,000 | $ 300,000 | $ 300,000 | $ 300,000 |
| Payment | Administrative Costs | $ - | $ (50,000) | $ (50,000) | $ (300,000) | $ (300,000) | $ (300,000) | $ (300,000) | $ (300,000) | $ (300,000) |
| Ending Balance | | $ 30,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **CFC Renewal and Replacement Fund** | | | | | | | | | | |
| Beginning Balance | | $ - | $ 7,500,000 | $ 7,500,000 | $ 7,500,000 | $ 7,500,000 | $ 7,500,000 | $ 7,500,000 | $ 7,500,000 | $ 7,500,000 |
| Deposit | Renewal and Replacement Funding | $ 7,500,000 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Deposit | Interest 5/ | $ 6,250 | $ 37,500 | $ 37,500 | $ 37,500 | $ 37,500 | $ 37,500 | $ 37,500 | $ 37,500 | $ 37,500 |
| Transfer In | CFC Surplus Fund | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,290,000 | $ 3,223,000 | $ 1,290,000 |
| Payment | Major Maintenance | $ - | $ - | $ - | $ - | $ - | $ - | $ (1,290,000) | $ (3,223,000) | $ (1,290,000) |
| Transfer Out | Revenue Fund 2/ | $ (6,250) | $ (37,500) | $ (37,500) | $ (37,500) | $ (37,500) | $ (37,500) | $ (37,500) | $ (37,500) | $ (37,500) |
| Ending Balance | | $ 7,500,000 | $ 7,500,000 | $ 7,500,000 | $ 7,500,000 | $ 7,500,000 | $ 7,500,000 | $ 7,500,000 | $ 7,500,000 | $ 7,500,000 |
| **CFC Surplus Fund** | | | | | | | | | | |
| Beginning Balance | | $ - | $ 2,458,522 | $ 4,862,460 | $ 6,388,969 | $ 7,329,310 | $ 9,114,322 | $ 9,380,536 | $ 8,373,802 | $ 5,408,634 |
| Deposit | Interest 5/ | $ 2,049 | $ 12,293 | $ 24,312 | $ 31,945 | $ 36,647 | $ 45,572 | $ 46,903 | $ 41,869 | $ 27,043 |
| Transfer In | Revenue Fund | $ 2,458,522 | $ 2,403,938 | $ 1,926,509 | $ 1,940,341 | $ 3,324,863 | $ 1,852,259 | $ 1,916,893 | $ 1,940,467 | $ 1,936,068 |
| Transfer Out | Revenue Fund 2/ | $ (2,049) | $ (12,293) | $ (24,312) | $ (31,945) | $ (36,647) | $ (45,572) | $ (46,903) | $ (41,869) | $ (27,043) |
| Payment/Transfer | Routine Maintenance Reimbursement Account | $ - | $ - | $ (400,000) | $ (1,000,000) | $ (1,539,850) | $ (1,586,046) | $ (1,633,627) | $ (1,682,636) | $ (1,733,115) |
| Transfer Out | CFC Renewal and Replacement Fund | $ - | $ - | $ - | $ - | $ - | $ - | $ (1,290,000) | $ (3,223,000) | $ (1,290,000) |
| Ending Balance | | $ 2,458,522 | $ 4,862,460 | $ 6,388,969 | $ 7,329,310 | $ 9,114,322 | $ 9,380,536 | $ 8,373,802 | $ 5,408,634 | $ 4,321,587 |

**Table 6-3 (3 of 3): Series 2015 Bonds Cash Flow**

(For Fiscal Years Ending September 30)

| | | PROJECTED | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Routine Maintenance Reimbursement Account** | | | | | | | | | | |
| Beginning Balance | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Transfer In | CFC Surplus Fund | $ - | $ - | $ 400,000 | $ 1,000,000 | $ 1,539,850 | $ 1,586,046 | $ 1,633,627 | $ 1,682,636 | $ 1,733,115 |
| Payment | Routine Maintenance Reimbursement | $ - | $ - | $ (400,000) | $ (1,000,000) | $ (1,539,850) | $ (1,586,046) | $ (1,633,627) | $ (1,682,636) | $ (1,733,115) |
| Ending Balance | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Airport Parking Operating Funds Account** | | | | | | | | | | |
| Beginning Balance | | $ 8,500,000 | $ 7,285,714 | $ 2,428,571 | $ - | $ - | $ - | $ - | $ - | $ - |
| Transfer In | CFC Surplus Fund | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Payment | Airport Parking Operating Funds | $ (1,214,286) | $ (4,857,143) | $ (2,428,571) | $ - | $ - | $ - | $ - | $ - | $ - |
| Ending Balance | | $ 7,285,714 | $ 2,428,571 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

NOTES:

1/ CFC collections for the first nine months of FY 2015 will be applied towards project costs. CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. The CFC rate is projected to increase to $5.00 per transaction day on July 1, 2015 and is projected to increase to $5.50 per transaction day on September 1, 2018. CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

2/ Interest earnings remain in the fund until requirement is satisfied and then transferred to the CONRAC Revenue Fund thereafter.

3/ Debt service provided by Coastal Securities; Interest only payments for first five years; adjusted to reflect additional PAYGO CFCs.

4/ The transfer out to the Debt Service Fund and the Public Parking Area Debt Fund includes annual debt service less the interest earned in each respective fund.

5/ Interest rate of 0.5% on fund balances.

SOURCES: Coastal Securities (Debt Service), June 8, 2015; Ricondo & Associates, Inc. (Projections), June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015

Also shown on Table 6-3, funds are transferred annually to the Routine Maintenance Reimbursement Account from the CFC Surplus Fund beginning in FY 2017. The Routine Maintenance Reimbursements are subject to the availability of funds in the CFC Surplus Fund after maintaining a minimum ending balance of $2.0 million and after Major Maintenance reimbursements. Routine Maintenance amount is estimated to be approximately $400,000 in FY 2017, approximately $1,000,000 in FY 2018, approximately $1.5 million in FY 2018 and is then projected to increase at 3.0 percent annually throughout the Projection Period, increasing to approximately $1.7 million in FY 2023.

### 6.2.3 DEBT SERVICE COVERAGE

**Table 6-4** presents the projection of the annual debt service coverage ratio pursuant to the Rate Covenant established in the Special Facility Indenture. Revenues divided by annual debt service requirements result in a debt service coverage ratio ranging from approximately 1.57x to 1.81x throughout the Projection Period, which exceeds the required Rate Covenant in each year of the Projection Period.

Table 6-4 also presents the coverage ratio of total resources to debt service Total resources includes funds in the Debt Service Coverage Fund established pursuant to the Special Facility Indenture. The Debt Service Coverage Fund Requirement is funded from Series 2015 CFC Bonds proceeds and is equivalent to 25.0 percent of the maximum annual debt service requirement for the Series 2015 CFC Bonds. As presented on Table 6-4, the total resources to debt service coverage ranges from approximately 1.85x to 2.16x throughout the Projection Period.

## Table 6-4: CFC Debt Service Coverage

(For Fiscal Years Ending September 30)

| | | | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Total Resources to Debt Service Coverage** | | | | | | | | | | |
| Revenue: | | | | | | | | | | |
| CFC Collections [1/] | [A] | $ 2,467,755 | $ 10,467,600 | $ 10,723,800 | $ 10,980,000 | $ 12,359,820 | $ 12,641,640 | $ 12,923,460 | $ 13,205,280 | $ 13,487,100 |
| Contingent Fees | [B] | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Interest Income [2/] | [C] | $ 20,767 | $ 145,127 | $ 158,945 | $ 166,578 | $ 171,279 | $ 186,856 | $ 189,100 | $ 185,129 | $ 171,455 |
| Total Revenue | [D] = [A] + [B] + [C] | $ 2,488,522 | $ 10,612,727 | $ 10,882,745 | $ 11,146,578 | $ 12,531,099 | $ 12,828,496 | $ 13,112,560 | $ 13,390,409 | $ 13,658,555 |
| Total Debt Service | [E] | $ - | $ 6,380,932 | $ 6,939,987 | $ 6,939,987 | $ 6,939,987 | $ 7,939,987 | $ 8,157,917 | $ 8,412,692 | $ 8,687,738 |
| Debt Service Coverage - Rate Covenant | [F] = [D] / [E] | N/A | 1.66 | 1.57 | 1.61 | 1.81 | 1.62 | 1.61 | 1.59 | 1.57 |
| **Total Resources to Debt Service Coverage** | | | | | | | | | | |
| Debt Service Coverage Fund | [G] | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 | $ 2,444,911 |
| Total Resources | [H] = [D] + [G] | $ 4,933,433 | $ 13,057,638 | $ 13,327,656 | $ 13,591,489 | $ 14,976,010 | $ 15,273,407 | $ 15,557,471 | $ 15,835,320 | $ 16,103,466 |
| Total Resources to Debt Service Coverage | [I] = [H] / [E] | N/A | 2.05 | 1.92 | 1.96 | 2.16 | 1.92 | 1.91 | 1.88 | 1.85 |

NOTES:

1/ CFC collections for the first nine months of FY 2015 will be applied towards project costs. CFC collections began on April 1, 2012 at a rate of $4.50 per transaction day. The CFC rate is projected to increase to $5.00 per transaction day on July 1, 2015 and is projected to increase to $5.50 per transaction day on September 1, 2018. CFC remittance to the Airport for each rate increase is projected to begin one month after the proposed rate increase.

2/ Interest rate of 0.5% on fund balances.

SOURCES: Coastal Securities (Debt Service), June 8, 2015; Ricondo & Associates, Inc. (Projections), June 2015

PREPARED BY: Ricondo & Associates, Inc., June 2015

# 7. Financial Analysis – Series 2015 GARB Bonds

## 7.1 Airline Agreements

In 2011, the City and certain airlines serving the Airport executed an airport use (Signatory Airlines) and lease agreement (Signatory Agreement) to replace the previous agreement that expired on September 30, 2010. Key provisions of the Signatory Agreement are presented in the following paragraphs.

### 7.1.1 TERM OF THE AGREEMENT

The initial term of the Signatory Agreement was November 9, 2010 to September 30, 2015, with a two-year extension option. All of the Signatory Airlines have agreed to the option, extending the term through September 30, 2017. If the City and Signatory Airlines agree, the Signatory Agreement may be extended an additional three years, through September 30, 2020.

### 7.1.2 COST CENTERS

Direct Cost Centers in the Signatory Agreement are defined as the following:

- Airfield
- Apron
- Landside Terminal Building
- Concourse A
- Concourse B
- Baggage Handling System (BHS) and Security Checkpoint
- Loading Bridges
- Other
- Parking
- Stinson

### 7.1.3 RATES AND CHARGES

Airline Rents and Fees recover the operating and maintenance (O&M) costs and the capital costs, including debt service coverage (25.0 percent of debt service), paid by the airport associated with each cost center. Capital costs are net of costs funded with grants or PFCs. Airline Rates and Charges are described below:

- Terminal Building Rental Rates are calculated on a per square foot basis for specific areas identified as airline space available for lease individually or in common with other airlines. Rates are calculated for individual areas and are further differentiated into enclosed areas and unenclosed areas. Initially, the Terminal Building Rental Rates included the following three Terminal Building Rental Rates, however, starting in FY 2015, the calculation was consolidated into a single Terminal Building Rental Rate.
  - Landside Terminal
  - Concourse A
  - Concourse B
- Apron Area Fees (aircraft parking areas adjacent to the Concourses) are calculated on a per linear foot basis.
- Loading Bridge Use Fees are calculated on a per loading bridge basis.
- BHS and Security Checkpoint Use Fees are calculated using an 80-20 formula for the BHS area and allocated on the basis of proportionate share of passengers for each airline, respectively. Included to the BHS Use Fees is the added Security Checkpoint staffing expenses.
- Landing Fees are calculated on a fee per 1,000 lb. units.
- Federal Inspection Service (FIS) Charges are established annually for use of the customs and immigrations areas for arriving international passengers.

### 7.1.4 CAPITAL IMPROVEMENT PROGRAM COORDINATION WITH SIGNATORY AIRLINES

Several months prior to the start of each fiscal year, the City will conduct a consultation meeting with the Signatory Airlines during which the City will provide a description of the CIP for the subsequent fiscal year. The Signatory Airlines have the opportunity to defer certain capital projects for one year, providing 75.0 percent of the Signatory Airlines attending the meeting and representing 75.0 percent of the airlines rents, fees and charges agree to the deferral. Certain additional terminal and/or concourse construction could be subject to an additional one year deferral. At the conclusion of the deferral period, the City has the discretion to undertake those capital projects without further Signatory Airline consultation.

## 7.2 Financing Plan and Debt Service on Existing Bonds

**Table 7-1** presents the estimated funding sources for the Series 2015 Project and the Other Capital Projects presented in Chapter 2. These are current Aviation Department estimates based on available information regarding the estimated cost and timing of the Series 2015 Project and Other Capital Projects, and the estimated receipt of federal, state, and other grants and other funds. As shown in Table 7-1, the Series 2015 Project has an estimated total project cost of approximately $171.6 million, of which approximately $13.2 million has been funded as of September 30, 2014. Other Capital Projects have total estimated project costs of approximately $479.3 million, of which approximately $132.1 million has been funded as of September 30, 2014.

A description of estimated funding sources for the project costs of the Series 2015 Project and the Other Capital Projects is presented in greater detail in the following sections.

### 7.2.1 AIRPORT IMPROVEMENT PROGRAM GRANTS

The FAA Airport Improvement Program (AIP) provides federal discretionary and entitlement grants for eligible airport projects. AIP grants are distributed to airport operators on a reimbursement basis.

The Aviation Department currently expects to receive AIP entitlement grants of approximately $2.3 million per year, based on: (1) levels of funding authorized and appropriated by Congress for the program, (2) the number of passengers and amount of cargo at the Airport, and (3) a 75.0 percent reduction in entitlement grants associated with the Aviation Department's $4.50 PFC level. The Aviation Department also receives AIP discretionary grants for specific projects pursuant to grant applications for such funding and FAA discretionary grant awards, which are a function of the amounts authorized and appropriated by Congress and the FAA's prioritization of competing projects.

As shown on Table 7-1, the Aviation Department expects to use approximately $108.6 million in AIP grants for project costs associated with Other Capital Projects over the Projection Period.

### 7.2.2 CUSTOMER FACILITY CHARGES

As reflected on Table 7-1, approximately $158.4 million of CFCs over the Projection Period are expected to be used to fund costs of the Series 2015 Project, which will include repayment of debt service on the Series 2015 Bonds and pay-as-you-go (PAYGO) CFCs.[1]

[1] The approximately $13.2 million project costs funded prior to the Projection Period were funded with PAYGO CFCs.

**Table 7-1 (1 of 3): Funding Sources for Capital Improvement Program**

(For Fiscal Years Ending September 30)

| | | FUNDING SOURCES | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PROJECT CATEGORY | TOTAL COSTS FUNDED TO DATE 1/ | AIP GRANT | CFC 2/ | PRIOR GARB | OTHER GRANTS | AVIATION DEPARTMENT FUNDS | OTHER FUNDS | PRIOR PFC BOND | PFC PAYGO | FUTURE BONDS 3/ | TOTAL COSTS TO BE FUNDED | TOTAL PROJECT COSTS |
| **SERIES 2015 PROJECT** | | | | | | | | | | | | |
| **CONRAC Projects** | | | | | | | | | | | | |
| Consolidated Rental Car Facility | $ 13,232,191 | $ - | $ 158,367,809 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 158,367,809 | $ 171,600,000 |
| **Total CONRAC Projects** | **$ 13,232,191** | **$ -** | **$ 158,367,809** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ 158,367,809** | **$ 171,600,000** |
| **TOTAL SERIES 2015 PROJECT** | **$ 13,232,191** | **$ -** | **$ 158,367,809** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ 158,367,809** | **$ 171,600,000** |
| **OTHER CAPITAL PROJECTS** | | | | | | | | | | | | |
| **Airfield Projects** | | | | | | | | | | | | |
| Air Operations Area Perimeter Fence | $ - | $ - | | $ - | $ - | $ 4,696,000 | $ - | $ - | $ - | $ - | $ 4,696,000 | $ 4,696,000 |
| Apron & Utilities | $ - | $ - | | $ - | $ - | $ - | $ - | $ - | $ - | $ 11,152,000 | $ 11,152,000 | $ 11,152,000 |
| Drainage Master Plan | $ - | $ - | | $ - | $ - | $ 477,000 | $ - | $ - | $ - | $ - | $ 477,000 | $ 477,000 |
| Northside Development Access | $ - | $ - | | $ - | $ - | $ 1,380,000 | $ - | $ - | $ - | $ - | $ 1,380,000 | $ 1,380,000 |
| Pavement Maintenance Management Program | $ - | $ - | | $ - | $ - | $ 386,000 | $ - | $ - | $ - | $ - | $ 386,000 | $ 386,000 |
| Perimeter Road Reconstruction | $ - | $ 1,850,250 | | $ - | $ - | $ (83,333) | $ - | $ - | $ 700,083 | $ - | $ 2,467,000 | $ 2,467,000 |
| Runway 12L Improvements | $ - | $ 10,345,000 | | $ - | $ - | $ - | $ - | $ - | $ - | $ 3,448,333 | $ 13,793,333 | $ 13,793,333 |
| Runway 12R Decouple & Reconstruction | $ - | $ 2,135,000 | | $ - | $ - | $ 70,000 | $ - | $ - | $ - | $ 13,585,000 | $ 15,790,000 | $ 15,790,000 |
| Runway 12R Rehabilitation | $ 4,297,731 | $ 17,783,603 | | $ - | $ - | $ (191,775) | $ - | $ - | $ - | $ 5,863,942 | $ 23,455,770 | $ 27,753,501 |
| Taxiway E Reconstruct | $ 495,000 | $ 1,691,682 | | $ - | $ - | $ 415,318 | $ - | $ - | $ - | $ - | $ 2,107,000 | $ 2,602,000 |
| Taxiway H Reconstruction | $ - | $ 2,592,000 | | $ - | $ - | $ 864,000 | $ - | $ - | $ - | $ - | $ 3,456,000 | $ 3,456,000 |
| Terminal Area Taxiways | $ 23,722,477 | $ 30,597,443 | | $ - | $ - | $ (7,589,632) | $ - | $ - | $ - | $ 15,849,689 | $ 38,857,500 | $ 62,579,977 |
| **Total Airfield Projects** | **$ 28,515,208** | **$ 66,994,978** | **$ -** | **$ -** | **$ -** | **$ 423,578** | **$ -** | **$ -** | **$ 700,083** | **$ 49,898,964** | **$ 118,017,603** | **$ 146,532,811** |
| **Acoustical Program Projects** | | | | | | | | | | | | |
| Residential Acoustical Treatment Program | $ 95,201,187 | $ 38,400,000 | | $ - | $ - | $ 300,000 | $ - | $ 2,650,000 | $ - | $ 6,950,000 | $ 48,300,000 | $ 143,501,187 |
| **Total Accoustical Program Projects** | **$ 95,201,187** | **$ 38,400,000** | **$ -** | **$ -** | **$ -** | **$ 300,000** | **$ -** | **$ 2,650,000** | **$ -** | **$ 6,950,000** | **$ 48,300,000** | **$ 143,501,187** |
| **Terminal Projects** | | | | | | | | | | | | |
| Air Conditioning Condensate Capture And Reuse | $ - | $ - | | $ - | $ - | $ 2,735,000 | $ 2,735,000 | $ - | $ - | $ - | $ 5,470,000 | $ 5,470,000 |
| Common Use Implementation | $ 309,000 | $ - | | $ - | $ - | $ 6,209,000 | $ - | $ - | $ - | $ - | $ 6,209,000 | $ 6,518,000 |
| Paging Modernization | $ - | $ - | | $ - | $ - | $ 798,000 | $ - | $ - | $ - | $ - | $ 798,000 | $ 798,000 |
| Passenger Boarding Bridges | $ - | $ - | | $ - | $ - | $ - | $ - | $ - | $ - | $ 2,600,000 | $ 2,600,000 | $ 2,600,000 |
| Tenant VOIP | $ - | $ - | | $ - | $ - | $ 650,000 | $ - | $ - | $ - | $ - | $ 650,000 | $ 650,000 |
| Terminal A Cutover | $ - | $ - | | $ - | $ - | $ 641,000 | $ - | $ - | $ - | $ 2,431,000 | $ 3,072,000 | $ 3,072,000 |
| Terminal A Security Checkpoint Expansion | $ - | $ - | | $ - | $ - | $ - | $ - | $ - | $ - | $ 24,000,000 | $ 24,000,000 | $ 24,000,000 |
| Terminal A Renovations & Refurbishment, Phase II | $ 1,600,000 | $ - | | $ 6,372,134 | $ - | $ 1,270,000 | $ - | $ - | $ - | $ 14,775,000 | $ 22,417,134 | $ 24,017,134 |
| Terminal B Blast Protection | $ - | $ - | | $ - | $ - | $ 327,000 | $ - | $ - | $ - | $ - | $ 327,000 | $ 327,000 |
| **Total Terminal Projects** | **$ 1,909,000** | **$ -** | **$ -** | **$ 6,372,134** | **$ -** | **$ 12,630,000** | **$ 2,735,000** | **$ -** | **$ -** | **$ 43,806,000** | **$ 65,543,134** | **$ 67,452,134** |

**Table 7-1 (2 of 3): Funding Sources for Capital Improvement Program**

(For Fiscal Years Ending September 30)

| PROJECT CATEGORY | TOTAL COSTS FUNDED TO DATE 1/ | FUNDING SOURCES: AIP GRANT | CFC 2/ | PRIOR GARB | OTHER GRANTS | AVIATION DEPARTMENT FUNDS | OTHER FUNDS | PRIOR PFC BOND | PFC PAYGO | FUTURE BONDS 3/ | TOTAL COSTS TO BE FUNDED | TOTAL PROJECT COSTS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Other Projects** | | | | | | | | | | | | |
| Abandoned Site Rehabilitation | $ - | $ - | | $ - | $ - | $ 132,000 | $ - | $ - | $ - | $ - | $ 132,000 | $ 132,000 |
| Airport Electronic Sign | $ - | $ - | | $ - | $ - | $ 563,000 | $ - | $ - | $ - | $ - | $ 563,000 | $ 563,000 |
| Airport Lighting Control & Monitoring System | $ - | $ - | | $ - | $ - | $ 716,000 | $ - | $ - | $ - | $ - | $ 716,000 | $ 716,000 |
| Airport Owned Facility Refurbishments | $ 1,107,391 | $ - | | $ - | $ - | $ 400,000 | $ - | $ - | $ - | $ - | $ 400,000 | $ 1,507,391 |
| Airport Roadway Improvements | $ - | $ - | | $ - | $ - | $ 1,565,000 | $ - | $ - | $ - | $ - | $ 1,565,000 | $ 1,565,000 |
| Airport Security Plan Implementation | $ - | $ - | | $ - | $ 4,168,930 | $ - | $ - | $ - | $ - | $ - | $ 4,168,930 | $ 4,168,930 |
| Airside Security Program | $ - | $ - | | $ - | $ - | $ 3,813,000 | $ - | $ - | $ - | $ - | $ 3,813,000 | $ 3,813,000 |
| CUP Building Addition | $ - | $ - | | $ - | $ - | $ 421,000 | $ - | $ - | $ - | $ - | $ 421,000 | $ 421,000 |
| Demolition of 3 Surplus Hangars | $ - | $ - | | $ - | $ - | $ 212,000 | $ - | $ - | $ - | $ - | $ 212,000 | $ 212,000 |
| Distributed Antenna System Upgrade | $ - | $ - | | $ - | $ - | $ 437,000 | $ - | $ - | $ - | $ - | $ 437,000 | $ 437,000 |
| Electrification of Ground Support Equipment For Emissions Reduction | $ - | $ - | | $ - | $ - | $ 139,000 | $ - | $ - | $ - | $ - | $ 139,000 | $ 139,000 |
| Facilities Fleet Expansion | $ - | $ - | | $ - | $ - | $ 568,000 | $ - | $ - | $ - | $ - | $ 568,000 | $ 568,000 |
| Facilities Management Software Programs | $ 1,115,000 | $ - | | $ - | $ - | $ 1,136,000 | $ - | $ - | $ - | $ - | $ 1,136,000 | $ 2,251,000 |
| Former MSW Remediation | $ - | $ - | | $ - | $ - | $ 1,055,000 | $ - | $ - | $ - | $ - | $ 1,055,000 | $ 1,055,000 |
| Freight Elevator, Additional | $ - | $ - | | $ - | $ - | $ 638,000 | $ - | $ - | $ - | $ - | $ 638,000 | $ 638,000 |
| Fuel Tank Replacement | $ - | $ - | | $ - | $ - | $ 1,030,000 | $ - | $ - | $ - | $ - | $ 1,030,000 | $ 1,030,000 |
| General Aviation FIS Facility, SAT | $ 990,000 | $ - | | $ - | $ - | $ 4,399,000 | $ - | $ - | $ - | $ - | $ 4,399,000 | $ 5,389,000 |
| Identity Management Solution | $ - | $ - | | $ - | $ - | $ 824,000 | $ - | $ - | $ - | $ - | $ 824,000 | $ 824,000 |
| Improvements to Airport-Owned Property | $ 650,950 | $ - | | $ - | $ - | $ 2,300,000 | $ - | $ - | $ - | $ - | $ 2,300,000 | $ 2,950,950 |
| Integrated Control Center | $ - | $ - | | $ - | $ - | $ 764,000 | $ - | $ - | $ - | $ 10,800,000 | $ 11,564,000 | $ 11,564,000 |
| IT Master Plan | $ 249,959 | $ - | | $ - | $ - | $ 200,000 | $ - | $ - | $ - | $ - | $ 200,000 | $ 449,959 |
| Maintenance Office Renovation | $ 350,000 | $ - | | $ - | $ - | $ 674,000 | $ - | $ - | $ - | $ - | $ 674,000 | $ 1,024,000 |
| Master Plan Update, SAT | $ - | $ 3,225,000 | | $ - | $ - | $ 1,275,000 | $ - | $ - | $ - | $ - | $ 4,500,000 | $ 4,500,000 |
| Outside Plant Campus IT Ring | $ - | $ - | | $ - | $ - | $ 5,390,000 | $ - | $ - | $ - | $ - | $ 5,390,000 | $ 5,390,000 |
| Parking Area Surveillance | $ 605,000 | $ - | | $ - | $ - | $ 110,310 | $ - | $ - | $ - | $ - | $ 110,310 | $ 715,310 |
| Parking Development Property | $ - | $ - | | $ - | $ - | $ - | $ - | $ - | $ - | $ 9,910,000 | $ 9,910,000 | $ 9,910,000 |
| Parking, Bus Area & Transfer Cut Out | $ - | $ - | | $ - | $ - | $ 81,370 | $ - | $ - | $ - | $ - | $ 81,370 | $ 81,370 |
| Parking, Command Center Remodel | $ - | $ - | | $ - | $ - | $ 231,750 | $ - | $ - | $ - | $ - | $ 231,750 | $ 231,750 |
| Parking, Garage Elevators, Replacement | $ - | $ - | | $ - | $ - | $ 1,000,000 | $ - | $ - | $ - | $ - | $ 1,000,000 | $ 1,000,000 |
| Parking, Garage Signage & Space Improvements | $ - | $ - | | $ - | $ - | $ 1,582,000 | $ - | $ - | $ - | $ - | $ 1,582,000 | $ 1,582,000 |
| Parking, Green Lot Canopies | $ - | $ - | | $ - | $ - | $ 1,353,000 | $ - | $ - | $ - | $ - | $ 1,353,000 | $ 1,353,000 |
| Parking, Green Lot, 4, 8, Improvements | $ 100,000 | $ - | | $ - | $ - | $ 2,325,032 | $ - | $ - | $ - | $ - | $ 2,325,032 | $ 2,425,032 |
| Parking, Upgrade Wiring And Space Indicatorsin Long Term Parking Garage | $ - | $ - | | $ - | $ - | $ 1,421,000 | $ - | $ - | $ - | $ - | $ 1,421,000 | $ 1,421,000 |
| Physical Security Information Management | $ - | $ - | | $ - | $ - | $ 1,493,000 | $ - | $ - | $ - | $ - | $ 1,493,000 | $ 1,493,000 |
| Rehabilitate West Cargo Facilities | $ - | $ - | | $ - | $ - | $ - | $ - | $ - | $ - | $ 3,502,000 | $ 3,502,000 | $ 3,502,000 |
| Relocation of Gate 20, Central Delivery | $ - | $ - | | $ - | $ - | $ 564,000 | $ - | $ - | $ - | $ - | $ 564,000 | $ 564,000 |
| Stormwater Outfall Repairs | $ 112,000 | $ - | | $ - | $ - | $ 650,000 | $ - | $ - | $ - | $ - | $ 650,000 | $ 762,000 |
| Support Services Building | $ - | $ - | | $ - | $ - | $ - | $ - | $ - | $ - | $ 21,647,000 | $ 21,647,000 | $ 21,647,000 |
| Systems Integration Project (AODB) | $ - | $ - | | $ - | $ - | $ 1,623,000 | $ - | $ - | $ - | $ - | $ 1,623,000 | $ 1,623,000 |
| Taxi Hold Area Restrooms | $ - | $ - | | $ - | $ - | $ 206,000 | $ - | $ - | $ - | $ - | $ 206,000 | $ 206,000 |
| Triturator Facility Improvement | $ - | $ - | | $ - | $ - | $ 858,000 | $ - | $ - | $ - | $ - | $ 858,000 | $ 858,000 |
| Wireless Mesh | $ 342,669 | | | $ - | $ - | $ 1,743,000 | $ - | $ - | $ - | $ - | $ 1,743,000 | $ 2,085,669 |
| **Total Other Projects** | **$ 5,622,969** | **$ 3,225,000** | **$ -** | **$ -** | **$ 4,168,930** | **$ 43,892,462** | **$ -** | **$ -** | **$ -** | **$ 45,859,000** | **$ 97,145,392** | **$ 102,768,361** |

**Table 7-1 (3 of 3): Funding Sources for Capital Improvement Program**

(For Fiscal Years Ending September 30)

| | | FUNDING SOURCES | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PROJECT CATEGORY | TOTAL COSTS FUNDED TO DATE 1/ | AIP GRANT | CFC 2/ | PRIOR GARB | OTHER GRANTS | AVIATION DEPARTMENT FUNDS | OTHER FUNDS | PRIOR PFC BOND | PFC PAYGO | FUTURE BONDS 3/ | TOTAL COSTS TO BE FUNDED | TOTAL PROJECT COSTS |
| **Stinson Projects** | | | | | | | | | | | | |
| Air Traffic Control Tower | 537,638 | | | - | 2,000,000 | 1,474,406 | - | - | - | - | 3,474,405 | 4,012,043 |
| Building Modifications | 293,331 | | | - | 300,000 | 300,000 | - | - | - | - | 600,000 | 893,331 |
| Commander's House Redevelopment | - | | | - | - | 145,000 | - | - | - | - | 145,000 | 145,000 |
| Field Security And It Upgrades | - | | | - | - | 2,815,000 | - | - | - | - | 2,815,000 | 2,815,000 |
| Land Prep | - | | | - | - | 1,273,000 | - | - | - | - | 1,273,000 | 1,273,000 |
| Master Plan Update | - | | | - | - | 580,000 | - | - | - | - | 580,000 | 580,000 |
| Monument & Directional Signage | - | | | - | - | 545,000 | - | - | - | - | 545,000 | 545,000 |
| Parking Lot | - | | | - | - | 145,000 | - | - | - | - | 145,000 | 145,000 |
| Roosevelt Access Parkway | - | | | - | - | 2,779,000 | 200,000 | - | - | - | 2,979,000 | 2,979,000 |
| Taxiway D Upgrade | - | | | - | 4,545,000 | 505,000 | - | - | - | - | 5,050,000 | 5,050,000 |
| Terminal Office Space Build-Outs | 28,530 | | | - | - | 289,000 | - | - | - | - | 289,000 | 317,530 |
| Terminal Roof Replacement | - | | | - | - | 300,000 | - | - | - | - | 300,000 | 300,000 |
| **Total Stinson Projects** | **859,499** | **-** | **-** | **-** | **6,845,000** | **11,150,406** | **200,000** | **-** | **-** | **-** | **18,195,405** | **19,054,904** |
| **TOTAL OTHER CAPITAL PROJECTS** | **132,107,862** | **108,619,978** | **-** | **6,372,134** | **11,013,930** | **68,396,446** | **2,935,000** | **2,650,000** | **700,083** | **146,513,964** | **347,201,534** | **479,309,396** |
| **TOTAL CAPITAL IMPROVEMENT PROGRAM** | **145,340,053** | **108,619,978** | **158,367,809** | **6,372,134** | **11,013,930** | **68,396,446** | **2,935,000** | **2,650,000** | **700,083** | **146,513,964** | **505,569,343** | **650,909,396** |

NOTE:

1/ As of September 30, 2014

2/ Funded with Series 2015 Bonds and CFC PAYGO

3/ Impact of future debt isn't incorporated into the financial projections. Source of revenues for the bonds to be determined upon implementation of the projects.

SOURCE: City of San Antonio, Department of Aviation, June 2015.

PREPARED BY: Ricondo & Associates, Inc. June 2015.

Debt service estimates for the proposed Series 2015 CFC Bonds and the Series 2015 GARB Bonds are based on the following assumptions:

- Series 2015 CFC Bonds: Approximately $124.2 million of the Series 2015 CFC Bonds will be issued to fund a portion of the costs of the Series 2015 Project and to make required fund deposits and pay costs of issuance.
  - For the purposes of estimating debt service requirements, a true interest cost of approximately 5.72 percent is assumed
- Series 2015 GARB Bonds: Approximately $39.3 million of the Series 2015 GARB Bonds will be issued to fund a portion of the costs of the Series 2015 Project and to make required fund deposits and pay costs of issuance.
  - For the purposes of estimating debt service requirements, a true interest cost of approximately 4.47 percent is assumed

### 7.2.3 PRIOR GARB PROCEEDS

Prior GARB bond proceeds (from the Series 2010A Bonds) are currently anticipated to fund approximately $6.4 million of Other Capital Projects costs over the Projection Period.

### 7.2.4 OTHER GRANTS

Other grants are currently anticipated to fund approximately $11.0 million of Other Capital Projects costs over the Projection Period. These grants include a Transportation Security Administration (TSA) Surveillance Program grant of approximately $4.2 million, FAA Texas Department of Transportation grants that total approximately $6.5 million, and FAA Texas Department of Transportation RAMP grant of approximately $300,000.

### 7.2.5 AVIATION DEPARTMENT FUNDS

As reflected on Table 7-1, the Aviation Department expects to use approximately $68.4 million of Airport funds for the costs of Other Capital Projects over the Projection Period.

### 7.2.6 OTHER FUNDS

Other funding sources are currently anticipated to fund approximately $2.9 million of Other Capital Projects costs over the Projection Period. These funding sources include approximately $2.7 million from the San Antonio Water System for a rebate program for a green project and approximately $200,000 from the City of San Antonio, Public Works for streets.

### 7.2.7 PRIOR PFC BOND PROCEEDS

Prior PFC bond proceeds (from the Series 2007 PFC Bonds and the Series 2010 PFC Bonds) are currently anticipated to fund approximately $2.7 million of Other Capital Projects costs over the Projection Period.

### 7.2.8 PFC PAYGO

PFC revenues are used by the Aviation Department to help pay for certain FAA-approved, PFC-eligible projects, using certain PFC revenues to pay for approved project costs on a PAYGO basis or pledging and assigning certain PFC revenues to pay debt service associated with bonds used to fund approved projects costs.

The FAA issued a "Record of Decision" on August 29, 2001 approving the City's initial PFC application. The City, as the owner and operator of the Airport, received authority to impose a $3.00 PFC and to collect, in the aggregate, approximately $102,500,000, in PFC Revenues. On February 15, 2005, the FAA approved an application amendment increasing the PFC funding by a net amount of $13,893,537. On February 22, 2005, the FAA approved the City's application for an additional $50,682,244 in PFC collections to be used for 11 new projects. On June 26, 2007, the FAA approved two amendments to approved applications increasing the PFC funding by a net amount of $121,611,491 for two projects and $67,621,461 for four projects. Additionally, the FAA approved the increased collection rate from $3.00 to $4.50, effective October 1, 2007. In May 2010, the FAA approved amendments to the City's PFC Authorization to increase the scope of the PFC funding for certain PFC projects and permitted the addition of several elements. The May 28, 2010 approvals increased the PFC funding amount from $380,958,549 to $573,769,028. On March 18, 2015, the City submitted an amendment to reduce the PFC collection authority from the current amount of approximately $573.8 million to approximately $463.7 million (a reduction of approximately $110.1 million). This reduction is due to (1) estimated finance and interest costs were overstated in the submittals compared to actual finance and interest costs and (2) lower project costs in some cases. The FAA issued the Final Agency Decision on April 13, 2015, approving the PFC amendment.

On October 1, 2007, the City began collecting a $4.50 PFC (less an $0.11 air carrier collection charge) per qualifying ticketed passenger. The City has received PFC "impose and use" authority, meaning that it may impose the PFC and use the resultant PFC Revenues for all projects contemplated to be completed using proceeds of PFC Bonds. As of December 31, 2014, the City has collected approximately $177.5 million in PFC Revenues (including interest earned). The current estimated PFC collection expiration date is June 1, 2028.

As shown on Table 7-1, approximately $700,000 of costs for the Other Capital Projects are anticipated to be funded with PFC revenues on a PAYGO basis over the Projection Period. The financial projections and the financing plan reflected in this report and in the accompanying tables assume the Aviation Department's current $4.50 PFC level is in place for the entire Projection Period.

### 7.2.9 FUTURE BOND PROCEEDS

As shown on Table 7-1, future bond proceeds are currently anticipated to fund approximately $146.5 million of Other Capital Projects costs over the Projection Period. No debt service on future bonds is incorporated into the financial projections included in this chapter. The sources of revenues for the bonds will be determined prior to implementation of the projects.

### 7.2.10 CURRENT OUTSTANDING BOND ISSUES

**Table 7-2** presents the City's currently outstanding airport revenue bonds and PFC bonds. As shown, the total outstanding principal balance, as of September 30, 2014, for the airport revenues bonds and PFC bonds is approximately $194.2 million and approximately $148.7 million, respectively. In total, the City's total outstanding bond issues are approximately $342.9 million.

### 7.2.11 ANNUAL DEBT SERVICE

**Table 7-3** presents annual debt service for FY 2015 through FY 2023 for outstanding bonds and Series 2015 Bonds. As shown in Table 7-3, total debt service is projected to increase from approximately $33.4 million in FY 2015 to approximately $40.0 million FY 2023.

## 7.3 Operating and Maintenance Expenses

O&M Expenses are reported in the following categories: personal expenses, contractual services, and commodities/utilities/common services/other. O&M Expenses, as defined in the Airport Revenue Bond Ordinances, do not include depreciation expense, interest expense on bonds, amortization of bond costs, or gain/loss on disposal of fixed assets. For the purposes of calculating airline fees and rents at the Airport, the Aviation Department also classifies O&M Expenses into cost centers.

As described in Section 7.1.2, direct cost centers include:

- Airfield
- Apron
- Landside Terminal Building
- Concourse A
- Concourse B
- BHS and Security Checkpoint
- Loading Bridges
- Other Cost Centers (comprised of Aviation Service Area, Commercial and Industrial, and Other Buildings and Areas)
- Parking
- Stinson

Indirect costs centers include:

- Administration
- Fire and Rescue
- Access
- Central Plant
- Maintenance, Direct, and Control
- Security
- Operations

**Table 7-2: Current Outstanding Bond Issues**

| BOND SERIES | | PRINCIPAL AS OF MAY 1, 2015 |
|---|---|---|
| **Current Outstanding Airport Revenue Bonds** | | |
| Series 2007 Revenue Bonds | $ | 71,540,000 |
| Series 2010 Revenue Bonds | $ | 41,415,000 |
| Series 2010 Revenue Refunding Bonds | $ | 17,885,000 |
| Series 2012 Revenue Refunding Bonds | $ | 63,375,000 |
| **Total Outstanding Airport Revenue Bonds** | **$** | **194,215,000** |
| **Current Outstanding PFC Bonds** | | |
| Series 2005 PFC Bonds | $ | 29,330,000 |
| Series 2007 PFC Bonds | $ | 61,760,000 |
| Series 2010 PFC Bonds | $ | 34,185,000 |
| Series 2012 PFC Refunding Bonds | $ | 23,395,000 |
| **Total Outstanding PFC Bonds** | **$** | **148,670,000** |
| **Total Outstanding Bond Issues** | **$** | **342,885,000** |

SOURCE: City of San Antonio, Department of Aviation, May 2015

PREPARED BY: Ricondo & Associates, Inc., May 2015

**Table 7-3: Debt Service**

(for the Fiscal Years ending September 30)

| | | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Total Debt Service:** | | | | | | | | | | |
| Series 2001 Revenue Bonds 1/ | | $ 4,977,608 | $ 4,980,761 | $ 4,976,241 | $ 4,980,898 | $ - | $ - | $ - | $ - | $ - |
| Series 2005 PFC Bonds | | $ 2,686,813 | $ 2,687,275 | $ 2,684,813 | $ 2,688,938 | $ 2,689,125 | $ 2,685,375 | $ 2,687,688 | $ 2,685,538 | $ 2,688,925 |
| Series 2007 Bonds | | $ 6,224,015 | $ 6,223,390 | $ 6,221,640 | $ 6,223,390 | $ 6,220,878 | $ 6,220,490 | $ 6,221,703 | $ 6,223,990 | $ 6,221,828 |
| Series 2007 PFC Bonds | | $ 5,332,100 | $ 5,329,413 | $ 5,330,913 | $ 5,331,663 | $ 5,330,150 | $ 5,331,813 | $ 5,331,125 | $ 5,327,825 | $ 5,331,650 |
| Series 2010A GARBs 2/ and 2010 PFC Bonds | | $ 5,203,231 | $ 5,200,106 | $ 5,204,856 | $ 5,202,356 | $ 5,202,106 | $ 5,200,681 | $ 5,200,431 | $ 5,202,756 | $ 5,205,431 |
| Series 2012 Revenue Bonds 3/ | | $ 6,560,150 | $ 6,565,150 | $ 6,567,400 | $ 6,574,900 | $ 6,585,800 | $ 6,596,100 | $ 6,602,700 | $ 6,616,700 | $ 6,622,500 |
| Series 2012 PFC Bonds 3/ | | $ 2,427,150 | $ 2,432,450 | $ 2,433,700 | $ 2,431,450 | $ 2,440,700 | $ 2,440,700 | $ 2,446,700 | $ 2,443,200 | $ 2,455,450 |
| Series 2015 CFC Bonds | | $ - | $ 6,380,932 | $ 6,939,987 | $ 6,939,987 | $ 6,939,987 | $ 7,939,987 | $ 8,157,917 | $ 8,412,692 | $ 8,687,738 |
| Series 2015 GARB Bonds | | $ - | $ 1,807,858 | $ 1,966,250 | $ 1,966,250 | $ 1,966,250 | $ 2,736,250 | $ 2,737,750 | $ 2,737,250 | $ 2,734,750 |
| **Total Debt Service** | | **$ 33,411,067** | **$ 41,607,334** | **$ 42,325,799** | **$ 42,339,830** | **$ 37,374,995** | **$ 39,151,395** | **$ 39,386,013** | **$ 39,649,950** | **$ 39,948,271** |
| **Total Debt Service by Type** | | | | | | | | | | |
| **PFC Supported Debt Service** | | | | | | | | | | |
| Series 2005 PFC Bonds | | $ 2,686,813 | $ 2,687,275 | $ 2,684,813 | $ 2,688,938 | $ 2,689,125 | $ 2,685,375 | $ 2,687,688 | $ 2,685,538 | $ 2,688,925 |
| Series 2007 PFC Bonds | | $ 5,332,100 | $ 5,329,413 | $ 5,330,913 | $ 5,331,663 | $ 5,330,150 | $ 5,331,813 | $ 5,331,125 | $ 5,327,825 | $ 5,331,650 |
| Series 2010 PFC Bonds | | $ 2,395,700 | $ 2,393,875 | $ 2,394,500 | $ 2,395,650 | $ 2,394,000 | $ 2,394,425 | $ 2,394,425 | $ 2,395,750 | $ 2,396,563 |
| Series 2012 PFC Bonds 3/ | | $ 2,427,150 | $ 2,432,450 | $ 2,433,700 | $ 2,431,450 | $ 2,440,700 | $ 2,440,700 | $ 2,446,700 | $ 2,443,200 | $ 2,455,450 |
| Total PFC Supported Debt Service | [A] | $ 12,841,763 | $ 12,843,013 | $ 12,843,925 | $ 12,847,700 | $ 12,853,975 | $ 12,852,313 | $ 12,859,938 | $ 12,852,313 | $ 12,872,588 |
| **CFC Supported Debt Service:** | | | | | | | | | | |
| Series 2015 CFC Bonds | | $ - | $ 6,380,932 | $ 6,939,987 | $ 6,939,987 | $ 6,939,987 | $ 7,939,987 | $ 8,157,917 | $ 8,412,692 | $ 8,687,738 |
| Total CFC Supported Debt Service | [B] | $ - | $ 6,380,932 | $ 6,939,987 | $ 6,939,987 | $ 6,939,987 | $ 7,939,987 | $ 8,157,917 | $ 8,412,692 | $ 8,687,738 |
| **GARB Debt Service:** | | | | | | | | | | |
| Series 2001 Revenue Bonds 1/ | | $ 4,977,608 | $ 4,980,761 | $ 4,976,241 | $ 4,980,898 | $ - | $ - | $ - | $ - | $ - |
| Series 2007 Bonds | | $ 6,224,015 | $ 6,223,390 | $ 6,221,640 | $ 6,223,390 | $ 6,220,878 | $ 6,220,490 | $ 6,221,703 | $ 6,223,990 | $ 6,221,828 |
| Series 2010A GARBs 2/ 4/ | | $ 2,807,531 | $ 2,806,231 | $ 2,810,356 | $ 2,806,706 | $ 2,808,106 | $ 2,806,256 | $ 2,806,006 | $ 2,807,006 | $ 2,808,869 |
| Series 2012 Revenue Bonds 3/ | | $ 6,560,150 | $ 6,565,150 | $ 6,567,400 | $ 6,574,900 | $ 6,585,800 | $ 6,596,100 | $ 6,602,700 | $ 6,616,700 | $ 6,622,500 |
| Series 2015 GARB Bonds 5/ | | $ - | $ 1,807,858 | $ 1,966,250 | $ 1,966,250 | $ 1,966,250 | $ 2,736,250 | $ 2,737,750 | $ 2,737,250 | $ 2,734,750 |
| Total Non PFC Supported Debt Service | [C] | $ 20,569,304 | $ 22,383,390 | $ 22,541,887 | $ 22,552,144 | $ 17,581,034 | $ 18,359,096 | $ 18,368,159 | $ 18,384,946 | $ 18,387,946 |
| **Total Debt Service** | **[D = A + B + C]** | **$ 33,411,067** | **$ 41,607,334** | **$ 42,325,799** | **$ 42,339,830** | **$ 37,374,995** | **$ 39,151,395** | **$ 39,386,013** | **$ 39,649,950** | **$ 39,948,271** |

NOTES

1/ After incorporating 2010B Taxable GARBs.

2/ Net of capitalized interest.

3/ 2012 refunding 2002 Bonds

4/ A portion of the Series 2007 Bonds and Series 2010 A Bonds are eligible to be paid from PFCs, if available

5/ The Series 2015 GARB Bonds are eligible to be paid from CFCs, if available

SOURCE: City of San Antonio, Department of Aviation, May 2015

PREPARED BY: Ricondo & Associates, Inc., May 2015

O&M Expenses for the indirect cost centers are allocated to the direct costs.

**Table 7-4** presents total O&M Expenses by category and cost center, after allocation of indirect expenses, for estimated FY 2015 and projected FY 2016 through FY 2023. As shown, total O&M Expenses are estimated to increase from approximately $52.7 million for FY 2015 to approximately $69.1 million in FY 2023, representing a compound annual growth rate of approximately 3.4 percent. In general, the projections of O&M Expenses are based on the following data and factors: (1) historical trends; (2) the Aviation Department's estimated FY 2015; (3) anticipated inflationary impacts; and (4) projected cost impacts of capital projects scheduled to be completed during the Projection Period to be provided.

### 7.3.1 PERSONAL SERVICES

Personal services are the largest category of O&M Expenses, representing approximately 55.9 percent of total O&M Expenses estimated for FY 2015. Personal services costs are projected to increase from approximately $29.5 million in FY 2015 to approximately $37.3 million in FY 2023 representing a compound annual growth rate of approximately 3.0 percent. In general, projected increases in this category are attributable to: (1) cost of living increases, merit increases, and other salary adjustments; and (2) increases in costs related to health insurance and other benefits.

### 7.3.2 CONTRACTUAL SERVICES

Contractual services expenses represented approximately 21.0 percent of total O&M Expenses estimated for FY 2015. This category of expenses consists primarily of fees incurred for consulting services and other contracts for services supplied by vendors, such as parking operating services, pest control, and heavy equipment maintenance. Contractual services expenses are projected to increase from approximately $11.1 million in FY 2015 to approximately $16.3 million in FY 2023, representing a compound annual growth rate of approximately 4.9 percent.

### 7.3.3 COMMODITIES, UTILITIES, SERVICES, AND OTHER

The remaining categories of expenses represent approximately 23.1 percent of total O&M Expenses estimated for FY 2015. These categories consist of the following:

- Commodities – include office supplies, janitorial supplies, facility repair parts, other supplies, and expenses recognized for the loss of equipment sales.
- Utilities – costs associated with gas, electric, water and sewage services provided to Airport areas.
- Common services – consist primarily of charges from the City for services rendered to the Aviation Department, including the following: (1) administrative services such as accounting, payroll, and internal audit services; (2) the Aviation Department's share of the cost of the City's Disadvantaged Business Enterprise ("DBE") outreach program; and (3) health insurance premiums for Aviation Department retirees.
- Other expenses – consist primarily of insurance premium costs, including contributions to insurance claim reserve funds and certain other expenses.

**Table 7-4: O&M Expenses**

(for the Fiscal Years ending September 30)

| | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| **O&M Expenses by Major Object Category** | | | | | | | | | |
| Personal Services | $ 29,470,546 | $ 30,315,637 | $ 31,225,106 | $ 32,161,859 | $ 33,126,715 | $ 34,120,517 | $ 35,144,132 | $ 36,198,456 | $ 37,284,410 |
| Contractual Services | $ 11,071,833 | $ 11,559,157 | $ 12,137,115 | $ 12,743,970 | $ 13,381,169 | $ 14,050,227 | $ 14,752,739 | $ 15,490,375 | $ 16,264,894 |
| Commodities/Utilities/Common Services/Other | $ 12,148,140 | $ 11,948,770 | $ 12,400,491 | $ 12,869,622 | $ 13,356,848 | $ 13,862,883 | $ 14,388,469 | $ 14,934,380 | $ 15,501,418 |
| **Total O&M Expenses** | $ 52,690,519 | $ 53,823,564 | $ 55,762,712 | $ 57,775,451 | $ 59,864,732 | $ 62,033,627 | $ 64,285,340 | $ 66,623,211 | $ 69,050,722 |
| **Total O&M Expenses By Cost Center After Allocation of Indirect Expenses** | | | | | | | | | |
| Airfield | $ 12,416,409 | $ 12,644,189 | $ 13,060,367 | $ 13,490,649 | $ 13,935,528 | $ 14,395,517 | $ 14,871,147 | $ 15,362,969 | $ 15,871,553 |
| Apron | $ 3,104,102 | $ 3,161,047 | $ 3,265,092 | $ 3,372,662 | $ 3,483,882 | $ 3,598,879 | $ 3,717,787 | $ 3,840,742 | $ 3,967,888 |
| Terminal Building | $ 17,955,546 | $ 18,321,449 | $ 18,962,767 | $ 19,627,637 | $ 20,316,969 | $ 21,031,713 | $ 21,772,855 | $ 22,541,425 | $ 23,338,491 |
| Baggage Handling System and Security Checkpoint | $ 1,800,588 | $ 1,838,477 | $ 1,903,984 | $ 1,971,849 | $ 2,042,157 | $ 2,114,996 | $ 2,190,459 | $ 2,268,641 | $ 2,349,640 |
| Loading Bridges | $ 449,200 | $ 464,932 | $ 481,216 | $ 498,071 | $ 515,518 | $ 533,577 | $ 552,269 | $ 571,617 | $ 591,645 |
| Other Cost Centers | $ 2,272,290 | $ 2,329,868 | $ 2,423,241 | $ 2,520,595 | $ 2,622,107 | $ 2,727,967 | $ 2,838,369 | $ 2,953,519 | $ 3,073,632 |
| Parking | $ 12,396,040 | $ 12,716,009 | $ 13,231,618 | $ 13,769,329 | $ 14,330,139 | $ 14,915,088 | $ 15,525,265 | $ 16,161,810 | $ 16,825,919 |
| Stinson | $ 2,296,344 | $ 2,347,591 | $ 2,434,426 | $ 2,524,659 | $ 2,618,432 | $ 2,715,891 | $ 2,817,190 | $ 2,922,489 | $ 3,031,954 |
| **Total O&M Expenses** | **$ 52,690,519** | **$ 53,823,564** | **$ 55,762,712** | **$ 57,775,451** | **$ 59,864,732** | **$ 62,033,627** | **$ 64,285,340** | **$ 66,623,211** | **$ 69,050,722** |

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

Expenses in this category are projected to increase from approximately $12.1 million in FY 2015 to approximately $15.5 million in FY 2023, representing a compound annual growth rate of approximately 3.1 percent. Table 7-4 also presents a summary of projected O&M Expenses after allocation to direct cost centers.

## 7.4 Non-Airline Revenues

Pursuant to the GARB Ordinances, the City has covenanted that all Airport System Gross Revenues will be deposited into the Revenue Fund to be pledged as security for the Parity Obligations. For the purposes of this Report, components of Gross Revenues are categorized as Airline Revenues, presented in a following section and projected based on the provisions of the proposed Airline Agreement, Non-airline revenues, described in this section, and other deposits or credits described in more detail in the following sections.

**Table 7-5** presents non-airline revenues at the Airport System estimated for FY 2015 and projected for FY 2016 through FY 2023. As shown, non-airline revenues are estimated at approximately $51.1 million in FY 2015 and are projected to increase to approximately $62.8 million in FY 2023. This projected increase in non-airline revenues between FY 2015 and FY 2023 represents a compound annual growth rate of approximately 2.6 percent. In general, projections of future non-airline revenues were based on a review of historical trends, the anticipated impacts of inflation, and projected growth in activity over the projection period. Non-airline revenue projections presented in Table 7-5 are described in the following sections.

### 7.4.1 AIRFIELD

Airfield non-airline revenues are comprised of fuel flowage revenues provided by FBOs. Fuel flowage revenues are projected to increase from approximately $602,000 in FY 2015 to approximately $706,000 in FY 2023, representing a compound annual growth rate of approximately 2.0 percent.

### 7.4.2 TERMINAL

Non-airline terminal revenues include the following: (1) food and beverage concessions; (2) news, gift, and other concessions; and (3) other terminal revenues. Non-airline terminal revenues are projected to increase from approximately $8.7 million in FY 2015 to approximately $11.5 million in FY 2023, representing a compound annual growth rate of approximately 3.6 percent. These components of non-airline terminal revenues are described in more detail below.

**Table 7-5: Non-Airline Revenue**

(for the Fiscal Years ending September 30)

| | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Nonairline Revenues** | | | | | | | | | |
| Airfield | | | | | | | | | |
| Fuel Flowage | $ 601,734 | $ 614,000 | $ 626,000 | $ 639,000 | $ 652,000 | $ 665,000 | $ 678,000 | $ 692,000 | $ 706,000 |
| Total Airfield | $ 601,734 | $ 614,000 | $ 626,000 | $ 639,000 | $ 652,000 | $ 665,000 | $ 678,000 | $ 692,000 | $ 706,000 |
| Terminal | | | | | | | | | |
| Food and Beverage Concessions | $ 3,056,089 | $ 3,168,000 | $ 3,294,000 | $ 3,423,000 | $ 3,555,000 | $ 3,690,000 | $ 3,829,000 | $ 3,971,000 | $ 4,116,000 |
| News and Gifts and Other Concessions | $ 4,431,771 | $ 4,595,000 | $ 4,778,000 | $ 4,965,000 | $ 5,157,000 | $ 5,353,000 | $ 5,554,000 | $ 5,760,000 | $ 5,971,000 |
| Other Terminal Revenues | $ 1,220,468 | $ 1,245,000 | $ 1,270,000 | $ 1,295,000 | $ 1,321,000 | $ 1,347,000 | $ 1,374,000 | $ 1,401,000 | $ 1,429,000 |
| Total Terminal | $ 8,708,328 | $ 9,008,000 | $ 9,342,000 | $ 9,683,000 | $ 10,033,000 | $ 10,390,000 | $ 10,757,000 | $ 11,132,000 | $ 11,516,000 |
| Terminal Area | | | | | | | | | |
| Car Rental Revenues | $ 10,100,000 | $ 10,471,000 | $ 10,888,000 | $ 11,315,000 | $ 11,752,000 | $ 12,200,000 | $ 12,658,000 | $ 13,127,000 | $ 13,608,000 |
| Parking Revenues | $ 22,000,000 | $ 22,472,000 | $ 23,021,000 | $ 23,570,000 | $ 24,119,000 | $ 24,668,000 | $ 25,217,000 | $ 25,766,000 | $ 26,315,000 |
| Other Terminal Area | $ 807,431 | $ 825,000 | $ 845,000 | $ 865,000 | $ 885,000 | $ 905,000 | $ 925,000 | $ 945,000 | $ 965,000 |
| Total Terminal Area | $ 32,907,431 | $ 33,768,000 | $ 34,754,000 | $ 35,750,000 | $ 36,756,000 | $ 37,773,000 | $ 38,800,000 | $ 39,838,000 | $ 40,888,000 |
| Total General Aviation and Commercial Activity | $ 7,745,070 | $ 7,822,521 | $ 7,900,746 | $ 7,979,753 | $ 8,059,551 | $ 8,140,146 | $ 8,221,548 | $ 8,303,763 | $ 8,386,801 |
| Total Miscellaneous/Other | $ 772,286 | $ 780,009 | $ 787,809 | $ 795,687 | $ 803,644 | $ 811,680 | $ 819,797 | $ 827,995 | $ 836,275 |
| Total San Antonio International Airport | $ 50,734,849 | $ 51,992,530 | $ 53,410,555 | $ 54,847,440 | $ 56,304,195 | $ 57,779,827 | $ 59,276,345 | $ 60,793,758 | $ 62,333,076 |
| Stinson | $ 305,194 | $ 311,298 | $ 317,524 | $ 323,874 | $ 330,352 | $ 336,959 | $ 343,698 | $ 350,572 | $ 357,583 |
| Investment Earnings | $ 67,473 | $ 67,473 | $ 67,473 | $ 67,473 | $ 67,473 | $ 67,473 | $ 67,473 | $ 67,473 | $ 67,473 |
| **Total Nonairline Revenue** | **$ 51,107,516** | **$ 52,371,300** | **$ 53,795,552** | **$ 55,238,788** | **$ 56,702,020** | **$ 58,184,259** | **$ 59,687,516** | **$ 61,211,803** | **$ 62,758,132** |

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

- Food and beverage concession revenues – the food and beverage concessionaires pay the greater of a minimum annual guarantee (MAG) or concession fees ranging from approximately 10.0 percent to approximately 18.0 percent of their gross sales, depending on the category of food and beverage, their level of sales, and negotiated rental rates based on a competitive request for proposal (RFP) process. Food and beverage concessions revenues are projected to increase from approximately $3.1 million in FY 2015 to approximately $4.1 million in FY 2023, representing a compound annual growth rate of approximately 3.8 percent. Over the Projection Period, food and beverage concession revenues are projected to increase based on projected passenger enplanement growth plus approximately 1.5 percent per year, a factor representing one-half the assumed rate of inflation.
- News, gift, and other concession revenues – The concessionaires that operate news and gift stores pay the greater of a MAG or percentage of concession fees ranging from approximately 14.0 percent to approximately 25.0 percent of their gross sales, depending on the type of store and negotiated rental rates based on a competitive RFP process. News, gift, and other concession revenues are projected to increase from approximately $4.4 million in FY 2015 to approximately $6.0 million in FY 2023, representing a compound annual growth rate of approximately 3.8 percent. Over the Projection Period, news, gift, and other concession revenues are projected to increase based on projected passenger enplanement growth plus approximately 1.5 percent per year, a factor representing one-half the assumed rate of inflation.
- Other terminal revenues – includes rents and fees collected from the operators of flight kitchen catering, advertising displays in the terminal buildings, ground transportation, and other terminal building rentals. Clear Channel / Interspace provides advertising display services at the Airport under the terms of a ten-year agreement that extends to October 2017. Clear Channel / Interspace pays a percentage of revenues received from advertising displays ranging from approximately 60.0 percent on indoor static displays to approximately 30.0 percent on outdoor advertising, with a minimum annual guarantee of approximately $700,000. Other terminal revenues are projected to increase from approximately $1.2 million in FY 2015 to approximately $1.4 million in FY 2023, representing a compound annual growth rate of approximately 2.0 percent.

### 7.4.3 TERMINAL AREA

Terminal Area non-airline revenues are comprised of car rental revenues and parking revenues. Combined, these sources of terminal Area non-airline revenues are projected to increase from approximately $32.9 million in FY 2015 to approximately $40.9 million in FY 2023, representing a compound annual growth rate of approximately 2.8 percent. Projections of non-airline Terminal Area revenues are described below.

- Car rental revenues – the rental car companies that operate at the Airport pay the greater of a MAG or a concession fee of approximately 10.0 percent of their gross revenues. Current concession agreements with the nine rental car companies operating at the Airport have terms that expire June 30, 2017.[2] Car rental revenues are projected to increase from approximately $10.1 million in FY 2015

[2] The expiration date is subject to change to the first day of the month following the opening of the CONRAC Facility, which will coincide with the new Concession Agreement.

to approximately $13.6 million in FY 2023. Over this period, car rental revenues are projected to increase based on projected passenger enplanement growth plus a factor representing one-half the assumed rate of inflation per year, resulting in a compound annual growth rate of approximately 3.8 percent over the Projection Period.

- Parking revenues – the Aviation Department receives revenues from public parking lots at the Airport, as well as parking revenues from employees of the airlines and other tenants of the Airport. Parking revenues are projected to increase from approximately $22.0 million in FY 2015 to approximately $26.3 million in FY 2023, representing a compound annual growth rate of approximately 2.3 percent. Over the Projection Period, parking revenues are projected based on projected passenger enplanement levels.
- Other terminal revenues – Other terminal revenues are projected to increase from approximately $807,000 in FY 2015 to approximately $965,000 in FY 2023, representing a compound annual growth rate of approximately 2.3 percent.

### 7.4.4 GENERAL AVIATION AND COMMERCIAL ACTIVITY

General aviation and commercial activity non-airline revenues are comprised of revenues collected from the aviation service area and commercial and industrial areas at the Airport. As shown in Table 7-5, total general aviation and commercial activity revenues are projected to increase from approximately $7.7 million in FY 2015 to approximately $8.4 million in FY 2023, representing a compound annual growth rate of approximately 1.0 percent per year.

The aviation services area includes revenues from building rentals and ground rents from the FBOs and cargo operators, and rentals received for the cargo apron area. The Airport currently has four FBOs including Landmark Aviation, Signature Flight Support Services, Smart Traveling, and Hallmark/Millionaire. The commercial and industrial areas non-airline revenues include building and ground rentals received from tenants that operate aircraft assembly, aircraft maintenance, and related commercial/industrial activities at the Airport. Tenants providing commercial activity services at the Airport include ST Aerospace San Antonio, LP (lease term through December 31, 2028), M7 Aerospace, LP (lease term through November 30, 2020), and Cessna Citation Service Center (lease term through October 2026).

### 7.4.5 STINSON

Revenues from Stinson consist primarily of rentals, fees, and charges assessed to the FBOs operating at Stinson. Total Stinson revenues are projected to increase from approximately $305,000 in FY 2015 to approximately $358,000 in FY 2023, representing a compound annual growth rate of approximately 2.0 percent.

### 7.4.6 INVESTMENT EARNINGS

The Aviation Department earns interest on its cash balances, including balances in the various accounts established pursuant to the Bond Ordinances. Based on FY 2015 estimated amounts and projected cash balances, investment earnings are projected to remain stable at approximately $67,000 throughout the Projection Period.

# 7.5 Airline Revenues

Airline revenues are estimated at approximately $30.8 million in FY 2015 and are projected to increase to approximately $36.7 million in FY 2023. This projected increase in airline revenues between FY 2015 and FY 2023 represents a compound annual growth rate of approximately 2.2 percent.

## 7.5.1 TERMINAL RENTAL REVENUES

The terminal rental rate calculation combines the cost center-specific direct and indirect O&M Expenses, O&M Reserve Requirement, debt service (less excess PFC revenues), and debt service coverage requirement. It allocates the airline share of the terminal requirement proportionate to airline rentable space in the terminal building. This net requirement is reduced by prior year debt service coverage, competitive credit allocated to the terminal, and terminal project start up adjustments. The total terminal building airline rental revenue requirement is divided by airline rentable square feet to determine the average airline rental rate. Additionally, the Airport calculates terminal rental rates for airline preferential/common use space and airline unenclosed space. The terminal rental rate for airline preferential/common use space is calculated by dividing the total terminal building airline rental revenue requirement of preferential and common use space by the total airline preferential and common use rented space. The airline unenclosed terminal rental rate is approximately 60.0 percent of the preferential and common use terminal rental rate. The Airline Agreement includes a provision for a competitive credit, which reduces the airline rates. A portion of the competitive credit is required and a portion of the competitive credit is subject to the Director of Aviation’s discretion.

**Table 7-6** presents the terminal building rental rate calculation and revenues for FY 2015 through FY 2023. As shown, the airline share of the respective terminal building requirement is reduced by credits, to the extent that they are available, for prior period debt service coverage and a competitive credit. The amount available to be applied as a competitive credit is determined based on projected cash flow requirements in the capital improvement fund, after accounting for the required debt service coverage deposit and amounts to be reserved for the capital improvement fund (assumed to be 20.0 percent of Airport non-airline revenues). The competitive credit is applied at the Aviation Department’s discretion in manner that seeks to mitigate rate disparities between the terminal building and airfield and provide for a competitive rate for both cost centers.

## 7.5.2 BAGGAGE HANDLING SYSTEM AND SECURITY CHECKPOINT REVENUES

The BHS and security checkpoint revenue requirement combines the cost center-specific direct and indirect O&M Expenses, O&M reserve requirement, total debt service (net of PFC revenues), net debt service coverage (rolling basis) and is reduced by the competitive credit allocated to the BHS and security checkpoint at the Director of Aviation’s discretion. The BHS and security checkpoint revenue requirement will be allocated to airlines based on the common use (20%-80% formula) calculation. **Table 7-7** presents the BHS and security checkpoint requirement and revenues for FY 2015 through FY 2023.

**Table 7-6: Terminal Building Rental Rate Requirement**

(for the Fiscal Years ending September 30)

| | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Terminal Building Revenue Requirement** | | | | | | | | | |
| O&M Expenses | $ 17,955,546 | $ 18,321,449 | $ 18,962,767 | $ 19,627,637 | $ 20,316,969 | $ 21,031,713 | $ 21,772,855 | $ 22,541,425 | $ 23,338,491 |
| O&M Expense Reserve Requirement | $ 132,221 | $ 160,330 | $ 166,217 | $ 172,333 | $ 178,686 | $ 185,286 | $ 192,142 | $ 199,267 | $ 206,669 |
| Debt Service | $ 9,312,644 | $ 9,326,807 | $ 9,328,513 | $ 9,329,920 | $ 7,916,700 | $ 7,917,748 | $ 7,920,085 | $ 7,926,140 | $ 7,927,962 |
| Debt Service Coverage Requirement (.25x) | $ 2,328,161 | $ 2,331,702 | $ 2,332,128 | $ 2,332,480 | $ 1,979,175 | $ 1,979,437 | $ 1,980,021 | $ 1,981,535 | $ 1,981,990 |
| Less: Excess PFC Revenues | $ (2,129,450) | $ (2,116,611) | $ (2,116,611) | $ (2,116,611) | $ (2,116,611) | $ (2,116,611) | $ (2,116,611) | $ (2,116,611) | $ (2,116,611) |
| **Total Terminal Building Revenue Requirement** | $ 27,599,123 | $ 28,023,677 | $ 28,673,016 | $ 29,345,760 | $ 28,274,920 | $ 28,997,573 | $ 29,748,493 | $ 30,531,755 | $ 31,338,502 |
| **Terminal Building Square Feet** | | | | | | | | | |
| Airline Rentable Space (Preferential and Common Use) | 149,047 | 149,047 | 149,047 | 149,047 | 149,047 | 149,047 | 149,047 | 149,047 | 149,047 |
| Airline Fenced Area | 2,551 | 2,551 | 2,551 | 2,551 | 2,551 | 2,551 | 2,551 | 2,551 | 2,551 |
| Airline Baggage Makeup Space | 38,992 | 38,992 | 38,992 | 38,992 | 38,992 | 38,992 | 38,992 | 38,992 | 38,992 |
| Airline Tug Lane Square Feet | 34,051 | 34,051 | 34,051 | 34,051 | 34,051 | 34,051 | 34,051 | 34,051 | 34,051 |
| Other Rentable Space | 111,438 | 111,438 | 111,438 | 111,438 | 111,438 | 111,438 | 111,438 | 111,438 | 111,438 |
| **Total Terminal Building Rentable Space** | 336,079 | 336,079 | 336,079 | 336,079 | 336,079 | 336,079 | 336,079 | 336,079 | 336,079 |
| Airline Percentage - Rentable Space | 66.8% | 66.8% | 66.8% | 66.8% | 66.8% | 66.8% | 66.8% | 66.8% | 66.8% |
| Non-Airline Percentage - Rentable Space | 33.2% | 33.2% | 33.2% | 33.2% | 33.2% | 33.2% | 33.2% | 33.2% | 33.2% |
| Airline Share Terminal Building Requirement | $ 18,447,762 | $ 18,731,541 | $ 19,165,572 | $ 19,615,246 | $ 18,899,477 | $ 19,382,512 | $ 19,884,440 | $ 20,407,987 | $ 20,947,232 |
| Less: Prior Year Debt Service Coverage | $ (1,693,680) | $ (1,556,186) | $ (1,558,552) | $ (1,558,838) | $ (1,559,073) | $ (1,322,917) | $ (1,323,092) | $ (1,323,483) | $ (1,324,494) |
| Less: Competitive Credit | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Less: Terminal Project Start Up Adjustment | $ 194,584 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Total Terminal Building Airline Rental Revenue Requirement** | $ 16,948,665 | $ 17,175,356 | $ 17,607,019 | $ 18,056,409 | $ 17,340,404 | $ 18,059,595 | $ 18,561,348 | $ 19,084,505 | $ 19,622,737 |
| Average Airline Rental Rate (per square foot) | $ 75.45 | $ 76.46 | $ 78.38 | $ 80.38 | $ 77.19 | $ 80.39 | $ 82.63 | $ 84.96 | $ 87.35 |
| Airline Rentable Space | 224,641 | 224,641 | 224,641 | 224,641 | 224,641 | 224,641 | 224,641 | 224,641 | 224,641 |
| **Total Terminal Building Airline Rental Revenue Requirement** | $ 16,948,665 | $ 17,175,356 | $ 17,607,019 | $ 18,056,409 | $ 17,340,404 | $ 18,059,595 | $ 18,561,348 | $ 19,084,505 | $ 19,622,737 |
| Airline Rented Space as a Percentage of Airline Rentable Space | 89.6% | 89.6% | 89.6% | 89.6% | 89.6% | 89.6% | 89.6% | 89.6% | 89.6% |
| Total Terminal Building Airline Rental Revenues | $ 15,192,469 | $ 15,395,670 | $ 15,782,605 | $ 16,185,429 | $ 15,543,616 | $ 16,188,285 | $ 16,638,048 | $ 17,106,996 | $ 17,589,457 |
| **Differentiated Terminal Building Rental Rates** | | | | | | | | | |
| Airline Preferential and Common Use Terminal Rental Rate | $ 88.78 | $ 89.97 | $ 92.23 | $ 94.58 | $ 90.83 | $ 94.60 | $ 97.23 | $ 99.97 | $ 102.79 |
| Airline Unenclosed (Baggage Makeup, Tug Lane and Fenced Area)Terminal Rental Rate | $ 53.27 | $ 53.98 | $ 55.34 | $ 56.75 | $ 54.50 | $ 56.76 | $ 58.34 | $ 59.98 | $ 61.67 |
| **Airline Preferential and Common Use Space** | | | | | | | | | |
| Airline Preferential and Common Use Terminal Rental Rate (per sq/ft) | $ 88.78 | $ 89.97 | $ 92.23 | $ 94.58 | $ 90.83 | $ 94.60 | $ 97.23 | $ 99.97 | $ 102.79 |
| Airline Rented Space (Preferential and Common Use) (square feet) | 125,770 | 125,770 | 125,770 | 125,770 | 125,770 | 125,770 | 125,770 | 125,770 | 125,770 |
| Airline Preferential and Common Use Space Rental Revenues | $ 11,165,778 | $ 11,315,122 | $ 11,599,502 | $ 11,895,559 | $ 11,423,856 | $ 11,897,658 | $ 12,228,213 | $ 12,572,869 | $ 12,927,456 |
| **Airline Baggage Makeup and Tug Lane Space** | | | | | | | | | |
| Airline Unenclosed (Baggage Makeup, Tug Lane and Fenced Area)Terminal Rental Rate (per sq ft) 1/ | $ 53.27 | $ 53.98 | $ 55.34 | $ 56.75 | $ 54.50 | $ 56.76 | $ 58.34 | $ 59.98 | $ 61.67 |
| Airline Unenclosed (Baggage Makeup, Tug Lane and Fenced Area) (square feet) | 75,594 | 75,594 | 75,594 | 75,594 | 75,594 | 75,594 | 75,594 | 75,594 | 75,594 |
| Airline Unenclosed (Baggage Makeup, Tug Lane and Fenced Area) Rental Revenues | $ 4,026,691 | $ 4,080,548 | $ 4,183,103 | $ 4,289,870 | $ 4,119,761 | $ 4,290,627 | $ 4,409,834 | $ 4,534,127 | $ 4,662,001 |
| **Total Terminal Building Airline Rental Revenues** | **$ 15,192,469** | **$ 15,395,670** | **$ 15,782,605** | **$ 16,185,429** | **$ 15,543,616** | **$ 16,188,285** | **$ 16,638,048** | **$ 17,106,996** | **$ 17,589,457** |
| Non-Signatory Airline Average Terminal Building Rental Rate 2/ | $ 86.76 | $ 87.93 | $ 90.14 | $ 92.44 | $ 88.77 | $ 92.45 | $ 95.02 | $ 97.70 | $ 100.45 |
| Non-Signatory Airline Preferential and Common Use Terminal Rental Rate 2/ | $ 102.10 | $ 103.46 | $ 106.06 | $ 108.77 | $ 104.46 | $ 108.79 | $ 111.81 | $ 114.96 | $ 118.20 |
| Non-Signatory Airline Unenclosed (Baggage Makeup, Tug Lane and Fenced Area) Terminal Rental Rate 2/ | $ 61.26 | $ 62.08 | $ 63.64 | $ 65.26 | $ 62.67 | $ 65.27 | $ 67.09 | $ 68.98 | $ 70.92 |
| **Total Terminal Building Non-Airline Rental Revenues** | **$ 9,151,361** | **$ 9,292,135** | **$ 9,507,444** | **$ 9,730,514** | **$ 9,375,443** | **$ 9,615,061** | **$ 9,864,053** | **$ 10,123,768** | **$ 10,391,270** |
| Average Non-Airline Rental Rate (per square foot) | $ 82.12 | $ 83.38 | $ 85.32 | $ 87.32 | $ 84.13 | $ 86.28 | $ 88.52 | $ 90.85 | $ 93.25 |

NOTES:
1/ 60 percent of Airline Preferential and Common Use Terminal Rental Rate.
2/ 115 percent of the calculated rate charged to the airlines that have signed the Airline Operating Agreement and Terminal Building Lease.

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

**Table 7-7: Baggage Handling System and Security Checkpoint Requirement**

(for the Fiscal Years ending September 30)

| | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Baggage Handling System and Security Checkpoint Revenue Requirement** | | | | | | | | | |
| O&M Expenses Baggage Handling System | $ 1,526,588 | $ 1,554,887 | $ 1,610,469 | $ 1,668,060 | $ 1,727,736 | $ 1,789,570 | $ 1,853,643 | $ 1,920,036 | $ 1,988,835 |
| O&M Expenses Security Checkpoint | $ 274,000 | $ 283,590 | $ 293,516 | $ 303,789 | $ 314,421 | $ 325,426 | $ 336,816 | $ 348,605 | $ 360,806 |
| O&M Expense Reserve Requirement | $ 9,957 | $ 16,377 | $ 16,966 | $ 17,577 | $ 18,210 | $ 18,866 | $ 19,545 | $ 20,250 | $ 20,980 |
| Debt Service | $ 1,300,661 | $ 1,305,996 | $ 1,305,608 | $ 1,305,987 | $ 1,295,420 | $ 1,295,332 | $ 1,295,581 | $ 1,296,044 | $ 1,295,577 |
| Debt Service Coverage Requirement (.25x) | $ 325,165 | $ 326,499 | $ 326,402 | $ 326,497 | $ 323,855 | $ 323,833 | $ 323,895 | $ 324,011 | $ 323,894 |
| Less: Competitive Credit | $ (350,000) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Less: Prior Year Debt Service Coverage | $ (324,388) | $ (325,165) | $ (326,499) | $ (326,402) | $ (326,497) | $ (323,855) | $ (323,833) | $ (323,895) | $ (324,011) |
| Less: Excess PFC Revenues | $ (1,000,701) | $ (1,000,936) | $ (1,000,936) | $ (1,000,936) | $ (1,000,936) | $ (1,000,936) | $ (1,000,936) | $ (1,000,936) | $ (1,000,936) |
| **Total Baggage Handling System and Security Checkpoint Revenue Requirement [1/]** | **$ 1,761,282** | **$ 2,161,247** | **$ 2,225,525** | **$ 2,294,572** | **$ 2,352,209** | **$ 2,428,236** | **$ 2,504,711** | **$ 2,584,115** | **$ 2,665,144** |

NOTE:
1/ Prorated based on the 20/80 common use formula.

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

### 7.5.3 LOADING BRIDGE REVENUES

The City currently owns 24 loading bridges; airlines lease 19 gates and the remaining 5 are City gates. The loading bridge revenue requirement for City-owned loading bridges combines the cost center-specific direct O&M Expenses, O&M reserve requirement, total debt service (net of PFC revenues) and net debt service coverage (rolling basis). Expenses consist of maintenance and utility for the loading bridges and no indirect expenses are included in this calculation. **Table 7-8** presents the loading bridge requirement and revenues for FY 2015 through FY 2023.

### 7.5.4 APRON AREA REVENUES

The apron area revenue requirement combines the cost center-specific direct O&M Expenses, O&M reserve requirement, total debt service and net debt service coverage (rolling basis). The apron area requirement is divided by linear foot to calculate the rate charged to airlines. Currently, 2,590 linear feet of the apron area is assumed to be leased. **Table 7-9** presents the apron requirement and revenues for FY 2015 through FY 2023.

### 7.5.5 AIRLINE LANDING FEE REVENUES

The landing fee calculation combines airfield cost center-specific direct and indirect O&M Expenses, O&M reserve requirement, total debt service and net debt service coverage less airfield non-airline revenues. This net requirement is divided by total airline landed weight to determine the landing fee rate. **Table 7-10** presents the landing fee rate calculation and revenues for FY 2015 through FY 2023.

## 7.6 Passenger Airline Cost Per Enplanement

**Table 7-11** presents projected airline payments for landing fees, terminal rents, and other airline fees associated with equipment used by the airlines such as loading bridges (including pre-conditioned air and 400Hz ground power) and BHS. As shown, total domestic passenger airline payments are estimated at approximately $30.8 million in FY 2015. As shown, based on projected domestic enplaned passengers, the average domestic passenger airline cost per enplaned passenger (CPE) over the Projection Period is projected to range from a low of $7.01 in FY 2020 to a high of $7.70 in FY 2018.

Table 7-11 also presents projections of the Airport's average airline cost per enplaned passenger, after inclusion of Federal Inspection Services (FIS) use fees and foreign flag landing fees. As shown, the average airline cost per enplanement at the Airport over the period FY 2015 through FY 2023 is projected to range from a low of $6.59 in FY 2020 to a high of $7.27 in FY 2018.

### Table 7-8: Loading Bridge Requirement

(for the Fiscal Years ending September 30)

| | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Loading Bridge Revenue Requirement - Total** | | | | | | | | | |
| O&M Expenses - Maintenance | $ 74,033 | $ 76,624 | $ 79,306 | $ 82,082 | $ 84,955 | $ 87,928 | $ 91,006 | $ 94,191 | $ 97,488 |
| O&M Expenses - Other | $ 375,167 | $ 388,308 | $ 401,910 | $ 415,989 | $ 430,563 | $ 445,648 | $ 461,263 | $ 477,427 | $ 494,157 |
| Debt Service | $ 224,621 | $ 224,599 | $ 224,536 | $ 224,599 | $ 224,508 | $ 224,494 | $ 224,538 | $ 224,620 | $ 224,542 |
| Debt Service Coverage Requirement (.25x) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Less: Excess PFC Revenues | $ (224,621) | $ (225,909) | $ (225,909) | $ (225,909) | $ (225,909) | $ (225,909) | $ (225,909) | $ (225,909) | $ (225,909) |
| Less: Prior Year Debt Service Coverage Credit | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Operating Expense Reserve Requirement | $ 4,074 | $ 4,071 | $ 4,214 | $ 4,362 | $ 4,515 | $ 4,673 | $ 4,837 | $ 5,007 | $ 5,183 |
| **Total Loading Bridge Revenue Requirement** | $ 453,274 | $ 467,693 | $ 484,056 | $ 501,123 | $ 518,632 | $ 536,835 | $ 555,735 | $ 575,336 | $ 595,461 |
| **Total Loading Bridges** | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Average Loading Bridge Requirement Per Bridge | $ 18,886 | $ 19,487 | $ 20,169 | $ 20,880 | $ 21,610 | $ 22,368 | $ 23,156 | $ 23,972 | $ 24,811 |
| Loading Bridges Rented | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| **Total Loading Bridge Requirement** | $ 453,274 | $ 467,693 | $ 484,056 | $ 501,123 | $ 518,632 | $ 536,835 | $ 555,735 | $ 575,336 | $ 595,461 |
| **Loading Bridge Revenue Requirement - Airline Leased** | | | | | | | | | |
| Operating Expenses - Maintenance | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| O&M Expenses - Other | $ 297,007 | $ 307,410 | $ 318,179 | $ 329,325 | $ 340,862 | $ 352,805 | $ 365,167 | $ 377,963 | $ 391,208 |
| Debt Service | $ 177,825 | $ 177,807 | $ 177,757 | $ 177,807 | $ 177,736 | $ 177,724 | $ 177,759 | $ 177,824 | $ 177,763 |
| Debt Service Coverage Requirement (.25x) | $ - | $ 44,452 | $ 44,439 | $ 44,452 | $ 44,434 | $ 44,431 | $ 44,440 | $ 44,456 | $ 44,441 |
| Less: Excess PFC Revenues | $ (177,825) | $ (178,845) | $ (178,845) | $ (178,845) | $ (178,845) | $ (178,845) | $ (178,845) | $ (178,845) | $ (178,845) |
| Less: Prior Year Debt Service Coverage | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Operating Expense Reserve Requirement | $ 3,225 | $ 3,223 | $ 3,336 | $ 3,453 | $ 3,574 | $ 3,700 | $ 3,829 | $ 3,964 | $ 4,103 |
| **Total Loading Bridge Revenue Requirement - Airline Leased** | $ 300,232 | $ 354,048 | $ 364,867 | $ 376,192 | $ 387,761 | $ 399,815 | $ 412,350 | $ 425,362 | $ 438,670 |
| **Airline Leased Loading Bridges** | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| Average Loading Bridge Requirement Per Bridge | $ 15,802 | $ 18,634 | $ 19,204 | $ 19,800 | $ 20,408 | $ 21,043 | $ 21,703 | $ 22,387 | $ 23,088 |
| Loading Bridges Rented | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| **Total Airline Leased Loading Bridge Revenues** | $ 300,232 | $ 354,048 | $ 364,867 | $ 376,192 | $ 387,761 | $ 399,815 | $ 412,350 | $ 425,362 | $ 438,670 |
| **Loading Bridge Revenue Requirement - City Gates** | | | | | | | | | |
| Operating Expenses - Maintenance | $ 74,033 | $ 76,624 | $ 79,306 | $ 82,082 | $ 84,955 | $ 87,928 | $ 91,006 | $ 94,191 | $ 97,488 |
| O&M Expenses - Other | $ 78,160 | $ 80,897 | $ 83,731 | $ 86,664 | $ 89,701 | $ 92,843 | $ 96,097 | $ 99,464 | $ 102,949 |
| Debt Service | $ 46,796 | $ 46,791 | $ 46,778 | $ 46,791 | $ 46,773 | $ 46,770 | $ 46,779 | $ 46,796 | $ 46,780 |
| Debt Service Coverage Requirement (.25x) | $ - | $ (44,452) | $ (44,439) | $ (44,452) | $ (44,434) | $ (44,431) | $ (44,440) | $ (44,456) | $ (44,441) |
| Less: Excess PFC Revenues | $ (46,796) | $ (47,064) | $ (47,064) | $ (47,064) | $ (47,064) | $ (47,064) | $ (47,064) | $ (47,064) | $ (47,064) |
| Less: Prior Year Debt Service Coverage | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Operating Expense Reserve Requirement | $ 849 | $ 848 | $ 878 | $ 909 | $ 941 | $ 974 | $ 1,008 | $ 1,043 | $ 1,080 |
| **Total Loading Bridge Revenue Requirement - City Gates** | $ 153,042 | $ 113,645 | $ 119,190 | $ 124,930 | $ 130,870 | $ 137,019 | $ 143,384 | $ 149,973 | $ 156,791 |
| **City Gate Loading Bridges** | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Average Loading Bridge Requirement Per Bridge | $ 30,608 | $ 22,729 | $ 23,838 | $ 24,986 | $ 26,174 | $ 27,404 | $ 28,677 | $ 29,995 | $ 31,358 |
| Loading Bridges Rented | - | - | - | - | - | - | - | - | - |
| **Total City Gate Loading Bridge Revenues** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

**Table 7-9: Apron Requirement**

(for the Fiscal Years ending September 30)

| | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Apron Area Revenue Requirement** | | | | | | | | | |
| O&M Expenses | $ 3,104,102 | $ 3,161,047 | $ 3,265,092 | $ 3,372,662 | $ 3,483,882 | $ 3,598,879 | $ 3,717,787 | $ 3,840,742 | $ 3,967,888 |
| O&M Expense Reserve Requirement | $ 24,148 | $ 26,011 | $ 26,893 | $ 27,805 | $ 28,749 | $ 29,727 | $ 30,739 | $ 31,787 | $ 32,871 |
| Debt Service | $ 11,589 | $ 11,624 | $ 11,614 | $ 11,624 | $ 1,278 | $ 1,278 | $ 1,278 | $ 1,278 | $ 1,278 |
| Debt Service Coverage Requirement (.25x) | $ 2,897 | $ 2,906 | $ 2,903 | $ 2,906 | $ 319 | $ 319 | $ 319 | $ 320 | $ 319 |
| Less: Prior Year Debt Service Coverage | $ (2,337) | $ (2,897) | $ (2,906) | $ (2,903) | $ (2,906) | $ (319) | $ (319) | $ (319) | $ (320) |
| Total Apron Revenue Requirement | $ 3,140,399 | $ 3,198,691 | $ 3,303,596 | $ 3,412,094 | $ 3,511,322 | $ 3,629,884 | $ 3,749,803 | $ 3,873,807 | $ 4,002,037 |
| Apron Area Linear Feet | 3,240 | 3,240 | 3,240 | 3,240 | 3,240 | 3,240 | 3,240 | 3,240 | 3,240 |
| Apron Area Revenue Requirement (per linear foot) | $ 969 | $ 987 | $ 1,020 | $ 1,053 | $ 1,084 | $ 1,120 | $ 1,157 | $ 1,196 | $ 1,235 |
| Apron Area Linear Feet Leased | 2,590 | 2,590 | 2,590 | 2,590 | 2,590 | 2,590 | 2,590 | 2,590 | 2,590 |
| Total Apron Area Revenues | $ 2,510,381 | $ 2,556,978 | $ 2,640,838 | $ 2,727,569 | $ 2,806,890 | $ 2,901,666 | $ 2,997,528 | $ 3,096,654 | $ 3,199,159 |

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

**Table 7-10: Landing Fee Requirement**

(for the Fiscal Years ending September 30)

| | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Airfield Revenue Requirement | | | | | | | | | |
| O&M Expenses | $ 12,416,409 | $ 12,644,189 | $ 13,060,367 | $ 13,490,649 | $ 13,935,528 | $ 14,395,517 | $ 14,871,147 | $ 15,362,969 | $ 15,871,553 |
| O&M Expense Reserve Requirement | $ 96,591 | $ 104,045 | $ 107,570 | $ 111,220 | $ 114,997 | $ 118,908 | $ 122,955 | $ 127,146 | $ 131,484 |
| Debt Service | $ 1,915,988 | $ 1,927,638 | $ 1,927,251 | $ 1,927,716 | $ 1,088,125 | $ 1,087,812 | $ 1,087,907 | $ 1,088,291 | $ 1,088,304 |
| Debt Service Coverage Requirement (.25x) | $ 478,997 | $ 481,909 | $ 481,813 | $ 481,929 | $ 272,031 | $ 271,953 | $ 271,977 | $ 272,073 | $ 272,076 |
| Less: Competitive Credit | $ (4,316,951) | $ (3,364,862) | $ (3,025,756) | $ (3,069,902) | $ (3,084,823) | $ (5,551,544) | $ (5,500,658) | $ (5,444,883) | $ (5,356,290) |
| Less: Prior Year Debt Service Coverage | $ (445,173) | $ (478,997) | $ (481,909) | $ (481,813) | $ (481,929) | $ (272,031) | $ (271,953) | $ (271,977) | $ (272,073) |
| Less: Excess PFC Revenues | $ (454,933) | $ (464,573) | $ (464,573) | $ (464,573) | $ (464,573) | $ (464,573) | $ (464,573) | $ (464,573) | $ (464,573) |
| Total Landing Fee Requirement | $ 9,690,928 | $ 10,849,349 | $ 11,604,763 | $ 11,995,225 | $ 11,379,356 | $ 9,586,040 | $ 10,116,802 | $ 10,669,046 | $ 11,270,481 |
| Airfield Revenue Credits | | | | | | | | | |
| Fuel Flowage Revenue | $ 601,734 | $ 614,000 | $ 626,000 | $ 639,000 | $ 652,000 | $ 665,000 | $ 678,000 | $ 692,000 | $ 706,000 |
| Non-Terminal RON Parking | $ 949,131 | $ 968,114 | $ 987,476 | $ 1,007,225 | $ 1,027,370 | $ 1,047,917 | $ 1,068,876 | $ 1,090,253 | $ 1,112,058 |
| Total Airfield Revenue Credits | $ 1,550,865 | $ 1,582,114 | $ 1,613,476 | $ 1,646,225 | $ 1,679,370 | $ 1,712,917 | $ 1,746,876 | $ 1,782,253 | $ 1,818,058 |
| Net Airfield Requirement | $ 8,140,063 | $ 9,267,235 | $ 9,991,287 | $ 10,349,000 | $ 9,699,986 | $ 7,873,123 | $ 8,369,926 | $ 8,886,793 | $ 9,452,423 |
| Total Landed Weight | 5,652,896 | 5,765,000 | 5,875,000 | 5,985,000 | 6,095,000 | 6,205,000 | 6,315,000 | 6,425,000 | 6,535,000 |
| Landing Fee Rate | $ 1.44 | $ 1.61 | $ 1.70 | $ 1.73 | $ 1.59 | $ 1.27 | $ 1.33 | $ 1.38 | $ 1.45 |
| Landed Weight | | | | | | | | | |
| Passenger Airline Landing Weight | 4,913,292 | 5,010,729 | 5,106,337 | 5,201,945 | 5,297,553 | 5,393,161 | 5,488,769 | 5,584,377 | 5,679,985 |
| Cargo Landing Weight | 739,604 | 754,271 | 768,663 | 783,055 | 797,447 | 811,839 | 826,231 | 840,623 | 855,015 |
| Total Airline Landed Weight | 5,652,896 | 5,765,000 | 5,875,000 | 5,985,000 | 6,095,000 | 6,205,000 | 6,315,000 | 6,425,000 | 6,535,000 |
| Airline Landing Fee Revenues | | | | | | | | | |
| Domestic Passenger Airline Landing Fees | $ 7,075,047 | $ 8,054,745 | $ 8,684,065 | $ 8,994,975 | $ 8,430,876 | $ 6,843,033 | $ 7,274,836 | $ 7,724,078 | $ 8,215,703 |
| Cargo Landing Fees | $ 1,065,015 | $ 1,212,490 | $ 1,307,223 | $ 1,354,025 | $ 1,269,110 | $ 1,030,090 | $ 1,095,090 | $ 1,162,715 | $ 1,236,720 |
| Total Airline Landing Fee Revenues | $ 8,140,063 | $ 9,267,235 | $ 9,991,287 | $ 10,349,000 | $ 9,699,986 | $ 7,873,123 | $ 8,369,926 | $ 8,886,793 | $ 9,452,423 |

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

**Table 7-11: Airline Cost Per Enplanement**

(for the Fiscal Years ending September 30)

| | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Passenger Airline Revenues | | | | | | | | | |
| Passenger Airline Landing Fees | $ 7,075,047 | $ 8,054,745 | $ 8,684,065 | $ 8,994,975 | $ 8,430,876 | $ 6,843,033 | $ 7,274,836 | $ 7,724,078 | $ 8,215,703 |
| Apron Fees | $ 2,510,381 | $ 2,556,978 | $ 2,640,838 | $ 2,727,569 | $ 2,806,890 | $ 2,901,666 | $ 2,997,528 | $ 3,096,654 | $ 3,199,159 |
| Terminal Building Rentals | $ 15,192,469 | $ 15,395,670 | $ 15,782,605 | $ 16,185,429 | $ 15,543,616 | $ 16,188,285 | $ 16,638,048 | $ 17,106,996 | $ 17,589,457 |
| Baggage Handling System | $ 1,761,282 | $ 2,161,247 | $ 2,225,525 | $ 2,294,572 | $ 2,352,209 | $ 2,428,236 | $ 2,504,711 | $ 2,584,115 | $ 2,665,144 |
| Security Checkpoint Exit Lane | $ 76,000 | $ 78,660 | $ 81,413 | $ 84,263 | $ 87,212 | $ 90,264 | $ 93,423 | $ 96,693 | $ 100,077 |
| Loading Bridges - Airline Leased | $ 300,232 | $ 354,048 | $ 364,867 | $ 376,192 | $ 387,761 | $ 399,815 | $ 412,350 | $ 425,362 | $ 438,670 |
| Non-Terminal RON Parking | $ 949,131 | $ 968,114 | $ 987,476 | $ 1,007,225 | $ 1,027,370 | $ 1,047,917 | $ 1,068,876 | $ 1,090,253 | $ 1,112,058 |
| Gate Use Fees | $ 1,072,440 | $ 1,093,889 | $ 1,115,767 | $ 1,138,082 | $ 1,160,844 | $ 1,184,060 | $ 1,207,742 | $ 1,231,896 | $ 1,256,534 |
| FIS Use Fees | $ 1,827,985 | $ 1,864,545 | $ 1,901,836 | $ 1,939,872 | $ 1,978,670 | $ 2,018,243 | $ 2,058,608 | $ 2,099,780 | $ 2,141,776 |
| Total Passenger Airline Revenues | $ 30,764,967 | $ 32,527,895 | $ 33,784,390 | $ 34,748,180 | $ 33,775,447 | $ 33,101,521 | $ 34,256,123 | $ 35,455,828 | $ 36,718,579 |
| Total Enplaned Passengers | 4,209,716 | 4,300,000 | 4,405,000 | 4,510,000 | 4,615,000 | 4,720,000 | 4,825,000 | 4,930,000 | 5,035,000 |
| Average Passenger Airline Cost Per Enplaned Passenger | $ 7.31 | $ 7.56 | $ 7.67 | $ 7.70 | $ 7.32 | $ 7.01 | $ 7.10 | $ 7.19 | $ 7.29 |
| Average Passenger Airline Cost Per Enplaned Passenger without FIS Use Fees | $ 6.87 | $ 7.13 | $ 7.24 | $ 7.27 | $ 6.89 | $ 6.59 | $ 6.67 | $ 6.77 | $ 6.87 |

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

Airline payments (i.e., costs) per enplaned passenger, is a standard, although imperfect, benchmark measure of the airline revenues such as landing fees and terminal rentals paid by airlines throughout the airport industry. CPE ranges widely among individual airports, primarily reflecting the development cycle at each airport, the rate-making methodology in effect, who financed the facilities (i.e., the airport operator or the airline), and traffic trends.

The projected passenger airline payments per enplaned passenger are comparable to other medium-hub airports where major expansion and improvement projects have recently been completed or are planned, however, the reasonableness of airline rentals, fees, and charges will ultimately be reflected by the individual airlines via the level of service provided at the Airport to meet demand in the San Antonio market.

## 7.7 Application of Revenues and Flow of Funds

**Table 7-12** presents projected Gross Revenues and the application of Gross Revenues over the period FY 2015 through FY 2023. Gross Revenues, including airline revenues, cargo landing fees, non-airline revenues, and other deposits and credits allowable per the terms of the Bond Ordinances, are projected to increase from approximately $90.1 million in FY 2015 to approximately $108.0 million in FY 2023, which represents a compound annual growth rate of approximately 2.3 percent.

**Table 7-13** illustrates the flow of funds (per the GARB Ordinances) and presents projection of estimated fund balances.

## 7.8 Debt Service Coverage

### 7.8.1 GARB ORDINANCES RATE COVENANT

The City's ability to satisfy the Rate Covenant contained in the GARB Ordinances is presented in **Table 7-14**. The Rate Covenant is based on Gross Revenues. As previously presented, the GARB Ordinances requires the City to generate Gross Revenues in each Fiscal Year at least sufficient: (1) to pay all Operation and Maintenance Expenses during each Fiscal Year, and also (2) to provide an amount equal to 1.25 times the Annual Debt Service Requirements during each Fiscal Year on all then Outstanding Parity Bonds.

Based on the financial projections presented previously in this section, debt service coverage (per Master GARB Ordinance) over the period FY 2015 through FY 2023 is projected to range from a low of approximately 2.05x in FY 2015 to a high of approximately 2.92x in FY 2023. In addition, Table 7-14 presents alternative coverage calculations.

## Table 7-12: Application of Revenues

(for the Fiscal Years ending September 30)

| | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Revenues | | | | | | | | | |
| Total Airline Revenues | $ 30,764,967 | $ 32,527,895 | $ 33,784,390 | $ 34,748,180 | $ 33,775,447 | $ 33,101,521 | $ 34,256,123 | $ 35,455,828 | $ 36,718,579 |
| Cargo Landing Fees | $ 1,065,015 | $ 1,212,490 | $ 1,307,223 | $ 1,354,025 | $ 1,269,110 | $ 1,030,090 | $ 1,095,090 | $ 1,162,715 | $ 1,236,720 |
| Non Airline Revenue - SAT | $ 50,734,849 | $ 51,992,530 | $ 53,410,555 | $ 54,847,440 | $ 56,304,195 | $ 57,779,827 | $ 59,276,345 | $ 60,793,758 | $ 62,333,076 |
| Stinson Revenues | $ 305,194 | $ 311,298 | $ 317,524 | $ 323,874 | $ 330,352 | $ 336,959 | $ 343,698 | $ 350,572 | $ 357,583 |
| Interest and Other Income | $ 67,473 | $ 67,473 | $ 67,473 | $ 67,473 | $ 67,473 | $ 67,473 | $ 67,473 | $ 67,473 | $ 67,473 |
| Prior Period Debt Service Coverage Deposit | $ 2,489,318 | $ 2,363,245 | $ 2,369,867 | $ 2,369,956 | $ 2,370,404 | $ 1,919,123 | $ 1,919,198 | $ 1,919,674 | $ 1,920,898 |
| Prior Period Competitive Credit | $ 4,666,951 | $ 3,364,862 | $ 3,025,756 | $ 3,069,902 | $ 3,084,823 | $ 5,551,544 | $ 5,500,658 | $ 5,444,883 | $ 5,356,290 |
| Gross Revenues | $ 90,093,767 | $ 91,839,792 | $ 94,282,787 | $ 96,780,850 | $ 97,201,804 | $ 99,786,536 | $ 102,458,584 | $ 105,194,904 | $ 107,990,619 |
| Application of Gross Revenues | | | | | | | | | |
| Bond Fund | | | | | | | | | |
| Non-PFC Supported Debt Service | $ 16,759,599 | $ 16,767,503 | $ 16,767,608 | $ 16,777,865 | $ 11,806,756 | $ 11,814,820 | $ 11,822,383 | $ 11,839,672 | $ 11,845,173 |
| Bond Reserve Fund | | | | | | | | | |
| Bond Reserve Deposit | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| O&M Account | | | | | | | | | |
| O&M Expenses | $ 56,538,373 | $ 57,754,161 | $ 59,834,920 | $ 61,994,644 | $ 64,236,499 | $ 66,563,783 | $ 68,979,933 | $ 71,488,534 | $ 74,093,319 |
| O&M Expense Reserve Requirement | $ 920,719 | $ 515,416 | $ 534,990 | $ 555,350 | $ 576,528 | $ 598,560 | $ 621,480 | $ 645,328 | $ 670,143 |
| Subordinate Securities Fund | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Capital Improvement Fund | | | | | | | | | |
| Airline Debt Service Coverage Deposit | $ 2,363,245 | $ 2,369,867 | $ 2,369,956 | $ 2,370,404 | $ 1,919,123 | $ 1,919,198 | $ 1,919,674 | $ 1,920,898 | $ 1,921,089 |
| Capital Improvement Factor | $ 10,146,970 | $ 11,407,091 | $ 11,705,412 | $ 11,997,762 | $ 13,111,354 | $ 13,389,518 | $ 13,670,230 | $ 13,944,182 | $ 14,215,186 |
| Competitive Credit | $ 3,364,862 | $ 3,025,756 | $ 3,069,902 | $ 3,084,823 | $ 5,551,544 | $ 5,500,658 | $ 5,444,883 | $ 5,356,290 | $ 5,245,711 |
| **Total Application of Gross Revenues** | **$ 90,093,767** | **$ 91,839,792** | **$ 94,282,787** | **$ 96,780,850** | **$ 97,201,804** | **$ 99,786,536** | **$ 102,458,584** | **$ 105,194,904** | **$ 107,990,619** |

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

**Table 7-13: Flow of Funds and Projected Fund Balances**

(for the Fiscal Years ending September 30)

| | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Revenue Fund** | | | | | | | | | |
| Beginning Balance | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Add: Gross Revenues | $ 90,093,767 | $ 91,839,792 | $ 94,282,787 | $ 96,780,850 | $ 97,201,804 | $ 99,786,536 | $ 102,458,584 | $ 105,194,904 | $ 107,990,619 |
| Less: Deposit to Bond Fund | $ (16,759,599) | $ (16,767,503) | $ (16,767,608) | $ (16,777,865) | $ (11,806,756) | $ (11,814,820) | $ (11,822,383) | $ (11,839,672) | $ (11,845,173) |
| Less: Deposit to Bond Reserve Fund | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Less: Deposit to O&M Account - O&M Expenses | $ (56,538,373) | $ (57,754,161) | $ (59,834,920) | $ (61,994,644) | $ (64,236,499) | $ (66,563,783) | $ (68,979,933) | $ (71,488,534) | $ (74,093,319) |
| Less: Deposit to O&M Account - O&M Reserve | $ (920,719) | $ (515,416) | $ (534,990) | $ (555,350) | $ (576,528) | $ (598,560) | $ (621,480) | $ (645,328) | $ (670,143) |
| Less: Deposit to Subordinate Securities Fund | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Less: Deposit to Capital Improvement Fund | $ (15,875,076) | $ (16,802,713) | $ (17,145,269) | $ (17,452,990) | $ (20,582,020) | $ (20,809,373) | $ (21,034,787) | $ (21,221,370) | $ (21,381,985) |
| Ending Balance | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Bond Fund** | | | | | | | | | |
| Beginning Balance | $ (0) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Add: Deposit from Revenue Fund | $ 16,759,599 | $ 16,767,503 | $ 16,767,608 | $ 16,777,865 | $ 11,806,756 | $ 11,814,820 | $ 11,822,383 | $ 11,839,672 | $ 11,845,173 |
| Add: Excess PFC Revenues to Pay GARB Debt Service | $ 3,809,705 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 |
| Add: CFC Revenues to Pay GARB Debt Service | $ - | $ 1,807,858 | $ 1,966,250 | $ 1,966,250 | $ 1,966,250 | $ 2,736,250 | $ 2,737,750 | $ 2,737,250 | $ 2,734,750 |
| Less: Non PFC Supported Debt Service | $ (20,569,304) | $ (22,383,390) | $ (22,541,887) | $ (22,552,144) | $ (17,581,034) | $ (18,359,096) | $ (18,368,159) | $ (18,384,946) | $ (18,387,946) |
| Ending Balance | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Bond Reserve Fund** | | | | | | | | | |
| Beginning Balance | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Add: Deposit from Revenue Fund | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Less: | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Ending Balance | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **O&M Account** | | | | | | | | | |
| Beginning Balance | $ 14,062,594 | $ 14,983,313 | $ 15,498,729 | $ 16,033,719 | $ 16,589,069 | $ 17,165,597 | $ 17,764,157 | $ 18,385,637 | $ 19,030,965 |
| Add: Deposit to O&M Account - O&M Expenses | $ 56,538,373 | $ 57,754,161 | $ 59,834,920 | $ 61,994,644 | $ 64,236,499 | $ 66,563,783 | $ 68,979,933 | $ 71,488,534 | $ 74,093,319 |
| Add: Deposit to O&M Account - O&M Reserve | $ 920,719 | $ 515,416 | $ 534,990 | $ 555,350 | $ 576,528 | $ 598,560 | $ 621,480 | $ 645,328 | $ 670,143 |
| Less: O&M Expenses | $ (56,538,373) | $ (57,754,161) | $ (59,834,920) | $ (61,994,644) | $ (64,236,499) | $ (66,563,783) | $ (68,979,933) | $ (71,488,534) | $ (74,093,319) |
| Ending Balance | $ 14,983,313 | $ 15,498,729 | $ 16,033,719 | $ 16,589,069 | $ 17,165,597 | $ 17,764,157 | $ 18,385,637 | $ 19,030,965 | $ 19,701,108 |
| **Subordinate Securities Fund** | | | | | | | | | |
| Beginning Balance | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Add: Deposit from Revenue Fund | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Ending Balance | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Capital Improvement Fund** | | | | | | | | | |
| Beginning Balance | $ 56,623,000 | $ 49,634,000 | $ 63,130,000 | $ 63,712,000 | $ 56,644,000 | $ 61,073,000 | $ 69,507,000 | $ 73,177,000 | $ 77,121,000 |
| Add: Deposit from Revenue Fund | $ 15,875,076 | $ 16,802,713 | $ 17,145,269 | $ 17,452,990 | $ 20,582,020 | $ 20,809,373 | $ 21,034,787 | $ 21,221,370 | $ 21,381,985 |
| Less: Debt Service Coverage Deposit | $ (2,363,245) | $ (2,369,867) | $ (2,369,956) | $ (2,370,404) | $ (1,919,123) | $ (1,919,198) | $ (1,919,674) | $ (1,920,898) | $ (1,921,089) |
| Less: Capital Improvement Appropriation 1/ | $ (17,136,000) | $ 2,088,797 | $ (11,123,327) | $ (19,065,837) | $ (8,682,000) | $ (4,956,000) | $ (10,000,000) | $ (10,000,000) | $ (10,000,000) |
| Less: Competitive Credit | $ (3,364,862) | $ (3,025,756) | $ (3,069,902) | $ (3,084,823) | $ (5,551,544) | $ (5,500,658) | $ (5,444,883) | $ (5,356,290) | $ (5,245,711) |
| Ending Balance | $ 49,634,000 | $ 63,130,000 | $ 63,712,000 | $ 56,644,000 | $ 61,073,000 | $ 69,507,000 | $ 73,177,000 | $ 77,121,000 | $ 81,336,000 |

1/ Capital Improvement Appropriation forecast based off average annual capital project in six year CIP to be funded internally

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

**Table 7-14: GARB Debt Service Coverage**

(for the Fiscal Years ending September 30)

| | | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **GARB Debt Service Coverage:** | | | | | | | | | | |
| Gross Revenues | [A] | $ 90,093,767 | $ 91,839,792 | $ 94,282,787 | $ 96,780,850 | $ 97,201,804 | $ 99,786,536 | $ 102,458,584 | $ 105,194,904 | $ 107,990,619 |
| Total O&M Expenses | | $ (56,538,373) | $ (57,754,161) | $ (59,834,920) | $ (61,994,644) | $ (64,236,499) | $ (66,563,783) | $ (68,979,933) | $ (71,488,534) | $ (74,093,319) |
| Adjustment: Capital Outlay (57GL) | | $ 756,929 | $ 545,580 | $ 564,675 | $ 584,439 | $ 604,894 | $ 626,066 | $ 647,978 | $ 670,657 | $ 694,130 |
| Net O&M Expense | [B] | $ (55,781,443) | $ (57,208,581) | $ (59,270,244) | $ (61,410,205) | $ (63,631,605) | $ (65,937,717) | $ (68,331,955) | $ (70,817,876) | $ (73,399,189) |
| Net Revenues | [C=A+B] | $ 34,312,324 | $ 34,631,212 | $ 35,012,543 | $ 35,370,644 | $ 33,570,199 | $ 33,848,819 | $ 34,126,629 | $ 34,377,027 | $ 34,591,431 |
| Less: Prior Period Debt Service Coverage Deposit | [D] | $ (2,489,318) | $ (2,363,245) | $ (2,369,867) | $ (2,369,956) | $ (2,370,404) | $ (1,919,123) | $ (1,919,198) | $ (1,919,674) | $ (1,920,898) |
| Less: Prior Period Competitive Credit | [E] | $ (4,666,951) | $ (3,364,862) | $ (3,025,756) | $ (3,069,902) | $ (3,084,823) | $ (5,551,544) | $ (5,500,658) | $ (5,444,883) | $ (5,356,290) |
| Net Revenues Excluding Debt Service Coverage Deposit and Competitive Credit | [F=C+D+E] | $ 27,156,055 | $ 28,903,105 | $ 29,616,921 | $ 29,930,787 | $ 28,114,972 | $ 26,378,152 | $ 26,706,773 | $ 27,012,470 | $ 27,314,242 |
| GARB Debt Service | [G] | $ 20,569,304 | $ 22,383,390 | $ 22,541,887 | $ 22,552,144 | $ 17,581,034 | $ 18,359,096 | $ 18,368,159 | $ 18,384,946 | $ 18,387,946 |
| Less: GARB Paid with PFCs | [H1] | $ (3,809,705) | $ (3,808,029) | $ (3,808,029) | $ (3,808,029) | $ (3,808,029) | $ (3,808,029) | $ (3,808,029) | $ (3,808,029) | $ (3,808,029) |
| Less: GARB Paid with CFCs | [H2] | $ - | $ (1,807,858) | $ (1,966,250) | $ (1,966,250) | $ (1,966,250) | $ (2,736,250) | $ (2,737,750) | $ (2,737,250) | $ (2,734,750) |
| Net GARB Debt Service | [I=G+H1+H2] | $ 16,759,599 | $ 16,767,503 | $ 16,767,608 | $ 16,777,865 | $ 11,806,755 | $ 11,814,817 | $ 11,822,380 | $ 11,839,667 | $ 11,845,167 |
| **GARB Debt Service Coverage Ratios:** | | | | | | | | | | |
| Gross Revenue Test | [A/I] | 5.38 | 5.48 | 5.62 | 5.77 | 8.23 | 8.45 | 8.67 | 8.88 | 9.12 |
| **Debt Service Coverage Test (per Master GARB Ordinance)** | **[C/I]** | **2.05** | **2.07** | **2.09** | **2.11** | **2.84** | **2.86** | **2.89** | **2.90** | **2.92** |
| Additional Bonds Test: Based on Net Revenues and Total GARB Debt Service | [C/G] | 1.67 | 1.55 | 1.55 | 1.57 | 1.91 | 1.84 | 1.86 | 1.87 | 1.88 |

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

### 7.8.2 COVENANT TO BUDGET PFC DEBT SERVICE COVERAGE

The City's ability to satisfy the Covenant to Budget PFC Debt Service Coverage is also shown in **Table 7-15**. The Master PFC Bond Ordinance requires the City to prepare an annual budget which will indicate that the reasonably expected receipt of PFC Revenues during such Fiscal Year (together with any funds reasonably expected to be on deposit during such Fiscal Year in the PFC Revenue Fund or the PFC CIF from prior Fiscal Years and available for the purposes of acquiring and constructing PFC Eligible Airport-Related Projects), after payment of all costs to acquire and construct PFC Eligible Airport-Related Projects with PFC Revenues during such Fiscal Year, will provide an amount equal to 1.25 times the Annual Debt Service Requirements during such Fiscal Year on all then Outstanding Parity PFC Bonds.

As shown in Table 7-15, over the Projection Period the Covenant to Budget PFC Debt Service is projected to range from a low of approximately 2.84x in FY 2016 to a high of approximately 3.60x in FY 2023.

**Table 7-15: PFC Bonds Debt Service Coverage**

(for the Fiscal Years ending September 30)

| | | ESTIMATED | PROJECTED | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Total PFC Collections (net of admin. Fee) | | $ 16,262,975 | $ 16,611,760 | $ 17,017,396 | $ 17,423,032 | $ 17,828,668 | $ 18,234,304 | $ 18,639,940 | $ 19,045,576 | $ 19,451,212 |
| Unused PFCs from Prior Year (net of encumbered amounts) | | $ 21,107,753 | $ 20,259,917 | $ 19,768,832 | $ 19,970,067 | $ 20,574,179 | $ 21,578,666 | $ 22,991,467 | $ 24,803,294 | $ 27,029,398 |
| Investment Earnings (PFC Fund) | | $ 40,657 | $ 41,529 | $ 42,543 | $ 43,558 | $ 44,572 | $ 45,586 | $ 46,600 | $ 47,614 | $ 48,628 |
| Cumulative Available PFC Funds | [A] | $ 37,411,385 | $ 36,913,206 | $ 36,828,771 | $ 37,436,657 | $ 38,447,418 | $ 39,858,556 | $ 41,678,007 | $ 43,896,484 | $ 46,529,238 |
| Less: PFC PAYGO - Appropriated | [B] | $ (500,000) | $ (493,333) | $ (206,750) | $ (206,749) | $ (206,748) | $ (206,747) | $ (206,746) | $ (206,745) | $ (206,744) |
| PFC Funds Net of PAYGO | [C=A-B] | $ 36,911,385 | $ 36,419,873 | $ 36,622,021 | $ 37,229,908 | $ 38,240,670 | $ 39,651,809 | $ 41,471,261 | $ 43,689,739 | $ 46,322,494 |
| PFC Supported Debt Service | | | | | | | | | | |
| Series 2002 PFC Bonds | | $ 2,427,150 | $ 2,432,450 | $ 2,433,700 | $ 2,431,450 | $ 2,440,700 | $ 2,440,700 | $ 2,446,700 | $ 2,443,200 | $ 2,455,450 |
| Series 2005 PFC Bonds | | $ 2,686,813 | $ 2,687,275 | $ 2,684,813 | $ 2,688,938 | $ 2,689,125 | $ 2,685,375 | $ 2,687,688 | $ 2,685,538 | $ 2,688,925 |
| Series 2007 PFC Bonds | | $ 5,332,100 | $ 5,329,413 | $ 5,330,913 | $ 5,331,663 | $ 5,330,150 | $ 5,331,813 | $ 5,331,125 | $ 5,327,825 | $ 5,331,650 |
| 2010 PFC Bonds | | $ 2,395,700 | $ 2,393,875 | $ 2,394,500 | $ 2,395,650 | $ 2,394,000 | $ 2,394,425 | $ 2,394,425 | $ 2,395,750 | $ 2,396,563 |
| Total PFC Supported Debt Service | [D] | $ 12,841,763 | $ 12,843,013 | $ 12,843,925 | $ 12,847,700 | $ 12,853,975 | $ 12,852,313 | $ 12,859,938 | $ 12,852,313 | $ 12,872,588 |
| Unused PFCs - Current Year | [E=C-D] | $ 24,069,622 | $ 23,576,861 | $ 23,778,096 | $ 24,382,208 | $ 25,386,695 | $ 26,799,496 | $ 28,611,324 | $ 30,837,427 | $ 33,449,906 |
| Reserved for Coverage | [F=(D*0.3)] | $ 3,852,529 | $ 3,852,904 | $ 3,853,178 | $ 3,854,310 | $ 3,856,193 | $ 3,855,694 | $ 3,857,981 | $ 3,855,694 | $ 3,861,776 |
| Remaining Unused PFCs | [G=E-F] | $ 20,217,093 | $ 19,723,957 | $ 19,924,919 | $ 20,527,898 | $ 21,530,503 | $ 22,943,803 | $ 24,753,342 | $ 26,981,733 | $ 29,588,130 |
| PFC Eligible GARB Debt Service | [H] | $ 3,809,705 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 |
| Excess PFCs Used to Pay GARB Debt Service | [I=MIN(G,H)] | $ 3,809,705 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 | $ 3,808,029 |
| Ending Balance | [J=E-I] | $ 20,259,917 | $ 19,768,832 | $ 19,970,067 | $ 20,574,179 | $ 21,578,666 | $ 22,991,467 | $ 24,803,294 | $ 27,029,398 | $ 29,641,877 |
| PFC Budget Covenant | [K=C/D] | 2.87 | 2.84 | 2.85 | 2.90 | 2.98 | 3.09 | 3.22 | 3.40 | 3.60 |
| **Actual PFC Debt Service Coverage** | | | | | | | | | | |
| Subordinated Net Revenues | [L] | $ 13,743,020 | $ 12,247,822 | $ 12,470,655 | $ 12,818,501 | $ 15,989,165 | $ 15,489,722 | $ 15,758,470 | $ 15,992,081 | $ 16,203,484 |
| Actual PFC Debt Service Coverage | [M=(C+L)/D] | 3.94 | 3.79 | 3.82 | 3.90 | 4.22 | 4.29 | 4.45 | 4.64 | 4.86 |

SOURCE: City of San Antonio, Department of Aviation, May 2015
PREPARED BY: Ricondo & Associates, Inc., May 2015

# APPENDIX C

## EXCERPTS FROM THE ORDINANCE

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## APPENDIX C

## EXCERPTS FROM THE MASTER GARB ORDINANCE AND THE FIFTEENTH SUPPLEMENT

*This Appendix C contains only certain excerpts from the Master GARB Ordinance and the Fifteenth Supplement. Reference is made to the actual Master GARB Ordinance and the Fifteenth Supplement for complete details of all terms and conditions contained therein.*

### THE FOLLOWING CAPITALIZED TERMS ARE DEFINED IN THE MASTER GARB ORDINANCE (REFERRED TO IN THE EXCERPTS AS THE "MASTER ORDINANCE") AND ARE APPLICABLE TO THE FIFTEENTH SUPPLEMENT

[*Note: The term "Pre-2001 Parity Obligations" used in this Appendix refers to airport revenue bonds issued by the City prior to the adoption of the Master GARB Ordinance and which were secured by a first lien on and pledge of the Gross Revenues of the Airport System on parity with all Parity Obligations issued pursuant to the Master GARB Ordinance. No Pre-2001 Parity Obligations remain outstanding.*]

"**Account**" means any account created, established and maintained under the terms of any Supplement.

"**Accountant**" means a nationally recognized independent certified public accountant, or an independent firm of certified public accountants.

"**Additional Parity Obligations**" shall mean the additional parity revenue obligations which the City reserves the right to issue in the future as provided in Section 17 of the Master Ordinance.

"**Airport System**" means and includes the City of San Antonio International Airport and Stinson Municipal Airport, as each now exists, and all land, buildings, structures, equipment, and facilities pertaining thereto, together with all future improvements, extensions, enlargements, and additions thereto, and replacements thereof, and all other airport facilities of the City acquired or constructed with funds from any source, including the issuance of Parity Obligations; provided, however, for the purpose of providing further clarification, the term "Airport System" shall not include Industrial Properties and Special Facilities Properties.

**"Airport Consultant"** means an airport consultant or airport consultant firm or corporation having a wide and favorable reputation for skill and experience with respect to the operation and maintenance of airports, in recommending rental and other charges for use of airport facilities and in projecting revenues to be derived from the operation of airports, and not a full time employee of the City.

**"Annual Budget"** means the annual budget of the Airport System (which may be included in the City's general annual budget), as amended and supplemented, adopted or in effect for a particular Fiscal Year.

"**Annual Debt Service Requirements**" means, for any Fiscal Year, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the City on such Debt, or be payable in respect of any required purchase of such Debt by the City) in such Fiscal Year, less and except any such principal or interest for the payment of which provision has been made by (i) appropriating for such purpose amounts sufficient to provide for the full and timely payment of such interest or principal either from proceeds of bonds, notes or other obligations, from interest earned or to be earned thereon, from Airport System funds other than Gross Revenues, or from any combination of such sources and (ii) depositing such amounts (except in the case of interest to be earned, which shall be deposited as received) into a dedicated Fund or Account, the proceeds of which are required to be transferred as needed into the Bond Fund or directly to the Paying Agent for such Parity Obligations; and, for such purposes, any one or more of the following rules shall apply at the election of the City:

(1) Committed Take Out. If the City has entered into a Credit Agreement constituting a binding commitment within normal commercial practice, from any bank, savings and loan association, insurance company, or similar institution to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Debt is subject to required purchase, all under arrangements whereby

the City's obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

(2) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the City) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein and throughout this Exhibit A as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) Consent Sinking Fund. In the case of Balloon Debt, if a Designated Financial Officer shall deliver to the City a certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the City has elected to apply the rule set forth in clause (2) above;

(4) Prepaid Debt. Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt;

(5) Variable Rate.

(A) Except as hereinafter provided in this subparagraph, the rate of interest on Variable Rate Obligations then proposed to be issued shall be deemed to be the average for the then immediately preceding five years of the BMA Index, plus 20 basis points; provided, however, that (i) if, after the issuance of the Variable Rate Obligations then proposed to be issued, more than 20% of the aggregate of the Parity Obligations Outstanding will bear interest at a variable rate and (ii) any Parity Obligation is then insured by a Bond Insurer, the rate of interest on Variable Rate Obligations then proposed to be issued shall be deemed to be the greater of (x) the most recently announced 30-year Revenue Bond Index published by The Bond Buyer, a financial journal published, as of the date the Master Ordinance was adopted, in The City of New York, New York, (y) the rate of interest then borne by any Variable Rate Obligations then Outstanding, and (z) 1.25 times the average variable rate borne by any Variable Rate Obligations then Outstanding during the then immediately preceding twelve-month period, or if no Variable Rate Obligations are then Outstanding, 1.25 times the average variable rate for similarly rated obligations with comparable maturities during the then immediately preceding twelve-month period, and

(B) Except as hereinafter provided in this subparagraph, the rate of interest on Variable Rate Obligations outstanding at the time of such calculation shall be deemed to be the lesser of (i) the then current per annum rate of interest borne by such Variable Rate Obligations or (ii) the average per annum rate of interest borne by such Variable Rate Obligations during the then immediately preceding twelve-month period; provided, however, that for any period during which (a) more then 20% of the aggregate of the Parity Obligations then Outstanding bear interest at a variable rate and (b) any Parity Obligation is then insured by a Bond Insurer, the rate of interest on such Variable Rate Obligations shall be the greater of (x) the most recently announced 30 year Revenue Bond Index published by The Bond Buyer, a financial journal published, as of the date the Master Ordinance was adopted, in The City of New York, New York, (y) the rate of interest then in effect with respect to such Variable Rate Obligations in accordance with their terms, and (z) 1.25 times the average variable rate borne by such Variable Rate Obligations during the then immediately preceding twelve-month period;

(6) Credit Agreement Payments. If the City has entered into a Credit Agreement in connection with an issue of Debt, payments due under the Credit Agreement (other than payments made by the City in connection with the termination or unwinding of a Credit Agreement), from either the City or the Credit Provider, shall be included in such calculation except to the extent that the payments are already taken into account under (1) through (5) above and any payments otherwise included above under (1) through (5) which are to be replaced by payments under a Credit Agreement, from either the City or the Credit Provider, shall be excluded from such calculation. With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

**"Average Annual Debt Service Requirements"** means, as of the time of computation, the aggregate of the Annual Debt Service Requirement for each Fiscal Year that Parity Obligations are Outstanding from the date of such computation, divided by the number of Fiscal Years remaining to the final Stated Maturity of such Parity Obligations.

**"Aviation Director"** means the director of the City's Department of Aviation, or the successor or person acting in such capacity.

**"BMA Index"** means the "high grade" seven-day index made available by The Bond Markets Association of New York, New York, or any successor thereto, based upon 30-day yield evaluation at par of bonds, the interest income on which is excludable from gross income of the recipients thereof for federal income tax purposes. In the event that neither The Bond Markets Association nor any successor thereto makes available an index conforming to the requirements of the preceding sentence, the term "BMA Index" shall mean an index determined by the City based upon the rate for bonds rated in the highest short-term rating category by Moody's and Standard & Poor's, the interest income on which is excludable from gross income of the recipients thereof for federal income tax purposes, in respect of issuers most closely resembling the "high grade" component issuers selected by "BMA Index".

"**Bond Counsel**" means an independent attorney or firm of attorneys selected by the City whose opinions respecting the legality or validity of securities issued by or on behalf of states or political subdivisions thereof are nationally recognized.

"**Bond Fund**" means the "City of San Antonio General Airport Revenue Parity Obligations Bond Fund", the existence of which is confirmed in Section 5(b), and is further described in Section 7, of the Master Ordinance.

**"Bond Insurer"** means any insurance company insuring payment of municipal bonds and other similar obligations if such bond or obligations so insured by it are eligible for a rating by a Credit Rating Agency, at the time of the delivery of a Municipal Bond Insurance Policy, in one of its two highest rating categories.

"**Bond Reserve Fund**" means the "City of San Antonio General Airport Revenue Parity Obligations Reserve Fund", the existence of which is confirmed in Section 5(c), and is further described in Section 8, of the Master Ordinance.

**"Business Day"** means any day other than a Saturday, a Sunday or a day on which the City or the city in which the payment office of the Paying Agent is located is authorized by law to remain closed and is closed.

**"Capital Improvement Fund"** means the "City of San Antonio Capital Improvement Fund", the existence of which is confirmed in Section 5(e), and is further described in Section 12, of the Master Ordinance.

**"Capital Improvements"** means improvements, extensions and additions to the Airport System (other than Special Facilities) that are properly chargeable to capital account by generally accepted accounting practice and includes, without limitations, equipment and rolling stock so chargeable and real estate (and easements and other interests therein) on, under or over which any such improvements, extensions or additions are, or are proposed to be, located.

"**Chapter 1371**" means Chapter 1371, Texas Government Code.

"**Chapter 2256**" means Chapter 2256, Texas Government Code.

"**City**" or "**Issuer**" mean the City of San Antonio, Texas.

"**Code**" means the Internal Revenue Code of 1986, as amended, any successor federal income tax laws or any regulations promulgated or rulings published pursuant thereto.

**"Completion Obligations"** means any bonds, notes or other obligations issued or incurred by the City for the purpose of completing any Capital Improvement for which Parity Obligations have previously been issued or incurred by the City, as described in Section 17(c) of the Master Ordinance.

"**Credit Agreement**" means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Obligations, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the City as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Obligations and on a parity therewith.

"**Credit Facility**" means (i) a policy of insurance or a surety bond, issued by a Bond Insurer or an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Credit Rating Agency having an outstanding rating on Parity Obligations would rate the Parity Obligations fully insured by a standard policy issued by the issuer in its highest generic rating category for such obligations; and (ii) a letter of credit or line of credit issued by any financial institution, provided that a Credit Rating Agency having an outstanding rating on the Parity Obligations would rate the Parity Obligations in its two highest generic rating categories for such obligations if the letter of credit or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Parity Obligations and the interest thereon.

"**Credit Provider**" means any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement or Credit Facility.

**"Credit Rating Agency"** means (a) Fitch, (b) Moody's, (c) Standard & Poor's, (d) any successor to any of the foregoing by merger, consolidation or otherwise, and (e) any other nationally recognized municipal securities rating service from whom the City seeks and obtains a rating on any issue or series of Parity Obligations.

"**Debt**" of the City payable from Gross Revenues or Net Revenues means all:

(1) indebtedness incurred or assumed by the City for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the City issued or incurred for the Airport System that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet; and

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations at or for the Airport System that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other

manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise.

For the purpose of determining the "Debt" payable from the Gross Revenues, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. Except as may be otherwise provided above, no item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the City in prior Fiscal Years.

"**Designated Financial Officer**" means the City Manager, the Director of Finance, or such other financial or accounting official of the City so designated by the governing body of the City.

"**Eligible Investments**" means (i) those investments in which the City is now or hereafter authorized by law, including, but not limited to, Chapter 2256, to purchase, sell and invest its funds and funds under its control and (ii) any other investments not specifically authorized by Chapter 2256 but which may be designated by the terms of a Supplement as Eligible Investments under authority granted by Chapter 1371.

**"Federal Payments"** means those funds received by the City from the federal government or any agency thereof as payments for the use of any facilities or services of the Airport System.

"**Fiscal Year**" means the successive twelve-month period designated by the City as its fiscal year of the City, which currently ends on September 30 of each calendar year.

"**Fitch**" means Fitch, Inc.

"**Fund**" means any fund created, established and maintained under the terms of the Master Ordinance and any Supplement.

"**Funded Debt**" of the Airport System means all Parity Obligations (and, for purposes of Section 17(d) of the Master Ordinance, all Subordinated Debt) created or assumed by the City and payable from Gross Revenues that mature by their terms (in the absence of the exercise of any earlier right of demand), or that are renewable at the option of the City to a date, more than one year after the original creation or assumption of such Debt by the City.

"**Gross Revenues**" means all of the revenues and income of every nature and from whatever source derived by the City (but excluding grants and donations for capital purposes) from the operation and/or ownership of the Airport System, including the investment income from the investment or deposit of money in each Fund (except the Construction Fund, any Rebate Fund, and interest earnings required to be deposited to any Rebate Fund) created, maintained or confirmed by the Master Ordinance; provided, however, that if the net rent (excluding ground rent) from any Special Facilities Lease is pledged to the payment of principal, interest, reserve, or other requirements in connection with revenue bonds issued by the City to provide Special Facilities for the Airport System for the lessee (or in connection with obligations issued to refund said revenue bonds) the amount of such net rent so pledged and actually used to pay such requirements shall not constitute or be considered as Gross Revenues, but all ground rent, and any net rent in excess of the amounts so pledged and used, shall be deposited in the Revenue Fund described in the Master Ordinance. Without limiting the generality of the foregoing, the term *Gross Revenues* shall include all landing fees and charges, ground rentals, space rentals in buildings and all charges made to concessionaires, and all revenues of any nature derived from contracts or use agreements with airlines and other users of the Airport System and its facilities; provided, however, that the term Gross Revenues shall not include any "passenger facility charges" described substantially in the manner provided in the "Aviation Safety and Capacity Expansion Act of 1990" (P.L. 101-508, Title IX) or the "Aviation Investment and Reform Act for the 21st Century" enacted by Congress in the year 2000, or other similar federal laws and the rules and regulations promulgated thereby, or any other "passenger facility charges," "customer facility charges" or similar charges that may be imposed for use by passengers or customers of Airport System facilities pursuant to federal, state or local law.

"**Holder**" or "**Bondholder**" or "**owner**" means the registered owner of any Parity Obligation registered as to ownership and the holder of any Parity Obligation payable to bearer, or as otherwise provided for in a Supplement.

**"Industrial Properties"** means (a) the real and personal properties situated at and around the Airport System which are owned by the City and (i) leased to industrial or commercial tenants engaged in activities which are unrelated to the City's public airport operations, or (ii) held by the City for future industrial and commercial development, and (b) any other real or personal property now owned or hereafter acquired by the City which is unrelated to the City's public airport operations.

"**Master Ordinance**" means Ordinance No. 93789 of the City, adopted on April 19, 2001, which established the General Airport Revenue Bond Financing Program.

"**Maturity**" when used with respect to any Debt means the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

**"Moody's"** means Moody's Investors Service, Inc.

"**Net Revenues**" means the Gross Revenues after deducting Operation and Maintenance Expenses.

"**Operation and Maintenance Expenses**" means the reasonable and necessary current expenses of the City paid or accrued in administering, operating, maintaining, and repairing the Airport System. Without limiting the generality of the foregoing, the term "Operation and Maintenance Expenses" shall include all costs directly related to the Airport System, that is, (1) collecting Gross Revenues and of making any refunds therefrom lawfully due others; (2) engineering, audit reports, legal, and other overhead expenses directly related to its administration, operation, maintenance, and repair; (3) salaries, wages and other compensation of officers and employees, and payments to pension, retirement, health and hospitalization funds and other insurance, including self-insurance for the foregoing (which shall not exceed a level comparable to airports of a similar size and character); (4) costs of routine repairs, replacements, renewals, and alterations not constituting a capital improvement, occurring in the usual course of business; (5) utility services; (6) expenses of general administrative overhead of the City allocable to the Airport System; (7) equipment, materials and supplies used in the ordinary course of business not constituting a capital improvement, including ordinary and current rentals of equipment or other property; (8) fidelity bonds, or a properly allocable share of the premium of any blanket bond, pertaining to the Airport System or Gross Revenues or any other moneys held hereunder or required hereby to be held or deposited hereunder; and (9) costs of carrying out the provisions of the Master Ordinance, including paying agent's fees and expenses; costs of insurance required hereby, or a properly allocable share of any premium of any blanket policy pertaining to the Airport System or Gross Revenues, and costs of recording, mailing, and publication. To provide further clarification, Operation and Maintenance Expenses shall not include the following: (1) any allowances for depreciation; (2) costs of capital improvements; (3) reserves for major capital improvements, Airport System operations, maintenance or repair; (4) any allowances for redemption of, or payment of interest or premium on, Debt; (5) any liabilities incurred in acquiring or improving properties of the Airport; (6) expenses of lessees under Special Facilities Leases and operation and maintenance expenses pertaining to Special Facilities to the extent that they are required to be paid by such lessees pursuant to the terms of the Special Facilities Leases; (7) liabilities based upon the City's negligence or other ground not based on contract; and (8) to the extent Federal Payments may not be included as Gross Revenues, an amount of expenses that would otherwise constitute Operation and Maintenance Expenses for such period equal to the Federal Payments for such period.

"**Outstanding**" when used with respect to Parity Obligations means, as of the date of determination, all Parity Obligations theretofore delivered under the Master Ordinance and any Supplement, except:

(1) Parity Obligations theretofore cancelled and delivered to the City or delivered to the Paying Agent or the Registrar for cancellation;

(2) Parity Obligations deemed paid pursuant to the defeasance provisions as set forth in any Supplement;

(3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to the Master Ordinance and any Supplement; and

(4) Parity Obligations under which the obligations of the City have been released, discharged, or extinguished in accordance with the terms thereof;

provided, that, unless the same is acquired for purposes of cancellation, Parity Obligations owned by the City shall be deemed to be Outstanding as though it was owned by any other owner.

"**Outstanding Principal Amount**" means, with respect to all Parity Obligations or to a series of Parity Obligations, the outstanding and unpaid principal amount of such Parity Obligations paying interest on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Obligations paying accrued, accreted, or compounded interest only at maturity as of any "Record Date" established by a Registrar in a Supplement or in connection with a proposed amendment of the Master Ordinance. For purposes of this definition, payment obligations of the City under the terms of a Credit Agreement that is treated as a Parity Obligation shall be treated as outstanding and unpaid principal.

"**Parity Obligations**" means all Outstanding Pre-2001 Parity Obligations, any Additional Parity Obligations issued pursuant to a Supplement and in accordance with Section 17 of the Master Ordinance, and all other Debt of the City which may be issued, incurred or assumed in accordance with the terms of the Master Ordinance and a Supplement and which is secured by a first lien on and pledge of the Gross Revenues.

"**Paying Agent**" means each entity designated in a Supplement as the place of payment of a series or issue of Parity Obligations.

"**Person**" means any natural person, firm, partnership, association, corporation, or public body.

"**Registrar**" means each entity designated in a Supplement as the registrar of a series or issue of Parity Obligations.

"**Required Reserve Amount**" means an amount of money and investments equal in market value to the Average Annual Debt Service Requirements of all Parity Obligations at any time Outstanding.

"**Reserve Fund Obligations**" means cash, Eligible Investments, any Credit Facility, or any combination of the foregoing.

"**Revenue Fund**" means the "City of San Antonio Airport System Revenue Fund", the existence of which is confirmed in Section 5a, and is further described in Section 6 of, the Master Ordinance.

"**Special Contingency Reserve Fund**" means the "City of San Antonio Parity Obligations Special Contingency Reserve Fund", the existence of which is confirmed in Section 5(d), and is further described in Section 11, of the Master Ordinance.

**"Special Facilities"** and **"Special Facilities Properties"** mean structures, hangars, aircraft overhaul, maintenance or repair shops, heliports, hotels, storage facilities, garages, inflight kitchens, training facilities and any and all other facilities and appurtenances being a part of or related to the Airport System the cost of the construction or other acquisitions of which is financed with the proceeds of Special Facilities Debt. Upon the retirement of Special Facilities Debt, the City may declare such facilities financed with such Special Facilities Debt to be within the meaning of "Airport System," as hereinabove defined.

**"Special Facilities Debt"** means those bonds, notes or other obligations from time to time hereafter issued or incurred by or on behalf of the City pursuant to Section 17(d) of the Master Ordinance.

**"Special Facilities Lease"** means any lease or agreement, howsoever denominated, pursuant to which a Special Facility is leased by or on behalf of the City to the lessee in consideration for which the lessee agrees to pay (i) all debt service on the Special Facilities Debt issued to finance the Special Facility (which payments are pledged to secure the Special Facilities Debt) and (ii) the operation and maintenance expenses of the Special Facility.

**"Standard & Poor's** means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies.

"**Stated Maturity**" means, when used with respect to any Debt or any installment of interest thereon, any date specified in the instrument evidencing or authorizing such Debt or such installment of interest as a fixed date on which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

"**Subordinated Debt**" means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Obligations then Outstanding or subsequently issued.

"**Subordinated Debt Fund**" means the "City of San Antonio General Airport Revenue Subordinated Debt Fund" established pursuant to Section 10 of the Master Ordinance.

"**Supplement**" or "**Supplemental Ordinance**" mean an ordinance supplemental to, and authorized and executed pursuant to the terms of, the Master Ordinance.

**"Tax-Exempt Debt"** means Debt interest on which is excludable from the gross income of the Holder for federal income tax purposes under section 103 of the Code.

"**Term of Issue**" means with respect to any Balloon Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or (ii) twenty-five years.

**"Variable Rate Obligations"** means Parity Obligations that bear interest at a rate per annum which is subject to adjustment so that the actual rate of interest is not ascertainable at the time such Parity Obligations are issued; provided, however, that upon the conversion of the rate of interest on a Variable Rate Obligation to a fixed rate of interest (whether or not the interest rate thereon is subject to conversion back to a variable rate of interest), such Parity Obligation shall not be treated as a "Variable Rate Obligation" for so long as such Parity Obligation bears interest at a fixed rate.

**THE FOLLOWING SECTIONS 2 THROUGH 10 AND 12 THROUGH 20 APPEAR IN THE MASTER ORDINANCE:**

**SECTION 2. SECURITY AND PLEDGE.** (a) ***First Lien on Gross Revenues***. The Parity Obligations are and shall be secured by and payable from a first lien on and pledge of the Gross Revenues, in accordance with the terms of this Master Ordinance, any Supplement and, with respect to the Pre-2001 Parity Obligations only, the ordinances of the City which authorized the issuance of such Pre-2001 Parity Obligations; and the Gross Revenues are further pledged to the establishment and maintenance of the Bond Fund, Bond Reserve Fund and the other Funds and Accounts (excluding any Rebate Fund) provided in accordance with the terms of this Master Ordinance and any Supplement. The Parity Obligations are and will be secured by and payable only from the Gross Revenues, and are and will not be secured by or payable from a mortgage or deed of trust on any properties, whether real, personal, or mixed, constituting any portion of the Airport System. The owners of the Parity Obligations shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in this Master Ordinance or any Supplement.

(b) ***Ability to Pledge Other Revenues***. In addition to securing all Parity Obligations with a first lien on and pledge of the Gross Revenues, the City reserves the right to further secure the payment of any Parity Obligations, or to secure the payment of any Debt (including Subordinated Debt) or other short term or long term indebtedness incurred by the City relating to the Airport System with a lien on and pledge of any other lawfully available revenues of the Airport System, including, but not limited to, all or a portion of "passenger facility charges" authorized to be levied and collected by the City in accordance with the provisions of the *"Aviation Safety and Capacity Expansion Act of 1990"* (P.L. 101-508, Title IX) or the *"Aviation Investment and Reform Act for the 21st Century"* enacted by Congress in the year 2000, or other similar federal laws and the rules and regulations promulgated thereby, or any other similar charges that may be imposed pursuant to federal law, all pursuant to the Supplement which authorizes the issuance of such Parity Obligations or Subordinated Debt.

**SECTION 3. RATE COVENANT; RECOMMENDATION OF AIRPORT CONSULTANT.** (a) ***Rate Covenant***. The City covenants and agrees with the holders of all Parity Obligations, as follows:

(1) It will at all times fix, maintain, enforce, charge, and collect rates, fees, charges, and amounts for the use, occupancy, services, facilities, and operation of the Airport System which will produce in each Fiscal Year Gross Revenues at least sufficient: (A) to pay all Operation and Maintenance Expenses during each Fiscal Year, and also (B) to provide an amount equal to 1.25 times the Annual Debt Service Requirements during each Fiscal Year on all then Outstanding Parity Obligations.

(2) If the Airport System should become legally liable for any other obligations or indebtedness, the City shall fix, maintain, enforce, charge, and collect additional rates, fees, charges, and amounts for the use, occupancy, services, facilities and operation of the Airport System sufficient to establish and maintain funds for the payment thereof.

(b) ***Recommendation of Airport Consultant***. If the Gross Revenues in any Fiscal Year are less than the amounts specified above, the City, promptly upon receipt of the annual audit for such Fiscal Year, shall request an

Airport Consultant to make its recommendations, if any, as to a revision of the City's rentals, rates, fees and other charges, its Operation and Maintenance Expenses, or the method of operation of the Airport System in order to satisfy as quickly as practicable the foregoing rate covenant. Copies of such request and the recommendation of the Airport Consultant, if any, shall be filed with the City Clerk. So long as the City substantially complies in a timely fashion with the recommendation of the Airport Consultant, the City will not be deemed to have defaulted in the performance of its duties under this Master Ordinance even if the resulting Gross Revenues are not sufficient to be in compliance with the rate covenant set forth above, so long as the Annual Debt Service Requirements on the Parity Obligations are paid when due.

**SECTION 4. GENERAL COVENANTS.** While any Parity Obligation is Outstanding, the City further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) ***Performance***. The City will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Master Ordinance and any Supplement; it will promptly pay or cause to be paid the principal amount of and interest on every Parity Obligation, on the dates and in the places and manner prescribed in a Supplement and such Parity Obligations; and it will, at the time and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Funds and Accounts as provided in accordance with this Master Ordinance and any Supplement.

(b) ***City's Legal Authority***. The City is a duly created and existing home rule municipality and is duly authorized under the laws of the State of Texas to issue and incur Parity Obligations; that all action on its part to issue or incur Parity Obligations shall have been duly and effectively taken, and that the Parity Obligations in the hands of the owners thereof are and will be valid and enforceable special obligations of the City in accordance with their terms.

(c) ***Title.*** It has or will obtain lawful title, whether such title is in fee or lesser interest, to the lands, buildings, structures and facilities constituting the Airport System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof, against the claims and demands of all Persons whomsoever, that it is lawfully qualified to pledge the Gross Revenues to the payment of the Parity Obligations in the manner prescribed herein, and has lawfully exercised such rights.

(d) ***Liens.*** It will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the Airport System; it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens granted in accordance with the terms of this Master Ordinance, so that the priority of the liens granted in accordance with the terms of this Master Ordinance shall be fully preserved in the manner provided herein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens granted in accordance with the terms of this Master Ordinance, or do or suffer any matter or thing whereby the liens granted in accordance with the terms of this Master Ordinance might or could be impaired; provided, however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the City.

(e) ***Operation of Airport System***. The City will continuously and efficiently operate the Airport System and shall maintain the Airport System in good condition, repair, and working order, all at reasonable cost. The City will not supply space, services, or privileges at the Airport System without making commensurate charges therefor, except to the extent actually required by law in connection with Federal and State authorities.

(f) ***Further Encumbrance***. The City will not additionally encumber the Gross Revenues or the Net Revenues in any manner, except as permitted in this Master Ordinance and any Supplement in connection with Parity Obligations, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Master Ordinance and any Supplement; but the right of the City to issue or incur Subordinated Debt payable in whole or in part from a subordinate lien on the Net Revenues is specifically recognized and retained.

*(g)* ***Sale, Lease, or Encumbrance of Airport System***. Except for the use of the Airport System or services pertaining thereto in the normal course of business, neither all nor a substantial part of the Airport System shall be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of until all Parity Obligations have been paid in full, or unless provision has been made therefor, and the City shall not dispose of its title to the Airport System or to any useful part thereof, including, without limitation, any property necessary to the operation and use of the Airport System, other than (i) in connection with the execution of leases, licenses, easements, or other agreements in connection with the operation of the Airport System by the City, or in connection with any Special Facilities thereat, (ii) in

connection with any pledges of and liens on revenues derived from the operation and use of the Airport System or any part thereof, or any Special Facilities pertaining thereto, for the payment of Parity Obligations, Subordinated Debt, Special Facilities Debt, and any other obligations pertaining to the Airport System and (iii) except as otherwise provided in the next three paragraphs.

(A) The City may sell, exchange, lease, or otherwise dispose of, or exclude from the Airport System any property constituting a part of the Airport System which the Aviation Director certifies (i) to be no longer useful in the construction or operation of the Airport System, or (ii) to be no longer necessary for the efficient operation of the Airport System, or (iii) to have been replaced by other property of at least equal value. The net proceeds of the sale or disposition of any Airport System property (or the fair market value of any property so excluded) pursuant to this paragraph shall be used for the purpose of replacing properties at the Airport System, shall be paid into the Revenue Fund, or shall be applied to retire or pay Annual Debt Service Requirements of Parity Obligations.

(B) The preceding provisions to the contrary notwithstanding, the City will not enter into any lease of, or sell or otherwise dispose of, any part of the Airport System or enter into a management or other similar operating agreement for the operation of any part of the Airport System if, as a result of such lease, sale or other disposition, the interest income on any of the Parity Obligations would become includable in gross income of the recipients thereof for federal income tax purposes. Without limiting the generality of the foregoing, the City (i) will not take any action that would cause any part of the Airport System financed with the proceeds of Tax-Exempt Debt to cease to be "owned by" the City (as the term "owned by" is used in section 142(b)(1)(A) of the Code), (ii) will require, as a condition to the leasing of any part of the Airport System, or the entering into of any management or other similar operating agreement for the operation of any part of the Airport System, that the lessee or the other party to such management or other similar operating agreement, as the case may be, make an irrevocable election, in accordance with the provisions of section 142(b)(1)(B) of the Code and the regulations issued thereunder, not to claim depreciation or an investment credit with respect to the property leased to it by the City, or in the case of a management or other similar operating agreement, the property managed or operated by it, (iii) will not enter into any lease, management or other similar operating agreement with respect to any portion of the Airport System if such lease, management or other operating agreement has a term of eighty percent (80%) or more of the reasonably expected economic life of the property subject to such lease, management or other similar operating agreement within the meaning of section 142(b)(1)(B)(ii) of the Code, and (iv) will not enter into any lease, management or other similar operating agreement if the lessee or other party to a management or other similar operating agreement has an option to purchase any portion of the Airport System for a price other than the fair market value of such property at the time such option is exercised. The foregoing notwithstanding, the City shall not be obliged to comply with the aforesaid requirements of the Code during the term of Tax-Exempt Debt if the failure to comply with such requirements would not adversely affect the tax-exempt status of such Debt.

(C) Nothing herein prevents any transfer of all or a substantial part of the Airport System to another body corporate and politic (including, but not necessarily limited to, a joint action agency or an airport authority) which assumes the City's obligations under this Master Ordinance and in any Supplement, in whole or in part, if (i) in the written opinion of an Airport Consultant, the ability to meet the rate covenant under this Master Ordinance and in any Supplement are not materially and adversely affected and (ii) in the written opinion of Bond Counsel, such transfer and assumption will not cause the interest on any Outstanding Parity Obligations that are Tax-Exempt Debt to be includable in gross income of the owners thereof for federal income tax purposes. In such event, following such transfer and assumption, all references to the City, any City officials, City ordinances, City budgetary procedures and any other officials, actions, powers or characteristics of the City shall be deemed references to the transferee entity and comparable officials, actions, powers or characteristics of such entity. In the event of any such transfer and assumption, nothing therein shall prevent the retention by the City of any facility of the Airport System if, in the written opinion of an Underwriter, such retention will not materially and adversely affect nor unreasonably restrict the transferee entity's ability to comply with the requirements of the rate covenant and the other covenants of this Master Ordinance and any Supplement.

(h) ***Special Facilities.*** The City may finance Special Facilities from the proceeds of Special Facilities Debt issued by or on behalf of the City without regard to any requirements of this Master Ordinance with respect to the issuance of Parity Obligations, subject, however, to the following conditions:

(i) Such Special Facilities Debt shall be payable solely from rentals derived by or on behalf of the City under a Special Facilities Lease entered into between the City (or an entity acting on behalf of the City) and the person, firm or corporation which will be utilizing the Special Facilities to be financed; and

(ii) In addition to all rentals with respect to the Special Facilities to be financed, a fair and reasonable rental for the land upon which said Special Facilities are to be constructed shall be charged by the City, and said ground rent shall be deemed Gross Revenues not available for the payment of such Special Facilities Debt.

(i) ***Accounts and Fiscal Year***. It shall keep proper books, records and accounts relating to the Airport System separate and apart from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Airport System, and the City shall cause said books and accounts to be audited annually as of the close of each Fiscal Year by an Accountant (which may be part of the City's comprehensive annual financial report). The City agrees to operate the Airport System and keep its books of records and account pertaining thereto on the basis of its current Fiscal Year.

(j) ***Audits***. After the close of each Fiscal Year while any Parity Obligation is Outstanding, an audit will be made by an Accountant of the books and accounts relating to the Airport System and the Gross Revenues (which may be included in the City's comprehensive annual financial report). As soon as practicable after the close of each such Fiscal Year, and when said audit has been completed and made available to the City, a copy of such audit for the preceding Fiscal Year shall be mailed to the Municipal Advisory Council of Texas, any Bond Insurer or Credit Provider, and to any owner of any then Outstanding Parity Obligations who shall so request in writing promptly after it is readily available to the general public, and also to each information depository then required pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission, or similar rule, within the time period required by such Rule 15c2-12. Such annual audit reports shall be open to the inspection of the owners of the Parity Obligations and their agents and representatives at all reasonable times during regular business hours of the City.

(k) ***Annual Budget; Tax Levy for Operation and Maintenance; Elimination of Tax Levy.*** The City shall prepare, prior to the beginning of each Fiscal Year, an Annual Budget for the Airport System (which may be included in the City's general annual budget), in accordance with law, reflecting an estimate of cash receipts and disbursements for the ensuing Fiscal Year in sufficient detail to indicate the probable Gross Revenues and Operation and Maintenance Expenses for such Fiscal Year. Such budget is required to contain, among other items, the following: estimated Gross Revenues, Operation and Maintenance Expenses and Net Revenues for such Fiscal Year, the estimated amounts to be deposited during such Fiscal Year in each of the Funds and Accounts established in this Master Ordinance and any Supplement, and the estimated expenditures during such Fiscal Year for the replacement of Capital Improvements. A copy of the Annual Budget shall be filed with any Bond Insurer or Credit Provider promptly after it is readily available to the general public.

(l) ***Insurance***. The City shall cause to be insured such parts of the Airport System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance and public liability and property damage insurance; provided, however, that public liability and property damage insurance need not be carried if the City Attorney gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. All insurance premiums shall be paid as an expense of operation of the Airport System. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Bondholders and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the City for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the Airport System shall be deposited in a special and separate trust fund, at the Depository, to be designated the "Insurance Account". The Insurance Account shall be held until such time as other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required.

(m) ***Governmental Agencies.*** The City will duly observe and comply with all valid requirements of all Federal and State authorities relative to the ownership, operation, and maintenance of the Airport System. Additionally, the City will comply with all of the terms and conditions of any and all grants and assurances, franchises, permits and authorizations applicable to or necessary with respect to the Airport System, and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorization and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the Airport System.

(n) ***Rights of Inspection***. The owner of Parity Obligations shall have the right at all reasonable times during regular business hours of the City to inspect all records, accounts and data of the City relating to the Airport System.

(o) ***Legal Holidays.*** In any case where the date of maturity of interest on or principal of the Parity Obligations or the date fixed for redemption of any Parity Obligations or any other payment obligation under a Parity Obligation not be a Business Day, then payment of interest or principal need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption and no interest shall accrue for the period from the date of maturity or redemption to the date of actual payment.

(p) ***Bondholders' Remedies.*** This Master Ordinance and any Supplement shall constitute a contract between the City and the owners of the Parity Obligations from time to time Outstanding and this Master Ordinance and the Supplement authorizing the issuance of Parity Obligations shall be and remain irrepealable until the Parity Obligations and any interest thereon shall be fully paid or discharged or provision therefor shall have been made as provided in a Supplement. In the event of a default in the payment of the principal of or interest on any Parity Obligation or a default in the performance of any duty or covenant provided by law or in this Master Ordinance, the owner or owners of any Parity Obligation may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any owner of any Parity Obligation may at law or in equity, by suit, action, mandamus, or other proceedings filed in any court of competent jurisdiction, enforce and compel performance of all duties required to be performed by the City under this Master Ordinance and any Supplement, including the making of reasonably required rates and charges for the use and services of the Airport System, the deposit of the Gross Revenues into the Funds and Accounts provided in this Master Ordinance and any Supplement, and the application of such Gross Revenues in the manner required in this Master Ordinance and any Supplement.

**SECTION 5. CREATION OF FUNDS AND ACCOUNTS.** The following special Funds and Accounts have been created and established in connection with the issuance of the Pre-2001 Parity Obligations and shall continue to be maintained on the books of the City, so long as any of the Parity Obligations, or interest thereon, are Outstanding and unpaid:

(a) *City of San Antonio Airport System Revenue Fund*, herein called the "Revenue Fund"; and there has been created and there shall continue to be maintained within the Revenue Fund an account entitled the San Antonio Airport System Operation and Maintenance Account, herein called the "Operation and Maintenance Account";

(b) *City of San Antonio Airport System Parity Obligations Bond Fund, herein called the "Bond Fund";*

(c) *City of San Antonio Airport System Parity Obligations Reserve Fund*, herein called the "Bond Reserve Fund";

(d) *City of San Antonio Airport System Parity Obligations Special Contingency Reserve Fund*, herein called the "Special Contingency Reserve Fund"; and

(e) *City of San Antonio Airport System Capital Improvement Fund*, herein called the "Capital Improvement Fund".

**SECTION 6. REVENUE FUND.** All Gross Revenues shall be kept and accounted for separate and apart from all other funds of the City and shall be credited from day to day as received to the credit of the Revenue Fund. Gross Revenues in the Revenue Fund shall be deposited to the credit of the other Funds and Accounts created or maintained by this Master Ordinance, in the manner and amounts hereinafter provided, and each of such Funds and Accounts shall have priority as to such deposits in the order in which they are treated in the following Sections 7 through 12.

**SECTION 7. BOND FUND.** (a) ***Purpose of and Payments into the Bond Fund***. The Bond Fund shall be used solely to pay the principal of, premium, if any, and interest on, and other payments (other than Operation and Maintenance Expenses) incurred in connection with Parity Obligations, as such principal matures and such interest and other payments comes due. There shall be credited to the Bond Fund the following:

(1) immediately after the sale and delivery of any series of Parity Obligations, any accrued interest on such Parity Obligations; and

(2) on or before the 25th day of each month, commencing with the month following the delivery of each series of Parity Obligations, such amounts, in approximately equal monthly installments, as will be sufficient, together with any other funds on deposit therein and available for such purpose, to pay the principal of, premium, if any and interest on, and other payments scheduled to come due on all Outstanding Parity Obligations on the next applicable payment date.

(b) ***Accounts***. The City reserves the right in any Supplement to (i) establish within the Bond Fund various Accounts to facilitate the timely payment of Parity Obligations as the same become due and owing and (ii) provide other terms and conditions with respect to payment obligations with respect to a Parity Obligation not inconsistent with the provisions of this Master Ordinance.

**SECTION 8. BOND RESERVE FUND.** (a) ***Payments into the Bond Reserve Fund***. There is currently on deposit in the Bond Reserve Fund an amount at least equal to the Average Annual Debt Service Requirements of the Pre-2001 Parity Obligations. After the delivery of any future Additional Parity Obligations, the City shall cause the Bond Reserve Fund to be increased, if and to the extent necessary, so that such fund will contain an amount of money and investments equal in market value to the Average Annual Debt Service Requirements of all Parity Obligations which will be Outstanding after such delivery. An amount of money and investments equal in market value to the Average Annual Debt Service Requirements of all Parity Obligations at any time Outstanding is hereby designated as the "Required Reserve Amount". Any increase in the Required Reserve Amount may be funded from Gross Revenues, or from proceeds from the sale of any Additional Parity Obligations, or any other available source or combination of sources. All or any part of the Required Reserve Amount not funded initially and immediately after the delivery of any installment or issue of Additional Parity Obligations shall be funded, within not more than five years from the date of such delivery, by deposits of Gross Revenues in approximately equal monthly installments on or before the 25th day of each month. Principal amounts of Parity Obligations which must be redeemed pursuant to any applicable mandatory redemption requirements shall be deemed to be maturing amounts of principal for the purpose of calculating principal and interest requirements on such bonds. When and so long as the amount in the Bond Reserve Fund is not less than the Required Reserve Amount no deposits shall be made to the credit of the Bond Reserve Fund; but when and if the Bond Reserve Fund at any time contains less than the Required Reserve Amount, then the City shall transfer from Gross Revenues in the Revenue Fund, and deposit to the credit of the Bond Reserve Fund, monthly, on or before the 25th day of each month, a sum equal to 1/60th of the Required Reserve Amount, until the Bond Reserve Fund is restored to the Required Reserve Amount. The City specifically covenants that when and so long as the Bond Reserve Fund contains the Required Reserve Amount, the City shall cause all interest and income derived from the deposit or investment of the Bond Reserve Fund to be deposited to the credit of the Bond Fund.

(b) ***Purpose***. The Bond Reserve Fund shall be used to pay the principal of or interest on all Parity Obligations at any time when the Bond Fund is insufficient for such purpose, and may be used finally to retire the last debt service requirements on the Parity Obligations.

(c) ***Authority to Use Credit Facility***. The City may satisfy its covenant to maintain the Bond Reserve Fund in an amount equal to the Required Reserve Amount with a Credit Facility that will provide funds, together with other Reserve Fund Obligations, if any, credited to the Bond Reserve Fund, at least equal to the Required Reserve Amount. The City may replace or substitute a Credit Facility for all or a portion of the cash or Eligible Investments on deposit in the Bond Reserve Fund or in substitution for or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or Eligible Investments on deposit in the Bond Reserve Fund which, taken together with the face amount of any existing Credit Facilities, are in excess of the Required Reserve Amount may be withdrawn by the City, at the option of the Designated Financial Officer, and transferred to the Bond Fund (or to the Revenue Fund if the City receives an opinion of Bond Counsel that transferring such funds to the Revenue Fund would not adversely effect the tax exempt status of any Outstanding Parity Obligations originally issued as Tax-Exempt Debt; provided that withdrawn cash constituting bond proceeds shall be used only for Airport System Improvements); provided, however, that at the option of the Designated Financial Officer, acting on behalf of the City, the face amount of any Credit Facility for the Bond Reserve Fund may be reduced in lieu of such transfer.

(d) ***Withdrawals from Bond Reserve Fund.*** If the City is required to make a withdrawal from the Bond Reserve Fund for any of the purposes described in this Section, the Designated Financial Officer, acting on behalf of the City, shall promptly notify the issuer of such Credit Facility of the necessity for a withdrawal from the Bond Reserve Fund for any such purposes, and shall make such withdrawal FIRST from available moneys or Eligible Investments then on deposit in the Bond Reserve Fund, and NEXT from a drawing under any Credit Facility to the extent of such deficiency. Should there be more than one provider of Credit Facilities that are on deposit in or credited to the Bond Reserve Fund, the order of priority with respect to the drawings on such Credit Facilities shall be determined by the City and the providers of the Credit Facilities prior to any such drawings being made thereunder.

(e) ***Deficiencies.*** In the event of a deficiency in the Bond Reserve Fund, such that the Bond Reserve Fund contains less than the Required Reserve Amount, then the City shall restore the Required Reserve Amount in the manner described in Section 8(a) above. In the event the Required Reserve Amount is funded through the use of a Credit Facility, and the Credit Facility specifies a termination or expiration date that is prior to the final maturity of the Parity Obligations so secured thereby, the City shall provide that such Credit Facility shall be renewed at least twelve (12) months prior to the specified termination or expiration date or in the alternative provide that any deficiency that will result upon the termination or expiration of such Credit Facility will be accounted for either by (i) obtaining a substitute Credit Facility no sooner than twenty-four (24) months or no later than twelve (12) months prior to the specified termination or expiration date of the then existing Credit Facility or (ii) by depositing cash into the Bond Reserve Fund in no more than twenty-four (24) monthly installments of not less than one-twenty fourth (1/24th) of the amount of such deficiency on or before the 25th day of each month, commencing on the 25th day of the month which is twelve (12) months prior to such termination or expiration date, to restore the Bond Reserve Fund to the Required Reserve Amount.

(f) ***Redemption or Defeasance.*** In the event of the redemption or defeasance of any Parity Obligation, any Reserve Fund Obligations on deposit in the Bond Reserve Fund in excess of the Required Reserve Amount may be withdrawn and transferred, at the option of the City, to the Bond Fund, as a result of (i) the redemption of the Parity Obligations, or (ii) funds for the payment of the Parity Obligations having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in a Supplement, the result of such deposit being that such Parity Obligations no longer are deemed to be Outstanding under the terms of this Master Ordinance and such Supplement.

(g) ***Credit Facility Draws.*** In the event there is a draw upon the Credit Facility, the City shall reimburse the issuer of such Credit Facility for such draw, in accordance with the terms of any agreement pursuant to which the Credit Facility is issued, from Gross Revenues; however, such reimbursement from Gross Revenues shall be subject to the provisions of Section 7(d) hereof and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on Parity Obligations.

**SECTION 9. OPERATION AND MAINTENANCE ACCOUNT IN THE REVENUE FUND; PAYMENT OF OPERATION AND MAINTENANCE EXPENSES AND TRANSFERS TO SUBORDINATED DEBT FUND.** All amounts in the Revenue Fund in excess of those required to be made to the credit of the Bond Fund and the Bond Reserve Fund shall be deemed to constitute, and shall be designated as, the Operation and Maintenance Account in the Revenue Fund. The amounts in the Operation and the Maintenance Account shall be, first, used to pay all Operation and Maintenance Expenses, and second, transferred to the Subordinated Debt Fund (authorized to be established in a Supplement pursuant to Section 10 of this Master Ordinance) at the times and in the amounts required by a Supplement to provide for the payment of principal, premium, if any, and interest on, and other payments (excluding any Operation and Maintenance Expenses but including payments to a related debt service reserve fund) incurred in connection with, any Subordinated Debt. Such payments and transfers described in the preceding sentence shall have priority over all deposits to the credit of the Special Contingency Reserve Fund and the Capital Improvement Fund as hereinafter provided. It is further specifically provided that no deposit shall ever be made to the credit of the Special Contingency Reserve Fund or the Capital Improvement Fund if any such deposit would reduce the amount on hand in the Operation and Maintenance Account to less than the budgeted or estimated Operation and Maintenance Expenses for the ensuing three calendar months.

**SECTION 10. SUBORDINATED DEBT FUND.** (a) ***Subordinated Debt Fund Authorized to be Established.*** For the sole purpose of paying the principal amount of, premium, if any, and interest on, and other payments (excluding any Operation and Maintenance Expenses but including payments to a related debt service reserve fund) incurred in connection with Subordinated Debt, the City may create in a Supplement which authorizes the issuance of Subordinated Debt a separate fund designated as the Subordinated Debt Fund. Such Subordinated Debt Fund shall be established and maintained on the books of the City and accounted for separate and apart from all other funds of the City. Moneys in the Subordinated Debt Fund shall be deposited and maintained in an official depository bank of the City.

(b) ***Additional Accounts.*** The City may create, establish and maintain on the books of the City additional Accounts within the Subordinated Debt Fund from which moneys can be withdrawn to pay the principal of and interest on Subordinated Debt which hereafter may be issued or incurred.

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**SECTION 12. CAPITAL IMPROVEMENT FUND.** Subject to satisfying the requirements of Sections 7, 8, 9, 10 and 11 of this Master Ordinance, the City shall transfer the balance remaining in the Operation and Maintenance Account in the Revenue Fund at the end of each Fiscal Year and deposit same to the credit of the Capital Improvement Fund. The Capital Improvement Fund shall be used for the purposes, and with priority of claim thereon, as follows: first, for the payment of principal, interest, and reserve requirements on Parity Obligations if funds on deposit in the Bond Fund and the Bond Reserve Fund are insufficient to make such payments; second, for the payment of principal, interest, and reserve requirements on Subordinated Debt if funds on deposit in the Subordinated Debt Fund and any related debt service reserve fund are insufficient to make such payments; third, for the purpose of paying the costs of improvements, enlargements, extensions, additions, replacements, repairs or other capital expenditures related to the Airport System; and fourth, for any other lawful purpose related to the Airport System.

**SECTION 13. CONSTRUCTION FUND AND REBATE FUND.** The City, in a Supplement, hereafter may create, establish and maintain on the books of the City a separate Fund or Account for use by the City for payment of all lawful costs associated with the construction, improvement and equipping of the Airport System, and for making payments to the United States of America pursuant to section 148 of the Code.

**SECTION 14. DEFICIENCIES IN FUNDS.** If in any month the City shall fail to deposit into the Bond Fund or Bond Reserve Fund the amounts required, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available and unallocated Gross Revenues for the following month or months, and such payments shall be in addition to the amounts otherwise required to be paid into said Funds during such month or months. To the extent necessary, the City shall increase the rates, fees, charges, and amounts for the use, occupancy, services, facilities and operation of the Airport System to make up for any such deficiencies.

**SECTION 15. SECURITY FOR FUNDS.** All Funds and Accounts created or maintained by this Master Ordinance shall be secured in the manner and to the fullest extent permitted or required by law for the security of public funds, and such Funds and Accounts shall be used only for the purposes and in the manner permitted or required by this Master Ordinance.

**SECTION 16. PAYMENT OF PARITY OBLIGATIONS.** On or before each principal and interest payment date while any of the Parity Obligations are Outstanding and unpaid, the City shall make available to the paying agents therefor, out of the Bond Fund, or if necessary, out of the Bond Reserve Fund, money sufficient to pay, on each of such dates, the principal of and interest on the Parity Obligations as the same matures and comes due, or to redeem the Parity Obligations prior to maturity, either upon mandatory redemption or at the option of the City. The Paying Agents shall destroy all paid Parity Obligations, and the coupons appertaining thereto, if any, and furnish the City with an appropriate certificate of cancellation or destruction if requested by the City.

**SECTION 17. ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS.** (a) ***Additional Parity Obligations***. The City reserves the right to issue or incur, for any lawful purpose, pursuant to this Master Ordinance and a Supplement, Additional Parity Obligations; provided, however, that no such Parity Obligations shall be delivered unless:

(i) *No Default*. The Designated Financial Officer and the Aviation Director certify that, upon incurring, issuing or otherwise becoming liable in respect to such Parity Obligations, the City will not be in default under any term or provision of this Master Ordinance, any Parity Obligations then Outstanding or any Supplement pursuant to which any of such Parity Obligations were issued or incurred.

(ii) *Proper Fund Balances*. The Designated Financial Officer certifies that, upon the issuance of such Parity Obligations, the Bond Fund will have the required amounts on deposit therein and that the Bond Reserve Fund will contain the applicable Required Reserve Amount or so much thereof as is required to be funded at such time. Upon the issuance of such Parity Obligations, any additional amounts necessary to cause the Bond Reserve Fund to be funded in the Required Reserve Amount may be funded over a 60-month period in the manner provided for in Section 8(a) of this Master Ordinance, with a Credit Facility in the manner provided in Section 8(c) of this Master Ordinance, or a combination thereof.

(iii) *Projected Coverage*. An Airport Consultant provides a written report setting forth projections which indicate that the estimated Net Revenues of the Airport System for each of three consecutive Fiscal Years beginning in the later of:

(A) the first complete Fiscal Year following the estimated date of completion and initial use of all revenue producing facilities to be financed with Parity Obligations, based upon a certified written estimated completion date by the consulting engineer for such facility or facilities, or

(B) the first complete Fiscal Year in which the City will have scheduled payments of interest on or principal of the Parity Obligations to be issued for the payment of which provision has not been made as indicated in the report of such Airport Consultant from proceeds of such Parity Obligations, investment income thereon or from other appropriated sources (other than Net Revenues),

are equal to at least 1.25 times of the Annual Debt Service Requirements on all Parity Obligations scheduled to occur during each such respective Fiscal Year after taking into consideration the additional Annual Debt Service Requirements for the Additional Parity Obligations then being issued or incurred.

(iv) *Alternative Coverage for Parity Obligations*. In lieu of the certification in clause (iii) above, the Designated Financial Officer may provide a certificate showing that, for either the City's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, the Net Revenues of the Airport System were equal to at least 1.25 times of the maximum Annual Debt Service Requirements on all Parity Obligations scheduled to occur in the then current or any future Fiscal Year after taking into consideration the Parity Obligations proposed to be issued or incurred.

(b) ***Refunding Obligations***. If Parity Obligations are being issued for the purpose of refunding less than all Outstanding Parity Obligations, neither of the certifications described in subsections (a)(iii) or (a)(iv) of this Section are required so long as the Designated Financial Officer provides a certificate showing that the aggregate debt service requirements of such refunding Parity Obligations will not exceed the aggregate debt service requirements of the Parity Obligations being refunded.

(c) ***Completion Obligations***. The City reserves the right to issue or incur Parity Obligations to pay the cost of completing any Capital Improvements for which Parity Obligations have previously been issued.

Prior to the delivery of Completion Obligations, the City must provide, in addition to all of the applicable certificates required by subsection (a) of this Section (other than the certificates not required under the circumstances described below), the following documents:

(i) a certificate of the consulting engineer engaged by the City to design the Capital Improvement for which the Completion Obligations are to be delivered stating that such Capital Improvement has not materially changed in scope since the most recent series of Parity Obligations was issued or incurred for such purpose (except as permitted in the Supplement authorizing such Parity Obligations) and setting forth the aggregate cost of the Capital Improvement which, in the opinion of such consulting engineer, has been or will be incurred; and

(ii) a certificate of the Aviation Director (A) stating that all amounts allocated to pay costs of the Capital Improvement from the proceeds of the most recent series of Parity Obligations issued or incurred in connection with the Capital Improvement for which the Completion Obligations are being issued or incurred were used or are still available to be used to pay costs of such Capital Improvement; (B) containing a calculation of the amount by which the aggregate cost of that Capital Improvement (furnished in the consulting engineer's certificate described above) exceeds the sum of the costs of the Capital Improvement paid to such date plus the moneys available at such date within any construction fund or other like account applicable to the Capital Improvement plus any other moneys which the Aviation Director, in the discretion thereof, has determined are available to pay such costs in any other fund; and (C) certifying that, in the opinion of the Aviation Director, it is necessary to issue or incur the Completion Obligations to provide funds for the completion of the Capital Improvement.

Completion Obligations may be issued or incurred for any Airport System facility or project which shall be declared in the Supplement to be a Capital Improvement. Any such Supplement may contain such further provisions as the City shall deem appropriate with regard to the use, completion, modification or abandonment of such Capital Improvement. Anything herein to the contrary, the provisions of subsections (a)(iii) and (a)(iv) of this Section do not apply to Completion Obligations if the aggregate principal amount of the Completion Obligations then to be issued does not exceed 15% of the aggregate principal amount of the Parity Obligations initially issued to pay the cost of such Capital Improvement.

(d) ***Subordinated Debt and Special Facilities Debt***. Subordinated Debt and Special Facilities Debt may be issued or incurred by the City without limitation. Subordinated Debt shall be payable from moneys deposited to the credit of the Subordinated Debt Fund. Special Facilities Debt is permitted to be issued, as described in Section 4(g) hereof, and shall not be secured by a lien on and pledge of Gross Revenues or Net Revenues.

(e) ***Credit Agreements***. Payments to be made under a Credit Agreement may be treated as Parity Obligations if the governing body of the City makes a finding in the Supplement authorizing the treatment of the obligations of the City incurred under a Credit Agreement as a Parity Obligation that, based upon the findings contained in a certificate executed and delivered by a Designated Financial Officer, the City will have sufficient funds to meet the financial obligations of the Airport System, including sufficient Net Revenues to satisfy the Annual Debt Service Requirements of the Airport System and the financial obligations of the City relating to the Airport System after giving effect to the treatment of the Credit Agreement as a Parity Obligation.

(f) ***Determination of Net Revenues***. In making a determination of Net Revenues for any of the purposes described in this Section, the Airport Consultant or the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the Airport System that became effective at least 30 days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the Net Revenues tests described above, make a pro forma determination of the Net Revenues of the Airport System for the period of time covered by the certification or opinion based on such change in rates and charges being in effect for the entire period covered by the certificate or opinion.

**SECTION 18. DEFEASANCE.** The provisions relating to the terms and conditions upon which a defeasance of Parity Obligations shall be effected shall be contained in the Supplement authorizing such Parity Obligations.

**SECTION 19. AMENDMENT OF MASTER ORDINANCE.** The City hereby reserves the right to amend this Master Ordinance subject to the following terms and conditions, to-wit:

(a) ***Amendments Without Consent of Holders or Credit Providers***. The City may from time to time, with notice to each Credit Provider but without the consent of any Holder, except as otherwise required by paragraph (b) below, amend this Master Ordinance in order to:

(1) cure any ambiguity, defect or omission in this Master Ordinance that does not materially adversely affect the interests of the Holders;

(2) grant additional rights or security for the benefit of the Holders;

(3) add events of default as shall not be inconsistent with the provisions of this Master Ordinance and which shall not materially adversely affect the interests of the Holders;

(4) qualify this Master Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect;

(5) make such amendments to this Master Ordinance as may be required, in the opinion of Bond Counsel, to ensure compliance with sections 103 and 141 through 150 of the Code and the regulations promulgated thereunder and applicable thereto;

(6) make such changes, modifications or amendments as may be necessary or desirable in order to allow the owners of the Parity Obligations to thereafter avail themselves of a book-entry system for payments, transfers and other matters relating to the Parity Obligations, which changes, modifications or amendments are not contrary to or inconsistent with other provisions of this Master Ordinance and which shall not adversely affect the interests of the owners of the Parity Obligations;

(7) make such changes, modifications or amendments as may be necessary or desirable in order to obtain the approval of the Parity Obligations by the Office of the Attorney General of the State of Texas, to the extent such approval is required by law, or to obtain or maintain the granting of a rating on the Parity Obligations by a Credit Rating Agency, or to obtain or maintain a Credit Agreement or a Credit Facility;

(8) make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of interest rate swap agreements, foreign currency exchange agreements, or similar types of agreements with respect to the Parity Obligations; and

(9) make any other change (other than any change described in clauses (1) through (5) of subsection (b) below) with respect to which the City receives written confirmation from each Rating Agency that such amendment would not cause such Rating Agency to withdraw or reduce its then current rating on the Parity Obligations.

Notice of any such amendment of the nature described in this Section 19(a) may be provided in the manner described in Section 19(c) hereof; provided, however, that the giving of such notice shall not constitute a condition precedent to the adoption of an ordinance providing for such amendment, and the failure to provide such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance.

(b) ***Amendments With Consent of Holders and Credit Providers***. Except as provided in Section 19(a) above, each Credit Provider and the Holders of Parity Obligations aggregating a majority in principal amount of the aggregate principal amount of then Outstanding Parity Obligations which are the subject of a proposed amendment or are affected by a proposed amendment shall have the right from time to time to approve any amendment to this Master Ordinance which may be deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the Holders in aggregate principal amount of the then Outstanding Parity Obligations affected by such amendment, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Master Ordinance or in any of the Parity Obligations affected by such amendment so as to:

(1) Make any change in the maturity of any of such Parity Obligations;

(2) Reduce the rate of interest borne by any of such Parity Obligations;

(3) Reduce the amount of the principal of, or redemption premium, if any, payable on any of such Parity Obligations;

(4) Modify the terms of payment of principal or of interest or redemption premium on such Outstanding Parity Obligations or any of them or impose any condition with respect to such payment; or

(5) Change the minimum percentage of the principal amount of the Parity Obligations necessary for consent to such amendment.

(c) ***Notice of Amendment***. Whenever the City shall desire to make any amendment or addition to or rescission of this Master Ordinance requiring consent of each Credit Provider and/or the Holders of the Parity Obligations, the City shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to (i) each Credit Provider, and (ii) the Holders (if the Holders of all Parity Obligations or at least a majority in aggregate principal amount of the Parity Obligations are required to consent) at the respective addresses shown on the Registration Books. Whenever at any time within one year after the date of the giving of such notice, the City shall receive an instrument or instruments in writing executed by each Credit Provider and the Holders of all or a majority (as the case may be) in aggregate principal amount of the Parity Obligations then outstanding affected by any such amendment, addition, or rescission requiring the consent of the Holders, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the City may adopt such amendment, addition, or rescission in substantially such form, except as herein provided.

(d) ***Amendments Binding on All Holders***. No Holder may thereafter object to the adoption of any amendment, addition, or rescission which is accomplished pursuant to and in accordance with the provisions of this Section, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

(e) ***Consents Irrevocable and Binding on Future Holders***. Any consent given by the Holder of a Parity Obligation pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice provided for in this Section, and shall be conclusive and binding upon all future Holders of the same Parity Obligation during such period. Such consent may be revoked at any time after six months from the date of the publication of said notice by the Holder who gave such consent, or by a successor in title, by filing notice with the City, but such revocation shall not be effective if the Holders of a majority in aggregate principal amount of the affected Parity Obligations then Outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

(f) ***Ownership of Parity Obligations***. For the purposes of establishing ownership of the Parity Obligations, the City shall rely solely upon the registration of the ownership of such Parity Obligations on the registration books kept by the Paying Agent/Registrar.

(g) ***Ownership.*** For the purpose of this Section, the ownership and other matters relating to all Parity Obligations shall be determined as provided in each Supplement.

(h) ***Amendments of Supplements***. Each Supplement shall contain provisions governing the ability of the City to amend such Supplement; provided, however, that no amendment may be made to any Supplement for the purpose of granting to the owners of Outstanding Parity Obligations under such Supplement a priority over the owners of any other Outstanding Parity Obligations.

**SECTION 20. INVESTMENTS.** Money in any Fund established pursuant to this Master Ordinance or any Supplement may, at the option of the City, be invested in any investment permitted by the provisions of the Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended); provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of the last day of each Fiscal Year of the City. All interest and income derived from such deposits and investments immediately shall be credited to, and any losses debited to, the Fund from which the deposit or investment was made, except to the extent otherwise provided in Section 8 and 11 of this Master Ordinance with respect to the Bond Reserve Fund and Special Contingency Reserve Fund. Such investments shall be sold promptly when needed or when necessary to prevent any default in connection with the Parity Obligations, consistent with the ordinances, respectively, authorizing their issuance. It is further provided, however, that any interest earnings on proceeds of Parity Obligations, or on funds on deposit in any Fund or Account, which are required to be rebated to the United States of America in order to prevent any Parity Obligations from being arbitrage bonds shall be deposited to the Rebate Fund authorized to be established by a Supplement in accordance with Section 13 of this Master Ordinance and shall not be considered as interest earnings for the purposes of this Section or for the purposes of determining Gross Revenues.

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**THE FOLLOWING SECTIONS 7, 8, 9, 11 AND 13 APPEAR IN THE FIFTEENTH SUPPLEMENT TO THE MASTER ORDINANCE**

**SECTION 7. SECURITY**. (a) ***Gross Revenues.*** The Series 2015 Bonds are special obligations of the City payable from and secured solely by the Gross Revenues pursuant to the Master Ordinance and this Fifteenth Supplement. The Gross Revenues are hereby pledged to the payment of the principal of, premium, if any, and interest on the Series 2015 Bonds as the same shall become due and payable.

(b) ***Bond Reserve Fund.***

(i) The Series 2015 Bonds are to be secured by the Bond Reserve Fund. The City certifies that the amount that will be on deposit in the Bond Reserve Fund on the date of issuance of the Series 2015 Bonds will be not less than *$11,312,800.68,* which was the balance in such Fund as of June 2, 2015, and is at least equal to the Required Reserve Amount relating to the Outstanding Parity Obligations (i.e., *$11,311,728.31* calculated as of September 30, 2014). Such amount was funded from the following sources:

(A) *Series 2001 Bonds*: The Required Reserve Amount upon the issuance of the Series 2001 Bonds was equal to *$10,831,733*. The amount on deposit in the Bond Reserve Fund upon the issuance of the Series 2001 Bonds was at least equal to such Required Reserve Amount; consequently, pursuant to Ordinance No. 94463, no additional deposits were made to the Bond Reserve Fund at such time.

(B) *Series 2002 Bonds*: The Required Reserve Amount upon the issuance of the Series 2002 Bonds increased to an amount equal to *$13,116,139*. Pursuant to Ordinance No. 95388, upon the issuance of the Series 2002 Bonds, the City deposited *$2,500,000.00* of proceeds of the Series 2002 Bonds into the Bond Reserve Fund in order to fund the Bond Reserve Fund to not less than the Required Reserve Amount.

(C) *Series 2003 Forward Refunding Bonds*: The Required Reserve Amount upon the issuance of the Series 2003 Forward Refunding Bonds decreased to an amount equal to *$10,903,176.* The amount on deposit in the Bond Reserve Fund upon the issuance of the Series 2003 Forward Refunding Bonds was at least equal to such Required Reserve Amount; consequently, pursuant to Ordinance No. 93790, no additional deposits were made to the Bond Reserve Fund at such time.

(D) *Series 2003-A Bonds and Series 2003-B Bonds*: The Required Reserve Amount upon the issuance of the Series 2003-A Bonds and the Series 2003-B Bonds increased to an amount equal to *$12,668,496*. The amount on deposit in the Bond Reserve Fund upon the issuance of the Series 2003-A Bonds and the Series 2003-B Bonds was at least equal to such Required Reserve Amount; consequently, pursuant to Ordinance Nos. 97347 and 97348, no additional deposits were made to the Bond Reserve Fund at such time.

(E) *Series 2006 Bonds*: The Required Reserve Amount upon the issuance of the Series 2006 Bonds decreased to an amount equal to *$12,126,409*, and the amount then on deposit therein was at least equal to such amount. Pursuant to Ordinance No. 2006-11-16-1298, upon the issuance of the Series 2006 Bonds, the City used proceeds of the Series 2006 Bonds to purchase and deposit into the Bond Reserve Fund a Credit Facility in the form of a debt service reserve fund surety policy provided by Assured Guaranty Municipal Corp. (as the legal successor in interest to Financial Security Assurance Inc. which originally provided such surety policy) with a maximum amount available to be drawn thereon equal to *$600,000* (which was issued to replace a surety policy previously provided by Financial Security Assurance Inc. in connection with certain Parity Obligations that were refunded by the Series 2006 Bonds).

(F) *Series 2007 Bonds*: The Required Reserve Amount upon the issuance of the Series 2007 Bonds increased to an amount equal to *$15,809,118.92*, and the amount then on deposit therein was equal to *$15,115,585.00*. Pursuant to Ordinance No. 2007-11-29-1188, upon the issuance of the Series 2007 Bonds, the City deposited *$657,533.92* of available funds of the City (not bond proceeds) into the Bond Reserve Fund in order to fund the Bond Reserve Fund to not less than the Required Reserve Amount.

(G) *Series 2010 Bonds*. The Required Reserve Amount upon the issuance of the Series 2010 Bonds decreased to an amount equal to *$13,463,467.57* due in part to providing for the amortization of the Series 2010 Bonds over 30 years. Consequently, the Average Annual Debt Service Requirements did not increase, and no additional funds were required to be deposited into the Bond Reserve Fund, upon the issuance and delivery of the Series 2010 Bonds.

(H) *Series 2012 Bonds*. The Required Reserve Amount upon the issuance of the Series 2012 Bonds decreased to an amount equal to *$13,139,459.47*. Consequently, the Average Annual

Debt Service Requirements did not increase, and no additional funds were required to be deposited into the Bond Reserve Fund, upon the issuance and delivery of the Series 2012 Bonds.

(ii) Upon the issuance of the Series 2015 Bonds, the Required Reserve Amount for all Parity Obligations then Outstanding (including the Series 2015 Bonds) is expected to *increase* to an amount in excess of *$11,311,728.31*. Accordingly, the City Manager, the Chief Financial Officer and the Director of Finance are authorized to utilize a portion of the proceeds of the Series 2015 Bonds, or other available funds of the City, on the date of delivery of the Series 2015 Bonds to increase the amount on deposit in the Bond Reserve Fund to the new Required Reserve Amount (and such determination shall be incorporated into *Exhibit B* to be completed by a Designated Financial Officer).[1]

(c) ***Security Interest***. Chapter 1208, Texas Government Code, applies to the issuance of the Series 2015 Bonds and the pledge of Gross Revenues by the City under the Master Ordinance and this Fifteenth Supplement, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Series 2015 Bonds are outstanding and unpaid such that the pledge of the Gross Revenues by the City under the Master Ordinance and this Fifteenth Supplement is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Series 2015 Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

**SECTION 8. PAYMENTS**; **BOND FUND.** (a) ***Money Made Available to Paying Agent.*** The City agrees to pay the principal of, premium, if any, and the interest on the Series 2015 Bonds when due. The City shall make available to the Paying Agent/Registrar, on or before such principal or interest payment date, money sufficient to pay such interest on and such principal of the Series 2015 Bonds as will accrue or mature. The Paying Agent/Registrar shall cancel all paid Series 2015 Bonds and shall furnish the City with an appropriate certificate of cancellation.

(b) ***Bond Fund.*** Pursuant to Section 7 of the Master Ordinance, money in the Revenue Fund shall be applied by the City on the dates and in the amounts, and in the order of priority with respect to the Funds and Accounts that such applications are described in the Master Ordinance, including making monthly deposits into the Bond Fund to provide sufficient funds to pay all principal of and interest on all Parity Obligations, including the Series 2015 Bonds.

**SECTION 9. CONSTRUCTION FUND; REBATE FUND.** (a) ***Construction Fund.*** There is hereby created and there shall be established and maintained on the books of the City, and accounted for separate and apart from all other funds of the City, a separate fund designated as the Series 2015 Construction Fund (the "***Construction Fund***"). Proceeds from the sale of the Series 2015 Bonds (other than proceeds to be deposited to the credit of the Bond Reserve Fund as provided in Section 7(b)(ii) hereof) shall be deposited to the credit of the Construction Fund for use by the City for payment of all lawful costs associated with the construction and equipping of the new public parking garage as further described in the recitals and Section 2(a) hereof. Upon payment of all such costs, any moneys remaining on deposit in the Construction Fund shall be transferred FIRST to the Rebate Fund, to the extent the City is liable to pay rebate amounts to the United States of America pursuant to the terms of the Code and NEXT to the Bond Fund. Amounts so deposited to the Bond Fund shall be used in the manner described in the Master Ordinance. Additionally, if the Series 2015 Bonds are optionally or mandatorily redeemed prior to maturity as a whole in accordance with their terms, any amount remaining in the Construction Fund shall be transferred to the Rebate Fund to the extent the amount therein is less than the rebate amount the City is liable to pay the United States of America pursuant to the terms of section 148 of the Code as of the date of such redemption.

[1] On July 15, 2015, the Chief Financial Officer of the City executed an Approval Certificate related to the Series 2015 Bonds which states that the Required Reserve Amount will increase to *$14,014,550.68* on the date of delivery of the Series 2015 Bonds. Such new Required Reserve Amount has been calculated as being equal to the Average Annual Debt Service Requirements on the Outstanding Parity Obligations plus an amount equal to the maximum Annual Debt Service Requirements on the Series 2015 Bonds due to the fact that the City expects to use certain available revenues, other than Gross Revenues of the Airport System, to pay debt service on the Series 2015 Bonds. Accordingly, on the date of delivery of the Series 2015 Bonds, the City will cause to be deposited into the Bond Reserve Fund *$2,701,750.00* from proceeds of the Series 2015 Bonds to bring the amount on deposit therein equal to not less than *$14,014,550.68.*

All interest and income derived from investment of funds on deposit in the Construction Fund shall be credited to the Construction Fund in accordance with Section 20 of the Master Ordinance. Thereafter, such interest and income shall be transferred from the Construction Fund to the Bond Fund.

(b) ***Rebate Fund.*** There is hereby created and there shall be established and maintained on the books of the City, and accounted for separate and apart from all other funds of the City, a separate fund designated as the Series 2015 Rebate Fund (the "***Rebate Fund***"). The Rebate Fund shall be for the sole benefit of the United States of America and shall not be subject to the lien created by this Eleventh Supplement or to the claim of any other Person, including the Holders of the Series 2015 Bonds. Amounts deposited to the Rebate Fund, together with any investment earnings thereon, shall be held in trust and applied solely as provided in section 148 of the Code.

* * * * *

**SECTION 11. AMENDMENT OF SUPPLEMENT**. (a) ***Amendments Without Consent***. This Fifteenth Supplement and the rights and obligations of the City and of the owners of the Series 2015 Bonds may be modified or amended at any time without notice to or the consent of any owner of the Series 2015 Bonds or any other Parity Obligations, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the City contained in this Fifteenth Supplement, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the City in this Fifteenth Supplement;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Fifteenth Supplement, upon receipt by the City of an opinion of Bond Counsel, that the same is needed for such purpose, and will more clearly express the intent of this Fifteenth Supplement;

(iii) To supplement the security for the Series 2015 Bonds, replace or provide additional credit facilities, or change the form of the Series 2015 Bonds or make such other changes in the provisions hereof as the City may deem necessary or desirable and which shall not, in the judgment of the City, materially adversely affect the interests of the owners of the Outstanding Series 2015 Bonds;

(iv) To make any changes or amendments (A) requested by any Credit Rating Agency then rating or requested by the City to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, or (B) as may be necessary or desirable in order to obtain the approval of the Series 2015 Bonds by the Office of the Attorney General of the State of Texas, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the owners of the Outstanding Parity Obligations;

(v) To make such changes, modifications or amendments as are permitted by the last paragraph of Section17(d) of this Fifteenth Supplement;

(vi) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of Credit Agreements with respect to the Parity Obligations; or

(vii) To make such other changes in the provisions hereof as the City may deem necessary or desirable and which shall not, in the judgment of the City, materially adversely affect the interests of the owners of Outstanding Parity Obligations.

Notice of any such amendment may be published by the City in the manner described in subsection (c) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory ordinance and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance.

(b) ***Amendments With Consent***. Subject to the other provisions of this Fifteenth Supplement, the owners of Outstanding Series 2015 Bonds aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this Section, to this Fifteenth Supplement which may be deemed necessary or desirable by the City; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Series 2015 Bonds, the amendment of the terms and conditions in this Fifteenth Supplement or in the Series 2015 Bonds so as to:

(i) Make any change in the maturity of the Outstanding Series 2015 Bonds;

(ii) Reduce the rate of interest borne by Outstanding Series 2015 Bonds;

(iii) Reduce the amount of the principal payable on Outstanding Series 2015 Bonds;

(iv) Modify the terms of payment of principal of or interest on the Outstanding Series 2015 Bonds, or impose any conditions with respect to such payment;

(v) Affect the rights of the owners of less than all Series 2015 Bonds then Outstanding; or

(vi) Change the minimum percentage of the Outstanding Principal Amount of Series 2015 Bonds necessary for consent to such amendment.

(c) ***Notice***. If at any time the City shall desire to amend this Fifteenth Supplement other than pursuant to subsection (a) of this Section, the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in The City of New York, New York, and a newspaper of general circulation in the City, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Registrar for inspection by all owners of Series 2015 Bonds. Such publication is not required, however, if the City gives or causes to be given such notice in writing to each owner of Series 2015 Bonds.

(d) ***Receipt of Consents***. Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice of the proposed amendment the City shall receive an instrument or instruments executed by the Insurer and all of the owners or the owners of at least a majority in Outstanding Principal Amount of Series 2015 Bonds, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the City may adopt the amendatory ordinance in substantially the same form.

(e) ***Effect of Amendments***. Upon the adoption by the City of any ordinance to amend this Fifteenth Supplement pursuant to the provisions of this Section, this Fifteenth Supplement shall be deemed to be amended in accordance with the amendatory ordinance, and the respective rights, duties, and obligations of the City and all the owners of then Outstanding Series 2015 Bonds and all future owners of the Series 2015 Bonds shall thereafter be determined, exercised, and enforced under the Master Ordinance and this Fifteenth Supplement, as amended.

(f) ***Consent Irrevocable***. Any consent given by any owner of Series 2015 Bonds pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Series 2015 Bonds during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar and the City, but such revocation shall not be effective if the owners of a majority in Outstanding Principal Amount of Series 2015 Bonds, prior to the attempted revocation, consented to and approved the amendment.

(g) ***Ownership***. For the purpose of this Section, the ownership and other matters relating to all Series 2015 Bonds registered as to ownership shall be determined from the Registration Books. The Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Registrar.

* * * * *

**SECTION 13. FIFTEENTH SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY**. In consideration of the acceptance of the Series 2015 Bonds, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Fifteenth Supplement shall be deemed to be and shall constitute a contract between the City and the Holders from time to time of the Series 2015 Bonds and the pledge made in this Fifteenth Supplement by the City and the covenants and agreements set forth in this Fifteenth Supplement to be performed by the City shall be for the equal and proportionate benefit, security, and protection of all Holders, without preference, priority, or distinction as to security or otherwise of any of the Series 2015 Bonds authorized hereunder over any of the others by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Fifteenth Supplement.

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# APPENDIX D

## SELECTED PORTIONS OF THE CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

The information contained in Appendix D consists of selected portions of the City's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2014 selected by the City of San Antonio for inclusion herein, and is not intended to be a complete statement of the City's financial condition. Reference is made to the Comprehensive Annual Financial Report for further information.

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CITY OF SAN ANTONIO

March 24, 2015

To the Honorable Mayor, City Council and City Manager:

It is my pleasure to present the City of San Antonio's (City) Comprehensive Annual Financial Report (CAFR) and Other Reports for the fiscal year-ended September 30, 2014. These financial statements were prepared by the City's Finance Department and audited by the public accounting firm of Padgett Stratemann & Co., 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 1, 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, art, cultural, and recreational services; maintenance and construction of streets and drainage; public safety through police and fire protection; and urban redevelopment and housing. The City also considers the promotion of convention and tourism and participation in economic development programs 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; bond proceeds; tax increment financing; and other sources.

The City has twenty five legally separate entities that are considered part of the City's operations and, therefore, included in its annual financial statements. Fifteen of these entities are blended component units of the City, while the other ten entities are discretely presented. Based on the size and significance of four component units (CPS Energy, San Antonio Water System, San Antonio Fire and Police Pension Fund, and San Antonio Fire and Police Retiree Health Care Fund), the City has additionally included excerpts of these entities' footnotes within the CAFR. For additional details on each of these twenty-five entities and the basis for their respective presentation in our financial report, please refer to the Financial Section, Summary of Significant Accounting Policies.

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 office of the Mayor or a member of the City Council is 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.

FINANCE DEPARTMENT
PO BOX 839966 ◆ SAN ANTONIO, TX 78283-3966 ◆ TEL: 210-207-5734

## CITY PROFILE (continued)

The City is located in South Central Texas, approximately 75 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, 45 miles of linear greenway trails, theme parks, historical attractions, museums, professional sporting attractions, and a lively performing arts environment. As of September 30, 2014, the City's geographic area was approximately 467 square miles. The United States Census Bureau cites the City as the second most populated city in the State of Texas with 1,409,019 citizens and is ranked as the seventh most populated city in the country.

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 Health Care System, Baptist Health Systems, and Wells Fargo.

## ECONOMIC CONDITIONS AND OUTLOOK

As a community, San Antonio has positioned itself for long-term growth and prosperity by successfully following a strategy to diversify its economy and improve quality of life for all citizens. The economic strategy resulting from SA2020 emerges as the City's roadmap to become a leader in job creation by maintaining growth in traditional industry sectors while specifically targeting job growth in the following sectors: Healthcare and Biosciences, Information Technology and Information Security, Aerospace, and the New Energy economy. The City's SA2020 goals are being pursued by utilizing San Antonio's unique assets, including its historical and cultural heritage, formidable local institutions (e.g. military bases, universities, medical center), and natural resources such as the Eagle Ford Shale formation in South Texas.

In addition to charting our course for continued economic prosperity, SA2020 also focuses on ongoing infrastructure improvements, neighborhood revitalization, workforce development initiatives, and downtown development. In February 2010, the City passed the Inner-City Reinvestment Infill Policy (ICRIP) to further support balanced and sustainable development throughout San Antonio's inner-city and southern sectors, which include Port San Antonio and Brooks City-Base. Both government and citizens are actively committed to increasing the caliber of educational and economic opportunities, expanding arts and leisure choices, revitalizing older neighborhoods, and planning for overall growth in the City. The City's cultural and geographic proximity to Mexico provides favorable conditions for international business relations. A cost-of-living that is below the national average and the high quality of life the City offers further enhances San Antonio's business appeal. In addition to the favorable economic climate, excellent weather conditions year round help encourage and enhance the operation of many of San Antonio's most important industries.

The City continues to foster economic growth and development with a business climate that received accolades from Forbes and Bloomberg for its ability to encourage job creation, business expansion, and attract new investments. The City has been recognized with an A+ rating for small business by Kauffman Foundation, has been named one of the Top 10 Cities for Global Trade by Global Trade Magazine, and has an unemployment rate that continues to stay below the national and state averages. San Antonio's business-friendly climate welcomes new company relocations, expansions and start up ventures.

Economic indicators tell the story of a resilient 2014 for San Antonio by exemplifying the comparative stability of the local economy as it outperformed comparable cities impacted by the national recession. The Brookings Metropolitan Policy Program issues the quarterly series, MetroMonitor, which provides an understanding of how the current economic recession has "affected America's metropolitan economies." According to the quarterly research performed by the Brookings Institution, San Antonio is ranked 38 out of 100 largest metropolitan areas in its overall recovery performance since the Great Recession of 2008.

## ECONOMIC CONDITIONS AND OUTLOOK (continued)

San Antonio's average unemployment rate for fiscal year 2014 was 5.6% compared to the national rate of 6.3%. Many metros experienced a rise in unemployment rate through the onset of the recession, however, San Antonio's unemployment rate continues to remain lower than the national rate since the Great Recession.

San Antonio's housing market remained very strong in 2014. According to the September 2014 Multiple Listing Service report by the San Antonio Board of REALTORS® (SABOR), the average price of a single-family residential home in September 2014 rose to $220,366, a 7% increase from last year, and the median rose to $187,700, a 9% increase from September 2013.

San Antonio's resilient economy was fueled by several targeted industry projects in fiscal year 2014. The City utilized a combination of tax abatements, grant agreements, equity investments, impact fee waivers, and nominations for State project designations that assisted in enticing businesses to move to or remain in San Antonio. In 2014, the City, in partnership with the San Antonio Economic Development Foundation (SAEDF), worked with 27 companies to create 3,709 new and/or retain jobs in San Antonio and Bexar County. In an effort to revitalize downtown and central city neighborhoods and support economic development opportunities across the City, $1.75 million was provided in economic development incentive funds to retain, expand, and attract job creating businesses in fiscal year 2014. The City additionally budgeted $1.75 million to support economic development projects and stimulate development targeted towards neighborhoods in the downtown area.

## MAJOR INITIATIVES – EDUCATION

Pre-K 4 SA began its second school year, with a total of four Education Centers completed at the end of fiscal year 2014. In August 2013, Pre-K 4 SA completed preparation of an existing facility to be utilized for the North Education Center, which has the capacity to serve up to 360 students. Construction was completed for the South Education Center in August 2013, which has the capacity to serve 350 students. Throughout the summer months, construction of the East and West Education Centers started and was completed by August 2014 in time to open the Centers for the 2014-2015 school year. The program places a heavy emphasis on early childhood education, parent engagement, and professional development.

The program aims to improve the educational trajectory of 22,400 four-year-old children over eight years while benefitting thousands more by training area school teachers, teacher's aides, community Pre-K providers, and education leaders. Toward this goal Pre-K 4 SA received over 4,000 student applications for the 2014-2015 school year, and selected a total of 1,500 students to attend all four Centers.

Pre-K 4 SA strongly emphasizes family engagement in early education. Through a multi-pronged approach, the program provides training and events, dedicates Family Specialists to work and provide services to families, collects feedback with surveys and evaluations, and offers a plethora of resources. Pre-K 4 SA also partnered with a variety of community groups, including the Baptist Health System's student program, which helped to coordinate screenings for vision and hearing to all students. All of the Pre-K 4 SA families attended their child's progress report conferences for the 2013-2014 school years. Family Specialists coordinated a variety of family events at Centers and throughout the community featuring topics like reading, stranger danger, nutrition and learning. Families were also encouraged to attend community events throughout San Antonio.



## MAJOR INITIATIVES – EDUCATION (continued)

As part of the professional development portion of the program, Pre-K 4 SA program staff works with educators throughout San Antonio to provide guided observations of classrooms and activities, planning sessions, and other services open to public and private schools, as well as childcare facilities. Pre-K 4 SA teachers received over 30 days of trainings and workshops throughout year one. Professional Development coaches hosted a total of five summer academies to provide resources to 192 educators throughout San Antonio. In addition, the coaches also hosted 15 weekend academies throughout the school year. The coaches conducted lab school visits, coaching, small group planning and a variety of training events for educators throughout the City including training fairs for child care staff co-hosted by VOICES for Children and City Council.

Pre-K 4 SA contracted with Edvance Research, Inc. and the National Institute for Early Education Research in affiliation with Rutgers University to conduct an eight-year independent evaluation of the program. The evaluation will include an alignment study of prekindergarten readiness assessments used throughout Texas and an overall program assessment. In year one, the study measured six outcomes: cognitive, literacy, mathematics, oral language, physical ability, and socio-emotional behavior. The report showed that Pre-K 4 SA students met or exceeded a nationally-normed sample of children of the same age group. Though Pre-K 4 SA children began the program at a significantly lower level than the normed sample, over time students surpassed in three of six outcomes and were on par for the remaining three. The promising results are proof that Pre-K 4 SA is headed in the right direction.

## MAJOR INITIATIVES – CAPITAL PROGRAMS

During the May 2012 election, citizens of San Antonio voted for and approved a $596 million General Obligation Bond Program. The 2012 General Obligation Bond Program, a five year program, is the City's largest bond program in history. There are 41 projects set for streets, bridges, and sidewalks; 17 projects set for drainage and flood control; 68 projects set for parks and recreation; 11 projects set for library, museum, and cultural arts facilities; and three projects set for public safety facilities. Of the $596 million approved, $378 million has been issued.

With the approval of the 2012 General Obligation Bond Program, $2 million was included for the construction of animal kennels to increase the City's capacity to house stray animals. This was completed in November 2014. The Animal Defense League will manage the City-owned facility through a 25 year lease. The new facility will consist of 3 buildings and will house a total of 48 dog kennels and utilize one building for puppies. This partnership will increase the total number of animals rescued by 3,184 annually, and require that the Animal Defense League maintain a live release rate of 90% or higher.

June 2014 marked the completion of the $35 million modernization project for San Antonio International Airport Terminal A. This project updated the finishes and furniture throughout the concourse, ticket lobby and baggage claim area and provided for all new restroom facilities. The project, funded by Airport generated revenue and bonds, enhances the travel experience by modernizing the 378,000 square-foot building. Separately, the Airport through a concession agreement with HMS Host, replaced seven food and beverage concessions. The new food establishments include local celebrity Chef Johnny Hernandez-designed concepts La Gloria, The Fruteria and Mission City Icehouse as well as Auntie Anne's Pretzels/Cinnabon, La Tapenade, Steak n Shake, and Famous Famiglia.

Currently under design at the San Antonio International Airport is a Master Plan-Approved Consolidated Rental Car (CONRAC) Facility. This project is intended to improve the rental car experience for millions of City's visitors by centralizing the car rental facilities in one location on airport property. Construction of the facility is funded by a customer facility charge included on all airport car rental transactions and is scheduled to open in 2018.

## MAJOR INITIATIVES – CAPITAL PROGRAMS (continued)

The expansion of the Henry B. Gonzalez Convention Center, with a budget of $325 million, began construction in October 2013. Originally constructed in 1968, the Convention Center has been expanded and renovated four times, doubling its size to its current 1.3 million gross feet. This current expansion and transformation project remains on schedule and on budget. When completed in November 2016, the new convention center will span 1.65 million square feet. With a goal of continuing to be competitive for major national sporting events, a Request for Qualifications has been issued for Design/Build firms to renovate the 21-year old Alamodome. Expanded plazas and concourses and upgraded locker rooms, bathrooms, lighting and technology will bring the Alamodome up to the standards of similar professional sports stadiums throughout the country.

## MAJOR INITIATIVES – CONVENTION AND TOURISM

Fiscal year 2014 was an extremely successful year for both the Convention Center and Alamodome. With more than 770,000 attendees throughout 327 events, the Convention Center exceeded its annual revenue budget by over $2 million. Similarly, the Alamodome exceeded its annual revenue budget by over $1.5 million, and hosted more than 1.1 million visitors at 138 events throughout the year. In 2015, the City will host the largest convention ever when the Seventh Day Adventist General Conference Session is held in July with an attendance estimated at 70,000. In 2018, the City will host the NCAA Men's Basketball Final Four tournament at the Alamodome. The City previously hosted the Final Four in 2008 with great success.

## MAJOR INITIATIVES – ECONOMIC DEVELOPMENT

In June of 2014, San Antonio's new entrepreneurial resource center, Café Commerce, opened inside the Central Library. Café Commerce serves as a clearinghouse for over 73 small business resource partners throughout San Antonio. Café Commerce also provides programming geared towards developing an entrepreneurial mindset among San Antonio residents. To date, Café Commerce has assisted over 380 clients in person, 243 clients via phone, and over 500 clients have accessed the resource listing via the Café Commerce website (cafecommercesa.org). Café Commerce also received a $50 thousand Small Business Administration Growth Accelerator Fund Grant to develop San Antonio's first culinary arts business accelerator program.

In September of 2012, San Antonio was chosen to join the Global Cities Initiative (GCI), a joint program of the Brookings Institution and JP Morgan Chase. The GCI is a five-year project that aims to help leaders in U.S. metropolitan areas reorient their economies toward greater global engagement. In 2013, work focused on the development of the San Antonio Export Strategy. In 2014, San Antonio was chosen by Brookings as one of six pilot communities to develop foreign direct investment strategy based data, such as the number of jobs supported by foreign-owned enterprises and the density of foreign-owned enterprises in certain industries. The goal is to develop a comprehensive global trade & investment strategy that will complement the San Antonio Economic Development Foundation's Strategic Plan.

On December 4, 2014, the City Council directed the Department of Planning and Community Development to initiate limited purpose annexation and prepare a regulatory plan for five annexation priority areas in 2015 and 2016, which are contiguous to the city limits and within the San Antonio Extraterritorial Jurisdiction and Bexar County. Five priority areas were identified based on the evaluation criteria established by the City's annexation policy adopted in 2013. The areas encompass 66.47 square miles and have a population of approximately 117,517. The proposed annexation would protect the Edwards Aquifer Recharge Zone and the quality of development through the extension of zoning and city codes.



## MAJOR INITIATIVES – ECONOMIC DEVELOPMENT (continued)

In addition, the City will capture emerging residential developments and commercial centers, expand the City's economic vitality as a regional center by providing certainty and predictability, preserve the U.S. military missions through land use controls, facilitate long range planning in environmentally sensitive areas and growth centers, and enhance the City's overall regional economic position in bringing new jobs, population, and investment to the region.

In the 2013 State of the Union address, President Obama announced that he would designate 20 Promise Zones nationwide: urban, rural, and tribal communities where the Administration would partner with local leaders to create jobs, increase economic activity, improve educational opportunities, and reduce violent crime. On January 9, 2014, the City was selected as one of the first five Promise Zones. The City created the EastPoint Promise Zone (EPZ), in partnership with the United Way of San Antonio and Bexar County, the San Antonio Housing Authority, San Antonio for Growth on the Eastside and SA2020 to handle the operations of the Administration's funding award. EPZ's additional support partners include San Antonio Independent School District, Judson Independent School District, St. Philip's College and private sector businesses, employers and investors.

Federal designation of the EPZ offers the opportunity to integrate and leverage these initiatives and make new, material improvements to the community's economic health and the residents' quality of life. Six key activities are planned for the EPZ in the next five years: job creation, increasing economic activity, improving education activities, reducing serious or violent crime, leveraging private capital, and reducing poverty and unemployment. As of February 2015, the Promise Zone partners have collectively been awarded approximately $32 million in federal funding, which will be used to achieve EPZ's goals.

## MAJOR INITIATIVES – PRIVATE PUBLIC PARTNERSHIPS

As the population of the City continues to grow, there is an increasing need to revitalize its urban core and for the development and construction of new public facilities. In order to assist local governmental entities to meet their growing infrastructure needs, the State of Texas has enacted the Public and Private Facilities and Infrastructure Act to allow greater use of public-private partnerships (P3).

The City implemented a P3 program with a goal to encourage redevelopment of underdeveloped and underutilized properties, share risk and expense between the City and the contracting private entity, and participate in cash flow performance by organizing public-private partnerships. Through this contractual agreement, the assets and professional skills of each sector (public and private) are shared to deliver a facility and/or service for the use of the general public and each sector shares in the potential risks of the timely and efficient delivery of the service or facility.

The City is working with various developers on P3 projects such as the Dwyer P3, the Red Berry Estate P3, and the Water Street P3, managed by Hemisfair Park Area Redevelopment Corporation (HPARC). The city-owned property located at 307 Dwyer has been vacant since 2010. The selected developer, Landbridge Partners, will construct a $50 million mixed use development consisting of 272 housing units, approximately 50 thousand square feet of commercial space and 450 parking spaces. The project is expected to open in early 2017. The Red Berry Estate, located at 856 Gembler Road, consists of 84 acres and includes the Red Berry Mansion and a man-made lake. The City selected a development team proposing a $149.8 million project that includes approximately 600 multi-family housing units, 66 townhomes, and over 300 thousand square feet of office space, medical office space, retail, dining and entertainment venues. The first phase of the project will be completed in summer 2017 and the second phase will be completed in spring 2019.

## MAJOR INITIATIVES – PRIVATE PUBLIC PARTNERSHIPS (continued)

With the expansion of the City's Convention Center, HPARC is moving forward to develop Hemisfair Park, an area famous for hosting the 1968 World's Fair. HPARC was established in 2009 by City Council to lead the redevelopment of the Hemisfair area, including expanding and improving the parkland and public areas. In February 2012, City Council approved HPARC's Master Plan. HPARC's vision of Hemisfair is for it to become one of the world's great public spaces. To accomplish this goal, HPARC will be relying on several P3 opportunities. The first P3 relating to this new development is the Water Street P3. The purpose of the Water Street P3 is to create a vertical structure within the southwest quadrant of Hemisfair to accommodate public parking and mixed-income residential units and commercial space. All lease payments will be directed towards the maintenance, operations and programming of Yanaguana Garden, a 4.1 acre free and accessible public park built for all ages and abilities. HPARC issued Request for Proposals on October 29, 2014 with responses due on January 16, 2015. On March 3, 2015 HPARC presented its selected vendor to the Economic and Community Development Committee, a subcommittee of City Council, and received approval to move forward with negotiations. A draft agreement is expected by early April, and upon completion of negotiations, HPARC will present the contract for approval to the City Council.

## FINANCIAL INFORMATION

The management of the City is responsible for establishing a system of internal controls that are 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 GAAP. 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. Encumbered amounts lapse at year end and are generally appropriated as part of the following year's budget.

Another budgetary control is the monthly revenue and expenditure report summarizing by department budget and actual balances with variances that are generated and reviewed by the Office of Management and Budget, Finance and the City Manager's Office. Each quarter, the Office of Management and Budget and Finance meet with department representatives to assess departments' expenditures based on actual to date and projected expenditures for the remainder of the fiscal year. These projected expenditures are compared against the legally adopted budget for analysis and recommendations to the City Manager's Office and are presented to City Council. During the mid-year budget assessments, an additional step is added to the review process related to formal adjustment recommendations to Council for adoption to modify the original budget. At fiscal year-end, as part of the annual review and close-out process, Council will be provided information 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% of total budget and will not allow the processing of non-payroll transactions in excess of the budget.





Each year the City prepares a five-year financial forecast (Forecast) prior to the adoption of the annual operating budget. 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. The Forecast enables the Council and staff to identify financial issues in sufficient time to develop a proactive strategy in order to address emerging strategic issues.

After obtaining the priorities of Council and residents, and conducting reviews of each City department, the proposed City budget is presented to Council. The proposed budget represents the City staff's professional recommendation to utilize revenues and expenditures in order to achieve a balanced budget, while optimizing City service deliveries. Part of the recommendations presented to City Council for fiscal year 2014 included results from initiatives to reduce administrative overhead and implementation of process improvements. The Office of Management & Budget Innovation Team completed City-wide department consolidation and efficiency initiatives that were incorporated into the fiscal year 2014 budget. One initiative reduced administrative overhead by merging the Public Works Department and the Capital Improvements Management Services Department into the Transportation & Capital Improvements Department, resulting in approximately $200 thousand in savings. Another initiative made providing utility assistance faster and easier for residents, and also resulted in over $200 thousand in savings. The City continues its commitment to efficient and prioritized service delivery by leveraging operational improvements and investments in technology and will continue to utilize the Innovation Team to perform efficiency initiatives across the City to assist in finding new areas of improvements to leverage.

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 May, when all departments of the City are required to submit potential reductions and additional appropriation requests to the Office of Management and Budget. During this period, the Office of Management and Budget reviews department's base budgets, potential reductions and additional appropriation requests with each department and Executive Leadership Team members to develop budget recommendations for the City Manager's consideration. After obtaining the priorities of the community through hosting five Community Budget Input Hearings, meeting with City Council and conducting reviews of department budgets with the City Manager, the City Manager presents the proposed budget to the City Council for review in early August.

During City Council review, several budget work sessions were held to review the proposed service program details included in the proposed budget. The City held five additional Community Budget Input Hearings after the fiscal year 2014 Budget was proposed and two City-Wide Public Hearings for community input. The City is required to hold at least one public hearing on the proposed budget during the period of its consideration. City Council must adopt a final budget each year no later than September 27. 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 any unencumbered appropriation balance or any portion thereof within a department office or agency to another upon written recommendation by the City Manager.

## FINANCIAL INFORMATION (continued)

As a means of managing the City's financial standing, the City established and maintains a budgeted financial reserve within the General Fund. The financial reserve provides budgetary flexibility for unexpected events, financial emergencies, and the usual fluctuation in revenue-expenditure patterns. Since 2005, the City has increased its financial reserves from 3.4% of total appropriations to 9.0% of total appropriations. The City has achieved and maintained financial reserves of 9% of General Fund appropriations since fiscal year 2009, with 2014 financial reserves totaling $89 million.

The City continues to evaluate the financial reserve policy as a means of fiscal prudence in consideration with City operations, implications to the City's credit rating, and City Council priorities in order to maintain a strong and solid financial position coupled with flexibility to adapt to changing economic conditions. Last summer, as part of the fiscal year 2014 budget development process, City Council requested a briefing on the City's financial policies and practices before development of the fiscal year 2015 budget process.

With the adoption of the 2015 Budget, updates to the City's Financial Policies were approved. These updated Financial Policies include: increase the General Fund budgeted financial reserves from 9 to 10%; establish a 1 to 3% target for 2 year budget plan for the General Fund; manage crowd-out within the General Fund and create a balance between Public Safety and Non-Public Safety budgets; manage the structural balance in the General Fund; use moderately conservative revenue projections based on current economic conditions and historical trends; establish $1 million contingency reserve for the General Fund and $3 million contingency reserve for the capital budget; address Internal Service Fund deficits within 3 to 5 years; and maintain an available fund balance target of 15% for the General Fund.

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, which utilizes 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.

## GRANT FUNDS

The City also actively seeks and applies for Federal and State grants that are in line with the City's core operations or initiatives, as an additional tool in providing services to the citizens of San Antonio. In 2014, the City was awarded $134.9 million in Federal assistance and $18.4 million in State assistance for a total of $153.3 million. The City would have been unable to undertake the construction of public improvements and the operation of programs without the support of these grants.

## AWARDS

The City maintains a strong financial position with the three major rating agencies - Fitch, Moody's, and Standard & Poors, re-affirming, for the sixth year in a row, an 'AAA', 'Aaa', and 'AAA' general obligation bond rating, respectively. These ratings were maintained despite stricter grading requirements implemented by some rating agencies. The City is the only city with a population of more than 1 million to receive an 'AAA' or 'Aaa' rating from the three major rating agencies. The 'AAA' or 'Aaa' bond rating is the highest credit rating that an entity can receive.



## AWARDS (continued)

The City earned the Platinum Leadership Circle Award from the Comptroller of Public Accounts for calendar year 2014. The award recognizes the City's transparency efforts in the Texas Comptroller Leadership Circle Program that provides easy access to the public to Financial and Budget Information. This is the fifth consecutive year the City has received the highest level of transparency awarded by the Comptroller's Office.

The Office of Management and Budget received the Annual Distinguished Budget Award from the Government Finance Officers Association, recognizing outstanding achievement in preparation of the 2014 Operating and Capital Budget for the 31st consecutive year.

The Office of Management and Budget additionally received the Performance Measurement Certificate of Excellence Award for the 3rd year in a row from the International City/County Management Association (ICMA). San Antonio is one of 28 jurisdictions receiving this highest level of recognition this year. According to the ICMA, "Jurisdictions meeting the qualifications have demonstrated leadership in continuous improvement and community engagement, and they serve as examples for other governments to follow."

The Finance Department received the Achievement of Excellence in Procurement (AEP) award for the 17th consecutive year in recognition of organizational excellence in public procurement.

## CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year-ended September 30, 2013. This was the 38th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. 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 CAFR 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 Padgett Stratemann & Co., 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 Single Audit Act Amendments of 1996, OMB Circular A-133, Audit of State and Local Government and Nonprofit Organizations and State of Texas Single Audit Circular.

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 CAFR.

## INDEPENDENT AUDITS (continued)

The Federal Single Audit Report has been prepared in accordance with OMB Circular A-133 promulgated to implement the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and the AICPA Audit Guide "Government Auditing Standards and Circular A-133 Audits." The State Single Audit Report has been prepared in accordance with the State of Texas Single Audit Circular. The reports are comprised of the Schedules of Expenditures of Federal and State Awards, respectively, Independent Auditor's 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 on Compliance for each Major Federal Program and on Internal Control Over Compliance as Required by OMB Circular A-133, Independent Auditor's Report on Compliance for each Major State Program and on Internal Control Over Compliance as Required by the State of Texas Single Audit Circular, 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.

## 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. Although much time and effort in preparation of this report lies in the Controller's Office, support was also provided from the Office of Management and Budget, the Finance Department, and other financial staff throughout the City. I would like to express my appreciation to all who assisted in this effort.

We acknowledge the thorough, professional, and timely manner in which our independent auditor, Padgett Stratemann & Co., LLP conducted the audit.

In closing, please accept my sincere gratitude to the Mayor and City Council, City Manager, Deputy City Managers, 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**

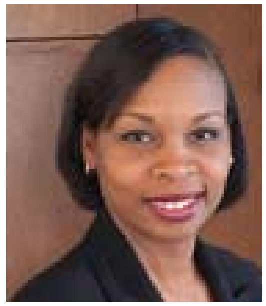
**Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

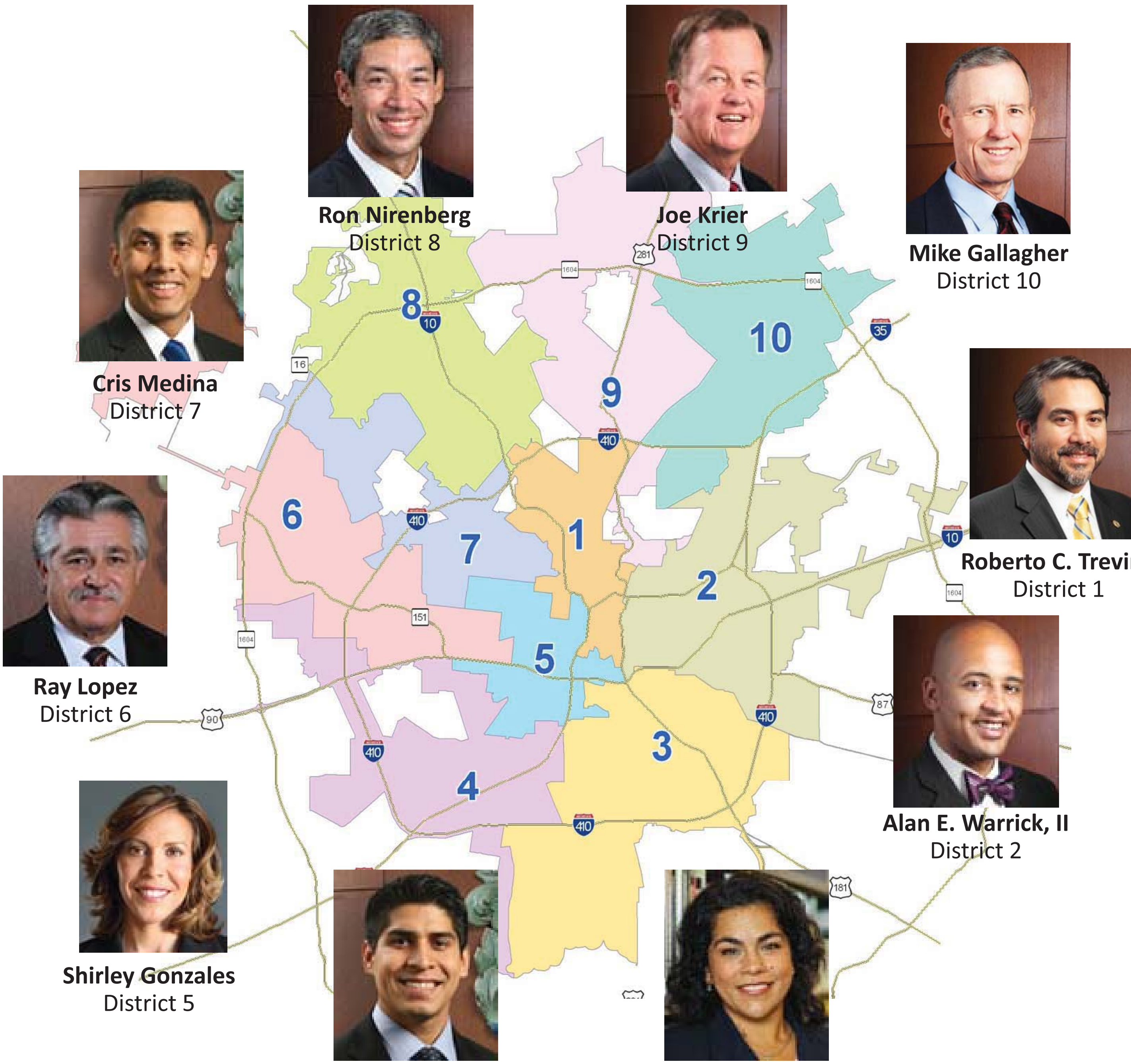
**September 30, 2013**

Executive Director/CEO

# City of San Antonio Mayor and City Council



**Ivy R. Taylor**
Mayor




**Ron Nirenberg**
District 8

**Joe Krier**
District 9

**Mike Gallagher**
District 10

**Cris Medina**
District 7

**Roberto C. Treviño**
District 1

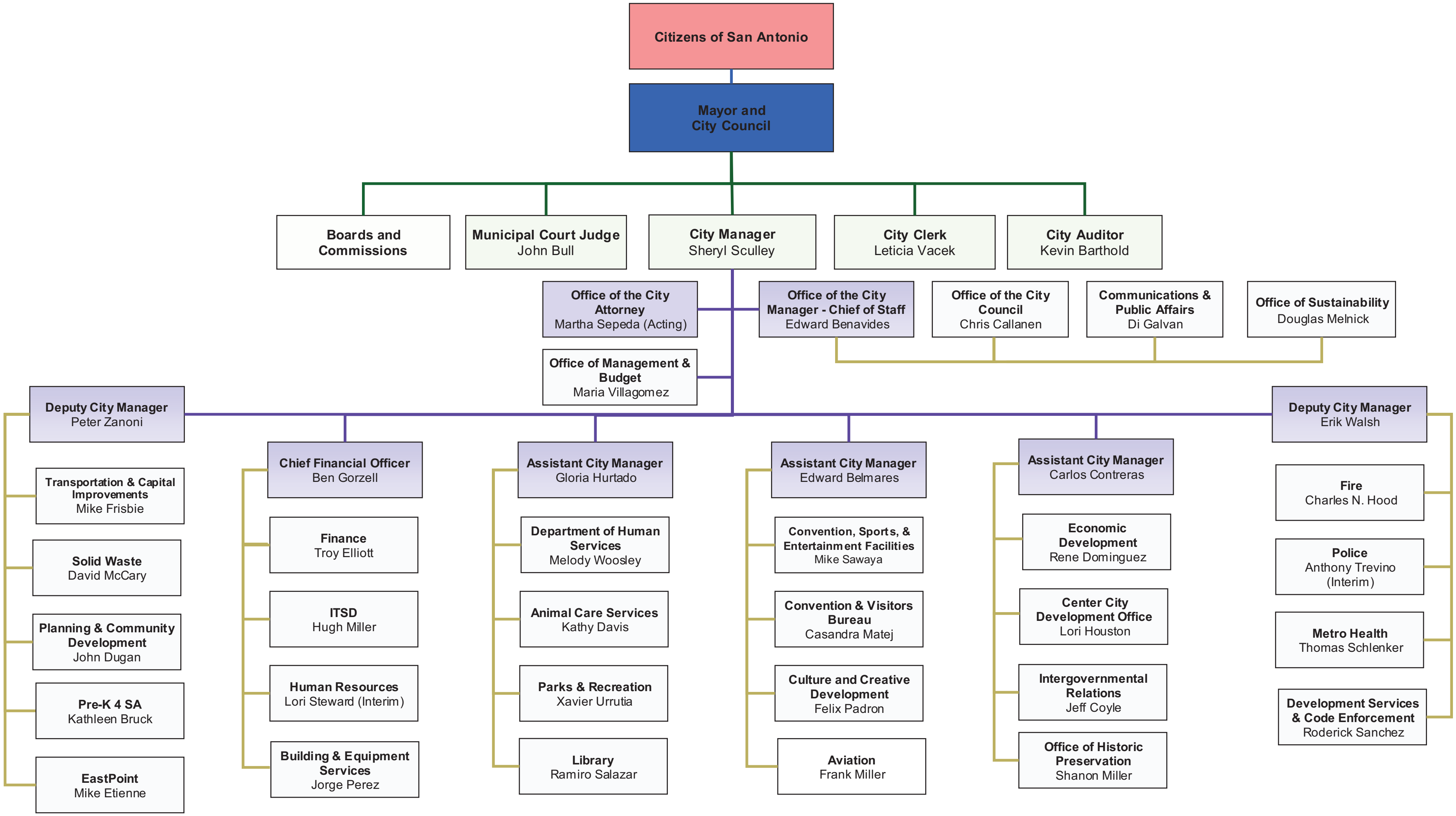
**Ray Lopez**
District 6

**Alan E. Warrick, II**
District 2

**Shirley Gonzales**
District 5

**Rey Saldaña**
District 4

**Rebecca Viagran**
District 3


Citizens of San Antonio
Mayor and City Council
Boards and Commissions
Municipal Court Judge John Bull
City Manager Sheryl Sculley
City Clerk Leticia Vacek
City Auditor Kevin Barthold
Office of the City Attorney Martha Sepeda (Acting)
Office of the City Manager - Chief of Staff Edward Benavides
Office of the City Council Chris Callanen
Communications & Public Affairs Di Galvan
Office of Sustainability Douglas Melnick
Office of Management & Budget Maria Villagomez
Deputy City Manager Peter Zanoni
Transportation & Capital Improvements Mike Frisbie
Solid Waste David McCary
Planning & Community Development John Dugan
Pre-K 4 SA Kathleen Bruck
EastPoint Mike Etienne
Chief Financial Officer Ben Gorzell
Finance Troy Elliott
ITSD Hugh Miller
Human Resources Lori Steward (Interim)
Building & Equipment Services Jorge Perez
Assistant City Manager Gloria Hurtado
Department of Human Services Melody Woosley
Animal Care Services Kathy Davis
Parks & Recreation Xavier Urrutia
Library Ramiro Salazar
Assistant City Manager Edward Belmares
Convention, Sports, & Entertainment Facilities Mike Sawaya
Convention & Visitors Bureau Casandra Matej
Culture and Creative Development Felix Padron
Aviation Frank Miller
Assistant City Manager Carlos Contreras
Economic Development Rene Dominguez
Center City Development Office Lori Houston
Intergovernmental Relations Jeff Coyle
Office of Historic Preservation Shanon Miller
Deputy City Manager Erik Walsh
Fire Charles N. Hood
Police Anthony Trevino (Interim)
Metro Health Thomas Schlenker
Development Services & Code Enforcement Roderick Sanchez

FY 2014

# FINANCIAL SECTION

# Independent Auditor's Report

PS&Co.

Padgett Stratemann

# Independent Auditor's Report

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

***Report on the Financial Statements***

We have audited the accompanying 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of HemisFair Park Area Redevelopment Corporation; San Antonio Fire and Police Pension Fund; or the San Antonio Fire and Police Retiree Health Care Fund; blended component units, which represent 78%, 84%, and 32%, respectively, of the assets and deferred outflows, net position/fund balances, and revenues/additions of the aggregate remaining fund information. We also did not audit CPS Energy; SA Energy Acquisition Public Facility Corporation; San Antonio Housing Trust Finance Corporation; San Antonio Housing Trust Foundation, Inc.; or the San Antonio Housing Trust Public Facility Corporation, discretely presented component units, which represent 67%, 59%, and 79%, respectively, of the assets and deferred outflows, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of

Brooks Development Authority, CPS Energy, SA Energy Acquisition Public Facility Corporation, San Antonio Housing Trust Finance Corporation, San Antonio Housing Trust Public Facility Corporation, and San Antonio Water System – District Special Project, audited separately by other auditors, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, based on our audit and the reports of other auditors, the 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 as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 1 to the financial statements, effective October 1, 2013, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As described in Note 18 to the financial statements, the City restated beginning net position/fund balance for the adoption of GASB Statement No. 65. Our opinions are not modified with respect to these matters.

As described in Note 18 to the financial statements, the City also restated beginning net position/fund balance related to changes in component unit reporting, and to correct beginning net position/fund balance for previously unrecorded long-term receivable and to correct assets that should have been reported in a fiduciary capacity. Our opinions are not modified with respect to these matters.

As described in Note 1 to the financial statements, effective October 1, 2013, the City implemented GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantee.* Our opinions are not modified with respect to these matters.

***Other Matters***

*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, Budgetary Comparison Schedule – Pre-K 4 SA, Schedule of Funding Progress, Schedule of Changes in the Net Pension Liability, Schedule of City's Contribution to the Fund, and Schedule of Investment Returns, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other 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 Supplementary Budget and Actual Schedules for Legally Adopted Funds and other information, such as the Introductory Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Budget and Actual Schedules for Legally Adopted Funds are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Budget and Actual Schedules for Legally Adopted Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015 on our consideration of the 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 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 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 City's internal control over financial reporting and compliance.

Padgett, Stratemann + Co., L L P

San Antonio, Texas
March 24, 2015

# Management's Discussion and Analysis

**(Required Supplementary Information)**

**(Unaudited)**

# Management's Discussion and Analysis

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, 2014. This discussion and analysis is 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 the City exceeded its liabilities and deferred inflows by $3,094,357 (net position). Of this amount, $37,285 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $1,197,706, a decrease of $3,572 compared to the fiscal year 2013 fund balance. Of this amount, $10,220 is nonspendable and $1,187,486 is spendable. Of the total spendable fund balance, $854,689 is restricted in use, $148,065 has been committed, $24,890 is assigned and $159,842 is unassigned, which is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $164,654, which is 17.2% of the total General Fund expenditures.

## Overview of the Financial Statements

This discussion and analysis is 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, liabilities and deferred inflows 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 vacation 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, and economic development and opportunity. 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 statement, 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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, Categorical Grant In-Aid, San Antonio Early Childhood Education Municipal Development Corporation (Pre-K 4 SA), Texas Public Facilities Corporation (TPFC), Convention Center Hotel Finance Corporation (CCHFC), and 2012 General Obligation Bonds, all of which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation labeled "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 System, and Solid Waste Management. *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 improvements 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 in the proprietary funds' statement of net position and in the proprietary funds' statement of revenues, expenses, and changes in fund net position for the Airport System, which is considered to be a major fund. The Internal Service Funds are combined into a single aggregated presentation in the proprietary fund financial statements. Data from the other enterprise 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.

***Fiduciary Funds*** – 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. With the exception of agency funds, 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 and Pre-K 4 SA's budgetary comparison schedules that demonstrate compliance with their budget, and (b) schedules of funding progress related to pension and postemployment plans. The Debt Service Fund, various Special Revenue Funds, and specific Permanent Fund budgets, which are legally adopted on an annual basis, are also included in the CAFR as supplementary schedules within the Combining Financial Statements and Schedules. Additionally, the report presents the Financial and Compliance Report on Federal and State Grants, or Single Audit report, in this document.

## 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, 2014.

**Net Position**
**Year-Ended September 30, 2014**
**(With Comparative Totals for September 30, 2013)**

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 (Restated)* | 2014 | 2013 (Restated)* | 2014 | 2013 (Restated)* |
| Current and Other Assets | $ 1,766,400 | $ 1,774,396 | $ 211,262 | $ 215,894 | $ 1,977,662 | $ 1,990,290 |
| Capital Assets | 4,136,416 | 3,956,121 | 655,691 | 651,064 | 4,792,107 | 4,607,185 |
| Total Assets | 5,902,816 | 5,730,517 | 866,953 | 866,958 | 6,769,769 | 6,597,475 |
| Total Deferred Outflows of Resources | 20,001 | | 5,065 | | 25,066 | |
| Current and Other Liabilities | 530,531 | 521,865 | 48,592 | 57,202 | 579,123 | 579,067 |
| Long-term Liabilities | 2,721,602 | 2,588,147 | 399,753 | 409,240 | 3,121,355 | 2,997,387 |
| Total Liabilities | 3,252,133 | 3,110,012 | 448,345 | 466,442 | 3,700,478 | 3,576,454 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 2,553,627 | 2,292,516 | 300,791 | 291,010 | 2,854,418 | 2,583,526 |
| Restricted | 100,264 | 72,643 | 102,390 | 91,418 | 202,654 | 164,061 |
| Unrestricted | 16,793 | 255,346 | 20,492 | 18,088 | 37,285 | 273,434 |
| Total Net Position | $ 2,670,684 | $ 2,620,505 | $ 423,673 | $ 400,516 | $ 3,094,357 | $ 3,021,021 |

* Amounts have been restated – see Note 18 Prior Period Restatements for more information.

For the year-ended September 30, 2014, total assets and deferred outflows exceeded liabilities and deferred inflows by $3,094,357. The largest portion of the City's net position, $2,854,418 (92.2%) represents its net investment in capital assets used to acquire those assets that are still outstanding, and includes assets such as land, infrastructure, improvements, buildings, machinery and equipment, and intangibles.

Capital assets are used to provide services to the citizens of San Antonio and are not available for further spending. Although 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.



Of the total net position, $202,654 (6.5%) represents resources that are subject to external restrictions on how they may be used. The remaining $37,285 (1.3%) represents unrestricted net position, which can be used to meet the government's ongoing obligations to citizens and vendors.

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

**Changes in Net Position**
**Year-Ended September 30, 2014**
**(With Comparative Totals for September 30, 2013)**

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 (Restated)* | 2014 | 2013 (Restated)* | 2014 | 2013 (Restated)* |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | $ 204,850 | $ 161,537 | $ 219,462 | $ 209,450 | $ 424,312 | $ 370,987 |
| Operating Grants and Contributions | 168,170 | 203,382 | | | 168,170 | 203,382 |
| Capital Grants and Contributions | 84,744 | 49,188 | 44,206 | 39,580 | 128,950 | 88,768 |
| General Revenues: | | | | | | |
| Property Taxes | 423,781 | 402,298 | | | 423,781 | 402,298 |
| Other Taxes | 447,571 | 404,129 | | | 447,571 | 404,129 |
| Revenues from Utilities | 355,515 | 307,447 | | | 355,515 | 307,447 |
| Investment Earnings | 3,997 | 4,977 | 764 | 1,026 | 4,761 | 6,003 |
| Miscellaneous | 50,868 | 36,587 | 4,861 | 621 | 55,729 | 37,208 |
| Total Revenues | 1,739,496 | 1,569,545 | 269,293 | 250,677 | 2,008,789 | 1,820,222 |
| Expenses: | | | | | | |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | 112,845 | 118,442 | | | 112,845 | 118,442 |
| Public Safety | 721,930 | 674,432 | | | 721,930 | 674,432 |
| Public Works | 324,257 | 270,626 | | | 324,257 | 270,626 |
| Sanitation | 7,142 | 7,423 | | | 7,142 | 7,423 |
| Health Services | 55,014 | 44,076 | | | 55,014 | 44,076 |
| Culture and Recreation | 167,463 | 167,071 | | | 167,463 | 167,071 |
| Convention and Tourism | 31,579 | 30,352 | | | 31,579 | 30,352 |
| Urban Redevelopment and Housing | 25,949 | 19,508 | | | 25,949 | 19,508 |
| Welfare | 115,094 | 150,766 | | | 115,094 | 150,766 |
| Education | 8,530 | 6,381 | | | 8,530 | 6,381 |
| Economic Development and Opportunity | 25,909 | 25,044 | | | 25,909 | 25,044 |
| Bond Issuance Costs | 1,862 | 6,509 | | | 1,862 | 6,509 |
| Interest on Long-Term Debt | 93,313 | 115,016 | | | 93,313 | 115,016 |
| Business-Type Activities: | | | | | | |
| Airport System | | | 106,033 | 102,041 | 106,033 | 102,041 |
| Development Services | | | 22,273 | 24,437 | 22,273 | 24,437 |
| Market Square | | | 2,558 | 2,135 | 2,558 | 2,135 |
| Parking System | | | 12,165 | 8,214 | 12,165 | 8,214 |
| Solid Waste Management | | | 98,555 | 93,056 | 98,555 | 93,056 |
| Total Expenses | 1,690,887 | 1,635,646 | 241,584 | 229,883 | 1,932,471 | 1,865,529 |
| Change in Net Position | | | | | | |
| Before Transfers | 48,609 | (66,101) | 27,709 | 20,794 | 76,318 | (45,307) |
| Transfers | 1,570 | (2,826) | (4,552) | (4,351) | (2,982) | (7,177) |
| Net Change in Net Position | 50,179 | (68,927) | 23,157 | 16,443 | 73,336 | (52,484) |
| Beginning, Net Position (Restated) | 2,620,505 | 2,689,432 | 400,516 | 384,073 | 3,021,021 | 3,073,505 |
| Ending, Net Position | $ 2,670,684 | $ 2,620,505 | $ 423,673 | $ 400,516 | $ 3,094,357 | $ 3,021,021 |

* Amounts have been restated – see Note 18 Prior Period Restatements for more information.

The City's total revenues were $2,008,789 for fiscal year-ended September 30, 2014. Revenues from governmental activities totaled $1,739,496 and revenues from business-type activities totaled $269,293. General revenues represented 64.1% of the City's total revenue, while program revenues provided 35.9% of revenue received in fiscal year 2014. Expenses for the City totaled $1,932,471. Of total expenses, governmental activity expenses totaled $1,690,887 (87.5%) and business-type expenses totaled $241,584 (12.5%).

## Governmental Activities

Program revenues for the City's Governmental Activities totaled $457,764, which is $43,657 higher than the previous fiscal year. General revenues for the City's Governmental Activities totaled $1,281,732 compared to $1,155,438 in the prior year. Expenses for Governmental Activities were $1,690,887 compared to prior year's expenses of $1,635,646.

Governmental Activities increased the City's net position by $50,179. The reason for the change is as follows:

- Charges for Services revenues increased by $43,313 due in large part to a Public Safety increase of $14,145 for the new Ambulance Supplemental Payment Program ($5,902) and the EMS fee increase ($6,200). In addition, $9,194 was due to the first full year of operations for the Medicaid Waiver Fund funded by the Texas Department of State Health Services, while the Parks Environmental and Sanitation Fund, increased charges for services by $6,672 with a new revenue stream. Community and Visitor Facilities' charges for services increased $3,697 due to larger and more successful events at the Convention Center and Alamodome. Due to a broader project scope, Right of Way and Tree Canopy Preservation and Mitigation Funds have increased revenues by $1,263 and $2,900, respectively.
- Operating Grants and Contributions decreased by a total of $35,212 in fiscal year 2014. The decrease was due to the Head Start Grant funds from Department of Health and Human Services being sent directly to other agencies instead of being passed through the City.
- There was an increase in Capital Grant and Contribution revenues of $35,556, which is mainly attributed to the recognition of federally, grant funded capital projects through TxDOT recorded in the current year.
- Property Tax Revenues increased by $21,483 due to the increase in the net taxable property value in the City of San Antonio of 5.3%.
- Other Taxes Revenues increased by $43,442 due in large part to a higher consumer confidence in the San Antonio area resulting in $36,668 more in General Sales and Use Tax and an uptick in tourism and convention business increasing Hotel Occupancy Taxes by $4,294 from the prior year.
- Revenues from Utilities increased by $48,068 due to a 4.3% increase in CPS Energy's rate as well as a favorable weather conditions that resulted in increased sales and a 5.1% increase in SAWS' rate.
- Miscellaneous Revenues increased by $14,281 due primarily to the reimbursement of administrative costs to support Pre-K 4 SA.
- The change in Public Safety expenses of $47,498 is driven by the increase in personnel expenses to include health care for Fire and Police as required by the Collective Bargaining Agreement.
- The increase of $53,631 in Public Works expenses is due primarily to the recognition of federally grant funded capital projects through TxDOT recorded in the current year.
- Health Services saw an increase in expenses of $10,938 for the first full year of operations for the Medicaid Waiver Fund funded by the Texas Department of State Health Services.
- Welfare expenses decreased $35,672 due to the Department of Health and Human Services providing Head Start grant funds directly to other agencies instead of being passed through the City.
- Interest on Long-Term Debt decreased by $21,703 due to a decrease in amortization. With the implementation of GASB 65, the City no longer amortizes the expense associated with bond issuance costs. In fiscal year 2013, amortization of bond issuance costs was $28,164. Interest paid on issued bonds increased $3,700.

## Business-Type Activities

Program revenues for the City's Business-Type Activities totaled $263,668, which is $14,638 higher than the previous fiscal year. The remaining revenues were a result of investment earnings and other miscellaneous items. Expenses for Business-Type Activities were $241,584 compared to prior year's expenses of $229,883.



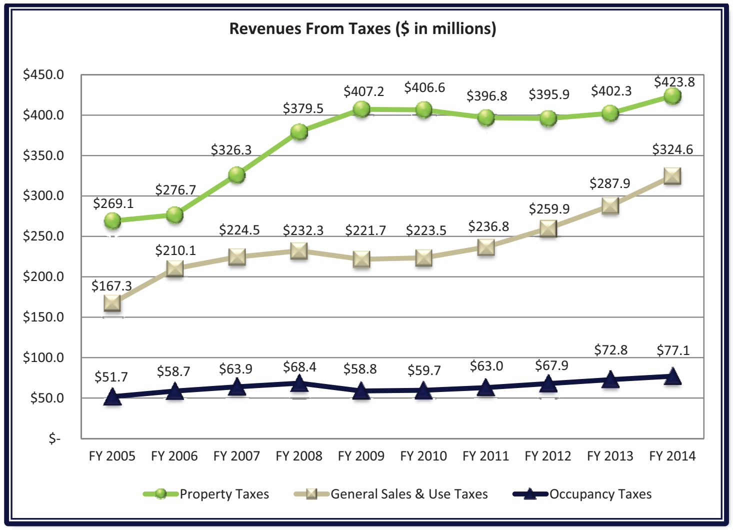
Business-Type Activities increased the City's net position by $23,157 primarily because of the following:

- Charges for Services increased by $10,012 due to an increase in Airport System revenues of $3,775, as Terminal A's modernization projects were completed. Additionally, Solid Waste charges for services increased by $3,517 due to an approved 25 cent increase to both the Solid Waste Fee and the Environmental Service Fee. Development Services saw increases in charges for services of $2,664 for new and existing commercial and new residential permit valuation by 51% and 9%, respectively. The top projects associated with Development Services' increase were Henry B Gonzalez Convention Center Expansion, Frost Bank Westover Hills location, and the new Microsoft location.
- Capital Grants and Contributions increased $4,626 due to more grants received for construction on Taxiway G and work on the Residential Acoustical Treatment Program.
- Miscellaneous Revenues increased by $4,240. Parking System and Solid Waste Management System miscellaneous revenues increased by $1,115 and $79, respectively, due to a debt restructure. In addition, Solid Waste miscellaneous revenues increased by $726, due to a recovery of costs from Greenfield Energy taking over the methane gas recovery from the Rigsby Closed landfill. Lastly, City South was dissolved in fiscal year 2014; excess funds of $1,781 were deposited to the Development Services fund, the original source of the funding.

## 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 indebtedness for Capital Projects, other agency contributions, and the operating activities of those projects.

Revenues from taxes increased by $64,925, which is primarily attributable to: (1) a $36,668 increase in general sales and use tax revenues mainly in the General Fund ($16,891) and Early Education Development Fund ($16,485), (2) a $21,483 increase in property tax revenues in the General Fund ($11,454) and the Debt Service Funds ($7,109), and (3) a $4,294 increase in occupancy taxes in the Community and Visitors Facilities and Hotel/Motel 2% Revenue Funds. The increase in general sales and use taxes and occupancy taxes are a reflection of a strong consumer confidence in the San Antonio area and increased activity associated with tourism and convention business.




The total fund balance of the General Fund at year-end was $218,595, an increase of $33,431 from the total fund balance of $185,164 in fiscal year 2013. The total spendable General Fund balance for fiscal year 2014 is $213,091, which represents $1,032 in restricted, $46,882 in committed, $523 in assigned and $164,654 in unassigned fund balances. The unassigned fund balance represents financial reserve amounts held by the City as well as amounts available for additional appropriations at the end of the fiscal year.

The total fund balance of the Debt Service Fund at year-end was $46,808, a decrease of $7,172 from the total fund balance of $53,980 in fiscal year 2013. The entire fund balance is restricted for payment of debt service.

Categorical Grant In-Aid had a fund balance of $0 for both fiscal year 2014 and 2013.
Pre-K 4 SA and TPFC, both blended component units, had ending fund balances of $17,557 and $225,437, respectively. Pre-K 4 SA's fund balance is restricted for education. TPFC's fund balance is restricted for capital project expenditures on the Convention Center Expansion.

CCHFC had an ending fund balance of $6,085 for fiscal year 2014, which was an increase of $22 from the fiscal year 2013 ending balance of $6,063. The fund balance is restricted for expenditures related to the Grand Hyatt San Antonio.

The total fund balance of the 2012 General Obligation Bonds at year-end was $266,475, an increase of $93,341 from the total fund balance of $173,134 in fiscal year 2013. The increase is from the sale of General Obligation Bonds issue to support capital expenditures associated with the $596,000 bond program approved by voters in fiscal year 2012.



## General Fund Budgetary Highlights

**Variances in Budget Appropriations (Budgetary Basis) General Fund**

| | Original Budget | Final Budget | Actual Results |
|---|---|---|---|
| General Government | $ 70,062 | $ 70,543 | $ 70,166 |
| Public Safety | 656,116 | 661,846 | 664,257 |
| Public Works | 52,154 | 56,149 | 56,044 |
| Health Services | 22,514 | 22,664 | 22,695 |
| Culture and Recreation | 86,186 | 85,445 | 85,459 |
| Convention and Tourism | 606 | 611 | 671 |
| Urban Redevelopment and Housing | 14,422 | 15,356 | 15,248 |
| Welfare | 33,167 | 34,706 | 33,563 |
| Economic Development and Opportunity | 7,269 | 16,078 | 16,031 |
| Debt Service: | | | |
| Principal Retirement | 11,305 | 11,305 | 11,305 |
| Interest | 399 | 399 | 399 |
| Transfers to Other Funds | 27,633 | 49,061 | 49,031 |
| Total | $ 981,833 | $ 1,024,163 | $ 1,024,869 |

Changes in original budget appropriations to the final amended budget appropriations resulted in a net $42,330 increase in appropriations. This increase can be summarized by the following:

- Public Safety increased by $5,730, due to an increase of $73 in carryforward commitments and $5,657 in Mid-Year budget adjustment increases needed to cover Retirement Pension, Court Duty, and Retiree and Bonus Day Payout.
- The increase of $8,809 in Economic Development and Opportunity was primarily due to budget carryforwards of $8,532 for Café Commerce, UTHSC grant to SAEDC, InCube and Mini Med.
- The $21,428 increase in Transfers to Other Funds consisted of a $17,715 increase from budget carryforwards. The larger carryforwards were for Capital Projects ($15,866) and Grants ($1,800). Other increases of $3,713 were for ordinance and other budget adjustments primarily in the 2014 Streets Maintenance Projects.

Final budgeted appropriations for the General Fund were $1,024,163, while actual expenditures on a budgetary basis were $1,024,869, creating an unfavorable variance of $706. Significant variances are as follows:

- Public Safety had an unfavorable variance of $2,411 primarily due to the Fire Department reporting higher than expected costs associated with overtime, additional pharmaceutical drugs added to inventory along with higher cost of drugs, and an increase in the cost and quantity of automotive parts and janitorial supplies.
- Welfare reported a favorable variance to budget of $1,143. This is primarily due to savings in the San Antonio Education Partnership (SAEP) scholarship program. It was anticipated that about 8,000 scholarships would be awarded. However, only 6,493 scholarships were awarded.

## Financial Analysis of Proprietary Funds

Activities of the Primary Government's Airport System, Development Services, Market Square, Parking System, and Solid Waste Management Funds are considered proprietary funds. The Airport System handles operations at both the San Antonio International Airport and Stinson Municipal Airport. Development Services supports the activities related to the regulation of City development. Market Square accounts for all revenues and expenses associated with the management and operation of the Farmers' Market, El Mercado, the Market Square parking lot, and Alameda. The Parking System handles operations of the City's parking garages and lots. Solid Waste Management handles trash collection operations, recycling, organics, and the activities of the City's landfills. Financial analysis for the proprietary funds is on the same basis as the business-type activities. See further analysis on the funds' operations on page 7.

## Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014 amounts to $4,792,107 (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 $184,922, which is comprised of an increase of $180,295 in governmental activities and a $4,627 increase in business-type activities.

**Capital Assets**
**Year-Ended September 30, 2014**
**(With Comparative Totals for September 30, 2013)**

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 (Restated)* | 2014 | 2013 | 2014 | 2013 (Restated)* |
| Land | $ 1,404,226 | $ 1,399,010 | $ 14,599 | $ 14,599 | $ 1,418,825 | $ 1,413,609 |
| Construction in Progress | 422,488 | 308,352 | 62,673 | 64,212 | 485,161 | 372,564 |
| Non-Depreciable Intangible Assets | 123,169 | 97,847 | | | 123,169 | 97,847 |
| Other Non-Depreciable Assets | 2,844 | 2,844 | | | 2,844 | 2,844 |
| Depreciable Intangible Assets | 1,426 | 2,233 | | | 1,426 | 2,233 |
| Buildings | 557,967 | 518,365 | 268,656 | 279,056 | 826,623 | 797,421 |
| Improvements | 479,846 | 482,426 | 290,680 | 271,581 | 770,526 | 754,007 |
| Infrastructure | 969,165 | 962,595 | | | 969,165 | 962,595 |
| Machinery and Equipment | 175,285 | 182,449 | 19,083 | 21,616 | 194,368 | 204,065 |
| Total | $ 4,136,416 | $ 3,956,121 | $ 655,691 | $ 651,064 | $ 4,792,107 | $ 4,607,185 |

* Amounts have been restated – see Note 18 Prior Period Restatements for more information.

During fiscal year 2014, the City transferred $231,074 of construction in progress to non-depreciable and depreciable asset classes for completed capital projects, mainly comprised of city-wide streets and drainage projects, terminal improvements at the San Antonio International Airport, two Pre-K 4 SA buildings, Callaghan Road Service Center, and improvements to the City's information technology systems.



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

**Change in Capital Assets**
**Year-Ended September 30, 2014**

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Beginning Balance (Restated)* | $ 3,956,121 | $ 651,064 | $ 4,607,185 |
| Additions | 413,935 | 43,327 | 457,262 |
| Deletions | (144,230) | (14,923) | (159,153) |
| Accumulated Depreciation | (89,410) | (23,777) | (113,187) |
| Total | $ 4,136,416 | $ 655,691 | $ 4,792,107 |

* Amounts have been restated – see Note 18 Prior Period Restatements for more information.

Additional information on the City's capital assets can be found in Note 4 Capital Assets.

## Debt Administration

### *Long-Term Debt*

At the end of the current fiscal year, the City had a total of $2,739,559 in bonds, certificates, contractual obligations, and notes outstanding, an increase of 2.8% over last year. Additional information on the City's long-term debt, including descriptions of the new issues, can be found in Note 6 Long-Term Debt.

**Outstanding Debt**
**Year-Ended September 30, 2014**
**(With Comparative Totals for September 30, 2013)**

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Bonds Payable: | | | | |
| Tax-Exempt General Obligation Bonds | $ 950,405 | $ 850,645 | $ 1,255 | $ 1,230 |
| Taxable General Obligation Bonds | 191,550 | 191,550 | 12,120 | 1,360 |
| Tax-Exempt Certificates of Obligation | 282,235 | 328,140 | 1,635 | 1,830 |
| Tax Notes | 38,070 | 19,190 | | |
| Contractual Obligation | 17,500 | 2,233 | | |
| Revenue Bonds | 870,919 | 878,564 | 342,885 | 361,550 |
| Revenue Notes | 28,055 | 18,460 | | |
| Capital Appreciation Bonds (CAB) | 2,930 | 1,332 | | |
| Total | $ 2,381,664 | $ 2,290,114 | $ 357,895 | $ 365,970 |

### *Governmental Activities*

On October 31, 2013, the City issued $17,500 in Public Property Finance Contractual Obligations, Series 2013. The Obligations were issued to refund $5,317 of certain outstanding capital lease indebtedness and $12,183 was used to finance the acquisition of new personal property and equipment for the Fire Department, Police Department, Parks Department, and City vehicles for various departments.

On December 17, 2013, the City issued $20,900 in Revenue Notes, Taxable Series 2013A. The Revenue Notes, Taxable Series 2013A were issued to finance the acquisition, improvement, and equipping of certain facilities for Pre-K 4 SA.

On July 9, 2014, the City issued $1,400 Tax Notes, Series 2014. The Tax Notes, Series 2014 were issued to finance the reconstruction of street improvements in the Mission del Lago subdivision approved in the Mission del Lago Tax Increment Reinvestment Zone Settlement Agreement approved by City Council on May 1, 2014.

On July 11, 2014, the City issued $17,740 in Tax Notes, Series 2014A. The Tax Notes, Series 2014A were issued to finance improvements to public safety facilities, streets drainage, parks, municipal facilities, and libraries.

On August 20, 2014, the City issued $5,970 in Tax Notes, Series 2014B. The Tax Notes, Series 2014B were issued to finance improvements to streets, sidewalks, and drainage improvements necessary or incidental thereto, and the acquisition of real property for City purposes.

On August 20, 2014, the City issued $227,275 in General Improvement and Refunding Bonds, Series 2014 to finance improvements to: streets, bridges, and sidewalks; drainage and flood control; parks, recreation, and open space; library, museum, and cultural arts facilities; and public safety facilities; and to pay the costs of issuing the Bonds; and to refund certain obligations of the City (refunded obligations). Solid Waste Management was allocated $245 from the refunded obligations.

Standard & Poor's, Moody's, and Fitch's underlying rating for City obligations during fiscal year 2014 were as follows:

**Bond Ratings**
**Year-Ended September 30, 2014**

| | Standard & Poor's | Moody's | Fitch |
|---|---|---|---|
| General Obligation/Certificates of Obligation/Tax Notes | AAA | Aaa | AAA |
| Airport System | A+ | A1 | A+ |
| Airport PFC | A- | A2 | A |
| Municipal Drainage Utility System Revenue Bonds | AA+ | Aa2 | AA |

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 6 Long-Term Debt. The total gross assessed valuation for the fiscal year-ended 2014 was $86,983,209, which provides a debt ceiling of $8,698,321.

## Currently Known Facts

For more information on other currently known facts, please see Note 19 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.

# Basic Financial Statements

## Statement of Net Position
**As of September 30, 2014**
(In Thousands)

| | PRIMARY GOVERNMENT | | | |
|---|---|---|---|---|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | COMPONENT UNITS |
| **Assets:** | | | | |
| **Current Assets:** | | | | |
| Cash and Cash Equivalents | $ 34,831 | $ 6,123 | $ 40,954 | $ 502,414 |
| Investments | 336,549 | 63,124 | 399,673 | 117,251 |
| Receivables, Net | 125,999 | 11,194 | 137,193 | 373,500 |
| Materials and Supplies, at Cost | 7,025 | 778 | 7,803 | 178,524 |
| Internal Balances | 6,995 | (6,508) | 487 | |
| Due From Other Governmental Agencies, Net | 6,499 | 58 | 6,557 | 1,552 |
| Deposits | 138 | | 138 | |
| Prepaid Expenses | 833 | 7 | 840 | 114,218 |
| Other Assets | | | | 360 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 371,069 | 19,414 | 390,483 | 377,098 |
| Securities Lending Collateral | | | | 8,106 |
| Investments | 577,967 | 115,160 | 693,127 | 1,347,254 |
| Receivables, Net | 90,319 | 1,423 | 91,742 | 78,837 |
| Materials and Supplies, at Cost | 930 | | 930 | |
| Deposits | 1 | | 1 | |
| Prepaid Expenses | 35 | 489 | 524 | |
| Due From Other Governmental Agencies | 17,518 | | 17,518 | |
| **Total Current Assets** | 1,576,708 | 211,262 | 1,787,970 | 3,099,114 |
| **Noncurrent Assets:** | | | | |
| Capital Assets: | | | | |
| Non Depreciable | 1,952,727 | 77,272 | 2,029,999 | 1,737,659 |
| Depreciable, Net | 2,183,689 | 578,419 | 2,762,108 | 10,569,341 |
| Assets Held for Resale | | | | 2,247 |
| Receivables, Net | 189,692 | | 189,692 | 15,092 |
| Prepaid Expenses | | | | 645,991 |
| Other Noncurrent Assets | | | | 201,258 |
| **Total Noncurrent Assets** | 4,326,108 | 655,691 | 4,981,799 | 13,171,588 |
| **Total Assets** | 5,902,816 | 866,953 | 6,769,769 | 16,270,702 |
| **Total Deferred Outflows of Resources** | 20,001 | 5,065 | 25,066 | 127,961 |
| **Liabilities:** | | | | |
| **Current Liabilities:** | | | | |
| Accounts Payable and Current Liabilities | 115,589 | 7,107 | 122,696 | 422,987 |
| Accrued Interest | | 70 | 70 | |
| Unearned Revenue | 310 | 1,657 | 1,967 | 28,991 |
| Current Portion of Long-term Obligations | 82,341 | 8,967 | 91,308 | |
| Due To Other Governmental Agencies | | | | 3 |
| Restricted Liabilities: | | | | |
| Accounts Payable and Current Liabilities | 70,674 | 7,289 | 77,963 | 37,061 |
| Accrued Interest | 15,796 | 4,315 | 20,111 | 26,599 |
| Securities Lending Obligation | | | | 8,106 |
| Unearned Revenue | 89,915 | | 89,915 | |
| Due To Other Governmental Agencies | 3,970 | | 3,970 | |
| Current Portion of Long-term Obligations | 151,936 | 19,187 | 171,123 | 324,640 |
| **Total Current Liabilities** | 530,531 | 48,592 | 579,123 | 848,387 |
| **Noncurrent Liabilities:** | | | | |
| Noncurrent Portion of Long-term Obligations | 2,721,602 | 399,753 | 3,121,355 | 9,840,123 |
| **Total Noncurrent Liabilities** | 2,721,602 | 399,753 | 3,121,355 | 9,840,123 |
| **Total Liabilities** | 3,252,133 | 448,345 | 3,700,478 | 10,688,510 |
| **Total Deferred Inflows of Resources** | | | | 6,500 |
| **Net Position:** | | | | |
| Net Investment in Capital Assets | 2,553,627 | 300,791 | 2,854,418 | 4,076,940 |
| Restricted for: | | | | |
| Debt Service | 39,955 | 22,716 | 62,671 | 50,625 |
| Capital Projects | 45,088 | 79,674 | 124,762 | 813,566 |
| Operating and Other Reserves | 253 | | 253 | 1,501 |
| Perpetual Care: | | | | |
| Expendable | 11,306 | | 11,306 | |
| Nonexpendable | 3,662 | | 3,662 | |
| Unrestricted | 16,793 | 20,492 | 37,285 | 761,021 |
| **Total Net Position** | $ 2,670,684 | $ 423,673 | $ 3,094,357 | $ 5,703,653 |

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

## Statement of Activities

**Year-Ended September 30, 2014**

(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 | PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES | PRIMARY GOVERNMENT: TOTAL | COMPONENT UNITS |
|---|---|---|---|---|---|---|---|---|
| **Primary Government:** | | | | | | | | |
| **Governmental Activities:** | | | | | | | | |
| General Government | $ 112,845 | $ 27,710 | $ 4,495 | $ 65 | $ (80,575) | $ - | $ (80,575) | |
| Public Safety | 721,930 | 49,363 | 13,765 | | (658,802) | | (658,802) | |
| Public Works | 324,257 | 47,342 | 35,278 | 72,240 | (169,397) | | (169,397) | |
| Sanitation | 7,142 | 7,491 | 73 | | 422 | | 422 | |
| Health Services | 55,014 | 18,844 | 18,137 | | (18,033) | | (18,033) | |
| Culture and Recreation | 167,463 | 53,698 | 2,773 | 132 | (110,860) | | (110,860) | |
| Convention and Tourism | 31,579 | | 4,737 | | (26,842) | | (26,842) | |
| Urban Redevelopment and Housing | 25,949 | | 5,829 | | (20,120) | | (20,120) | |
| Welfare | 115,094 | | 75,677 | | (39,417) | | (39,417) | |
| Education | 8,530 | 267 | 1,693 | | (6,570) | | (6,570) | |
| Economic Development and Opportunity | 25,909 | 135 | 5,713 | 12,307 | (7,754) | | (7,754) | |
| Bond Issuance Costs | 1,862 | | | | (1,862) | | (1,862) | |
| Interest on Long-Term Debt | 93,313 | | | | (93,313) | | (93,313) | |
| **Total Governmental Activities** | 1,690,887 | 204,850 | 168,170 | 84,744 | (1,233,123) | | (1,233,123) | |
| **Business-Type Activities:** | | | | | | | | |
| Airport System | 106,033 | 84,410 | | 44,188 | | 22,565 | 22,565 | |
| Development Services | 22,273 | 27,646 | | | | 5,373 | 5,373 | |
| Market Square | 2,558 | 2,598 | | 18 | | 58 | 58 | |
| Parking System | 12,165 | 8,487 | | | | (3,678) | (3,678) | |
| Solid Waste Management | 98,555 | 96,321 | | | | (2,234) | (2,234) | |
| **Total Business-Type Activities** | 241,584 | 219,462 | | 44,206 | | 22,084 | 22,084 | |
| **Total Primary Government** | $ 1,932,471 | $ 424,312 | $ 168,170 | $ 128,950 | (1,233,123) | 22,084 | (1,211,039) | |
| **Discretely Presented Component Units:** | | | | | | | | |
| CPS Energy | $ 2,492,227 | $ 2,424,071 | $ - | $ 40,116 | | | | $ (28,040) |
| San Antonio Water System | 449,460 | 462,339 | | 70,725 | | | | 83,604 |
| Brooks Development Authority | 13,827 | 8,240 | 220 | 750 | | | | (4,617) |
| Port Authority of San Antonio | 35,251 | 36,284 | | | | | | 1,033 |
| SA Energy Acquisition Public Facility Corporation | 47,616 | 46,711 | | | | | | (905) |
| San Antonio Housing Trust Finance Corp. | 7 | 23 | | | | | | 16 |
| SA Water System District Special Project | 66,601 | 67,257 | 7,718 | | | | | 8,374 |
| San Antonio Housing Trust Foundation, Inc. | 318 | | | | | | | (318) |
| San Antonio Housing Trust Public Facility Corp. | 94 | 469 | | | | | | 375 |
| **Total Component Units** | $ 3,105,401 | $ 3,045,394 | $ 7,938 | $ 111,591 | | | | 59,522 |
| **General Revenues:** | | | | | | | | |
| Taxes: | | | | | | | | |
| Property | | | | | 423,781 | | 423,781 | |
| General Sales and Use | | | | | 324,612 | | 324,612 | |
| Selective Sales and Use | | | | | 7,554 | | 7,554 | |
| Gross Receipts Business | | | | | 34,784 | | 34,784 | |
| Occupancy | | | | | 77,064 | | 77,064 | |
| Penalties and Interest on Delinquent Taxes | | | | | 3,557 | | 3,557 | |
| Revenues from Utilities | | | | | 355,515 | | 355,515 | |
| Investment Earnings | | | | | 3,997 | 764 | 4,761 | 55,265 |
| Miscellaneous | | | | | 50,868 | 4,861 | 55,729 | 12,735 |
| Special Items | | | | | | | | 3,371 |
| Adjustment for STP Pension Cost | | | | | | | | 39,063 |
| Transfers, net | | | | | 1,570 | (4,552) | (2,982) | |
| **Total General Revenues, Special Items, and Transfers** | | | | | 1,283,302 | 1,073 | 1,284,375 | 110,434 |
| **Change in Net Position** | | | | | 50,179 | 23,157 | 73,336 | 169,956 |
| Net Position - Beginning of Fiscal Year (restated) | | | | | 2,620,505 | 400,516 | 3,021,021 | 5,533,697 |
| Net Position - End of Fiscal Year | | | | | $ 2,670,684 | $ 423,673 | $ 3,094,357 | $ 5,703,653 |

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

## Balance Sheet
## Governmental Funds
### As of September 30, 2014
(In Thousands)

| | MAJOR FUNDS | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | GENERAL | DEBT SERVICE | CATEGORICAL GRANT IN-AID | PRE-K 4 SA | TEXAS PUBLIC FACILITIES CORP. | CONVENTION CENTER HOTEL FINANCE CORP. | 2012 GENERAL OBLIGATION BONDS | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
| **Assets:** | | | | | | | | | |
| Cash and Cash Equivalents | $ 9,145 | $ - | $ - | $ - | $ - | $ - | $ - | $ 14,454 | $ 23,599 |
| Investments | 95,781 | | | | | | | 114,922 | 210,703 |
| Receivables, Net | 119,010 | | | | | | | 6,621 | 125,631 |
| Materials and Supplies, at Cost | 5,340 | | | | | | | 87 | 5,427 |
| Prepaid Expenditures | 164 | | | | | | | 1 | 165 |
| Due From Other Funds | 48,900 | | | | | | | | 48,900 |
| Due From Other Governmental Agencies, Net | 3,430 | | | | | | | 1,267 | 4,697 |
| Restricted Assets: | | | | | | | | | |
| Cash and Cash Equivalents | 254 | 16,510 | 2,084 | 15,204 | 253,102 | 14,557 | 23,456 | 45,902 | 371,069 |
| Investments | 776 | 29,451 | 873 | | | | 260,376 | 286,491 | 577,967 |
| Receivables, Net | 2 | 5,792 | | 559 | 2 | | 250 | 83,714 | 90,319 |
| Materials and Supplies, at Cost | | | 635 | | | | | 295 | 930 |
| Deposits | | | | | | | | 1 | 1 |
| Prepaid Expenditures | | | | | | | | 35 | 35 |
| Due From Other Funds | | 327 | 138 | 2,944 | | | | 64,177 | 67,586 |
| Due From Other Governmental Agencies, Net | | | 13,374 | | | | | 4,144 | 17,518 |
| **Total Assets** | $ 282,802 | $ 52,080 | $ 17,104 | $ 18,707 | $ 253,104 | $ 14,557 | $ 284,082 | $ 622,111 | $ 1,544,547 |
| **Liabilities, Deferred Inflows, and Fund Balances:** | | | | | | | | | |
| **Liabilities:** | | | | | | | | | |
| Vouchers Payable | $ 7,392 | $ - | $ - | $ - | $ - | $ - | $ - | $ 3,070 | $ 10,462 |
| Accounts Payable - Other | 8,287 | | | | | | | 6,949 | 15,236 |
| Accrued Payroll | 9,502 | | | | | | | 620 | 10,122 |
| Accrued Leave Payable | 8,954 | | | | | | | 6 | 8,960 |
| Unearned Revenue | 306 | | | | | | | | 306 |
| Due To Other Funds | 2,282 | | | | | | | 283 | 2,565 |
| Restricted Liabilities: | | | | | | | | | |
| Vouchers Payable | | | 3,282 | 413 | | | | 26,424 | 30,119 |
| Accounts Payable - Other | | | 3,191 | 737 | | | | 26,585 | 30,513 |
| Accrued Payroll | | | 475 | | | | | 1,075 | 1,550 |
| Accrued Leave Payable | | | | | | | | 2 | 2 |
| Unearned Revenue | | | 2,689 | | | | | 87,226 | 89,915 |
| Amounts Held in Trust | | | | | | 8,492 | | | 8,492 |
| Due To Other Funds | | | 7,467 | | 27,667 | | 17,607 | 49,152 | 101,893 |
| Due To Other Governmental Agencies | | | | | | | | 3,970 | 3,970 |
| **Total Liabilities** | 36,723 | | 17,104 | 1,150 | 27,667 | 8,492 | 17,607 | 205,362 | 314,105 |
| **Deferred Inflows of Resources** | 27,484 | 5,272 | | | | 189,527 | | | 222,283 |
| **Fund Balances:** | | | | | | | | | |
| Nonspendable | 5,504 | | 635 | | | | | 4,081 | 10,220 |
| Restricted | 1,032 | 46,808 | | 17,557 | 225,437 | 6,085 | 266,475 | 291,295 | 854,689 |
| Committed | 46,882 | | | | | | | 101,183 | 148,065 |
| Assigned | 523 | | | | | | | 24,367 | 24,890 |
| Unassigned | 164,654 | | (635) | | | | | (4,177) | 159,842 |
| **Total Fund Balances** | 218,595 | 46,808 | | 17,557 | 225,437 | 6,085 | 266,475 | 416,749 | 1,197,706 |
| **Total Liabilities, Deferred Inflows and Fund Balances** | $ 282,802 | $ 52,080 | $ 17,104 | $ 18,707 | $ 253,104 | $ 204,104 | $ 284,082 | $ 622,111 | $ 1,734,094 |

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, 2014
(In Thousands)

Amounts reported for governmental activities in the Statement of Net Position are different because:

| | | |
|---|---|---|
| **Fund Balances - Total Governmental Funds** | | $ 1,197,706 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | |
| **Governmental Capital Assets:** | | |
| Land | 1,404,226 | |
| Other Non-Depreciable Assets | 2,844 | |
| Construction In Progress | 422,488 | |
| Non-Depreciable Intangible Assets | 123,169 | |
| Depreciable Intangible Assets | 3,855 | |
| Buildings | 919,960 | |
| Improvements | 694,891 | |
| Infrastructure | 2,780,934 | |
| Machinery and Equipment | 292,991 | |
| Less: Accumulated Depreciation | (2,582,209) | |
| **Total Governmental Capital Assets** | | 4,063,149 |
| Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore, are not reported in the governmental funds as revenues, but as unearned revenues. | | |
| Revenues previously recorded as unavailable revenue in the fund financial statements | | 222,428 |
| 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. | | 103,008 |
| Deferred outflows of resources | | 20,001 |
| Long-term liabilities are not due and payable in the current year, therefore are not reported in the governmental funds. | | |
| Governmental Bonds Payable | (2,381,664) | |
| Unamortized Discount/(Premium) on Bonds, Net | (107,224) | |
| Capital Lease Liability | (8,916) | |
| Notes Payable | (41,320) | |
| Net OPEB Pension Obligation | (171,649) | |
| Accrued Interest Payable | (15,796) | |
| Pollution Remediation Payable | (1,496) | |
| Accrued Leave Payable | (207,045) | |
| Other Payable | (498) | |
| | | (2,935,608) |
| **Net Position of Governmental Activities** | | $ 2,670,684 |

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, 2014
(In Thousands)

MAJOR FUNDS

| | GENERAL | DEBT SERVICE | CATEGORICAL GRANT IN-AID | PRE-K 4 SA | TEXAS PUBLIC FACILITIES CORP. |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Taxes: | | | | | |
| Property | $ 258,268 | $ 154,468 | $ - | $ - | $ - |
| General Sales and Use | 247,862 | | | | |
| Selective Sales and Use | 7,554 | | | | |
| Gross Receipts Business | 31,764 | | | | |
| Occupancy | | | | | |
| Penalties and Interest on Delinquent Taxes | 2,130 | 1,272 | | | |
| Licenses and Permits | 7,396 | | | | |
| Intergovernmental | 8,301 | | 181,232 | 1,785 | |
| Revenues from Utilities | 348,480 | | | | |
| Charges for Services | 56,796 | | | | |
| Fines and Forfeits | 13,204 | | | | |
| Miscellaneous | 12,254 | 3,556 | 398 | 267 | |
| Investment Earnings | 627 | 35 | 3 | 33 | 28 |
| Contributions | | | 13,015 | | |
| **Total Revenues** | 994,636 | 159,331 | 194,648 | 2,085 | 28 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| General Government | 65,818 | 674 | 188 | | 1 |
| Public Safety | 663,164 | | 12,003 | | |
| Public Works | 52,078 | | 76,451 | | |
| Health Services | 22,472 | | 17,536 | | |
| Sanitation | | | 127 | | |
| Welfare | 31,505 | | 80,636 | | |
| Culture and Recreation | 83,523 | | 687 | | |
| Convention and Tourism | 669 | | | | |
| Urban Redevelopment and Housing | 14,823 | | 1,500 | | |
| Education | | | | 21,491 | |
| Economic Development and Opportunity | 12,947 | | | | |
| Capital Outlay | | | | | |
| Debt Service: | | | | | |
| Principal Retirement | 11,305 | 110,340 | | | |
| Interest | 399 | 69,294 | | | 21,208 |
| Issuance Costs | | 416 | | | |
| **Total Expenditures** | 958,703 | 180,724 | 189,128 | 21,491 | 21,209 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 35,933 | (21,393) | 5,520 | (19,406) | (21,181) |
| **Other Financing Sources (Uses):** | | | | | |
| Issuance of Long-Term Debt | | | | | |
| Refunding Debt Issued | | 67,050 | | | |
| Payments to Refunded Bond Escrow Agent | | (76,531) | | | |
| Premium/(Discount) on Long-Term Debt | | 9,696 | | | |
| Transfers In | 27,699 | 14,006 | 8,301 | 30,488 | 21,208 |
| Transfers Out | (30,201) | | (13,821) | | (73,469) |
| **Total Other Financing Sources (Uses)** | (2,502) | 14,221 | (5,520) | 30,488 | (52,261) |
| **Net Change in Fund Balances** | 33,431 | (7,172) | | 11,082 | (73,442) |
| Fund Balances October 1 (restated) | 185,164 | 53,980 | | 6,475 | 298,879 |
| **Fund Balances September 30** | $ 218,595 | $ 46,808 | $ - | $ 17,557 | $ 225,437 |

| | CONVENTION CENTER HOTEL FINANCE CORP. | 2012 GENERAL OBLIGATION BONDS | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes: | | | | |
| Property | $ - | $ - | $ 12,680 | $ 425,416 |
| General Sales and Use | | | 76,750 | 324,612 |
| Selective Sales and Use | | | | 7,554 |
| Gross Receipts Business | | | 3,020 | 34,784 |
| Occupancy | | | 77,064 | 77,064 |
| Penalties and Interest on Delinquent Taxes | | | 155 | 3,557 |
| Licenses and Permits | | | | 7,396 |
| Intergovernmental | | | 49,529 | 240,847 |
| Revenues from Utilities | | | | 348,480 |
| Charges for Services | | | 97,199 | 153,995 |
| Fines and Forfeits | | | 393 | 13,597 |
| Miscellaneous | | | 34,480 | 50,955 |
| Investment Earnings | 1 | 654 | 2,124 | 3,505 |
| Contributions | 12,909 | | 4,655 | 30,579 |
| **Total Revenues** | 12,910 | 654 | 358,049 | 1,722,341 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General Government | | 142 | 8,079 | 74,902 |
| Public Safety | | | 13,820 | 688,987 |
| Public Works | | | 36,239 | 164,768 |
| Health Services | | | 12,491 | 52,499 |
| Sanitation | | | 6,923 | 7,050 |
| Welfare | | | 933 | 113,074 |
| Culture and Recreation | | | 58,327 | 142,537 |
| Convention and Tourism | | | 20,300 | 20,969 |
| Urban Redevelopment and Housing | | | 8,928 | 25,251 |
| Education | | | 13,259 | 34,750 |
| Economic Development and Opportunity | | | 12,577 | 25,524 |
| Capital Outlay | | | 379,309 | 379,309 |
| Debt Service: | | | | |
| Principal Retirement | 2,895 | | 5,872 | 130,412 |
| Interest | 9,993 | | 4,523 | 105,417 |
| Issuance Costs | | 1,117 | 329 | 1,862 |
| **Total Expenditures** | 12,888 | 1,259 | 581,909 | 1,967,311 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 22 | (605) | (223,860) | (244,970) |
| **Other Financing Sources (Uses):** | | | | |
| Issuance of Long-Term Debt | | 159,980 | 63,575 | 223,555 |
| Refunding Debt Issued | | | | 67,050 |
| Payments to Refunded Bond Escrow Agent | | | | (76,531) |
| Premium/(Discount) on Long-Term Debt | | 21,450 | 309 | 31,455 |
| Transfers In | | | 426,551 | 528,253 |
| Transfers Out | | (87,484) | (327,409) | (532,384) |
| **Total Other Financing Sources (Uses)** | | 93,946 | 163,026 | 241,398 |
| **Net Change in Fund Balances** | 22 | 93,341 | (60,834) | (3,572) |
| Fund Balances October 1 (restated) | 6,063 | 173,134 | 477,583 | 1,201,278 |
| **Fund Balances September 30** | $ 6,085 | $ 266,475 | $ 416,749 | $ 1,197,706 |

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, 2014**

(In Thousands)

Amounts reported for governmental activities in the Statement of Activities are different because:

| | | |
|---|---|---|
| **Net change in Fund Balances - Total Governmental Funds** | | $ (3,572) |
| 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 | 380,719 | |
| Pollution Remediation Capitalization | 1,333 | |
| Donated Capital Assets | 614 | |
| Less: Current Year Depreciation | (141,808) | |
| Less: Current Year Deletions | (64,407) | |
| | | 176,451 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund financial statements. | | 14,527 |
| 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 and Loan Amounts Issued | (290,605) | |
| (Premium)/Discount on Long-term Debt | (31,455) | |
| Payments to Escrow Agent | 76,531 | |
| Amortization of Bond Premiums/Discounts and Deferred Charges, Net | 13,395 | |
| Principal Payments | 130,412 | |
| | | (101,722) |
| 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 | (1,290) | |
| Accrued Leave Payable | (8,083) | |
| Net OPEB Obligation | (22,576) | |
| Pollution Remediation | 22 | |
| Principal Amounts on Leases and Notes | 479 | |
| Other Expenses | (47) | |
| | | (31,495) |
| 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. | | (4,010) |
| **Change in Net Position of Governmental Activities** | | $ 50,179 |

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





## Statement of Net Position Proprietary Funds

**As of September 30, 2014**

(In Thousands)

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | GOVERNMENTAL ACTIVITIES |
|---|---|---|---|---|
| | AIRPORT SYSTEM | NONMAJOR ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **Assets:** | | | | |
| **Current Assets:** | | | | |
| **Unrestricted Assets:** | | | | |
| Cash and Cash Equivalents | $ 3,000 | $ 3,123 | $ 6,123 | $ 11,232 |
| Investments | 33,505 | 29,619 | 63,124 | 125,846 |
| Receivables, Net | 2,840 | 8,354 | 11,194 | 368 |
| Materials and Supplies, at Cost | 748 | 30 | 778 | 1,598 |
| Deposits | | | | 138 |
| Prepaid Expenses | 7 | | 7 | 668 |
| Due From Other Funds | | 1 | 1 | 943 |
| Due From Other Governmental Agencies, Net | 58 | | 58 | 1,802 |
| **Total Unrestricted Assets** | 40,158 | 41,127 | 81,285 | 142,595 |
| **Restricted Assets:** | | | | |
| Debt Service Accounts: | | | | |
| Cash and Cash Equivalents | 7,699 | 435 | 8,134 | |
| Investments | 13,942 | 4,880 | 18,822 | |
| Receivables, Net | | 9 | 9 | |
| Construction Accounts: | | | | |
| Cash and Cash Equivalents | 1,356 | 2,681 | 4,037 | |
| Investments | 15,390 | 25 | 15,415 | |
| Prepaid Expenses | 489 | | 489 | |
| Receivables, Net | 54 | 2 | 56 | |
| Improvement and Contingency Accounts: | | | | |
| Cash and Cash Equivalents | 6,700 | 543 | 7,243 | |
| Investments | 74,763 | 6,160 | 80,923 | |
| Receivables, Net | 1,340 | 18 | 1,358 | |
| **Total Restricted Assets** | 121,733 | 14,753 | 136,486 | |
| **Total Current Assets** | 161,891 | 55,880 | 217,771 | 142,595 |
| **Noncurrent Assets:** | | | | |
| **Capital Assets:** | | | | |
| Land | 5,322 | 9,277 | 14,599 | |
| Buildings | 365,136 | 31,080 | 396,216 | 179 |
| Improvements | 435,700 | 22,454 | 458,154 | 244 |
| Machinery and Equipment | 14,091 | 34,801 | 48,892 | 170,637 |
| Depreciable Intangible | | | | 250 |
| Construction in Progress | 58,463 | 4,210 | 62,673 | |
| **Total Capital Assets** | 878,712 | 101,822 | 980,534 | 171,310 |
| Less: Accumulated Depreciation | 285,007 | 39,836 | 324,843 | 98,043 |
| **Net Capital Assets** | 593,705 | 61,986 | 655,691 | 73,267 |
| **Total Noncurrent Assets** | 593,705 | 61,986 | 655,691 | 73,267 |
| **Total Assets** | 755,596 | 117,866 | 873,462 | 215,862 |
| **Total Deferred Outflows of Resources** | 3,673 | 1,392 | 5,065 | |

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

## Statement of Net Position
## Proprietary Funds
### As of September 30, 2014
(In Thousands)

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | GOVERNMENTAL ACTIVITIES |
|---|---|---|---|---|
| | AIRPORT SYSTEM | NONMAJOR ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **Liabilities:** | | | | |
| **Current Liabilities:** | | | | |
| **Payable from Current Unrestricted Assets:** | | | | |
| Vouchers Payable | $ 1,364 | $ 1,590 | $ 2,954 | $ 5,157 |
| Accounts Payable-Other | 576 | 1,777 | 2,353 | 3,619 |
| Claims Payable | | | | 26,848 |
| Accrued Payroll | 605 | 1,195 | 1,800 | 1,291 |
| Accrued Interest | 16 | 54 | 70 | |
| Current Portion of Accrued Leave Payable | 1,850 | 2,220 | 4,070 | 2,524 |
| Unearned Revenue | 1,655 | 2 | 1,657 | 4 |
| Current Portion of Capital Lease Liability | 182 | 4,612 | 4,794 | |
| Current Portion of Landfill Postclosure Costs | | 103 | 103 | |
| Due To Other Funds | 8 | 167 | 175 | 12,310 |
| **Total Payable from Current Unrestricted Assets** | 6,256 | 11,720 | 17,976 | 51,753 |
| **Payable from Restricted Assets:** | | | | |
| Vouchers Payable | 6,385 | 363 | 6,748 | |
| Accrued Interest | 4,173 | 142 | 4,315 | |
| Current Portion of Bonds and Certificates (net of premium/discount) | 18,009 | 1,178 | 19,187 | |
| Other Payables | | 541 | 541 | |
| **Total Payable from Restricted Assets** | 28,567 | 2,224 | 30,791 | |
| **Total Current Liabilities** | 34,823 | 13,944 | 48,767 | 51,753 |
| **Noncurrent Liabilities:** | | | | |
| Bonds and Certificates (net of current portion & premium/discount) | 332,626 | 13,914 | 346,540 | |
| Claims Payable | | | | 42,854 |
| Accrued Leave Payable (net of current portion) | 589 | 231 | 820 | 447 |
| Capital Lease Liability (net of current portion) | 2,559 | 9,118 | 11,677 | |
| Net OPEB and Pension Obligation | 12,760 | 25,624 | 38,384 | 24,134 |
| Pollution Remediation | 1,274 | | 1,274 | |
| Landfill Postclosure Costs (net of current portion) | | 1,058 | 1,058 | |
| **Total Noncurrent Liabilities** | 349,808 | 49,945 | 399,753 | 67,435 |
| **Total Liabilities** | 384,631 | 63,889 | 448,520 | 119,188 |
| **Net Position:** | | | | |
| Net Investment in Capital Assets | 260,748 | 40,043 | 300,791 | 73,267 |
| Restricted: | | | | |
| Debt Service | 17,534 | 5,182 | 22,716 | |
| Capital Projects | 78,096 | 1,578 | 79,674 | |
| Unrestricted | 18,260 | 8,566 | 26,826 | 23,407 |
| **Total Net Position** | $ 374,638 | $ 55,369 | $ 430,007 | $ 96,674 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | (6,334) | |
| **Net position of business-type activities** | | | $ 423,673 | |

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, 2014
(In Thousands)

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | GOVERNMENTAL ACTIVITIES |
|---|---|---|---|---|
| | AIRPORT SYSTEM | NONMAJOR ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **Operating Revenues:** | | | | |
| Charges for Services | $ 84,410 | $ 135,052 | $ 219,462 | $ 293,941 |
| **Total Operating Revenues** | 84,410 | 135,052 | 219,462 | 293,941 |
| **Operating Expenses:** | | | | |
| Personal Services | 30,882 | 56,684 | 87,566 | 63,972 |
| Contractual Services | 8,559 | 31,986 | 40,545 | 37,650 |
| Commodities | 2,161 | 7,220 | 9,381 | 2,158 |
| Materials | | | | 31,151 |
| Claims | | | | 127,104 |
| Other | 7,918 | 28,415 | 36,333 | 20,407 |
| Depreciation | 26,864 | 6,305 | 33,169 | 24,025 |
| **Total Operating Expenses** | 76,384 | 130,610 | 206,994 | 306,467 |
| **Operating Income (Loss)** | 8,026 | 4,442 | 12,468 | (12,526) |
| **Nonoperating Revenues (Expenses):** | | | | |
| Investment Earnings | 560 | 204 | 764 | 563 |
| Other Nonoperating Revenue | 498 | 4,363 | 4,861 | 1,293 |
| Gain (Loss) on Sale of Capital Assets | (554) | (947) | (1,501) | 265 |
| Interest and Debt Expense | (16,208) | (1,545) | (17,753) | |
| Other Nonoperating Expense | (12,147) | (2,383) | (14,530) | (112) |
| **Total Nonoperating Revenues (Expenses)** | (27,851) | (308) | (28,159) | 2,009 |
| **Change in Net Position Before Capital Contributions and Transfers** | (19,825) | 4,134 | (15,691) | (10,517) |
| Capital Contributions | 44,188 | 18 | 44,206 | |
| **Transfers In (Out):** | | | | |
| Transfers In | | 6,046 | 6,046 | 9,731 |
| Transfers Out | (227) | (10,371) | (10,598) | (4,030) |
| **Total Transfers In (Out)** | (227) | (4,325) | (4,552) | 5,701 |
| **Change In Net Position** | 24,136 | (173) | 23,963 | (4,816) |
| Net Position - October 1 (restated) | 350,502 | 55,542 | | 101,490 |
| **Net Position - September 30** | $ 374,638 | $ 55,369 | | $ 96,674 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | (806) | |
| **Change in Net Position of Business-Type Activities** | | | $ 23,157 | |

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

## Statement of Cash Flows
## Proprietary Funds
### Year-Ended September 30, 2014
(In Thousands)

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | | GOVERNMENTAL ACTIVITIES |
|---|---|---|---|---|
| | AIRPORT SYSTEM | NONMAJOR ENTERPRISE FUNDS | TOTALS | INTERNAL SERVICE FUNDS |
| **Cash Flows from Operating Activities:** | | | | |
| Cash Received from Customers | $ 85,699 | $ 134,633 | $ 220,332 | $ 293,210 |
| Cash Payments to Suppliers for Goods and Services | (19,070) | (68,267) | (87,337) | (213,317) |
| Cash Payments to Employees for Service | (28,739) | (52,939) | (81,678) | (60,740) |
| Cash Received from Other Nonoperating Revenues | 231 | 2,573 | 2,804 | 1,293 |
| **Net Cash Provided by Operating Activities** | 38,121 | 16,000 | 54,121 | 20,446 |
| **Cash Flows from Noncapital Financing Activities:** | | | | |
| Transfers In from Other Funds | | 6,046 | 6,046 | 9,731 |
| Transfers Out to Other Funds | (227) | (10,371) | (10,598) | (4,030) |
| Due to Other Funds | (1,731) | (3,286) | (5,017) | 11,682 |
| Due from Other Funds | 1,769 | 251 | 2,020 | 268 |
| Cash Received from Other Noncapital Financing Activities | 267 | 1,790 | 2,057 | |
| **Net Cash Provided by (Used for) Noncapital Financing Activities** | 78 | (5,570) | (5,492) | 17,651 |
| **Cash Flows from Capital and Related Financing Activities:** | | | | |
| Contributed Capital | 44,188 | | 44,188 | |
| Acquisitions and Construction of Capital Assets | (51,227) | (3,268) | (54,495) | (34,809) |
| Principal Payments on Long-Term Debt | (19,249) | (1,311) | (20,560) | |
| Interest and Fees Paid on Long-Term Debt | (16,468) | (1,234) | (17,702) | |
| Interest Paid on Notes and Leases | (100) | (331) | (431) | |
| Principal Payments on Notes and Leases | (177) | (3,927) | (4,104) | |
| Proceeds from Sale of Assets | | | | 3,468 |
| **Net Cash (Used for) Capital and Related Financing Activities** | (43,033) | (10,071) | (53,104) | (31,341) |
| **Cash Flows from Investing Activities:** | | | | |
| Purchases of Investment Securities | (180,363) | (43,465) | (223,828) | (134,447) |
| Maturity of Investment Securities | 181,804 | 44,596 | 226,400 | 125,392 |
| Purchases of Investments for Securities Lending | 3,216 | 1,079 | 4,295 | 3,081 |
| Proceeds from Cash Collected for Securities Lending Cash Collateral | (3,216) | (1,079) | (4,295) | (3,081) |
| Investments Earnings | 543 | 200 | 743 | 450 |
| **Net Cash Provided by (Used for) Investing Activities** | 1,984 | 1,331 | 3,315 | (8,605) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (2,850) | 1,690 | (1,160) | (1,849) |
| Cash and Cash Equivalents, October 1 | 21,605 | 5,092 | 26,697 | 13,081 |
| **Cash and Cash Equivalents, September 30** | $ 18,755 | $ 6,782 | $ 25,537 | $ 11,232 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:** | | | | |
| Operating Income (Loss) | $ 8,026 | $ 4,442 | $ 12,468 | $ (12,526) |
| **Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:** | | | | |
| Depreciation | 26,864 | 6,305 | 33,169 | 24,025 |
| Other Nonoperating Revenues | 231 | 2,573 | 2,804 | 1,293 |
| **Changes in Assets and Liabilities:** | | | | |
| (Increase) in Accounts Receivable | (384) | (421) | (805) | (50) |
| (Increase) Decrease in Due from Other Governmental Agencies | 18 | (2) | 16 | (678) |
| Decrease in Materials and Supplies | 50 | 24 | 74 | 261 |
| (Increase) Decrease in Prepaid Expenses | (493) | | (493) | 209 |
| Increase in Vouchers Payable | 54 | 425 | 479 | 326 |
| Increase in Claims Payable | | | | 3,378 |
| Increase (Decrease) in Accounts Payable - Other | (277) | (439) | (716) | 979 |
| Increase in Accrued Payroll | 63 | 225 | 288 | 158 |
| Increase (Decrease) in Accrued Leave Payable | 169 | (104) | 65 | (92) |
| (Decrease) in Landfill Postclosure Liability | | (726) | (726) | |
| Increase in Net OPEB and Pension Obligation | 1,911 | 3,696 | 5,607 | 3,166 |
| Increase in Pollution Remediation Liability | 234 | | 234 | |
| Increase (Decrease) in Unearned Revenue | 1,655 | 2 | 1,657 | (3) |
| **Net Cash Provided by Operating Activities** | $ 38,121 | $ 16,000 | $ 54,121 | $ 20,446 |
| **Noncash Investing, Capital and Financing Activities** | | | | |
| Acquisitions and Construction of Capital Assets from Debt Proceeds and Leases | $ - | $ 4,470 | $ 4,470 | $ - |
| Contributed Capital | | 18 | 18 | |

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





## Statement of Fiduciary Net Position/Balance Sheet
## Fiduciary Funds
### As of September 30, 2014
(In Thousands)

| | FIRE AND POLICE PENSION AND HEALTH CARE FUNDS | PRIVATE PURPOSE TRUST FUND - SAN ANTONIO LITERACY PROGRAM | AGENCY FUNDS |
|---|---|---|---|
| **Assets:** | | | |
| **Current Assets:** | | | |
| Cash and Cash Equivalents | $ 170,512 | $ 24 | $ 9,891 |
| Security Lending Collateral | 111,942 | | |
| Investments: | | | |
| Common Stock | 1,041,509 | | |
| U.S. Government Securities | 73,228 | | 4,282 |
| Corporate Bonds | 443,295 | | |
| Mutual Funds | 76,069 | | |
| Hedge Funds | 401,284 | | |
| Real Estate | 300,629 | | |
| Alternative | 487,346 | | |
| Receivables: | | | |
| Accounts | 4,626 | | 19 |
| Accrued Interest | 10,204 | | 5 |
| Prepaid Expenses | 24 | | |
| **Total Current Assets** | 3,120,668 | 24 | 14,197 |
| **Capital Assets:** | | | |
| Machinery and Equipment | 426 | | |
| Buildings | 654 | | |
| **Total Capital Assets** | 1,080 | | |
| Less: Accumulated Depreciation | 346 | | |
| **Net Capital Assets** | 734 | | |
| **Total Assets** | $ 3,121,402 | $ 24 | $ 14,197 |
| **Liabilities:** | | | |
| Vouchers Payable | $ 4,777 | $ - | $ - |
| Accounts Payable - Other | 17,919 | | 14,197 |
| Claims Payable | 3,019 | | |
| Accrued Payroll | 282 | | |
| Securities Lending Obligation | 111,942 | | |
| **Total Liabilities** | 137,939 | | $ 14,197 |
| **Net Position:** | | | |
| Net Position Held in Trust for Pension, OPEB Benefits and Other Purposes | $ 2,983,463 | $ 24 | |

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, 2014
(In Thousands)

| | FIRE AND POLICE PENSION AND HEALTH CARE FUNDS | PRIVATE PURPOSE TRUST FUND - SAN ANTONIO LITERACY PROGRAM |
|---|---|---|
| **Additions:** | | |
| **Contributions:** | | |
| Employer | $ 102,489 | $ - |
| Employee | 51,239 | |
| Other Contributions | 1,165 | |
| **Total Contributions** | 154,893 | |
| **Investment Earnings:** | | |
| Net Increase in Fair Value of Investments | 207,115 | |
| Real Estate Income, Net | 9,332 | |
| Interest and Dividends | 44,166 | |
| Securities Lending | 412 | |
| Other Income | 78 | |
| **Total Investment Earnings** | 261,103 | |
| Less: Investment Expenses | | |
| Investment Management Fees and Custodian Fees | (14,045) | |
| Less: Securities Lending Expenses | | |
| Borrower Rebates and Lending Fees | (14) | |
| **Net Investment Earnings** | 247,044 | |
| **Total Additions** | 401,937 | |
| **Deductions:** | | |
| Benefits | 147,914 | |
| Refunds of Contributions | 362 | |
| Administrative Expense | 4,949 | |
| **Total Deductions** | 153,225 | |
| **Change in Net Position** | 248,712 | |
| Net Position - October 1 | 2,734,751 | 24 |
| **Net Position - September 30** | $ 2,983,463 | $ 24 |

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





## Statement of Net Position
## Discretely Presented Component Units
### As of September 30, 2014
(In Thousands)

| | CPS ENERGY | SAN ANTONIO WATER SYSTEM | NONMAJOR COMPONENT UNITS | TOTAL |
|---|---|---|---|---|
| **Assets:** | | | | |
| **Current Assets:** | | | | |
| **Unrestricted Assets:** | | | | |
| Cash and Cash Equivalents | $ 287,833 | $ 131,763 | $ 82,818 | $ 502,414 |
| Investments | 61,797 | 55,454 | | 117,251 |
| Receivables, Net | 298,048 | 60,965 | 14,487 | 373,500 |
| Materials and Supplies, at Cost | 172,344 | 6,136 | 44 | 178,524 |
| Due from Other Governmental Agencies | | | 1,552 | 1,552 |
| Prepaid Expenses | 78,139 | 2,708 | 33,371 | 114,218 |
| Other Assets | | | 360 | 360 |
| **Total Unrestricted Assets** | 898,161 | 257,026 | 132,632 | 1,287,819 |
| **Restricted Assets:** | | | | |
| Debt Service Accounts: | | | | |
| Cash and Cash Equivalents | 1,248 | 1 | 19,095 | 20,344 |
| Investments | | 53,566 | 9,702 | 63,268 |
| Receivables - Accrued Interest | | | 85 | 85 |
| Capital Projects Accounts: | | | | |
| Cash and Cash Equivalents | 67,786 | 138,134 | | 205,920 |
| Investments | 158,393 | 53,416 | | 211,809 |
| Receivables - Accrued Interest | 27 | | | 27 |
| Ordinance Accounts: | | | | |
| Cash and Cash Equivalents | 118,847 | | | 118,847 |
| Investments | 345,304 | | | 345,304 |
| Receivables - Accrued Interest | 1,733 | | | 1,733 |
| Other Restricted Accounts: | | | | |
| Cash and Cash Equivalents | 23,822 | 15 | 8,150 | 31,987 |
| Securities Lending Collateral | 8,106 | | | 8,106 |
| Investments | 469,739 | 257,134 | | 726,873 |
| Receivables | 11,309 | | 65,683 | 76,992 |
| **Total Restricted Assets** | 1,206,314 | 502,266 | 102,715 | 1,811,295 |
| **Total Current Assets** | 2,104,475 | 759,292 | 235,347 | 3,099,114 |
| **Noncurrent Assets:** | | | | |
| **Capital Assets:** | | | | |
| Land | 157,912 | 85,813 | 50,204 | 293,929 |
| Depreciable Intangible Assets | | 1,347 | | 1,347 |
| Infrastructure | | | 71,602 | 71,602 |
| Buildings | | | 238,507 | 238,507 |
| Utility Plant in Service | 11,468,358 | 4,408,337 | 380,315 | 16,257,010 |
| Machinery and Equipment | 248,447 | 190,997 | 23,298 | 462,742 |
| Construction in Progress | 668,985 | 506,829 | 24,810 | 1,200,624 |
| Water Rights and Other Non-Depreciable Intangible Assets | | 243,106 | | 243,106 |
| Nuclear Fuel | 791,074 | | | 791,074 |
| **Total Capital Assets** | 13,334,776 | 5,436,429 | 788,736 | 19,559,941 |
| Less: Accumulated Depreciation | 5,517,496 | 1,472,429 | 263,016 | 7,252,941 |
| Assets Held for Resale | | | 2,247 | 2,247 |
| **Net Capital Assets** | 7,817,280 | 3,964,000 | 527,967 | 12,309,247 |
| **Other Noncurrent Assets:** | | | | |
| Receivables | | 6,189 | 8,903 | 15,092 |
| Prepaid Expenses | 338,075 | | 307,916 | 645,991 |
| Other Noncurrent Assets | 198,668 | | 2,590 | 201,258 |
| **Total Noncurrent Assets** | 8,354,023 | 3,970,189 | 847,376 | 13,171,588 |
| **Total Assets** | 10,458,498 | 4,729,481 | 1,082,723 | 16,270,702 |
| **Deferred Outflows of Resources** | 80,749 | 39,315 | 7,897 | 127,961 |

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

## Statement of Net Position
## Discretely Presented Component Units
### As of September 30, 2014
(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 | $ 362,161 | $ 45,760 | $ 15,066 | $ 422,987 |
| Unearned Revenues | 22,561 | | 6,430 | 28,991 |
| Due to Other Governmental Agencies | | | 3 | 3 |
| Current Portion of Long-term Lease/Notes Payable | | | 3,738 | 3,738 |
| Current Portion of Other Payables | 27,855 | 7,310 | 160 | 35,325 |
| **Total Payable from Current Unrestricted Assets** | 412,577 | 53,070 | 25,397 | 491,044 |
| **Payable from Restricted Assets:** | | | | |
| Accounts Payable and Other Current Liabilities | | 37,061 | | 37,061 |
| Accrued Bond and Certificate Interest | | 13,857 | 12,742 | 26,599 |
| Securities Lending Obligation | 8,106 | | | 8,106 |
| Current Portion of Bonds and Certificates | 182,235 | 57,850 | 34,707 | 274,792 |
| Current Portion of Commercial Paper | | 3,105 | | 3,105 |
| Other Payables | | | 7,680 | 7,680 |
| **Total Payable from Restricted Assets** | 190,341 | 111,873 | 55,129 | 357,343 |
| **Total Current Liabilities** | 602,918 | 164,943 | 80,526 | 848,387 |
| **Noncurrent Liabilities:** | | | | |
| Bonds and Certificates (net of current portion & premium/discount) | 5,185,213 | 2,290,984 | 668,671 | 8,144,868 |
| Commercial Paper (net of current portion) | 360,000 | 183,550 | | 543,550 |
| Long-Term Lease/Notes Payable (net of current portion) | | | 39,033 | 39,033 |
| Lease/Leaseback (net of current portion) | 385,409 | | | 385,409 |
| Net Pension and OPEB Obligation | | 91,094 | | 91,094 |
| Other Payables (net of current pPortion) | 615,582 | 14,158 | 6,429 | 636,169 |
| **Total Noncurrent Liabilities** | 6,546,204 | 2,579,786 | 714,133 | 9,840,123 |
| **Total Liabilities** | 7,149,122 | 2,744,729 | 794,659 | 10,688,510 |
| **Deferred Inflows of Resources** | 6,500 | | | 6,500 |
| **Net Position:** | | | | |
| Net Investment in Capital Assets | 2,091,074 | 1,762,856 | 223,010 | 4,076,940 |
| Restricted for: | | | | |
| Debt Service | 769 | 39,710 | 10,146 | 50,625 |
| Capital Projects | 699,720 | 103,216 | 10,630 | 813,566 |
| Operating and Other Reserves | | | 1,501 | 1,501 |
| Unrestricted | 592,062 | 118,285 | 50,674 | 761,021 |
| **Total Net Position** | $ 3,383,625 | $ 2,024,067 | $ 295,961 | $ 5,703,653 |

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

## Statement of Activities
## Discretely Presented Component Units
### Year-Ended September 30, 2014
(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** | $ 2,492,227 | $ 2,424,071 | $ - | $ 40,116 | $ (28,040) | $ - | $ - | $ (28,040) |
| **San Antonio Water System** | 449,460 | 462,339 | | 70,725 | | 83,604 | | 83,604 |
| **Nonmajor Component Units** | 163,714 | 158,984 | 7,938 | 750 | | | 3,958 | 3,958 |
| **Total** | $ 3,105,401 | $ 3,045,394 | $ 7,938 | $ 111,591 | (28,040) | 83,604 | 3,958 | 59,522 |

| | CPS ENERGY | SAN ANTONIO WATER SYSTEM | NONMAJOR COMPONENT UNITS | TOTALS |
|---|---|---|---|---|
| **General Revenues:** | | | | |
| Investment Earnings | 47,787 | 5,410 | 2,068 | 55,265 |
| Miscellaneous | | 1,075 | 11,660 | 12,735 |
| Special Items | 3,371 | | | 3,371 |
| Adjustment for STP Pension Cost | 39,063 | | | 39,063 |
| **Total General Revenues and Special Items** | 90,221 | 6,485 | 13,728 | 110,434 |
| **Change in Net Position** | 62,181 | 90,089 | 17,686 | 169,956 |
| Net Position - Beginning of Fiscal Year (restated) | 3,321,444 | 1,933,978 | 278,275 | 5,533,697 |
| **Net Position - End of Fiscal Year** | $ 3,383,625 | $ 2,024,067 | $ 295,961 | $ 5,703,653 |

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

## Comprehensive Annual Financial Report
## Notes to Financial Statements
### Year-Ended September 30, 2014

## 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. 61, *The Financial Reporting Entity: Omnibus — an amendment of GASB Statements No. 14 and No. 34*. The underlying concept of the financial reporting entity 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), and (c) component units, 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. 61 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.

The following criteria (as set forth in GASB Statement No. 61) 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. 39 and 61. For a more detailed explanation of the criteria established by the Statements, the reader is referred to the *Codification of Governmental Accounting and Financial Reporting Standards*, as of June 30, 2014, published by GASB, Section-2600. GASB Statement No. 39 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. 61, for inclusion in the reporting entity and are such that the financial statements are blended with those 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 and the San Antonio Fire and Police Retiree Health Care Fund. These component units are presented in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. Following is a brief description of the City's blended component units:

**Convention Center Hotel Finance Corporation**
P.O. Box 839966
San Antonio, TX 78283-3966
Contact: Margaret Villegas
Telephone No. (210) 207-5734

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 substantially the same as the City's governing board and met the financial benefit/burden criteria.

**HemisFair Park Area Redevelopment Corporation**
c/o City of San Antonio
434 S. Alamo Street
San Antonio, TX 78205
Contact: Omar Gonzalez
Telephone No. (210) 560-5733

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. The HPARC is governed by eleven members appointed by the City Council of San Antonio and it provides services entirely to the City. The City has the ability to impose its will.

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

### Blended Component Units (Continued)

**Municipal Golf Association – San Antonio**
2315 Avenue B
San Antonio, TX 78215
Contact: James E. Roschek
Telephone No. (210) 268-5110

Municipal Golf Association – San Antonio (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 fifteen 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 of San Antonio. MGA-SA provides services entirely on behalf of the City and met the fiscal dependency and financial benefit/burden criteria.

**San Antonio Early Childhood Education Municipal Development Corporation dba Pre-K 4 SA**
P.O. Box 839966
San Antonio, TX 78283-3966
Contact: Kathleen Bruck
Telephone No. (210) 206-2752

The San Antonio Early Childhood Education Municipal Development Corporation dba Pre-K 4 SA 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 run authorized programs for early childhood education services. Pre-K 4 SA is governed by a board of trustees appointed by the City Council of San Antonio. Pre-K 4 SA's debt, including leases, is expected to be repaid almost entirely with the resources of the City, the 1/8 cent sales tax increase approved by San Antonio residents. The City has the ability to impose its will.

**San Antonio Economic Development Corporation**
100 W. Houston St., 19th Floor
San Antonio, TX 78205
Contact: Rene Dominguez
Telephone No. (210) 207-8080

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 of San Antonio. 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. EDC also met the fiscal dependency and financial benefit/burden criteria, and the City has the ability to impose its will.

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

### Blended Component Units (Continued)

**San Antonio Education Facilities Corporation**
100 W. Houston St., 19th Floor
San Antonio, TX 78205
Contact: Rene Dominguez
Telephone No. (210) 207-8080

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 of San Antonio. The City has the ability to impose its will and EFC also meets the financial benefit/burden and operational responsibility criteria.

**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 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 of San Antonio, the Mayor or her appointee, two active police officers, two active firefighters, and two uniformed retirees. The City and Pension Fund participants 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 to the City.

**San Antonio Fire and Police Retiree Health Care 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 post-employment 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 San Antonio Fire and Police Retiree Health Care Fund (Health Fund), was created to provide these post-employment 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 of San Antonio and the Mayor or her appointee. The City, active 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.

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

### Blended Component Units (Continued)

| | |
|---|---|
| **San Antonio Health Facilities Development Corporation**<br>100 W. Houston St., 19th Floor<br>San Antonio, TX 78205<br>Contact: Rene Dominguez<br>Telephone No. (210) 207-8080 | 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 City Council comprises the board of directors that govern HFDC. The City has the ability to impose its will and HFDC also meets the financial benefit/burden and operational responsibility criteria. |
| **San Antonio Industrial Development Authority**<br>100 W. Houston St., 19th Floor<br>San Antonio, TX 78205<br>Contact: Rene Dominguez<br>Telephone No. (210) 207-8080 | 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 of San Antonio. The City has the ability to impose its will and IDA also meets the financial benefit/burden and operational responsibility criteria. |
| **San Antonio Texas Municipal Facilities Corporation**<br>P.O. Box 839966<br>San Antonio, TX 78283-3966<br>Contact: Margaret Villegas<br>Telephone No. (210) 207-5734 | 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 of San Antonio. The City can impose its will and TMFC also meets the operational responsibility criteria. |
| **Starbright Industrial Development Corporation**<br>P.O. Box 839966<br>San Antonio, TX 78283-3966<br>Contact: Margaret Villegas<br>Telephone No. (210) 207-5734 | 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 of San Antonio. The City has the ability to impose its will and SIDC also meets the financial benefit/burden and the operational responsibility criteria. |





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

### Blended Component Units (Continued)

| | |
|---|---|
| **Texas Public Facilities Corporation**<br>P.O. Box 839966<br>San Antonio, TX 78283-3966<br>Contact: Margaret Villegas<br>Telephone No. (210) 207-5734 | 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, to effectuate 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 of San Antonio. The City has the ability to impose its will. TPFC meets the operational responsibility criteria. |
| **Urban Renewal Agency of the City of San Antonio dba Office of Urban Redevelopment of San Antonio**<br>c/o City of San Antonio<br>1400 S. Flores<br>San Antonio, TX 78204<br>Contact: Lori Houston<br>Telephone No. (210) 207-6357 | 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 of San Antonio. 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 of San Antonio. OUR SA provides services entirely to the City and has met the fiscal dependency and financial benefit/burden criteria. |
| **Westside Development Corporation**<br>2300 W. Commerce, Ste 207<br>San Antonio, TX 78207-3839<br>Contact: Martin Herrera<br>Telephone No. (210) 207-3916 | Westside Development Corporation (WDC) 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. WDC seeks to generate new capital investment, create higher paying jobs, and reduce the poverty level in the area. In addition, WDC 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. WDC is governed by a board of directors nominated by a City Council committee and appointed by the City Council of San Antonio. The policy-setting oversight authority consists of 17 members, comprised of representatives of key stakeholders and Westside advocates. WDC provides services entirely to the City. The City has the ability to impose its will. |

The blended component unit with a different fiscal year-end from the City is Pre-K 4 SA with a fiscal year-end of June 30th. The financial data disclosed in the City's financial statements for OUR SA and EDC is as of fiscal year 2013, as the City has not received their fiscal year 2014 audited financial statements.

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.

*Year-Ended September 30, 2014* - 30 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 31 - *Amounts are expressed in thousands*

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

### Discretely Presented Component Units

The relationship among the following component units and the City is such that they meet the criteria, as set forth in GASB Statement No. 61, for inclusion in the reporting entity as discretely presented component units.

**Brooks Development Authority**
3201 Sidney Brooks
Brooks City-Base, TX 78235-5355
Contact: Milo Nitschke
Telephone No. (210) 678-3306

Brooks Development Authority (BDA) 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 eleven-member board of directors appointed by the City Council of San Antonio governs the BDA 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 BDA is through the City Council having the power to remove board members.

**CPS Energy**
P.O. Box 1771
San Antonio, TX 78296-1771
Contact: Gary W. Gold
Telephone No. (210) 353-2523

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 the City Council of San Antonio and has the City's Mayor as an ex-officio member. The user rates for services and charges and the issuance of bonds are approved by the City Council.

**SA Energy Acquisition Public Facility Corporation**
P.O. Box 1771
San Antonio, TX 78296-1771
Contact: Gary W. Gold
Telephone No. (210) 353-2523

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 the City Council of San Antonio for two-year terms. Board members are subject to removal by the City Council for cause, or at will. The issuance of bonds is approved by the City Council.

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## 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 78226-1802
Contact: Maria Booth
Telephone No. (210) 362-7800

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); conducting comprehensive studies of all issues related to the closure, conversion, redevelopment, and future use of Kelly; reviewing all options relative to the most appropriate uses of Kelly and the surrounding area; formulating and adopting a comprehensive plan for the conversion and redevelopment of Kelly and submitting such plan to the appropriate agency or agencies of the federal government; and implementing such plan as it relates to Kelly and the surrounding area. The Port is governed by an eleven-member board of directors, appointed at will by the City Council of San Antonio. The Port is authorized to issue bonds which the City is not obligated in any manner, to finance projects as permitted by state laws.

**San Antonio Water System**
P.O. Box 2449
San Antonio, TX 78298-2449
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 of San Antonio 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 the City Council for four-year staggered terms. The rates for user charges and bond issuance authorizations are approved by the City Council.

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

On November 8, 2011, voters in the Bexar Metropolitan Water District (BexarMet) voted to dissolve the utility and transfer responsibility to SAWS. As authorized by Senate Bill 341 by the Texas Legislature and approved by the City Council of San Antonio, the San Antonio Water System District Special Project (DSP) will operate as a component unit of the City during the transition of BexarMet's operations into SAWS for a period lasting up to five years. The board of trustees includes the City's Mayor as an ex-officio member, along with six members appointed by the City Council for four-year staggered terms. The rates for user charges and bond issuance authorizations are approved by the City Council.

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

### Discretely Presented Component Units (Continued)

**San Antonio Housing Trust Finance Corporation**
P.O. Box 15915
San Antonio, TX 78212
Contact: John Kenny
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 the City Council of San Antonio, and consists of five City Council members.

**San Antonio Housing Trust Reinvestment Corp.**
2515 Blanco Rd
San Antonio, TX 78212
Contact: John Kenny
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 of San Antonio to aid, assist, and act on behalf of the City to promote for the common good and general welfare of reinvestment zones. As HTRC had no activity through September 30, an audit is not deemed necessary in fiscal year 2014.

**San Antonio Housing Trust Foundation, Inc.**
2515 Blanco Rd.
San Antonio, TX 78212
Contact: John Kenny
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 to provide 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 eleven-member board of directors appointed by the City Council of San Antonio.

**San Antonio Housing Trust Public Facility Corporation**
2515 Blanco Rd.
San Antonio, TX 78212
Contact: John Kenny
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 the City Council, and consists of five City Council members.

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.

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





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

### Related Organizations

The City Council of San Antonio appoints members to the board of commissioners for the Housing Authority of the City of San Antonio (SAHA) and a majority of the board of directors for Keep San Antonio Beautiful, Inc. However, the City's accountability for these entities does not extend beyond making appointments to their boards and the coordination and approval of strategic plans for SAHA.

### 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 nonfiduciary 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. 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 inflow and outflow, 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. The net amount of interfund transfers between governmental, proprietary and fiduciary funds is the balance reported in the Statement of Net Position. Discretely Presented Component units are also reported in the Statement of Net Position.

**The Statement of Activities** – Reflects both the gross and net cost format. The net cost (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.

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.

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

### Fund Accounting

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 on 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.

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 Categorical Grant-In-Aid Fund, a special revenue fund, accounts for the receipt and disbursement of all federal and state grants (with non-cash in-kind contributions from external agencies for federal grants), except for Community Development Block Grants, HUD 108 loans, HOME Investment Partnership Grants, Confiscated Property, and the American Recovery and Reinvestment Act Grants.
- The City has designated Pre-K 4 SA as a major fund due to the high-profile nature and fiscal transparency for the program, which was funded by a voter-increased sales tax.
- The Texas Public Facilities Corporation, accounts for the receipt and disbursement of $550,374 in revenue bonds issued to finance the acquisition, construction, and equipping of the Convention Center Expansion Project and refunding of the City's outstanding indebtedness related to the Convention Center.
- The Convention Center Hotel Finance Corporation, a blended component unit, accounts for the receipt and disbursement of resources within the local economy in order to stimulate business and commercial activity in the City. It was created to issue debt for the construction of the Grand Hyatt and to further promote tourism within the City.
- The 2012 General Obligation Bonds Fund, a capital projects fund, accounts for the receipt and disbursement of $596,000 in bond sales for physical infrastructure development and improvement projects approved by a bond election held on May 13, 2012.





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

### Fund Accounting (Continued)

The following is a brief description of the major enterprise fund that is 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), grants and facility charges assessed to users.

#### *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 expenditure 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 compromise 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 and trust funds.

**Permanent Funds** are used to account for and report resources that are restricted to the extent that only earnings, and 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, HUD 108 Loan Program, Community Development Program, American Recovery and Reinvestment Act, Tax Increment Reinvestment Zone, San Antonio Housing Trust, and most Community Services Funds), City Cemeteries, and Pre-K 4 SA.

#### *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.

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

### Fund Accounting (Continued)

***Proprietary Funds (Continued)***

**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 Improvements Management Services (CIMS) are accounted for in these funds.

***Fiduciary Funds***

**Trust and Agency Funds** are used to account for and report assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. These include the Pension Fund and Health Fund, which account for resources for pension and retiree health care benefits for the City's firefighters and police officers. The Private Purpose Trust Fund includes reporting on funds restricted for the City's literacy programs. The Agency Funds account for the City's sales and use tax to be remitted to the State of Texas, various fees for other governmental entities, unclaimed property, and various deposits held. Pension Fund, Health Fund, and the Private Purpose Trust Fund are accounted for in essentially the same manner as proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

### 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 transactions with outside parties 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.





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

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

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

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, license 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 only current assets and current liabilities are generally 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, investment earnings, and charges for services are recorded on the modified accrual basis of accounting, and therefore, are considered 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 and delinquent property taxes 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.

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, post-employment obligations, and pollution remediation are recorded only when the liability is matured.

The reported fund balance (net current assets) 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 net current assets. 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 net current assets. Such amounts are generally offset by fund balance nonspendable accounts.

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

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

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

Proprietary, Pension, Private Purpose Trust, Health Funds, and governmental and business-type activities are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses 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 inflow and outflow associated with their activity, are included in their balance sheets. 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 Fund 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 Fund. 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. Revenues and expenses not fitting the above definitions are considered nonoperating.

***CPS Energy***

CPS Energy's operating revenue includes receipts from energy sales, ancillary services and miscellaneous revenue related to the operation of electric and gas systems.

CPS Energy 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 has used historical information from the relative prior fiscal years as partial bases to estimate and record earned revenue not yet billed. This process has involved 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, 2014, including estimates for electric fuel and gas costs, was $55,514.

CPS Energy's electric fuel cost adjustment clause also permits recovery of regulatory assessments. Specifically, beginning in March 2000, CPS Energy began recovering 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 2014 were $72,480.





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

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

***CPS Energy (Continued)***

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.

Nonoperating revenue consists primarily of investment income, including fair market value adjustments, and grant programs. The amortization of net gains from the lease/leaseback of J.K. Spruce Unit 1 is also included. Certain miscellaneous income amounts from renting general property and providing various services are also recorded as nonoperating revenue when they are not directly identified with the electric or gas systems. These amounts for fiscal year 2014 were recorded net of expenses.

CPS Energy accounts for decommissioning by recognizing a liability and expense for a pro rata share of projected decommissioning costs as determined by the most recent cost study. A new cost study is performed every five years, and in years subsequent to the latest study, estimated annual decommissioning expense and an increase in the liability is calculated by applying the effects of inflation and the ratio of years of plant usage to total plant life.

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 GASB Statement No. 62, the cumulative effect of activity in the Trusts has been recorded as a regulatory liability reported on the Statements of Net Position as STP decommissioning net costs refundable since any excess funds are payable to customers. Going forward, prolonged unfavorable economic conditions could result in the assets of the 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 STP decommissioning net costs recoverable. This amount would be receivable from customers.

To reflect funding methodology, the Allowance for Funds Used During Construction (AFUDC) rate includes both a debt and an equity component. The blended rate is composed of 50.0% equity and 50.0% debt based on construction funding forecasts. The investment rate is reviewed quarterly to determine if any adjustments are necessary. Alternate AFUDC rates are applied to projects costing more than $100,000, reflecting the method by which they are funded.

Periodically, federal grants are made available to CPS Energy as a subrecipient for a portion of grant funds allocated to the state of Texas. 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. 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.

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

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

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

SAWS revenues are recorded as 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 and steam services. Operating expenses include the cost of service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonoperating revenues consist primarily of interest income earned on investments, including the changes in fair value of investments. Nonoperating expenses consist primarily of interest expense, amortization of debt related costs, sales of capital assets and payments to the City.

### Deferred Inflows and Outflows

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

***Primary Government (City)***

Deferred outflows of resources in the statement of net position consisting of loss on bond refunding totaled $25,066 ($20,001 in governmental activities and $5,065 in business-type activities).

Deferred inflows of resources in the governmental fund financial statements related to the unavailable revenues associated with property taxes, EMS collections, fines and collections totaled $32,756. Additionally the CCHFC has a deferred inflow reported in the governmental fund financial statements for unavailable receipts from the Grand Hyatt hotel totaling $189,527.

***Discretely Presented Component Units***

CPS - Deferred outflows of resources consisting of unrealized losses on fuel hedges and reacquisition costs totaled $80,749. Deferred inflows of resources related to the sale of future revenues associated with the sale of the communication towers totaled $6,500.

SAWS - Deferred outflows of resources consisting of loss on bond refunding and accumulated decrease of fair value of hedging derivatives totaled $39,315.

BDA – Deferred outflows of resources related to a derivative instrument totaled $2,397.

The Port - Deferred outflows of resources related to a derivative instrument totaled $987.

DSP – Deferred outflows of resources consisting of loss on bond refunding totaled $4,513.





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

### Current Year GASB Statement Implementations

In fiscal year 2014, the City implemented the following GASB Statements:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes them as outflows of resources or inflows of resources. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4, *Elements of Financial Statements*. The Statement also provides other financial reporting guidance related to the impact of the financial statement element changes to include changes in the determination of the major fund calculations and limiting the use of the term "deferred" in financial statement presentations.

Implementation of GASB Statement No. 65 resulted in restatement of the City's beginning Net Position for the amount of prior unamortized bond issuance costs. The financial impact of this restatement can be found in Note 18, Prior Period Restatement.

GASB Statement No. 66, Technical Corrections—2012 (*an amendment of GASB Statements No. 10 and No. 62)*, improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance.* This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments, (2) investments of purchased loan or group of loans, and (3) service fees related to mortgage loans. These changes clarify how to apply GASB Statement No. 13*, Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48*, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. Implementation of the provisions of this Statement did not result in changes to the City's accounting and financial reporting in fiscal year 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans (an amendment of GASB Statement No. 25)* will improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide post-employment benefits other than pensions. Implementation of the provisions of this Statement did not result in changes to the City's accounting in fiscal year 2014. However, the Fire and Police Pension Fund, a blended component unit of the City, did implement this Statement in fiscal year 2014; therefore, disclosures and RSI implementations are presented in fiscal year 2014 CAFR.

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

### Current Year GASB Statement Implementations (Continued)

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units, and requires new information to be disclosed by governments that receive nonexchange financial guarantees. Because the City does not make any such nonexchange financial guarantees, no change in accounting and financial reporting was required in fiscal year 2014 with the implementation of this Statement.

### Future GASB Statement Implementations

GASB Statement No. 68**,** *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is effective for financial statements for fiscal years beginning after June 15, 2014. The City will implement this Statement in fiscal year 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for financial statements for fiscal years beginning after December 15, 2013. The City will implement this Statement in fiscal year 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68*), addresses the issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement 68, as amended, requires that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. This Statement is effective for financial statements for fiscal years beginning after June 15, 2014. The City will implement this Statement in fiscal year 2015, simultaneously with the provisions of Statement 68.





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

### Future GASB Statement Implementations (Continued)

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement is effective for financial statements for periods beginning after June 15, 2015. The City will implement this Statement in fiscal year 2016.

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

### 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 pro rata 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 market value of the City's investments is determined by quoted market prices. As of September 30, 2014, the City's investment portfolio did not contain any derivative or alternative investment products, nor was it leveraged in any way, except as noted in the Pension Fund and Health Fund. For a listing of authorized investments, see Note 3 Cash and Cash Equivalents and Investments.

The City, CPS Energy, and SAWS account for, and report investments, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The Pension Fund and the Health Fund report investments at fair value, in accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. 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.

For purposes of the statement of cash flows, the City, CPS Energy, and SAWS consider 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.

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

### Materials and Supplies and Prepaid Items (Continued)

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.

### 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 are valued at their estimated fair value on the date donated. Capital assets recorded under capital leases are recorded at the present value of future minimum lease 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 buildings, improvements, infrastructure, machinery and equipment, furniture and office equipment, and intangible assets (e.g. right of ways, easements, internally generated software). Some intangible assets may have an indefinite life. For those assets, depreciation is not calculated. The estimated useful lives and capitalization thresholds applied are as follows:

| Assets | Useful Life (Years) | Capitalization Threshold |
|---|---|---|
| Buildings | 10-40 | $ 100 |
| Improvements (other than buildings) | 10-40 | 100 |
| Infrastructure | 10-100 | 100 |
| Machinery and Equipment | 2-20 | 5 |
| Furniture and Office Equipment | 5-10 | 5 |
| Intangible Assets | 5-40 | 100 |

#### *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 expenses. Except for certain assets that may become impaired, the cost of 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; and AFUDC, or capitalized interest. AFUDC is applied to projects that require 30 days or more to complete.





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

### Capital Assets and Depreciation (Continued)

#### *CPS Energy (Continued)*

Proceeds from customers to partially fund construction expenditures are reported as contributed capital in the Statement of Revenues, Expenses and Changes in Net Position increasing net position in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The amount reported for contributed capital was $40,116 for January 31, 2014, including donated assets of $6,469. The portion of these balances that represent contributions received from customers as payments for utility extensions and services was $33,647 at January 31, 2014.

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 3.3% for fiscal year 2014.

The estimated useful lives of capital assets were as follows:

| Assets | Useful Life (Years) |
|---|---|
| Buildings and Structures | 20-60 |
| Systems and Improvements: | |
| Generation | 18-60 |
| Transmission and Distribution | 20-55 |
| Gas | 50-65 |
| Intangibles – Software | 10 |
| Intangibles – Other | 30 |
| Machinery and Equipment | 4-30 |
| Mineral Rights and Other | 20-40 |
| Nuclear Fuel | Units of Production |

Thresholds contained in CPS Energy's capitalization policy for fiscal year 2014 were 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 |

*Year-Ended September 30, 2014* - 46 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 47 - *Amounts are expressed in thousands*

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

### Capital Assets and Depreciation (Continued)

***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, overhead, and interest capitalized during construction. Also included in capital assets are intangible assets, which consist of purchased water rights and land easements, costs associated with acquiring additional Certificates of Convenience and Necessity related to new service areas, and development costs for internally generated computer software. Overhead consists of internal costs that are clearly related to the acquisition of capital assets. Assets acquired through capital leases are recorded on the cost basis and included in utility plant in service. Assets acquired through contributions, such as those from developers, are recorded at estimated fair market value at date of donation. Maintenance, repairs, and minor renewals are charged to operating expense; major plant replacements are capitalized. Capital assets are depreciated and property under capital lease is amortized on the straight-line method. This method is applied to all individual assets except distribution mains and intangible assets. Groups of mains are depreciated on the straight-line method using rates estimated to fully depreciate the costs of the asset group over their estimated average useful lives. Intangible assets not considered to have indefinite useful lives are amortized over their estimated useful life. Capital assets are tested for impairment when a significant unexpected decline in its service utility occurs. 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 |
| Equipment and Machinery | 5-20 |
| Furniture and Fixtures | 3-10 |
| Computer Equipment | 5 |
| Software | 3-10 |
| Intangible Assets (Definite Useful Life) | 20 |

### General Bonded Debt Service

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. Amounts estimated to be required for debt service on general bonded debt are provided by allocated property taxes, investment earnings within the Debt Service Fund, and transfers from other funds.





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

### Accrued Leave

***Primary Government (City)***

In the governmental fund financial statements, the City accrues annual leave and associated employee related costs when matured in accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements—an interpretation of NCGA Statements 1, 4, and 5; NCGA Interpretation 8; and GASB Statements No. 10, 16, and 18,* (payable from available resources) for both civilian and uniformed employees. In addition, the City accrues the matured portion of its uniformed employees' accrued sick leave, holiday, and bonus pay in accordance with the respective collective bargaining agreements, which state that uniformed employees must provide notice in writing ahead of the first pay period in October to be eligible for buyback. Because notice is provided to the City by fiscal year-end, the City accrues uniformed employees' eligible buyback, as it is due and payable by September 30, 2014.

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 vested 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.

***CPS Energy***

Employees earn vacation benefits based upon their employment status and years of service.

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

It is SAWS' policy to accrue employee vacation pay as earned as well as the employer portion of Social Security taxes and required pension contributions related to the accrued vacation pay. Sick leave is not accrued as a terminating employee is not paid for accumulated sick leave.

### Insurance

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.

The City is insured for property loss on a primary basis through Factory Mutual Insurance Company. 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 of historical claim data and industry trends performed annually.

*Year-Ended September 30, 2014* - 48 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 49 - *Amounts are expressed in thousands*

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

### Insurance (Continued)

The City also provides employee health insurance, which includes a pro rata share of retiree health benefits, workers' compensation, and unemployment benefits under its self-insurance programs. 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.

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 post-employment liabilities based on an actuarial assessment of historical claim data performed bi-annually and reviewed annually. Current year unpaid benefit liabilities for retirees are netted against the post-employment liability as additional contributions.

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 a more detailed explanation of the City's self-insurance programs, see Note 13, Risk Financing.

### Fund Balance

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.
- 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 regulation 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.





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

### Fund Balance (Continued)

- 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 City Council or City Manager, Executive Leadership Team, and Department Directors. Under the city charter, the City Manager, Executive Leadership Team, and Department Directors are authorized to assign individual amounts up to $50 and City Council is authorized to assign amounts over $50.
- 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 exceeded 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 expenditure is incurred for purposes for which more than one of the classification of fund balance is available. See Note 15, Fund Balance Classifications.

### 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 2014, general government expenditures were reduced by $12,104, resulting in increased expenditures/expenses in other governmental functions and in business-type activities in the amounts of $8,803 and $3,301, respectively.

### 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. Deferred charge on refunding (the difference between the reacquisition price and the carrying value of the existing debt) are deferred and amortized over the shorter of the life of the original bonds or the life of the refunding bonds.

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.

### Bond Issuance Costs

Bond issuance costs are recognized as expenditures or expenses in the financial statements in the period in which the bonds are issued unless the issuance costs relate to prepaid insurance.

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

### 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 pro rata reduction in the charges made to the participating funds/functions. Conversely, an Internal Service Fund net loss would require a pro rata 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 pro rata share of the amounts charged to the participating funds/functions.

The City has four Internal Service Funds: Other Internal Services, Information Services, Self-Insurance Funds, and CIMS. Other Internal Services and Information Services charge user fees for requested goods or services. Building maintenance, a component of the Other Internal Services Fund, charges are based on the space occupied by departments. Information Services also charges a monthly amount based on the number of personnel positions in each department. Through the tracking of these charges to the applicable departments, the net income or loss is allocated back to the user department, based on actual charges incurred.

The Self-Insurance Funds and Purchasing, a component of the Other Internal Service Funds, generate their revenues through fixed assessments charged to the various funds each year. The Employee Benefits Fund additionally charges pro rata user fees to employees and retirees. Purchasing charges an assessment to departments based on prior year contract activity. The net income or loss generated by the Self-Insurance Funds and Purchasing are allocated back, based on the same allocation by which the revenues are received over time.

CIMS generates revenues by charging a capital administrative fee for projects worked on. The fund additionally generates revenue through reimbursements of costs incurred. The net income or loss generated is allocated back to the user funds, based on actual charges incurred.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the City, 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.





## Note 2 Property Taxes

Property taxes are levied and due upon receipt on October 1, attached as an enforceable lien on property as of January 1, and become delinquent the following February 1. Property tax billing and collections are performed via an inter-local agreement with the Bexar County Tax Assessor/Collector's Office.

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 (note amounts are not reflected in thousands). The tax rate approved by City ordinance for the fiscal year-ended September 30, 2014, was $0.56569 per $100 taxable valuation, which means that the City has a tax margin of $1.93431 per $100 taxable valuation (note that tax rate amounts are not reflected in thousands). This could raise an additional $1,443,229 per year based on the net taxable valuation of $74,612,067 before the limit is reached.

The City has approved a "TIF Manual" for the utilization of Tax Increment Financing (TIF) and the creation of Tax Increment Reinvestment Zones (TIRZ) pursuant to Chapter 311 of the Texas Tax Code. The City has utilized TIF as a vehicle 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, 2014, there were 20 existing TIRZ with one of these TIRZ in the process of being closed out; the remaining 19 TIRZ have a total taxable captured value of $1,350,754 from the City's taxable value. For fiscal year 2014, this total taxable captured value produced $7,402 in tax increment revenues for use by the City to fund capital costs of certain public infrastructure improvements in the TIRZ. The existing TIRZ have initial terms ranging from 15 years to 30 years and are anticipated to expire starting in fiscal year 2014 through fiscal year 2037. It is estimated that the City will contribute approximately $350,221 in tax increment revenues in aggregate over the life of these TIRZ projects.

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## Note 3 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] | Fire and Police Retiree Health Care Fund [2] | CPS Energy [3] | SAWS [4] |
|---|---|---|---|---|---|
| Unrestricted: | | | | | |
| Cash and Cash Equivalents | $ 40,954 | $ 156,722 | $ 13,790 | $ 287,833 | $ 131,763 |
| Security Lending Collateral | | 107,230 | 4,712 | | |
| Investments | 399,673 | 2,527,539 | 295,821 | 61,797 | 55,454 |
| Total Unrestricted | 440,627 | 2,791,491 | 314,323 | 349,630 | 187,217 |
| Restricted: | | | | | |
| Cash and Cash Equivalents | 400,398 | | | 211,703 | 138,150 |
| Security Lending Collateral | | | | 8,106 | |
| Investments | 697,409 | | | 973,436 | 364,116 |
| Total Restricted | 1,097,807 | | | 1,193,245 | 502,266 |
| Total Cash and Cash Equivalents, Securities Lending Collateral and Investments | $ 1,538,434 | $ 2,791,491 | $ 314,323 | $ 1,542,875 | $ 689,483 |

[1] Private Purpose Trust and Agency Funds security lending collateral and investments are included in the City's pooled cash, security lending collateral and investments but are not available for City activities and are excluded from the primary government's Statement of Net Position. The Private Purpose Trust and Agency assets are presented above as Restricted Cash and Cash Equivalents of $9,915 and Investments of $4,282.

[2] The Fire and Police Pension Fund and the Fire and Police Retiree Health Care 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, 2014.

[4] For the fiscal year ended December 31, 2013.

A summary of cash and cash equivalents, securities lending and investments for the primary government (City), Pension Fund, Health Fund, CPS Energy, and SAWS are presented below as of each entity's respective fiscal year. The 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 | Fire and Police Retiree Health Care Fund | CPS Energy | SAWS |
|---|---|---|---|---|---|
| Deposits with Financial Institutions | $ 72,099 | $ 279 | $ 17 | $ 19,917 | $ 122,779 |
| Investments with Original Maturities of Less than Ninety Days | 351,619 | 156,443 | 13,773 | 479,522 | 147,104 |
| Cash with Other Financial Agents | 17,335 | | | | |
| Petty Cash Funds | 90 | | | 97 | |
| Cash on Hand | 209 | | | | 30 |
| Total Cash and Cash Equivalents | $ 441,352 | $ 156,722 | $ 13,790 | $ 499,536 | $ 269,913 |





## Note 3 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 | Fire and Police Retiree Health Care Fund | CPS Energy | SAWS |
|---|---|---|---|---|---|
| U.S. Treasury, Government Agencies, Money Market Mutual Funds, and Governmental Investment Pool | $ 1,446,745 | $ 156,443 | $ 13,773 | $ 1,192,586 | $ 566,674 |
| Repurchase Agreements | 1,656 | | | | |
| Corporate Bonds | | 443,295 | | 93,208 | |
| Foreign Bonds | | | | 17,121 | |
| Government & Agency Notes | | 73,228 | | | |
| Common Stock | | 1,026,373 | 15,136 | 165,847 | |
| Mutual Funds | | | 76,069 | | |
| Real Estate | | 249,564 | 51,065 | 45,238 | |
| Preferred Stock | 300 | | | 755 | |
| Hedge Funds | | 394,077 | 7,207 | | |
| International Equities - Common Stock | | | | | |
| Alternative Investment | | 341,002 | 146,344 | | |
| Total Investments | 1,448,701 | 2,683,982 | 309,594 | 1,514,755 | 566,674 |
| Less: Investments with Original Maturities of Less than Ninety Days included in Cash and Cash Equivalents | (351,619) | (156,443) | (13,773) | (479,522) | (147,104) |
| Total | $ 1,097,082 | $ 2,527,539 | $ 295,821 | $ 1,035,233 | $ 419,570 |

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 ninety 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 within 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 ninety days. Each fund's pro rata share of these investments with original maturities greater than ninety 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, 2014.

*Year-Ended September 30, 2014* - 54 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 55 - *Amounts are expressed in thousands*

## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City)

The City's policy with respect to money market investments that have a remaining maturity of one year or less at the time of purchase is to report these investments at amortized cost. Amortized cost approximates fair value for these investments. The increase in fair value for investments of the City with a remaining maturity of greater than one year at the time of purchase was $230 for the year-ended September 30, 2014.

On July 2012, the City began participating in TexPool, a government investment pool. The TexPool investments consist exclusively of United States government securities, its agencies or instrumentalities, repurchase agreements collateralized by United States government securities, its agencies or instrumentalities, and AAA-rated no-load money market mutual funds. 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. Although TexPool is not registered with the Security and Exchange Commission as an investment company, the City believes TexPool operates as a Rule 2a-7-like pool, as described in GASB Statement No. 59, *Financial Instruments Omnibus*. As such, TexPool uses amortized cost to report net position and share prices, since that amount approximates fair value.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Exposure*, 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.

A summary of the City's cash and cash equivalents is provided at the beginning of Note 3, with a comparison to the Statement of Net Position and Statement of Fiduciary Net Position.

**City Investments**

| | Carrying [1] Amount | Fair [1] Value | Allocation [2] | Rating [3] | WAM |
|---|---|---|---|---|---|
| U.S. Government Agency Securities | $ 927,890 | $ 927,925 | 64.1% | AA+/A-1+ | .59 years |
| U.S. Treasuries | 168,662 | 168,857 | 11.7% | N/A | .50 years |
| Money Market Mutual Fund | 319,697 | 319,697 | 22.1% | AAAm | 1 day |
| Government Investment Pool | 30,266 | 30,266 | 2.1% | AAAm | 1 day |
| Preferred Stock[4] | 300 | 300 | 0.0% | N/A | |
| Repurchase Agreement | 1,656 | 1,656 | 0.1% | N/A | 1 day |
| Total City Investments | $ 1,448,471 | $ 1,448,701 | 100.0% | | |

[1] The Carrying Amount and Fair Value include blended component unit investments for SIDC, TMFC, CCHFC, and SATPFC, which total $268,402.

[2] The allocation is based on fair value.

[3] Standard & Poors Rating

[4] The SAEDC was created by the City as a nonprofit corporation in May 2010. Through the SAEDC, the City can invest in economic development projects and take out an equity postion in projects to potentially achieve a return on the public investment. As of September 30, 2014 the SAEDC had a $300 investment in preferred stock of Innovative TramaCare, Inc.





## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

**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, The Bank of New York Mellon, 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 pool with 100.0% overnight liquidity. Additionally, the City has entered into a repurchase agreement with 100.0% overnight liquidity.

**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, 2014, the City's investment portfolio, with the exception of the repurchase agreement, the money market mutual fund investments, and the government investment pool 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 pool were rated 'AAAm' by Standard & Poor's, and the repurchase agreement were greater than 100.0% collateralized with U.S. government agency securities.

*Year-Ended September 30, 2014* - 56 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 57 - *Amounts are expressed in thousands*

## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

**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, 2014, the U.S. government agency's 64.1% securities allocation was as follows: Federal National Mortgage Association 19.9%, Federal Home Loan Mortgage Corporation 20.7%, Federal Home Loan Bank 17.9%, Federal Agricultural Mortgage Corporation 2.8%, and Farm Federal Credit Bank 2.8%.

**Securities Lending** – The City engages in securities lending transactions under a contract with its lending agent, Frost Bank. Authority to engage in these transactions is authorized under the Texas Public Funds Investment Act (the Act) and the City's Investment Policy. The City has authorized Frost Bank to loan up to 100.0% of the par value of its investments in the Pooled Operating Funds Portfolio, consisting of agency and treasury securities, in securities lending transactions for fiscal year 2014.

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions,* provides guidance for reporting and disclosing securities lending transactions. This guidance includes reporting certain securities lending collateral on the balance sheet as an asset, with a corresponding liability for the obligation to repay the collateral.

In securities lending transactions, the City, through its lending agent, transfers securities to approved borrowers in exchange for collateral and simultaneously agrees to return the collateral for the same securities in the future. Cash collateral received from borrowers may be invested in 'AAA'-rated money market mutual funds or investments that adhere to the Act and the City's Investment Policy. The liquidity provided by the money market mutual funds allows for the easy return of collateral upon termination of a security loan. As of September 30, 2014, all cash collateral was invested in next day money market funds. The money market mutual funds' overnight liquidity is a shorter maturity than the term of the securities lending loan which can vary for one day to the length of the maturity of the security.

Securities lending income is earned if the investment returns on the cash collateral exceeds the rebate paid to borrowers of the securities. The income is then split with the lending agent to cover its fees based on a contractually negotiated rate (70.0% allocated to the City and 30.0% allocated to Frost Bank). In the event that the investment income of the cash collateral does not provide a return that exceeds the rebate or if the investment incurs a loss of principal, the payment to the borrower would come from the City and the lending agent based on the negotiated rate split.

Loans that are collateralized with securities generate income when the borrower pays a loan premium for the securities borrowed. This income is split at the same rate as the earnings for cash collateral. The collateral pledged to the City for the loaned securities is held by the lending agent or the tri-party bank. These securities are not available to the City for selling or pledging unless the borrower is in default of the loan.

All collateral received is required to have a fair value of 102.0% of the loaned securities. Securities are marked to market daily and additional cash or securities are required from the borrower if the fair value of the collateral falls below 102.0%. Cash collateral is reported on the balance sheet as an asset, with a corresponding liability for the obligation to repay the cash collateral. Noncash collateral for securities lending activities is not recorded as an asset because it remains under the control of the transferor, except in the event of default.





## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

In the event of default, where the borrower is unable to return the securities borrowed, the City has authorized the lending agent to seize the borrower's collateral. The collateral would then be used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities may not be able to be replaced. The lending agent has indemnified the City from any loss due to borrower default in the event the collateral is insufficient to replace the securities.

At September 30, 2014, the City had no custodial credit risk exposure to borrowers because the amount of collateral held by the City exceeded the amount of the securities loaned to the borrowers. There were no violations of legal or contractual provisions nor were there any borrower or lending agent default losses related to securities lending in fiscal year 2014.

As of September 30, 2014, the City had no credit risk exposure to borrowers because the amounts the City owed to borrowers exceeded the amounts the borrowers owed.

At September 30, 2014, there was a total of $915,884 in securities, or 86.6% of the market value of the City's Pooled Operating Funds Portfolio, plus accrued interest, on loan. There was no cash collateral investment, however, the City received $934,183 in securities collateral, or 102.1% of the market value of the corresponding securities loaned. Income generated from securities lending transactions, net of rebates to borrowers of $3, amounted to $3,183 in fiscal year 2014, of which 30.0% was paid as fees to the lending agent totaling $955.

### *Fire and Police Pension Fund*

Investments of the Fire and Police Pension Fund (Pension Fund), a blended component unit, are administered by the Fire and Police Pension Fund Board of Trustees. Investments of the Pension Fund are reported at fair value and include corporate bonds, common stock, U.S. Treasury securities, U.S. government agency securities, notes, mortgages, hedge funds, contracts and real estate. Equity and fixed income securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Notes, mortgages, and contracts are valued on the basis of future principal and interest payments discounted at prevailing interest rates. The fair value of real estate investments is based on independent appraisals and on the equity position of real estate partnerships in which the Pension Fund has invested. The fair values of private equity investments are estimated by the General Partners based on consideration of various factors, including current net position valuations of underlying investments in limited partnerships, the financial statements of investee limited partnerships prepared in accordance with GAAP, and other financial information provided by the General Partners of investee-limited partnerships. Investment income is recognized as earned. Net appreciation/(depreciation) in fair value of investments includes gains and losses that are being recognized based on the change in the market value of the investments, but have not been realized because the assets have not been sold or exchanged as of the balance sheet date. The Pension Fund's assets are invested as authorized by Texas state law. The fair value of the Pension Fund's cash and investments are $2,791,491. A summary of the Pension Fund's cash, cash equivalents, and investments can be found at the beginning of Note 3.

## Note 3 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 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 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 a acceptable risk level, the following policy (i.e. long-term) allocation is considered appropriate as updated in July, 2013 and compared to actual allocations at September 30:

| Investment Type | Target Allocation | 2014 Actual Allocation |
|---|---|---|
| Large Cap U.S. Equities | 15.0% | 14.9% |
| Small Cap U.S. Equities | 3.0% | 3.4% |
| Developed International Equities | 15.0% | 13.8% |
| Emerging International Equities | 6.0% | 6.6% |
| Hedge Funds | 10.0% | 9.0% |
| Private Equity | 7.0% | 5.1% |
| Sub Total Equity | 56.0% | 52.8% |
| | | |
| Risk Parity | 5.0% | 5.9% |
| High Yield | 7.0% | 5.3% |
| Bank Loans | 6.0% | 5.4% |
| Global Fixed Income | 0.0% | 3.3% |
| Emerging Market Debt | 7.0% | 5.4% |
| Private Debt | 7.0% | 3.2% |
| Real Estate | 9.0% | 9.2% |
| Real Assets | 3.0% | 4.4% |
| Cash* | 0.0% | 5.1% |
| Sub Total Fixed Income | 44.0% | 47.2% |
| Total Investments | 100.0% | 100.0% |

*This percentage does not include cash and short term securities help by asset managers. This amount is about 0.7% if the Pension Fund's total investments and is included with the allocation to the respective asset manager's asset class.

**Money Weighted Rate of Return –** The money weighted rates of return for the year ended September 30, 2014 was 9.2%. The returns are net investment expenses and adjusted for the changing amounts actually invested.





## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

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

**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 September 30, 2014, 1.0% of the Pension Fund's bonds were rated 'AAA', 4.0% were rated 'AA', 8.0% were rated 'A', 22.0% were rated 'BBB', 16.0% were rated 'BB', 33.0% were rated 'B', 2.0% were rated 'CCC', and 14.0% were unrated or 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 regarding credit risk pertaining to credit risk associated with the Pension Fund's securities lending program are found under the securities lending disclosures.

**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 September 30, 2014, the Pension Fund did not have any single investment in any one organization which represented greater than 5.0% of plan net assets.

**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 September 30, 2014, the Pension Fund had cash deposits held by investment managers in the amount of $1,320 that were uninsured and uncollateralized.

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*Year-Ended September 30, 2014* - 60 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 61 - *Amounts are expressed in thousands*

## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

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

**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.

Securities that are subject to interest rate risk as of September 30, 2014 amount to $516,523 and have a weighted-average maturity (WAM) of 7.60 years. Securities that are subject to interest rate risk are shown in the following table.

| Investment Type | Fair Value | Weighted-Average Maturity WAM (Years) |
|---|---|---|
| Corporate Bonds | $ 84,000 | 6.07 |
| Government Agencies | 9,305 | 3.50 |
| Government Bonds | 58,845 | 13.43 |
| Municipal/Provincial bonds | 5,078 | 14.63 |
| Non-Government Backed C.M.O.s | 3,683 | 27.06 |
| Bank Loans | 147,014 | 5.66 |
| Ashmore[1] | 60,956 | |
| GoldenTree[2] | 64,748 | |
| Wellington Emerging Market Debt[3] | 82,894 | |
| Total Interest Rate Sensitive Securities | $ 516,523 | |

[1] Ashmore is a commingled fund invested in emerging market debt. They report effective duration in lieu of WAM. The effective duration was 4.79 as if September 30, 2014.

[2] GoldenTree is a commingled fund invested in high-yield corporate bonds. They report their portfolio effective duration in lieu of WAM as 2.92 as of September 30, 2014.

[3] Wellington, a commingled fund, also invests in emerging market debt. They report the effective duration of the portfolio in lieu of WAM. The effective duration for Wellington was 6.79 as of September 30, 2014.

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## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

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

**Foreign Currency Risk** – The Pension Fund's investments include investments in equities, bonds, and cash in foreign currency denominations. Equities denominated in foreign currencies as of September 30, 2014 amounted to $501,485 in equities, $91,626 in bonds and $1,320 in cash, detailed as follows:

| Country | Equities | Bonds | Cash | Total |
|---|---|---|---|---|
| Australian Dollar | $ 15,924 | $ 6,948 | $ 302 | $ 23,174 |
| Bermuda Dollar | 118 | | | 118 |
| Brazilian Real | 25,062 | 6,227 | | 31,289 |
| Canadian Dollar | 15,211 | | | 15,211 |
| Swiss Franc | 19,149 | | 5 | 19,154 |
| Chinese Yuan | 7,280 | 1,475 | | 8,755 |
| Chilean Peso | 364 | 157 | | 521 |
| Colombian Peso | | 2,362 | | 2,362 |
| Czech Republic Krona | 132 | | | 132 |
| Danish Krone | 2,456 | | | 2,456 |
| Euro | 101,301 | 14,233 | 667 | 116,201 |
| British Pound | 55,948 | 4,931 | 169 | 61,048 |
| Hong Kong Dollar | 28,176 | | 44 | 28,220 |
| Hungarian Forint | 118 | 3,132 | | 3,250 |
| Indonesian Rupiah | 2,349 | 5,285 | | 7,634 |
| Israeli New Shekel | 3,615 | | 6 | 3,621 |
| Indian Rupee | 18,695 | | | 18,695 |
| Japanese Yen | 70,414 | | 39 | 70,453 |
| South Korean Won | 34,380 | 3,875 | | 38,255 |
| Kazakhstan Tenge | 740 | | | 740 |
| Mexican Peso | 9,050 | 18,473 | | 27,523 |
| Malaysian Ringgit | 5,929 | 3,875 | 15 | 9,819 |
| Nigerian Naira | 787 | 647 | | 1,434 |
| Norwegian Krone | 6,422 | | 17 | 6,439 |
| New Zealand Dollar | 635 | 3,136 | 12 | 3,783 |
| Pakistani Rupee | 1,111 | | | 1,111 |
| Peruvian Nuevo Sol | 231 | 489 | | 720 |
| Philippine Peso | 382 | | | 382 |
| Polish Zloty | 3,760 | 4,162 | | 7,922 |
| Qatari Riyal | 324 | | | 324 |
| Russian Ruble | 1,979 | 3,651 | | 5,630 |
| Swedish Krona | 7,648 | | | 7,648 |
| Singapore Dollar | 4,993 | | 17 | 5,010 |
| Thai Baht | 10,864 | 1,774 | | 12,638 |
| Turkish Lira | 5,847 | 829 | | 6,676 |
| Taiwan Dollar | 29,993 | | | 29,993 |
| UAE Dirham | 324 | | | 324 |
| South African Rand | 9,774 | 5,965 | 27 | 15,766 |
| | $ 501,485 | $ 91,626 | $ 1,320 | $ 594,431 |

*Year-Ended September 30, 2014* - 62 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 63 - *Amounts are expressed in thousands*

## Note 3 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 custodial 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 custodial bank. Collateral may be in the form of cash, U.S. government securities, or 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, 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 49 days at September 30, 2014.

As of September 30, 2014, the Pension Fund had lending arrangements outstanding with a total market value of $106,513 which were fully collateralized with cash and securities. Cash collateral of $107,230 is recorded in the accompanying Statements of Fiduciary Net Position. Net income for the year-ended September 30, 2014, under the securities lending arrangement, was $392.

| Cash Collateral Pool | |
|---|---|
| U.S. Treasury | $ 13 |
| U.S. Asset Backed Securities | 3,117 |
| U.S. Corporate Notes | 1,686 |
| U.S. Repo Agreements | 23,662 |
| U.S. Sweep Vehicle | 628 |
| U.S. Agencies Bonds | 8,252 |
| U.S. Certificates of Deposit | 9,575 |
| U.S. Commercial Paper | 2,246 |
| International Commercial Paper | 8,711 |
| International Certificates of Deposit | 41,890 |
| International Time Deposits | 4,630 |
| International Sovereign | 702 |
| International Corporate Notes | 2,118 |
| Total | $ 107,230 |

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## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

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

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

**Derivatives and Structured Investments** – The Pension Fund has only limited involvement with derivatives and other structured financial instruments. The Pension Fund's investment philosophy regarding the use of derivatives and other structured financial instruments is to use derivatives to replicate exposures to equity or fixed income securities. The fair value of structured financial instruments held by the Pension Fund at September 30, 2014, was approximately $3,309 in commercial mortgage obligations and is included with investments in the Statement of Fiduciary Net Position. The Pension Fund also invests in hedge funds which may employ the use of derivatives to reduce volatility. The Pension Fund's total investment in hedge funds was $394,077 as of September 30, 2014.

As of September 30, 2014, the Pension Fund held foreign currency forward contracts as follows:

| Currency | Market Value | Nominal Amount USD | Maturity Date |
|---|---|---|---|
| Australian Dollar | $ 236 | $ (4,204) | 11/12/2014 |
| Australian Dollar | (103) | 1,675 | 11/12/2014 |
| Chilean Peso | (58) | 813 | 10/10/2014 |
| Chilean Peso | (75) | 1,410 | 10/24/2014 |
| Chilean Peso | (59) | 1,747 | 11/18/2014 |
| Chilean Peso | (27) | 1,425 | 12/15/2014 |
| Chilean Peso | 6 | 1,283 | 1/26/2015 |
| Euro | 585 | (10,701) | 11/7/2014 |
| Indian Rupee | (70) | 4,218 | 12/17/2014 |
| Indonesian Rupia | 35 | (1,583) | 10/22/2014 |
| Indonesian Rupia | (55) | 1,583 | 10/22/2014 |
| New Zealand Dollar | 145 | (3,053) | 1/16/2015 |
| Poland Zloty | (27) | 1,474 | 10/27/2014 |
| Poland Zloty | 243 | (3,428) | 10/27/2014 |
| Turkish Lira | (68) | 1,183 | 10/17/2014 |
| Turkish Lira | 68 | (1,183) | 10/17/2014 |
| Total | $ 776 | $ (7,341) | |

***Fire and Police Retiree Health Care Fund***

The Fire and Police Retiree Health Care Fund (Health Fund) Board of Trustees administers investments of the Health Fund, a blended component unit. Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on national or international exchanges 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.

*Year-Ended September 30, 2014* - 64 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 65 - *Amounts are expressed in thousands*

## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

***Fire and Police Retiree Health Care Fund (Continued)***

Alternative investments are substantially held in the form of nonmarketable limited partnerships interests, private real estate investment trusts, and open-ended hedge 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 asset values as set by the partnerships' fund managers or general partners. These net asset values may differ from the value that would have been used had a ready market for the investments existed. 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. 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 hired certain investment managers to exercise full discretionary authority as to all 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 assets are held by a custodial bank, Frost 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 will be invested in a short-term money market mutual fund administered by the custodian bank.

The fair value of the Health Fund's cash and investments at September 30, 2014 is $314,323. A summary of the Health Fund's cash, cash equivalents, and investments can be found at the beginning of Note 3.

**Custodial Credit Risk (Deposits)** – The Health Fund's deposits that are held with Frost Bank in non-interest bearing demand accounts are covered under the new FDIC Transaction Account Guarantee Program. Under this program, through December 31, 2014, all non-interest bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under this program is in addition to and separate from the coverage available under the FDIC's general deposit rules. It does not appear that deposits the Health Fund holds in demand accounts are exposed to custodial credit risk as of September 30, 2014.

The Health Fund does not have deposit or investment policies related to custodial credit risk as of September 30, 2014. The Health Fund is aware of these risks and monitors such risks, if any, as part of its day-to-day operations and through its daily dealings with the custodian bank.





## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

***Fire and Police Retiree Health Care Fund (Continued)***

**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 September 30, 2014, the Health Fund's common stock investments are held at Frost 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.

**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 September 30, 2014, 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 ranking organization.

**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. The Health Fund's investments in Catalyst Fund Limited Partnership III amount to $19,433 and represent 6.3% of the Health Fund's total investments.

**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 2 years at time of purchase. At September 30, 2014, the money market fund weighted average to maturity is 47 days. The Health Fund places no limit on maturities of Mutual Funds – Fixed Income.

**Securities Lending** – The Health Fund participates in a securities lending program as a means to augment income. The program is operated in accordance with a contract between the Health Fund and its custodian bank, Frost Bank, and compliance with State statutes and Health Fund policies. Securities are lent to select borrowers for a fee. It is the policy of the Health Fund and the custodian bank to require that collateral equal 100.0% of the loaned security's market value plus accrued interest for domestic government or agency securities loaned, and 102.0% of the loaned security's market value plus accrued interest for approved, domestic nongovernment or agency securities loaned. Collateral is maintained by the custodian bank and may be in the form of cash, U.S. government securities, or 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 the borrower fails to repay the borrowed securities when due and the value of the collateral is insufficient to replace the borrowed securities, the Health Fund may suffer a loss. Management of the Health Fund considers the possibility of such a loss to be remote.

At September 30, 2014, the Health Fund was not exposed to credit risk to borrowers because the amounts owed to borrowers exceeded the amount the borrowers owed. There were no violations of legal or contractual provisions nor were there any borrower or lending agent default losses in fiscal year 2014.

## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### Primary Government (City) (Continued)

#### *Fire and Police Retiree Health Care Fund (Continued)*

At September 30, 2014, there was a total of $4,548 in securities out on loan to borrowers. In exchange, the Health Fund received $4,712 in securities collateral invested in open-ended money market type mutual funds, or 103.6% of the market value of the corresponding securities loaned.

**Subscribed Capital Commitments** – As of September 30, 2014, the Fund had non-binding commitments to invest capital in 28 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 $95,971. As of September 30, 2014, $19,270 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 using 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 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 and Tax-Exempt Commercial Paper, the Flexible Rate Revolving Note and funds for future construction or contingencies. This category also includes customer assistance programs where proceeds are received from outside parties. The assets of the Decommissioning Trusts are also considered restricted.

The Repair and Replacement Account is restricted in accordance with CPS Energy's bond ordinances. Prior to fiscal year 2014, in compliance with a bond ordinance, CPS Energy's board of trustees authorized that a portion of the Repair and Replacement Account be designated a Community Infrastructure and Economic Development (CIED) Fund. Effective February 1, 2012, the Board found that the objectives underlying the establishment of the CIED Fund had been successfully accomplished and authorized the termination of the policy providing for annual contributions to the fund. Balances remaining in the CIED Fund at January 31, 2012, can continue to be earmarked to support qualified capital projects for up to three years. Any funds designated for use by a suburban city that were not used for approved projects are being paid to the suburban city following execution of an Agreement Incident to Termination. CIED distributions of $3,371 were paid out to multiple suburban cities in fiscal year 2014.





## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

CPS Energy's cash deposits at January 31, 2014 were either insured by federal depository insurance or collateralized by banks. All noninterest-bearing cash deposits were fully insured by the FDIC in accordance with the Dodd-Frank financial reform legislation that was enacted in the summer of 2010. CPS Energy's Investment Policy was revised effective March 1, 2011, to allow for a reduction in collateral to the extent of FDIC coverage. For deposits that were collateralized, 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 in CPS Energy's name.

CPS Energy's cash, cash equivalents and investments can be separated in the following manner:

- 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.

| Cash and Cash Equivalents as of January 31, 2014 | |
|---|---|
| Cash and Cash Equivalents: | |
| Petty Cash funds on hand | $ 97 |
| Deposits with financial institutions: | |
| Unrestricted CPS Energy Deposits | 19,004 |
| Restricted CPS Energy Deposits: | |
| Capital Projects | 6 |
| Debt Service | 734 |
| Project Warm | 173 |
| Investments with original maturities of less than 90 days: | |
| CPS Energy unrestricted (current) | 268,732 |
| CPS Energy restricted (noncurrent) | 187,154 |
| Decommissioning Trusts - restricted (noncurrent) | 23,636 |
| Total Cash and Cash Equivalents | $ 499,536 |

CPS Energy's investments and the investments held in the Decommissioning Trusts are subject to the rules and regulations of the Public Funds Investment Act (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 brokers.

CPS Energy's allowable investments are defined by CPS Energy Board Resolution, CPS Energy Investment Policy, bond ordinances, Tax-Exempt Commercial Paper (TECP) Ordinance and State law. These investments are subject to market risk, and their market value will vary as interest rates fluctuate. All CPS Energy direct investments are held in trust custodial funds by independent banks.

*Year-Ended September 30, 2014* - 68 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 69 - *Amounts are expressed in thousands*

## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

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 Strategy Committee, the Trust Agreements and State law, as well as Public Utility Commission of Texas (PUCT) and Nuclear Regulatory Commission (NCR) guidelines. Allowable investments for the Decommissioning Trusts include those directly permissible for CPS Energy, 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. During calendar year 2012, an asset allocation change was executed in the Trusts in a strategic effort to reduce risk. The result of the change was a new target allocation of 60.0% fixed-income investments, 30.0% equities and 10.0% real estate investment trusts.

**Permissible Investments**

| Investment Description | CPS Energy Direct Investments | Decommissioning Trusts |
|---|---|---|
| U.S. Government, 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 | ✓ | N/A |
| Equities | N/A | ✓ |
| Investment quality obligations | ✓ | ✓ |
| Corporate bonds | N/A | ✓ |
| International securities | N/A | ✓ |
| No-load commingled funds | N/A | ✓ |
| Securities lending | ✓ | ✓ |
| Other specific types of secured or guaranteed investments | ✓ | ✓ |





## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

**Cash, Cash Equivalents, Securities Lending Collateral and Investments by Fund as of January 31, 2014**

| | |
|---|---|
| Unrestricted | |
| Cash and Cash Equivalents | $ 287,833 |
| Investments | 61,797 |
| Total Unrestricted (current) | 349,630 |
| Restricted | |
| Debt Service | |
| Cash and Cash Equivalents | 1,248 |
| Total Debt Service | 1,248 |
| Capital Projects | |
| Cash and Cash Equivalents | 67,786 |
| Investments | 158,393 |
| Total Capital Projects | 226,179 |
| Ordinance | |
| Cash and Cash Equivalents | 118,847 |
| Investments | 345,304 |
| Total Ordinance | 464,151 |
| Other | |
| Project Warm | |
| Cash and Cash Equivalents | 186 |
| Investments | 7,391 |
| Total Project Warm | 7,577 |
| Decommissioning Trusts | |
| Cash and Cash Equivalents | 23,636 |
| Securities Lending | 8,106 |
| Investments | 462,348 |
| Total Decommissioning Trusts | 494,090 |
| Total Other | 501,667 |
| Total Restricted | |
| Cash and Cash Equivalents | 211,703 |
| Securities Lending | 8,106 |
| Investments | 973,436 |
| Total Restricted (noncurrent) | 1,193,245 |
| Total Cash, Cash Equivalents and Investments (unrestricted and restricted) | $ 1,542,875 |

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*Year-Ended September 30, 2014* - 70 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 71 - *Amounts are expressed in thousands*

## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

CPS Energy's cash equivalents 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. Equity investments are exposed to credit risk (including custodial credit risk and concentration of credit risk) and foreign currency risk. Interest rate risk is the exposure to fair market 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. Cash, cash equivalents, and fixed-income investments are also exposed to inflation, liquidity, political, legal, event, reinvestment and timing (call) risks. Additionally, equity investments are exposed to political, legal, event and general economic risks. Due to market fluctuations, it is possible that substantial changes in the market 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.

**Summary of Investments (Including Cash Equivalents) by Organizational Structure and Type as of January 31, 2014**

| | |
|---|---|
| CPS Energy Investments | |
| U.S. Treasury, Government Agencies and Money Market Funds | $ 1,028,771 |
| Decommissioning Trusts | |
| U.S. Treasury, Government Agencies and Money Market Funds | 163,815 |
| Corporate Bonds | 93,208 |
| Foreign Bonds | 17,121 |
| Subtotal | 274,144 |
| Common Stock | 165,847 |
| Real Estate Investment Trusts | 45,238 |
| Preferred Stock | 755 |
| Total Decommissioning Trusts | 485,984 |
| Grand Total - all Investments | $ 1,514,755 |

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 in order 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.





## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

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. The disclosure requirements of this Statement do not apply to equity securities since they are not directly or immediately exposed to these risks. CPS Energy and 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 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 definition of WAM is the weighted-average time to return a dollar of principal based on the investments' stated final maturity. It is used as an estimate of the interest rate risk of a fixed-income investment. Prior to January 31, 2013, the Investment Policy limited the WAM to two years or less. Effective January 31, 2013, the Investment Policy was revised to reflect a WAM limitation of three years or less, which continues to allow for the management of risk while optimizing returns. CPS Energy invests securities lending cash collateral and other funds in money market mutual funds that have no fixed maturities.

**Concentration of Credit Risk** – In accordance with its Investment Policy, CPS Energy manages exposure to concentration of credit risk through diversification and by limiting its 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, certificates of deposit are limited to 35.0% per issuer.

| Investment Type | Carrying Value | Market Value | Allocation | Weighted-Average Maturity (Years) |
|---|---|---|---|---|
| U.S. Agencies: | | | | |
| Federal Home Loan Mortgage Corp. | $ 112,759 | $ 112,755 | 11.0% | 4.4 |
| Federal National Mortgage Assn. | 112,556 | 112,556 | 10.9% | 5.3 |
| Federal Home Loan Bank | 114,126 | 114,133 | 11.1% | 0.9 |
| Federal Farm Credit Bank | 60,859 | 60,859 | 5.9% | 6.3 |
| Small Business Administration | 11,720 | 11,720 | 1.1% | 6.1 |
| Municipal Bonds | 69,232 | 69,240 | 6.7% | 1.8 |
| Certificates of Deposit | 1,738 | 1,738 | 0.2% | 0.6 |
| Commercial Paper | 89,894 | 89,894 | 8.7% | 0.3 |
| Investment pools | 51,034 | 51,034 | 5.0% | N/A |
| Money Market Mutual Funds | 404,853 | 404,853 | 39.4% | N/A |
| Total Fixed-Income Investments | $ 1,028,771 | $ 1,028,782 | 100.0% | 1.8 |

*Year-Ended September 30, 2014* - 72 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 73 - *Amounts are expressed in thousands*

## Note 3 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 its fixed-income investments to a credit rating of "A-" or better. As of January 31, 2014, 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 | Market Value | Allocation |
|---|---|---|---|
| AAA | $ 337,409 | $ 337,409 | 32.8% |
| AA+ | 419,195 | 419,198 | 40.8% |
| AA | 16,278 | 16,278 | 1.6% |
| AA- | 13,298 | 13,298 | 1.3% |
| A+ | 3,560 | 3,560 | 0.4% |
| A | 98,171 | 98,171 | 9.5% |
| A- | 2,358 | 2,358 | 0.2% |
| Short-term: | | | |
| S-P1+ / MIG 1 | 11,527 | 11,535 | 1.1% |
| A-1+ / P-1 / F-1+ | 89,894 | 89,894 | 8.7% |
| Not rated | 37,081 | 37,081 | 3.6% |
| Total Fixed-Income Investments | $ 1,028,771 | $ 1,028,782 | 100.0% |

**Decommissioning Trust Investments** – As mentioned previously, the Decommissioning Trusts report their assets on a calendar-year basis; therefore, the tables in this section are as of December 31. These tables address interest rate risk exposure by investment type, credit risk, concentration of 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 market value to occur without jeopardizing the ultimate value of the assets. Where long-term securities are held, the interim market value of assets can be sensitive to changes in interest rates. As the general level of interest rates moves up and down, the interim market value of longer-maturity bonds may change substantially.

To mitigate this interest rate risk, a limitation is placed on the weighted-average duration of the fixed-income portfolio. Weighted-average duration is defined as the weighted-average time to return a dollar of principal and interest and also incorporates potential changes in the timing of principal and interest return that may occur as a result of changes in interest rates. It makes assumptions regarding the most likely timing and amounts of variable cash flows and is used as an estimate of the interest rate risk of a fixed-income investment – especially those with payment terms dependent on market interest rates. The overall portfolio duration should not deviate from the weighted-average duration of the Investment Strategy Committee's specified fixed-income index by more than +/- 1.5 years. The Investment Strategy Committee's fixed-income index is based on the Barclays Capital Aggregate Index, which is 5.6 for 2013.

**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 government-sponsored entity to 30.0% and investments in any nongovernment-sponsored issuer to 5.0% of the total fixed-income portfolio (excluding cash collateral from securities lending). At December 31, 2013, total other debt securities (corporate and foreign issuers) amounted to 47.3% of the fixed-income portfolio for the 28% Decommissioning Trust and 20.7% for the 12% Decommissioning Trust.





## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

The following tables list the fixed-income investment holdings by type:

| | 28% Interest | | | 12% Interest | | |
|---|---|---|---|---|---|---|
| Investment Type | Market Value [1] | Allocation | Weighted-Average Duration (Years) | Market Value [1] | Allocation | Weighted-Average Duration (Years) |
| U.S. Treasuries | $ 17,884 | 9.6% | 4.8 | $ 27,109 | 37.3% | 4.8 |
| U.S. Agencies: | | | | | | |
| Federal National Mortgage Assn. | 32,856 | 17.6% | 4.6 | 8,898 | 12.3% | 5.1 |
| Federal Home Loan Mortgage Corp. | 23,196 | 12.5% | 5.8 | 9,368 | 12.9% | 6.3 |
| Small Business Admin | 3,884 | 2.1% | 5.5 | | | |
| Government National Mortgage Assn. | 2,617 | 1.4% | 2.4 | 1,044 | 1.4% | 5.8 |
| Municipal Bonds - Texas | 656 | 0.4% | 7.8 | 296 | 0.4% | 7.8 |
| Municipal Bonds - Other States | 9,921 | 5.3% | 8.8 | 2,450 | 3.4% | 6.7 |
| Corporate Bonds | 78,210 | 42.0% | 6.4 | 14,998 | 20.7% | 6.4 |
| Foreign Bonds | 17,121 | 9.2% | 6.0 | | | |
| Money Market Mutual Funds | 15,181 | 7.5% | N/A | 8,455 | 11.6% | N/A |
| Total Fixed-income Investments | $ 201,526 | 107.5% | 5.9 | $ 72,618 | 100.0% | 5.6 |
| Cash Collateral - Securities Lending | 8,106 | | | | | |
| Total Fixed-income Portfolio | $ 209,632 | | | $ 72,618 | | |
| Combined Decommissioning Trust Funds Total | $ 282,250 | | | | | |

[1] Market Value and carrying value are the same amount.

**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 following tables, which list the fixed-income holdings by credit rating, investments with a credit rating below BBB- totaled 1.3% of the fixed-income portfolio for the 28% Trust at December 31, 2013. There were no securities with a credit rating below BBB- held in the 12% Trust at December 31, 2013.

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*Year-Ended September 30, 2014* - 74 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 75 - *Amounts are expressed in thousands*

## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

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

| Credit Rating | 28% Interest Market Value [1] | 28% Interest Allocation | 12% Interest Market Value [1] | 12% Interest Allocation |
|---|---|---|---|---|
| U.S. Treasuries (AA+) | $ 17,884 | 8.5% | $ 27,109 | 37.3% |
| AAA | 31,118 | 14.8% | 9,579 | 13.2% |
| AA+ | 65,124 | 31.1% | 20,167 | 27.8% |
| AA | 1,842 | 0.9% | 1,196 | 1.7% |
| AA- | 3,039 | 1.5% | 403 | 0.6% |
| A+ | 6,882 | 3.3% | 1,172 | 1.6% |
| A | 12,915 | 6.2% | 2,688 | 3.7% |
| A- | 25,080 | 12.0% | 4,615 | 6.4% |
| BBB+ | 16,005 | 7.6% | 3,283 | 4.5% |
| BBB | 19,989 | 9.5% | 2,406 | 3.3% |
| BBB- | 7,059 | 3.4% | | 0.0% |
| BB+ | 801 | 0.4% | | 0.0% |
| BB- | 246 | 12.0% | | |
| B+ | 161 | 0.1% | | 0.0% |
| CCC | | 0.0% | | 0.0% |
| CC | | 0.0% | | 0.0% |
| D | | 0.0% | | 0.0% |
| Not rated | 1,487 | 0.7% | | 0.0% |
| Total Fixed-income Portfolio | $ 209,632 | 100.0% | $ 72,618 | 100.0% |

**Foreign Currency Risk** – With the exception of dedicated foreign-equity portfolios, all investments authorized for purchase by the Decommissioning Trusts are U.S. dollars. This reduces the potential foreign currency risk exposure to the portfolio. All foreign bonds outstanding were issued in the U.S. and amounted to $17,121 as of December 31, 2013. In accordance with the Investment Policy, investments in international portfolios are limited to international commingled funds, American Depository Receipts and Exchange Traded Funds that are diversified across countries and industries. The international portfolio will be limited to 20.0% of the total portfolio. At December 31, 2013, total foreign equity securities amounted to 16.6% of the 28% Trust's total portfolio. At December 31, 2013, total foreign equity securities held by the 12% Trust amounted to 5.5% of the Trust's portfolio.

**Securities Lending** – CPS Energy and the Decommissioning Trusts engage in securities lending transactions under a contract with their lending agent, Frost Bank. Authority to engage in these transactions is granted under each entity's Investment Policy. CPS Energy and the Decommissioning Trusts are authorized to loan up to 70.0% and 100.0%, respectively, of their investments in securities lending transactions.

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions,* provides guidance for entities reporting and disclosing securities lending transactions. This guidance includes reporting certain securities lending collateral on the balance sheet as an asset, with a corresponding liability for the obligation to repay the collateral.





## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

In securities lending transactions, CPS Energy and the Decommissioning Trusts, through their lending agent, transfer securities to brokers/dealers in exchange for collateral and simultaneously agree to return the collateral for the same securities in the future. Cash collateral received from the borrower is invested entirely in money market mutual funds. The liquidity provided by the money market mutual funds allows for the easy return of collateral at the termination of a security loan.

Lending income is earned if the returns on the cash collateral invested exceed the rebate paid to borrowers of the securities. The income is then shared with the lending agent to cover its fees based on a contractually negotiated rate split. However, if the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, part of the payment to the borrower would come from CPS Energy's or the Decommissioning Trusts' resources and the lending agent based on the rate split.

Loans that are collateralized with securities generate income when the borrower pays a loan premium for the securities loaned. This income is split at the same ratio as the earnings for cash collateral. The collateral pledged to CPS Energy or the Decommissioning Trusts for the loaned securities is held by the lending agent. These securities are not available to CPS Energy or the Decommissioning Trusts for selling or pledging unless the borrower is in default of the loan.

Any collateral received is required to have a fair value of 102.0% of the loaned securities. Securities are marked to market daily and additional cash or securities are required from the borrower if the market value of the collateral falls below 100.0%. Cash collateral is reported on the balance sheet as an asset, with a corresponding liability for the obligation to repay the cash collateral. Noncash collateral for securities lending activities is not recorded as an asset because it remains under the control of the transferor, except in the event of default.

In the event of default, where the borrower is unable to return the securities loaned, CPS Energy and the Decommissioning Trusts have authorized the lending agent to seize the collateral held. The collateral would then be used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities may not be able to be replaced. The lending agent has indemnified CPS Energy and the Decommissioning Trusts from any loss due to borrower default in the event the collateral is not sufficient to replace the securities.

At January 31, 2014, neither CPS Energy nor the Decommissioning Trusts had any credit risk exposure to borrowers because the amounts CPS Energy and the Decommissioning Trusts owed to borrowers exceeded the amounts the borrowers owed. There were no violations of legal or contractual provisions nor were there any borrower or lending agent default losses related to securities lending in fiscal year 2014.

**Direct Investments** – At January 31, 2014, there was a total of $157,890 in securities, or 15.3% of CPS Energy's direct investments, out on loan to brokers/dealers. In exchange, CPS Energy received $161,017 in securities collateral, or 101.9% of the market value of the corresponding securities loaned. Income generated from securities lending transactions amounted to $779 in fiscal year 2014, of which 30.0% was paid as fees to the lending agent.

*Year-Ended September 30, 2014* - 76 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 77 - *Amounts are expressed in thousands*

## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

### CPS Energy (Continued)

**Decommissioning Trusts** – For the 28% Decommissioning Trust at December 31, 2013, there was a total of $23,052 in securities, or 6.4% of the Decommissioning Trust's investments, out on loan to brokers/dealers. In exchange, the Trust received $8,106 in cash collateral and $15,436 in securities collateral, or a total of 102.1% of the market value of the corresponding securities loaned. Income generated from securities lending transactions for the Decommissioning Trust amounted to $103 in calendar year 2013, of which 30.0% was paid as fees to the lending agent.

For the 12% Decommissioning Trust at December 31, 2013, there was a total of $26,304 in securities, or 20.7% of the Decommissioning Trust's investments, out on loan to brokers/dealers. In exchange, the Trust received $26,853 in securities collateral, or a total of 102.1% of the market value of the corresponding securities loaned. Income generated from securities lending transactions for this Decommissioning Trust amounted to $85 in calendar year 2013, of which 30.0% was paid as fees to the lending agent.

### 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; and other types of secured or guaranteed investments. These investments are subject to market risk, interest rate risk, and credit risk, which may affect the value at which these investments are recorded. Investments other than money market investments are reported at fair value. Under the provisions of GASB Statement No. 31, money market investments, including U.S. Treasury and agency obligations, with a remaining maturity at time of purchase of one year or less are reported at amortized cost. San Antonio Water System Retirement Plan (SAWSRP) unallocated separate accounts are valued at fair value. A summary of SAWS cash, cash equivalents, and investments can be found at the beginning of Note 3.

**Custodial Credit Risk (Deposit)** – All funds are deposited in demand and savings accounts or certificates of deposit at Frost Bank, SAWS' general depository bank. Additionally funds have been deposited in certificates of deposit at BBVA-Compass Bank and Bank of America. As required by state law, all deposits are fully collateralized and/or are covered by federal depository insurance. At December 31, 2013, the collateral pledged is being held by the Federal Reserve Bank of Boston under SAWS' name so SAWS incurs no custodial credit risk. As of December 31, 2013, the bank balance of demand and savings account was $39,419 and the reported amount was $37,809 which included $30 of cash on hand, and certificates of deposits totaled $85,000.

**Custodial Credit Risk (Investment)** – Investments include securities issued by the United States government and its agencies and instrumentalities along with municipal bonds and funds held in escrow. Securities issued by the U.S. government and its agencies and instrumentalities along with municipal bonds are held in safekeeping by SAWS' depository bank, Frost Bank and registered as securities of SAWS. Funds held in escrow are Money Market Funds managed by Frost Bank, Bank of New York Mellon, U.S. Bank and Wells Fargo Bank and are invested in securities issued by the U.S. government or by U.S. Agencies.





## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

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

As of December 31, 2013, SAWS had the following investments and maturities:

| | Investments Maturities (in Days) | | | | | |
|---|---|---|---|---|---|---|
| Investment Type | 90 Days or Less | 91 to 180 | 181 to 365 | Greater than 365 | Fair Value | Reported |
| U.S. Treasury Securities | $ 20,022 | $ 26,904 | $ - | $ - | $ 46,926 | $ 46,922 |
| U.S. Agency Discount Notes | 71,295 | 51,832 | | | 123,127 | 123,121 |
| U.S. Agency Coupon Notes | 72,845 | 97,098 | 39,708 | 33,546 | 243,197 | 243,199 |
| Municipal Bonds | 2,263 | | | 4,066 | 6,329 | 6,331 |
| Money Market Funds: | | | | | | |
| Bank of New York Mellon | 121,324 | | | | 121,324 | 121,324 |
| Frost Bank | 12,088 | | | | 12,088 | 12,088 |
| U.S. Bank | 2,568 | | | | 2,568 | 2,568 |
| Wells Fargo Bank | 11,121 | | | | 11,121 | 11,121 |
| | $ 313,526 | $ 175,834 | $ 39,708 | $ 37,612 | $ 566,680 | $ 566,674 |
| Percentage of Portfolio | 55.3% | 31.0% | 7.0% | 6.7% | 100.0% | |

**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. As indicated in the table above, 93.3% of SAWS' investment portfolio is invested in maturities less than one year.

**Credit Risk** – In accordance with its Investment Policy, 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. Additionally, any short-term investments require a rating of at least 'A-1' or 'P-1'. As of December 31, 2013, SAWS held no direct investments with a credit rating below 'AA'.

| Credit Rating | Carrying Value | Market Value | Allocation | Investment Policy Limit |
|---|---|---|---|---|
| A-1/AAA | $ 270,222 | $ 270,228 | 47.7% | Max. = 100.0% |
| AA+ | 290,121 | 290,123 | 51.2% | Max. = 100.0% |
| AA | 6,331 | 6,329 | 1.1% | Max. = 100.0% |
| Total Portfolio | $ 566,674 | $ 566,680 | 100.0% | |

**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, SAWS' 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 20.0% of the total investment portfolio on any non-government issuer unless it is fully collateralized. As of December 31, 2013, the following investments in any one organization that represent more than 5.0% of total SAWS investments are: 40.0% in Federal Home Loan Bank, 7.0% in Federal National Mortgage Association, and 5.0% in Federal Home Loan Mortgage Corporation.

*Year-Ended September 30, 2014* - 78 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 79 - *Amounts are expressed in thousands*

## Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

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

The following is a reconciliation of deposits and investments disclosed in the Note to the amounts presented for cash and cash equivalents and investments in the balance sheet for 2013:

| | December 31, 2013 |
|---|---|
| Reported amounts in Note for: | |
| Deposits, including certificates of deposit | $ 122,809 |
| Investments | 566,674 |
| Total Deposits and Investments | $ 689,483 |
| Totals for Statement of Net Position: | |
| Cash and Cash Equivalents: | |
| Unrestricted cash and cash equivalents | $ 131,763 |
| Restricted cash and cash equivalents: | |
| Debt Service Fund | 1 |
| Capital Projects Accounts | 138,134 |
| Other Restricted Accounts: | |
| Reserve Fund | 15 |
| Total Cash and Cash Equivalents | $ 269,913 |
| Investments: | |
| Unrestricted current investments | $ 55,454 |
| Restricted current investments: | |
| Debt Service Accounts | 53,566 |
| Capital Project Accounts | 53,416 |
| Other Restricted Accounts: | |
| Operating reserve | 140,018 |
| Customer deposits | 117,116 |
| Total Other Restricted Accounts | 257,134 |
| Total Current Investments | $ 419,570 |
| Total Cash, Cash Equivalents and Investments | $ 689,483 |

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## Note 4 Capital Assets

### Primary Government (City)

Impairments of $706 were identified and reduced in capital assets for governmental activities. Capital asset activity for governmental activities, to include internal service funds, for the year-ended September 30, 2014 is as follows:

**Capital Assets - Governmental Activities**

| | Beginning Balance (Restated) | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Non-Depreciable Assets: | | | | | |
| Land | $ 1,399,010 | $ 5,226 | $ (10) | $ - | $ 1,404,226 |
| Construction in Progress | 308,352 | 341,273 | (33,119) | (194,018) | 422,488 |
| Non-Depreciable Intangible Assets | 97,847 | 25,322 | | | 123,169 |
| Other Non-Depreciable Assets | 2,844 | | | | 2,844 |
| Total Non-Depreciable Assets | 1,808,053 | 371,821 | (33,129) | (194,018) | 1,952,727 |
| Depreciable Assets: | | | | | |
| Intangible Assets | 4,083 | | | 22 | 4,105 |
| Buildings | 857,059 | | (2,631) | 65,711 | 920,139 |
| Improvements | 667,775 | 34 | (4,069) | 31,395 | 695,135 |
| Infrastructure | 2,715,313 | | (28,857) | 94,478 | 2,780,934 |
| Machinery and Equipment | 494,680 | 42,080 | (75,544) | 2,412 | 463,628 |
| Total Depreciable Assets | 4,738,910 | 42,114 | (111,101) | 194,018 | 4,863,941 |
| Accumulated Depreciation: | | | | | |
| Intangible Assets | (1,850) | (829) | | | (2,679) |
| Buildings | (338,694) | (23,896) | 418 | | (362,172) |
| Improvements | (185,349) | (30,915) | 975 | | (215,289) |
| Infrastructure | (1,752,718) | (62,426) | 3,375 | | (1,811,769) |
| Machinery and Equipment | (312,231) | (47,767) | 71,655 | | (288,343) |
| Total Accumulated Depreciation | (2,590,842) | (165,833) | 76,423 | | (2,680,252) |
| Total Depreciable Assets, net | 2,148,068 | (123,719) | (34,678) | 194,018 | 2,183,689 |
| Total Capital Assets, net | $ 3,956,121 | $ 248,102 | $ (67,807) | $ - | $ 4,136,416 |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| General Government | $ 20,888 |
| Public Safety | 11,953 |
| Public Works | 82,403 |
| Health Services | 896 |
| Sanitation | 48 |
| Welfare | 1,188 |
| Culture and Recreation | 14,570 |
| Convention and Tourism | 9,126 |
| Urban Redevelopment and Housing | 176 |
| Economic Development and Opportunity | 128 |
| Education | 432 |
| Depreciation on Capital Assets Held by City's Internal Service Funds are Charged to Various Functions Based on Asset Usage | 24,025 |
| Total Depreciation Expense for Governmental Activities | $ 165,833 |

The capital assets of internal service funds are included in governmental activities. In fiscal year 2014, internal service funds capital assets increased by $31,269, and decreased by $59,967, of which $329 are impairments, resulting in an ending balance of $171,310. Depreciation expense of $24,025, less the $56,567 in previously depreciated assets disposed of during the current year, resulted in an ending accumulated depreciation balance of $98,043. Net book value is $73,267.

*Year-Ended September 30, 2014* - 80 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 81 - *Amounts are expressed in thousands*

## Note 4 Capital Assets (Continued)

### Primary Government (City) (Continued)

The City capitalizes interest incurred on construction projects, in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. In fiscal year 2014, the City capitalized construction period interest for the Airport System in the amount of $434. Interest costs for nonmajor enterprise funds were not capitalized as construction in progress, but were funded by capital contributions from governmental funds. Impairments of $670 were identified for the Airport System and reduced in capital assets during fiscal year 2014. The nonmajor enterprise funds did not have impaired assets.

Capital asset activity for business-type activities for the year-ended September 30, 2014, is as follows:

| Capital Assets - Business-Type Activities | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| Non-Depreciable Assets: | | | | | |
| Land: | | | | | |
| Airport System | $ 5,322 | $ - | $ - | $ - | $ 5,322 |
| Nonmajor Enterprise Fund | 9,277 | | | | 9,277 |
| Total Land | 14,599 | | | | 14,599 |
| Construction in Progress: | | | | | |
| Airport System | 62,523 | 33,307 | (1,090) | (36,277) | 58,463 |
| Nonmajor Enterprise Fund | 1,689 | 4,440 | (1,140) | (779) | 4,210 |
| Total Construction in Progress | 64,212 | 37,747 | (2,230) | (37,056) | 62,673 |
| Total Non-Depreciable Assets | 78,811 | 37,747 | (2,230) | (37,056) | 77,272 |
| Depreciable Assets: | | | | | |
| Buildings: | | | | | |
| Airport System | 365,201 | | (349) | 284 | 365,136 |
| Nonmajor Enterprise Fund[1] | 30,428 | 21 | | 631 | 31,080 |
| Total Buildings | 395,629 | 21 | (349) | 915 | 396,216 |
| Improvements: | | | | | |
| Airport System[2] | 399,430 | 1,470 | (1,193) | 35,993 | 435,700 |
| Nonmajor Enterprise Fund[1] | 22,341 | | (35) | 148 | 22,454 |
| Total Improvements | 421,771 | 1,470 | (1,228) | 36,141 | 458,154 |
| Machinery and Equipment: | | | | | |
| Airport System[2] | 17,054 | 1,215 | (4,178) | | 14,091 |
| Nonmajor Enterprise Fund | 38,865 | 2,874 | (6,938) | | 34,801 |
| Total Machinery and Equipment | 55,919 | 4,089 | (11,116) | | 48,892 |
| Total Depreciable Assets | 873,319 | 5,580 | (12,693) | 37,056 | 903,262 |
| Accumulated Depreciation: | | | | | |
| Buildings: | | | | | |
| Airport System | (104,191) | (10,505) | 349 | | (114,347) |
| Nonmajor Enterprise Fund[1] | (12,382) | (831) | | | (13,213) |
| Total Buildings | (116,573) | (11,336) | 349 | | (127,560) |
| Improvements: | | | | | |
| Airport System[2] | (144,631) | (16,685) | 373 | | (160,943) |
| Nonmajor Enterprise Fund[1] | (5,559) | (981) | 9 | | (6,531) |
| Total Improvements | (150,190) | (17,666) | 382 | | (167,474) |
| Machinery and Equipment: | | | | | |
| Airport System[2] | (12,721) | (1,144) | 4,148 | | (9,717) |
| Nonmajor Enterprise Fund | (21,582) | (4,502) | 5,992 | | (20,092) |
| Total Machinery and Equipment | (34,303) | (5,646) | 10,140 | | (29,809) |
| Total Accumulated Depreciation | (301,066) | (34,648) | 10,871 | | (324,843) |
| Total Depreciable Assets, net | 572,253 | (29,068) | (1,822) | 37,056 | 578,419 |
| Total Capital Assets, net | $ 651,064 | $ 8,679 | $ (4,052) | $ - | $ 655,691 |

[1] Nonmajor Enterprise transferred an asset from improvements to buildings with a book value of $21 and depreciation of $9.

[2] Airport System transferred a fully depreciated asset from machinery and equipment to improvements with a book value of $1,470.





## Note 4 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 21 generating units at these four power stations—four are coal-fired and 17 are gas-fired. Two of the gas-fired generating units at the Leon Creek power station were retired in fiscal year 2014. The following is a list of power stations and relative generating units in service at January 31, 2014:

| Power Station | Generating Units | Type |
|---|---|---|
| Calaveras | 6 | Coal (4)/Gas (2) |
| Braunig | 8 | Gas |
| Leon Creek | 4 | Gas |
| Rio Nogales | 3 | Gas |

In fiscal year 2012, CPS Energy announced plans to mothball its J.T. Deely Units 1 and 2 coal-fired power plants in fiscal year 2018 instead of the originally projected dates of fiscal year 2032 and fiscal year 2033, respectively. Therefore, depreciation for these two units was accelerated beginning in fiscal year 2013. To continue operating the units past the announced mothball dates, CPS Energy would need to install $550,000 in flue gas desulfurization equipment (commonly referred to as scrubbers) to cut sulfur dioxide emissions in order to be compliant with new, more stringent environmental regulations scheduled to take effect in the future.

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 the general plant are: the Energy Management Center; the main office complex; the construction and customer service centers; the Villita Assembly Building; and a fleet of automobiles, trucks, and work equipment. On January 31, 2012, CPS Energy purchased approximately eight acres of land and a shell building in northwest San Antonio to serve as the site of a new data and control center and other customer and support staff functions. Before construction on the new data center was started, a more suitable site was located in northwest San Antonio and was purchased in July 2013 to serve as the site of the new data and control center. CPS Energy continues to evaluate its options for the property initially purchased.

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

In fiscal year 2014, CPS Energy entered into an agreement for $41,000 to sell 69 existing communication towers to an independent third party, including provisions for CPS Energy's continued use of select space on those towers, the purchaser's use of space in CPS Energy's communication shelters located near the towers, and the assignment of existing license agreements with other third parties using space on the towers. Title to 62 of the towers was conveyed to the purchaser in January 2014. Because the towers are subject to group depreciation as permitted under guidance provided in GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, no gain or loss was recognized on the sale transaction. Instead, proceeds allocated to the sale were credited to accumulated depreciation.

Year-Ended September 30, 2014 - 82 - Amounts are expressed in thousands
Year-Ended September 30, 2014 - 83 - Amounts are expressed in thousands

## Note 4 Capital Assets (Continued)

### CPS Energy (Continued)

In accordance with the sale agreement, the purchaser has six months from the closing date to complete their review of outstanding environmental and structural issues related to the conveyed towers. CPS Energy agreed to receive into escrow $2,000 of the total purchase price to be used for any damage payments that might be required related to any identified issues. The escrowed balance will not be reported on CPS Energy's Statements of Net Position until the conditions for its release have been met. Once the due diligence work has been completed on the 62 conveyed towers, the remaining escrow balance released to CPS Energy will represent a purchase price adjustment and be recorded to accumulated depreciation.

Of the total purchase price, $3,336 was allocated to the seven towers not initially transferred to the purchaser pending resolution of easement issues and was recorded as a current liability. Upon completion of the easement due diligence work on these sites and conveyance of title to the purchaser, this amount will be reclassified from a current liability to accumulated depreciation.

**Plant Purchase** – In the first quarter of fiscal year 2013, taxable senior lien bonds were issued to purchase the Rio Nogales combined-cycle natural gas electric generating plant in Seguin, Texas. The 800-MW plant is being utilized to provide a portion of its power to a third party that has executed a multiyear agreement for an option to call on power from the plant, with the remaining power available for CPS Energy to sell into the ERCOT market or to utilize to meet its commitments. Over the next few years, CPS Energy will be integrating the Rio Nogales plant into its rate base to provide generation capacity that will not otherwise be available once J.T. Deely Units 1 and 2 are mothballed.

In conjunction with the 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 exemption of ad valorem taxes involving the parties to this agreement. The payment was recorded as an intangible asset that will be amortized over the life of the agreement, which runs through December 2041.

The purchase price of the Rio Nogales plant was allocated to major subsets of assets including land, transmission lines, water treatment facilities, combustion and steam turbines, and switchyard assets. Other than the plant assets, the tax exemption settlement and normal working capital settlements, CPS Energy incurred no other material acquisition costs, nor did they assume any material liabilities with the purchase of the plant.

**Impairments** – No capital asset impairments were identified for fiscal year 2014.

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## Note 4 Capital Assets (Continued)

### CPS Energy (Continued)

**Investment in STP** – 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. See Note 10, CPS Energy South Texas Project for more information.

On October 29, 2007, the CPS Energy board of trustees approved a resolution enabling CPS Energy to participate in development activities related to new nuclear generation units to be constructed near Bay City, Texas, on a site where STP Units 1 and 2 currently operate. These generation units are referred to as STP Units 3 and 4. At January 31, 2010, CPS Energy held a 50.0% interest in the development. As a result of a litigation settlement with CPS Energy's partner in the project, Nuclear Innovation North America, Inc. (NINA), CPS Energy's ownership in STP Units 3 and 4 was reduced from 50.0% to 7.6% effective March 1, 2010. Including AFUDC of $21,000, project costs incurred by CPS Energy to date of $391,322 are included as construction in progress. Effective fiscal year 2012, AFUDC is not being recorded for the STP Units 3 and 4 project since efforts have been limited primarily to licensing-related activities. For more detailed information on project development and legal events associated with STP Units 3 and 4, see Note 10, CPS Energy South Texas Project for more information.

**STP Capital Investment, Net**

| | January 31, 2014 |
|---|---|
| STP Capital Assets, net | |
| Land | $ 5,701 |
| Construction in progress, STP Units 1&2 | 38,636 |
| Construction in progress, STP Units 3&4 | 391,354 |
| Electrical and general plant | 971,521 |
| Software | 24 |
| Nuclear Fuel | 114,081 |
| Total STP Capital Assets, net | $ 1,521,317 |
| Total CPS Energy Capital Assets, net | $ 7,817,280 |
| STP Capital Investments as a percentage of total CPS Energy Capital Assets, net | 19.5% |

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*Year-Ended September 30, 2014* - 84 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 85 - *Amounts are expressed in thousands*

## Note 4 Capital Assets (Continued)

### CPS Energy (Continued)

The following tables provide more detailed information on the activity of CPS Energy's net capital assets as presented on the balance sheet, including capital asset activity for fiscal year 2014:

**Capital Assets - CPS Energy**

| | Beginning Balance | Increases | Transfers | Decreases | Ending Balance |
|---|---|---|---|---|---|
| Non-Depreciable Assets: | | | | | |
| Land | $ 60,674 | $ 761 | $ 7,844 | $ - | $ 69,279 |
| Land Easements | 88,193 | | 440 | | 88,633 |
| Construction in Progress | 591,725 | 380,034 | (302,774) | | 668,985 |
| Total Non-Depreciable Assets | 740,592 | 380,795 | (294,490) | | 826,897 |
| Depreciable Capital Assets: | | | | | |
| Utility Plant in Service: | | | | | |
| Electric Plant | 9,838,640 | 39,472 | 233,874 | (72,874) | 10,039,112 |
| Gas Plant | 746,308 | 4,806 | 25,658 | (45) | 776,727 |
| General Plant | 657,913 | 10,054 | 20,870 | (36,318) | 652,519 |
| Intangibles: | | | | | |
| Software | 205,600 | 59 | 14,088 | (4) | 219,743 |
| Other | 28,704 | | | | 28,704 |
| Nuclear Fuel | 746,297 | 44,777 | | | 791,074 |
| Total Depreciable Capital Assets | 12,223,462 | 99,168 | 294,490 | (109,241) | 12,507,879 |
| Accumulated Depreciation and Amortization: | | | | | |
| Utility Plant in Service: | | | | | |
| Electric Plant[1] | (3,889,773) | (315,443) | | 78,652 | (4,126,564) |
| Gas Plant | (288,178) | (16,972) | | 619 | (304,531) |
| General Plant[1] | (230,934) | (44,545) | | (3,478) | (278,957) |
| Software[1] | (114,910) | (12,248) | | (1,022) | (128,180) |
| Other[1] | (1,251) | (1,007) | | (13) | (2,271) |
| Nuclear Fuel | (642,968) | (34,025) | | | (676,993) |
| Total Accumulated Depreciation Depletion and Amortization | (5,168,014) | (424,240) | | 74,758 | (5,517,496) |
| Total Capital Assets, net | $ 7,796,040 | $ 55,723 | $ - | $ (34,483) | $ 7,817,280 |

[1] Salvage and removal costs are also included in the accumulated depreciation; therefore there is not a corresponding reduction in the asset.

**Cash flow information** – Cash paid for additions and net removal costs was $389,875. This included $435,186 in additions to construction in progress and electric, gas and general plant, and excludes salvage and removal costs of $34,337, $4,698 in AFUDC and $6,469 in donated assets.

**Other** – Depreciation and amortization expense for the period totaled $390,215, while amortization of nuclear fuel of $34,025 was reported as fuel expense on the Statements of Revenues, Expenses and Change in Net Position.





## Note 4 Capital Assets (Continued)

### San Antonio Water System (SAWS)

SAWS' interest expense during the construction period is capitalized as part of the cost of capital assets. For the year-ended December 31, 2013, interest capitalized was $9,271. 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 | $ 94,971 | $ - | $ (8,675) | $ (483) | $ 85,813 |
| Intangible Assets: | | | | | |
| Acquisition of Water Rights | 213,219 | | 29,517 | | 242,736 |
| Other | 370 | | | | 370 |
| Construction in Progress | 571,547 | 297,656 | (361,025) | (1,349) | 506,829 |
| Total Non-Depreciable Assets | 880,107 | 297,656 | (340,183) | (1,832) | 835,748 |
| Depreciable Assets: | | | | | |
| Utility Plant in Service: | | | | | |
| Structures and Improvements | 554,885 | 7 | 51,660 | (213) | 606,339 |
| Pumping and Purification | 152,468 | 332 | 3,452 | (170) | 156,082 |
| Distribution and Transmission System | 1,766,303 | 2,313 | 67,309 | (3,259) | 1,832,666 |
| Treatment Facilities | 1,606,951 | | 206,329 | (30) | 1,813,250 |
| Total Utility Plant in Service | 4,080,607 | 2,652 | 328,750 | (3,672) | 4,408,337 |
| Machinery and Equipment: | | | | | |
| Machinery and Equipment | 134,819 | 3,993 | 10,872 | (5,574) | 144,110 |
| Furniture and Fixtures | 5,100 | 8 | | | 5,108 |
| Computer Equipment | 14,697 | 1,213 | | (274) | 15,636 |
| Software | 24,436 | 1,173 | 561 | (27) | 26,143 |
| Total Machinery and Equipment | 179,052 | 6,387 | 11,433 | (5,875) | 190,997 |
| Intangible Assets | 1,347 | | | | 1,347 |
| Total Depreciable Assets | 4,261,006 | 9,039 | 340,183 | (9,547) | 4,600,681 |
| Accumulated Depreciation: | | | | | |
| Utility Plant in Service: | | | | | |
| Structures and Improvements | (131,060) | (13,155) | | 124 | (144,091) |
| Pumping and Purification | (37,443) | (3,828) | | 33 | (41,238) |
| Distribution and Transmission System | (519,657) | (39,802) | | 3,259 | (556,200) |
| Treatment Facilities | (584,256) | (37,226) | | 22 | (621,460) |
| Machinery and Equipment: | | | | | |
| Machinery and Equipment | (66,656) | (12,921) | | 5,095 | (74,482) |
| Furniture and Fixtures | (4,538) | (188) | | | (4,726) |
| Computer Equipment | (8,732) | (2,275) | | 271 | (10,736) |
| Software | (17,375) | (1,912) | | 27 | (19,260) |
| Intangible Assets | (168) | (68) | | | (236) |
| Total Accumulated Depreciation | (1,369,885) | (111,375) | | 8,831 | (1,472,429) |
| Total Depreciable Assets, net | 2,891,121 | (102,336) | 340,183 | (716) | 3,128,252 |
| Total Capital Assets, net | $ 3,771,228 | $ 195,320 | $ - | $ (2,548) | $ 3,964,000 |

**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 costs were charged off totaling $1,349 in fiscal year 2013.

*Year-Ended September 30, 2014* - 86 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 87 - *Amounts are expressed in thousands*

## Note 5 Receivables and Payables

### Primary Government (City)

### *Disaggregation of Receivables*

Net receivables at September 30, 2014 are as follows:

| | Accounts | Taxes | Note and Loans | Accrued Interest | Other | Total Net Receivables |
|---|---|---|---|---|---|---|
| Governmental Activities | $ 114,832 | $ 21,856 | $ 251,982 | $ 1,555 | $ 15,785 | $ 406,010 |
| Business-Type Activities: | | | | | | |
| Airport System | $ 3,676 | $ - | $ 333 | $ 225 | $ - | $ 4,234 |
| Nonmajor Enterprise Funds | 8,306 | | | 77 | | 8,383 |
| Total Business-Type Activities | $ 11,982 | $ - | $ 333 | $ 302 | $ - | $ 12,617 |

The receivable balances for Governmental Activities have been reduced by estimated allowances for doubtful accounts of $122,214 against customer accounts, $6,422 against property and occupancy taxes, and $59,522 against other receivables. The receivable balances for Business-Type Activities have been reduced by estimated allowances for doubtful accounts of $1,871 against customer accounts.

Of the $251,982 recorded in notes and loans, $251,267 is not expected to be collected within one year. Included in the $251,267 that is expected to be repaid over 25 years is a loan receivable for $189,547 associated with CCHFC.

The remaining $61,720 note and loan receivable not expected to be collected within one year is related to Urban Redevelopment and Housing and Economic Development and Opportunity, net of allowance for doubtful accounts of $10,860. The $10,860 allowance is fully comprised of forgivable non-interest bearing notes and loans. The $61,720 notes and loans have a corresponding unearned revenue balance recorded within the respective funds.

### *Disaggregation of Payables*

Payables at September 30, 2014 are as follows:

| | Accounts | Accrued Payroll | Claims Payable | Total Payables |
|---|---|---|---|---|
| Governmental Activities | $ 103,598 | $ 12,963 | $ 69,702 | $ 186,263 |
| Business-Type Activities: | | | | |
| Airport System | $ 8,325 | $ 605 | $ - | $ 8,930 |
| Nonmajor Enterprise Funds | 4,271 | 1,195 | | 5,466 |
| Total Business-Type Activities | $ 12,596 | $ 1,800 | $ - | $ 14,396 |





## Note 5 Receivables and Payables (Continued)

### Primary Government (City) (Continued)

### *Interfund Receivable and Payable Balances*

As of September 30, 2014, the interfund receivable and payable balances represent short-term loans resulting from (1) timing differences between the dates that transactions are recorded in the accounting system and (2) short-term borrowings at fiscal year-end. Of the $48,900 due from other funds in the General Fund, $39,987 is a result of overdraws of pooled cash. Except for the internal loan from the Other Internal Service Fund of $41 to the General Fund, all interfund balances are expected to be paid within one year.

Different fiscal year ends exist between the City and Pre-K 4 SA component unit, September 30 and June 30, therefore interfund receivables and payables do not eliminate by $487. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the City's transfer to Pre-K 4 SA represents its obligation to provide the 1/8 cents sales tax collected 60 days after September 30; however, Pre-K 4 SA's due from other funds illustrates the City's 1/8 cents sales tax collected 60 days after June 30, 2014. These transactions are in accordance with legislative and contractual requirements.

The following is a summary of interfund receivables and payables for the City as of September 30, 2014:

**Summary Table of Interfund Receivables and Payables**
**As of September 30, 2014**

| | Due from Other Funds | Due To Other Funds |
|---|---|---|
| **General Fund:** | | |
| Debt Service Fund | $ - | $ 327 |
| Categorical Grant In-Aid | 7,456 | 138 |
| Nonmajor Governmental Funds | 29,168 | 1,603 |
| Nonmajor Enterprise Funds | 5 | 1 |
| Internal Service Funds | 12,271 | 213 |
| **Total General Fund** | 48,900 | 2,282 |
| **Debt Service Fund:** | | |
| General Fund | 327 | |
| **Total Debt Service Fund** | 327 | |
| **Categorical Grant In-Aid:** | | |
| General Fund | 138 | 7,456 |
| Nonmajor Governmental Funds | | 4 |
| Internal Service Funds | | 7 |
| **Total Categorical Grant In-Aid** | 138 | 7,467 |
| **Pre-K 4 SA:** | | |
| Nonmajor Governmental Funds | 2,944 | |
| **Total Pre-K 4 SA** | 2,944 | |
| **Texas Public Facility Corporation:** | | |
| Nonmajor Governmental Funds | | 27,667 |
| **Total Texas Public Facility Corporation** | | 27,667 |

*(Continued)*

Year-Ended September 30, 2014 - 88 - Amounts are expressed in thousands
Year-Ended September 30, 2014 - 89 - Amounts are expressed in thousands

## Note 5 Receivables and Payables (Continued)

### Primary Government (City) (Continued)

***Interfund Receivable and Payable Balances (Continued)***

**Summary Table of Interfund Receivables and Payables (Continued)**
**As of September 30, 2014**

| | Due from Other Funds | Due To Other Funds |
|---|---|---|
| **2012 General Obligation Funds:** | | |
| Nonmajor Governmental Funds | $ - | $ 17,607 |
| **Total 2012 General Obligation Funds** | | 17,607 |
| **Nonmajor Governmental Funds:** | | |
| General Fund | 1,603 | 29,168 |
| Categorical Grant In-Aid | 4 | |
| Pre-K 4 SA | 3,122 | 5,579 |
| Texas Public Facility Corporation | 27,667 | |
| 2012 General Obligation Funds | 17,607 | |
| Nonmajor Governmental Funds | 14,143 | 14,143 |
| Internal Service Funds | 31 | 545 |
| **Total Nonmajor Governmental Funds** | 64,177 | 49,435 |
| **Airport System Fund:** | | |
| Internal Service Funds | | 8 |
| **Total Airport System Fund** | | 8 |
| **Nonmajor Enterprise Funds:** | | |
| General Fund | 1 | 5 |
| Internal Service Funds | | 162 |
| **Total Nonmajor Enterprise Funds** | 1 | 167 |
| **Internal Service Funds:** | | |
| General Fund | 213 | 12,271 |
| Categorical Grant In-Aid | 7 | |
| Airport System Fund | 8 | |
| Nonmajor Governmental Funds | 545 | 31 |
| Nonmajor Enterprise Funds | 162 | |
| Internal Service Funds | 8 | 8 |
| **Total Internal Service Funds** | 943 | 12,310 |
| **Total** | $ 117,430 | $ 116,943 |

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## Note 5 Receivables and Payables (Continued)

### CPS Energy

**Disaggregation of Receivables** – Net customer accounts receivable as of January 31, 2014, included $55,514 for unbilled revenue receivables and $202,100 for billed utility services. Interest and other receivables included $9,132 for regulatory-related receivables; $112 for interest receivable; and $31,190 for other miscellaneous receivables.

**Disaggregation of Payables** – At January 31, 2014, accounts payable and accrued liabilities included $207,161 related to standard operating supplier and vendor payables, including fuels payable; $41,584 for employee-related payables; $22,561 for the current portion of unearned lease revenue; and $90,855 for other miscellaneous payables and accrued liabilities.

### San Antonio Water System (SAWS)

**Disaggregation of Receivables** – Gross customer accounts receivables as of December 31, 2013, included $33,640 from customers, $23,664 in unbilled revenue, $4,542 receivable from SAWS DSP, $658 in interest receivable, and $8,141 receivable from other governmental agencies, less an allowance of $3,491.

**Disaggregation of Payables** – At December 31, 2013, accounts payable and other current liabilities included $35,866 in accounts payable, $7,412 in vacation payable, $2,482 in accrued payroll and benefits, $27,614 in construction contracts, and $9,447 in customer deposits.

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*Year-Ended September 30, 2014* - 90 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 91 - *Amounts are expressed in thousands*

## Note 6 Long-Term Debt

**Primary Government (City)**

***Governmental Activity Long-Term Debt***

**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 2014:

On October 31, 2013, the City issued $17,500 in Public Property Finance Contractual Obligations, Series 2013. The Obligations were issued to refund $5,317 of certain outstanding capital lease indebtedness and $12,183 was used to finance the acquisition of new personal property and equipment for the Fire, Police, and Parks Departments, and City vehicles for various departments. The Obligations have maturities ranging from 2015 to 2016, with an interest rate of 0.5%.

On December 17, 2013, the City issued $20,900 in Revenue Notes, Taxable Series 2013A. The Revenue Notes, Taxable Series 2013A were issued to finance the acquisition, improvement, and equipping of certain facilities for Pre-K 4 SA. The Notes have maturities ranging from 2014 to 2020, with an interest rate of 2.3%.

On July 9, 2014, the City issued $1,400 in Tax Notes, Series 2014. The Tax Notes, Series 2014 were issued to finance the reconstruction of street improvements in the Mission del Lago subdivision approved in the Mission del Lago Tax Increment Reinvestment Zone Settlement Agreement approved by City Council on May 1, 2014. The Tax Notes have maturities ranging from 2015 to 2021, with an interest rate of 1.8%.

On July 11, 2014, the City issued $17,740 in Tax Notes, Series 2014A. The Tax Notes, Series 2014A were issued to finance improvements to public safety facilities, streets drainage, parks, municipal facilities, and libraries. The Tax Notes have maturities ranging from 2015 to 2016, with interest rates ranging from 0.2% to 0.3%.

On August 20, 2014, the City issued $5,970 in Tax Notes, Series 2014B. The Tax Notes, Series 2014B were issued to finance improvements to streets, sidewalks, and drainage improvements necessary or incidental thereto, and the acquisition of real property for City purposes. The Tax Notes have maturities ranging from 2015 to 2021, with interest rates ranging from 2.0% to 3.0%.

On August 20, 2014, the City issued $227,275 in General Improvement and Refunding Bonds, Series 2014. Solid Waste Management was allocated $245 from the refunded obligations and the remaining $227,030 was allocated to governmental activities.

The refunded portion of the governmental activities of $67,050, which included a premium of $9,696, was used to fund an escrow account for the redemption, discharge, and defeasance of the refunded obligations. As a result of defeasing the debt, the City will realize a total decrease of $7,334 in debt service payments and total deferred charges of $2,726. 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 $8,981.

The remaining governmental proceeds of $159,980, which included a premium of $21,450, were issued to finance improvements to: streets, bridges, and sidewalks; drainage and flood control; parks, recreation, and open space; library, museum, and cultural arts facilities; and public safety facilities. The Bonds have maturities ranging from 2015 to 2034, with interest rates ranging from 2.0% to 5.0%.





## Note 6 Long-Term Debt (Continued)

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

***Governmental Activity Long-Term Debt (Continued)***

**Pledges**

The City of San Antonio's General Obligation, Certificates of Obligation, Tax Notes, and Public Property Finance Contractual Obligations are pledged 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 Municipal Drainage Utility System Revenue Bonds are secured by a lien on Stormwater revenues.

TMFC Lease Revenue Bonds are paid by annually appropriated lease payments made by the City which equal the annual debt service on the Bonds.

The SIDC Contract Revenue Bonds are secured with a pledge of utility revenue received by the City from CPS Energy.

CCHFC Contract Revenue Empowerment Zone Bonds are secured by net operating revenues to be received from the Convention Center Hotel operations. In the event the net operating revenues are insufficient to pay all debt service, City tax revenues will be pledged in the following order of priority: first, from the Convention Center Hotel State HOT revenues; second, from Convention Center Hotel State sales tax revenues; third, from Convention Center Hotel 7.0% local HOT revenues; and fourth, from available 2.0% Expansion HOT revenues.

The Revenue Notes are secured by a commitment of the City to pay principal and interest on the Notes when due from any and all lawful and available sources, subject to annual appropriation by the City Council of the City.

TPFC Improvement and Refunding Lease Revenue Bonds 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.

**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. On September 30, 2014, $214,605 of previously defeased bonds was outstanding.

## Note 6 Long-Term Debt (Continued)

### Primary Government (City) (Continued)

### *Governmental Activity Long-Term Debt (Continued)*

The following table is a summary of changes for the year-ended September 30, 2014 for governmental activity debt:

| Governmental Activity Long-Term Debt | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Time of Original Issuance | | | | | | |
| Issue | Original Amount | Final Principal Payment | Interest Rates (%) | Balance Outstanding October 1, 2013 | Additions During Year | Deletions During Year | Balance Outstanding September 30, 2014 |
| Tax-Exempt General Obligation Bonds: | | | | | | | |
| Series 2003 | $ 40,905 | 2014 | 2.750-5.000 | $ 5,270 | $ - | $ (5,270) | $ - |
| Series 2003A | 56,515 | 2016 | 2.000-5.000 | 14,560 | | (14,560) | |
| Series 2005 | 116,170 | 2025 | 3.500-5.250 | 86,000 | | (17,850) | 68,150 |
| Series 2006 Forward Refunding | 33,090 | 2016 | 5.250-5.500 | 10,335 | | (6,835) | 3,500 |
| Series 2006 Refunding | 170,785 | 2026 | 3.500-5.000 | 121,590 | | (48,410) | 73,180 |
| Series 2007 Refunding | 121,220 | 2028 | 4.000-5.000 | 73,480 | | (4,500) | 68,980 |
| Series 2008 | 75,060 | 2028 | 4.000-5.500 | 66,620 | | (3,070) | 63,550 |
| Series 2010 Refunding | 156,255 | 2023 | 2.000-5.000 | 116,565 | | (5,385) | 111,180 |
| Series 2010A | 8,800 | 2020 | 5.000 | 8,800 | | | 8,800 |
| Series 2011 | 59,485 | 2031 | 2.000-5.000 | 55,190 | | (2,235) | 52,955 |
| Series 2012 Refunding | 33,410 | 2024 | 2.000-5.000 | 31,200 | | (5,655) | 25,545 |
| Series 2012 | 148,600 | 2032 | 2.000-5.000 | 146,600 | | (5,000) | 141,600 |
| Series 2013 | 114,435 | 2033 | 2.000-5.000 | 114,435 | | (8,500) | 105,935 |
| Series 2014 | 227,275 | 2034 | 2.000-5.000 | | 227,030 | | 227,030 |
| Total Tax-Exempt General Obligation Bonds | $ 1,362,005 | | | $ 850,645 | $ 227,030 | $ (127,270) | $ 950,405 |
| Taxable General Obligation Bonds: | | | | | | | |
| Series 2010B BABs | $ 191,550 | 2040 | 4.314-6.038 | $ 191,550 | $ - | $ - | $ 191,550 |
| Total Taxable General Obligation Bonds | $ 191,550 | | | $ 191,550 | $ - | $ - | $ 191,550 |
| Tax-Exempt Certificates of Obligation: | | | | | | | |
| Series 2005 | $ 10,535 | 2025 | 4.000-5.250 | $ 9,410 | $ - | $ (3,180) | $ 6,230 |
| Series 2006 | 73,155 | 2026 | 3.500-4.370 | 53,685 | | (20,365) | 33,320 |
| Series 2007 | 106,755 | 2028 | 4.000-5.000 | 47,725 | | (8,170) | 39,555 |
| Series 2008 | 85,005 | 2028 | 3.500-5.500 | 69,970 | | (3,330) | 66,640 |
| Series 2010 | 38,375 | 2019 | 4.000-5.000 | 38,375 | | (6,590) | 31,785 |
| Series 2011 | 79,780 | 2031 | 2.000-5.000 | 74,490 | | (2,730) | 71,760 |
| Series 2012 | 19,340 | 2032 | 1.000-5.000 | 19,340 | | (750) | 18,590 |
| Series 2013 | 15,145 | 2028 | 2.000-5.000 | 15,145 | | (790) | 14,355 |
| Total Tax-Exempt Certificates of Obligation | $ 428,090 | | | $ 328,140 | $ - | $ (45,905) | $ 282,235 |
| Tax Notes: | | | | | | | |
| Series 2011 | $ 9,445 | 2016 | 2.000-4.000 | $ 5,860 | $ - | $ (1,875) | $ 3,985 |
| Series 2012 | 17,635 | 2016 | 1.500-2.000 | 13,330 | | (4,355) | 8,975 |
| Series 2014 | 1,400 | 2021 | 1.800 | | 1,400 | | 1,400 |
| Series 2014A | 17,740 | 2016 | 0.220-0.330 | | 17,740 | | 17,740 |
| Series 2014B | 5,970 | 2021 | 2.000-3.000 | | 5,970 | | 5,970 |
| Total Tax Notes | $ 52,190 | | | $ 19,190 | $ 25,110 | $ (6,230) | $ 38,070 |
| Public Property Finance Contractual Obligations | | | | | | | |
| Series 2013 | $ 17,500 | 2016 | 0.540 | $ - | $ 17,500 | $ - | $ 17,500 |
| Total Contractual Obligations | $ 17,500 | | | $ - | $ 17,500 | $ - | $ 17,500 |
| Revenue Bonds: | | | | | | | |
| Series 2005 Municipal Drainage | $ 61,060 | 2030 | 3.500-5.250 | $ 3,770 | $ - | $ (1,835) | $ 1,935 |
| Series 2013 Municipal Drainage | 70,685 | 2030 | 3.000-5.000 | 70,685 | | (1,410) | 69,275 |
| Series 2010 Municipal Facility Corp Ref | 9,090 | 2020 | 1.000-3.250 | 7,000 | | (930) | 6,070 |
| Series 2011 Municipal Facility Corp | 27,925 | 2041 | 2.000-5.000 | 27,360 | | (575) | 26,785 |
| Convention Series 2005A | 129,930 | 2039 | 4.750-5.000 | 129,930 | | | 129,930 |
| Convention Series 2005B | 78,215 | 2028 | 4.500-5.310 | 68,555 | | (2,895) | 65,660 |
| Starbright Industrial Dev Corp Series 2013 | 20,890 | 2033 | 1.078-4.750 | 20,890 | | | 20,890 |
| Series 2012 Public Facilities Corp[1] | 550,374 | 2042 | 3.000-5.100 | 550,374 | | | 550,374 |
| Total Revenue Bonds | $ 948,169 | | | $ 878,564 | $ - | $ (7,645) | $ 870,919 |
| Revenue Notes: | | | | | | | |
| Series 2013 | $ 18,460 | 2015 | 0.850 | $ 18,460 | $ - | $ (9,000) | $ 9,460 |
| Series 2013A | 20,900 | 2020 | 2.320 | | 20,900 | (2,305) | 18,595 |
| Total Revenue Notes | $ 39,360 | | | $ 18,460 | $ 20,900 | $ (11,305) | $ 28,055 |
| Total | $ 3,038,864 | | | $ 2,286,549 | $ 290,540 | $ (198,355) | $ 2,378,734 |

[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 accrete from date of delivery and will be payable only at maturity or redemption. The interest accreted has resulted in an increase of $1,598 in revenue bonds payable, resulting in an ending balance of $2,930. This increase is reflected in the combined Statement of Net Position but is not reflected in this table.





## Note 6 Long-Term Debt (Continued)

### Primary Government (City) (Continued)

### *Governmental Activity Long-Term Debt (Continued)*

#### Annual Requirements

The annual requirement to amortize all general obligation bonds, certificates of obligation, tax notes, contractual obligations, revenue bonds, and revenue notes outstanding as of September 30, 2014 are as follows:

| Principal and Interest Requirements | | | | | | | |
|---|---|---|---|---|---|---|---|
| | General Obligation Bonds [2] | | | Certificates of Obligation | | Tax Notes | |
| Year Ending September 30, | Principal | Interest | Direct Subsidy[1] | Principal | Interest | Principal | Interest |
| 2015 | $ 59,375 | $ 54,541 | $ (3,550) | $ 31,495 | $ 13,046 | $ 16,240 | $ 461 |
| 2016 | 63,125 | 52,333 | (3,550) | 21,370 | 11,633 | 16,445 | 253 |
| 2017 | 62,690 | 49,273 | (3,550) | 20,155 | 10,722 | 1,025 | 122 |
| 2018 | 67,320 | 46,012 | (3,550) | 18,790 | 9,807 | 1,045 | 102 |
| 2019 | 73,615 | 42,763 | (3,550) | 13,490 | 8,945 | 1,070 | 77 |
| 2020-2024 | 336,545 | 161,801 | (16,887) | 76,665 | 35,409 | 2,245 | 63 |
| 2025-2029 | 241,010 | 92,337 | (13,884) | 84,430 | 13,844 | | |
| 2030-2034 | 167,195 | 41,221 | (9,855) | 15,840 | 1,076 | | |
| 2035-2039 | 58,065 | 14,716 | (4,780) | | | | |
| 2040-2042 | 13,015 | 786 | (255) | | | | |
| Total | $ 1,141,955 | $ 555,783 | $ (63,411) | $ 282,235 | $ 104,482 | $ 38,070 | $ 1,078 |

[1] The City issued Build America Bonds (BABs) in fiscal year 2010. These BABs are eligible for Direct Subsidies or rebates from the Federal Government for issuing the debt as taxable instruments. In fiscal year 2014, the City collected $3,550 in Direct Subsidies.

[2] Includes both Tax-Exempt and Taxable General Obligation Bonds.

| Principal and Interest Requirements | | | | | | |
|---|---|---|---|---|---|---|
| | Contractual Obligations | | Revenue Bonds | | Revenue Notes | |
| Year Ending September 30, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | $ 8,665 | $ 71 | $ 8,050 | $ 36,318 | $ 12,330 | $ 438 |
| 2016 | 8,835 | 24 | 9,260 | 36,009 | 2,960 | 330 |
| 2017 | | | 12,555 | 35,667 | 3,050 | 261 |
| 2018 | | | 13,130 | 35,164 | 3,140 | 189 |
| 2019 | | | 13,760 | 34,612 | 3,240 | 115 |
| 2020-2024 | | | 86,120 | 162,633 | 3,335 | 39 |
| 2025-2029 | | | 139,255 | 136,704 | | |
| 2030-2034 | | | 197,780 | 100,331 | | |
| 2035-2039 | | | 206,239 | 131,939 | | |
| 2040-2042 | | | 184,770 | 13,935 | | |
| Total | $ 17,500 | $ 95 | $ 870,919 | $ 723,312 | $ 28,055 | $ 1,372 |

*Year-Ended September 30, 2014* - 94 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 95 - *Amounts are expressed in thousands*

## Note 6 Long-Term Debt (Continued)

### Primary Government (City) (Continued)

*Governmental Activity Long-Term Debt (Continued)*

### Annual Requirements (Continued)

In May 2012, the citizens authorized the City to sell $596,000 in debt for the 2012-2017 Bond Program. The program includes 140 projects designed to improve and enhance existing, as well as acquire or construct, new local streets, bridges, sidewalks, drainage facilities, parks, athletic facilities, libraries, and public health centers. The Bonds are categorized in five areas: Streets, Bridges, and Sidewalks Improvements; Drainage and Flood Control Improvements; Parks, Recreation, and Open Space Improvements; Library, Museum, and Cultural Arts Facilities Improvements; and Public Safety Facilities Improvements. 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 [1] | Bonds Authorized but Unissued |
| 5/12/2012 | Streets, Bridges, and Sidewalks[2] | $ 337,441 | $ 199,969 | $ 133,472 |
| 5/12/2012 | Drainage and Flood Control | 128,031 | 73,132 | 54,899 |
| 5/12/2012 | Parks, Recreation, and Open Space | 87,150 | 70,316 | 16,834 |
| 5/12/2012 | Library, Museum, and Cultural Art Facilities | 29,032 | 26,349 | 2,683 |
| 5/12/2012 | Public Safety Facilities | 14,346 | 8,309 | 6,037 |
| Total | | $ 596,000 | $ 378,075 | $ 213,925 |

[1] Includes, from prior bond issues sold pursuant to the 2012 voted authority, a portion of the net reoffering premium in the amount of $40,862 allocated against voter authorization.

[2] The City has realized savings with respect to certain projects included within this proposition, which savings total $4,000 when compared to original cost projections. As a result, the City will not issue a corresponding amount from the 2012 voted authorization capacity from this proposition.

### 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 2014 was $86,983,209 which provides a debt ceiling of $8,698,321. The total outstanding debt that is secured by an ad valorem tax pledge is $1,494,770 including $15,010 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 (please note that dollar figures in this paragraph are not reflected in thousands).



Notes to Financial Statements

## Note 6 Long-Term Debt (Continued)

### Primary Government (City) (Continued)

*Governmental Activity Long-Term Debt (Continued)*

### Notes Payable

In September 2004, City Council authorized the submission of a $57,000 HUD 108 loan application to HUD, which was received August 2006. Proceeds of the loan have been utilized to fund various capital improvement projects including streets and drainage projects, and to fund improvements to public health facilities, parks, libraries, and community recreation and cultural facilities. The City was required to transfer any funds unspent as of December 31, 2014 to a loan repayment account. The loan amount outstanding as of September 30, 2014 was $41,290.

In December 1999, a loan in the amount of $40, bearing interest of 8.5%, was received by the Urban Renewal Agency of the City of San Antonio dba Office of the Urban Redevelopment of San Antonio (Our SA). The proceeds of the loan were utilized to purchase land located at 1946 Nolan. The loan amount outstanding as of September 30, 2014 was $30.

### Interfund Borrowings

In certain instances, after an evaluation of project/purchase funding requirements, it has been determined that some funds or operations may require temporary financing. As an alternative to the issuance of external debt to finance those projects/purchases, the City has authorized internal temporary financing from available cash balances in the Internal Service Equipment Replacement Fund (Other Internal Service Fund) to meet those needs.

In June 2009, a loan in the amount of $460 was authorized from the City's Other Internal Service Fund to the General Fund to finance the City's participation in an interagency agreement with the San Antonio Water System to implement a water efficiency project at the HemisFair Fountain. Upon completion of the project, the City received a one-time rebate.

The HemisFair Fountain uses an estimated 36,000 gallons of water each year which equates to an annual estimated cost of $130 to the General Fund. These savings, along with the one-time rebate and interest earnings, will be transferred to the Other Internal Service Fund to reimburse the Other Internal Service Fund for its loan for the capital project. Interest earned in fiscal year 2014 using the City's average rate for the fiscal year-ended September 30, 2014 of 0.2% was $0. Cumulative interest incurred through fiscal year 2014 was $12.

The following is a summary of changes in the loan for the fiscal year-ended September 30, 2014:

| Balance October 1, 2013 | Additions | Reductions | Balance September 30, 2014 |
|---|---|---|---|
| $ 70 | $ - | $ 29 | $ 41 |

## Note 6 Long-Term Debt (Continued)

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

***Governmental Activity Long-Term Debt (Continued)***

In June 2010, a 15 year, 3.7% interest loan was authorized in the amount of $1,185 from the City 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. The loan amount outstanding as of September 30, 2014 is $930.

| Balance October 1, 2013 | Additions | Reductions | Balance September 30, 2014 |
|---|---|---|---|
| $ 995 | $ - | $ 65 | $ 930 |

### Leases

The City leases property and equipment from others. Leased property having elements of ownership are recorded in the government-wide financial statements. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are also recorded in the government-wide financial statements. Other leased property, not having elements of ownership, are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when matured in the governmental fund financial statements. Total expenditures for operating leases for the fiscal year-ended September 30, 2014 were approximately $8,431.

The City has entered into various lease purchase agreements for the acquisition of printers and related components, an inventory theft detection system, energy/water saving conservation improvements, in-car police video equipment, and various medical emergency services equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of the date of inception. Payments on each of the lease purchases will be made from budgeted annual appropriations to be approved by the City Council. The assets acquired through capital leases for governmental activities are as follows:

| | |
|---|---|
| Machinery and Equipment | $ 29,366 |
| Less: Accumulated Depreciation | (20,254) |
| Total | $ 9,112 |

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## Note 6 Long-Term Debt (Continued)

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

***Governmental Activity Long-Term Debt (Continued)***

As of September 30, 2014, the City had future minimum lease payments under capital and operating leases with a remaining term in excess of one year for governmental activities as follows:

| | Capital Leases | Operating Leases | Total |
|---|---|---|---|
| Fiscal Year Ending September 30: | | | |
| 2015 | $ 1,348 | $ 7,515 | $ 8,863 |
| 2016 | 1,244 | 6,111 | 7,355 |
| 2017 | 1,135 | 3,994 | 5,129 |
| 2018 | 793 | 3,332 | 4,125 |
| 2019 | 756 | 2,802 | 3,558 |
| 2020-2024 | 3,765 | 7,575 | 11,340 |
| 2025-2029 | 1,694 | 347 | 2,041 |
| 2030-2034 | | 377 | 377 |
| 2035-2039 | | 263 | 263 |
| 2040-After | | 3,452 | 3,452 |
| Future Minimum Lease Payments | 10,735 | $ 35,768 | $ 46,503 |
| Less: Interest | (1,819) | | |
| Present Value of Future Minimum Lease Payments | 8,916 | | |
| Less: Current Portion | (1,046) | | |
| Capital Lease, Net of Current Portion | $ 7,870 | | |

***Business-Type Activity Long-Term Debt***

Business-Type Activity long-term debt applies to those City operations that relate to business and quasi-business activities where net income and capital maintenance are measured (Enterprise 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

On August 20, 2014, $245 of the $227,275 in General Improvement and Refunding Bonds, Series 2014 was allocated to Solid Waste Management. The net proceeds for the allocated portion of the bonds from the sale of the General Improvement and Refunding Bonds, Series 2014, which included a premium of $35, was applied to fund an escrow account for the redemption, discharge, and defeasance of the refunded obligations. As a result of defeasing the debt, the City will realize a total decrease of $28 in debt service payments and total deferred charges of $14. 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 $48. The Bonds have maturities ranging from 2017 to 2023, with an interest rate of 5.0%.

Year-Ended September 30, 2014 - 98 - Amounts are expressed in thousands
Year-Ended September 30, 2014 - 99 - Amounts are expressed in thousands

## Note 6 Long-Term Debt (Continued)

### Primary Government (City) (Continued)

***Business-Type Activity Long-Term Debt (Continued)***

**Pledges**

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) and Passenger Facility Charge and Subordinate Lien Bonds (PFC). 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.

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 debt and is paid from revenues derived from the operation of the Parking System. The allocated debt is secured by an ad valorem tax pledge.

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 and certificates of obligation debt 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.

**Capitalized Interest Costs** – Interest costs incurred on revenue bonds and other borrowing totaled $17,386 for the Airport System. For fiscal year 2014, the amount of $434 was capitalized for the Airport System and included as an addition to construction in progress. Nonmajor enterprise funds did not have any capitalized interest in fiscal year 2014.

**Prior Years' Defeased Debt**

In prior years, the City advance refunded, prior to maturity, certain revenue bonds. 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 amount 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. On September 30, 2014, $15,700 of previously defeased bonds was outstanding.





## Note 6 Long-Term Debt (Continued)

### Primary Government (City) (Continued)

***Business-Type Activity Long-Term Debt (Continued)***

The following table is a summary of changes in debt obligations for the fiscal year ended September 30, 2014:

| Business-Type Long-Term Debt | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Time of Original Issuance | | | | | | |
| Issue | Original Amount | Final Principal Payment | Interest Rates (%) | Balance Outstanding October 1, 2013 | Additions During Year | Deletions During Year | Balance Outstanding September 30, 2014 |
| Airport System: | | | | | | | |
| Revenue Bonds: | | | | | | | |
| Series 2005 PFC | $ 38,085 | 2030 | 3.375-5.250 | $ 30,490 | $ - | $ (1,160) | $ 29,330 |
| Series 2006 | 17,850 | 2014 | 5.000 | 3,700 | | (3,700) | - |
| Series 2007 | 82,400 | 2032 | 4.950-5.250 | 73,930 | | (2,390) | 71,540 |
| Series 2007 PFC | 74,860 | 2032 | 5.000-5.250 | 63,820 | | (2,060) | 61,760 |
| Series 2010A Refunding | 42,220 | 2040 | 2.000-5.250 | 42,220 | | (805) | 41,415 |
| Series 2010B Refunding | 20,885 | 2018 | 3.197-4.861 | 20,885 | | (3,000) | 17,885 |
| Series 2010 PFC Refunding | 37,335 | 2040 | 2.000-5.375 | 34,930 | | (745) | 34,185 |
| Series 2012 Refunding | 70,135 | 2027 | 2.000-5.000 | 66,920 | | (3,545) | 63,375 |
| Series 2012 PFC Refunding | 25,790 | 2027 | 2.000-5.000 | 24,655 | | (1,260) | 23,395 |
| Subtotal | $ 409,560 | | | $ 361,550 | $ - | $ (18,665) | $ 342,885 |
| Parking System: | | | | | | | |
| Taxable General Obligation Bonds: | | | | | | | |
| Series 2004 Refunding | $ 13,245 | 2016 | 1.400-4.650 | $ 3,480 | $ - | $ (1,480) | $ 2,000 |
| Series 2008 Refunding | 10,120 | 2024 | 5.820-6.570 | 10,120 | | | 10,120 |
| Subtotal | $ 23,365 | | | $ 13,600 | $ - | $ (1,480) | $ 12,120 |
| Solid Waste Management: | | | | | | | |
| Tax-Exempt General Obligation Bonds: | | | | | | | |
| Series 2006 Refunding | $ 1,000 | 2026 | 3.500-5.000 | $ 685 | $ - | $ (220) | $ 465 |
| Series 2010 Refunding | 545 | 2021 | 2.000-5.000 | 545 | | | 545 |
| Series 2014 Refunding | 245 | 2023 | 5.000 | | 245 | | 245 |
| Tax-Exempt Certificate of Obligations: | | | | | | | |
| Series 2006 | 400 | 2026 | 3.500-5.000 | 305 | | (105) | 200 |
| Series 2007 | 2,500 | 2028 | 4.000-5.000 | 1,525 | | (90) | 1,435 |
| Subtotal | $ 4,690 | | | $ 3,060 | $ 245 | $ (415) | $ 2,890 |
| Total | $ 437,615 | | | $ 378,210 | $ 245 | $ (20,560) | $ 357,895 |

The annual requirements to amortize long-term debt for the City's Enterprise Funds related to general obligation bonds, certificates of obligation, and revenue bonds outstanding at September 30, 2014 are as follows:

| Principal and Interest Requirements | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Airport System | | | Parking System | | | Solid Waste Management | | |
| Year Ending September 30, | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | $ 16,710 | $ 16,696 | $ 33,406 | $ 1,000 | $ 694 | $ 1,694 | $ 165 | $ 135 | $ 300 |
| 2016 | 17,400 | 16,019 | 33,419 | 1,000 | 648 | 1,648 | 165 | 127 | 292 |
| 2017 | 18,195 | 15,224 | 33,419 | 1,025 | 625 | 1,650 | 175 | 119 | 294 |
| 2018 | 19,060 | 14,374 | 33,434 | 1,080 | 565 | 1,645 | 65 | 109 | 174 |
| 2019 | 14,965 | 13,504 | 28,469 | 1,145 | 502 | 1,647 | 155 | 100 | 255 |
| 2020-2024 | 86,180 | 56,349 | 142,529 | 6,870 | 1,367 | 8,237 | 1,265 | 352 | 1,617 |
| 2025-2029 | 91,225 | 33,324 | 124,549 | | | | 900 | 93 | 993 |
| 2030-2034 | 52,995 | 13,674 | 66,669 | | | | | | |
| 2035-2039 | 21,210 | 4,803 | 26,013 | | | | | | |
| 2040 | 4,945 | 262 | 5,207 | | | | | | |
| Total | $ 342,885 | $ 184,229 | $ 527,114 | $ 12,120 | $ 4,401 | $ 16,521 | $ 2,890 | $ 1,035 | $ 3,925 |

***Year-Ended September 30, 2014*** **- 100 -** *Amounts are expressed in thousands*
***Year-Ended September 30, 2014*** **- 101 -** *Amounts are expressed in thousands*

## Note 6 Long-Term Debt (Continued)

### Primary Government (City) (Continued)

***Business-Type Activity Long-Term Debt (Continued)***

**Leases**

The City has entered into various lease purchase agreements for the acquisitions of refuse collection containers, refuse collections trucks, brush grappler trucks, brush tractor/trailer combinations, wheel loaders, roll off trucks, and energy/water saving conservation improvements. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of the date of inception. Payments on each of the lease purchases will be made from budgeted annual appropriations to be approved by the City Council. While the garbage containers met the criteria for capital lease recognition, these items were expensed in the initial period leased, as their individual costs were below the City's capitalization threshold.

The assets acquired through capital leases for business-type activities are as follows:

| | |
|---|---|
| Machinery and Equipment | $ 22,892 |
| Less: Accumulated Depreciation | (12,746) |
| Total | $ 10,146 |

As of September 30, 2014 the City had future minimum payments under capital and operating leases with a remaining term in excess of one year for business-type activities as follows:

| | Capital Leases | Operating Leases | Total |
|---|---|---|---|
| Fiscal Year Ending September 30, | | | |
| 2015 | $ 5,160 | $ 652 | $ 5,812 |
| 2016 | 3,761 | 652 | 4,413 |
| 2017 | 1,880 | 600 | 2,480 |
| 2018 | 1,785 | 308 | 2,093 |
| 2019 | 1,785 | 183 | 1,968 |
| 2020-2024 | 2,739 | | 2,739 |
| 2025-2029 | 622 | | 622 |
| Future Minimum Lease Payments | 17,732 | $ 2,395 | $ 20,127 |
| Less: Interest | (1,261) | | |
| Present Value of Future Minimum Lease Payments | 16,471 | | |
| Less: Current Portion | (4,794) | | |
| Capital Leases, Net of Current Portion | $ 11,677 | | |



Notes to Financial Statements

## Note 6 Long-Term Debt (Continued)

### Primary Government (City) (Continued)

***Governmental and Business-Type Activities Long-Term Debt***

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 | $ 850,645 | $ 227,030 | $ (127,270) | $ 950,405 | $ 59,375 |
| Taxable General Obligation Bonds | 191,550 | | | 191,550 | |
| Tax-Exempt Certificates of Obligation | 328,140 | | (45,905) | 282,235 | 31,495 |
| Tax Notes | 19,190 | 25,110 | (6,230) | 38,070 | 16,240 |
| Contractual Obligations | | 17,500 | | 17,500 | 8,665 |
| Revenue Bonds | 878,564 | | (7,645) | 870,919 | 8,050 |
| Revenue Notes | 18,460 | 20,900 | (11,305) | 28,055 | 12,330 |
| Gross Bonds Payable | 2,286,549 | 290,540 | (198,355) | 2,378,734 | 136,155 |
| Unamortized (Discount) / Premium | 93,244 | 31,455 | (17,475) | 107,224 | 15,283 |
| Net Bonds Payable | 2,379,793 | 321,995 | (215,830) | 2,485,958 | 151,438 |
| Other Payables: | | | | | |
| Capital Lease Liability | 15,285 | 65 | (6,434) | 8,916 | 1,046 |
| Accrued Leave Payable | 210,785 | 55,061 | (46,868) | 218,978 | 78,814 |
| Notes Payable | 43,671 | | (2,351) | 41,320 | 2,481 |
| Pollution Remediation Liability [4] | 1,554 | 825 | (883) | 1,496 | |
| Net Pension / OPEB Obligation [1, 2] | 170,041 | 25,742 | | 195,783 | |
| Other Payable | 434 | 498 | (434) | 498 | 498 |
| Total Other Payables | 441,770 | 82,191 | (56,970) | 466,991 | 82,839 |
| Total Governmental Activities Long-Term Liabilities | $ 2,821,563 | $ 404,186 | $ (272,800) | $ 2,952,949 | $ 234,277 |
| Business-Type Activities: | | | | | |
| Bonds Payable: | | | | | |
| Tax-Exempt General Obligation Bonds | $ 1,230 | $ 245 | $ (220) | $ 1,255 | $ 45 |
| Taxable General Obligation Bonds | 13,600 | | (1,480) | 12,120 | 1,000 |
| Tax-Exempt Certificates of Obligation | 1,830 | | (195) | 1,635 | 120 |
| Revenue Bonds | 361,550 | | (18,665) | 342,885 | 16,710 |
| Gross Bonds Payable | 378,210 | 245 | (20,560) | 357,895 | 17,875 |
| Unamortized (Discount) / Premium | 9,391 | 35 | (1,594) | 7,832 | 1,312 |
| Net Bonds Payable | 387,601 | 280 | (22,154) | 365,727 | 19,187 |
| Other Payables: | | | | | |
| Capital Lease Liability | 16,105 | 4,470 | (4,104) | 16,471 | 4,794 |
| Accrued Leave Payable | 4,825 | 3,977 | (3,912) | 4,890 | 4,070 |
| Accrued Landfill Postclosure Costs [3] | 1,887 | | (726) | 1,161 | 103 |
| Pollution Remediation Liability [4] | 1,040 | 234 | | 1,274 | |
| Net OPEB Obligation [2] | 32,777 | 5,607 | | 38,384 | |
| Total Other Payables | 56,634 | 14,288 | (8,742) | 62,180 | 8,967 |
| Total Business-Type Activities Long-Term Liabilities | $ 444,235 | $ 14,568 | $ (30,896) | $ 427,907 | $ 28,154 |

NOTE: Interest accreted increased by $1,598 due to the bond payment's maturity schedule, resulting in an ending balance of $2,930, which increases governmental activities' revenue bonds payable. This increase is reflected in the combined Statement of Net Position but is not reflected in this table.

[1] See Note 8, Pension & Retirement Plans for a description of the pension program.
[2] See Note 9, Post-employment Retirement Benefits for a description of the post-employment program.
[3] See Note 11, Commitments and Contingencies for a description of the Landfill Postclosure Care Costs.
[4] See Note 12, Pollution Remediation Obligation for a description of the Pollution Remediation Liability.

*Year-Ended September 30, 2014* - 102 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 103 - *Amounts are expressed in thousands*

## Note 6 Long-Term Debt (Continued)

### Primary Government (City) (Continued)

### *Governmental and Business-Type Activities Long-Term Debt (Continued)*

#### Accrued Leave

The following is a summary of accrued leave payable for the fiscal year-ended September 30, 2014:

| Governmental Activities | | | | | |
|---|---|---|---|---|---|
| Fund Type | Short-Term Available | Short-Term Remaining | Total Short-Term | Long-Term | Total |
| Governmental Funds | $ 8,962 | $ 67,328 | $ 76,290 | $ 139,717 | $ 216,007 |
| Internal Service Funds | | 2,524 | 2,524 | 447 | 2,971 |
| Total Governmental Activities | $ 8,962 | $ 69,852 | $ 78,814 | $ 140,164 | $ 218,978 |

The General Fund accounts for approximately 68.0% 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 his or her salary was charged to throughout the year will be the same fund that will pay their accrued leave.

| Business-Type Activities | | | |
|---|---|---|---|
| Fund | Short-Term | Long-Term | Total |
| Airport System | $ 1,850 | $ 589 | $ 2,439 |
| Nonmajor Enterprise Funds | 2,220 | 231 | 2,451 |
| Total Business-Type Activities | $ 4,070 | $ 820 | $ 4,890 |

#### Conduit Debt Obligations

The City facilitates the issuance of bonds to enable IDA, EFC and the EZDC, 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, 2014, the aggregate principal amounts payable are as follows: six series of EFC Revenue Bonds in the amount of $87,730; two series of IDA Revenue Bonds in the amount of $9,600; and two series of EZDC Revenue Bonds in the amount of $39,900.

To provide for the acquisition and construction of certain airport facilities, the City has issued Special Airport Facilities Revenue Refunding Bonds, Series 1995. The bond is payable pursuant to lease agreements, which stipulate that various commercial entities are obligated to pay amounts to a third-party trustee in lieu of lease payments to the City. These payments are sufficient to pay for the principal, premium, interest, and purchase price of the bond when they become due. The aggregate principal amount outstanding for the Special Airport Facilities Revenue Refunding Bonds, Series 1995 at September 30, 2014 was $2,200.

The City entered into an agreement with the Port to fund renovations at the Port, in the amount of $20,000. The Department of Housing and Urban Development (HUD) provides the funding for the loan through a Section 108 Loan. The loan is secured by pledged Port revenues and property and is payable solely from payments received by the Port. As of September 30, 2014, the aggregate amount of the outstanding loan totaled $5,866.





## Note 6 Long-Term Debt (Continued)

### Primary Government (City) (Continued)

### *Governmental and Business-Type Activities Long-Term Debt (Continued)*

The City has authorized HTFC to issue single family and multi-family mortgage revenue bonds used 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, 2014, the amount of conduit debt was $39,173.

The City also facilitates the issuance of tax-exempt revenue bonds for SAEAPFC to enter into long-term prepaid purchases of natural gas. SAEAPFC, in turn, sells contracted volumes of the prepaid gas to CPS Energy on a monthly basis 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, 2014, SAEAPFC has one series of tax-exempt revenue bonds with an aggregate principal amount outstanding of $381,585.

Neither the City, the State of Texas, nor any political subdivision of the State of Texas other than the Port, is obligated in any manner for repayment of the aforementioned bonds, loans or 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, 2014 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 balance sheet, the related unamortized costs are expensed, and the gain or loss is immediately recognized.

Current refundings involve issuing new debt (refunding bonds) to redeem existing debt (refunded bonds) that can be called within 90 days of the call date of the refunding bonds. Advance refunding of bonds involves issuing new debt to redeem existing debt that cannot be called within 90 days of issuing the refunding bonds. In these circumstances, the refunding bond proceeds are irrevocably escrowed with a third party. These proceeds, and income thereon, are used to pay the debt service on the refunded bonds until the refunded bonds can be called. Refunding bonds are generally issued to achieve debt service savings.

*Year-Ended September 30, 2014* - 104 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 105 - *Amounts are expressed in thousands*

## Note 6 Long-Term Debt (Continued)

### CPS Energy (Continued)

As of January 31, 2014, the bond ordinances for New Series Bonds issued on and after February 1, 2002 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;
- Payments 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 revenue 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.

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 of 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 debt is 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 Demand Obligation ("VRDO") bonds are debt instruments of CPS Energy. 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:





## Note 6 Long-Term Debt (Continued)

### CPS Energy (Continued)

The City agrees that it will at all times 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, all parity 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 parity 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, the interest on and principal of all notes, and the credit agreement (as defined in the ordinance authorizing the commercial paper); and
- Any legal debt or obligation of CPS Energy as and when the same shall become due.

#### *Revenue Bonds*

On July 25, 2013, CPS Energy issued $375,000 of Series 2013 Junior Lien Revenue Bonds. The true interest cost for this issue, which has maturities in 2034 through 2048, is 4.8%. Bond proceeds are primarily being used to fund construction projects.

**CPS Energy Revenue Bond Summary**

| Issuance | Maturities | Weighted-Average Yield on Outstanding Bonds at January 31, 2014 | January 31, 2014 |
|---|---|---|---|
| Tax Exempt new series bonds 2002-2012 | 2015-2042 | 4.6% | $ 2,587,280 |
| Taxable new series bonds 2009C[1], 2010A[1] and 2012 | 2026-2042 | 4.1% | 1,276,000 |
| Total New Series Bonds | | 4.3% | 3,863,280 |
| Taxable series bonds 2010A[1], 2010B[1] | 2034-2041 | 3.9% | 500,000 |
| Tax Exempt Variable-Rate Series Bonds 2003, 2012A, 2012B, and 2012C | 2025-2033 | | 393,645 |
| Tax Exempt Series Bonds 2013 | 2034-2048 | 4.8% | 375,000 |
| Total Series Bonds | | 4.4% | 1,268,645 |
| Total Long-Term Revenue Bonds Outstanding | | | 5,131,925 |
| Less: Current Maturities of Bonds | | | 157,035 |
| Total Revenue Bonds Outstanding, Net of Current Maturities | | | $ 4,974,890 |

[1] Direct Subsidy Build America Bonds

Year-Ended September 30, 2014 - 106 - Amounts are expressed in thousands
Year-Ended September 30, 2014 - 107 - Amounts are expressed in thousands

## Note 6 Long-Term Debt (Continued)

### CPS Energy (Continued)

#### *Revenue Bonds (Continued)*

As of January 31, 2014, 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 |
| 2015 | $ 157,035 | $ 248,272 | $ (24,250) | $ 381,057 |
| 2016 | 155,115 | 242,635 | (24,250) | 373,500 |
| 2017 | 166,135 | 237,315 | (24,250) | 379,200 |
| 2018 | 163,955 | 231,580 | (24,250) | 371,285 |
| 2019 | 179,870 | 223,664 | (24,250) | 379,284 |
| 2020-2024 | 1,000,835 | 979,413 | (123,133) | 1,857,115 |
| 2025-2029 | 764,005 | 728,397 | (130,659) | 1,361,743 |
| 2030-2034 | 797,745 | 584,136 | (129,494) | 1,252,387 |
| 2035-2039 | 1,016,330 | 368,024 | (80,964) | 1,303,390 |
| 2040-2044 | 628,520 | 92,282 | (9,095) | 711,707 |
| 2045-2048 | 102,380 | 13,109 | | 115,489 |
| Totals | $ 5,131,925 | $ 3,948,827 | $ (594,595) | $ 8,486,157 |

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. BABs subsidy received in 2013 totaled $594,595. 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 debt service payments.

The 2003 Junior Lien Bonds were issued as variable-rate bonds and as such have interest rates that reset on a weekly basis. The 2004 Junior Lien Bonds were refunded in November 2012 by the Series 2012A, 2012B and 2012C Junior Lien Bonds. The Series 2012A, 2012B and 2012C Junior Lien Bonds were issued as variable-rate bonds with interest rates that will be remarketed in two, three and four years, respectively, and at that time will likely reset at different rates of interest. The interest on all variable-rate bonds computes to a blended rate of 0.3% at January 31, 2014.

In fiscal year 2014, CPS Energy implemented GASB Statement No. 65. Under guidance provided in this pronouncement, debt reacquisition costs no longer meet the definition of an asset or a liability and are therefore required to be classified as deferred outflows or inflows of resources on the Statements of Net Position. Prior to implementation of GASB Statement No. 65, debt reacquisition costs were reported on the Statements of Net Position as a component of long-term debt. Debt reacquisition costs reported as deferred outflows of resources totaled $79,745 at January 31, 2014. The current practice of amortizing debt reacquisition costs over the life of the related debt remains unchanged by the adoption of this new pronouncement.





## Note 6 Long-Term Debt (Continued)

### CPS Energy (Continued)

#### *Revenue Bonds (Continued)*

CPS Energy has historically reported debt issuance costs as assets and amortized them over the life of the related debt. Under GASB Statement No. 65, debt issuance costs no longer meet the definition of an asset, nor do they meet the definition of a deferred outflow of resources; therefore, they must be expensed in the period incurred. CPS Energy, as a rate-regulated entity and in accordance with guidance found in GASB Statement No. 62, has established a regulatory asset for the debt issuance costs that would otherwise have been expensed upon implementation of GASB Statement No. 65. This regulatory accounting treatment results in continuation of the current practice of amortizing these costs over the life of the related debt. Debt issuance costs, which are reported within other noncurrent assets on the Statements of Net Position, totaled $29,760 at January 31, 2014.

| Long-Term Debt Activity | | | | | | | |
|---|---|---|---|---|---|---|---|
| Issue | Original Amount | Final Principal Payment | Interest Rates (%) | Balance Outstanding February 1, 2013 | Additions During Year | Decreases During Year | Balance Outstanding January 31, 2014 |
| Revenue and Refunding Bonds: | | | | | | | |
| 2002 Tax Exempt | $ 436,090 | 2017 | 4.055 | $ 141,425 | $ - | $ (73,290) | $ 68,135 |
| 2002 Tax Exempt | 140,615 | 2015 | 4.751 | 10,525 | | | 10,525 |
| 2003 Tax Exempt Junior Lien | 250,000 | 2033 | Variable | 250,000 | | | 250,000 |
| 2003A Tax Exempt | 93,935 | 2014 | 3.675 | 63,475 | | (63,475) | |
| 2005 Tax Exempt | 294,625 | 2020 | 4.379 | 294,625 | | | 294,625 |
| 2006A Tax Exempt | 384,185 | 2025 | 4.555 | 33,035 | | (16,115) | 16,920 |
| 2006B Tax Exempt | 128,845 | 2021 | 3.974 | 76,385 | | (10,115) | 66,270 |
| 2007 Tax Exempt | 46,195 | 2018 | 4.159 | 46,195 | | | 46,195 |
| 2007 Tax Exempt | 403,215 | 2032 | 4.575 | 402,130 | | | 402,130 |
| 2008 Tax Exempt | 287,935 | 2032 | 4.582 | 287,935 | | | 287,935 |
| 2008A Tax Exempt | 158,030 | 2016 | 3.736 | 66,310 | | (20,615) | 45,695 |
| 2009A Tax Exempt | 442,005 | 2034 | 4.863 | 439,500 | | | 439,500 |
| 2009C Taxable | 375,000 | 2039 | 3.944 | 375,000 | | | 375,000 |
| 2009D Tax Exempt | 207,940 | 2021 | 3.720 | 203,065 | | | 203,065 |
| 2010A Taxable | 380,000 | 2041 | 3.834 | 380,000 | | | 380,000 |
| 2010A Taxable Junior Lien | 300,000 | 2041 | 3.806 | 300,000 | | | 300,000 |
| 2010B Taxable Junior Lien | 200,000 | 2037 | 4.101 | 200,000 | | | 200,000 |
| 2011 Tax Exempt | 50,915 | 2017 | 1.599 | 50,915 | | | 50,915 |
| 2012 Taxable | 521,000 | 2042 | 4.382 | 521,000 | | | 521,000 |
| 2012 Tax Exempt | 655,370 | 2025 | 2.552 | 655,370 | | | 655,370 |
| 2012A Tax Exempt Junior Lien | 48,170 | 2028 | Variable | 48,170 | | | 48,170 |
| 2012B Tax Exempt Junior Lien | 47,815 | 2028 | Variable | 47,815 | | | 47,815 |
| 2012C Tax Exempt Junior Lien | 47,660 | 2028 | Variable | 47,660 | | | 47,660 |
| 2013 Tax Exempt Junior Lien | 375,000 | 2048 | 4.753 | | 375,000 | | 375,000 |
| Bonds Outstanding | | | | 4,940,535 | 375,000 | (183,610) | 5,131,925 |
| Bond Current Maturities | | | | (183,610) | | 26,575 | (157,035) |
| Bond (Discount)/Premium | | | | 222,427 | 16,139 | (28,243) | 210,323 |
| Revenue Bonds, Net | | | | 4,979,352 | 391,139 | (185,278) | 5,185,213 |
| Tax Exempt Commercial Paper (TECP) | | | Variable | 296,500 | 63,500 | | 360,000 |
| Total Long-Term Debt, Net | | | | $ 5,275,852 | $ 454,639 | $ (185,278) | $ 5,545,213 |

*Year-Ended September 30, 2014* - 108 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 109 - *Amounts are expressed in thousands*

## Note 6 Long-Term Debt (Continued)

### CPS Energy (Continued)

#### *Flexible Rate Revolving Note*

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, under which CPS Energy may issue taxable or tax-exempt notes, bearing interest at fixed or variable rates in an aggregate principal amount at any one time outstanding not to exceed $100,000. 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 CPS Energy, 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. Under the program, maturity dates cannot extend beyond November 1, 2028.

On May 10, 2010, CPS Energy issued a $25,200 taxable Flexible Rate Revolving Note, Series A, under its taxable Note Purchase Agreement with JPMorgan Chase Bank, N.A., which currently serves as the note purchaser under the program. On May 11, 2010, the proceeds from the note, along with cash, were used to defease $25,700 in principal amounts of the allocable portion of the debt associated with the common facilities of STP Units 1 and 2 that were assigned to NINA in March 2010 when CPS Energy reduced its ownership share of STP Units 3 and 4 to 7.6%. The outstanding FRRN balance at January 31, 2014 was $25,200.

The FRRN 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. At January 31, 2014, only the taxable facility was being utilized through the taxable Note Purchase Agreement. The taxable notes are being secured by a pledge of investment collateral and a limited, subordinate and inferior lien on and pledge of net revenues in the amount of $100. The current taxable Note Purchase Agreement will expire on December 31, 2014, but through an annual renewal process may be extended through November 1, 2028.

#### *Accrued Leave*

Employees earn vacation benefits based upon their employment status and years of service. As of January 31, 2014 the accruals for employee vested benefits were $17,789. These accruals are reported under Accounts Payable and Other Current Liabilities.

### San Antonio Water System (SAWS)

City Ordinance No. 75686 requires that gross revenues of SAWS 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.

City Ordinance No. 75686 also provides for no free services except for municipal firefighting purposes.





## Note 6 Long-Term Debt (Continued)

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

SAWS has a contract with CPS Energy, the City-owned electricity and gas utility, for the provision of reuse water. According to City Ordinance No. 75686, the revenues derived from the contract have been restricted in use to only reuse activities and are excluded from gross revenue for purposes of calculating any transfers to the City's General Fund.

#### *Revenue Bonds*

On May 7, 2013, SAWS issued $50,000 City of San Antonio, Texas Water System Junior Lien Revenue Bonds Series 2013A through the Texas Water Development Board. The bonds were sold under the Water Infrastructure Fund Loan Program. The proceeds from the sale of the bonds were used to (i) finance portions of the Brackish Groundwater Desalination Project, and (ii) pay the cost of issuance. The bonds are secured together with other currently outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On June 6, 2013, SAWS issued $82,885 City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2013B (No Reserve Fund). The proceeds from the sale of the bonds were used to (i) refund the City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2003 and the City of San Antonio, Texas Water System Revenue and Refunding Bonds, Series 2004; (together the "Refunded Bonds") and (ii) pay the cost of issuance. The refunding of the Refunded Bonds reduced total future debt service payments by approximately $15,700 and resulted in an economic gain of $12,400. The bonds are secured together with other currently outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On October 31, 2013, SAWS issued $60,100 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2013D through the Texas Water Development Board. The bonds were sold under the Clean Water State Revolving Fund Program. The proceeds from the sale of the bonds were used to (i) finance capital improvement projects which qualify under the Texas Water Development Board program, and (ii) pay the cost of issuance. The bonds are secured together with other currently outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On November 6, 2013, SAWS issued $79,350 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2013E (No Reserve Fund). The proceeds from the sale of the bonds were used to (i) refund $52,120 in outstanding commercial paper notes, (ii) finance capital improvement projects, and (iii) pay the cost of issuance. The bonds are secured together with other currently outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations. There was no economic gain or loss on this transaction.

On November 6, 2013, SAWS issued $100,000 City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2013F (No Reserve Fund). The proceeds from the sale of the bonds were used to (i) refund $80,000 in outstanding commercial paper notes, (ii) finance capital improvement projects, and (iii) pay the cost of issuance. The bonds are secured together with other currently outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations. There was no economic gain or loss on this transaction.

## Note 6 Long-Term Debt (Continued)

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

***Revenue Bonds (Continued)***

On December 5, 2013, SAWS issued $26,370 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2013C through the Texas Water Development Board. The bonds were sold under the Drinking Water State Revolving Fund program. The proceeds from the sale of the bonds were used to (i) finance capital improvement projects which qualify under the Texas Water Development Board Program, and (ii) pay the cost of issuance. The bonds are secured together with other currently outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

Senior lien water system revenue bonds, comprised of Series 2004, Series 2005, Series 2007, Series 2009, Series 2009A, Series 2009B, Series 2010B, Series 2011, Series 2011A, Series 2012, and Series 2012A, outstanding in the amount of $1,506,725 at December 31, 2013, are collateralized by a senior lien and pledge of the gross revenues of SAWS after deducting and paying the current expenses of operation and maintenance of SAWS and maintaining a two-month operating reserve for such expenses. Interest rates range from 1.9% to 6.2%, exclusive of any federal interest subsidy on the Series 2009B and 2010B Build America Bonds.

Junior Lien Water System Revenue Bonds, comprised of Series 2004, Series 2004-A, Series 2007, Series 2007A, Series 2008, Series 2008A, Series 2009, Series 2009A, Series 2010, Series 2010A, Series 2011, Series 2011A, Series 2012 (No Reserve Fund), Series 2012, Series 2013A, Series 2013B (No Reserve Fund), Series 2013 C, Series 2013D, and Series 2013E (No Reserve Fund), is outstanding in the amount of $634,190 at December 31, 2013, are collateralized by a junior lien and pledge of the gross revenues of SAWS after deducting the current expenses of operation and maintenance of SAWS, maintaining a two-month operating reserve for such expenses, and paying debt service on senior lien debt. Interest rates range from 0.0% to 5.0%.

The junior lien variable-interest-rate bonds, comprised of the Series 2013F (No Reserve Fund) (the “Bonds”), is outstanding in the amount of $100,000. The Bonds are tax-exempt variable-interest-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 expiring October 31, 2016, at a spread of 0.7% over the SIFMA Swap Index. The average interest rate at December 31, 2013 was 0.8%. The ending interest rate at December 31, 2013 was 0.8%. Upon conclusion of the initial interest period, October 31, 2016, SAWS is permitted to change the mode for all or any portion of the 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. During 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 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 8.0%.





## Note 6 Long-Term Debt (Continued)

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

***Revenue Bonds (Continued)***

The following summarizes transactions of the Revenue Bonds for the year-ended December 31, 2013:

| | Beginning Balance January 1, 2013 | Additions | Reductions | Ending Balance December 31, 2013 | Due Within One Year |
|---|---|---|---|---|---|
| Bonds Payable | $ 1,987,810 | $ 398,705 | $ 145,600 | $ 2,240,915 | $ 57,850 |
| (Discounts)/Premiums | 95,735 | 24,378 | 12,194 | 107,919 | |
| Total Bonds payable, Net | $ 2,083,545 | $ 423,083 | $ 157,794 | $ 2,348,834 | $ 57,850 |

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 | |
|---|---|---|---|---|---|---|
| Year Ended December 31, | Principal | Interest Expense | Direct Subsidy[1] | Net Interest | Principal | Interest Expense |
| 2014 | $ 57,850 | $ 92,683 | $ (3,853) | $ 88,830 | $ - | $ 740 |
| 2015 | 59,575 | 90,978 | (3,969) | 87,009 | | 740 |
| 2016 | 63,915 | 89,176 | (3,920) | 85,256 | | 740 |
| 2017 | 68,870 | 86,749 | (3,863) | 82,886 | | 740 |
| 2018 | 71,450 | 84,073 | (3,798) | 80,275 | | 740 |
| 2019-2023 | 392,015 | 374,930 | (17,829) | 357,101 | | 3,700 |
| 2024-2028 | 455,615 | 281,844 | (15,276) | 266,568 | | 3,700 |
| 2029-2033 | 341,275 | 191,735 | (11,928) | 179,807 | 23,190 | 3,386 |
| 2034-2038 | 448,200 | 95,463 | (4,652) | 90,811 | 37,205 | 2,113 |
| 2039-2043 | 182,150 | 10,642 | (283) | 10,359 | 39,605 | 691 |
| Total | $ 2,140,915 | $ 1,398,273 | $ (69,371) | $ 1,328,902 | $ 100,000 | $ 17,290 |

[1] Federal interest rate subsidy on Build America Bonds is utilized to pay interest on those bonds but is reported as nonoperating revenue.

In 2013, SAWS received a total of $4,006 in BABs subsidy.

SAWS is required to comply with various debt covenant provisions included in the ordinances which authorized the bond issuances. SAWS is in compliance with all significant provisions of the ordinances.

***Prior Years’ Defeased Debt***

In current and prior years, SAWS defeased certain revenue bonds by placing revenues or proceeds of new bond issues in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts’ assets and liabilities for the defeased bonds are not included in SAWS’ financial statements. At December 31, 2013, there were no bonds outstanding that were considered legally defeased.

*Year-Ended September 30, 2014* - 112 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 113 - *Amounts are expressed in thousands*

## Note 6 Long-Term Debt (Continued)

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

***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.

| Year-Ended | Liability Beginning Balance | Current-Year Accruals | Payments | Liability Ending Balance | Estimated Due Within One Year |
|---|---|---|---|---|---|
| December 31, 2013 | $ 8,078 | $ 7,512 | $ (7,412) | $ 8,178 | $ 7,412 |

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## Note 7 Commercial Paper Programs

### Primary Government (City)

The City had no Commercial Paper debt during fiscal year 2014.

### CPS Energy

On October 11, 2012, the commercial paper ordinances were amended and restated to include several additional provisions as listed below:

- Increase the authorized capacity to $600,000;
- Allow flexibility to issue tax-exempt or taxable commercial paper;
- Allow the issuance of multiple series notes to reduce bank counterparty risk; and
- Extend the final maturity date to November 1, 2042.

Eligible projects include fuel acquisition, capital improvements to the 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 New Series Bonds and junior lien obligations.

As of January 31, 2014, the commercial paper ordinances contain, among others, the following provisions:

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 the revolving credit agreement; and
- The net revenues of CPS Energy, after payment on New Series Bond requirements and prior lien bond obligations.

CPS Energy issued a total of $63,500 in new tax-exempt commercial paper during the period February 1, 2013 through January 31, 2014, to help fund construction costs. As of January 31, 2014, the outstanding commercial paper balance was $360,000, all of which was tax-exempt.

| Commercial Paper Summary | January 31, 2014 |
|---|---|
| Commercial Paper Outstanding | $ 360,000 |
| New Money Issues | 63,500 |
| Weighted Average Interest Rate of Outstanding | 0.1% |
| Average Life Outstanding (Number of Days) | 71 |

Year-Ended September 30, 2014 - 114 - Amounts are expressed in thousands
Year-Ended September 30, 2014 - 115 - Amounts are expressed in thousands

## Note 7 Commercial Paper Programs (Continued)

### CPS Energy (Continued)

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 therefor in the amount specified. The Series A agreement, which provides $150,000 in liquidity support for the Series A Notes, effective October 17, 2012, was amended February 7, 2014, and extended through February 6, 2017. The Series B agreement, which provides $225,000 in liquidity support for the Series B Notes, is effective June 26, 2013, through June 24, 2016. The Series C agreement, which provides $225,000 in liquidity support for the Series C Notes, is effective June 26, 2013, through June 23, 2017. Under the terms of these revolving credit agreements, CPS Energy may borrow up to an aggregate amount not to exceed $600,000 for the purpose of paying principal due under the commercial paper program. At January 31, 2014, there was no amount outstanding under the revolving credit agreements. Further, there have been no borrowings under the agreements since inception of the program.

### 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 (the Note Ordinance) to maintain at all times credit facilities with banks or other financial institutions which would provide available borrowing capacity sufficient to pay the principal of the commercial paper program. The credit facility is maintained under the terms of a revolving credit agreement.

The issuance of commercial paper is further supported by the following agreements and related participants:
- Dealer Agreements with Goldman, Sachs & Co., J.P. Morgan Securities Inc., and Ramirez & Co., Inc.
- Revolving Credit Agreement with Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York branch, supporting the Series A Notes in the amount of $250,000
- Revolving Credit Agreement with Wells Fargo Bank, N.A., supporting the Series B Notes in the amount of $150,000
- Issuing and Paying Agency Agreement with the Bank of New York Mellon Trust Company, N.A.

The borrowings under the commercial paper program are equally and ratably secured by and are payable from (i) the proceeds from the sale of bonds or additional borrowing under the commercial paper program and (ii) borrowing under and pursuant to the revolving credit agreement. The capacity of the combined revolving credit agreements is $400,000 and the agreements expire on October 5, 2015.

Commercial paper notes of $186,655 are outstanding as of December 31, 2013. Of this balance, $98,000 relates to the refunding of the Series 2003 Bonds; $18,655 relates to the purchase of a water treatment plant from Bexar Metropolitan Water Development Corporation; the remaining $70,000 proceeds were used solely for financing of capital improvements. Interest rates on the notes outstanding at December 31, 2013 range from 0.1% to 0.2% and maturities range from 28 to 127 days. The outstanding notes had an average rate of 0.1% and averaged 65 days to maturity.





## Note 7 Commercial Paper Programs (Continued)

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

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 $400,000 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 $3,105 of commercial paper in 2014. Therefore, this portion of outstanding commercial paper is classified as a current liability.

The following summarizes transactions of the program for the year-ended December 31, 2013.

| | Beginning Balance January 1, 2013 | Additions | Reductions | Ending Balance December 31, 2013 |
|---|---|---|---|---|
| Tax Exempt Commercial Paper Notes | $ 170,745 | $ 151,000 | $ 135,090 | $ 186,655 |

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*Year-Ended September 30, 2014* - 116 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 117 - *Amounts are expressed in thousands*

## Note 8 Pension and Retirement Plans

### Primary Government (City)

### *General Plan Information*

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

**Contributory Pension and Retirement Plans**

| Entity | Title | Type of Plan | Covered Payroll [3] | Employee Contribution | Employer Contribution | Total Contribution |
|---|---|---|---|---|---|---|
| City | Fire and Police Pension Plan | Single Employer Defined Benefit Plan | $ 309,031 | $ 38,073 | $ 76,146 | $ 114,219 |
| | Texas Municipal Retirement System (TMRS) - Civilian | Nontraditional Hybrid Defined Benefit Agent Plan | $ 303,141 | $ 18,191 | $ 32,585 | $ 50,776 |
| Component Units: | | | | | | |
| SAWS | Texas Municipal Retirement System (TMRS)[1] | Nontraditional Hybrid Defined Benefit Agent Plan | $ 94,529 | $ 2,837 | $ 3,990 | $ 6,827 |
| | SAWSRP Contract[1] | Single Employer Defined Benefit Plan | $ 88,895 | $ - | $ 11,289 | $ 11,289 |
| CPS Energy | CPS All Employee Plan[2] | Single Employer Defined Benefit Plan | $ 246,908 | $ 12,569 | $ 44,401 | $ 56,970 |

[1] Fiscal year ended December 31, 2013.

[2] Fiscal year ended January 31, 2014.

[3] Covered payroll presented in this table for the City is as of September 30, 2014.

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## Note 8 Pension and Retirement Plans (Continued)

### Primary Government (City) (Continued)

### *Fire and Police Pension Plan*

The Pension Fund is a single-employer defined benefit retirement plan established in accordance with the laws of the State of Texas. 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 Accounting Financial and Reporting 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 separately issued financial statements.

At September 30, 2014, membership of the Pension Fund consisted of:

| | |
|---|---|
| Retirees and beneficiaries receiving benefits | 2,286 |
| Active participants | 3,944 |
| Inactive participants[1] | 14 |
| Total | 6,244 |

[1] The inactive participants are only entitled to a refund of their contributions, and are not eligible for benefits.

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. A retirement annuity under this subsection may not exceed, as of the date of retirement, 87.5% 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 period by at least 100 basis points. 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 did meet the criteria for the 13th check for the year ended September 30, 2014, but it did not meet the criteria for the 14th check for that period.

*Year-Ended September 30, 2014* - 118 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 119 - *Amounts are expressed in thousands*

## Note 8 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 75.0% to the spouse and 25.0% to the children. The spousal death benefit for 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. At October 1, 2009, amendments establish a 55 year old minimum age for marriage-after-retirement spouses to begin receiving annuity payments for those that qualify for such 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, was $15 if there are no other beneficiaries.

The Pension Fund provides a disability annuity equal to 87.5% 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 10 times the amount of an annuity computed according to the Annuity Computation mentioned above, 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 10 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) as published by the Bureau of Labor Statistics. Members whose retirement, disability, or death occurred before August 30, 1971, receive an increase equal to 100.0% of the increase in the CPI. Members whose retirement, disability, or death occurred after August 30, 1971, but before October 1, 1999, receive an increase equal to 100.0% of the increase in the CPI up to 8.0% and 75.0% of the increase in the CPI in excess of 8.0%. Members whose retirement, disability, or death occurred after October 1, 1999 receive an increase equal to 75.0% of the increase in the CPI.





## Note 8 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 statues and is not actuarially determined. The City was required to contribute 24.6% of salary, excluding overtime pay, in fiscal year 2014. The employee contribution rate was 12.3% in fiscal year 2014. New fire fighters 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.

The Pension Fund has a provision that allows the fire chief and police chief to opt out of membership in the Pension Fund.

The components of the net pension liability (NPL) of the Pension Fund at September 30, 2014 were as follows:

| | |
|---|---|
| Total Pension Liability | $ 2,981,493 |
| Plan Fiduciary Net Position | 2,676,855 |
| City's Net Pension Liability | $ 304,638 |
| Plan fiduciary net position as a percentage of the total pension liability | 89.8% |

The total pension liability was determined by an actuarial valuation as of October 1, 2013, using the entry age normal cost and using the following actuarial assumptions, applied to all periods included in the measurement, with updated procedures used to roll forward to September 30, 2014:

| | |
|---|---|
| Inflation | 3.5% |
| Salary increases | 3.5% plus merit scale of 0.8% - 11.3% |
| Investment rate of return | 7.5% including inflation, net of pension plan investment expense |
| Cost-of-living adjustments | 3.5% for retirements before October 1, 1999 |
| | 2.6% for retirements on or after October 1, 1999 |

Healthy mortality rates were based on the sex-distinct 1994 Group Annuity Mortality Table, with rates increased by 25.0% for females only. Disabled mortality rates were based on the 1994 Group Annuity Mortality Table for males, set forward five years. The current tables were determined to contain a margin of 9.0% to anticipate future mortality improvement based on the review of mortality experience for the 2004-2009 period.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an experience study for the period October 1, 2004 to September 30, 2009.

*Year-Ended September 30, 2014* - 120 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 121 - *Amounts are expressed in thousands*

## Note 8 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 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. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of September 30, 2014 are summarized in the following table:

| | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Asset Class | | |
| Domestic equity | 18.0% | 6.6% |
| International Equity | 21.0% | 7.8% |
| Fixed Income | 20.0% | 2.8% |
| Alternative investments | 29.0% | 5.8% |
| Real estate | 12.0% | 4.4% |
| Total | 100.0% | |

The blended discount rate used to measure the total pension liability is 7.5%. The projection of cash flows used to determine the discount rate assumed contributions will continue to be made at 12.3% of the compensation from plan members and 24.6% of the compensation from the City. Based on these assumptions, the 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 Fund's investments was applied to all periods of the projected benefit payments to determine the total pension liability.

The following presents the net pension liability of the Fund, calculated using the discount rate of 7.5%, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|---|---|---|
| Net pension liability | $ 704,868 | $ 304,638 | $ (27,195) |

Contribution requirements are established by state law and are not actuarially determined. Contributions for the year-ended September 30, 2014 were as follows:

| | Amount | Percentage |
|---|---|---|
| Employer | $ 76,146 | 24.6% |
| Employee | 38,073 | 12.3% |
| Total | $ 114,219 | |





## Note 8 Pension and Retirement Plans (Continued)

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

***Fire and Police Pension Plan (Continued)***

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.

The Pension Fund issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the Fire and Police Pension Fund of San Antonio, 11603 W. Coker Loop, Suite 201, San Antonio, Texas 78216 or by calling (210) 534-3262.

***Texas Municipal Retirement System (TMRS)***

The City provides benefits for all eligible employees (excluding firefighters and police officers) through a nontraditional, joint contributory, hybrid defined benefit plan in TMRS. TMRS is a statewide agent multiple-employer public employee retirement system created by law in 1947 to provide retirement and disability benefits to city employees. TMRS as of December 31, 2013, is the agent for 850 participating entities.

In October 2013, the TMRS Board of Trustees adopted actuarial changes to be first reflected in the December 31, 2013 actuarial valuation. The changes were adopted as a "package" and include Post-Retirement Mortality Assumptions, changes to Entry Age Normal Actuarial Cost Method, and amortization policy as discussed below.

The mortality tables used in calculating the Annuity Purchase Rate (APR) factors for determining service and disability retirement benefits were adopted in 1981. The APRs calculated using the old mortality tables no longer accurately reflected a member's life expectancy at retirement. As a result, City contribution rates increased due to the longer payout period over longer retiree lifespans. Beginning with the December 31, 2013 actuarial valuation, TMRS calculated the APRs based on an updated mortality table on a fully generational basis. A generational mortality table is more accurate and includes automatic adjustments over time to reflect the expectation for increasing life expectancies.

Since its inception, TMRS has used the traditional Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date but does not project the potential future liability of provisions adopted by a participating government. Two-thirds of the governments participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. These provisions are considered to be "committed" benefits (or likely to be guaranteed); as such, for the December 31, 2007 valuation, TMRS' Board adopted the Projected Unit Credit (PUC) actuarial funding method, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. These changes had a significant impact on TMRS' Unfunded Actuarial Accrued Liability (UAAL) and funded position as well as the City's contribution requirements. As of December 31, 2006, the City's Plan had a UAAL of $178,521 with a funded ratio of 72.2%. After adoption of these changes, as of December 31, 2007 the City's Plan had a UAAL of $317,720 with a funded ratio of 60.1%.

*Year-Ended September 30, 2014* - 122 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 123 - *Amounts are expressed in thousands*

## Note 8 Pension and Retirement Plans (Continued)

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

***Texas Municipal Retirement System (TMRS) (Continued)***

The Board adopted a change in the actuarial cost method from the PUC method to the Entry Age Normal (EAN) method. The EAN cost method produces contribution rates that are more predictable and are less volatile than those produced under the PUC cost method. Another reason for changing to the EAN cost method is to be in compliance with the GASB Statements No. 67 and No. 68. Effective 2014, GASB No. 67 and No. 68 require the EAN to be used for financial reporting purposes. This will eliminate the potential confusion resulting from utilizing two different cost methods in determining the individual employer funding requirements.

The Board also adopted a change in the amortization period from a 25 year "open" to a 25 year "closed" period. TMRS Board rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period may be increased up to 30 years, unless a participating government requests that the period remain at 25 years. For governments with repeating features, these changes resulted initially in higher required contributions and lower funded ratios. To assist in this transition to higher rates, the Board approved an eight-year phase-in period, which allowed governments the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full required contribution rate. As a result of these changes, the City's contribution rate was projected to increase from 12.5% to 16.7%. Due to the significant increase in contribution requirements, the City selected to phase-in the contribution rate in fiscal year 2009 from 12.5% to 13.1% with an ultimate projected rate to be in excess of 18.0% after phase-in (or triple the employee contribution rate).

To implement the 2013 actuarial changes, and to minimize the impact of the actuarial changes on contribution rates, the December 31, 2013 actuarial valuation reflects the following amortization policy:

1. For all employers, the current individual non-ad hoc bases are aggregated, and the amortization period is determined as a single equivalent amortization period. The single amortization period is then adjusted as described in items 2 and 3 below, if applicable. All ad hoc bases remain unchanged.
2. The single amortization period for the combined non-ad hoc UAAL base is decreased to the extent necessary for any city to keep the city contribution rate from decreasing.
3. The single amortization period for the combined non-ad hoc UAAL base is increased to the extent necessary for any city to keep the city contribution rate from increasing.
    a. For cities where the combined impact of the actuarial changes results in an initial rate increase of less than or equal to 0.5% and the single amortization period determined under item 1 above is less than or equal to 25 years, the amortization period is increased to a maximum of 25 years.
    b. For cities where the combined impact of the actuarial changes results in an initial rate increase of less than or equal to 0.5% and the single amortization period determined under item 1 above is greater than 25 years, the amortization period is not adjusted except as described in item 4 below.
    c. For cities where the combined impact of the actuarial changes results in an initial rate increase of greater than 0.5%, the amortization period is increased to a maximum of 30 years.
4. After these steps have been completed, the single equivalent amortization period is rounded up to the next integer, not to exceed 25 or 30 years, as applicable.





## Note 8 Pension and Retirement Plans (Continued)

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

***Texas Municipal Retirement System (TMRS) (Continued)***

TMRS legislation was passed during the State's 82nd Legislative Session to combine the Municipal Accumulation Fund (MAF), Current Service Annuity Reserve Fund (CSARF), and the Employees Savings Fund (ESF), into a single city trust fund. Under TMRS, assets were held in trust in three distinct accounts, which were called "funds." The MAF holds city contributions and interest. The ESF holds member contributions and interest. When a member retires, the accumulated contributions and interest in the member's account transfer from the ESF, along with matching funds from the city's MAF into the CSARF. The basic retirement benefit is therefore fully funded at the time of a member's retirement and is then paid monthly to the retiree from the CSARF. At the time a member retires, the basic retirement benefit becomes a liability of TMRS. Since the passage of House Bill 360 in 2009, each year the ESF and CSARF were credited, by law, with 5.0% interest. This guaranteed interest credit resulted in a highly leveraged (positive or negative) interest credit to the MAF. In years when TMRS as a whole earned less than the amount needed to provide the 5.0% guaranteed interest credit to the ESF and CSARF, additional funding was needed from the MAF. Additionally, as each city's plan matured and retirements increased, more funds transferred into the CSARF from the ESF and the MAF, and the MAF balance, combined with the highly leveraged interest allocations, would have resulted in city contribution rates more volatile than a typical pension plan.

Restructuring, or combining, funds eliminated the leverage inherent in the asset structure and helped to make city contribution rates less volatile. Under a restructured pension fund, at the time of retirement, money would not be transferred to the CSARF (it would stay in the combined/single trust fund of the city). By reallocating the CSARF assets and liabilities and the ESF assets into each city's single trust fund, all future investment earnings based on that city's contributions for active and retired members would be directly applied to that specific city's trust assets and included in the funding equation, resulting in decreased liabilities and contribution rates. Additionally, a city's funded ratio would improve because the city would receive "credit" for the excess of the assets over liabilities for those retirements that are currently being paid from the CSARF; and the city's annual required contribution would be reduced since the city would receive interest on a larger base of assets over a longer period of time. The vast majority of defined benefit plans are funded under a similar structure. This proposal passed as Senate Bill 350 and was enacted in June 2011. This legislation permitted the actuarial valuation to be completed, as if restructuring occurred on December 31, 2010.

In addition to the restructuring, the actuarial assumptions were updated based on an actuarial experience study that was adopted by the TMRS board at its May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). The City's UAAL as of December 31, 2010 prior to restructuring was calculated at $201,451 with a funded ratio of 73.0%. The City's UAAL using the new rate structure was calculated to $100,426 with a funded ratio of 90.6%. Further, the amortization periods differed; prior to restructuring the period was 25.6 years; after restructuring the period was 24.1 years, resulting in a reduction to the contribution rate from 12.6% to 10.0% for the first quarter of calendar year 2012. TMRS permitted the City to early implement this contribution rate reduction in the first quarter of fiscal year 2012, resulting in a first quarter difference of 2.6%, or $1,810 in the Annual Required Contribution (ARC), not being funded. The Net Pension Obligation (NPO) balance at September 30, 2014 is $1,838, and this NPO will be funded through future TMRS contribution rate changes. The General Fund will be the primary contributor to this NPO.

## Note 8 Pension and Retirement Plans (Continued)

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

***Texas Municipal Retirement System (TMRS) (Continued)***

In fiscal year 2008, the City created a work plan to review and address the changes being made by TMRS. Six focus groups with employees and retirees were held to obtain input via a survey on their TMRS benefits and priorities to assist the City in evaluating its options and decisions made on the TMRS Board. Furthermore, the City engaged a legal firm to provide legal advice on TMRS and other pension related issues. The legal firm engaged an actuarial firm to evaluate the assumptions and results of TMRS' report to provide a historical performance analysis of the funds within TMRS, and assist in exploring viable pension alternatives. A task force of current employees and retirees was formed to provide input regarding the work to be completed by this actuarial firm.

The City further adopted a plan change in 2010 removing the annually repeating Cost of Living Adjustment (COLA) feature as a way to mitigate future contribution increases. This change does not prevent adoption of either ad hoc or annually repeating COLAs in the future, but it did reduce the City's contribution rate in 2010 from 13.9% to 12.3%.

In the fiscal year 2014 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 70.0% of the percentage change in the Consumer Price Index for 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. This one-time annuity increase caused the contribution rate to increase from 10.7% to 10.8%, effective January 1, 2014.

Benefits depend upon the sum of the employee's contributions to the TMRS plan, with interest, and the City-financed monetary credits, with interest. At the date the TMRS plan began, the City granted monetary credits for service rendered before the TMRS plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the TMRS plan. 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, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the TMRS plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percentage had always been in existence and if the employee's salary had always been the average salary for the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the City-financed monetary credits with interest were used to purchase an annuity.

Members are eligible to retire upon attaining the normal retirement age of 60 and above with 5 or more years of service, or with 20 years of service regardless of age. The TMRS plan also provides death and disability benefits. 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.

TMRS provisions and contribution requirements are adopted by the governing body of the City within the options available in the state statutes governing TMRS and within the actuarial constraints contained in the statutes.





## Note 8 Pension and Retirement Plans (Continued)

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

***Texas Municipal Retirement System (TMRS) (Continued)***

Contribution requirements are actuarially determined by TMRS' actuary (see summary of TMRS Actuarial Assumptions and Methods at the end of Note 8). The contribution rate for the City's employees is 6.0% and the matching percent was 10.8% for calendar year 2014, both as adopted by the governing body of the City (see summary of contribution information at the beginning of Note 8). Under the state law governing TMRS, the employer's contribution rates are annually determined by the actuary, using the Entry Age Normal actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percentage of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortized the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The normal cost contribution finances the currently accruing monetary credits due to the City matching percentage, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percentage of payroll necessary to satisfy the obligation of the City to each employee at the time the employee's retirement becomes effective. The prior service contribution rate amortizes the UAAL over the remainder of the plan's 19.9 year amortization period. When the City periodically adopts updated service credits and increases annuities in effect, the increased UAAL is being amortized over a new 19.9-year period. Currently, the UAAL is amortized over a constant 19.9-year period as a level percentage of payroll. Contributions are made monthly by both the employees and the City. All current year required contributions of the employees and the City were made to TMRS. Due to the fact that the City requires the contribution rates in advance for budget purposes, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

| Membership as of the Valuation Date | 12/31/2013 |
|---|---|
| Number of : | |
| Active Members | 6,146 |
| Retirees and beneficiaries | 3,908 |
| Inactive members | 1,965 |
| Total | 12,019 |

TMRS' administration costs are funded from a portion of TMRS' annual investment earnings.

TMRS issues a publicly available financial report that includes financial information and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used related to participating municipalities. The report may be obtained by writing to the TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling (800) 924-8677. In addition, the report is available on TMRS' website at www.TMRS.com. The required schedule of funding progress follows immediately the notes to the financial statements, and they present multi-year trend information regarding the actuarial value of plan assets relative to the actuarial liability for benefits.

*Year-Ended September 30, 2014* - 126 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 127 - *Amounts are expressed in thousands*

## Note 8 Pension and Retirement Plans (Continued)

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

***City Deferred Compensation***

City of San Antonio has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salary on a pre-taxed basis until future years. The compensation deferred under this plan is not available to employees until termination, retirement, death, loan, or qualifying unforeseeable emergency. Participation in the plan is voluntary. In fiscal year 2012, the City implemented a matching contribution of up to 1.0% of base salary to eligible executives who participate in the plan. The City has no liability for losses under this plan but does have the usual fiduciary responsibilities of a plan sponsor.

**San Antonio Water System (SAWS)**

SAWS' pension program includes benefits provided by TMRS, the San Antonio Water System Retirement Plan (SAWSRP), the San Antonio Water System Deferred Compensation Plan (SAWSDCP), and Social Security.

***Texas Municipal Retirement System (TMRS)***

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 depend upon the sum of the employee's contributions to the plan, with interest, and SAWS financed monetary credits, with interest. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity. The plan provisions are adopted by SAWS within the options available and actuarial constraints in the state statutes governing TMRS.

Under the state law governing TMRS, SAWS' contribution rate is determined annually by the actuary using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percentage of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually. The prior service contribution rate amortizes the unfunded actuarial liability over the applicable period for SAWS. Both the normal costs and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

SAWS contributes to the TMRS Plan at the actuarially determined rate. Both the employees and SAWS make monthly contributions. These rates are provided on an annual basis, following the completion of the actuarial valuation. There is a delay in the valuation and when the rate becomes effective – for example the 2013 contribution rate is based on the December 31, 2011 valuation results. The actuarially determined rate for 2013 employer contributions was 4.2%. Employee contributions to the plan for 2013 were equal to 3.0% of compensation.

| Schedule of Contributions | 2013 |
|---|---|
| Employer Contribution | $ 3,990 |
| Employee Contribution | $ 2,837 |
| Employer Contribution Rate | 4.2% |





## Note 8 Pension and Retirement Plans (Continued)

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

***San Antonio Water System Retirement Plan (SAWSRP)***

SAWSRP is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 75686, which serves as a supplement to TMRS and Social Security. SAWS has delegated the authority to manage certain plan assets and administer the payment of benefits to Principal Financial Group.

SAWS provides supplemental pension benefits for all persons customarily employed at least 20 hours per week and five months per year through this defined benefit pension plan. Employees are eligible to participate in SAWSRP on January 1 of the calendar year following date of hire. A member does not vest in this plan until completion of five years of service.

SAWSRP membership consisted of:

| | January 1, 2013 |
|---|---|
| Active Employees | 1,658 |
| Retirees and beneficiaries currently receiving benefits[1] | 608 |
| Terminated employees entitled to benefits but not yet receiving them | 434 |
| Total | 2,700 |

[1] Does not include retirees whose benefits have been purchased.

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:

- Twenty years of vesting service regardless of age, or
- Five years of vesting service and at least age 60.

An employee is automatically 100% vested upon attainment of age 65 or upon becoming totally and permanently disabled.

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 the Principal Financial Group contract is equal to the following:

- 1.2% of the average compensation, times years of credited service not in excess of 25 years, plus
- 0.8% of the average compensation, times years of credited service in excess of 25 years but not in excess of 35 years, plus
- 0.4% of the average compensation, times years of credited service in excess of 35 years.

*Year-Ended September 30, 2014* **- 128 -** *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* **- 129 -** *Amounts are expressed in thousands*

## Note 8 Pension and Retirement Plans (Continued)

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

***San Antonio Water System Retirement Plan (SAWSRP) (Continued)***

Upon retirement, an employee must select from one of seven alternative payment plans. Each payment plan provides for monthly payments as long as the retired employee lives. The options available address how plan benefits are to be distributed to the designated beneficiary of the retired employee. The program also provides death and disability benefits.

SAWSRP's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. Contribution requirements are established and may be amended by SAWS. Active members are not required to make contributions. Any obligation with respect to SAWSRP shall be paid by SAWS. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including investment actuarial and consultant services, are funded through investment earnings and/or contributions.

A summary of the actuarial assumptions utilized in determining SAWS' contribution requirements is as follows:

| SAWSRP Actuarial Assumptions | |
|---|---|
| Actuarial Cost Method | Entry Age Normal - Frozen Initial Liability Period |
| Amortization Method | Level Dollar |
| Remaining Amortization Period | 30 Years - Closed Period |
| Asset Valuation Method | Smoothed Market Value (4 years) |
| Investment Rate of Return | 7.0% |
| Inflation Rate | None |
| Salary Scale | Table S-5 from the Actuary's Pension Handbook plus 3.4% |
| Cost of Living Adjustments | None |

***San Antonio Water System Deferred Compensation Plan (SAWSDCP)***

SAWS has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code Section 457. SAWSDCP, available to all regular employees, permits them to defer a portion of their salary until future years. The compensation deferred under this plan is not available to employees until termination, retirement, death, or qualifying unforeseeable emergency. Participation in SAWSDCP is voluntary, and SAWS does not make any contributions. SAWS has no liability for losses under SAWSDCP, but does have the usual fiduciary responsibilities of a plan sponsor.

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## Note 8 Pension and Retirement Plans (Continued)

**CPS Energy**

***All Employee Plan***

The CPS Energy Pension Plan is a self-administered, single-employer, defined-benefit contributory pension plan (Plan) covering substantially all employees who have completed one year of service. It is an unconsolidated entity within which normal retirement is age 65; however, early retirement is available with 25 years of benefit service, as well as to those employees who are ages 55 or older with at least ten years of benefit service. Retirement benefits are based on length of service and compensation, and 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.

The Plan is sponsored by and may be amended at any time by CPS Energy, acting by and through an Oversight Committee, which includes the President and CEO, the Chief Financial Officer and the Audit Committee Chair of CPS Energy's board of trustees. Plan assets are segregated from CPS Energy's assets and are separately managed by an Administrative Committee whose members are appointed by the Oversight Committee.

The Plan reports results on a calendar-year basis, and the separately audited financial statements, which contain historical trend information, may be obtained by contacting Benefit Trust Administration at CPS Energy. Plan net assets had a market value of $1,342,378 at December 31, 2013.

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 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.

Employees who retired prior to 1983 receive annuity payments from an insurance carrier, as well as some benefits directly from CPS Energy. The costs for the benefits directly received from CPS Energy were $60 for fiscal year 2014. These costs were recorded when paid.

**Funding Policy** – The current policy of CPS Energy is to use each actuarial valuation as the basis for determining monthly employer contributions to the Plan during the fiscal year beginning in the calendar year after the valuation year. The January 1, 2012, valuation was the basis for contributions in fiscal year 2014. CPS Energy establishes funding levels, considering annual actuarial valuations and recommendations of the Administrative Committee, which is composed of a cross-functional group of active and retired CPS Energy employees, using both employee and employer contributions. Generally, participating employees contribute 5.0% of their total compensation and are typically fully vested in CPS Energy's matching contribution after completing seven years of credited service or upon reaching age 40. Employee contributions commence with the effective date of participation and continue until normal or early retirement, completion of 44 years of benefit service, or termination of employment. The employee contribution interest crediting rate was 5.8% for fiscal year 2014.

The balance of 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 2014, the amount to be funded was established using a general target near the 30-year funding contribution level as determined by the Plan's actuary. CPS Energy's contributions in relation to the annual required contribution (ARC) amounted to 18.0% of covered payroll in fiscal year 2014.

*Year-Ended September 30, 2014* - 130 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 131 - *Amounts are expressed in thousands*

## Note 8 Pension and Retirement Plans (Continued)

### CPS Energy (Continued)

***All Employee Plan (Continued)***

**Annual Pension Cost and Net Pension Obligation** – CPS Energy's annual pension cost (APC) and NPO for fiscal year 2014 is presented at the end of this Note. The NPO may be either positive, reflecting a liability, or negative, reflecting an asset. The term net pension obligation, as used in this note, refers to either situation.

**Funded Status and Funding Progress** – The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability ("AAL") for benefits.

**Actuarial Methods and Assumptions** – Actuarial valuation methods used included: (a) the five-year smoothed market method for asset valuation, (b) the projected-unit-credit actuarial cost method for the AAL, and (c) the 20-year level-dollar open method for amortization of prior service costs. Beginning with the 2010 Plan year, January 1 valuation results are used to determine the contributions for the fiscal year commencing in the succeeding calendar year. There was no change in actuarial valuation methods for the 2013 Plan year.

Significant actuarial assumptions used for the January 1, 2012, actuarial valuation for fiscal year 2014 included: (a) a rate of return on the investment of present and future assets of 7.8%, (b) projected salary increases averaging 5.1%, and (c) post retirement cost-of-living increases of 1.5%. The projected salary increases included an inflation rate of 3.0%.

### Three-Year Trend Information

Trend information compares the annual required contribution to annual pension cost and the resultant net pension obligation, as required by GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

**Three-Year Trend Information**

| Pension Plan | Fiscal Year | Annual Required Contribution (ARC) | Interest on Net Pension Obligation (NPO) | Adjustment To ARC | Annual Pension Cost (APC) | Contributions In Relation to ARC | Increase (Decrease) in NPO | Net Pension Obligation (Asset) at Beginning of Year | Net Pension Obligation (Asset) at End of Year | Percentage of APC Contributed |
|---|---|---|---|---|---|---|---|---|---|---|
| TMRS - | 2012 | $ 29,981 | $ - | $ - | $ 29,981 | $ (28,171) | $ 1,810 | $ - | $ 1,810 | 93.9% |
| City of | 2013 | 30,416 | 127 | (111) | 30,432 | (30,417) | 15 | 1,810 | 1,825 | 100.0% |
| San Antonio | 2014 | 32,585 | 128 | (115) | 32,598 | (32,598) | 13 | 1,825 | 1,838 | 100.0% |
| CPS All | 2012 | 39,703 | (54) | 58 | 39,707 | (37,687) | 2,020 | (616) | 1,404 | 94.9% |
| Employee Plan [1] | 2013 | 41,128 | 109 | (130) | 41,107 | (39,016) | 2,091 | 1,404 | 3,495 | 94.9% |
| | 2014 | 47,102 | 271 | (324) | 47,049 | (44,401) | 2,648 | 3,495 | 6,143 | 94.4% |
| TMRS - | 2011 | 4,967 | 173 | (143) | 4,997 | (4,997) | 1,071 | 2,313 | 3,384 | 85.8% |
| SAWS [2] | 2012 | 3,641 | 237 | (204) | 3,674 | (3,674) | 33 | 3,384 | 3,417 | 99.5% |
| | 2013 | 3,990 | 239 | (210) | 4,019 | (4,019) | 29 | 3,417 | 3,446 | 99.6% |
| SAWRP - | 2011 | 9,171 | | | 9,171 | (9,171) | | | | 100.0% |
| SAWS [2] | 2012 | 10,396 | | | 10,396 | (10,396) | | | | 100.0% |
| | 2013 | 11,289 | | | 11,289 | (11,289) | | | | 100.0% |

[1] Fiscal year-ended January 31, 2014.
[2] Fiscal year-ended December 31, 2013.





## Note 8 Pension and Retirement Plans (Continued)

### Three-Year Trend Information (Continued)

**Funded Status and Funding Progress**

| | City of San Antonio TMRS [1] | SAWS TMRS | SAWS SAWSRP | CPS Energy |
|---|---|---|---|---|
| Actuarial value of plan assets (a) | $ 1,156,538 | $ 145,193 | $ 126,906 | $ 1,185,076 |
| Actuarial accrued liability (b) | 1,331,301 | 172,388 | 171,170 | 1,383,413 |
| Unfunded actuarial accrued liability (funding excess) (b) - (a) | $ 174,763 | $ 27,195 | $ 44,264 | $ 198,337 |
| Funded ratio (a) / (b) | 86.9% | 84.2% | 74.1% | 85.7% |
| Covered payroll (c) | $ 290,156 | $ 94,529 | $ 88,895 | $ 246,908 |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(b) - (a)] / (c)) | 60.2% | 28.8% | 49.8% | 80.3% |

[1] Covered payroll presented in this table is as of 12/31/2013.

### Significant TMRS Actuarial Assumptions and Methods

Significant assumptions used in the actuarial valuations of December 31, 2013 and December 31, 2012, by the Texas Municipal Retirement System's (TMRS) actuary are provided in the following table for the City and SAWS, respectively. The City's actuarial assumptions and methods are based on the restructuring of the TMRS funds as enacted by SB 350.

| TMRS Actuarial Assumptions and Methods | |
|---|---|
| Actuarial Cost Method - City | Entry Age Normal |
| Actuarial Cost Method - SAWS | Projected Unit Credit |
| Amortization Method | Level Percent of Payroll |
| Remaining Amortization Period - SAWS | 30 Years - Closed Period |
| Remaining Amortization Period - City | 19.9 Years - Closed Period |
| Asset Valuation Method | 10-year smoothed market |
| Investment Return | 7.0% |
| Projected Salary Increases | Varies by Age and Service |
| Includes Inflation At | 3.0% |
| Cost of Living Adjustments - SAWS | 2.1% |

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*Year-Ended September 30, 2014* - 132 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 133 - *Amounts are expressed in thousands*

## Note 9 Post-employment Retirement Benefits

### Primary Government (City)

**Plan Description** – In addition to the pension benefits discussed in Note 8, Pension and Retirement Plans, the City provides retired employees with certain health benefits under two post-employment benefit programs. Pursuant to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, the City is required to account for and disclose its other post-employment liability for these programs. The City continues to actively review and have actuarial valuations performed for these programs as required.

The first of the two programs is a health insurance plan, which provides benefits for non-uniformed City retirees and for pre-October 1, 1989 uniformed retirees who are not enrolled in Medicare. The program is comprised of three self-funded PPO health plans currently administered by United Healthcare. These plans may be amended at any time with approval from the City Council. This program is funded on a pay-as-you-go basis with an aggregate sharing of premium costs based on the following targets: 67.0% by the City and 33.0% 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 10 years of service are eligible to participate in the program but without City subsidy; and (3) Employees who separate from employment with 10 years of service or more will pay for 50.0% of the pay-as-you-go contributions to the program and the City will contribute the remaining 50.0%. The ability to participate in the program remains based on meeting retirement criteria for the TMRS Pension Plan.

As of September 30, 2014, there are 6,335 active civilian employees who may become eligible in the future. Employees may become eligible to participate in this program based on eligibility for a retirement benefit under the rules for TMRS Pension Plan and their number of years of service to the City. Under the TMRS Pension Plan, employees may retire at age 60 and above with five or more years of service or with 20 years of service regardless of age. Retiree medical benefits continue for the life of the retiree and their surviving eligible dependents that were covered at the time of the employee's severance of service. Non-uniformed City employees who qualify for a disability pension under TMRS rules are also eligible to receive the retiree medical benefit under this plan. As of September 30, 2014, there were 387 retirees and surviving spouses participating in this program.

The second program with 1,063 participating retirees and surviving spouses is available to eligible retirees who have Medicare coverage. All retirees and dependents are required to apply for and maintain Medicare Parts A & B coverage once they reach age 65 or otherwise become eligible for Medicare in order to participate in the Medicare Advantage PPO or HMO Plan. Of the current 1,063 participating Medicare retirees and surviving spouse, 135 participate in a fully insured Medicare Advantage HMO and the remaining 928 participate in a fully insured Medicare Advantage PPO.

Participant data disclosed above is not expressed in thousands.





## Note 9 Post-employment Retirement Benefits (Continued)

### Primary Government (City) (Continued)

**Funding Policy** – 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 2014 to prefund benefits. For the fiscal year-ended September 30, 2014, total contributions were as follows:

| Total Contributions | |
|---|---|
| City | $ 5,797 |
| Retiree Premiums | 2,684 |
| Total Contributions | $ 8,481 |

The primary source of payment for the City contributions for pay-go contributions is the General Fund. The Self Insurance Fund assesses funds based on active, non-uniformed employees assigned to the various funds.

**Annual OPEB Cost and Net OPEB Obligation** – For the fiscal year-ended September 30, 2014, the City's annual post-employment benefits other than pension (OPEB) cost was not equal to its annual required contribution (ARC) to the plan. The City's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial balance over thirty years. The City will not be fully funding the ARC at this time. The City will continue to fund OPEB on a pay-as-you-go basis.

**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 ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. 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 the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The table below details the actuarial methods and assumptions for the City's OPEB calculation for the fiscal year-ended September 30, 2014:

| Assumptions | |
|---|---|
| Actuarial Valuation Date | 1/1/2014 |
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | Level Dollar, Open |
| Remaining Amortization Period | 30.0 years |
| Asset Valuation Method | N/A |
| General Inflation Rate | 2.0% |
| Actuarial Assumptions: | |
| Investment Rate of Return | 3.0% |
| Projected Salary Increase | N/A |
| Healthcare Inflation Rate - Pre-Medicare | 8.5% initial (2015) |
| Medical and Prescription | 6.8% ultimate (2019) |

## Note 9 Post-employment Retirement Benefits (Continued)

### Primary Government (City) (Continued)

Below is the health care cost trend assumptions used for the City's January 1, 2014 actuarial study reviewed and updated for the fiscal year-ended September 30, 2014.

| City's Health Care Cost Trend Assumptions | |
|---|---|
| Year | Medical & Prescription Drugs |
| 2015 | 8.5% |
| 2016 | 8.0% |
| 2017 | 7.5% |
| 2018 | 7.0% |
| 2019+ | 6.8% |

The City's retiree participation rate is estimated to be at 60.0%. This estimate is based on an evaluation of City retirees enrolled in the City's retiree plan, versus those enrolled in TMRS. Numerous City retirees are former military, or are able to obtain health insurance through spouses' insurance, etc.

The required schedules of funding progress immediately follows the notes to the financial statements, and they present multi-year trend information regarding the actuarial value of plan assets relative to the actuarial liability for benefits.

#### *Fire and Police Retiree Health Care Fund*

**Plan Description** – The second post-employment benefit program of the City, the Fire and Police Retiree Health Care Fund, San Antonio (Health Fund) is a Texas statutory retirement health trust for firefighters and police officers of the City. 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 post-employment 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 post-employment healthcare benefits to police officers and firefighters of the City retiring after September 30, 1989. Authority to establish and amend the Plan's post-employment health care benefits is based on such contracts and the Texas Legislature enacts regulations that control the operation of the Health Fund. The statutory trust is governed by a Board of Trustees that meets on a monthly basis. The Board consists of nine members: the Mayor or her 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.

WEB-TPA Employer Services, LLC and Catamaran (formerly PTRx, Inc.) serve as the medical and prescription third party administrators for the Health Fund.





## Note 9 Post-employment Retirement Benefits (Continued)

### Primary Government (City) (Continued)

#### *Fire and Police Retiree Health Care Fund (Continued)*

**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 the union members, and by contributions made by retirees for their dependents. Effective October 1, 2007, the Board implemented state-mandated changes to increase contributions from the Plan's single employer, the City, and plan members in order to reduce actuarially determined funding deficits and ensure the existence of the Health Fund for future retired firefighters and police officers. The increased contributions were initiated to take effect over a span of years through October 2011. The state-mandated changes also called for a decrease in the level of benefits.

The contribution amounts for each fiscal year, beginning October 1, 2007, are based on a statutory contribution rate that is applied to the average member salary expected for that fiscal year, which is to be determined by the Health Fund's actuary. For the year ending September 30, 2014, and years thereafter, the specified employee contribution rate was 4.7%, while the City's contributions was at 9.4% of the specified wage base. The table below summarizes the actuary's determinations of the contribution amount for the fiscal year-ended September 30, 2014 (not expressed in thousands):

| | | |
|---|---|---|
| Biweekly Contributions: | | |
| Active Fire and Police Members | $ | 129.05 |
| City for Each Active Fire and Police Member | $ | 258.10 |
| Monthly Contributions: | | |
| Retirees with less than 30 years of service | $ | 279.61 |
| Dependent Children | $ | 320.50 |

Total contributions by active firefighters and police officers were $13,166 for the year ended September 30, 2014.

Membership in the Plan consisted of the following at September 30, 2014 (not expressed in thousands):

| | |
|---|---|
| Retirees and Beneficiaries Receiving Benefits | 3,249 |
| Active Plan Members | 3,942 |
| Total Membership | 7,191 |

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## Note 9 Post-employment Retirement Benefits (Continued)

### Primary Government (City) (Continued)

***Fire and Police Retiree Health Care Fund (Continued)***

**Funding Status and Funding Progress** – 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the Plan by the City in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. A NPO in the amount of $52,700 is outstanding as of September 30, 2014. This NPO will be funded through future contributions from the City's Fire and Police departments, reported in the General Fund.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 the employer 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. Additional information as of the latest actuarial valuations follows:

| Assumptions | |
|---|---|
| Valuation Date | 10/1/2013 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percentage of Projected Pay, Open |
| Amortization Period | 30 Years |
| Asset Valuation Method | Market Value Smoothed by a 5 year Deferred Recognition Method with a 80.0%/120.0% Corridor on Market |
| Actuarial Assumptions: | |
| Investment Rate of Return Net of Expense | 8.0% |
| Annual Inflation Rate | 4.0% |
| Projected Annual Salary Increases | 4.0% to 14.5% |
| Health Care Cost Rate Trend | 8.0% in FY 2014 declining to 5.5% in FY 2019 |
| Annual Payroll Growth Rate | 4.0% |





## Note 9 Post-employment Retirement Benefits (Continued)

### CPS Energy

CPS Energy provides certain health, life insurance and disability income benefits for employees. Additionally, most CPS Energy employees continue eligibility upon retirement from CPS Energy. Assets of the plans are held in three separate, single-employer contributory plans:

- City Public Service of San Antonio Group Health Plan (Health Plan) – a contributory group health plan that provides health, dental and vision benefits.
- City Public Service of San Antonio Group Life Insurance Plan (Life Plan) – a contributory plan that provides life insurance benefits.
- City Public Service of San Antonio Group Disability Plan (Disability Plan) – an employer funded plan that provides disability income benefits.

The Employee Benefit Plans may be amended at any time by CPS Energy, acting by and through an Oversight Committee, which includes the President and CEO, the Chief Financial Officer and the Audit Committee Chair of CPS Energy's board of trustees.

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 Oversight Committee. 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 Health Plan's net position was $245,222 at December 31, 2013. The Life Plan's net position was $50,633 at December 31, 2013. The Disability Plan's net position was $4,396 at December 31, 2013.

**Funding Policy** – 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 in the calendar year after the valuation year. The January 1, 2012 valuation was the basis for contributions in fiscal year 2014.

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 2.3% 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. Retirees and covered dependents contributed $5,262 in fiscal year 2014 for their health insurance benefits. CPS Energy's contributions in relation to the ARC were 0.4% of covered payroll in fiscal year 2014.

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 $935 for fiscal year 2014. 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.

*Year-Ended September 30, 2014* - 138 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 139 - *Amounts are expressed in thousands*

## Note 9 Post-employment Retirement Benefits (Continued)

### CPS Energy (Continued)

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 2.3% 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. Retirees and covered dependents contributed $246 in fiscal year 2014 for their life insurance benefits. CPS Energy's contributions in relation to the ARC were 0.05% of covered payroll in FY 2014.

The Disability Plan is funded completely by CPS Energy. CPS Energy's contributions in relation to the ARC were 0.1% of covered payroll in fiscal year 2014.

**Annual OPEB Cost and Net OPEB Obligation** – CPS Energy's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The annual OPEB cost consists of the ARC, interest on the net OPEB obligation and adjustments to the ARC for the Health, Life and Disability Plans. The annual OPEB cost was $6,961 for fiscal year 2014. The net OPEB obligation may be either positive, reflecting a liability, or negative, reflecting an asset. The term net OPEB obligation, as used in this Note, refers to either situation.

**Actuarial Methods and Assumptions** – Actuarial valuations of ongoing plans 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 plans and the ARCs of the employer are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting are based on the substantive plans (the plans as understood by the employer and plan member) and include the types of benefits provided for at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the Health Plan, the actuarial cost method used was the projected unit credit actuarial cost method. For the Life and Disability Plans, the aggregate actuarial cost method was used to determine the cost of benefits. Since this method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress was prepared using the entry age actuarial cost method, which is intended to approximate the funding progress of the plans.

The amortization method used for all three Plans was the level-dollar open method, with an amortization period of 20.0 years. The asset valuation method used for all three plans was the five-year smoothed market valuation method. The January 1 valuation results each year are used to determine the contributions for the fiscal year commencing in the succeeding calendar year.





## Note 9 Post-employment Retirement Benefits (Continued)

### CPS Energy (Continued)

Significant actuarial assumptions used in the calculations for the January 1, 2012 actuarial valuation included (a) a rate of return on the investment of present and future assets of 7.8% for the Health, Life and Disability Plans, (b) a Consumer Price Index increase of 3.0% for the Disability Plan, (c) projected salary increases for the Health Plan ranging from 3.6% to 9.9% depending on age for base and other salaries and an inflation rate for salary increases of 3.0% for the Life and Disability Plans, and (d) medical cost increases projected at 7.5% for 2013, decreasing annually to 5.5% in 2017 and thereafter.

### San Antonio Water System (SAWS)

SAWS provides certain healthcare and life insurance benefits for eligible retirees, their spouses, and their dependents through a single-employer defined benefit plan administered by SAWS. The authority to establish and amend the OPEB provisions is vested in the SAWS board of trustees.

By State law, any employee that retires under either the TMRS or SAWS retirement plans is eligible, at the time of retirement, to obtain health insurance benefits similar to those offered to active SAWS employees. Contributions made by retirees for health insurance benefits vary based on retirement date, years of service and the health care options selected. Retirees may also purchase coverage for their spouse at group rates partially subsidized by SAWS. After age 65, healthcare benefits under the plan are supplemental to Medicare benefits.

The following is the participant summary as of January 1, 2013 (the most recent actuarial valuation date, not expressed in thousands):

| | |
|---|---|
| Active employees | 1,680 |
| Retired employees | 706 |
| Total | 2,386 |

**Funding Policy** – The contribution requirements of plan members and SAWS are established and may be amended by the SAWS Board of Trustees. Prior to 2012, SAWS funded all obligations arising under these plans on a pay-as-you-go basis. In March 2012, SAWS established an OPEB Trust for the exclusive purpose of providing benefits to eligible retirees and their dependents. SAWS intends to make annual contributions to the OPEB Trust in accordance with a plan that results in fully funding the actuarially determined annual required contributions for these benefits over a period of time.

Plan members' required contributions vary depending on the health plan selected by the retiree as well as the number of years of service at the time of retirement. For the year-ended December 31, 2013, plan members receiving benefits contributed $719. In addition to the $4,000 contributed to the OPEB Trust in 2013, SAWS contributed the remainder of the pay-as-you-go cost of $8,465. In 2011, the SAWS Board of Trustees approved increases in the required contributions by plan members beginning in 2012. These increases will be phased in over eight years. The expected long-term impact of these increases will result in the plan members eventually contributing one-third of the annual premiums for retiree health insurance.

**Annual OPEB Cost and Net OPEB Obligation** – For the year-ended December 31, 2013, SAWS' annual OPEB cost is calculated based on the ARC.

## Note 9 Post-employment Retirement Benefits (Continued)

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

**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.

SAWS does not issue a separate financial report for its OPEB plan.

In the January 1, 2013 actuarial valuation, the projected unit credit funding method was used. The investment return assumption used in the calculation of the AAL was 4.8%, which is a blended rate of the estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. The investment return assumes SAWS will phase-in fully funding the ARC over the years. There is not an inflation rate projected for this actuarial valuation. As of December 31, 2013, the UAAL is being amortized as a level dollar amount over a 30 year closed period.

Health care cost trend rates are used to anticipate increases in medical benefit costs expected to be experienced by the retiree health plan in each future year. The trend rates used are as follows:

| | Annual Rate of Increase | |
|---|---|---|
| Year Beginning January 1 | Pre-Medicare Medical and Prescription | Medicare Eligible Medical and Prescription |
| 2013 | 8.5% | 6.9% |
| 2014 | 8.3% | 6.7% |
| 2015 | 8.0% | 6.6% |
| 2016 | 7.8% | 6.4% |
| 2017 | 7.5% | 6.2% |
| 2018 | 7.3% | 6.1% |
| 2019 | 7.0% | 5.9% |
| 2020 | 6.8% | 5.8% |
| 2021 | 6.5% | 5.6% |
| 2022 | 6.3% | 5.4% |
| 2023 | 6.0% | 5.3% |
| 2024 | 5.8% | 5.1% |
| 2025 | 5.5% | 5.0% |
| 2026 | 5.3% | 4.8% |
| 2027 | 5.0% | 4.7% |
| 2028 | 4.5% | 4.5% |

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## Note 9 Post-employment Retirement Benefits (Continued)

### Three-Year Trend Information

The City's, CPS Energy's and SAWS' annual OPEB cost, employer contributions, percentage cost contributed to the plan, and net OPEB obligation for the three most recent fiscal years were as follows:

**Three-Year Trend Information**

| OPEB Plan | Fiscal Year | Annual Required Contribution (ARC) | Interest on Net OPEB Obligation | Adjustment To ARC | Annual OPEB Cost | Contributions In Relation to ARC | Increase (Decrease) in Net OPEB | Net OPEB Obligation (Asset) at Beginning of Year | Net OPEB Obligation (Asset) at End of Year | Percentage of OPEB Cost Contributed |
|---|---|---|---|---|---|---|---|---|---|---|
| City of San Antonio | 2012 | $ 36,012 | $ 2,928 | $ (4,980) | $ 33,960 | $ (6,227) | $ 27,733 | $ 103,287 | $ 131,020 | 18.3% |
| | 2013 | 31,652 | 3,930 | (6,586) | 28,996 | (5,561) | 23,435 | 131,020 | 154,455 | 19.2% |
| | 2014 | 34,217 | 4,634 | (7,880) | 30,971 | (5,797) | 25,174 | 154,455 | 179,629 | 18.7% |
| Fire and Police Retiree Health Care Fund[3] | 2012 | $ 30,233 | $ 2,662 | $ (1,818) | $ 31,077 | $ (24,510) | $ 6,567 | $ 33,269 | $ 39,836 | 78.9% |
| | 2013 | 30,973 | 3,187 | (2,177) | 31,983 | (25,281) | 6,702 | 39,836 | 46,538 | 79.0% |
| | 2014 | 31,325 | 3,723 | (2,543) | 32,505 | (26,343) | 6,162 | 46,538 | 52,700 | 81.0% |
| CPS - Health Plan[1] | 2012 | $ 8,152 | $ (2,372) | $ 2,839 | $ 8,619 | $ - | $ 8,619 | $ (30,604) | $ (21,985) | 0.0% |
| | 2013 | 6,843 | (1,704) | 2,040 | 7,179 | (1,100) | 6,079 | (21,985) | (15,906) | 15.3% |
| | 2014 | 6,382 | (1,233) | 1,476 | 6,625 | (1,106) | 5,519 | (15,906) | (10,387) | 16.7% |
| CPS - Life Plan[1] | 2012 | $ - | $ (63) | $ 75 | $ 12 | $ (137) | $ (125) | $ (815) | $ (940) | 1141.7% |
| | 2013 | | (74) | 87 | 13 | | 13 | (940) | (927) | 0.0% |
| | 2014 | 99 | (70) | 86 | 115 | (99) | 16 | (927) | (911) | 86.1% |
| CPS - Disability Plan[1] | 2012 | $ 425 | $ (43) | $ 52 | $ 434 | $ (735) | $ (301) | $ (628) | $ (929) | 169.4% |
| | 2013 | 275 | (72) | 86 | 289 | (386) | (97) | (929) | (1,026) | 133.6% |
| | 2014 | 205 | (79) | 95 | 221 | (257) | (36) | (1,026) | (1,062) | 116.3% |
| SAWS - OPEB[2] | 2011 | $ 20,722 | $ 3,087 | $ (4,108) | $ 19,701 | $ (6,840) | $ 12,861 | $ 64,989 | $ 77,850 | 34.7% |
| | 2012 | 21,619 | 3,698 | (4,921) | 20,396 | (18,753) | 1,643 | 77,850 | 79,493 | 91.9% |
| | 2013 | 21,869 | 3,776 | (5,025) | 20,620 | (12,465) | 8,155 | 79,493 | 87,648 | 60.5% |

[1] Fiscal year-ended January 31, 2014
[2] Fiscal year-ended December 31, 2013
[3] Fiscal year-ended September 30, 2014

The City's Health Fund, SAWS' and CPS Energy's funded status for the most recent year are as follows:

**Funded Status and Funding Progress**

| OPEB Plan | City of San Antonio | Fire and Police Health Care Fund | SAWS | CPS Energy Health Plan | CPS Energy Life Plan | CPS Energy Disability Plan |
|---|---|---|---|---|---|---|
| Actuarial value of plan assets (a) | $ - | $ 273,929 | $ 12,665 | $ 224,792 | $ 47,074 | $ 4,598 |
| Actuarial accrued liability (b) | 318,910 | 692,336 | 267,567 | 222,878 | 40,670 | 5,390 |
| Unfunded actuarial accrued liability (funding excess) (b) - (a) | $ 318,910 | $ 418,407 | $ 254,902 | $ (1,914) | $ (6,404) | $ 792 |
| Funded ratio (a) / (b) | 0.0% | 39.6% | 4.7% | 100.9% | 115.7% | 85.3% |
| Covered payroll (c) | $ 303,141 | $ 281,414 | $ 88,895 | $ 246,908 | $ 214,898 | $ 214,898 |
| Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(b) - (a)] / (c)) | 105.2% | 148.7% | 286.7% | (0.8%) | (3.0%) | 0.4% |

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*Year-Ended September 30, 2014* - 142 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 143 - *Amounts are expressed in thousands*

## Note 10 CPS Energy South Texas Project (STP)

### Joint Operations

**Units 1 and 2** – CPS Energy is one of three participants in STP, currently a two-unit nuclear power plant with each unit having a nominal output of approximately 1,350 MW. The other participants in STP Units 1 and 2 are NRG South Texas LLP, a wholly owned subsidiary of NRG Energy, Inc. ("NRG") and the City of Austin. The units, along with their support facilities and administrative offices, are located on a 12,220-acre site in Matagorda County, Texas. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. CPS Energy's 40.0% ownership in STP Units 1 and 2 represents approximately 1,080 MW of total plant capacity.

Effective November 17, 1997, the Participation Agreement among the owners of STP was amended and restated. At that time, the South Texas Project Nuclear Operating Company ("STPNOC"), a Texas nonprofit, nonmember corporation created by the participants, 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.

On October 28, 2010, STP submitted license renewal applications to the NRC to extend the operating licenses of STP Units 1 and 2 to 2047 and 2048, respectively. The NRC issued a revision to STPNOC's license renewal application schedule due to a scheduling request from the Advisory Committee on Reactor Safeguards and due to continued work on one of the open items. This schedule change lists milestones associated with issuance of the Safety Evaluation Report as "to be determined." In a separate action, a recent decision by the United States Court of Appeals for the District of Columbia vacated the NRC's waste confidence rule update. In response, the Commission issued an order stating that final approval of licenses dependent on the waste confidence rule, such as new reactor licenses and license renewals, would not be granted until the court ruling had been addressed. Subsequently, the Commission directed NRC staff to issue a final Environmental Impact Statement and waste confidence rule by September 2014. CPS Energy expects that STPNOC's license renewal applications will be approved in late 2014. Upon approval of these applications, STP Units 1 and 2 will be licensed for a total of 60 years of operation.

CPS Energy amortizes its share of nuclear fuel for STP to fuel expense on a units-of-production method. Under the Nuclear Waste Policy Act of 1982, the federal government assumed responsibility for the permanent disposal of spent nuclear fuel. CPS Energy is charged a fee for disposal of spent nuclear fuel, which is based upon CPS Energy's share of STP generation that is available for sale to CPS Energy customers. This charge is included in fuel expense monthly. On August 31, 2000, in Maine Yankee Atomic Power Company, et. al. v. US, the United States Court of Appeals for the Federal Circuit affirmed that the United States Department of Energy ("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. Subsequent to that decision, the DOE has settled with certain commercial nuclear power plant owners and agreed to provide funds to pay for storage costs while the DOE continues to develop a permanent high-level waste repository. In early February 2013, STPNOC, on behalf of the owners of STP, entered into a similar settlement with the DOE. Under the terms of the settlement, the DOE will reimburse STP for certain costs that will be incurred in continuing onsite storage of all of its used nuclear fuel. As with similar settlements throughout the nuclear industry, the settlement will expire at the end of calendar year 2013. In early November 2013, STPNOC and its outside counsel received notice from the Department of Justice that the DOE was offering to extend the terms of the settlement to 2016. The settlement extension was executed on January 24, 2014.





## Note 10 CPS Energy South Texas Project (STP) (Continued)

### Joint Operations (Continued)

On March 11, 2011, a region of Japan sustained significant loss of life and destruction as a result of a major earthquake and resulting tsunami. Included in the damaged areas were the Fukushima Daiichi nuclear units, which lost power to components of the backup and safety control systems and began emitting radiation into the surrounding environment. Following the incident, the NRC convened a Near-Term Task Force to conduct a review of the Commission's processes and regulations in light of the events at Fukushima. The Near-Term Task Force's 90-day report confirmed the safety of U.S. nuclear power plants and included twelve recommendations to the NRC to enhance readiness to safely manage severe events. The NRC Commissioners have directed the staff to implement several of the recommendations that were identified as those that should be implemented without unnecessary delay. In addition, the Commissioners have directed the staff to identify the schedule and resource needs associated with those Near-Term Task Force recommendations that were identified as long-term actions and/or that require additional staff study to inform potential regulatory changes. On March 12, 2012, the NRC issued three Orders and one Request for Information letter. These actions represented the first regulatory activity initiated as a result of the lessons learned from the events at Fukushima. The Orders outline actions that must be taken and also provide a compliance deadline. License holders must complete the actions within two refueling outages or by December 31, 2016 (whichever comes first). The Request for Information letter required specific responses from license holders. To date, STPNOC has submitted the requested information in a timely manner to comply with all deadlines that have come due.

Since January 2014, the electric output of STP Units 1 and 2 has been reduced by 22 MW and 18 MW, respectively, from their nominal output of 1,350 MW for each unit. STPNOC has identified an issue with the ultrasonic feed water flow as the reason for the reduction. This issue does not represent a safety or other long-term operational concern for STP, and a repair option has already been identified that will restore the units to full production capacity by late 2015.

**Units 3 and 4 Project** – In September 2007, NRG and CPS Energy signed the South Texas Project Supplemental Agreement ("Supplemental Agreement") under which CPS Energy elected to participate in the development of two new nuclear units at the STP site, STP Units 3 and 4, pursuant to the terms of the participation agreement among the STP owners and agreed to potentially own up to 50.0% of STP Units 3 and 4. Also in September 2007, STPNOC, on behalf of CPS Energy and NRG, filed with the NRC a combined construction and operating license application ("COLA") to build and operate STP Units 3 and 4. This COLA was the first complete application for new commercial nuclear units to be filed with the NRC in nearly 30 years. On November 29, 2007, the NRC announced it had accepted the COLA for review.

On March 26, 2008, NRG announced the formation of NINA. Upon the formation of NINA, NRG had an 88.0% ownership interest in NINA, while Toshiba America Nuclear Energy Corporation ("TANE") owned the remaining 12.0%. NRG contributed its 50.0% ownership of, and its development rights to, STP Units 3 and 4 to NINA. As a result, NINA became CPS Energy's partner for the co-development of STP Units 3 and 4.

On September 24, 2008, STPNOC, on behalf of CPS Energy and NINA, filed with the NRC an updated COLA naming TANE as the provider of STP Units 3 and 4. Receipt of the NRC-approved combined operating license is a condition precedent to starting significant project construction.

On November 5, 2008, STPNOC and the DOE executed a Standard Contract in which the DOE undertook the obligation to provide for permanent disposal of used nuclear fuel from the proposed STP Units 3 and 4.

## Note 10 CPS Energy South Texas Project (STP) (Continued)

### Joint Operations (Continued)

On January 20, 2009, the Board authorized CPS Energy to work with STPNOC to enter into an engineering, procurement and construction ("EPC") agreement with TANE for STP Units 3 and 4. The EPC agreement did not commit CPS Energy to build the new nuclear units. Instead, it enabled CPS Energy to lock in favorable terms and conditions with the contractor prior to a final construction decision once the NRC issues a license for the project. The agreement was subsequently signed by all parties on February 24, 2009.

Following notice published on February 21, 2009, three individuals and three groups joined to file one Petition to intervene against the STP Units 3 and 4 COLA. This initial petition, filed on April 21, 2009, contained 28 contentions. Interveners subsequently filed seven additional contentions. As a result of NRC Atomic Safety and Licensing Board ("ASLB") decisions, most of the contentions were dismissed. However, two contentions were admitted for further consideration but were later dismissed by the ASLB.

On October 13, 2009, the Board approved selection of STP Units 3 and 4 as the next baseload generation resource and approved a request for $400,000 in bonds to support the project. However, amid reports that CPS Energy had knowledge that costs of the project might be significantly higher than previously reported, the San Antonio City Council's vote on the bonds was postponed. This higher project cost estimate prompted the City Council to reevaluate CPS Energy's stake in the project and members of CPS Energy's management to engage in negotiations with representatives from TANE in November 2009. Following the postponement of the City Council's vote, the Board undertook an investigation to determine whether CPS Energy's management had knowledge of an increase in the preliminary cost estimate for STP Units 3 and 4 and why that information was not previously communicated to the Board. The results of this investigation were reported to the Board in late 2009 and, based on the report, the Board adopted a resolution finding that there was a failure of communication from certain members of CPS Energy executive management to the Board and the City Council regarding a revised cost estimate. The investigation report also concluded that there was no malicious intent on the part of any member of the management team in connection with the failure of communication. Further, the report found that no member of management instructed any other employee to conceal or withhold any information from the Board.

On December 6, 2009, CPS Energy filed a petition in Bexar County district court to clarify the roles and obligations of CPS Energy and NINA and to define the rights of both parties should either decide to withdraw from the project. NRG escalated the litigation when it sued CPS Energy and claimed CPS Energy should forfeit all investment to date and lose all value in the project's land and water rights. CPS Energy amended its petition on December 23, 2009, and raised significant issues concerning misconduct by NRG and NINA. CPS Energy specified actual and exemplary damages of $32,000,000.





## Note 10 CPS Energy South Texas Project (STP) (Continued)

### Joint Operations (Continued)

On February 17, 2010, CPS Energy and NINA announced that a proposed settlement had been reached that ended the parties' legal disagreement and allowed the proposed expansion of STP Units 3 and 4 to proceed. As a result of the settlement, CPS Energy's ownership stake in STP Units 3 and 4 was reduced from 50% to 7.6%, while NINA retained 92.4% ownership. CPS Energy is not liable for any project development costs incurred after January 31, 2010. However, once the new units reach commercial operation, CPS Energy will be responsible for its 7.6% share of ongoing costs to operate and maintain the units. Also as a result of the settlement, NINA agreed to pay CPS Energy $80,000, in two $40,000 payments, upon DOE issuance of a conditional loan guarantee. NINA also agreed to make a contribution of $10,000 over a four-year period to the Residential Energy Assistance Partnership ("REAP"), which provides emergency bill payment assistance to low-income customers in San Antonio and Bexar County. The settlement agreement was finalized on March 1, 2010. As of January 31, 2014, CPS Energy had received $10,000 from NINA for REAP.

On March 21, 2011, NINA announced that it was reducing the scope of development in STP Units 3 and 4 to allow time for the NRC to assess the lessons learned from the events in Japan. They further stated that current ongoing work would be limited to activities associated with NRC licensing and with securing a DOE loan guarantee. On April 19, 2011, NRG announced that it would continue to support its current partners but that it would not invest additional capital in the STP Units 3 and 4 development effort. NRG wrote off the entire value of its investment in the project while continuing to own a legal interest. Since then, TANE has funded ongoing costs to move the application process forward for the combined operating and construction license.

In April 2011, interveners filed a contention related to foreign ownership following NRG's announcement that it planned to write down its full investment in the STP Units 3 and 4 project. Subsequently, the ASLB agreed to admit the contention of foreign ownership for further consideration. In August 2011, interveners filed a contention related to the NRC's Fukushima Near-Term Task Force report issued in July 2011. In separate actions, the ASLB subsequently dismissed both of the two original contentions and determined the contention on the Fukushima Near-Term Task Force report to be inadmissible, leaving the foreign ownership contention as the only admitted contention.

On December 13, 2011, the NRC issued a letter to NINA stating that its COLA does not meet the requirements of 10 CFR 50.38 (Ineligibility of Certain Applicants). This section of federal regulation contains restrictions associated with foreign ownership, control and domination. The letter stated that NRC staff is suspending its review of the foreign ownership section of the STP Units 3 and 4 COLA until this matter is resolved by NINA. The NRC letter also stated that review of all remaining portions of the COLA would continue.

In August 2014, the NRC approved a final rule on the environmental effects of continued storage of spent nuclear fuel and announced it will lift its suspension of final licensing actions on nuclear power plant licenses and renewals once the rule becomes effective. The NRC's action approved the final rule and GEIS, renamed from Waste Confidence to Continued Storage of Spent Nuclear Fuel. In a separate order, the NRC approved lifting the suspensions and provided direction on the resolution of related contentions in 21 adjudications before the NRC and the Atomic Safety and Licensing Board. The order authorized the NRC staff to issue final licensing decisions as appropriate upon the effective date of the final rule, which was October 20, 2014. CPS Energy expects the STPNOC's license renewal applications for STP Units 1 and 2 will be approved in the later part of 2016. Upon approval of these applications, STP Units 1 and 2 will be licensed for a total of 60 years of operations.

## Note 10 CPS Energy South Texas Project (STP) (Continued)

### Joint Operations (Continued)

In February 2013, the ASLB issued an order establishing the "trigger date" for the evidentiary hearing related to the foreign ownership contention as the earlier of April 30, 2013, or the date on which the NRC makes known the results of its foreign ownership, control, and domination review. On April 29, 2013, as part of this review, the NRC staff issued a determination that NINA "continue[s] to be under foreign ownership, control or domination." This initial ruling by the NRC staff was a necessary first step in order to move the process forward to an evidentiary hearing by the ASLB. In January 2014, the ASLB convened the evidentiary hearing with NRC staff, NINA and interveners. A decision was issued by the ASLB on April 10, 2014, ruling in favor of NINA's position that it is not under foreign ownership, control or domination. The partial initial decision would have constituted a final decision of the NRC 120 days from the date of the order unless a petition for review was filed or the NRC directed otherwise. In May 2014, the interveners filed an appeal with the NRC Commissioners regarding the ASLB's decision on the FOCD issue. In August 2014, the NRC issued an order extending its time for review of the interveners' petition. Acknowledging that these developments and plans facilitate constructive momentum to continue the STP Units 3 and 4 Project and create a pathway to obtaining further clarity for the project participants, CPS Energy's management takes no exception to the process being pursued and will continue to monitor NINA's progress. This most recent development regarding foreign investment is deemed to have no impact on CPS Energy's assessment of the reported value of its investment in STP Units 3 and 4.

On May 7, 2014, Toshiba Corporation ("Toshiba") issued a revised business forecast which stated they had "taken a conservative reassessment of the asset value of Nuclear Innovation North America (NINA)…and recognized an operating loss" of about $300,000 U.S. dollars. In the statement accompanying the business forecast, Toshiba specifically noted that they remain positive about the project's business feasibility. CPS Energy will continue to monitor the status of the STP Units 3 and 4 Project, in order to assess the project's value.

On June 6, 2013, the NRC issued a letter to NINA providing an updated review schedule for the STP Units 3 and 4 COLA. Citing budget constraints, the NRC informed NINA that the review schedule for the STP Units 3 and 4 COLA would be impacted by five months, resulting in a revised target date of September 30, 2015, for the release of the final Safety Evaluation Report. As such, CPS Energy expects that the STP Units 3 and 4 COLA could be approved in the early 2016 timeframe.

CPS Energy performed a thorough re-evaluation of its investment in the STP Units 3 and 4 project to reassess the ongoing viability of the project and the appropriateness of continuing to report the cost of the project on its Statements of Net Position. CPS Energy again in fiscal year 2014 reached the conclusion that its investment in the project remains valuable and that the most appropriate treatment is to continue to report this investment on its Statements of Net Position at full historical cost. If it is determined at some point in the future that a full or partial write-down is appropriate, due to the unusual and/or infrequent nature of the circumstances that have to be considered, the impact of writing down the project is expected to be treated as an extraordinary or special item on its Statements of Revenues, Expenses and Changes in Net Position. The write-down would be a noncash transaction that would have no impact on the CPS Energy's debt service coverage ratio; however, it would affect the debt to debt and net position ratio. At January 31, 2014, the impact of a write-down would have been an increase in the debt to debt and net position ratio from 62.0% to 64.8%. CPS Energy continues to maintain regular communication with all stakeholders regarding ongoing assessment of the viability of the project and the impact to its financial position.





## Note 10 CPS Energy South Texas Project (STP) (Continued)

### Joint Operations (Continued)

Including AFUDC of $20,975, project costs incurred by CPS Energy to date of $391,355 are included on the Statements of Net Position as construction-in-progress. Effective as of FY 2012, AFUDC is not being recorded for the STP Units 3 and 4 project since efforts have been limited primarily to licensing-related activities.

See Note 4, Capital Assets, for more information about CPS Energy's capital investment in STP.

### Nuclear Insurance

The Price-Anderson Act is a comprehensive statutory arrangement for providing limitations on liability and governmental indemnities with respect to nuclear accidents or events. The maximum amount that each licensee may be assessed following a nuclear incident at any insured facility is $111,900, subject to adjustment for inflation, for the number of operating nuclear units and for each licensed reactor, payable at $17,500 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 has two licensed reactors. The participants have purchased the maximum limits of nuclear liability insurance, as required by law, and have executed indemnification agreements with the NRC in accordance with the financial protection requirements of the Price-Anderson Act. A Master Worker Nuclear Liability policy, with a maximum limit of $375,000 for the nuclear industry as a whole, provides protection from nuclear-related claims. A Master Worker Certificate policy, also with a maximum limit of $375,000 for the nuclear industry as a whole, provides protection from radiation tort claims of workers at nuclear facilities.

NRC regulations require licensees of nuclear power plants to obtain on-site property damage 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 approximately $2,800,000 of nuclear property insurance, which is above the legally required amount of $1,100,000. The $2,800,000 of nuclear property insurance consists of $500,000 in primary property damage insurance and $2,300,000 of excess property damage insurance, both subject to a retrospective assessment being paid by all members of Nuclear Electric Insurance Limited (NEIL). A retrospective assessment could occur if property losses, as a result of an accident at any nuclear plant insured by NEIL, exceed the accumulated funds available to NEIL. CPS Energy also maintains accidental outage insurance through STP's NEIL membership, with a policy structure consisting of an eight-week deductible period, with a $4,500 weekly indemnity option and $490,000 policy limit.

### 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.

## Note 10 CPS Energy South Texas Project (STP) (Continued)

### Nuclear Decommissioning (Continued)

In conjunction with the acquisition of the additional 12% 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 PUCT approval as requested in the future, excess or deficient funds related to the 12% Trust will be distributed to or received from AEP customers 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. The most recent cost study, which was finalized in May 2013, estimated decommissioning costs for the 28% ownership in STP Units 1 and 2 at $627,495 in 2012 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 will be required to be deposited into the Trust.

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 accounts so that they were not commingled with funds allocable to preshutdown 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 2014. CPS Energy made no contributions in FY 2014 to fund preshutdown decommissioning costs for its 28% ownership in STP. No preshutdown decommissioning expenses were incurred for the 28% ownership in the twelve months ended December 31, 2013. For the 12% Trust, preshutdown costs were funded by AEP's ratepayers. The 12% Trust incurred no preshutdown decommissioning expenses in the twelve months ended December 31, 2013.

Excluding securities lending cash collateral, as of December 31, 2013, CPS Energy had accumulated approximately $365,725 in the 28% Trust. Total funds are allocated to decommissioning costs, spent fuel management and site restoration. Based on the most recent annual calculation of financial assurance required by the NRC, the 28% Trust funds allocated to decommissioning costs totaled $218,700, which exceeded the calculated financial assurance amount of $168,700.

CPS Energy accounts for decommissioning by recognizing a liability and expense for a pro rata share of projected decommissioning costs as determined by the most recent cost study. A new cost study is performed every five years, and in years subsequent to the latest study, estimated annual decommissioning expense and an increase in the liability is calculated by applying the effects of inflation and the ratio of years of plant usage to total plant life. Additionally, guidance pertaining to regulated operations provided in GASB Statement No. 62 has been followed to retain the zero net position approach for the Decommissioning Trusts.

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.





## Note 10 CPS Energy South Texas Project (STP) (Continued)

### Spent Fuel Management Project

A project to develop an independent spent fuel storage installation is under way at STP Units 1 and 2 in order to provide for storage of spent nuclear fuel after the spent fuel pool has reached capacity. CPS Energy's Decommissioning Trusts have separate spent fuel management accounts to pay for those costs. By contract, spent fuel will eventually be removed to final storage by the DOE. The DOE failed to meet the contractual start date to receive spent fuel, and STP and other utilities have reached settlement agreements with the DOE. In a settlement agreement dated February 5, 2013, the DOE agreed to reimburse STP for allowable spent fuel management expenditures through 2013. A new agreement was executed on January 24, 2014, in which the DOE committed to reimburse STP for allowable expenditures through 2016.

### STP Pension Plan and Other Postretirement Benefits

STPNOC maintains several pension and other postretirement benefit plans covering most employees, including a noncontributory defined-benefit pension plan, defined-benefit postretirement plan, supplementary nonqualified unfunded pension plan, supplemental retirement plan, deferred compensation program, and a contributory savings plan. The owners of STPNOC, including CPS Energy, share in all plan costs in the same proportion as their respective ownership percentages.

The noncontributory defined-benefit pension plan covers certain employees. Retirement benefits are based on length of service and compensation. Plan assets are invested in various equity and fixed-income securities. Pension contributions totaling $31,700 were made in STP's fiscal year 2013 of which $11,100 related to the 2013 plan year, while $20,600 related to the 2012 plan year. A final contribution of $26,700 for plan year 2013 will be made during STP's fiscal year 2014 in order to meet or exceed minimum funding requirements and maintain the targeted adjusted funding target attainment percentage.

STPNOC also maintains a defined-benefit postretirement plan that provides medical, dental and life insurance benefits for substantially all retirees and eligible dependents. The cost of these benefits is recognized in the project statements during an employee's active working career. STPNOC has a trust to partially meet the obligations of the plan.

Employees whose eligible compensation exceeds the limitations established under the 1974 Employee Retirement Income Security Act, $255 for 2013 are covered by a supplementary nonqualified, unfunded pension plan, which is provided for by charges to operations sufficient to meet the projected benefit obligation. The accruals for the cost of that plan are based on substantially the same actuarial methods and economics as the noncontributory defined-benefit pension plan.

An unfunded supplemental retirement plan and other unfunded deferred compensation programs are maintained by STPNOC for certain key individuals.

STPNOC approved a change to the pension plan, effective January 1, 2007, 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.

## Note 10 CPS Energy South Texas Project (STP) (Continued)

### STP Pension Plan and Other Postretirement Benefits (Continued)

Pursuant to Subtopic 958-715 of the FASB Accounting Standards Codification, the Compensation – Retirement Benefits Subtopic of the Not-for-Profit Entities Topic, STP is required to recognize additional liabilities and eliminate the intangible asset related to certain of its qualified and nonqualified plans. The effect to CPS Energy of funding obligations related to the defined-benefit plans sponsored by STPNOC was $39,063 for CPS Energy's fiscal year 2014.

The schedule of funding progress, presented as required supplementary information presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Schedule of Funding Status (RSI-Unaudited)**
**Calendar Year 2013**

| | Pension Benefits | Other Benefits |
|---|---|---|
| Change in Benefit Obligation: | | |
| Benefit Obligation - Beginning | $ 431,227 | $ 138,043 |
| Service Cost | 12,101 | 11,558 |
| Interest Cost | 18,758 | 6,078 |
| Plan Changes | | (1,211) |
| Actuarial Loss | (39,969) | (20,176) |
| Benefits Paid | (8,044) | (3,863) |
| Benefit Obligation - Ending | 414,073 | 130,429 |
| Change in Plan Assets: | | |
| Fair Value of Plan Assets - Beginning | 257,513 | 11,430 |
| Actual Return on Plan Assets | 37,422 | 1,901 |
| Employer Contributions | 31,700 | 3,479 |
| Benefits Paid | (8,044) | (3,863) |
| Fair Value of Plan Assets - Ending | 318,591 | 12,947 |
| Funded Status - Ending | (95,482) | (117,482) |
| Unrecognized Net Actuarial Loss | 98,468 | 20,924 |
| Unrecognized Prior Service Cost | 2,072 | (7,837) |
| Unrecognized Transition Obligation | | 31 |
| Cumulative difference between recognized and unrecognized net expense and funding | $ 5,058 | $ (104,364) |
| Amount recognized in other liabilities | $ (95,482) | $ (117,482) |
| Weighted-Average Assumptions: | | |
| Discount Rate | 5.2% | 5.2% |
| Expected Return on Plan Assets | 7.8% | 7.8% |
| Rate of Compensation Increase | 3.0% | 3.0% |

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## Note 11 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, 2014. Grant funding received from federal, state, and other governmental agencies but not yet earned as of September 30, 2014 was $71,837.

***Capital Improvement Program***

The City will be undertaking various capital improvements during fiscal year 2015. The estimated cost of these improvements is $664,576, which consist of the following:

| Function/Program | 2015 |
|---|---|
| **General Government** | |
| Information Technology | $ 15,978 |
| Municipal Facilities | 189,056 |
| **Total General Government** | $ 205,034 |
| **Public Health & Safety** | |
| Drainage | $ 61,429 |
| Fire Protection | 9,282 |
| Law Enforcement | 2,222 |
| **Total Public Health & Safety** | $ 72,933 |
| **Recreation & Culture** | |
| Libraries | $ 9,643 |
| Parks | 93,841 |
| **Total Recreation & Culture** | $ 103,484 |
| **Transportation** | |
| Air Transportation | $ 80,103 |
| Street | 203,022 |
| **Total Transportation** | $ 283,125 |
| **Total Capital Plan** | $ 664,576 |

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, 2014* - 152 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 153 - *Amounts are expressed in thousands*

## Note 11 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, 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 $23,874. 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.

**Kopplow Development, Inc. v. City of San Antonio** Plaintiff contends that the construction of a regional stormwater detention facility was an inverse condemnation of its property by increasing the flood plain elevation on its property. The City also filed a statutory condemnation to acquire an easement involving Plaintiff's property to construct and maintain part of the facility. This matter was tried in July 2008 with a favorable ruling to Plaintiff; but the City's motion for new trial was granted. After a retrial, the jury awarded approximately $600 to Plaintiff for the inverse condemnation and statutory condemnation. The City and Plaintiff have appealed. The Fourth Court of Appeals issued its opinion affirming the trial court's ruling awarding Plaintiff $5 as compensation for the land taken, but reversed the other portion of the judgment for the remainder of the damages. Plaintiff's motion for rehearing was denied on December 29, 2010. Plaintiff filed its brief on the merits in October 2011 and the City filed its reply in December 2011. On March 8, 2012, the Texas Supreme Court issued their opinion, reversing the Fourth Court's opinion and remanding the matter back to state district court for further proceedings consistent with their opinion. The City's Motion for Rehearing was denied in June 2013. On February 5, 2014, the Fourth Court of Appeals issued an opinion finding that the trial court erred in excluding evidence of Kopplow's vested rights status and remanded the case to the trial court for a new trial on the issue of damages. Both parties appealed the decision to the Texas Supreme Court and are awaiting a ruling.

**Barbara Webb, et. al. v. City of San Antonio** Plaintiff sued under the Texas Tort Claims Act for injuries sustained in a motor vehicle accident. Plaintiff seeks damages of $250. This case is not yet set for trial.

**Valemas v. City of San Antonio (Valemas I)** In 2005, Plaintiff entered into a construction contract with the City for work at the City's Brackenridge Park. Plaintiff alleges that it experienced delays in the work due to actions of the City, resulting in damages to Plaintiff. Plaintiff filed suit alleging breach of contract. The City sought to have some of the claims dismissed for want of jurisdiction which was denied. The City appealed to the Fourth Court of Appeals, which upheld the denial. The City filed a petition for review with the Texas Supreme Court, which was denied. The case has been returned to the trial court, but no trial date has been set. Damages could exceed $250. This case has been set for trial on September 8, 2015.





## Note 11 Commitments and Contingencies (Continued)

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

***Litigation (Continued)***

**Valemas, et. al. v. City of San Antonio (Valemas II)** Valemas and subcontract L. Payne performed construction work for the City on W.W. White Road, but there have been issues with subsidence. The City withheld payment of the final invoice and retainage payments, totaling approximately $400. Plaintiffs also allege delay damages. The City accepted the completed project but requires proof of payment to all subcontractors and vendors prior to releasing final payment. The City denies delay damages are owing. This case is currently set for trial on July 13, 2015.

**Shavonda Bailey, et. al. v. City of San Antonio, et. al** Plaintiffs allege that SAPD police officers used excessive force when they arrested Pierre Abernathy after a low speed vehicle pursuit. Plaintiffs' sued the City and seven police officers under 42 U.S.C. Section 1983, alleging excessive use of force. They seek damages for Mr. Abernathy's pain and suffering as well as damages for his death. Plaintiffs seek damages of at least $1,000. This case is not yet set for trial.

**Anthony Ortega, et. al. v. City of San Antonio, et. al** A SAPD police officer was involved in a motor vehicle accident while allegedly in pursuit of a stolen vehicle. Plaintiffs' decedent, Laura Zepeda, was killed as a result of the incident. This lawsuit was recently filed and served on the City. This case is not yet set for trial.

**Cheryl Clancey v. D&R Towing, et. al** Plaintiff, in a wheelchair, was attempting to cross the street at Presa and Commerce Streets when she was struck by a tow truck. Plaintiff sued the towing company and driver. She also filed suit against the City, alleging that the crosswalk and ramps were not in conformity with State law accessibility requirements. The City filed a Plea to the Jurisdiction and the Court held that the City had governmental immunity and the case was dismissed. The case against the other Defendants is still pending. Plaintiff may file an appeal within 30 days of a final judgment as to the remaining parties. Plaintiff sought damages of $250. This case is not yet set for trial.

**Rogers Shavano Ranch, Ltd., et. al. v. City of San Antonio** Plaintiffs are the developers of property known as Rogers Shavano Ranch. They claim this property has been under development since 1993. They claim that the City has violated their vested right to develop this property pursuant to ordinances and regulations existing in 1993. The parties have filed cross motions for summary judgment, which have been continued until further depositions are completed. Plaintiffs have not made a demand for monetary damages except for recovery of attorneys' fees. If successful, Plaintiffs could recoup attorneys' fees in excess of $250. The City filed a Plea to the Jurisdiction, contesting the Court's jurisdiction to assess attorneys' fees in this case. That plea was granted by the Fourth Court of Appeals, but this issue is currently pending review by the Texas Supreme Court, which has requested briefing on the merits. This case is not yet set for trial.

**Northern Hills Management Corp. v. City of San Antonio** Plaintiff purchased property that had been previously used as a golf course, but which was zoned MF-33, multi-family residential. After their purchase of the property, it was rezoned G-AHOD, limiting its use to golf or recreational related purposes. Plaintiff claims the rezoning of the property was an inverse condemnation or taking of the property without compensation. They allege that the loss in property value is approximately $7,900. This matter is pending conclusion of settlement negotiations.

## Note 11 Commitments and Contingencies (Continued)

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

***Litigation (Continued)***

**Jane Doe v. City of San Antonio, et. al** Plaintiff asserts claims against Defendants for violation of her Fourth Amendment Rights of the United States Constitution and for failure to comply with the Civil Rights Act, 42 U.S.C. §1983. . Plaintiff alleges in her complaint that the Defendant has been criminally charged with sexual assault, civil rights violation, and official oppression. Plaintiff also seeks damages against the City and Police Chief for alleged failure to train its officers and for retaining in its employment an individual not suitable to be a police officer. Plaintiff seeks to recover damages against the Defendants in the amount of $10,000 for violation of her Fourth Amendment Rights and to recover attorney fees and cost of court. This case is set for trial on July 27, 2015.

**Cheryl Jones, et al. v. City of San Antonio, et al** On February 28, 2014 Marquise Jones was shot by a SAPD police officer at Chacho's Restaurant. Plaintiffs' are asserting claims under 42 USC §1983 against the City and the officer for excessive force, racial profiling, and failure to train under the Texas Survivor Statute and Texas Wrongful Death Statute. Plaintiffs seek damages of at least $5,000 for loss of affection, consortium, financial assistance, pain and suffering of decedent prior to death, mental anguish, emotional distress, quality of life, exemplary and punitive damages, attorney fees, and costs of court. This case is not yet set for trial.

**Jimmy Maspero and Regina Maspero, et al. v. City of San Antonio, et al** Plaintiffs allege that on September 19, 2012 Plaintiffs' vehicle was involved in a collision with a vehicle being pursued by a SAPD patrol car causing the death of two of Plaintiffs' children and severe permanent injuries to the remaining Plaintiffs (two children, two adults). The Plaintiffs have asserted a "state-created danger" theory under 42 USC §1983 alleging a violation of Plaintiffs $14^{th}$ Amendment substantive due process. Plaintiffs are also asserting state law theories of negligence. Plaintiffs seek to recover damages for mental anguish, physical pain, impairment, medical expenses, and the wrongful death of two of their children. Plaintiffs are seeking monetary damages of at least $3,000. This case is set for trial on November 2, 2015.

**Mathews, Scott v. City of San Antonio, et. al** Plaintiff claims that on April 14, 2013 SAPD police officers were called to his house as a result of a domestic dispute between him and his wife. Plaintiff filed suit under 42 USC §1983 for violation of his civil rights and excessive force and also alleges assault and battery pursuant to Texas state law. Plaintiff seeks damages for his medical expenses, disability as well as for pain and suffering, emotional and mental distress, and loss of wage earning capacity. Plaintiffs are seeking damages in an amount of at least $1,000. This case is not yet set for trial.

**Destiny Ann Marie Rios v. City of San Antonio et al** Plaintiff claims that on July 4, 2012 she was arrested for an outstanding warrant for prostitution. Plaintiff filed suit under 42 USC §1983 for excessive force and under Texas law for assault and battery and Intentional Infliction of Emotional Distress. Her alleged damages include physical and emotional personal injury, pain and suffering, and emotional and mental distress associated with the loss of her unborn child. She is seeking at least $1,000. This case is set for trial on November 2, 2015.





## Note 11 Commitments and Contingencies (Continued)

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

***Litigation (Continued)***

**Roxana Tenorio, Individually and on behalf of Pedro Tenorio, Deceased v. Benito Garza and City of San Antonio** Plaintiff claims that a SAPD high speed pursuit of Defendant Benito Garza was the cause of a vehicle accident on September 21, 2012 in which Pedro Tenorio was killed. The accident occurred in the 9400 block of SW Loop 410. Plaintiff sued Benito Garza and the City under the Texas Tort Claims Act (TTCA) for Negligence. Plaintiff is seeking monetary relief in excess of $1,000 for past and future mental anguish, loss of consortium, loss of inheritance, loss of companionship and pecuniary damages under the Texas Wrongful Death Act and Texas Survival Act. This case is not yet set for trial.

***Rogelio and Norma Galvan v. City of San Antonio.*** This suit, brought under the Texas Tort Claims Act, involves a collision between Plaintiff's vehicle and a Solid Waste truck. Plaintiff suffered severe brain injury and nerve damage and has already incurred medical expenses in excess of $150. Damages could reach the $250 cap for damages under the TTCA. This case has been recently filed and is not yet set for trial.

***Jerry Arispe v City of San Antonio.*** Plaintiff filed suit under the Texas Tort Claims Act for damages incurred in a motor vehicle collision involving an SAPD officer. Plaintiff suffered back injuries and anticipates future back surgery. If successful, damages could meet the $250 cap for damages under the TTCA. This case is set for trial on August 24, 2015.

***Leases***

The City leases City-owned property to others consisting of buildings, real property, and parking spaces. Costs of specific leased components are not readily determinable. The Airport System's revenue is net of Ground Abatement Credits and Building Improvement Credits allowed to lessees per signed contracts. Total rental revenue from operating leases received for the fiscal year-ended September 30, 2014 was $14,624 for Governmental Activities and $50,814 for Business-Type Activities, which consisted of $40,147 for the Airport System and $10,667 for Nonmajor Enterprise. As of September 30, 2014, the leases provide for the following future minimum rentals:

| | Leases Revenues | | | |
|---|---|---|---|---|
| | Governmental Activities | Airport System | Nonmajor Enterprise | Total |
| Fiscal year ending September 30: | | | | |
| 2015 | $ 12,243 | $ 35,604 | $ 7,315 | $ 55,162 |
| 2016 | 5,810 | 11,027 | 4,349 | 21,186 |
| 2017 | 4,067 | 10,277 | 3,748 | 18,092 |
| 2018 | 3,964 | 8,756 | 2,642 | 15,362 |
| 2019 | 3,642 | 7,780 | 2,118 | 13,540 |
| 2020-2024 | 7,274 | 19,824 | 6,419 | 33,517 |
| 2025-2029 | 3,879 | 11,654 | 2,929 | 18,462 |
| 2030-2034 | 3,459 | 3,227 | 286 | 6,972 |
| 2035-2039 | 2,927 | 1,215 | 238 | 4,380 |
| 2040-After | 22,750 | | 151 | 22,901 |
| Future Minimum Lease Rental | $ 70,015 | $ 109,364 | $ 30,195 | $ 209,574 |

*Year-Ended September 30, 2014* - 156 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 157 - *Amounts are expressed in thousands*

## Note 11 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, 2014 resulted in an estimated postclosure care liability for the Nelson Gardens Landfill of $1,161. This represents a decrease of $726 from the prior fiscal year as a result of the City contracting with a third party to capture and sell methane gas in exchange for a percentage of the revenue earned and post closure maintenance costs assumed by the third party.

***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. 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.

***Brooks City-Base – Electric and Gas Utilities***

The Brooks City-Base Project is a collaborative effort between the U.S. Air Force (the Air Force) and the City designed to retain the Air Force missions and jobs at Brooks Air Force Base, improve mission effectiveness, assist in reducing operating costs, and promote and enhance economic development at Brooks City-Base. On July 22, 2002, the land and improvements were transferred to the Brooks Development Authority (BDA) for the purpose of creating the Brooks Technology and Business Park, a facility that will foster the development of key targeted industries.





## Note 11 Commitments and Contingencies (Continued)

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

***Brooks City-Base – Electric and Gas Utilities (Continued)***

In fiscal year 2003, CPS Energy entered into a 20-year agreement with BDA to upgrade the electric and gas utility systems located within the Brooks City-Base. CPS Energy and BDA have each committed to invest $6,300 ($4,200 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 BDA's obligation were made from incremental revenues to the City for electric and gas sales to customers that reside on the BDA-developed property. Annual reductions to BDA's obligation were also made in accordance with contract terms for economic development at Brooks City-Base that benefits CPS Energy's systems.

To the extent that the capital renewals and upgrades do not total $12,600 by September 2022, BDA's and CPS Energy's committed investments each will be reduced equally. To date, $9,389 has been invested in capital renewals and upgrades and BDA has met its $4,200 obligation, net of annual interest.

***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, 2014, the City has no arbitrage liability for its governmental or proprietary funds.

**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.

***Leases***

**Capital Leases** – CPS has no capital leases for fiscal year 2014.

**Operating Leases** – CPS Energy has entered into operating lease agreements to secure the usage of communication towers space, railroad cars, natural gas storage facilities, land, office space, parking lot space and engineering equipment. The lease for the parking lot space and several of the leases for office space contain a provision for a slight escalation in the monthly payment amount after the first year of each lease.

## Note 11 Commitments and Contingencies (Continued)

**CPS Energy (Continued)**

***Leases (Continued)***

The future minimum lease payments made by CPS Energy for noncancelable operating leases with terms in excess of one year were as follows:

| Year Ended January 31, | Operating Lease Payments |
|---|---|
| 2015 | $ 8,001 |
| 2016 | 3,783 |
| 2017 | 2,050 |
| 2018 | 1,668 |
| 2019 | 1,679 |
| Later years | 78,596 |
| Total future minimum lease payments | $ 95,777 |

CPS Energy's minimum lease payments for all operating leases for which CPS Energy was the lessee amounted to $8,253 in fiscal year 2014. There were no contingent lease or sublease payments in fiscal year 2014.

CPS Energy has entered into operating lease agreements allowing cable and telecommunication companies to attach telephone, cable and fiber-optic lines to CPS Energy's electric poles. Operating leases also exist between CPS Energy and telecommunication companies allowing the companies to attach communication equipment to CPS Energy's communication towers. CPS Energy sold 69 of its communication towers to a third party in January 2014. Projected future minimum lease receipts pertaining to the use of CPS Energy's communication towers and buildings reflect a 4.0% annual escalation in receipts after the first year of each lease.

Additionally, CPS Energy has three operating leases for the use of land that CPS Energy owns, and it has entered into multiple agricultural leases allowing the lessees to use CPS Energy's land for sheep and cattle grazing. The majority of the operating leases pertaining to the use of CPS Energy's communication towers contain a provision for contingent lease receipts that will equal the lesser of a 15.0% increase in the prior five-year lease payment or the percentage increase in the Consumer Price Index over the same five-year period. Furthermore, the three land leases also contain a provision for contingent lease receipts based on the Consumer Price Index.

The future minimum lease receipts to CPS Energy for noncancelable operating leases with terms in excess of one year were as follows:

| Year Ended January 31, | Operating Lease Receipts |
|---|---|
| 2015 | $ 1,767 |
| 2016 | 1,238 |
| 2017 | 1,121 |
| 2018 | 878 |
| 2019 | 705 |
| Later years | 27,448 |
| Total future minimum lease receipts | $ 33,157 |





## Note 11 Commitments and Contingencies (Continued)

**CPS Energy (Continued)**

***Leases (Continued)***

CPS Energy's minimum lease receipts for all operating leases for which CPS Energy was the lessor amounted to $7,727 in fiscal year 2014. Contingent lease receipts amounted to $395 for fiscal year 2014. There were no sublease receipts in fiscal year 2014.

**Lease/Leaseback** – In June 2000, CPS Energy entered into a lease/leaseback transaction with an affiliate of Exelon involving CPS Energy's Spruce 1 coal-fired electric generating unit. The transaction included a lease for a term of approximately 65 years in combination with a leaseback of the facility by CPS Energy for approximately 32 years.

CPS Energy retains fee simple title to, and operating control of, the facility and retains all revenues generated from sales of electricity produced from the facility. CPS Energy received the appraised fair value of the unit, $725,000, which is being amortized over 381 months. The transaction expenses and leaseback costs of $628,300 were recorded as prepaid items in 2001 and are being amortized over 381 months.

CPS Energy has the option to cancel the leaseback after it expires by making a payment to Exelon's affiliate. CPS Energy entered into a collateralization payment-undertaking agreement that will generate amounts sufficient to fund the cancellation option.

CPS Energy's net benefits associated with the transaction were approximately $88,000. The City was paid $12,300 in accordance with the provisions of the New Series Bond Ordinance that permit 14.0% of this net benefit to be distributed. The distribution was recorded as a prepayment in 2001 and is being amortized over 381 months. As a result, net proceeds from the transaction of approximately $75,700 are being reported over the 32-year leaseback term. In fiscal year 2014, the net amount recorded as income by CPS Energy was $2,800.

On January 17, 2013, Moody's Investors Service, Inc. downgraded the Insurance Financial Strength rating of Assured Guaranty Municipal Corp. ("AGM") to "A2" from "Aa3." AGM is the legal successor in interest to Financial Security Assurance Inc., the original provider of the surety policy covering any out-of-pocket early termination amounts not covered under the agreements associated with the lease/leaseback transaction ("Transaction Documents"). As a result of the ratings downgrade, CPS Energy had until February 28, 2013, by which to replace the surety policy. CPS Energy has entered into two letter agreements with the other parties to the applicable Transaction Documents to extend the period of time allowed for CPS Energy to meet its obligations under those agreements with respect to the surety policy.

In January 2014, the parties to the leases agreed in principle on the necessary terms to terminate the transaction in its entirety. Although approvals by all parties were obtained in January 2014, the parties officially executed the termination agreement and associated legal documents on February 26, 2014. As a result of this termination, CPS Energy is released from all scheduled payment and security obligations under the lease transaction, including any obligation to replace the AGM financial guarantee.

*Year-Ended September 30, 2014* - 160 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 161 - *Amounts are expressed in thousands*

## Note 11 Commitments and Contingencies (Continued)

**CPS Energy (Continued)**

***Other***

Purchase and construction commitments amounted to approximately $7,254,879 at January 31, 2014. This amount includes construction commitments, provisions for coal purchases through December 2021, coal transportation through December 2014 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 December 2038, solar power through December 2042, landfill power through December 2029 and raw uranium associated with STP fabrication and conversion services needed for refueling through May 2026.

On January 20, 2009, the Board approved a policy statement on sustainability. The basis of the policy is to affirm 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. To be sustainable, CPS Energy has to balance its financial viability, environmental commitments and social responsibility as a community-owned provider. Further, the objective of sustainable energy development is to meet current needs without compromising the ability of future generations to meet their needs.

In fiscal year 2008, CPS Energy entered into a Natural Gas Supply Agreement with the SA Energy Acquisition Public Facility Corporation ("PFC"), 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 the PFC and a third-party gas supplier, the PFC has prepaid the cost of a specified supply of natural gas to be delivered over 20 years.

On February 25, 2013, the PFC executed certain amendments to the Prepaid Natural Gas Sales Agreement entered into with J. Aron in 2007 and other related documents with respect to the 2007 prepayment transaction with J. Aron. Under the resolution and the amendments, Goldman, Sachs & Co. surrendered for cancellation $111,060 of the SA Energy Acquisition Public Facility Corporation Gas Supply Revenue Bonds, Series 2007 owned by J. Aron; Goldman, Sachs & Co.; or affiliates. In exchange, the PFC agreed to reduce future required natural gas delivery volumes from 104.6 MMBtu to 81.3 MMBtu and to adjust the notional amount of its commodities price hedge so that hedged revenue from gas sales will bear at least the same proportion to annual debt service requirements as before the transaction. In conjunction with the transaction, a portion of the savings related to the purchase of natural gas from the PFC that would have been passed on to CPS Energy's distribution gas customers over the 20-year life of the original agreement is being accelerated. Distribution gas customers will benefit from the accelerated savings beginning Mary 1, 2013 through June 30, 2015.

CPS Energy's 20-year commitment under the Natural Gas Supply Agreement is included in the aforementioned purchase and construction commitments amount.

Refer to Note 19, Subsequent Events for additional information regarding CPS Energy's agreement with the PFC.





## Note 11 Commitments and Contingencies (Continued)

**CPS Energy (Continued)**

***Other (Continued)***

In fiscal year 2003, CPS Energy entered into a 20-year agreement with BDA to upgrade the electric and gas utility systems located within the Brooks City-Base. CPS Energy and BDA have each committed to invest $6,300 ($4,200 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 BDA's obligation were made from incremental revenues to the City for electric and gas sales to customers that reside on the BDA-developed property. Annual reductions to BDA's obligation were also made in accordance with contract terms for economic development at Brooks City-Base that benefits CPS Energy's systems. To the extent that the capital renewals and upgrades do not total $12,600 by September 2022, BDA's and CPS Energy's committed investments each will be reduced equally. To date, $9,389 has been invested in capital renewals and upgrades and BDA has met its $4,200 obligation, net of annual interest.

On June 8, 2010, CPS Energy committed to partner in the Texas Sustainable Energy Research Institute at the University of Texas at San Antonio for sustainable energy research. The agreement calls for CPS Energy to invest up to $50,000 over 10 years in the institute. The investment made through January 31, 2014 was $4,100 from funds currently allocated to research and development. Future funding will be developed by the scope of the projects defined by the partnership and subject to annual approval by the Board.

CPS Energy sells its excess power into the wholesale market. While the majority of these transactions are conducted in the short-term market, from time to time, CPS Energy enters into long-term wholesale power supply agreements with other public power entities. CPS Energy currently has agreements with six public power entities to provide either full or partial energy requirements. These agreements have varying terms expiring in 2016, 2021 and 2023. The volumes committed under these agreements represent approximately 5.0% to 6.0% of current owned capacity. CPS Energy regularly monitors the market values of these transactions to manage contract provisions with the counterparties.

CPS Energy entered into two contractual obligations, referred to as heat rate call options ("HRCO"), with Morgan Stanley Group Inc ("Morgan Stanley"). The HRCOs give Morgan Stanley the right to purchase specified amounts of MW per hour generated from the Rio Nogales plant, based on a pricing schedule set forth in each. One of these agreements expired in December 2012, and the remaining HRCO will expire in September 2015. The volumes committed under the remaining agreement represent approximately 31.3% of the Rio Nogales plant's generating 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 (current commitments are included in the aforementioned $7,254,879):

- CPS Energy's customers will have the opportunity to manage their home energy use through a Home Area Network system referred to as Home Manager. A program was launched in fiscal year 2012 with plans to enroll up to 140 homes and businesses by 2019. Home area networks work with smart meters to provide up-to-the-minute energy use information and allow demand-side management to reduce energy consumption on the customer premise. The deployment may be partially funded through the Save for Tomorrow Energy Program (STEP) and has the potential to reduce electrical demand by 205 megawatts ("MW") over a four-year period that began in fiscal year 2012.

## Note 11 Commitments and Contingencies (Continued)

### CPS Energy (Continued)

*Other (Continued)*

- CPS Energy will replace 25 San Antonio street lights with light-emitting diode ("LED") street lights. The lights have been purchased from GreenStar, a worldwide supplier of LED lighting. The street lights use 60.0% less energy than standard sodium lights and are designed to last 12 to 15 years, reducing maintenance costs. Approximately $2,200 of the deployment costs will be funded through STEP, with the remainder funded by the City.

- In November 2011, CPS Energy entered into a $77,000 prepaid agreement with SunEdison 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 purchase of the balance of the output will be on a pay-as-you-go basis. As part of the agreement, CPS Energy has the right to purchase the facilities in the future. Construction was completed in fiscal year 2013.

- In December 2011, a contract was entered into with Summit Texas Clean Energy, LLC to provide CPS Energy with 200 MW of clean-coal power utilizing integrated gasification combined cycle technology along with 90.0% carbon capture from the first-of-its-kind power plant in West Texas. Full construction on the power plant was expected to begin in 2014 and full commercial operation was expected to occur in 2017. Summit has been unable to secure all of the necessary financing to meet contractual milestone dates. On December 31, 2013, CPS Energy delivered notice to Summit that it was allowing the agreement to purchase power from the project to expire according to the terms of the agreement.

- In July 2012, CPS Energy and OCI Solar Power entered into an agreement for CPS Energy to purchase solar power produced by OCI. OCI created a consortium of partners to deliver 400 MW of solar energy, produced at solar farms primarily in and around San Antonio, to CPS Energy throughout the life of the 25-year power purchase agreement. Also as part of the agreement, Nexolon America, LLC, the anchor manufacturer in the consortium, will build a high-tech manufacturing facility to produce components for solar power generation and will relocate its headquarters to San Antonio, in total creating over 400 jobs (jobs not expressed in thousands). 45 MW hours are expected to go on line in fiscal year 2015.

*Save for Tomorrow Energy Program (STEP)*

CPS Energy has projected to spend approximately $849,000 over a 12-year period on energy efficiency and conservation through STEP. Contributing towards its goal to save 771 MW by 2020, CPS Energy's programs include home weatherization, higher efficiency light bulbs, solar rebates, peak saver thermostats, home area networks and other such initiatives.

Annually, approximately $8,000 of the STEP expenses are funded through the electric base rate and reported as CPS Energy operation and maintenance expenses. STEP expenses over this initial amount per year are recovered through the fuel adjustment factor over a 12-month period beginning in the subsequent fiscal year after they are incurred and have been independently validated. These STEP recoveries are accrued as a regulatory asset referred to as STEP net costs recoverable in accordance with guidance provided by GASB Statement No. 62. This guidance requires that certain costs be capitalized as a regulatory asset until they are recovered through future rates.





## Note 11 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.

In connection with a desalination injection well permit obtained by SAWS from the Texas Commission on Environmental Quality (TCEQ), SAWS has an obligation to plug the injection well once the well is no longer in service. At December 31, 2013, SAWS has recorded a liability of $221 related to this post-closure obligation.

*Other*

In March 2007, SAWS was notified by the Environmental Protection Agency (EPA) of alleged failures to comply with the Clean Water Act due to the occurrence of sanitary sewer overflows. The EPA subsequently referred the matter to the United States Department of Justice (the "DOJ") for an enforcement action. On June 4, 2013, the Board approved a Consent Decree between SAWS and the United States of America and the State of Texas. On September 13, 2013, the United States of America filed its Motion for Entry of the Consent Decree, requesting the Court to approve the Consent Decree by signing and entering it. The Consent Decree was signed and entered by the Court on October 15, 2013.

During the 10 to 12 year term of the Consent Decree, SAWS estimates the cost to perform the operating and maintenance requirements of the Consent Decree will be approximately $250,000. Additionally, SAWS estimates that capital investments of approximately $850,000 will be required over the Consent Decree term. As with any estimate, the actual amounts incurred could differ materially.

As of December 31, 2013, SAWS has entered into various water leases to obtain rights to pump water from the Edwards Aquifer. The term of these agreements vary, with some expiring as early as 2014 and others continuing until 2023. Some of the leases include price escalations and the annual cost per acre foot ranges from $115 to $140. The future commitments under these leases are as follows:

| | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter |
|---|---|---|---|---|---|---|
| Lease obligations | $ 3,415 | $ 3,421 | $ 3,299 | $ 3,394 | $ 3,649 | $ 11,036 |
| Lease obligations (acre feet) | 28,668 | 28,468 | 26,767 | 26,767 | 26,536 | 78,826 |

SAWS has various commitments relating to the production of water supplies. A summary of these commitments is provided in the following table. As with any estimates, the actual amounts paid could differ materially.

| | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter |
|---|---|---|---|---|---|---|
| Firm purchased water obligations | $ 4,859 | $ 4,958 | $ 5,057 | $ 5,157 | $ 5,258 | $ 101,220 |
| Firm purchased water obligations (acre feet) | 6,700 | 6,700 | 6,700 | 6,700 | 6,700 | 86,800 |
| Variable purchased water obligations | $ 10,034 | $ 12,638 | $ 12,868 | $ 13,101 | $ 13,336 | $ 171,980 |
| Variable purchased water obligations (acre feet) | 12,150 | 15,350 | 15,300 | 15,250 | 15,200 | 171,000 |

## Note 11 Commitments and Contingencies (Continued)

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

***Other (Continued)***

SAWS' firm and variable purchased water obligations relate to the contractual commitments made in connection with SAWS' wholesale water contracts with Guadalupe Blanco River Authority (GBRA) and three other wholesale agreements for the supply of raw water from the Trinity Aquifer. All water provided under these contracts is subject to availability. Under a contract with GBRA, SAWS will receive between 4,000 and 10,000 acre feet of water annually during the years 2014-2037 at projected prices ranging from $874 to approximately $1,013 per acre foot. SAWS has an option to extend this contract until 2077 under new payment terms. (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 $615 to $851 per acre foot. This agreement expires in 2025 and SAWS has an option to extend the contract for 10 years. (Figures in this paragraph are not in thousands.)

Under a contract with Sneckner Partners, Ltd., SAWS has a take or pay commitment to purchase 1,500 acre-feet of water annually from the Trinity Aquifer at a minimum annual cost of $225 per acre-foot through 2020 (figures in this sentence are not in thousands.) SAWS has an option to extend the contract through 2026. As part of this contract, SAWS agreed to make quarterly defined payments for any residential customers that are connected to the system within a defined geographical area that begin taking water service from SAWS. SAWS began making these payments during 2012 as the area has begun to experience some development. While it is impossible to estimate the exact amount of any potential future payments associated with this provision of the agreement, management estimate of this potential contingent liability is less than $5,000.

In July 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 SAWS DSP and WECO were terminated. The new agreement has a term of 15 years, with two optional 5 year extensions. The purchase obligation was limited to 3,750 acre-feet during the first twelve months of the agreement. Beginning in July 2013, SAWS is obligated to purchase up to 17,000 acre-feet per year in monthly increments not to exceed 1,417 acre-feet if water is available to be produced. SAWS only pays for delivered water meeting all state and federal drinking water standards. Pumping by WECO may not reduce the Trinity Aquifer below 600 feet Mean Sea Level at test wells on the tracts. The price paid for the raw water in 2014 is $880 per acre-foot. The cost will escalate annually thereafter by the greater of two percent or the percentage increase in the Producer Price Index for Commodities Finished Goods. (Figures in this paragraph are not in thousands.)





## Note 11 Commitments and Contingencies (Continued)

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

***Other (Continued)***

In July 2010, SAWS was granted a permit by the Gonzales County Underground Water Conservation District (the District) to produce 11,688 acre feet from the Carrizo Aquifer. Although initially contested by third parties, SAWS permit was finalized in May 2012 upon a ruling of the 13th District Court of Appeals. SAWS has entered into 23 separate agreements with land owners to produce up to a maximum of 11,688 acre feet of water from the Carrizo Aquifer. SAWS is obligated to make payments equal to the greater of the applicable water rate for the actual water produced or the minimum water payment due under the agreement. Minimum water payments range from 20.0%-30.0% of the applicable water rate assuming full production of the contracted water rights. The infrastructure needed to produce and transport the water from Gonzales County to San Antonio was completed in late 2013 and SAWS began producing a portion of the available water. Full production is not expected to occur until the second half of 2014 when additional infrastructure to treat the full volume of water is completed. The projected payment to the land owners in 2014 is $872. Once full production is achieved in 2015, the projected payments will increase to $1,166 and escalate annually thereafter 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 the water produced by SAWS from the Carrizo Aquifer in Gonzales County at its treatment plant in Guadalupe County and transport that water through SSLGC's existing transportation pipeline to a SAWS facility in Schertz, Texas. As part of that 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 begin making monthly payment to SSLGC 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. The payments due under SAWS' unconditional commitment to SSLGC are as follows:

| 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter |
|---|---|---|---|---|---|
| $ 71 | $ 1,462 | $ 1,516 | $ 1,524 | $ 1,524 | $ 33,786 |

SAWS is also committed under various contracts for completion of construction or acquisition of utility plant totaling approximately $271,000 as of December 31, 2013. Funding of this amount will come from excess revenues, contributions from developers, restricted assets and available commercial paper capacity.

***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, 2013, SAWS has no arbitrage rebate liability associated with any outstanding bonds.

## Note 12 Pollution Remediation Obligation

### Primary Government (City)

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 that estimated below as a result of market rate changes, improvements to technology, etc.

| | Balance at 10/1/2013 | Additions | Deletions | Balance at 9/30/2014 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Liabilities | $ 1,554 | $ 825 | $ (883) | $ 1,496 |
| Construction in Progress | 1,041 | 897 | (605) | 1,333 |
| Business-Type Activities: | | | | |
| Liability | $ 1,040 | $ 234 | $ - | $ 1,274 |

The Governmental Activities' liabilities were a result of cost estimates to clean existing pollution found on land acquired by the City's Transportation and Capital Improvements and Parks Departments for the construction of streets and drainage and parks, respectively. Any net changes in the Governmental Activities pollution liability that was not capitalized under Construction in Progress was expensed under the City's public works activities.

The City foresees receiving $58 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 $234 additional pollution remediation costs in Business-Type Activities as of September 30, 2014.

### CPS Energy

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.





## Note 12 Pollution Remediation Obligation (Continued)

### CPS Energy (Continued)

Under the FERC 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 balance sheet 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 $1,437 as of January 31, 2014. 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.

### San Antonio Water System (SAWS)

SAWS had no material pollution remediation liabilities at December 31, 2013.

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*Year-Ended September 30, 2014* - 168 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 169 - *Amounts are expressed in thousands*

## Note 13 Risk Financing

### Primary Government (City)

***Property and Casualty Liability***

Factory Mutual Insurance Company provides coverage for the City's real property and contents. The City's deductible for property damage is $100 and the insurance will reimburse up to $1,000,000.

As of October 1, 2013, the City is completely self insured for liability claims. The City utilizes a third-party administrator to adjust its claims.

Obligations for claims under these programs are accrued in the City's Self-Insurance Liability 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.

***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.

Obligations for claims under these programs are accrued in the City's Self-Insurance 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.

***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 through our Section 125 Cafeteria Plan. The City's health program is self-insured and the City's vision plan is fully-insured. The City offers two dental plans: one is self-insured and one is fully-insured. Obligations for benefits are accrued in the Employee Health Benefits 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 Benefits Insurance Fund (a subfund of the Employee Health Benefits Fund) 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 bi-annually and reviewed annually. Current year unpaid benefit liabilities for retirees are netted against the OPEB liability as additional contributions.





## Note 13 Risk Financing (Continued)

### Primary Government (City) (Continued)

***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 Health Benefits Fund.

***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. The Extended Sick Leave Program is currently administered out of the Employee Health Benefits Fund.

***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. Focusing primarily on the prevention of chronic disease and its consequences, the City opened a Health and Wellness Center in partnership with Gonzaba Medical Group that provides preventative screenings in addition to primary care, pre-employment and promotional exams to active employees and their dependents. To further support employees in their journey toward wellness, 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 $500 in financial contributions (not expressed in thousands). In fiscal year 2014 the City contributed $400 towards employee's Flexible Spending or Health Savings account. The Employee Wellness Program is managed out of the Employee Health Benefits Fund.

***Claims Liability***

The liability for the Employee Health Benefits Program 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.

## Note 13 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 Health Benefits, and Workers' Compensation Programs Funds for the fiscal year-ended September 30, 2014:

| Fund | October 1, | Change in Estimate | Claims Incurred | Claims Payments | September 30, |
|---|---|---|---|---|---|
| Insurance Reserve[1]: | | | | | |
| Fiscal Year 2013 | $ 26,055 | $ (80) | $ 1,374 | $ (3,639) | $ 23,710 |
| Fiscal Year 2014 | 23,710 | 2,486 | 1,723 | (4,045) | 23,874 |
| Employee Health Benefits[2]: | | | | | |
| Fiscal Year 2013 | $ 8,960 | $ 946 | $ 95,719 | $ (96,832) | $ 8,793 |
| Fiscal Year 2014 | 8,793 | 4,206 | 109,263 | (110,963) | 11,299 |
| Workers' Compensation: | | | | | |
| Fiscal Year 2013 | $ 33,234 | $ 431 | $ 8,870 | $ (8,715) | $ 33,820 |
| Fiscal Year 2014 | 33,820 | (751) | 9,897 | (8,437) | 34,529 |

[1] Fiscal Year 2014 fund financial claims expense reflects an additional $12 paid for claims handled outside of reserves.

[2] Fiscal Year 2014 fund financial claims expense reflects an additional $269 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 $7,300,000 of replacement-value coverage for property and boiler machinery loss, including comprehensive automobile coverage, fire damage coverage for construction equipment, and valuable papers coverage. The deductible for the property insurance policy is $5,000 per occurrence with a secondary deductible of $1,000 per occurrence applicable to non-power-plant property 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 practice liability coverage; and
- Other property and liability insurance coverage, which includes commercial crime, employee travel and event insurance.

CPS Energy also manages its own workers' compensation program. Additionally, to support this program, $35,000 of excess workers' compensation coverage over a retention amount of $3,000 is maintained. No claims settlements exceeded insurance coverage and there were no decreases 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 performed during the fourth quarter of fiscal year 2014.





## Note 13 Risk Financing (Continued)

### CPS Energy (Continued)

In the following table, the remaining balance under the property reserves column at January 31, 2014, relates to estimated obligations for the cleanup, closure, and post-closure care requirements of CPS Energy's landfills. CPS Energy has seven landfill sites, four of which are at full capacity. The estimates for landfill 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 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: | | | | |
| Fiscal Year 2013 | $ 4,506 | $ 304 | $ - | 4,810 |
| Fiscal Year 2014 | 4,810 | 391 | | 5,201 |
| Employee and Public Liability Claims: | | | | |
| Fiscal Year 2013 | $ 14,415 | $ 3,281 | $ (2,831) | $ 14,865 |
| Fiscal Year 2014 | 14,865 | 6,279 | (2,466) | 18,678 |

**Counterparty Risk** – CPS Energy is exposed to counterparty risk associated with various transactions primarily related to debt, investments, fuel hedging, a lease/leaseback transaction, 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 & Solution Division.

**Fuel Hedging** – The 1999 Texas utility deregulation legislation, Senate Bill 7, contained provisions modifying the Texas PFIA to allow municipal utilities the ability to purchase and sell energy-related financial instruments in order to hedge or mitigate the effect of market price fluctuations of natural gas, fuel oil, and electric energy. In 2002, CPS Energy began hedging its exposure to changes in natural gas prices, with the goal of controlling fuel costs to native load customers and stabilizing the expected cash flows associated with wholesale power transactions.

In fiscal year 2010, CPS Energy implemented 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 into are for the purposes of risk mitigation; therefore, these instruments are considered potential hedging derivative instruments under GASB Statement No. 53.

In accordance with the requirements of GASB Statement No. 53, all fuel hedges are reported on the balance sheet at fair value. The fair value of option contracts is determined using New York Mercantile Exchange (NYMEX) closing settlement prices as of the last day of the reporting period. For futures and basis swap 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, less applicable commissions.

*Year-Ended September 30, 2014* - 172 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 173 - *Amounts are expressed in thousands*

## Note 13 Risk Financing (Continued)

### CPS Energy (Continued)

All potential hedging derivative instruments were evaluated for effectiveness at January 31, 2014, and were determined to be effective in substantially offsetting the changes in cash flows of the hedgeable items. These hedging derivative instruments utilize natural gas forwards and options that are priced based on the underlying Henry Hub natural gas price, while the physical gas is typically purchased at prices based on either the Western Area Hub Association (WAHA) or the Houston Ship Channel (HSC). Therefore, effectiveness testing was based on the extent of correlation between the first of the month index prices of natural gas at each of these locations and the settlement price at Henry Hub. The correlation coefficient was established at the critical term to be evaluated, with 0.89 established as the minimum standard tolerated. The testing, based on two different location hubs (WAHA and HSC), demonstrated a substantial offset in the fair values, as evidenced by their calculated R values, 0.99 and 0.99, respectively, indicating that the changes in cash flows substantially offset the changes in cash flows of the hedgeable item. Additionally, the substantive characteristics of the hedge have been considered, and the evaluation of this effectiveness measure has been sufficiently completed and documented such that a different evaluator, using the same method and assumptions, would reach substantially similar results.

In the second category, hedges utilize both Henry Hub based natural gas forwards and locational basis swaps to the appropriate natural gas hub (WAHA or HSC) with volumes matching the underlying expected physical transaction. Considering the substantive characteristics of these hedge transactions, these instruments were determined to be effective utilizing the consistent critical terms method prescribed under GASB Statement No. 53.

As of January 31, 2014, the total fair value of outstanding hedge instruments was a net asset of $4,483. Fuel hedging instruments with a fair value of $3,133 are classified on the Statements of Net Position as a component of current assets. Long-term fuel hedges with a fair value of $1,350 are classified as a component of other noncurrent assets.

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 (inflows) outflows of resources on the Statements 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 $1,004 at January 31, 2014.

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Notes to Financial Statements

## Note 13 Risk Financing (Continued)

### CPS Energy (Continued)

Following is information related to CPS Energy's outstanding fuel hedging derivative instruments:

**Fuel Derivative Transactions as of January 31, 2014**

| | Type of Transaction | Duration | Volumes in MMBtu | Fair Value | Changes in Fair Value |
|---|---|---|---|---|---|
| Long | Call | Feb 2014 - Jan 2017 | 12,199,681 | $ 3,257 | $ (506) |
| Long | Fixed Price Natural Gas | Feb 2014 - Jan 2017 | 16,304,740 | 2,886 | 18,211 |
| Short | Fixed Price Natural Gas | Feb 2014 - Mar 2014 | 956,655 | (1,564) | (1,564) |
| Long | Put | Feb 2014 - Feb 2015 | 1,259,041 | 50 | (3,709) |
| Long | Basis Swap | Feb 2014 - Dec 2014 | 4,026,866 | (146) | (137) |
| | | | | $ 4,483 | $ 12,295 |

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.

**Congestion Revenue Rights** – In the normal course of business, CPS Energy acquires Preassigned Congestion Revenue Rights (PCRR) and Congestion Revenue Rights (CRR) as a hedge against unexpected congestion costs. The CRRs are purchased at auction, semi-annually and monthly, at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at a percentage of the cost of CRRs. While PCRRs exhibit the three characteristics of derivatives 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 Statements of Net Position at cost and classified as prepayments. From time to time, CPS Energy purchases PCRRs and sells them at the same auction at market price. In this case, the PCRRs are considered investments, and the gain is reported as investment income. In fiscal year 2014, gains on the sale of PCRRs totaled $728.

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*Year-Ended September 30, 2014* - 174 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 175 - *Amounts are expressed in thousands*

## Note 13 Risk Financing (Continued)

### CPS Energy (Continued)

**Credit Risk** – CPS Energy began executing over-the-counter hedge transactions directly with approved counterparties in April 2010. 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, 2014, the exposure to all hedge-related counterparties was such that no counterparty credit risk existed.

**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 price based on a pricing point (HSC or WAHA) different than that at which the contracts are expected to settle (Henry Hub). For January 2014, the HSC price was $4.31 per MMBtu, the WAHA price was $4.31 per MMBtu, and the Henry Hub price was $4.41 per MMBtu.

### 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 $200 of medical claims per person during 2013.

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 $1,000 of each workers' compensation, general liability, automobile liability and public official's liability claim and for the first $250 for each pollution remediation, legal liability and commercial property claim. Claims that exceed the self-insured retention limit are covered through SAWS' comprehensive commercial insurance program. For the year-ended December 31, 2013, there were no reductions in insurance coverage from the previous year. Settled claims during the last three years have not exceeded the insurance coverage in any year.





## Note 13 Risk Financing (Continued)

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

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, 2013 | $ 9,956 | $ 22,801 | $ (25,447) | $ 7,310 | $ 7,310 |
| December 31, 2012 | $ 10,565 | $ 23,506 | $ (24,115) | $ 9,956 | $ 9,956 |

**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 (the "Series 2003 Bonds") issued in a variable interest rate mode. The Series 2003 Bonds were issued to provide funds for SAWS' Capital Improvements Program and to refund certain outstanding commercial paper notes.

The swap was used to hedge interest rates on the Series 2003 Bonds to a synthetic fixed rate that produced a lower interest rate cost than a traditional long term fixed rate bond issued at that time. 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 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 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, 2013 $98,000 of commercial paper notes are hedged by the interest rate swap agreement.

**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 (SIFMA) Municipal Swap Index.

*Year-Ended September 30, 2014* - 176 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 177 - *Amounts are expressed in thousands*

## Note 13 Risk Financing (Continued)

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

In March 2008, JP Morgan Chase & Co. announced its acquisition of The Bear Stearns Companies, Inc., the parent of Bear Stearns FPI. JP Morgan Chase & Co. has guaranteed the trading obligations of Bear Stearns and its subsidiaries. Effective June 16, 2009, the swap agreement was amended between SAWS, JP Morgan Chase & Co., and MBIA to provide for JP Morgan 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 $13,400 at December 31, 2013. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

The swap agreement meets the criteria of an effective hedge under GASB Statement 53 and therefore qualifies for hedge accounting treatment. Since the fair value is negative, the fair value is recorded as a non-current liability. Changes in the swap's fair value are recorded as a deferred outflow. At the time the 2003 Bonds were redeemed in 2008, the fair value of the swap was negative $6,200. The deferred outflow at the time of redemption was included in the carrying value of the 2003 Bonds and resulted in a loss on redemption of $6,200. This loss is amortized over the remaining life of the 2003 Bonds.

**Credit Risk** – As of December 31, 2013, 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, JP Morgan Chase Bank, N.A. was rated 'Aa3' by Moody's Investors Service, 'A+' by Standard & Poor's, and 'A+' by Fitch Ratings as of December 31, 2013. The amended swap agreement contains a credit support annex which will become effective upon the release of MBIA from the swap insurance policy. Collateralization would be required by either party should the fair market value of the swap reach applicable thresholds as stated in the amended swap agreement.

**Basis Risk** – SAWS is exposed to basis risk to the extent that the interest payments on its hedged commercial paper notes do not match the variable-rate payments received on the associated swap. SAWS attempts to mitigate this risk by (a) matching the outstanding hedged commercial paper notes associated with the redemption of the variable-rate debt to the notional amount and amortization schedule of the swap and (b) selecting an index for the variable-rate leg of the swap that is reasonably expected to closely match the interest rate on the hedged commercial paper notes.

**Termination Risk** – SAWS may terminate the swap at any time for any reason. JP Morgan 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 JP Morgan 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.





## Note 13 Risk Financing (Continued)

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

**Market-access Risk** – SAWS is subject to market-access risk as $98,000 of variable-rate debt hedged by the swap is outstanding in commercial paper notes with current maturities of approximately 35 days. 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, 2013, 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 |
|---|---|---|---|---|
| 2014 | $ 3,105 | $ 86 | $ 3,952 | $ 7,143 |
| 2015 | 3,245 | 83 | 3,820 | 7,148 |
| 2016 | 3,395 | 80 | 3,682 | 7,157 |
| 2017 | 3,550 | 77 | 3,538 | 7,165 |
| 2018 | 3,710 | 74 | 3,388 | 7,172 |
| 2019-2023 | 21,250 | 315 | 14,429 | 35,994 |
| 2024-2028 | 26,560 | 207 | 9,487 | 36,254 |
| 2029-2033 | 33,185 | 72 | 3,312 | 36,569 |
| Total | $ 98,000 | $ 994 | $ 45,608 | $ 144,602 |

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*Year-Ended September 30, 2014* - 178 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 179 - *Amounts are expressed in thousands*

## Note 14 Interfund Transfers

The following is a summary of interfund transfers for the City for the fiscal year-ended September 30, 2014:

**Summary Table of Interfund Transfers for Fiscal Year-Ended September 30, 2014**

| | Transfers From Other Funds | Transfers To Other Funds |
|---|---|---|
| **General Fund:** | | |
| Categorical Grant In-Aid | $ - | $ 6,924 |
| Nonmajor Governmental Funds | 20,782 | 17,958 |
| Airport System Fund | 227 | |
| Nonmajor Enterprise Funds | 6,690 | 3,239 |
| Internal Service Funds | | 2,080 |
| **Total General Fund** | **27,699** | **30,201** |
| **Debt Service Fund:** | | |
| Nonmajor Governmental Funds | 14,006 | |
| **Total Debt Service Fund** | **14,006** | |
| **Categorical Grant In-Aid:** | | |
| General Fund | 6,924 | |
| Nonmajor Governmental Funds | 1,377 | 13,821 |
| **Total Categorical Grant In-Aid** | **8,301** | **13,821** |
| **Pre K 4 SA:** | | |
| Nonmajor Governmental Funds | 30,488 | |
| **Total Pre K 4 SA** | **30,488** | |
| **Texas Public Facility Corporation:** | | |
| Nonmajor Governmental Funds | 21,208 | 73,469 |
| **Total Texas Public Facility Corporation** | **21,208** | **73,469** |
| **2012 General Obligation Bonds:** | | |
| General Obligation Projects Fund | | 87,484 |
| **Total 2012 General Obligation Bonds** | | **87,484** |
| **Nonmajor Governmental Funds:** | | |
| General Fund | 17,958 | 20,782 |
| Debt Service Fund | | 14,006 |
| Categorical Grant In-Aid | 13,821 | 1,377 |
| Pre K 4 SA | | 33,470 |
| 2012 General Obligation Funds | 87,484 | |
| Texas Public Facility Corporation | 73,469 | 21,208 |
| Nonmajor Governmental Funds | 226,340 | 226,340 |
| Nonmajor Enterprise Funds | 3,566 | 2,659 |
| Internal Service Funds | 3,913 | 7,567 |
| **Total Nonmajor Governmental Funds** | **426,551** | **327,409** |

*(Continued)*





## Note 14 Interfund Transfers (Continued)

**Summary Table of Interfund Transfers for Fiscal Year-Ended September 30, 2014 (continued)**

| | Transfers From Other Funds | Transfers To Other Funds |
|---|---|---|
| **Airport System Fund:** | | |
| General Fund | $ - | $ 227 |
| **Total Airport System Fund** | | **227** |
| **Nonmajor Enterprise Funds:** | | |
| General Fund | 3,239 | 6,690 |
| Nonmajor Governmental Funds | 2,659 | 3,566 |
| Nonmajor Enterprise Funds | 115 | 115 |
| Internal Service Funds | 33 | |
| **Total Nonmajor Enterprise Funds** | **6,046** | **10,371** |
| **Internal Service Funds:** | | |
| General Fund | 2,080 | |
| Nonmajor Governmental Funds | 7,567 | 3,913 |
| Nonmajor Enterprise Funds | | 33 |
| Internal Service Funds | 84 | 84 |
| **Total Internal Service Funds** | **9,731** | **4,030** |
| **Total** | **$ 544,030** | **$ 547,012** |

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, indirect cost reimbursement assessments and for other restricted purposes. All transfers are in accordance with budgetary authorizations.

Different fiscal year ends exist between the City and Pre K 4 SA, September 30 and June 30, therefore interfund transfers do not eliminate by $2,982. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the City's transfer to Pre K 4 SA represents its obligation to provide the 1/8 cents sales tax collected 60 days after September 30, 2014; however, Pre K 4 SA's due from other funds illustrates the City's 1/8 cents sales tax collected 60 days after June 30, 2014. These transfers are in accordance with legislative and contractual requirements.

*Year-Ended September 30, 2014* - 180 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 181 - *Amounts are expressed in thousands*

## Note 15 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 | Categorical Grant In-Aid | Pre-K 4SA | Texas Public Facilities Corp. | Convention Center Hotel Finance Corporation | 2012 General Obligation Bonds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|---|---|---|
| **Fund Balances:** | | | | | | | | | |
| **Nonspendable:** | | | | | | | | | |
| **In nonspendable form:** | | | | | | | | | |
| Materials and Supplies | $ 5,340 | $ - | $ 635 | $ - | $ - | $ - | $ - | $ 382 | $ 6,357 |
| Prepaid, Deposits and Other | 164 | | | | | | | 37 | 201 |
| **Legally or contractually intact:** | | | | | | | | | |
| Permanent Fund Corpus | | | | | | | | 3,662 | 3,662 |
| **Total Nonspendable** | 5,504 | | 635 | | | | | 4,081 | 10,220 |
| **Restricted for:** | | | | | | | | | |
| Education | | | | 17,557 | | | | 10,559 | 28,116 |
| Social Services | | | | | | | | 23 | 23 |
| Parks & Recreation | 776 | | | | | | | 60,352 | 61,128 |
| Library | | | | | | | | 319 | 319 |
| Health Services | 134 | | | | | | | 5,215 | 5,349 |
| Welfare | 14 | | | | | | | 246 | 260 |
| Convention and Tourism | | | | | | | | 49 | 49 |
| Urban Redevelopment and Housing | 31 | | | | | | | 461 | 492 |
| Economic Development & Opportunity | 77 | | | | | | | 9,729 | 9,806 |
| Law Enforcement | | | | | | | | 3,098 | 3,098 |
| Debt Service | | 46,808 | | | | 6,085 | | 7,936 | 60,829 |
| Other Purposes | | | | | | | | 7,408 | 7,408 |
| Drainage - Capital Projects | | | | | | | 54,276 | 61,399 | 115,675 |
| Municipal Facilities - Capital Projects | | | | | 225,437 | | 20,980 | 23,201 | 269,618 |
| Parks - Capital Projects | | | | | | | 50,552 | 4,954 | 55,506 |
| Streets - Capital Projects | | | | | | | 140,667 | 79,951 | 220,618 |
| Other Capital Projects | | | | | | | | 16,395 | 16,395 |
| **Total Restricted** | 1,032 | 46,808 | | 17,557 | 225,437 | 6,085 | 266,475 | 291,295 | 854,689 |
| **Committed:** | | | | | | | | | |
| Parks & Recreation | 1,863 | | | | | | | 1,024 | 2,887 |
| Health Services | 222 | | | | | | | | 222 |
| Welfare | 4,889 | | | | | | | | 4,889 |
| Convention and Tourism | 75 | | | | | | | 63,954 | 64,029 |
| Urban Redevelopment and Housing | 424 | | | | | | | 10,710 | 11,134 |
| Economic Development & Opportunity | 6,156 | | | | | | | 2,032 | 8,188 |
| Law Enforcement | 1,042 | | | | | | | 70 | 1,112 |
| Fire Protection | 53 | | | | | | | | 53 |
| Other Purposes | 3,801 | | | | | | | 121 | 3,922 |
| Municipal Facilities - Capital Projects | 1,079 | | | | | | | 1,201 | 2,280 |
| Parks - Capital Projects | 473 | | | | | | | | 473 |
| Streets - Capital Projects | 25,989 | | | | | | | | 25,989 |
| Other Capital Projects | 816 | | | | | | | 22,071 | 22,887 |
| **Total Committed** | 46,882 | | | | | | | 101,183 | 148,065 |
| **Assigned:** | | | | | | | | | |
| Education | | | | | | | | 91 | 91 |
| Parks & Recreation | 6 | | | | | | | 1,258 | 1,264 |
| Health Services | 506 | | | | | | | 7 | 513 |
| Convention and Tourism | | | | | | | | 20,579 | 20,579 |
| Economic Development & Opportunity | 2 | | | | | | | 480 | 482 |
| Law Enforcement | 2 | | | | | | | | 2 |
| Other Purposes | 7 | | | | | | | | 7 |
| Streets - Capital Projects | | | | | | | | 1,952 | 1,952 |
| **Total Assigned** | 523 | | | | | | | 24,367 | 24,890 |
| **Unassigned** | 164,654 | | (635) | | | | | (4,177) | 159,842 |
| **Total Fund Balance** | $ 218,595 | $ 46,808 | $ - | $ 17,557 | $ 225,437 | $ 6,085 | $ 266,475 | $ 416,749 | $ 1,197,706 |





## Note 15 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 order, 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 fund balance as follows:

| General Fund | Categorical Grant In-Aid | 2012 General Obligation Bonds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| $ 35,966 | $ 12,003 | $ 103,115 | $ 632,400 | $ 783,484 |

The City further maintains a 9.0% of General Fund expenditures' Budgeted Financial Reserve which was adopted by City Council. This Reserve is reviewed and adopted by City Council annually in the City's Budget Ordinance. Additions to the balance are considered annually as part of the City's overall budget adoption process and are contingent upon the General Fund's overall estimated expenditures and related funding.

The Reserve may be utilized to meet one of more of the following events upon subsequent adoption by the City Council:

- Unforeseen operational or capital requirements which arise during the course of the fiscal year;
- Unforeseen or extraordinary occurrence such as a natural disaster, catastrophic change in the City's financial position, or the occurrence of a similar event; or
- To assist the City in managing fluctuations in available General Fund resources from year to year in stabilizing the budget.

The balance within the Budgeted Financial Reserve as of September 30, 2014 was $89,000. This Reserve balance is presented in the General Fund under the unassigned fund balance classification. The City does not have a minimum fund balance policy.

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*Year-Ended September 30, 2014* - 182 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 183 - *Amounts are expressed in thousands*

## Note 16 Deficits in Fund Balances / Net Position

### Capital Projects Funds

As of September 30, 2014, deficit fund balances are reported in the Certificates of Obligation Projects Fund and Improvement Projects in the amounts of $3,301 and $193, respectively. The major contribution of these deficits are the timing of invoices billed to third party contributors. The deficits will be addressed by identifying the appropriate funding source and transferring funds from operating funds, grants, and/or by billing and collecting contributions from third party contributors.

### Grants

As of September 30, 2014, a deficit fund balance is reported in the American Recovery Reinvestment Act and Community Development Program Grant in the amounts of $125 and $546, respectively. These deficits are due to disallowed costs in various projects within each respective fund. The City through future budget adoptions will determine how to fund these deficits.

### Internal Service Funds

As of September 30, 2014, a deficit net position is reported in the CIMS Fund in the amount of $4,239. The deficit in CIMS is due to the fund not including long-term liabilities (OPEB and Accrued Leave) in its rate assessments. Due to the fund's GASB Statement No. 54 reclassification, the long-term liabilities not previously recorded in the fund are now included, and resulted in a negative net position. CIMS will incorporate accrued leave obligations in future assessments and fees. The City does not currently prefund OPEB obligations, as a result this fund may continue to exhibit deficit fund balances which will need to be analyzed at a future period.

As of September 30, 2014, a deficit net position is reported for Information Services in the amount of $1,247. The deficit is due to the fund not including long-term liabilities in its rate assessments. The City does not currently prefund OPEB obligations, as a result this fund may continue to exhibit deficit fund balances which will need to be analyzed at a future period.

As of September 30, 2014, a deficit net position is reported in the Employee Health Benefits Program in the amount of $22,856. The deficit is due to the adoption of a negative $9,900 fund balance with the intent to eliminate the deficit within 5 years. However, during fiscal year 2014 there was also an increase in Police, Fire and Civilian claims. The number of large claims over $100 increased along with the cost per claim. The deficit will be addressed during the police and fire contract negotiations along with additional plan design changes for employees and retirees. The plan is to eliminate the deficit within 5 years to avoid unsustainable increases in premiums and plan design changes.

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## Note 17 Other Disclosures

### Primary Government (City)

***Donor Restricted Endowment***

The City has four Permanent Funds: the Carver Cultural Center Endowment Fund, the City Cemeteries Fund, the William C. Morris Endowment Fund, and the Boza Becica Endowment Fund. 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 increase 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 assets from these endowment funds are reported in the government-wide financial statements.

The Carver Cultural Center Endowment Fund generated $2 in investment earnings. 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 one-time grant from the National Endowment for the Arts.

The City Cemeteries Fund generated $11 in investment earnings to 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 William C. Morris Endowment Fund generated $1 in investment earnings. These earnings are used on an annual basis to enhance the City Library's Educational Programming and Services for Children. The earnings of the funds will be expended in accordance with the spending policy of the Library's board of directors or trustees.

The Boza Becica Endowment Fund generated $2 in investment earnings. 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 is required to be retained in perpetuity.

***Service Concession Agreements***

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 (December 2035 with 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 valued at $1,820. The City received an upfront payment of $130 in fiscal year 2011. In fiscal year 2014, the City received $276 in revenue from Mission Park.

The City has a Management Agreement with MGA-SA. In the agreement, MGA-SA manages the City's golf courses and in return, the City received $150 in profit-sharing in fiscal year 2014. 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 seven golf courses valued at $22,236.

## Note 17 Other Disclosures (Continued)

### CPS Energy

#### *Special Items*

CPS Energy distributed $3,371 of Community Infrastructure and Economic Development Fund (CIED) funds to multiple municipalities. The CIED fund was restricted funds that were to be used for qualified capital projects. In February 2012, CPS Energy's board found that the objectives underlying the establishment of the CIED Fund had been successfully accomplished and authorized termination of the policy providing for annual contributions to the fund. Balances remaining in the CIED Fund at January 31, 2014, could continue to be earmarked to support qualified capital projects for up to three years. Any funds designated for use by a municipality that cannot be used for approved projects were paid to the respective municipality following execution of an Agreement Incident to Termination. CPS Energy expects the remaining undesignated funds in the program to be distributed by January 31, 2015.

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## Note 18 Prior Period Restatement

#### *GASB 65 Restatement*

In fiscal year 2014, GASB 65 was implemented by the City and the component units. GASB 65 requires the bond issuance costs to be expensed. The implementation resulted in a restatement of the City and component unit's beginning Net Positions for the amount of unamortized bond issuance costs.

### Primary Government (City)

#### *Governmental Activities*

The City's Statement of Net Position and Fund Balance restatements for the Governmental Funds are as follows:

| | Net Position | Fund Balance |
|---|---|---|
| Fiscal Year 2014 Beginning Balances, as previously reported | $ 2,450,154 | $ 1,210,523 |
| Convention Center Hotel Finance Corporation | 182,435 | (7,694) |
| Westside Development Corporation | 619 | 610 |
| OUR SA | 240 | (57) |
| San Antonio Economic Development Corporation | (119) | (119) |
| San Antonio Housing Trust Finance Corporation | (394) | (394) |
| San Antonio Housing Trust Foundation, Inc. | (4,960) | (961) |
| San Antonio Housing Trust Public Facilities Corporation | (965) | (630) |
| GASB 65 Restatement | (6,505) | |
| Restated Fiscal Year 2014 Beginning Balances | $ 2,620,505 | $ 1,201,278 |

#### *Convention Center Hotel Finance Corporation*

A prior period adjustment was made after review of agreements relating to CCHFC. The loan receivable between the Grand Hyatt and CCHFC was not previously reported in the CCHFC's financial statements. It was further notes that operational activity (revenue and expenses) of the hotel was inaccurately running through CCHFC operations.

#### *Westside Development Corporation*

The City was unable to obtain fiscal year 2013 financial statements for WDC in time to issue the City's fiscal year 2013 CAFR. In order to reflect the proper beginning fund balances with the receipt of the financials in fiscal year 2014, the City restated an increase in the beginning fund balance and net position for $610 and $619, respectively. This included a restatement to the beginning capital assets balance of $9.

#### *OUR SA*

The City was unable to obtain fiscal year 2013 financial statements for OUR SA in time to issue the City's fiscal year 2013 CAFR. In order to reflect the proper beginning fund balances with the receipt of the 2013 financials in fiscal year 2014, the City restated a decrease in the beginning fund balance for $57 and an increase in the beginning net position for $240. This included a restatement to the beginning capital assets balance of $296.

*Year-Ended September 30, 2014* - 186 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 187 - *Amounts are expressed in thousands*

## Note 18 Prior Period Restatement (Continued)

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

***San Antonio Economic Development Corporation***

EDC is a blended component unit. In fiscal year 2013, the City received draft financials from EDC which changed subsequent to release of the City's CAFR when the final report was issued. The City restated its beginning fund balance and net position by $(119).

***San Antonio Housing Trust Finance Corporation***

HTFC was a blended component unit in fiscal year 2013. In fiscal year 2014, HTFC was reclassified as a discretely presented component unit. The City adjusted the beginning fund balance and net position by $(394).

***San Antonio Housing Trust Foundation, Inc.***

HTF was a blended component unit in fiscal year 2013. In fiscal year 2014, HTF was reclassified as a discretely presented component unit. The City adjusted the beginning fund balance and net position by $(961) and ($4,960), respectively. A prior period adjustment was made by HTF in the amount of $6 to record an asset removed in error in a prior year. The adjustment resulted in an increase of $6 to net position for the discretely presented component units beginning net position.

***San Antonio Housing Trust Public Facilities Corporation***

HTPFC was a blended component unit in fiscal year 2013. In fiscal year 2014, HTPFC was reclassified as a discretely presented component unit. The City adjusted the beginning fund balance and net position by $(630) and $(965), respectively. This included a reduction to the beginning capital assets balance of $(5,863).

***Enterprise Funds and Business-Type Activities***

The Enterprise Funds and Business-Type Activities' restatement per GASB 65 is as follows:

| | Airport System | Nonmajor Enterprise Funds |
|---|---|---|
| Fiscal Year 2014 Beginning Net Position, as previously reported | $ 352,018 | $ 55,294 |
| GASB 65 Restatement | (1,516) | 248 |
| Restated Fiscal Year 2014 Beginning Net Position | 350,502 | 55,542 |
| Internal Service Funds Allocation | (3,698) | (1,830) |
| Restated Fiscal Year 2014 Beginning Net Position | $ 346,804 | $ 53,712 |





## Note 18 Prior Period Restatement (Continued)

**Discretely Presented Component Units**

The Discretely Presented Component Units' Statement of Net Position restatements are as follows:

| | Net Position |
|---|---|
| Fiscal Year 2014 Beginning Net Position, as previously reported | $ 5,556,334 |
| San Antonio Housing Trust Finance Corporation | 394 |
| San Antonio Housing Trust Foundation, Inc. | 4,966 |
| San Antonio Housing Trust Public Facilities Corporation | 965 |
| GASB 65 Restatement | (28,962) |
| Restated Fiscal Year 2014 Beginning Net Position | $ 5,533,697 |

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*Year-Ended September 30, 2014* - 188 - *Amounts are expressed in thousands*
*Year-Ended September 30, 2014* - 189 - *Amounts are expressed in thousands*

## Note 19 Subsequent Events

### Primary Government (City)

***Long-Term Debt***

On December 16, 2014, the City issued $51,955 in General Improvement Refunding Bonds, Series 2014. The Bonds were issued to provide funds to currently refund certain outstanding City obligations and to pay the costs of issuance of the Bonds. The Bonds have maturities ranging from 2015 to 2025, with interest rates ranging from 0.5% to 5.0%.

The City entered into an agreement with the Port to fund renovations at the Port, in the amount of $20,000. The Department of Housing and Urban Development (HUD) provides the funding for the loan through a section 108 Loan. The loan is secured by pledged Port revenues and property and is payable solely from payments received by the Port. The loan was legally defeased in January 2015.

***BABs Subsidy Sequestration***

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the federal government will reduce the BABs subsidy by 7.3% for payments to be made during the period beginning October 1, 2014, through the end of their fiscal year (September 30, 2015). There is still uncertainty regarding whether or not the reduction will continue after that date. The subsidy reduction for fiscal year 2015 will result in an approximate $279 increase in the City's debt-related interest expense.

***Fire and Police Pension Fund***

The Pension Fund had their actuarial study as of October 1, 2014 completed and issued in January 2015. The results of the study include a decrease in the Fund's Unfunded Actuarially Accrued Liability (UAAL) from $232,889 as of October 1, 2013 to $209,951. The years to amortize the UAAL are at 6.2 years as a level percent of payroll.

As is the case with most public pension plans, the Pension Fund had incurred substantial investment losses due to financial market conditions during the Great Recession. The actuarial valuation includes a smoothed market approach for the value of assets which provides for asset gains or losses to be smoothed over a five-year period. Smoothing of the Pension Fund's investment returns as of September 30, 2014 resulted in a reduction of the deferral of investment losses to $75,432. These remaining investment losses will be recognized in future year's actuarial valuations to the extent they are not offset by recognition of investment gains above the Fund's assumed investment return of 7.5% or other actuarial gains.

Contribution rates for the members of the Pension Plan and the City are established under Texas state statute and do not change with the results of the annual actuarial valuations. Staff of the Pension Fund and the City will continue to monitor the situation closely. Please see Note 8 Pension and Retirement Plans for more information on the Fire and Police Pension Plan.





## Note 19 Subsequent Events (Continued)

### Primary Government (City) (Continued)

***Fire and Police Retiree Health Care Fund (continued)***

The Health Fund's actuarial study dated October 1, 2014, included an increase in the Fund's Unfunded Actuarially Accrued Liability (UAAL) from $418,407 as of October 1, 2013 to $443,895. In order to maintain an amortization of the UAAL over a period of 30 years, increased contribution rates and reduction in benefits would have to occur beyond those currently included in the Fund's governing statue. However, these contribution and benefit changes would only be required to be implemented if the amortization period of the UAAL exceeds 30 years with the actuarial valuation to be conducted in 2017. Any changes to contributions would impact the City's fiscal year 2018 budget.

***Collective Bargaining Agreements***

The collective bargaining agreements that the City has with the San Antonio Police Officers' Association and the International Association of Firefighters, Local 624 expired September 30, 2014. The contracts contain an evergreen clause effective through September 30, 2024. The City filed a declaratory judgment on the validity of the evergreen clause with the State District Court on November 7, 2014. The matter is currently in discovery.

### CPS Energy

***Long-Term Debt***

On May 15, 2014, the Council approved the issuance of City of San Antonio Texas Electric and Gas Systems Junior Lien Revenue Refunding Bonds, Series 2014. CPS Energy issued these bonds dated November 1, 2014 to refund $294,625 of outstanding principal relating to City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 2005.

July 3, 2014, CPS Energy issued $200,000 of Series 2014 Junior Lien Revenue Bonds. The true interest cost for this issue, which has maturities in 2026 through 2044, is 4.14%. Bond proceeds are primarily being used to fund construction projects.

On December 1, 2014, CPS Energy remarketed $47.1 million of the Series 2012A Bonds. The issuance of a $1,300 premium in conjunction with the remarketing resulted in a principal paydown for the remarketed bonds of approximately $1,000.

In addition, on October 30, 2014, City Council approved the issuance of the City of San Antonio, Texas Electric and Gas Systems Variable Rate Junior Lien Revenue Refunding Bonds, Series 2015A and Series 2015B, in a combined principal amount not to exceed $255,000, and other financial matters as necessary to refund $250,000 in outstanding variable rate demand obligations designated as the City of San Antonio, Texas Electric and Gas Systems Junior Lien Revenue Bonds, Series 2003. CPS Energy issued these bonds dated January 1, 2015 in principal amounts of $125,000 each (a total of $250,000).

## Note 19 Subsequent Events (Continued)

### CPS Energy (Continued)

#### *New Energy Economy Initiative*

In October 2014, CPS Energy announced a new agreement with Summit to purchase power from its Texas Clean Energy Project integrated combined-cycle coal gasification plant, which will incorporate carbon capture, utilization and storage technology in a first-of-its-kind commercial clean-coal power plant. The plant will provide 200 MW of clean-coal electricity to CPS Energy; 90.0% of the carbon will be captured and used for enhanced oil recovery in the West Texas Permian Basin. The plant, to be built approximately 15 miles west of Odessa, Texas, is expected to be online in 2019, instead of the originally scheduled date in 2017. The contract is for all expected electrical output from the facility, with payments beginning once the project has commenced electrical production. CPS Energy has no further legal or financial obligations associated with the project.

#### *Interim Transmission Costs of Service Filing*

On June 3, 2014, CPS Energy filed an Application for Interim Update of Wholesale Transmission Rates, based on FY 2014 data, with the Public Utility Commission of Texas ("PUCT"). This interim Transmission Costs of Service filing was submitted to request an increase in transmission revenue requirements as a result of increased capital investment since FY 2006.

The application was approved on July 23, 2014, and resulted in an annual transmission revenue requirement of $169,500. This represents an increase of $74,300 from the $95,200 transmission revenue requirement previously approved on January 19, 2007.

### San Antonio Water System (SAWS)

#### *Long-Term Debt*

On March 20, 2014, the San Antonio City Council approved two ordinances authorizing SAWS to issue additional bonds. On April 1, 2014, SAWS issued $300,350 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2014A (No Reserve Fund), and City of San Antonio, Texas Water System Variable Rate Junior Lien Revenue and Refunding Bonds, Series 2014B (No Reserve Fund). The proceeds of the bonds were used to refund outstanding tax-exempt commercial paper, fund capital improvements; advance refund a portion of the City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2005 for debt service savings; and pay the cost of issuance.

#### *Rate Increase*

On November 21, 2013, the City Council adopted an ordinance approving a two-year rate plan for SAWS. For 2015 (the second year), a system-wide rate increase of 5.3% in the average residential customer bill became effective January 1, 2015. This rate adjustment is expected to generate approximately $23,100 in additional revenues for SAWS.





## Note 19 Subsequent Events (Continued)

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

#### *Pension and Benefit Plans*

In 2014, SAWS implemented changes to its Principal employee pension plan to manage pension costs and GASB liability. All employees hired or re-hired on or after June 1, 2014 now participate in a defined contribution plan, and are required to contribute 3.0% of their salary to that account, while SAWS contributes 4.0%. All employees still contribute 3.0% to a Texas Municipal Retirement System account. The SAWS fiscal year 2015 budget incorporated changes to the remaining defined benefits portion of the plan, which requires participants to begin contributing 3.0% of salary effective January 1, 2015.

SAWS also made changes to its healthcare benefits including eliminating high cost plans and making adjustments to the remaining plans to minimize cost. SAWS moved Medicare-eligible retirees into a fully-insured Medicare Advantage Plan, which is expected to not only result in decreased premium costs for eligible retirees but will also decrease SAWS' annual costs and long-term GASB liability. In addition, new contracts became effective in January 2015 for the following services: medical and dental third party administration, pharmacy benefit administration, stop loss, flexible spending accounts/COBRA and vision plan administration. These contracts are expected to result in lower administrative fees.

#### *Water Transmission and Purchase Agreement*

On October 30, 2014 the City Council adopted an ordinance, approving the execution of a Water Transmission and Purchase Agreement between the City, acting by and through SAWS, and Abengoa Vista Ridge, LLC (Abengoa VR), pursuant to which Abengoa VR has committed to make available to SAWS, and SAWS has agreed to pay for, up to 50 acre-feet (not in thousands) of potable water ("Project Water") per year for an initial period of 30 years plus a limited 10 year extension period under certain events. To produce and deliver the Project Water, Abengoa VR will develop 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 construct a 142-mile (not in thousands) pipeline from this well field to northern Bexar County (the well fields and the pipeline, together, the "Project"). The pipeline will be connected to the SAWS distribution system at this delivery point in northern Bexar County. Under certain conditions, SAWS may terminate the agreement for its convenience, subject to its payment of a termination fee to Abengoa VR capped at $40,100. SAWS has also retained the right to terminate the agreement by purchasing the Project for the aggregate amount of the outstanding project debt, contract breakage costs and return of and on equity contributions by Abengoa VR's principals with no cap is imposed upon such amount. SAWS anticipates that it will incur capital cost of approximately $115,000 to construct the improvements to the System necessary to accept and integrate the Project Water. The potential execution of the agreement represents a significant diversification of the City's water source, as SAWS projects that Project Water, if delivered at the maximum amount, will account for approximately 20.0% of the System's current annual usage.

# FY 2014

# REQUIRED SUPPLEMENTARY INFORMATION

## Budgetary Comparison Schedule
## General Fund
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 | | | |
|---|---|---|---|---|
| | BUDGETED AMOUNTS | | BUDGETARY BASIS | VARIANCE WITH |
| | ORIGINAL | FINAL | ACTUAL | FINAL BUDGET |
| **Resources (Inflows):** | | | | |
| Taxes | $ 530,279 | $ 538,091 | $ 547,578 | $ 9,487 |
| Licenses and Permits | 7,546 | 7,382 | 7,396 | 14 |
| Intergovernmental | 7,353 | 8,102 | 8,301 | 199 |
| Revenues from Utilities | 304,077 | 331,846 | 348,480 | 16,634 |
| Charges for Services | 57,513 | 57,097 | 56,796 | (301) |
| Fines and Forfeits | 14,370 | 13,236 | 13,204 | (32) |
| Miscellaneous | 7,790 | 10,199 | 12,254 | 2,055 |
| Investment Earnings | 755 | 507 | 627 | 120 |
| Transfers from Other Funds | 12,380 | 27,295 | 27,699 | 404 |
| **Amounts Available for Appropriation** | 942,063 | 993,755 | 1,022,335 | 28,580 |
| **Charges to Appropriations (Outflows):** | | | | |
| General Government | 70,062 | 70,543 | 70,166 | 377 |
| Public Safety | 656,116 | 661,846 | 664,257 | (2,411) |
| Public Works | 52,154 | 56,149 | 56,044 | 105 |
| Health Services | 22,514 | 22,664 | 22,695 | (31) |
| Welfare | 33,167 | 34,706 | 33,563 | 1,143 |
| Culture and Recreation | 86,186 | 85,445 | 85,459 | (14) |
| Convention and Tourism | 606 | 611 | 671 | (60) |
| Economic Development and Opportunity | 7,269 | 16,078 | 16,031 | 47 |
| Urban Redevelopment and Housing | 14,422 | 15,356 | 15,248 | 108 |
| Debt Service: | | | | |
| Principal Retirement | 11,305 | 11,305 | 11,305 | |
| Interest | 399 | 399 | 399 | |
| Transfers to Other Funds | 27,633 | 49,061 | 49,031 | 30 |
| **Total Charges to Appropriations:** | 981,833 | 1,024,163 | 1,024,869 | (706) |
| Surplus (Deficiency) of Resources Over (Under) Charges to Appropriations | (39,770) | (30,408) | (2,534) | 27,874 |
| Fund Balance Allocation | 39,770 | 30,408 | 2,534 | (27,874) |
| **Excess (Deficiency) of Resources Over (Under) Charges to Appropriations** | $ - | $ - | $ - | $ - |

**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 | $ 1,022,335 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | (27,699) |
| **Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds** | $ 994,636 |
| **Uses/Outflows of Resources:** | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | $ 1,024,869 |
| 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 | (35,965) |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (30,201) |
| **Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds** | $ 958,703 |

### 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.

The City's prepares an annual budget for the General Fund on a modified accrual basis which is consistent with generally accepted accounting principles. The annual budgetary data reported for the General Fund represents the original appropriation ordinance and amendments thereto as adopted by the City Council, adjusted for encumbrances outstanding at the beginning of the fiscal year. All annual appropriations lapse at fiscal year-end.

The City noted budget violations of the Fire department within the Public Safety function, Animal Care department within the Health Services function, Downtown Operations and Library departments within the Culture and Recreation function, and the Visitor Information Center within the Convention and Tourism function. The City had sufficient fund balance to cover these department excesses.

(unaudited - see accompanying auditors' report)

## Budgetary Comparison Schedule
## Pre-K 4 SA
### Year-Ended September 30, 2014
(In Thousands)

| | 2014 | | | |
|---|---|---|---|---|
| | BUDGETED AMOUNTS | | BUDGETARY BASIS | VARIANCE WITH |
| | ORIGINAL | FINAL | ACTUAL | FINAL BUDGET |
| **Resources (Inflows):** | | | | |
| Sales & Use Tax [1] | $ 29,399 | $ 29,399 | $ 30,488 | $ 1,089 |
| State/Local Match [1] | 2,016 | 1,511 | 1,543 | 32 |
| USDA (Food) [1] | 543 | 215 | | (215) |
| Charges for Services [1] | 63 | 252 | 242 | (10) |
| Interest/Miscellaneous | | 68 | 300 | 232 |
| **Amounts Available for Appropriation** | 32,021 | 31,445 | 32,573 | 1,128 |
| **Charges to Appropriations (Outflows):** | | | | |
| Education: | | | | |
| Administration | 1,034 | 1,252 | 1,398 | (146) |
| Public Relations/Marketing | | 421 | 395 | 26 |
| Sales Tax Collection Fee | | 601 | 603 | (2) |
| Pre-K Education Centers | 10,173 | 10,184 | 10,082 | 102 |
| Pre-K Facility Leases | 5,220 | 3,242 | 2,713 | 529 |
| Transportation | 472 | 627 | 567 | 60 |
| Professional Development | 1,992 | 1,800 | 1,630 | 170 |
| Program Assessment | 308 | 317 | 317 | |
| Transfers to Other Funds | 3,753 | 4,063 | 3,786 | 277 |
| **Total Charges to Appropriations:** | 22,952 | 22,507 | 21,491 | 1,016 |
| Surplus (Deficiency) of Resources Over (Under) Charges to Appropriations | 9,069 | 8,938 | 11,082 | 2,144 |
| Fund Balance Allocation | (9,069) | (8,938) | (11,082) | (2,144) |
| **Excess (Deficiency) of Resources Over (Under) Charges to Appropriations** | $ - | $ - | $ - | $ - |

**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 | $ 32,573 |
| Differences - budget to GAAP: | |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | |
| **Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds** | $ 32,573 |
| **Uses/Outflows of Resources:** | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | $ 21,491 |
| Differences - budget to GAAP: | |
| Encumbrances for supplies, equipment, and services ordered but not received are reported in the year the orders are placed for budgetary purposes, but in the year the supplies, equipment and services are received for financial reporting purposes | |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (3,786) |
| **Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds** | $ 17,705 |

[1] For financial reporting presentation the revenue is reported as transfers in or intergovernmental; however the above schedule reflects the fund schedule from the City's 2014 Adopted Budget.

# Pension and Post-employment Schedules

## Required Supplementary Information - (Unaudited)
## Post-employment Schedules
## Schedules of Funding Progress
### Last Three Fiscal Years
(In Thousands)

**CITY OF SAN ANTONIO RETIREE HEALTH BENEFITS FUND**

| ACTUARIAL VALUATION DATE [1] | ACTUARIAL VALUE OF ASSETS | ACTUARIAL ACCRUED LIABILITY (AAL) | UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) | FUNDED RATIO | COVERED PAYROLL | UAAL AS A PERCENTAGE OF COVERED PAYROLL |
|---|---|---|---|---|---|---|
| 01-01-14 | $ - | $ 318,910 | $ 318,910 | 0.0% | $ 303,141 | 105.2% |
| 01-01-13 | | 332,943 | 332,943 | 0.0% | 288,246 | 115.5% |
| 01-01-11 | | 324,516 | 324,516 | 0.0% | 276,095 | 117.5% |

**FIRE AND POLICE RETIREE HEALTH CARE FUND**

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS | ACTUARIAL ACCRUED LIABILITY (AAL) | UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) | FUNDED RATIO | COVERED PAYROLL | UAAL AS A PERCENTAGE OF COVERED PAYROLL |
|---|---|---|---|---|---|---|
| 10-01-13 | $ 273,929 | $ 692,336 | $ 418,407 | 39.6% | $ 281,414 | 148.7% |
| 10-01-12 | 250,718 | 664,425 | 413,707 | 37.7% | 268,551 | 154.1% |
| 10-01-11 | 236,239 | 639,853 | 403,614 | 36.9% | 259,797 | 155.4% |

**SAN ANTONIO WATER SYSTEM - OPEB PLAN**

| ACTUARIAL VALUATION DATE [2] | ACTUARIAL VALUE OF ASSETS | ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL) | UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) | FUNDED RATIO | COVERED PAYROLL | UAAL AS A PERCENTAGE OF COVERED PAYROLL |
|---|---|---|---|---|---|---|
| 01-01-13 | $ 12,665 | $ 267,567 | $ 254,902 | 4.7% | $ 88,895 | 286.7% |
| 01-01-11 | | 242,388 | 242,388 | 0.0% | 83,505 | 290.3% |
| 01-01-09 | | 297,259 | 297,259 | 0.0% | 75,270 | 394.9% |

[1] City will perform actuarial studies bi-annually and review annually assumptions and changes in plan design to compute OPEB liability for the Retiree Health Benefits Fund.

[2] SAWS will perform actuarial studies bi-annually and review annually assumptions and changes in plan design to compute OPEB liability.

(unaudited - see accompanying auditor's report)

## Required Supplementary Information - (Unaudited)
## Post-employment Schedules
## Schedules of Funding Progress
### Last Three Fiscal Years
(In Thousands)

**CPS ENERGY - HEALTH PLAN**

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS | ACTUARIAL ACCRUED LIABILITY (AAL) | UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) | FUNDED RATIO | COVERED PAYROLL | UAAL AS A PERCENTAGE OF COVERED PAYROLL |
|---|---|---|---|---|---|---|
| 01-01-12 | $ 224,792 | $ 222,878 | $ (1,914) | 100.9% | $ 246,908 | (0.8)% |
| 01-01-11 | 218,555 | 222,472 | 3,917 | 98.2% | 237,823 | 1.6% |
| 01-01-10 | 209,894 | 219,929 | 10,035 | 95.4% | 228,525 | 4.4% |

**CPS ENERGY - LIFE PLAN**

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS | ACTUARIAL ACCRUED LIABILITY (AAL) | UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) [1] | FUNDED RATIO | COVERED PAYROLL | UAAL AS A PERCENTAGE OF COVERED PAYROLL |
|---|---|---|---|---|---|---|
| 01-01-12 | $ 47,074 | $ 40,670 | $ (6,404) | 115.7% | $ 214,898 | (3.0)% |
| 01-01-11 | 47,386 | 39,076 | (8,310) | 121.3% | 206,643 | (4.0)% |
| 01-01-10 | 47,092 | 37,266 | (9,826) | 126.4% | 200,649 | (4.9)% |

**CPS ENERGY - DISABILITY PLAN**

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS | ACTUARIAL ACCRUED LIABILITY (AAL) | UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) [1] | FUNDED RATIO | COVERED PAYROLL | UAAL AS A PERCENTAGE OF COVERED PAYROLL |
|---|---|---|---|---|---|---|
| 01-01-12 | $ 4,598 | $ 5,390 | $ 792 | 85.3% | $ 214,898 | 0.4% |
| 01-01-11 | 4,342 | 5,744 | 1,402 | 75.6% | 206,643 | 0.7% |
| 01-01-10 | 3,902 | 6,567 | 2,665 | 59.4% | 200,649 | 1.3% |

[1] CPS Energy has selected the aggregate cost method for determining Disability and Life Plans' funding amounts. Since this method does not identify or separately amortize unfunded actuarial liabilities, information about the funded status and funding progress has been prepared using the entry age actuarial cost method, which approximates the funding progress of the Plan.

## Required Supplementary Information - (Unaudited)
## Pension Schedules
## Schedules of Funding Progress
### Last Three Fiscal Years
(In Thousands)

**TEXAS MUNICIPAL RETIREMENT SYSTEM - CITY OF SAN ANTONIO**

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS | ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL) | UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) | FUNDED RATIO | COVERED PAYROLL | UAAL AS A PERCENTAGE OF COVERED PAYROLL |
|---|---|---|---|---|---|---|
| 12-31-13 | $ 1,156,538 | $ 1,331,301 | $ 174,763 | 86.9% | $ 290,156 | 60.2% |
| 12-31-12 | 1,091,706 | 1,190,339 | 98,633 | 91.7% | 279,728 | 35.3% |
| 12-31-11 | 1,031,749 | 1,126,876 | 95,127 | 91.6% | 264,088 | 36.0% |

**CPS ENERGY - ALL EMPLOYEE PLAN**

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS | ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL) | UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) | FUNDED RATIO | COVERED PAYROLL | UAAL AS A PERCENTAGE OF COVERED PAYROLL |
|---|---|---|---|---|---|---|
| 01-01-12 | $ 1,185,076 | $ 1,383,413 | $ 198,337 | 85.7% | $ 246,908 | 80.3% |
| 01-01-11 | 1,146,039 | 1,298,936 | 152,897 | 88.2% | 237,823 | 64.3% |
| 01-01-10 | 1,097,147 | 1,243,118 | 145,971 | 88.3% | 228,525 | 63.9% |

(unaudited - see accompanying auditor's report)

## Required Supplementary Information - (Unaudited)
## Pension Schedules
## Schedules of Funding Progress
### Last Three Fiscal Years
(In Thousands)

**SAN ANTONIO WATER SYSTEM - TMRS**

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS | ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL) | UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) | FUNDED RATIO | COVERED PAYROLL | UAAL AS A PERCENTAGE OF COVERED PAYROLL |
|---|---|---|---|---|---|---|
| 12-31-13 | $ 145,193 | $ 172,388 | $ 27,195 | 84.2% | $ 94,529 | 28.8% |
| 12-31-12 | 135,354 | 156,661 | 21,307 | 86.4% | 87,098 | 24.5% |
| 12-31-11 | 125,424 | 149,640 | 24,216 | 83.8% | 84,611 | 28.6% |

**SAN ANTONIO WATER SYSTEM - SAWSRP**

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS | ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL) | UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) | FUNDED RATIO | COVERED PAYROLL | UAAL AS A PERCENTAGE OF COVERED PAYROLL |
|---|---|---|---|---|---|---|
| 01-01-14 | $ 126,906 | $ 171,170 | $ 44,264 | 74.1% | $ 88,895 | 49.8% |
| 01-01-13 | 107,242 | 160,674 | 53,432 | 66.7% | 89,542 | 59.7% |
| 01-01-12 | 90,496 | 144,552 | 54,056 | 62.6% | 85,394 | 63.3% |

**Required Supplementary Schedule - (Unaudited)**
**Fire and Police Pension Fund**
**Schedule of Changes in the Net Pension Liability**
**Current Fiscal Year**
(in Thousands)

| | Fiscal Year 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | |
| Service Cost | $ 75,600 | (Historical information prior to implementation of GASB 67 is not required.) | | | |
| Interest | 207,004 | | | | |
| Change of Benefit Terms | | | | | |
| Differences Between Expected and Actual Experience | | | | | |
| Changes of Assumptions | | | | | |
| Benefit Payments, including Refunds of Employee Contributions | (122,307) | | | | |
| **Net Change in Total Pension Liability** | $ 160,297 | | | | |
| **Total Pension Liability - Beginning** | 2,821,196 | | | | |
| **Total Pension Liability - Ending (a)** | $ 2,981,493 | | | | |
| **Plan Fiduciary Net Position** | | | | | |
| Contributions - Employer | $ 76,146 | | | | |
| Contributions - Employee | 38,073 | | | | |
| Net Investment Income | 223,054 | | | | |
| Benefit Payments, including Refunds of Employee Contributions | (122,307) | | | | |
| Administrative Expense | (2,789) | | | | |
| **Net Change in Plan Fiduciary Net Position** | $ 212,177 | | | | |
| **Plan Fiduciary Net Position - Beginning** | 2,464,678 | | | | |
| **Plan Fiduciary Net Position - Ending (b)** | $ 2,676,855 | | | | |
| **City's Net Pension Liability - Ending (a) - (b)** | $ 304,638 | | | | |
| **Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** | 89.8% | | | | |
| **Covered Employee Payroll** | $ 309,031 | | | | |
| **City's Net Pension Liability as a Percentage of Covered Employee Payroll** | 98.6% | | | | |

**Notes to Schedule:**
*Benefit Changes* : There have been no changes in benefit provisions since GASB 67 implementation.
*Change of Assumptions* : There have been no assumption changes since GASB 67 implementation.



(unaudited - see accompanying auditor's report)

## Required Supplementary Schedule - (Unaudited)
## Fire and Police Pension Fund
## Schedule of City's Contributions to the Fund
## Last Ten Fiscal Years
(in Thousands)

| Fiscal Year Ended | 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 |
|---|---|---|---|---|---|
| 2005 | $ 49,665 | $ 49,665 | $ - | $ 204,516 | 24.6% |
| 2006 | 51,614 | 51,614 | | 207,145 | 24.6% |
| 2007 | 54,952 | 54,952 | | 214,230 | 24.6% |
| 2008 | 58,101 | 58,101 | | 229,547 | 24.6% |
| 2009 | 62,344 | 62,344 | | 243,904 | 24.6% |
| 2010 | 64,498 | 64,498 | | 269,359 | 24.6% |
| 2011 | 67,328 | 67,328 | | 271,533 | 24.6% |
| 2012 | 70,389 | 70,389 | | 286,327 | 24.6% |
| 2013 | 72,359 | 72,359 | | 293,665 | 24.6% |
| 2014 | 76,146 | 76,146 | | 309,031 | 24.6% |

* The Actuarially Determined Contribution is based on the statutory rate of 24.6% of payroll.

** Payroll is estimated based on the actual member contributions received and a 12.3% contribution rate.

## Required Supplementary Schedule - (Unaudited)
## Fire and Police Pension Fund
## Schedule of Investment Returns

| | 2014 |
|---|---|
| Annual Money-Weighted Rate of Return, net of investment expense | 9.2% |

## Required Supplementary Schedule - (Unaudited)
## Fire and Police Pension Fund
## Notes to Required Supplementary Information

| | |
|---|---|
| **Valuation Date** | Actuarially determined contribution is calculated using an October valuation date as of the beginning of the fiscal year in which contributions are reported. |
| **Methods and Used Assumptions to Determine Contribution Rates:** | |
| **Actuarial cost method** | Entry age |
| **Amortization method** | Level percent of payroll, using 3.5% annual increases |
| **Remaining amortization period** | 7.3 years remaining as of October 1, 2013 |
| **Asset valuation method** | Five-year smoothed market value based on expected return of 7.5% |
| **Actuarial assumptions:** | |
| **Investment rate of return** | 7.5% including inflation, net of pension plan investment expense |
| **Inflation rate** | 3.5% |
| **Projected salary increases** | 3.5% (plus merit scale of 0.8% - 11.3%) |
| **Cost of living adjustments** | 3.5% for retirement before October 1, 1999;<br>2.6% for retirement on or after October 1, 1999 |
| **Retirement rates** | Group-specific rates based on years of service ranging from 20 to 40 years, with 100.0% retirement at age 65 |
| **Mortality:** | |
| **Healthy** | 1994 Group Annuity Mortality Table, for both males and females, with rates increased 25.0% for females only. |
| **Disabled** | 1994 Group Annuity Mortality Table for males, set forward five years |

FY 2014

# COMBINING FINANCIAL STATEMENTS

# Nonmajor Governmental Funds

## Special Revenue Funds

### GRANTS

**AMERICAN RECOVERY REINVESTMENT ACT** – to accept, receipt, and disburse federal funds designated as part of the American Recovery Reinvestment Act.

**COMMUNITY DEVELOPMENT PROGRAM** – to accept, receipt, and disburse federal funds designated for Community Development Block Grants' Programs.

**CONFISCATED PROPERTY** – to account for receipts and disbursement of funds confiscated by law enforcement officers within the City of San Antonio, Texas.

**HOME** – to accept, receipt, and disburse federal funds designated for HOME Investment Partnership Programs.

**HUD 108 LOAN PROGRAM** – to accept, receipt, and disburse federal funds designed to finance various HUD eligible capital improvements within the City.

### OTHER SPECIAL REVENUES

**ADVANCED TRANSPORTATION DISTRICT** – to account for a ⅛ cent sales tax that funds the administration and project delivery of the Advanced Transportation District Program (ATD).

**COMMUNITY AND VISITOR FACILITIES** – to account for revenues and expenditures generated from Convention and Tourism activities relating to the promotion of City of San Antonio owned facilities to be used for conventions, community, and entertainment venues.

**COMMUNITY SERVICES** – to account for funds that provide various services to the community, such as health, housing, education, safety, employment, golfing, and economic development.

**HOTEL/MOTEL 2% REVENUE** – to account for funds derived from and capital improvement activity relating to the additional 2.0% Municipal Hotel/Motel Occupancy Tax.

**PARKS DEVELOPMENT AND EXPANSION** – to account for a ⅛ cent sales tax that funds the purchase and maintenance of new parkland in the Edwards Aquifer Recharge Zones, as well as linear parks along Leon Creek and Salado Creek.

**EARLY EDUCATION DEVELOPMENT** – to account for revenues and expenditures relating to a ⅛ cent sales tax to fund the Pre-K 4 SA education initiative created to provide high quality pre-k for four year olds throughout the City.

**RIGHT OF WAYS** – to account for funds used in the maintenance and improvement of right of ways. Financing is provided by street resurfacing charges.

**SAN ANTONIO HOUSING TRUST** – to account for funds utilized in programs administered by the San Antonio Housing Trust Foundation. Financing is provided from investment earnings that were designated from the sale of Roger's Cable System.

**STORMWATER OPERATIONS** – to account for the administrative and operational activities of the Stormwater Program. Financing is provided by a storm water fee.

**TAX INCREMENT REINVESTMENT ZONE** – to account for all revenues and expenditures associated with the operations of Tax Increment Reinvestment Zones (TIRZ) and the Tax Increment Financing Fund (TIF).

**PARKS ENVIRONMENTAL & SANITATION** – to account for the administrative and operational activities of the Parks Environmental Program. Financing is provided by a parks environmental fee.

# Nonmajor Governmental Funds

## Special Revenue Funds (continued)

### BLENDED COMPONENT UNITS

**SAN ANTONIO EDUCATION FACILITIES CORPORATION (EFC)** – was established in accordance with state laws for the purpose of aiding nonprofit institutions of higher education in providing educational, housing, and other related facilities.

**SAN ANTONIO HEALTH FACILITIES DEVELOPMENT CORPORATION (HFDC)** – was established in accordance with state laws for the purpose of acquiring, constructing, improving, providing, financing, and refinancing for any real, personal, or mixed property for health care, research, and education, and to assist in the maintenance of the public health.

**SAN ANTONIO INDUSTRIAL DEVELOPMENT AUTHORITY (IDA)** – was established in accordance with state laws for the purpose of furthering the promotion and development of commercial, industrial, and manufacturing enterprises to promote and encourage employment and the public welfare.

**MUNICIPAL GOLF ASSOCIATION – SAN ANTONIO (MGA-SA) –** was established for the purpose of, and to act on behalf of the City in, operating and promoting the City of San Antonio municipal golf facilities.

**SAN ANTONIO TEXAS MUNICIPAL FACILITIES CORPORATION (TMFC)** – to account for the financing for the acquisition and construction of a One Stop Development Services Center and a Fire and Police Emergency Dispatch Center, also known as the Public Safety Answering Point (PSAP) facility, for the City of San Antonio, Texas. Financing was derived from the sale of City of San Antonio, Texas Municipal Facilities Corporation Lease Revenue Bonds.

**STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION (SIDC)** – to account for the purchase of the project site for the Toyota plant and finance other costs of the project site including site preparation and a training facility as provided in the Project Starbright Agreement. Financing was derived from the prior sale of City of San Antonio, Texas Starbright Industrial Development Corporation Contract Revenue Bonds.

**SAN ANTONIO ECONOMIC DEVELOPMENT CORPORATION (EDC)** – was established to promote, assist, and enhance economic development activities for the City.

**HEMISFAIR PARK AREA REDEVELOPMENT CORPORATION (HPARC) –** was established by the City of San Antonio in August 2009 for the purpose of aiding and acting on behalf of the City assist with acquiring property, planning, developing, constructing, managing, maintaining, and financing projects within Hemisfair and adjacent to or near Hemisfair.

**URBAN RENEWAL AGENCY (OUR SA) –** OUR SA is responsible for implementing the City's Urban Renewal Program. Financing is provided from the City of San Antonio, and the sale of redeveloped real estate.

**WESTSIDE DEVELOPMENT CORPORATION (WDC)** – was established to promote economic development and redevelopment opportunities in the west side of San Antonio. WDC seeks to generate new capital investment, create higher paying jobs, and reduce the poverty level in the area. In addition, WDC 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.

# Nonmajor Governmental Funds

## Capital Projects Funds

### GENERAL OBLIGATION BONDS

**GENERAL OBLIGATION BONDS** – to account for financial resources to be used for the acquisition or construction of major capital facilities, such as drainage and library improvements, excluding those financed by proprietary-type funds and trust funds. Financing is derived by the sale of General Obligation Bonds.

**PRE-1999 GENERAL OBLIGATION BONDS** – consist of six bond elections from 1980 to 1994 held on January 26, 1980, April 2, 1983, April 6, 1985, November 3, 1987, May 6, 1989, and May 7, 1994, respectively, for development and improvement projects. These six bond elections covered projects within seven areas: libraries, fire protection, crime prevention, parks, San Antonio River flood control, drainage and flood control, and street, bridge, and related improvements.

**1999 GENERAL OBLIGATION BONDS** – a bond election held on May 1, 1999 approved $140.2 million in physical infrastructure development and improvement projects. These projects were within six areas: streets and pedestrian, drainage improvements, flood control with park improvements, parks and recreation, library system, and public safety.

**2003 GENERAL OBLIGATION BONDS** – a bond election held on November 4, 2003 approved $115.0 million in physical infrastructure development and improvement projects. These projects were within five areas: streets and pedestrian, drainage improvements, library improvements, parks and recreation, and public safety.

**2007 GENERAL OBLIGATION BONDS** – a bond election held on May 12, 2007 approved $550.0 million in physical infrastructure development and improvement projects. These projects were within five areas: streets and pedestrian, drainage improvements, library improvements, parks and recreation, and public safety.

**GENERAL OBLIGATION PROJECTS FUND** – to account for the acquisition or construction of major capital facilities such as streets, drainage, library, and park improvements, where funding is primarily derived from the sale of General Obligation Bonds.

### CERTIFICATES OF OBLIGATION

**CERTIFICATES OF OBLIGATION** – to account for permanent public improvements and/or construction of municipal facilities, streets, drainage, and emergency fire protection projects. Financing is derived from the sale of Certificates of Obligation.

**PRE-2006 CERTIFICATES OF OBLIGATION** – consists of Certificates of Obligation sold between the years of 1985 to 2005 for construction of municipal facilities, library, streets, drainage, parks, police, and emergency fire protection projects.

**2006 CERTIFICATES OF OBLIGATION** – consists of Certificates of Obligation sold in 2006 for construction of municipal facilities, library, streets, drainage, parks, police, and emergency fire protection projects.

**2007 CERTIFICATES OF OBLIGATION** – consists of Certificates of Obligation sold in 2007 for construction of municipal facilities, library, streets, drainage, parks, police, and emergency fire protection projects.

**2008 CERTIFICATES OF OBLIGATION** – consists of Certificates of Obligation sold in 2008 for construction of municipal facilities, library, streets, drainage, parks, police, and emergency fire protection projects.

**2010 CERTIFICATES OF OBLIGATION** – consists of Certificates of Obligation sold in 2010 for construction of municipal facilities, library, streets, drainage, parks, police, and emergency fire protection projects.

**2011 CERTIFICATES OF OBLIGATION** – consists of Certificates of Obligation sold in 2011 for construction of municipal facilities, library, streets, drainage, parks, police, and emergency fire protection projects.

# Nonmajor Governmental Funds

## Capital Projects Funds (continued)

### CERTIFICATES OF OBLIGATION (continued)

**2012 CERTIFICATES OF OBLIGATION** – consists of Certificates of Obligation sold in 2012 for construction of municipal facilities, library, streets, drainage, parks, police, and emergency fire protection projects.

**2013 CERTIFICATES OF OBLIGATION** – consists of Certificates of Obligation sold in 2013 for construction of a new fire station facility, various street lighting improvements, and the equipment and management related to these projects.

**CERTIFICATES OF OBLIGATION PROJECTS FUND** – to account for the acquisition or construction of major capital facilities such as streets, drainage, library, and park improvements, where funding is primarily derived from the sale of Certificates of Obligation.

### OTHER CAPITAL PROJECTS

**CONVENTION CENTER EXPANSION** – to account for financial resources to be used in the Convention Center Expansion Project. Financing is primarily derived by contributions from the Texas Public Facility Corporation, a City blended component unit, and from proceeds from the sale of debt.

**EDWARDS AQUIFER PROTECTION VENUE** – to account for the acquisition and development of land in the Edwards Aquifer Recharge Zones. Financing is derived from a ⅛ cent sales tax approved by voters on May 7, 2007 and a portion from the sale of sales tax revenue commercial paper notes.

**EQUIPMENT ACQUISITION** – to account for the lease financing of large or bulk capital assets for the City to include a mainframe computer, fire trucks, police video equipment, various medical emergency services equipment, etc.

**IMPROVEMENT PROJECTS** – to account for special capital improvements designated by City Council. Financing is derived from contributions from other funds.

**MUNICIPAL DRAINAGE UTILITY SYSTEM** – to account for financial resources to be used to finance the costs of drainage improvements, including the acquisition, construction, and repair of structures, equipment and facilities for the City's Municipal Drainage Utility System. Financing is derived from the prior sale of City of San Antonio, Texas Municipal Drainage Utility System Revenue Bonds.

**PARKS DEVELOPMENT AND EXPANSION** – to account for the acquisition and development of new parkland in the Edwards Aquifer Recharge Zones, as well as linear parks along Leon Creek and Salado Creek. Financing is derived from a ⅛ cent sales tax approved by voters on May 6, 2000, extended by voters on May 7, 2005, again on November 2, 2010, and a portion from the prior sale of sales tax revenue commercial paper notes.

**RESIDUAL CAPITAL PROJECTS** – to account for residual investment earnings generated from Pre-1999 General Obligation Bonds and Pre-2006 Certificates of Obligation project fundings. These residual earnings were primarily used for the debt service of the 2009 Tax Notes, and to fund specific municipal facilities and street projects.

**TAX & REVENUE NOTES** – to account for capital projects where funding is derived from the sale of short-term tax and revenue notes.

# Nonmajor Governmental Funds

## Permanent Funds

**CARVER CULTURAL CENTER ENDOWMENT** – to account for matching funds held by the City of San Antonio and grant funds previously awarded by the National Endowment for the Arts.

**CITY CEMETERIES** – to account for operation of the City's burial park. Financing for operations is provided by user fees and investment earnings. The principal portion is required to be retained in the Fund's Corpus.

**WILLIAM C. MORRIS ENDOWMENT** – to account for funds donated to the City of San Antonio by the estate of William C. Morris for the purpose of developing and sustaining the San Antonio Public Library's programs for children.

**BOZA BECICA ENDOWMENT** – to account for funds donated to the City of San Antonio by the estate of Boza Becica for the purpose of developing and sustaining the San Antonio Public Library's material purchases.

## Combining Balance Sheet
## Nonmajor Governmental Funds
### As of September 30, 2014
(In Thousands)

| | SPECIAL REVENUE FUNDS | CAPITAL PROJECTS FUNDS | PERMANENT FUNDS | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 12,627 | $ 1,827 | $ - | $ 14,454 |
| Investments | 94,693 | 20,229 | | 114,922 |
| Receivables, Net | 6,606 | 15 | | 6,621 |
| Materials and Supplies, at Cost | 87 | | | 87 |
| Prepaid Expenditures | 1 | | | 1 |
| Due From Other Governmental Agencies, Net | 1,267 | | | 1,267 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 13,841 | 31,718 | 343 | 45,902 |
| Investments | 129,806 | 152,852 | 3,833 | 286,491 |
| Receivables, Net | 81,667 | 1,960 | 87 | 83,714 |
| Materials and Supplies, at Cost | 295 | | | 295 |
| Deposits | 1 | | | 1 |
| Prepaid Expenditures | 4 | 31 | | 35 |
| Due From Other Funds | 3,513 | 60,664 | | 64,177 |
| Due From Other Governmental Agencies, Net | 298 | 3,846 | | 4,144 |
| **Total Assets** | $ 344,706 | $ 273,142 | $ 4,263 | $ 622,111 |
| **Liabilities and Fund Balances:** | | | | |
| **Liabilities:** | | | | |
| Vouchers Payable | $ 3,070 | $ - | $ - | $ 3,070 |
| Accounts Payable - Other | 6,949 | | | 6,949 |
| Accrued Payroll | 620 | | | 620 |
| Accrued Leave Payable | 6 | | | 6 |
| Due To Other Funds | 283 | | | 283 |
| Restricted Liabilities: | | | | |
| Vouchers Payable | 1,593 | 24,826 | 5 | 26,424 |
| Accounts Payable - Other | 2,346 | 24,239 | | 26,585 |
| Accrued Payroll | 1,075 | | | 1,075 |
| Accrued Leave Payable | 2 | | | 2 |
| Unearned Revenue | 69,148 | 18,078 | | 87,226 |
| Due To Other Funds | 13,414 | 35,738 | | 49,152 |
| Due To Other Governmental Agencies | 3,970 | | | 3,970 |
| **Total Liabilities** | 102,476 | 102,881 | 5 | 205,362 |
| **Fund Balances:** | | | | |
| Nonspendable | 388 | 31 | 3,662 | 4,081 |
| Restricted | 139,046 | 151,653 | 596 | 291,295 |
| Committed | 79,112 | 22,071 | | 101,183 |
| Assigned | 24,367 | | | 24,367 |
| Unassigned | (683) | (3,494) | | (4,177) |
| **Total Fund Balances** | 242,230 | 170,261 | 4,258 | 416,749 |
| **Total Liabilities and Fund Balances** | $ 344,706 | $ 273,142 | $ 4,263 | $ 622,111 |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
## Nonmajor Governmental Funds
### Year-Ended September 30, 2014
(In Thousands)

| | SPECIAL REVENUE FUNDS | CAPITAL PROJECTS FUNDS | PERMANENT FUNDS | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|---|---|---|---|---|
| **Revenues:** | | | | |
| **Taxes:** | | | | |
| Property | $ 12,680 | $ - | $ - | $ 12,680 |
| General Sales and Use | 76,750 | | | 76,750 |
| Gross Receipts Business | 3,020 | | | 3,020 |
| Occupancy | 77,064 | | | 77,064 |
| Penalties and Interest on Delinquent Taxes | 155 | | | 155 |
| Intergovernmental | 32,894 | 16,635 | | 49,529 |
| Charges for Services | 96,923 | | 276 | 97,199 |
| Fines and Forfeits | 393 | | | 393 |
| Miscellaneous | 33,911 | 569 | | 34,480 |
| Investment Earnings | 1,128 | 980 | 16 | 2,124 |
| Contributions | 4,641 | 14 | | 4,655 |
| **Total Revenues** | 339,559 | 18,198 | 292 | 358,049 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General Government | 7,848 | 229 | 2 | 8,079 |
| Public Safety | 6,569 | 7,251 | | 13,820 |
| Public Works | 36,239 | | | 36,239 |
| Health Services | 12,491 | | | 12,491 |
| Sanitation | 6,923 | | | 6,923 |
| Welfare | 933 | | | 933 |
| Culture and Recreation | 57,902 | 348 | 77 | 58,327 |
| Convention and Tourism | 20,300 | | | 20,300 |
| Urban Redevelopment and Housing | 8,928 | | | 8,928 |
| Education | 13,259 | | | 13,259 |
| Economic Development and Opportunity | 12,577 | | | 12,577 |
| Capital Outlay | | 379,309 | | 379,309 |
| Debt Service: | | | | |
| Principal Retirement | 4,432 | 1,440 | | 5,872 |
| Interest | 4,523 | | | 4,523 |
| Issuance Costs | | 329 | | 329 |
| **Total Expenditures** | 192,924 | 388,906 | 79 | 581,909 |
| **Excess (Deficiency) of Revenue Over (Under) Expenditures** | 146,635 | (370,708) | 213 | (223,860) |
| **Other Financing Sources (Uses):** | | | | |
| Issuance of Long-Term Debt | 65 | 63,510 | | 63,575 |
| Premium on Long-Term Debt | | 309 | | 309 |
| Transfers In | 17,942 | 408,605 | 4 | 426,551 |
| Transfers Out | (170,739) | (156,670) | | (327,409) |
| **Total Other Financing Sources (Uses)** | (152,732) | 315,754 | 4 | 163,026 |
| **Net Change in Fund Balances** | (6,097) | (54,954) | 217 | (60,834) |
| Fund Balances, October 1 (restated) | 248,327 | 225,215 | 4,041 | 477,583 |
| **Fund Balances, September 30** | $ 242,230 | $ 170,261 | $ 4,258 | $ 416,749 |

## Combining Balance Sheet
## Nonmajor Governmental Funds - Special Revenue Funds
### As of September 30, 2014
(In Thousands)

| | GRANTS | OTHER SPECIAL REVENUES | BLENDED COMPONENT UNITS | TOTAL NONMAJOR SPECIAL REVENUE FUNDS |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ - | $ 11,383 | $ 1,244 | $ 12,627 |
| Investments | | 94,393 | 300 | 94,693 |
| Receivables, Net | | 5,524 | 1,082 | 6,606 |
| Materials and Supplies, at Cost | | 87 | | 87 |
| Prepaid Expenditures | | | 1 | 1 |
| Due From Other Governmental Agencies, Net | | 1,267 | | 1,267 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 1,266 | 10,945 | 1,630 | 13,841 |
| Investments | 14,408 | 115,398 | | 129,806 |
| Receivables, Net | 61,757 | 19,874 | 36 | 81,667 |
| Materials and Supplies, at Cost | | 87 | 208 | 295 |
| Deposits | 1 | | | 1 |
| Prepaid Expenditures | | | 4 | 4 |
| Due From Other Funds | 4 | 3,509 | | 3,513 |
| Due From Other Governmental Agencies | 3 | 295 | | 298 |
| **Total Assets** | $ 77,439 | $ 262,762 | $ 4,505 | $ 344,706 |
| **Liabilities and Fund Balances:** | | | | |
| **Liabilities:** | | | | |
| Vouchers Payable | $ - | $ 3,070 | $ - | $ 3,070 |
| Accounts Payable - Other | | 6,945 | 4 | 6,949 |
| Accrued Payroll | | 620 | | 620 |
| Accrued Leave Payable | | 6 | | 6 |
| Due To Other Funds | | 283 | | 283 |
| Restricted Liabilities: | | | | |
| Vouchers Payable | 234 | 1,326 | 33 | 1,593 |
| Accounts Payable - Other | 731 | 1,160 | 455 | 2,346 |
| Accrued Payroll | 73 | 970 | 32 | 1,075 |
| Accrued Leave Payable | | 2 | | 2 |
| Unearned Revenue | 69,148 | | | 69,148 |
| Due To Other Funds | 779 | 12,019 | 616 | 13,414 |
| Due To Other Governmental Agencies | 3,957 | | 13 | 3,970 |
| **Total Liabilities** | 74,922 | 26,401 | 1,153 | 102,476 |
| **Fund Balances:** | | | | |
| Nonspendable | 1 | 174 | 213 | 388 |
| Restricted | 3,188 | 134,544 | 1,314 | 139,046 |
| Committed | | 79,112 | | 79,112 |
| Assigned | | 22,531 | 1,836 | 24,367 |
| Unassigned | (672) | | (11) | (683) |
| **Total Fund Balances** | 2,517 | 236,361 | 3,352 | 242,230 |
| **Total Liabilities and Fund Balances** | $ 77,439 | $ 262,762 | $ 4,505 | $ 344,706 |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
## Nonmajor Governmental Funds - Special Revenue Funds
### Year-Ended September 30, 2014
(In Thousands)

| | GRANTS | OTHER SPECIAL REVENUES | BLENDED COMPONENT UNITS | TOTAL NONMAJOR SPECIAL REVENUE FUNDS |
|---|---|---|---|---|
| **Revenues:** | | | | |
| **Taxes:** | | | | |
| Property | $ - | $ 12,680 | $ - | $ 12,680 |
| General Sales and Use | | 76,750 | | 76,750 |
| Gross Receipts Business | | 3,020 | | 3,020 |
| Occupancy | | 77,064 | | 77,064 |
| Penalties and Interest on Delinquent Taxes | | 155 | | 155 |
| Intergovernmental | 16,842 | 16,052 | | 32,894 |
| Charges for Services | 339 | 86,482 | 10,102 | 96,923 |
| Fines and Forfeits | | 393 | | 393 |
| Miscellaneous | 5,471 | 28,440 | | 33,911 |
| Investment Earnings | 153 | 974 | 1 | 1,128 |
| Contributions | 345 | 3,823 | 473 | 4,641 |
| **Total Revenues** | 23,150 | 305,833 | 10,576 | 339,559 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General Government | 2,662 | 5,186 | | 7,848 |
| Public Safety | 1,674 | 4,895 | | 6,569 |
| Public Works | | 36,239 | | 36,239 |
| Health Services | | 12,491 | | 12,491 |
| Sanitation | 331 | 6,592 | | 6,923 |
| Welfare | 710 | 223 | | 933 |
| Culture and Recreation | 871 | 48,247 | 8,784 | 57,902 |
| Convention and Tourism | | 20,300 | | 20,300 |
| Urban Redevelopment and Housing | 8,648 | 280 | | 8,928 |
| Education | | 13,259 | | 13,259 |
| Economic Development and Opportunity | 234 | 10,720 | 1,623 | 12,577 |
| Debt Service: | | | | |
| Principal Retirement | 2,350 | | 2,082 | 4,432 |
| Interest | 2,404 | | 2,119 | 4,523 |
| **Total Expenditures** | 19,884 | 158,432 | 14,608 | 192,924 |
| **Excess (Deficiency) of Revenue Over (Under) Expenditures** | 3,266 | 147,401 | (4,032) | 146,635 |
| **Other Financing Sources (Uses):** | | | | |
| Issuance of Long-Term Debt | | | 65 | 65 |
| Transfers In | 2,052 | 10,851 | 5,039 | 17,942 |
| Transfers Out | (5,409) | (165,079) | (251) | (170,739) |
| **Total Other Financing Sources (Uses)** | (3,357) | (154,228) | 4,853 | (152,732) |
| **Net Change in Fund Balances** | (91) | (6,827) | 821 | (6,097) |
| Fund Balances, October 1 (restated) | 2,608 | 243,188 | 2,531 | 248,327 |
| **Fund Balances, September 30** | $ 2,517 | $ 236,361 | $ 3,352 | $ 242,230 |

## Combining Balance Sheet
## Nonmajor Governmental Funds - Grants
### As of September 30, 2014
(In Thousands)

| | AMERICAN RECOVERY REINVESTMENT ACT | COMMUNITY DEVELOPMENT PROGRAM | CONFISCATED PROPERTY | HOME PROGRAM | HUD 108 LOAN PROGRAM | TOTAL NONMAJOR GRANTS |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Restricted Assets: | | | | | | |
| Cash and Cash Equivalents | $ 39 | $ 132 | $ 228 | $ 513 | $ 354 | $ 1,266 |
| Investments | 448 | 2,883 | 2,555 | 4,414 | 4,108 | 14,408 |
| Receivables, Net | 3,571 | 16,628 | 4 | 41,549 | 5 | 61,757 |
| Deposits | 1 | | | | | 1 |
| Due From Other Funds | | | 4 | | | 4 |
| Due From Other Governmental Agencies | | | 3 | | | 3 |
| **Total Assets** | $ 4,059 | $ 19,643 | $ 2,794 | $ 46,476 | $ 4,467 | $ 77,439 |
| **Liabilities and Fund Balances:** | | | | | | |
| **Liabilities:** | | | | | | |
| Restricted Liabilities: | | | | | | |
| Vouchers Payable | $ 5 | $ 41 | $ 17 | $ 171 | $ - | $ 234 |
| Accounts Payable - Other | 2 | 268 | | 461 | | 731 |
| Accrued Payroll | | 58 | 7 | 8 | | 73 |
| Unearned Revenue | 4,054 | 19,258 | | 45,836 | | 69,148 |
| Due To Other Funds | | 187 | 28 | | 564 | 779 |
| Due To Other Governmental Agencies | 123 | 377 | 15 | | 3,442 | 3,957 |
| **Total Liabilities** | 4,184 | 20,189 | 67 | 46,476 | 4,006 | 74,922 |
| **Fund Balances:** | | | | | | |
| Nonspendable | 1 | | | | | 1 |
| Restricted | | | 2,727 | | 461 | 3,188 |
| Unassigned | (126) | (546) | | | | (672) |
| **Total Fund Balances** | (125) | (546) | 2,727 | | 461 | 2,517 |
| **Total Liabilities and Fund Balances** | $ 4,059 | $ 19,643 | $ 2,794 | $ 46,476 | $ 4,467 | $ 77,439 |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
## Nonmajor Governmental Funds - Grants
### Year-Ended September 30, 2014
(In Thousands)

| | AMERICAN RECOVERY REINVESTMENT ACT | COMMUNITY DEVELOPMENT PROGRAM | CONFISCATED PROPERTY | HOME PROGRAM | HUD 108 LOAN PROGRAM | TOTAL NONMAJOR GRANTS |
|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | |
| Intergovernmental | $ 215 | $ 7,934 | $ - | $ 3,542 | $ 5,151 | $ 16,842 |
| Charges for Services | | 339 | | | | 339 |
| Miscellaneous | 126 | 434 | 1,694 | 1,357 | 1,860 | 5,471 |
| Investment Earnings | 2 | 105 | 11 | 18 | 17 | 153 |
| Contributions | | | 345 | | | 345 |
| **Total Revenues** | 343 | 8,812 | 2,050 | 4,917 | 7,028 | 23,150 |
| **Expenditures:** | | | | | | |
| Current: | | | | | | |
| General Government | 1 | 2,652 | 2 | 4 | 3 | 2,662 |
| Public Safety | | 126 | 1,548 | | | 1,674 |
| Sanitation | 331 | | | | | 331 |
| Welfare | | 710 | | | | 710 |
| Culture and Recreation | | 871 | | | | 871 |
| Urban Redevelopment and Housing | 123 | 765 | | 4,913 | 2,847 | 8,648 |
| Economic Development and Opportunity | | 234 | | | | 234 |
| Debt Service: | | | | | | |
| Principal Retirement | | | | | 2,350 | 2,350 |
| Interest | | | | | 2,404 | 2,404 |
| **Total Expenditures** | 455 | 5,358 | 1,550 | 4,917 | 7,604 | 19,884 |
| **Excess (Deficiency) of Revenue Over (Under) Expenditures** | (112) | 3,454 | 500 | | (576) | 3,266 |
| **Other Financing Sources (Uses):** | | | | | | |
| Transfers In | | 244 | | | 1,808 | 2,052 |
| Transfers Out | (13) | (4,244) | (381) | | (771) | (5,409) |
| **Total Other Financing Sources (Uses)** | (13) | (4,000) | (381) | | 1,037 | (3,357) |
| **Net Change in Fund Balances** | (125) | (546) | 119 | | 461 | (91) |
| Fund Balances, October 1 | | | 2,608 | | | 2,608 |
| **Fund Balances, September 30** | $ (125) | $ (546) | $ 2,727 | $ - | $ 461 | $ 2,517 |

## Combining Balance Sheet
## Nonmajor Governmental Funds - Other Special Revenues
### As of September 30, 2014
(In Thousands)

| | ADVANCED TRANSPORTATION DISTRICT | COMMUNITY AND VISITOR FACILITIES | COMMUNITY SERVICES | HOTEL/MOTEL 2% REVENUE | PARKS DEVELOPMENT AND EXPANSION | EARLY EDUCATION DEVELOPMENT | RIGHT OF WAYS | SAN ANTONIO HOUSING TRUST | STORMWATER OPERATIONS | TAX INCREMENT REINVESTMENT ZONE | PARKS ENVIRONMENTAL AND SANITATION | TOTAL OTHER NONMAJOR SPECIAL REVENUES |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | | | | |
| Cash and Cash Equivalents | $ - | $ 10,243 | $ 666 | $ - | $ - | $ - | $ 49 | $ 425 | $ - | $ - | $ - | $ 11,383 |
| Investments | | 80,680 | 2,873 | | | | 549 | 10,291 | | | | 94,393 |
| Receivables, Net | | 5,111 | 245 | | | | 156 | 12 | | | | 5,524 |
| Materials and Supplies, at Cost | | 87 | | | | | | | | | | 87 |
| Due From Other Governmental Agencies | | 9 | | | | | 1,258 | | | | | 1,267 |
| Restricted Assets: | | | | | | | | | | | | |
| Cash and Cash Equivalents | 790 | 388 | 2,632 | 136 | 4,472 | 16 | | | 1,750 | 757 | 4 | 10,945 |
| Investments | 8,871 | 4,361 | 24,353 | 1,204 | 48,796 | 176 | | | 19,671 | 7,928 | 38 | 115,398 |
| Receivables, Net | 2,522 | 529 | 1,252 | 1,318 | 5,361 | 5,265 | | | 2,947 | 132 | 548 | 19,874 |
| Materials and Supplies, at Cost | | | 21 | | | | | | 66 | | | 87 |
| Due From Other Funds | | | 18 | | | 3,122 | | | 369 | | | 3,509 |
| Due From Other Governmental Agencies | | | 273 | | | | | | | 22 | | 295 |
| **Total Assets** | $ 12,183 | $ 101,408 | $ 32,333 | $ 2,658 | $ 58,629 | $ 8,579 | $ 2,012 | $ 10,728 | $ 24,803 | $ 8,839 | $ 590 | $ 262,762 |
| **Liabilities and Fund Balances:** | | | | | | | | | | | | |
| **Liabilities:** | | | | | | | | | | | | |
| Vouchers Payable | $ - | $ 2,497 | $ 537 | $ - | $ - | $ - | $ 18 | $ 18 | $ - | $ - | $ - | $ 3,070 |
| Accounts Payable - Other | | 6,931 | | | | | 14 | | | | | 6,945 |
| Accrued Payroll | | 594 | | | | | 26 | | | | | 620 |
| Accrued Leave Payable | | 6 | | | | | | | | | | 6 |
| Due To Other Funds | | 281 | | | | | 2 | | | | | 283 |
| Restricted Liabilities: | | | | | | | | | | | | |
| Vouchers Payable | 13 | | 820 | | | | | | 255 | 1 | 237 | 1,326 |
| Accounts Payable - Other | 36 | | 421 | | | 114 | | | 145 | 385 | 59 | 1,160 |
| Accrued Payroll | 40 | | 107 | | | 425 | | | 299 | 10 | 89 | 970 |
| Accrued Leave Payable | | | | | | | | | 2 | | | 2 |
| Due To Other Funds | 372 | | 2,362 | | 397 | 8,040 | | | 723 | | 125 | 12,019 |
| **Total Liabilities** | 461 | 10,309 | 4,247 | | 397 | 8,579 | 60 | 18 | 1,424 | 396 | 510 | 26,401 |
| **Fund Balances:** | | | | | | | | | | | | |
| Nonspendable | | 87 | 21 | | | | | | 66 | | | 174 |
| Restricted | 11,722 | 5,278 | 24,818 | 2,658 | 58,232 | | | | 23,313 | 8,443 | 80 | 134,544 |
| Committed | | 65,155 | 3,247 | | | | | 10,710 | | | | 79,112 |
| Assigned | | 20,579 | | | | | 1,952 | | | | | 22,531 |
| **Total Fund Balances** | 11,722 | 91,099 | 28,086 | 2,658 | 58,232 | | 1,952 | 10,710 | 23,379 | 8,443 | 80 | 236,361 |
| **Total Liabilities and Fund Balances** | $ 12,183 | $ 101,408 | $ 32,333 | $ 2,658 | $ 58,629 | $ 8,579 | $ 2,012 | $ 10,728 | $ 24,803 | $ 8,839 | $ 590 | $ 262,762 |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

## Nonmajor Governmental Funds - Other Special Revenues

### Year-Ended September 30, 2014

(In Thousands)

| | ADVANCED TRANSPORTATION DISTRICT | COMMUNITY AND VISITOR FACILITIES | COMMUNITY SERVICES | HOTEL/MOTEL 2% REVENUE | PARKS DEVELOPMENT AND EXPANSION | EARLY EDUCATION DEVELOPMENT | RIGHT OF WAYS | SAN ANTONIO HOUSING TRUST | STORMWATER OPERATIONS | TAX INCREMENT REINVESTMENT ZONE | PARKS ENVIRONMENTAL AND SANITATION | TOTAL OTHER NONMAJOR SPECIAL REVENUES |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | | | | | | | |
| Taxes: | | | | | | | | | | | | |
| Property | $ - | $ - | $ 3,676 | $ - | $ - | $ - | $ - | $ - | $ - | $ 9,004 | $ - | $ 12,680 |
| General Sales and Use | 14,784 | | | | 30,983 | 30,983 | | | | | | 76,750 |
| Gross Receipts Business | | | 3,020 | | | | | | | | | 3,020 |
| Occupancy | | 59,939 | | 17,125 | | | | | | | | 77,064 |
| Penalties and Interest on Delinquent Taxes | | 121 | | 34 | | | | | | | | 155 |
| Intergovernmental | | 4,737 | 11,315 | | | | | | | | | 16,052 |
| Charges for Services | | 24,458 | 8,725 | | | | 2,764 | | 43,863 | | 6,672 | 86,482 |
| Fines and Forfeits | | | 393 | | | | | | | | | 393 |
| Miscellaneous | 2 | 692 | 8,071 | 43 | | 19,340 | | 145 | 139 | 8 | | 28,440 |
| Investment Earnings | 44 | 334 | 131 | 10 | 243 | | 3 | 70 | 99 | 40 | | 974 |
| Contributions | | | 3,691 | | 132 | | | | | | | 3,823 |
| **Total Revenues** | 14,830 | 90,281 | 39,022 | 17,212 | 31,358 | 50,323 | 2,767 | 215 | 44,101 | 9,052 | 6,672 | 305,833 |
| **Expenditures:** | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| General Government | 9 | 70 | 5,018 | 3 | 50 | | 1 | 7 | 20 | 8 | | 5,186 |
| Public Safety | | | 4,895 | | | | | | | | | 4,895 |
| Public Works | 2,833 | | | | | | 1,810 | | 31,596 | | | 36,239 |
| Health Services | | | 12,491 | | | | | | | | | 12,491 |
| Sanitation | | | | | | | | | | | 6,592 | 6,592 |
| Welfare | | | 223 | | | | | | | | | 223 |
| Culture and Recreation | | 45,586 | 1,917 | | 744 | | | | | | | 48,247 |
| Convention and Tourism | | 20,300 | | | | | | | | | | 20,300 |
| Urban Redevelopment and Housing | | | 81 | | | | | 199 | | | | 280 |
| Education | | | | | | 13,259 | | | | | | 13,259 |
| Economic Development and Opportunity | | | 2,919 | | | | | | | 7,801 | | 10,720 |
| **Total Expenditures** | 2,842 | 65,956 | 27,544 | 3 | 794 | 13,259 | 1,811 | 206 | 31,616 | 7,809 | 6,592 | 158,432 |
| **Excess of Revenue Over Expenditures** | 11,988 | 24,325 | 11,478 | 17,209 | 30,564 | 37,064 | 956 | 9 | 12,485 | 1,243 | 80 | 147,401 |
| **Other Financing Sources (Uses):** | | | | | | | | | | | | |
| Transfers In | 2 | 1,609 | 1,939 | 6,352 | | 933 | | | 16 | | | 10,851 |
| Transfers Out | (13,357) | (17,912) | (13,505) | (22,767) | (39,162) | (37,999) | | | (18,384) | (1,993) | | (165,079) |
| **Total Other Financing Sources (Uses)** | (13,355) | (16,303) | (11,566) | (16,415) | (39,162) | (37,066) | | | (18,368) | (1,993) | | (154,228) |
| **Net Change in Fund Balances** | (1,367) | 8,022 | (88) | 794 | (8,598) | (2) | 956 | 9 | (5,883) | (750) | 80 | (6,827) |
| Fund Balances, October 1 | 13,089 | 83,077 | 28,174 | 1,864 | 66,830 | 2 | 996 | 10,701 | 29,262 | 9,193 | | 243,188 |
| **Fund Balances, September 30** | $ 11,722 | $ 91,099 | $ 28,086 | $ 2,658 | $ 58,232 | $ - | $ 1,952 | $ 10,710 | $ 23,379 | $ 8,443 | $ 80 | $ 236,361 |

## Combining Balance Sheet
## Nonmajor Governmental Funds - Blended Component Units
### As of September 30, 2014
(In Thousands)

| | SAN ANTONIO EDUCATION FACILITIES CORP. | SAN ANTONIO HEALTH FACILITIES DEVELOPMENT CORP. | SAN ANTONIO INDUSTRIAL DEVELOPMENT AUTHORITY | MUNICIPAL GOLF ASSOCIATION SAN ANTONIO | SAN ANTONIO TEXAS MUNICIPAL FACILITIES CORP. | STARBRIGHT INDUSTRIAL DEVELOPMENT CORP. | SAN ANTONIO ECONOMIC DEVELOPMENT CORP. | HEMISFAIR PARK AREA REDEVELOPMENT CORP. | URBAN RENEWAL AGENCY (OUR SA) | WESTSIDE DEVELOPMENT CORP. | TOTAL NONMAJOR BLENDED COMPONENT UNITS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | | | |
| Cash and Cash Equivalents | $ 91 | $ 7 | $ 9 | $ - | $ - | $ - | $ 14 | $ 768 | $ 235 | $ 120 | $ 1,244 |
| Investments | | | | | | | 300 | | | | 300 |
| Receivables, net | | | | | | | 168 | 60 | 399 | 455 | 1,082 |
| Prepaid Expenditures | | | | | | | | | | 1 | 1 |
| Restricted Assets: | | | | | | | | | | | |
| Cash and Cash Equivalents | | | | 887 | 603 | 140 | | | | | 1,630 |
| Receivables, Net | | | | 36 | | | | | | | 36 |
| Materials and Supplies, at Cost | | | | 208 | | | | | | | 208 |
| Prepaid Expenditures | | | | | | 3 | | 1 | | | 4 |
| **Total Assets** | $ 91 | $ 7 | $ 9 | $ 1,131 | $ 603 | $ 143 | $ 482 | $ 829 | $ 634 | $ 576 | $ 4,505 |
| **Liabilities and Fund Balances:** | | | | | | | | | | | |
| **Liabilities:** | | | | | | | | | | | |
| Accounts Payable - Other | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 4 | $ 4 |
| Restricted Liabilities: | | | | | | | | | | | |
| Vouchers Payable | | | | | | | 11 | 6 | 16 | | 33 |
| Accounts Payable - Other | | | | 438 | | | | 17 | | | 455 |
| Accrued Payroll | | | | | | | | 32 | | | 32 |
| Due To Other Funds | | | | | | | | | 616 | | 616 |
| Due To Other Governmental Agencies | | | | | | | | | 13 | | 13 |
| **Total Liabilities** | | | | 438 | | | 11 | 55 | 645 | 4 | 1,153 |
| **Fund Balances:** | | | | | | | | | | | |
| Nonspendable | | | | 208 | | 3 | | 1 | | 1 | 213 |
| Restricted | | | | | 603 | 140 | | | | 571 | 1,314 |
| Assigned | 91 | 7 | 9 | 485 | | | 471 | 773 | | | 1,836 |
| Unassigned | | | | | | | | | (11) | | (11) |
| **Total Fund Balances** | 91 | 7 | 9 | 693 | 603 | 143 | 471 | 774 | (11) | 572 | 3,352 |
| **Total Liabilities and Fund Balances** | $ 91 | $ 7 | $ 9 | $ 1,131 | $ 603 | $ 143 | $ 482 | $ 829 | $ 634 | $ 576 | $ 4,505 |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
## Nonmajor Governmental Funds - Blended Component Units
### Year-Ended September 30, 2014
(In Thousands)

| | SAN ANTONIO EDUCATION FACILITIES CORP. | SAN ANTONIO HEALTH FACILITIES DEVELOPMENT CORP. | SAN ANTONIO INDUSTRIAL DEVELOPMENT AUTHORITY | MUNICIPAL GOLF ASSOCIATION SAN ANTONIO | SAN ANTONIO TEXAS MUNICIPAL FACILITIES CORP. | STARBRIGHT INDUSTRIAL DEVELOPMENT CORP. | SAN ANTONIO ECONOMIC DEVELOPMENT CORP. | HEMISFAIR PARK AREA REDEVELOPMENT CORP. | URBAN RENEWAL AGENCY (OUR SA) | WESTSIDE DEVELOPMENT CORP. | TOTAL NONMAJOR BLENDED COMPONENT UNITS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | | | | | | |
| **Taxes:** | | | | | | | | | | | |
| Charges for Services | $ 25 | $ - | $ 3 | $ 9,942 | $ - | $ - | | $ - | $ - | $ 132 | $ 10,102 |
| Investment Earnings | | | | | | | | 1 | | | 1 |
| Contributions | | | | 20 | | | | 345 | | 108 | 473 |
| **Total Revenues** | 25 | | 3 | 9,962 | | | | 346 | | 240 | 10,576 |
| **Expenditures:** | | | | | | | | | | | |
| Current: | | | | | | | | | | | |
| Culture and Recreation | | | | 8,784 | | | | | | | 8,784 |
| Economic Development and Opportunity | | | | | 9 | 2 | | 1,075 | | 537 | 1,623 |
| Debt Service: | | | | | | | | | | | |
| Principal Retirement | | | | 577 | 1,505 | | | | | | 2,082 |
| Interest | | | | | 1,385 | 734 | | | | | 2,119 |
| **Total Expenditures** | | | | 9,361 | 2,899 | 736 | | 1,075 | | 537 | 14,608 |
| **Excess (Deficiency) of Revenue Over (Under) Expenditures** | 25 | | 3 | 601 | (2,899) | (736) | | (729) | | (297) | (4,032) |
| **Other Financing Sources:** | | | | | | | | | | | |
| Issuance of Long-Term Debt | | | | 65 | | | | | | | 65 |
| Transfers In | | | | | 2,893 | 737 | | 1,150 | | 259 | 5,039 |
| Transfers Out | | | | (251) | | | | | | | (251) |
| **Total Other Financing Sources (Uses)** | | | | (186) | 2,893 | 737 | | 1,150 | | 259 | 4,853 |
| **Net Change in Fund Balances** | 25 | | 3 | 415 | (6) | 1 | | 421 | | (38) | 821 |
| Fund Balances, October 1 (restated) | 66 | 7 | 6 | 278 | 609 | 142 | 471 | 353 | (11) | 610 | 2,531 |
| **Fund Balances, September 30** | $ 91 | $ 7 | $ 9 | $ 693 | $ 603 | $ 143 | $ 471 | $ 774 | $ (11) | $ 572 | $ 3,352 |

## Combining Balance Sheet
## Nonmajor Governmental Funds - Capital Projects
### As of September 30, 2014
(In Thousands)

| | GENERAL OBLIGATION BONDS | CERTIFICATES OF OBLIGATION | OTHER CAPITAL PROJECTS | TOTAL CAPITAL PROJECTS |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ - | $ - | $ 1,827 | $ 1,827 |
| Investments | | | 20,229 | 20,229 |
| Receivables, Net | | | 15 | 15 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 17,189 | 5,495 | 9,034 | 31,718 |
| Investments | 76,872 | 29,431 | 46,549 | 152,852 |
| Receivables, Net | 1,601 | 260 | 99 | 1,960 |
| Prepaid Expenditures | | | 31 | 31 |
| Due From Other Funds | 25,741 | 878 | 34,045 | 60,664 |
| Due From Other Governmental Agencies | 3,667 | | 179 | 3,846 |
| **Total Assets** | $ 125,070 | $ 36,064 | $ 112,008 | $ 273,142 |
| **Liabilities and Fund Balances:** | | | | |
| **Liabilities:** | | | | |
| Restricted Liabilities: | | | | |
| Vouchers Payable | $ 13,436 | $ 3,467 | $ 7,923 | $ 24,826 |
| Accounts Payable - Other | 10,123 | 1,134 | 12,982 | 24,239 |
| Unearned Revenue | 17,655 | 33 | 390 | 18,078 |
| Due To Other Funds | 8,195 | 2,281 | 25,262 | 35,738 |
| **Total Liabilities** | 49,409 | 6,915 | 46,557 | 102,881 |
| **Fund Balances:** | | | | |
| Nonspendable | | | 31 | 31 |
| Restricted | 75,661 | 32,450 | 43,542 | 151,653 |
| Committed | | | 22,071 | 22,071 |
| Unassigned | | (3,301) | (193) | (3,494) |
| **Total Fund Balances** | 75,661 | 29,149 | 65,451 | 170,261 |
| **Total Liabilities and Fund Balances** | $ 125,070 | $ 36,064 | $ 112,008 | $ 273,142 |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
## Nonmajor Governmental Funds - Capital Projects
### Year-Ended September 30, 2014
(In Thousands)

| | GENERAL OBLIGATION BONDS | CERTIFICATES OF OBLIGATION | OTHER CAPITAL PROJECTS | TOTAL CAPITAL PROJECTS |
|---|---|---|---|---|
| **Revenues:** | | | | |
| **Taxes:** | | | | |
| Intergovernmental | $ 16,044 | $ 34 | $ 557 | $ 16,635 |
| Miscellaneous | 67 | 478 | 24 | 569 |
| Investment Earnings | 562 | 218 | 200 | 980 |
| Contributions | 6 | | 8 | 14 |
| **Total Revenues** | 16,679 | 730 | 789 | 18,198 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General Government | 124 | 53 | 52 | 229 |
| Public Safety | | | 7,251 | 7,251 |
| Culture and Recreation | | | 348 | 348 |
| Capital Outlay | 159,221 | 39,191 | 180,897 | 379,309 |
| Debt Service: | | | | |
| Principal Retirement | | | 1,440 | 1,440 |
| Issuance Costs | | | 329 | 329 |
| **Total Expenditures** | 159,345 | 39,244 | 190,317 | 388,906 |
| **Excess (Deficiency) of Revenue Over (Under) Expenditures** | (142,666) | (38,514) | (189,528) | (370,708) |
| **Other Financing Sources (Uses):** | | | | |
| Issuance of Long-Term Debt | | | 63,510 | 63,510 |
| Premium on Long-Term Debt | | | 309 | 309 |
| Transfers In | 161,042 | 42,558 | 205,005 | 408,605 |
| Transfers Out | (78,423) | (29,155) | (49,092) | (156,670) |
| **Total Other Financing Sources (Uses)** | 82,619 | 13,403 | 219,732 | 315,754 |
| **Net Change in Fund Balances** | (60,047) | (25,111) | 30,204 | (54,954) |
| Fund Balances, October 1 | 135,708 | 54,260 | 35,247 | 225,215 |
| **Fund Balances, September 30** | $ 75,661 | $ 29,149 | $ 65,451 | $ 170,261 |

## Combining Balance Sheet
## Nonmajor Governmental Funds - General Obligation Bonds
### As of September 30, 2014
(In Thousands)

| | PRE-1999 GENERAL OBLIGATION BONDS | 1999 GENERAL OBLIGATION BONDS | 2003 GENERAL OBLIGATION BONDS | 2007 GENERAL OBLIGATION BONDS | GENERAL OBLIGATION PROJECTS FUND | TOTAL GENERAL OBLIGATION BONDS |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Restricted Assets: | | | | | | |
| Cash and Cash Equivalents | $ 13 | $ 3 | $ 233 | $ 6,508 | $ 10,432 | $ 17,189 |
| Investments | 147 | 37 | 2,658 | 74,030 | | 76,872 |
| Receivables, Net | | 1 | 9 | 233 | 1,358 | 1,601 |
| Due From Other Funds | | | | | 25,741 | 25,741 |
| Due From Other Governmental Agencies | | | | | 3,667 | 3,667 |
| **Total Assets** | $ 160 | $ 41 | $ 2,900 | $ 80,771 | $ 41,198 | $ 125,070 |
| **Liabilities and Fund Balances:** | | | | | | |
| **Liabilities:** | | | | | | |
| Restricted Liabilities: | | | | | | |
| Vouchers Payable | $ 158 | $ - | $ 9 | $ - | $ 13,269 | $ 13,436 |
| Accounts Payable - Other | | | | | 10,123 | 10,123 |
| Unearned Revenue | | | | | 17,655 | 17,655 |
| Due To Other Funds | | 1 | | 8,194 | | 8,195 |
| **Total Liabilities** | 158 | 1 | 9 | 8,194 | 41,047 | 49,409 |
| **Fund Balances:** | | | | | | |
| Restricted | 2 | 40 | 2,891 | 72,577 | 151 | 75,661 |
| **Total Fund Balances** | 2 | 40 | 2,891 | 72,577 | 151 | 75,661 |
| **Total Liabilities and Fund Balances** | $ 160 | $ 41 | $ 2,900 | $ 80,771 | $ 41,198 | $ 125,070 |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
## Nonmajor Governmental Funds - General Obligation Bonds
### Year-Ended September 30, 2014
(In Thousands)

| | PRE-1999 GENERAL OBLIGATION BONDS | 1999 GENERAL OBLIGATION BONDS | 2003 GENERAL OBLIGATION BONDS | 2007 GENERAL OBLIGATION BONDS | GENERAL OBLIGATION PROJECTS FUND | TOTAL GENERAL OBLIGATION BONDS |
|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | |
| **Taxes:** | | | | | | |
| Intergovernmental | $ - | $ - | $ - | $ - | $ 16,044 | $ 16,044 |
| Miscellaneous | 1 | | 3 | 50 | 13 | 67 |
| Investment Earnings | 1 | 4 | 20 | 537 | | 562 |
| Contributions | | | | | 6 | 6 |
| **Total Revenues** | 2 | 4 | 23 | 587 | 16,063 | 16,679 |
| **Expenditures:** | | | | | | |
| Current: | | | | | | |
| General Government | | 1 | 8 | 113 | 2 | 124 |
| Capital Outlay | | | | | 159,221 | 159,221 |
| **Total Expenditures** | | 1 | 8 | 113 | 159,223 | 159,345 |
| **Excess of Revenue Over Expenditures** | 2 | 3 | 15 | 474 | (143,160) | (142,666) |
| **Other Financing Sources (Uses):** | | | | | | |
| Transfers In | | | | | 161,042 | 161,042 |
| Transfers Out | (31) | (1,083) | (1,834) | (75,475) | | (78,423) |
| **Total Other Financing Sources (Uses):** | (31) | (1,083) | (1,834) | (75,475) | 161,042 | 82,619 |
| **Net Change in Fund Balances** | (29) | (1,080) | (1,819) | (75,001) | 17,882 | (60,047) |
| Fund Balances, October 1 | 31 | 1,120 | 4,710 | 147,578 | (17,731) | 135,708 |
| **Fund Balances, September 30** | $ 2 | $ 40 | $ 2,891 | $ 72,577 | $ 151 | $ 75,661 |

## Combining Balance Sheet
## Nonmajor Governmental Funds - Certificates of Obligation
### As of September 30, 2014
(In Thousands)

| | PRE-2006 CERTIFICATES OF OBLIGATION | 2006 CERTIFICATES OF OBLIGATION | 2007 CERTIFICATES OF OBLIGATION | 2008 CERTIFICATES OF OBLIGATION | 2010 CERTIFICATES OF OBLIGATION | 2011 CERTIFICATES OF OBLIGATION | 2012 CERTIFICATES OF OBLIGATION | 2013 CERTIFICATES OF OBLIGATION | CERTIFICATES OF OBLIGATION PROJECTS FUND | TOTAL CERTIFICATES OF OBLIGATION |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | | |
| Restricted Assets: | | | | | | | | | | |
| Cash and Cash Equivalents | $ 79 | $ 1,017 | $ 585 | $ 146 | $ 419 | $ 805 | $ 343 | $ 462 | $ 1,639 | $ 5,495 |
| Investments | 909 | 2,142 | 1,686 | 1,699 | 4,719 | 9,071 | 3,934 | 5,271 | | 29,431 |
| Receivables, Net | 4 | 4 | 8 | 9 | 11 | 21 | 15 | 18 | 170 | 260 |
| Due From Other Funds | | | | | | | | | 878 | 878 |
| **Total Assets** | $ 992 | $ 3,163 | $ 2,279 | $ 1,854 | $ 5,149 | $ 9,897 | $ 4,292 | $ 5,751 | $ 2,687 | $ 36,064 |
| **Liabilities and Fund Balances:** | | | | | | | | | | |
| **Liabilities:** | | | | | | | | | | |
| Restricted Liabilities: | | | | | | | | | | |
| Vouchers Payable | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 3,467 | $ 3,467 |
| Accounts Payable - Other | | | | | | | | | 1,134 | 1,134 |
| Unearned Revenue | | | | | | | | | 33 | 33 |
| Due To Other Funds | | | 4 | 289 | 187 | 240 | 207 | | 1,354 | 2,281 |
| **Total Liabilities** | | | 4 | 289 | 187 | 240 | 207 | | 5,988 | 6,915 |
| **Fund Balances:** | | | | | | | | | | |
| Restricted | 992 | 3,163 | 2,275 | 1,565 | 4,962 | 9,657 | 4,085 | 5,751 | | 32,450 |
| Unassigned | | | | | | | | | (3,301) | (3,301) |
| **Total Fund Balances** | 992 | 3,163 | 2,275 | 1,565 | 4,962 | 9,657 | 4,085 | 5,751 | (3,301) | 29,149 |
| **Total Liabilities and Fund Balances** | $ 992 | $ 3,163 | $ 2,279 | $ 1,854 | $ 5,149 | $ 9,897 | $ 4,292 | $ 5,751 | $ 2,687 | $ 36,064 |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
## Nonmajor Governmental Funds - Certificates of Obligation
### Year-Ended September 30, 2014
(In Thousands)

| | PRE-2006 CERTIFICATES OF OBLIGATION | 2006 CERTIFICATES OF OBLIGATION | 2007 CERTIFICATES OF OBLIGATION | 2008 CERTIFICATES OF OBLIGATION | 2010 CERTIFICATES OF OBLIGATION | 2011 CERTIFICATES OF OBLIGATION | 2012 CERTIFICATES OF OBLIGATION | 2013 CERTIFICATES OF OBLIGATION | CERTIFICATES OF OBLIGATION PROJECTS FUND | TOTAL CERTIFICATES OF OBLIGATION |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | | | | | |
| Intergovernmental | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 34 | $ 34 |
| Miscellaneous | 478 | | | | | | | | | 478 |
| Investment Earnings | 7 | 16 | 22 | 18 | 25 | 48 | 30 | 52 | | 218 |
| **Total Revenues** | 485 | 16 | 22 | 18 | 25 | 48 | 30 | 52 | 34 | 730 |
| **Expenditures:** | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General Government | 2 | 4 | 5 | 5 | 7 | 11 | 8 | 11 | | 53 |
| Capital Outlay | | | | | | | | | 39,191 | 39,191 |
| **Total Expenditures** | 2 | 4 | 5 | 5 | 7 | 11 | 8 | 11 | 39,191 | 39,244 |
| **Excess (Deficiency) of Revenue Over (Under) Expenditures** | 483 | 12 | 17 | 13 | 18 | 37 | 22 | 41 | (39,157) | (38,514) |
| **Other Financing Sources (Uses):** | | | | | | | | | | |
| Transfers In | | 13 | | | | | | | 42,545 | 42,558 |
| Transfers Out | (450) | (497) | (4,059) | (3,571) | (1,601) | (2,522) | (4,491) | (10,608) | (1,356) | (29,155) |
| **Total Other Financing Sources (Uses)** | (450) | (484) | (4,059) | (3,571) | (1,601) | (2,522) | (4,491) | (10,608) | 41,189 | 13,403 |
| **Net Change in Fund Balances** | 33 | (472) | (4,042) | (3,558) | (1,583) | (2,485) | (4,469) | (10,567) | 2,032 | (25,111) |
| Fund Balances, October 1 | 959 | 3,635 | 6,317 | 5,123 | 6,545 | 12,142 | 8,554 | 16,318 | (5,333) | 54,260 |
| **Fund Balances, September 30** | $ 992 | $ 3,163 | $ 2,275 | $ 1,565 | $ 4,962 | $ 9,657 | $ 4,085 | $ 5,751 | $ (3,301) | $ 29,149 |

## Combining Balance Sheet
## Nonmajor Governmental Funds - Other Capital Projects
**As of September 30, 2014**

(In Thousands)

| | CONVENTION CENTER EXPANSION | EDWARDS AQUIFER PROTECTION VENUE | EQUIPMENT ACQUISITION | IMPROVEMENT PROJECTS | MUNICIPAL DRAINAGE UTILITY SYSTEM | PARKS DEVELOPMENT AND EXPANSION | RESIDUAL CAPITAL PROJECTS | TAX & REVENUE NOTES | TOTAL OTHER CAPITAL PROJECTS |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Cash and Cash Equivalents | $ - | $ - | $ - | $ - | $ - | $ - | $ 1,827 | $ - | $ 1,827 |
| Investments | | | | | | | 20,229 | | 20,229 |
| Receivables, Net | | | | | | | 15 | | 15 |
| Restricted Assets: | | | | | | | | | |
| Cash and Cash Equivalents | 301 | 1 | 1,497 | 2,594 | 837 | 17 | | 3,787 | 9,034 |
| Investments | 109 | 13 | 642 | | 8,862 | 190 | | 36,733 | 46,549 |
| Receivables, Net | 1 | | 12 | 3 | 19 | | | 64 | 99 |
| Prepaid Expenditures | 31 | | | | | | | | 31 |
| Due From Other Funds | 27,941 | | | 6,104 | | | | | 34,045 |
| Due From Other Governmental Agencies | | | | 179 | | | | | 179 |
| **Total Assets** | $ 28,383 | $ 14 | $ 2,151 | $ 8,880 | $ 9,718 | $ 207 | $ 22,071 | $ 40,584 | $ 112,008 |
| **Liabilities and Fund Balances:** | | | | | | | | | |
| **Liabilities:** | | | | | | | | | |
| Restricted Liabilities: | | | | | | | | | |
| Vouchers Payable | $ 4,116 | $ - | $ 11 | $ 3,729 | $ 60 | $ - | $ - | $ 7 | $ 7,923 |
| Accounts Payable - Other | 8,684 | | | 4,200 | 98 | | | | 12,982 |
| Unearned Revenue | | | | 390 | | | | | 390 |
| Due To Other Funds | 15,531 | | 261 | 754 | | | | 8,716 | 25,262 |
| **Total Liabilities** | 28,331 | | 272 | 9,073 | 158 | | | 8,723 | 46,557 |
| **Fund Balances:** | | | | | | | | | |
| Nonspendable | 31 | | | | | | | | 31 |
| Restricted | 21 | 14 | 1,879 | | 9,560 | 207 | | 31,861 | 43,542 |
| Committed | | | | | | | 22,071 | | 22,071 |
| Unassigned | | | | (193) | | | | | (193) |
| **Total Fund Balances** | 52 | 14 | 1,879 | (193) | 9,560 | 207 | 22,071 | 31,861 | 65,451 |
| **Total Liabilities and Fund Balances** | $ 28,383 | $ 14 | $ 2,151 | $ 8,880 | $ 9,718 | $ 207 | $ 22,071 | $ 40,584 | $ 112,008 |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
## Nonmajor Governmental Funds - Other Capital Projects
### Year-Ended September 30, 2014
(In Thousands)

| | CONVENTION CENTER EXPANSION | EDWARDS AQUIFER PROTECTION VENUE | EQUIPMENT ACQUISITION | IMPROVEMENT PROJECTS | MUNICIPAL DRAINAGE UTILITY SYSTEM | PARKS DEVELOPMENT AND EXPANSION | RESIDUAL CAPITAL PROJECTS | TAX & REVENUE NOTES | TOTAL OTHER CAPITAL PROJECTS |
|---|---|---|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | | | | |
| Intergovernmental | $ - | $ - | $ - | $ 554 | $ 3 | $ - | $ - | $ - | $ 557 |
| Miscellaneous | | | | 24 | | | | | 24 |
| Investment Earnings | 2 | | 11 | | 45 | 1 | 31 | 110 | 200 |
| Contributions | | | | 8 | | | | | 8 |
| **Total Revenues** | 2 | | 11 | 586 | 48 | 1 | 31 | 110 | 789 |
| **Expenditures:** | | | | | | | | | |
| Current: | | | | | | | | | |
| General Government | | | 9 | | 11 | 1 | 5 | 26 | 52 |
| Public Safety | | | 7,251 | | | | | | 7,251 |
| Culture and Recreation | | | 348 | | | | | | 348 |
| Capital Outlay | 73,411 | | | 106,203 | 1,283 | | | | 180,897 |
| Debt Service: | | | | | | | | | |
| Principal Retirement | | | 1,440 | | | | | | 1,440 |
| Issuance Costs | | | 68 | | | | | 261 | 329 |
| **Total Expenditures** | 73,411 | | 9,116 | 106,203 | 1,294 | 1 | 5 | 287 | 190,317 |
| **Excess (Deficiency) of Revenue Over (Under) Expenditures** | (73,409) | | (9,105) | (105,617) | (1,246) | | 26 | (177) | (189,528) |
| **Other Financing Sources (Uses):** | | | | | | | | | |
| Issuance of Long-Term Debt | | | 17,500 | | | | | 46,010 | 63,510 |
| Premium on Long-Term Debt | | | | | | | | 309 | 309 |
| Transfers In | 74,598 | | | 112,474 | 173 | | 17,760 | | 205,005 |
| Transfers Out | | | (7,803) | (933) | (932) | | (4,672) | (34,752) | (49,092) |
| **Total Other Financing Sources (Uses)** | 74,598 | | 9,697 | 111,541 | (759) | | 13,088 | 11,567 | 219,732 |
| **Net Change in Fund Balances** | 1,189 | | 592 | 5,924 | (2,005) | | 13,114 | 11,390 | 30,204 |
| Fund Balances, October 1 | (1,137) | 14 | 1,287 | (6,117) | 11,565 | 207 | 8,957 | 20,471 | 35,247 |
| **Fund Balances, September 30** | $ 52 | $ 14 | $ 1,879 | $ (193) | $ 9,560 | $ 207 | $ 22,071 | $ 31,861 | $ 65,451 |

## Combining Balance Sheet
## Nonmajor Governmental Funds - Permanent
### As of September 30, 2014
(In Thousands)

| | CARVER CULTURAL CENTER ENDOWMENT | CITY CEMETERIES | WILLIAM C. MORRIS ENDOWMENT | BOZA BECICA ENDOWMENT | TOTAL PERMANENT FUNDS |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Cash and Cash Equivalents | $ 33 | $ 241 | $ 26 | $ 43 | $ 343 |
| Investments | 370 | 2,697 | 288 | 478 | 3,833 |
| Receivables, Net | 1 | 84 | 1 | 1 | 87 |
| **Total Assets** | $ 404 | $ 3,022 | $ 315 | $ 522 | $ 4,263 |
| **Liabilities and Fund Balances:** | | | | | |
| **Liabilities:** | | | | | |
| Restricted Liabilities: | | | | | |
| Vouchers Payable | $ - | $ - | $ - | $ 5 | $ 5 |
| **Total Liabilities** | | | | 5 | 5 |
| **Fund Balances:** | | | | | |
| Nonspendable | 334 | 2,814 | | 514 | 3,662 |
| Restricted | 70 | 208 | 315 | 3 | 596 |
| **Total Fund Balances** | 404 | 3,022 | 315 | 517 | 4,258 |
| **Total Liabilities and Fund Balances** | $ 404 | $ 3,022 | $ 315 | $ 522 | $ 4,263 |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
## Nonmajor Governmental Funds - Permanent
### Year-Ended September 30, 2014
(In Thousands)

| | CARVER CULTURAL CENTER ENDOWMENT | CITY CEMETERIES | WILLIAM C. MORRIS ENDOWMENT | BOZA BECICA ENDOWMENT | TOTAL PERMANENT FUNDS |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Charges for Services | $ - | $ 276 | $ - | $ - | $ 276 |
| Investment Earnings | 2 | 11 | 1 | 2 | 16 |
| **Total Revenues** | 2 | 287 | 1 | 2 | 292 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| General Government | | 2 | | | 2 |
| Culture and Recreation | | 71 | 1 | 5 | 77 |
| **Total Expenditures** | | 73 | 1 | 5 | 79 |
| **Excess (Deficiency) of Revenue Over (Under) Expenditures** | 2 | 214 | | (3) | 213 |
| **Other Financing Sources:** | | | | | |
| Transfers In | | 4 | | | 4 |
| **Total Other Financing Sources** | | 4 | | | 4 |
| **Net Change in Fund Balances** | 2 | 218 | | (3) | 217 |
| Fund Balances, October 1 | 402 | 2,804 | 315 | 520 | 4,041 |
| **Fund Balances, September 30** | $ 404 | $ 3,022 | $ 315 | $ 517 | $ 4,258 |

## Schedules of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## General Fund
### Year-Ended September 30, 2014
(In Thousands)

| | 2014 FINAL BUDGET | 2014 ACTUAL | 2014 VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Revenues:** | | | |
| Taxes | $ 538,091 | $ 547,578 | $ 9,487 |
| Licenses and Permits | 7,382 | 7,396 | 14 |
| Intergovernmental | 8,102 | 8,301 | 199 |
| Revenues from Utilities | 331,846 | 348,480 | 16,634 |
| Charges for Services | 57,097 | 56,796 | (301) |
| Fines and Forfeits | 13,236 | 13,204 | (32) |
| Miscellaneous | 10,199 | 12,254 | 2,055 |
| Investment Earnings | 507 | 627 | 120 |
| **Total Revenues** | 966,460 | 994,636 | 28,176 |
| **Expenditures:** | | | |
| General Government | 70,543 | 70,166 | 377 |
| Public Safety | 661,846 | 664,257 | (2,411) |
| Public Works | 56,149 | 56,044 | 105 |
| Health Services | 22,664 | 22,695 | (31) |
| Welfare | 34,706 | 33,563 | 1,143 |
| Culture and Recreation | 85,445 | 85,459 | (14) |
| Convention and Tourism | 611 | 671 | (60) |
| Economic Development and Opportunity | 16,078 | 16,031 | 47 |
| Urban Redevelopment and Housing | 15,356 | 15,248 | 108 |
| Debt Service: | | | |
| Principal Retirement | 11,305 | 11,305 | |
| Interest | 399 | 399 | |
| **Total Expenditures** | 975,102 | 975,838 | (736) |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | (8,642) | 18,798 | 27,440 |
| **Other Financing Sources (Uses):** | | | |
| Transfers In | 27,295 | 27,699 | 404 |
| Transfers Out | (49,061) | (49,031) | 30 |
| **Total Other Financing Sources (Uses)** | (21,766) | (21,332) | 434 |
| **(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)** | (30,408) | (2,534) | $ 27,874 |
| Fund Balances, October 1 | 185,164 | 185,164 | |
| Add Encumbrances | | 35,965 | |
| **Fund Balances, September 30** | $ 154,756 | $ 218,595 | |





## Schedule of Revenues Compared to Budget
## Budget and Actual (Budgetary Basis)
## General Fund
### Year-Ended September 30, 2014
(In Thousands)

| | 2014 FINAL BUDGET | 2014 ACTUAL | 2014 VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Revenues:** | | | |
| **Taxes:** | | | |
| Property: | | | |
| Current | $ 252,144 | $ 254,506 | $ 2,362 |
| Delinquent | 2,878 | 3,762 | 884 |
| City Sales | 243,626 | 247,862 | 4,236 |
| Alcoholic Beverages | 6,358 | 7,554 | 1,196 |
| Telecommunication Access Lines Fees | 14,783 | 14,949 | 166 |
| Cablevision Franchise | 14,632 | 15,096 | 464 |
| Bingo | 1,055 | 1,120 | 65 |
| Other | 648 | 599 | (49) |
| Penalties and Interest on Delinquent Taxes | 1,967 | 2,130 | 163 |
| **Total Taxes** | 538,091 | 547,578 | 9,487 |
| **Licenses and Permits:** | | | |
| Alcoholic Beverages Licenses | 833 | 779 | (54) |
| Health Licenses | 4,019 | 4,074 | 55 |
| Amusement Licenses | 119 | 121 | 2 |
| Professional and Occupational Licenses | 2,047 | 1,992 | (55) |
| Street Permits | 364 | 430 | 66 |
| **Total Licenses and Permits** | 7,382 | 7,396 | 14 |
| **Intergovernmental:** | | | |
| Library Aid from Bexar County | 3,785 | 3,784 | (1) |
| Bexar County - Child Support | 40 | 44 | 4 |
| Magistration and Detention - Bexar | 1,588 | 1,324 | (264) |
| Other | 1,306 | 1,796 | 490 |
| Health Aid from Bexar County | 736 | 745 | 9 |
| SAWS Reimbursement | 263 | 285 | 22 |
| VIA Contributions | 315 | 315 | |
| Hotel/Motel Tax Collection Fee | 69 | 8 | (61) |
| **Total Intergovernmental** | 8,102 | 8,301 | 199 |
| **Revenues from Utilities:** | | | |
| CPS Energy | 319,327 | 335,932 | 16,605 |
| San Antonio Water System | 12,519 | 12,548 | 29 |
| **Total Revenues from Utilities** | $ 331,846 | $ 348,480 | $ 16,634 |

(Continued)

## Schedule of Revenues Compared to Budget
## Budget and Actual (Budgetary Basis)
## General Fund
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 FINAL BUDGET | 2014 ACTUAL | 2014 VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Charges for Services:** | | | |
| General Government | $ 4,605 | $ 4,492 | $ (113) |
| Public Safety: | | | |
| Police Department | 6,216 | 6,157 | (59) |
| Fire Department | 32,248 | 31,386 | (862) |
| Sanitation: | | | |
| Demolition of Unsafe Structures | 345 | 387 | 42 |
| Streets | 210 | 432 | 222 |
| Health | 2,834 | 3,031 | 197 |
| Culture and Recreation: | | | |
| Tower of the Americas | 772 | 787 | 15 |
| Hemisphere Plaza | 95 | 101 | 6 |
| La Villita | 601 | 552 | (49) |
| Recreation Fees | 1,559 | 1,622 | 63 |
| Concessions in Other Parks | 22 | 20 | (2) |
| River Boats | 5,720 | 5,862 | 142 |
| Swimming Pools | 94 | 80 | (14) |
| Community Centers | 445 | 486 | 41 |
| Library | 922 | 983 | 61 |
| Miscellaneous Recreation Revenue | 409 | 418 | 9 |
| **Total Charges for Services** | 57,097 | 56,796 | (301) |
| **Fines and Forfeits:** | | | |
| Municipal Court Fines | 13,236 | 13,204 | (32) |
| **Miscellaneous:** | | | |
| Sales | 3,774 | 3,274 | (500) |
| Recovery of Expenditures | 1,557 | 2,714 | 1,157 |
| Interfund Charges | 1,650 | 1,738 | 88 |
| Rents, Leases, and Concessions | 1,812 | 2,625 | 813 |
| Other | 1,406 | 1,903 | 497 |
| **Total Miscellaneous** | 10,199 | 12,254 | 2,055 |
| **Investment Earnings:** | | | |
| Interest | 507 | 627 | 120 |
| **Total Revenues** | $ 966,460 | $ 994,636 | $ 28,176 |

(End of Schedule)





## Schedule of Expenditures Compared to Budget
## Budget and Actual (Budgetary Basis)
## General Fund
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 FINAL BUDGET | 2014 ACTUAL | 2014 VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Expenditures:** | | | |
| **General Government:** | | | |
| **Legislative:** | | | |
| Personal Services | $ 1,910 | $ 1,712 | $ 198 |
| Contractual Services | 1,107 | 1,361 | (254) |
| Commodities | 184 | 826 | (642) |
| Other Expenditures | 3,591 | 2,669 | 922 |
| **Total Legislative** | 6,792 | 6,568 | 224 |
| **Judicial:** | | | |
| Personal Services | 11,108 | 10,798 | 310 |
| Contractual Services | 778 | 811 | (33) |
| Commodities | 187 | 158 | 29 |
| Other Expenditures | 1,580 | 1,565 | 15 |
| Capital Outlay | | 9 | (9) |
| **Total Judicial** | 13,653 | 13,341 | 312 |
| **Executive:** | | | |
| Personal Services | 27,118 | 26,653 | 465 |
| Contractual Services | 19,214 | 21,110 | (1,896) |
| Commodities | 643 | 864 | (221) |
| Other Expenditures | 3,040 | 1,542 | 1,498 |
| Capital Outlay | 83 | 88 | (5) |
| **Total Executive** | 50,098 | 50,257 | (159) |
| **Total General Government** | 70,543 | 70,166 | 377 |
| **Public Safety:** | | | |
| **Police:** | | | |
| Personal Services | 303,735 | 306,008 | (2,273) |
| Contractual Services | 8,053 | 8,052 | 1 |
| Commodities | 1,085 | 779 | 306 |
| Other Expenditures | 20,237 | 20,005 | 232 |
| **Total Police** | 333,110 | 334,844 | (1,734) |
| **Fire:** | | | |
| Personal Services | 212,686 | 216,532 | (3,846) |
| Contractual Services | 7,065 | 7,085 | (20) |
| Commodities | 4,795 | 6,515 | (1,720) |
| Other Expenditures | 19,934 | 20,256 | (322) |
| Capital Outlay | 7 | 34 | (27) |
| **Total Fire** | $ 244,487 | $ 250,422 | $ (5,935) |

(Continued)

## Schedule of Expenditures Compared to Budget
## Budget and Actual (Budgetary Basis)
## General Fund
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Administration:** | | | |
| Personal Services | $ 21,598 | $ 19,174 | $ 2,424 |
| Contractual Services | 3,143 | 2,834 | 309 |
| Commodities | 1,443 | 1,227 | 216 |
| Other Expenditures | 12,155 | 11,821 | 334 |
| Capital Outlay | | 8 | (8) |
| **Total Administration** | 38,339 | 35,064 | 3,275 |
| **Other Protection:** | | | |
| Personal Services | 25,068 | 23,478 | 1,590 |
| Contractual Services | 4,785 | 4,508 | 277 |
| Commodities | 2,181 | 2,292 | (111) |
| Other Expenditures | 13,876 | 13,649 | 227 |
| **Total Other Protection** | 45,910 | 43,927 | 1,983 |
| **Total Public Safety** | 661,846 | 664,257 | (2,411) |
| **Public Works:** | | | |
| **Streets:** | | | |
| Personal Services | 19,332 | 18,260 | 1,072 |
| Contractual Services | 8,732 | 8,965 | (233) |
| Commodities | 6,660 | 6,906 | (246) |
| Other Expenditures | 7,069 | 6,948 | 121 |
| Capital Outlay | | 169 | (169) |
| **Total Streets** | 41,793 | 41,248 | 545 |
| **Lighting:** | | | |
| Contractual Services | 1,000 | 709 | 291 |
| Commodities | | 290 | (290) |
| Other Expenditures | 13,356 | 13,797 | (441) |
| **Total Lighting** | 14,356 | 14,796 | (440) |
| **Total Public Works** | $ 56,149 | $ 56,044 | $ 105 |

(Continued)





## Schedule of Expenditures Compared to Budget
## Budget and Actual (Budgetary Basis)
## General Fund
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Health Services:** | | | |
| Personal Services | $ 15,065 | $ 14,607 | $ 458 |
| Contractual Services | 2,921 | 3,378 | (457) |
| Commodities | 1,397 | 1,383 | 14 |
| Other Expenditures | 3,258 | 3,327 | (69) |
| Capital Outlay | 23 | | 23 |
| **Total Health Services** | 22,664 | 22,695 | (31) |
| **Welfare:** | | | |
| Personal Services | 7,046 | 6,619 | 427 |
| Contractual Services | 23,606 | 22,795 | 811 |
| Commodities | 270 | 451 | (181) |
| Other Expenditures | 3,694 | 3,546 | 148 |
| Capital Outlay | 90 | 152 | (62) |
| **Total Welfare** | 34,706 | 33,563 | 1,143 |
| **Culture and Recreation:** | | | |
| **Libraries:** | | | |
| Personal Services | 21,633 | 21,264 | 369 |
| Contractual Services | 3,735 | 4,027 | (292) |
| Commodities | 4,701 | 4,916 | (215) |
| Other Expenditures | 3,673 | 3,556 | 117 |
| **Total Libraries** | 33,742 | 33,763 | (21) |
| **Parks:** | | | |
| Personal Services | 28,920 | 28,167 | 753 |
| Contractual Services | 8,708 | 9,588 | (880) |
| Commodities | 3,324 | 3,341 | (17) |
| Other Expenditures | 10,671 | 10,431 | 240 |
| Capital Outlay | 80 | 169 | (89) |
| **Total Parks** | 51,703 | 51,696 | 7 |
| **Total Culture and Recreation** | $ 85,445 | $ 85,459 | $ (14) |

(Continued)

## Schedule of Expenditures Compared to Budget
## Budget and Actual (Budgetary Basis)
## General Fund
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 FINAL BUDGET | 2014 ACTUAL | 2014 VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Convention and Tourism:** | | | |
| Personal Services | $ 413 | $ 406 | $ 7 |
| Contractual Services | 30 | 41 | (11) |
| Commodities | 107 | 163 | (56) |
| Other Expenditures | 61 | 61 | |
| **Total Convention and Tourism** | 611 | 671 | (60) |
| **Economic Development and Opportunity:** | | | |
| Personal Services | 3,490 | 3,415 | 75 |
| Contractual Services | 11,855 | 12,250 | (395) |
| Commodities | 156 | 163 | (7) |
| Other Expenditures | 577 | 203 | 374 |
| **Total Economic Development and Opportunity** | 16,078 | 16,031 | 47 |
| **Urban Redevelopment and Housing:** | | | |
| Personal Services | 10,143 | 9,917 | 226 |
| Contractual Services | 2,733 | 2,978 | (245) |
| Commodities | 395 | 300 | 95 |
| Other Expenditures | 1,969 | 1,919 | 50 |
| Capital Outlay | 116 | 134 | (18) |
| **Total Urban Redevelopment and Housing:** | 15,356 | 15,248 | 108 |
| **Debt Service:** | | | |
| Principal Retirement | 11,305 | 11,305 | |
| Interest | 399 | 399 | |
| **Total Debt Service:** | 11,704 | 11,704 | |
| **Total Expenditures** | $ 975,102 | $ 975,838 | $ (736) |

(End of Schedule)





## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Debt Service Fund
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 FINAL BUDGET | 2014 ACTUAL | 2014 VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Revenues:** | | | |
| Property Taxes: | | | |
| Current | $ 150,432 | $ 152,219 | $ 1,787 |
| Delinquent | 1,819 | 2,249 | 430 |
| Penalties and Interest on Delinquent Taxes | 1,175 | 1,272 | 97 |
| Miscellaneous | 3,550 | 3,556 | 6 |
| Investment Earnings | 259 | 35 | (224) |
| **Total Revenues** | 157,235 | 159,331 | 2,096 |
| **Expenditures:** | | | |
| General Government: | | | |
| Contractual Services | 16 | 674 | (658) |
| Debt Service: | | | |
| Principal Retirement | 110,340 | 110,340 | |
| Interest | 69,296 | 69,294 | 2 |
| Issuance Costs | 433 | 416 | 17 |
| **Total Expenditures** | 180,085 | 180,724 | (639) |
| **Excess of Revenues Over Expenditures** | (22,850) | (21,393) | 1,457 |
| **Other Financing:** | | | |
| Transfers In | 13,325 | 14,006 | 681 |
| Long-Term Debt Issued | 67,295 | 67,050 | (245) |
| Payment to Refunded Bond Escrow Agent | (76,594) | (76,531) | 63 |
| Premium on Long-Term Debt | 9,731 | 9,696 | (35) |
| **Total Other Financing** | 13,757 | 14,221 | 464 |
| **Excess of Revenues Over Expenditures** | (9,093) | (7,172) | $ 1,921 |
| Fund Balances, October 1 | 53,980 | 53,980 | |
| **Fund Balances, September 30** | $ 44,887 | $ 46,808 | |

The City noted budget violations of excess expenditures over appropriations. As there was sufficient actual revenues or 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
## Advanced Transportation District
### Year-Ended September 30, 2014
(In Thousands)

| | 2014 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| General Sales and Use: | | | |
| City Sales Tax | $ 14,096 | $ 14,784 | $ 688 |
| Investment Earnings | 33 | 44 | 11 |
| Miscellaneous | 2 | 2 | |
| **Total Revenues** | 14,131 | 14,830 | 699 |
| **Expenditures:** | | | |
| General Government: | | | |
| Other Expenditures | | 9 | (9) |
| Total General Government | | 9 | (9) |
| Public Works: | | | |
| Personal Services | 1,720 | 1,736 | (16) |
| Contractual Services | 617 | 961 | (344) |
| Commodities | 49 | 37 | 12 |
| Other Expenditures | 408 | 413 | (5) |
| Capital Outlay | 145 | 144 | 1 |
| Total Public Works | 2,939 | 3,291 | (352) |
| **Total Expenditures** | 2,939 | 3,300 | (361) |
| **Excess of Revenues Over Expenditures** | 11,192 | 11,530 | 338 |
| **Other Financing Sources (Uses):** | | | |
| Transfers In | | 2 | 2 |
| Transfers Out | (13,000) | (22,422) | (9,422) |
| **Total Other Financing Sources (Uses)** | (13,000) | (22,420) | (9,420) |
| **(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)** | (1,808) | (10,890) | $ (9,082) |
| Fund Balances, October 1 | 13,089 | 13,089 | |
| Add Encumbrances | | 9,523 | |
| **Fund Balances, September 30** | $ 11,281 | $ 11,722 | |

The City noted budget violations of excess expenditures, transfers out, and encumbrances over appropriations. As there was sufficient actual revenues or 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 and Visitor Facilities
### Year-Ended September 30, 2014
(In Thousands)

| | 2014 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Taxes: | | | |
| Occupancy | $ 58,695 | $ 59,939 | $ 1,244 |
| Penalties and Interest on Delinquent Taxes | 34 | 121 | 87 |
| Intergovernmental | 920 | 4,737 | 3,817 |
| Charges for Services | 22,403 | 24,458 | 2,055 |
| Miscellaneous | 906 | 692 | (214) |
| Investment Earnings | 30 | 334 | 304 |
| **Total Revenues** | 82,988 | 90,281 | 7,293 |
| **Expenditures:** | | | |
| General Government: | | | |
| Other Expenditures | | 70 | (70) |
| Total General Government | | 70 | (70) |
| Culture & Recreation: | | | |
| Arts & Cultural Affairs: | | | |
| Personal Services | 1,372 | 1,368 | 4 |
| Contractual Services | 940 | 1,208 | (268) |
| Commodities | 15 | 15 | |
| Other Expenditures | 105 | 360 | (255) |
| Capital Outlay | 4 | 3 | 1 |
| Total Arts & Cultural Affairs | 2,436 | 2,954 | (518) |
| Convention Facilities: | | | |
| Personal Services | 17,841 | 17,658 | 183 |
| Contractual Services | 4,264 | 4,326 | (62) |
| Commodities | 1,022 | 1,134 | (112) |
| Other Expenditures | 10,668 | 11,592 | (924) |
| Capital Outlay | 23 | 256 | (233) |
| Total Convention Facilities | 33,818 | 34,966 | (1,148) |
| Nondepartmental: | | | |
| Personal Services | 175 | 275 | (100) |
| Contractual Services | 3,292 | 3,315 | (23) |
| Other Expenditures | 11 | 607 | (596) |
| Total Nondepartmental | 3,478 | 4,197 | (719) |
| Contributions to Other Agencies | 5,269 | 9,445 | (4,176) |
| Total Cultural and Recreation | 45,001 | 51,562 | (6,561) |
| Convention and Tourism: | | | |
| Convention and Visitors Bureau: | | | |
| Personal Services | 7,530 | 7,499 | 31 |
| Contractual Services | 11,055 | 11,717 | (662) |
| Commodities | 222 | 257 | (35) |
| Other Expenditures | 505 | 1,069 | (564) |
| Capital Outlay | 14 | 28 | (14) |
| Total Convention and Tourism | 19,326 | 20,570 | (1,244) |
| **Total Expenditures** | 64,327 | 72,202 | (7,875) |
| **Excess of Revenues Over Expenditures** | 18,661 | 18,079 | (582) |
| **Other Financing Sources (Uses):** | | | |
| Transfers In | 151 | 1,609 | 1,458 |
| Transfers Out | (18,245) | (19,768) | (1,523) |
| **Total Other Financing Sources (Uses)** | (18,094) | (18,159) | (65) |
| **Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)** | 567 | (80) | $ (647) |
| Fund Balances, October 1 | 83,077 | 83,077 | |
| Add Encumbrances | | 8,102 | |
| **Fund Balances, September 30** | $ 83,644 | $ 91,099 | |

The City noted budget violations of excess expenditures, transfers out, and encumbrances over appropriations. As there was sufficient actual revenues or fund balances to cover these excesses, the City does not deem these violations to be material.

Note: Includes revenues and expenditures generated from Convention and Tourism activities relating to the promotion of City of San Antonio owned facilities to be used for conventions, community and entertainment venues; the marketing and promotion of San Antonio through the Convention and Visitors Bureau and support for arts and cultural organizations in the Department of Cultural and Creative Development.

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Confiscated Property
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Miscellaneous | $ 1,375 | $ 1,694 | $ 319 |
| Contributions | | 345 | 345 |
| Investment Earnings | 3 | 11 | 8 |
| **Total Revenues** | 1,378 | 2,050 | 672 |
| **Expenditures:** | | | |
| General Government: | | | |
| Other Expenditures | | 2 | (2) |
| Total General Government | | 2 | (2) |
| Public Safety: | | | |
| Personal Services | 381 | 380 | 1 |
| Contractual Services | 371 | 349 | 22 |
| Commodities | 191 | 193 | (2) |
| Other Expenditures | 218 | 226 | (8) |
| Capital Outlay | 121 | 433 | (312) |
| Total Public Safety | 1,283 | 1,581 | (299) |
| **Total Expenditures** | 1,283 | 1,583 | (301) |
| **Excess of Revenues Over Expenditures** | 95 | 467 | 371 |
| **Other Financing (Uses):** | | | |
| Transfers Out | (381) | (381) | |
| **Total Other Financing (Uses)** | (381) | (381) | |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing (Uses)** | (286) | 86 | $ 371 |
| Fund Balances, October 1 | 2,608 | 2,608 | |
| Add Encumbrances | | 33 | |
| **Fund Balances, September 30** | $ 2,322 | $ 2,727 | |

The City noted budget violations of excess expenditures and encumbrances are over appropriations. As there was sufficient actual revenues or 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
## Hotel/Motel 2% Revenue
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Taxes: | | | |
| Occupancy | $ 16,770 | $ 17,125 | $ 355 |
| Penalties and Interest on Delinquent Taxes | 75 | 34 | (41) |
| Miscellaneous | | 43 | 43 |
| Investment Earnings | | 10 | 10 |
| **Total Revenues** | 16,845 | 17,212 | 367 |
| **Expenditures:** | | | |
| General Government: | | | |
| Other Expenditures | | 3 | (3) |
| **Total Expenditures** | | 3 | (3) |
| **Excess of Revenues Over Expenditures** | 16,845 | 17,209 | 364 |
| **Other Financing Sources (Uses):** | | | |
| Transfer In | 5,915 | 6,352 | 437 |
| Transfers Out | (21,308) | (22,767) | (1,459) |
| **Total Other Financing Sources (Uses)** | (15,393) | (16,415) | (1,022) |
| **Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)** | 1,452 | 794 | $ (658) |
| Fund Balances, October 1 | 1,864 | 1,864 | |
| **Fund Balances, September 30** | $ 3,316 | $ 2,658 | |

The City noted budget violations of excess expenditures and transfers out over appropriations. As there was sufficient actual revenues or 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 - 2010, 2005, and 2000 Venue Projects
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 FINAL BUDGET | 2014 ACTUAL | VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Revenues:** | | | |
| General Sales and Use | $ 30,593 | $ 30,983 | $ 390 |
| Contributions | | 132 | 132 |
| Investment Earnings | 103 | 243 | 140 |
| **Total Revenues** | 30,696 | 31,358 | 662 |
| **Expenditures:** | | | |
| General Government: | | | |
| Other Expenditures | | 50 | (50) |
| Total General Government | | 50 | (50) |
| Culture and Recreation: | | | |
| Contractual Services | 612 | 844 | (232) |
| Total Culture and Recreation | 612 | 844 | (232) |
| **Total Expenditures** | 612 | 894 | (282) |
| **Excess of Revenues Over Expenditures** | 30,084 | 30,464 | 380 |
| **Other Financing (Uses):** | | | |
| Transfers Out | (33,477) | (70,035) | (36,558) |
| **Total Other Financing (Uses)** | (33,477) | (70,035) | (36,558) |
| **(Deficiency) of Revenues (Under) Expenditures and Other Financing (Uses)** | (3,393) | (39,571) | $ (36,178) |
| Fund Balances, October 1 | 66,830 | 66,830 | |
| Add Encumbrances | | 30,973 | |
| **Fund Balances, September 30** | $ 63,437 | $ 58,232 | |

The City noted budget violations of excess expenditures, transfers out, and encumbrances over appropriations. As there was sufficient actual revenues or 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 Environmental & Sanitation
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 FINAL BUDGET | 2014 ACTUAL | VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Revenues:** | | | |
| Charges for Services | $ 6,636 | $ 6,672 | $ 36 |
| **Total Revenues** | 6,636 | 6,672 | 36 |
| **Expenditures:** | | | |
| Sanitation: | | | |
| Personal Services | 3,949 | 3,912 | 37 |
| Contractual Services | 1,747 | 2,008 | (261) |
| Commodities | 421 | 186 | 235 |
| Other Expenditures | 519 | 492 | 27 |
| Capital Outlay | | | |
| Total Public Works | 6,636 | 6,598 | 38 |
| **Total Expenditures** | 6,636 | 6,598 | 38 |
| **Excess of Revenues Over Expenditures** | | 74 | 74 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | | 74 | $ 74 |
| Fund Balances, October 1 | | | |
| Add Encumbrances | | 6 | |
| **Fund Balances, September 30** | $ - | $ 80 | |

## 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, 2014
(In Thousands)

| | 2014 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Charges for Services | $ 2,619 | $ 2,764 | $ 145 |
| Investment Earnings | | 3 | 3 |
| **Total Revenues** | 2,619 | 2,767 | 148 |
| **Expenditures:** | | | |
| General Government: | | | |
| Other Expenditures | | 1 | (1) |
| Total General Government | | 1 | (1) |
| Public Works: | | | |
| Personal Services | 1,258 | 1,347 | (89) |
| Contractual Services | 105 | 106 | (1) |
| Commodities | 22 | 12 | 10 |
| Other Expenditures | 273 | 294 | (21) |
| Capital Outlay | | 51 | (51) |
| Total Public Works | 1,658 | 1,810 | (152) |
| **Total Expenditures** | 1,658 | 1,811 | (153) |
| **Excess of Revenues Over Expenditures** | 961 | 956 | (5) |
| **Other Financing (Uses):** | | | |
| Transfers In | | | |
| Transfers Out | (42) | | 42 |
| **Total Other Financing (Uses)** | (42) | | 42 |
| **Excess of Revenues Over Expenditures and Other Financing (Uses)** | 919 | 956 | $ 37 |
| Fund Balances, October 1 | 996 | 996 | |
| **Fund Balances, September 30** | $ 1,915 | $ 1,952 | |

The City noted budget violations of excess expenditures and encumbrances are over appropriations. As there was sufficient actual revenues or 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
## Stormwater Operations
### Year-Ended September 30, 2014
(In Thousands)

| | 2014 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Charges for Services | $ 44,043 | $ 43,863 | $ (180) |
| Miscellaneous | 126 | 139 | 13 |
| Investment Earnings | 64 | 99 | 35 |
| **Total Revenues** | 44,233 | 44,101 | (132) |
| **Expenditures:** | | | |
| General Government: | | | |
| Other Expenditures | | 20 | (20) |
| Total General Government | | 20 | (20) |
| Public Works: | | | |
| Administration: | | | |
| Personal Services | 1,972 | 2,685 | (713) |
| Contractual Services | 5,141 | 5,366 | (225) |
| Commodities | 42 | 18 | 24 |
| Other Expenditures | 1,557 | 1,526 | 31 |
| Capital Outlay | 7 | 8 | (1) |
| Total Administration | 8,719 | 9,603 | (884) |
| Vegetation Control: | | | |
| Personal Services | 2,749 | 2,911 | (162) |
| Contractual Services | 782 | 611 | 171 |
| Commodities | 272 | 841 | (569) |
| Other Expenditures | 1,220 | 1,249 | (29) |
| Capital Outlay | 12 | 2 | 10 |
| Total Vegetation Control | 5,035 | 5,614 | (579) |
| River Maintenance: | | | |
| Personal Services | 3,882 | 2,309 | 1,573 |
| Contractual Services | 2,892 | 1,163 | 1,729 |
| Commodities | 292 | 282 | 10 |
| Other Expenditures | 1,992 | 1,946 | 46 |
| Capital Outlay | 3 | | 3 |
| Total River Maintenance | 9,061 | 5,700 | 3,361 |
| Street Sweeping: | | | |
| Personal Services | 2,590 | 2,240 | 350 |
| Contractual Services | 378 | 729 | (351) |
| Commodities | 249 | 337 | (88) |
| Other Expenditures | 1,355 | 1,344 | 11 |
| Capital Outlay | | 3 | (3) |
| Total Street Sweeping | 4,572 | 4,653 | (81) |
| Tunnel Maintenance: | | | |
| Personal Services | 1,369 | 2,002 | (633) |
| Contractual Services | 263 | 172 | 91 |
| Commodities | 713 | 589 | 124 |
| Other Expenditures | 919 | 699 | 220 |
| Capital Outlay | 86 | | 86 |
| Total Tunnel Maintenance | 3,350 | 3,462 | (112) |
| Design Engineering: | | | |
| Personal Services | 2,096 | 2,179 | (83) |
| Contractual Services | 212 | 132 | 80 |
| Commodities | 25 | 23 | 2 |
| Other Expenditures | 464 | 491 | (27) |
| Capital Outlay | 12 | 24 | (12) |
| Total Design Engineering | 2,809 | 2,849 | (40) |
| **Total Public Works** | 33,546 | 31,901 | 1,665 |
| **Excess of Revenues Over Expenditures** | 10,687 | 12,200 | 1,533 |
| **Other Financing Sources (Uses):** | | | |
| Transfers In | | 16 | 16 |
| Transfers Out | (19,090) | (32,975) | (13,885) |
| **Total Other Financing Sources (Uses)** | (19,090) | (32,959) | (13,869) |
| **(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)** | (8,403) | (20,759) | $ (12,336) |
| Fund Balances, October 1 | 29,262 | 29,262 | |
| Add Encumbrances | | 14,876 | |
| **Fund Balances, September 30** | $ 20,859 | $ 23,379 | |

The City noted budget violations of excess expenditures, transfers out, and encumbrances are over appropriations. As there was sufficient actual revenues or 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, 2014**
(In Thousands)

| | 2014 FINAL BUDGET | 2014 ACTUAL | 2014 VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Revenues:** | | | |
| Miscellaneous | $ 504 | $ 512 | $ 8 |
| **Total Revenues** | 504 | 512 | 8 |
| **Expenditures:** | | | |
| Economic Development and Opportunity: | | | |
| Personal Services | 461 | 469 | (8) |
| Contractual Services | 10 | 1 | 9 |
| Commodities | 7 | 1 | 6 |
| Other Expenditures | 28 | 28 | |
| **Total Expenditures** | 506 | 499 | 7 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | (2) | 13 | 15 |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | (2) | 13 | $ 15 |
| Fund Balances, October 1 | 15 | 15 | |
| **Fund Balances, September 30** | $ 13 | $ 28 | |





## 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, 2014**
(In Thousands)

| | 2014 FINAL BUDGET | 2014 ACTUAL | 2014 VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Revenues:** | | | |
| Charges for Services | $ 408 | $ 393 | $ (15) |
| Intergovernmental | 1,705 | 1,762 | 57 |
| **Total Revenues** | 2,113 | 2,155 | 42 |
| **Expenditures:** | | | |
| Public Safety: | | | |
| Personal Services | 1,438 | 1,442 | (4) |
| Contractual Services | 14 | 13 | 1 |
| Commodities | 14 | 7 | 7 |
| Other Expenditures | 539 | 723 | (184) |
| Capital Projects | 4 | 4 | |
| **Total Expenditures** | 2,009 | 2,189 | (180) |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 104 | (34) | (138) |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 104 | (34) | $ (138) |
| Fund Balances, October 1 | 41 | 41 | |
| **Fund Balances, September 30** | $ 145 | $ 7 | |

The City noted budget violations of excess expenditures over appropriations. As there was sufficient actual revenues or 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, 2014**
(In Thousands)

| | 2014 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Intergovernmental | $ 404 | $ 379 | $ (25) |
| Miscellaneous Revenue | 1 | 3 | 2 |
| Investment Earnings | 3 | 5 | 2 |
| **Total Revenues** | 408 | 387 | 4 |
| **Expenditures:** | | | |
| General Government: | | | |
| Personal Services | 241 | 243 | (2) |
| Contractual Services | 1,163 | 1,427 | (264) |
| Other Expenditures | 25 | 20 | 5 |
| **Total Expenditures** | 1,429 | 1,690 | (261) |
| **(Deficiency) of Revenues (Under) Expenditures** | (1,021) | (1,303) | (257) |
| **Other Financing Sources (Uses):** | | | |
| Transfers In | 710 | 710 | |
| Transfers Out | | (729) | (729) |
| **Total Other Financing Sources (Uses)** | 710 | (19) | (729) |
| **(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)** | (311) | (1,322) | $ (986) |
| Fund Balances, October 1 | 1,628 | 1,628 | |
| Add Encumbrances | | 784 | |
| **Fund Balances, September 30** | $ 1,317 | $ 1,090 | |

The City noted budget violations of excess expenditures, transfers out, and encumbrances over appropriations. As there was sufficient actual revenues or 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 Services Funds - Golf Course Operating and Maintenance
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Miscellaneous [1] | $ 252 | $ 252 | $ - |
| **Total Revenues** | 252 | 252 | |
| **Other Financing:** | | | |
| Transfers In | 210 | 210 | |
| Transfers Out | (102) | (102) | |
| **Total Other Financing** | 108 | 108 | |
| **Excess of Revenues Over Expenditures** | 360 | 360 | $ - |
| Fund Balances, October 1 | (1,429) | (1,429) | |
| **Fund Balances, September 30** | $ (1,069) | $ (1,069) | |

[1] For financial reporting presentation the revenue is reported as transfers in; however the above schedule reflects the fund schedule from the City's 2014 Adopted Budget.

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Special Revenue Funds
## Community Service Funds - Juvenile Case Manager
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Charges for Services | $ 858 | $ 782 | $ (76) |
| Miscellaneous Revenue | | 76 | 76 |
| Investment Earnings | 2 | 2 | |
| **Total Revenues** | 860 | 860 | |
| **Expenditures:** | | | |
| General Government: | | | |
| Personal Services | 741 | 758 | (17) |
| Contractual Services | 8 | 9 | (1) |
| Commodities | 5 | 3 | 2 |
| Other Expenditures | 41 | 41 | |
| **Total Expenditures** | 795 | 811 | (16) |
| **Excess of Revenues Over Expenditures** | 65 | 49 | (16) |
| **Excess of Revenues Over Expenditures** | 65 | 49 | $ (16) |
| Fund Balances, October 1 | 743 | 743 | |
| **Fund Balances, September 30** | $ 808 | $ 792 | |

The City noted budget violations of excess expenditures over appropriations. As there was sufficient actual revenues or 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 - Municipal Court Security
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Charges for Services | $ 487 | $ 486 | $ (1) |
| **Total Revenues** | 487 | 486 | (1) |
| **Expenditures:** | | | |
| General Government: | | | |
| Personal Services | 420 | 415 | 5 |
| Contractual Services | 7 | 7 | |
| Commodities | 3 | 2 | 1 |
| Other Expenditures | 28 | 28 | |
| Capital Outlay | | 2 | (2) |
| **Total Expenditures** | 458 | 454 | 4 |
| **Excess of Revenues Over Expenditures** | 29 | 32 | 3 |
| **Other Financing (Uses):** | | | |
| Transfers Out | (23) | (23) | |
| **Total Other Financing (Uses)** | (23) | (23) | |
| **Excess of Revenues Over Expenditures and Other Financing (Uses)** | 6 | 9 | $ 3 |
| Fund Balances, October 1 | 2 | 2 | |
| **Fund Balances, September 30** | $ 8 | $ 11 | |

## 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, 2014**
(In Thousands)

| | 2014 FINAL BUDGET | 2014 ACTUAL | VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Revenues:** | | | |
| Charges for Services | $ 649 | $ 647 | $ (2) |
| Investment Earnings | | 4 | 4 |
| **Total Revenues** | 649 | 651 | 2 |
| **Expenditures:** | | | |
| General Government: | | | |
| Personal Services | 59 | 59 | |
| Contractual Services | 929 | 768 | 161 |
| Commodities | 10 | 1 | 9 |
| Other Expenditures | 5 | 5 | |
| Capital Outlay | 19 | 25 | (6) |
| **Total Expenditures** | 1,022 | 858 | 164 |
| **(Deficiency) of Revenues (Under) Expenditures** | (373) | (207) | 166 |
| **Other Financing (Uses):** | | | |
| Transfers Out | (19) | (279) | (260) |
| **Total Other Financing (Uses)** | (19) | (279) | (260) |
| **(Deficiency) of Revenues (Under) Expenditures and Other Financing (Uses)** | (392) | (486) | $ (94) |
| Fund Balances, October 1 | 1,425 | 1,425 | |
| **Fund Balances, September 30** | $ 1,033 | $ 939 | |

The City noted budget violations of excess transfers out over appropriations. As there was sufficient actual revenues or 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 - Tree Canopy Preservation and Mitigation Fund
**Year-Ended September 30, 2014**
(In Thousands)

| | 2014 FINAL BUDGET | 2014 ACTUAL | VARIANCE WITH FINAL BUDGET |
|---|---|---|---|
| **Revenues:** | | | |
| Charges for Services | $ 2,116 | $ 3,493 | $ 1,377 |
| Investment Earnings | 1 | 5 | 4 |
| **Total Revenues** | 2,117 | 3,498 | 4 |
| **Expenditures:** | | | |
| Culture and Recreation: | | | |
| Personal Services | 98 | 80 | 18 |
| Contractual Services | 142 | 117 | 25 |
| Commodities | 191 | 164 | 27 |
| Other Expenditures | 56 | 60 | (4) |
| Capital Outlay | | 1 | (1) |
| **Total Expenditures** | 487 | 422 | 65 |
| **Excess of Revenues Over Expenditures** | 1,630 | 3,076 | 69 |
| **Other Financing (Uses):** | | | |
| Transfers Out | (14) | (14) | |
| **Total Other Financing (Uses)** | (14) | (14) | |
| **Excess of Revenues Over Expenditures and Other Financing (Uses)** | 1,616 | 3,062 | $ 69 |
| Fund Balances, October 1 | 393 | 393 | |
| Add Encumbrances | | 3 | |
| **Fund Balances, September 30** | $ 2,009 | $ 3,458 | |

## Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
## Budget and Actual (Budgetary Basis)
## Permanent Fund
## City Cemeteries
### Year-Ended September 30, 2014
(In Thousands)

| | 2014 | | |
|---|---|---|---|
| | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | |
| Charges for Services | $ 203 | $ 276 | $ 73 |
| Investment Earnings | 3 | 11 | 8 |
| **Total Revenues** | 206 | 287 | 81 |
| **Expenditures:** | | | |
| General Government: | | | |
| Other Expenditures | | 2 | (2) |
| Total General Government | | 2 | (2) |
| Culture and Recreation: | | | |
| Personal Services | | 50 | (50) |
| Contractual Services | 87 | 19 | 68 |
| Commodities | 5 | | 5 |
| Other Expenditures | 2 | 2 | |
| Total Culture and Recreation | 94 | 71 | 23 |
| **Total Expenditures** | 94 | 73 | 21 |
| **Excess of Revenues Over Expenditures** | 112 | 214 | 102 |
| **Other Financing Sources:** | | | |
| Transfers In | | 4 | 4 |
| **Total Other Financing Sources** | | 4 | 4 |
| **Excess of Revenues and Other Financing Sources Over Expenditures** | 112 | 218 | $ 106 |
| Fund Balances, October 1 | 2,804 | 2,804 | |
| **Fund Balances, September 30** | $ 2,916 | $ 3,022 | |

# Supplementary Budget and Actual Schedules for Legally Adopted Funds

# Nonmajor Enterprise Funds

**DEVELOPMENT SERVICES –** accounts for all revenues and expenses associated with the operation and maintenance of the City's development and service activities.

**MARKET SQUARE –** accounts for all revenues and expenses associated with the management and operation of the Farmer's Market, El Mercado, the Market Square Parking Lot, and Alameda.

**PARKING SYSTEM –** accounts for all revenues and expenses associated with the operation and maintenance of the City's structures and parking lots, required debt service for outstanding bonds, and construction and management of the Parking System's assets.

**SOLID WASTE MANAGEMENT –** accounts for all revenues and expenses associated with the operation 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.

## Combining Statement of Net Position
## Nonmajor Enterprise Funds
**As of September 30, 2014**
(In Thousands)

| | DEVELOPMENT SERVICES | MARKET SQUARE | PARKING SYSTEM | SOLID WASTE MANAGEMENT | TOTAL NONMAJOR ENTERPRISE FUNDS |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| **Current Assets:** | | | | | |
| **Unrestricted Assets:** | | | | | |
| Cash and Cash Equivalents | $ 1,337 | $ 100 | $ 495 | $ 1,191 | $ 3,123 |
| Investments | 14,944 | 1,117 | 5,523 | 8,035 | 29,619 |
| Receivables, Net | 94 | 23 | 368 | 7,869 | 8,354 |
| Materials and Supplies, at Cost | | | 12 | 18 | 30 |
| Due From Other Funds | 1 | | | | 1 |
| **Total Unrestricted Assets** | 16,376 | 1,240 | 6,398 | 17,113 | 41,127 |
| **Restricted Assets:** | | | | | |
| Debt Service Accounts: | | | | | |
| Cash and Cash Equivalents | | | 435 | | 435 |
| Investments | | | 4,880 | | 4,880 |
| Receivables, Net | | | 9 | | 9 |
| Construction Accounts: | | | | | |
| Cash and Cash Equivalents | | | 41 | 2,640 | 2,681 |
| Investments | | | | 25 | 25 |
| Receivables, Net | | | | 2 | 2 |
| Improvement and Contingency Accounts: | | | | | |
| Cash and Cash Equivalents | | | 280 | 263 | 543 |
| Investments | | | 3,142 | 3,018 | 6,160 |
| Receivables, Net | | | 6 | 12 | 18 |
| **Total Restricted Assets** | | | 8,793 | 5,960 | 14,753 |
| **Total Current Assets** | 16,376 | 1,240 | 15,191 | 23,073 | 55,880 |
| **Noncurrent Assets:** | | | | | |
| **Capital Assets:** | | | | | |
| Land | | 45 | 8,125 | 1,107 | 9,277 |
| Buildings | | 1,357 | 24,590 | 5,133 | 31,080 |
| Improvements | | 7,950 | 5,294 | 9,210 | 22,454 |
| Machinery and Equipment | 504 | | 1,307 | 32,990 | 34,801 |
| Construction in Progress | | | 627 | 3,583 | 4,210 |
| **Total Capital Assets** | 504 | 9,352 | 39,943 | 52,023 | 101,822 |
| Less: Accumulated Depreciation | 425 | 3,041 | 14,377 | 21,993 | 39,836 |
| **Net Capital Assets** | 79 | 6,311 | 25,566 | 30,030 | 61,986 |
| **Total Noncurrent Assets** | 79 | 6,311 | 25,566 | 30,030 | 61,986 |
| **Total Assets** | 16,455 | 7,551 | 40,757 | 53,103 | 117,866 |
| **Total Deferred Outflows of Resources** | | | 1,343 | 49 | 1,392 |



CITY OF SAN ANTONIO, TEXAS

Combining Statement of Net Position
Nonmajor Enterprise Funds
As of September 30, 2014
(In Thousands)

| | DEVELOPMENT SERVICES | MARKET SQUARE | PARKING SYSTEM | SOLID WASTE MANAGEMENT | TOTAL NONMAJOR ENTERPRISE FUNDS |
|---|---|---|---|---|---|
| **Liabilities:** | | | | | |
| **Current Liabilities:** | | | | | |
| **Payable from Current Unrestricted Assets:** | | | | | |
| Vouchers Payable | $ 370 | $ 112 | $ 127 | $ 981 | $ 1,590 |
| Accounts Payable-Other | 883 | 102 | 91 | 701 | 1,777 |
| Accrued Payroll | 374 | 8 | 93 | 720 | 1,195 |
| Accrued Interest | | | | 54 | 54 |
| Current Portion of Accrued Leave Payable | 629 | 14 | 173 | 1,404 | 2,220 |
| Unearned Revenue | | 2 | | | 2 |
| Current Portion of Capital Lease Liability | | | | 4,612 | 4,612 |
| Current Portion of Accrued Landfill Postclosure Costs | | | | 103 | 103 |
| Due To Other Funds | 145 | | | 22 | 167 |
| **Total Payable from Current Unrestricted Assets** | 2,401 | 238 | 484 | 8,597 | 11,720 |
| **Payable from Restricted Assets:** | | | | | |
| Vouchers Payable | | | 40 | 323 | 363 |
| Accrued Interest | | | 119 | 23 | 142 |
| Current Portion of Bonds and Certificates (net of premium/discount) | | | 995 | 183 | 1,178 |
| Other Payables | | | | 541 | 541 |
| **Total Payable from Restricted Assets** | | | 1,154 | 1,070 | 2,224 |
| **Total Current Liabilities** | 2,401 | 238 | 1,638 | 9,667 | 13,944 |
| **Noncurrent Liabilities:** | | | | | |
| Bonds and Certificates (net of current portion & discount/premium) | | | 11,097 | 2,817 | 13,914 |
| Accrued Leave Payable (net of current portion) | 6 | 4 | | 221 | 231 |
| Capital Lease Liability (net of current portion) | | | | 9,118 | 9,118 |
| Net OPEB and Pension Obligation | 6,722 | 172 | 2,271 | 16,459 | 25,624 |
| Accrued Landfill Postclosure Costs (net of current portion) | | | | 1,058 | 1,058 |
| **Total Noncurrent Liabilities** | 6,728 | 176 | 13,368 | 29,673 | 49,945 |
| **Total Liabilities** | 9,129 | 414 | 15,006 | 39,340 | 63,889 |
| **Net Position:** | | | | | |
| Net Investment in Capital Assets | 79 | 6,311 | 14,817 | 18,836 | 40,043 |
| Restricted: | | | | | |
| Debt Service | | | 5,205 | (23) | 5,182 |
| Capital Projects | | | 281 | 1,297 | 1,578 |
| Unrestricted | 7,247 | 826 | 6,791 | (6,298) | 8,566 |
| **Total Net Position** | $ 7,326 | $ 7,137 | $ 27,094 | $ 13,812 | $ 55,369 |

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## Combining Statement of Revenues, Expenses, and Changes in Net Position
## Nonmajor Enterprise Funds
### Year-Ended September 30, 2014
(In Thousands)

| | DEVELOPMENT SERVICES | MARKET SQUARE | PARKING SYSTEM | SOLID WASTE MANAGEMENT | TOTAL NONMAJOR ENTERPRISE FUNDS |
|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | |
| Charges for Services | $ 27,646 | $ 2,598 | $ 8,487 | $ 96,321 | $ 135,052 |
| **Total Operating Revenues** | 27,646 | 2,598 | 8,487 | 96,321 | 135,052 |
| **Operating Expenses:** | | | | | |
| Personal Services | 15,918 | 354 | 4,347 | 36,065 | 56,684 |
| Contractual Services | 1,622 | 1,398 | 1,203 | 27,763 | 31,986 |
| Commodities | 391 | 47 | 196 | 6,586 | 7,220 |
| Other | 4,068 | 385 | 1,134 | 22,828 | 28,415 |
| Depreciation | 5 | 352 | 1,137 | 4,811 | 6,305 |
| **Total Operating Expenses** | 22,004 | 2,536 | 8,017 | 98,053 | 130,610 |
| **Operating Income (Loss)** | 5,642 | 62 | 470 | (1,732) | 4,442 |
| **Nonoperating Revenues (Expenses):** | | | | | |
| Investment Earnings | 65 | 8 | 58 | 73 | 204 |
| Other Nonoperating Revenue | 2,095 | 16 | 1,118 | 1,134 | 4,363 |
| (Loss) on Sale of Capital Assets | | | | (947) | (947) |
| Interest and Debt Expense | | | (1,078) | (467) | (1,545) |
| Other Nonoperating Expense | (14) | | (2,267) | (102) | (2,383) |
| **Total Nonoperating Revenues (Expenses)** | 2,146 | 24 | (2,169) | (309) | (308) |
| **Change in Net Position Before Contributions and Transfers** | 7,788 | 86 | (1,699) | (2,041) | 4,134 |
| Capital Contributions | | 18 | | | 18 |
| **Transfers In (Out):** | | | | | |
| Transfers In | 2,515 | | 3,069 | 462 | 6,046 |
| Transfers Out | (4,615) | (242) | (2,567) | (2,947) | (10,371) |
| **Total Transfers In (Out)** | (2,100) | (242) | 502 | (2,485) | (4,325) |
| **Change In Net Position** | 5,688 | (138) | (1,197) | (4,526) | (173) |
| Net Position - October 1 (restated) | 1,638 | 7,275 | 28,291 | 18,338 | 55,542 |
| **Net Position - September 30** | $ 7,326 | $ 7,137 | $ 27,094 | $ 13,812 | $ 55,369 |





## Combining Statement of Cash Flows
## Nonmajor Enterprise Funds
### Year-Ended September 30, 2014
(In Thousands)

| | DEVELOPMENT SERVICES | MARKET SQUARE | PARKING SYSTEM | SOLID WASTE MANAGEMENT | TOTAL NONMAJOR ENTERPRISE FUNDS |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | | | |
| Cash Received from Customers | $ 27,808 | $ 2,607 | $ 8,248 | $ 95,970 | $ 134,633 |
| Cash Payments to Suppliers for Goods and Services | (6,363) | (1,728) | (2,443) | (57,733) | (68,267) |
| Cash Payments to Employees for Service | (15,632) | (323) | (4,032) | (32,952) | (52,939) |
| Cash Received from Other Nonoperating Revenues | 314 | 16 | 1,113 | 1,130 | 2,573 |
| **Net Cash Provided by Operating Activities** | 6,127 | 572 | 2,886 | 6,415 | 16,000 |
| **Cash Flows from Noncapital Financing Activities:** | | | | | |
| Transfers In from Other Funds | 2,515 | | 3,069 | 462 | 6,046 |
| Transfers Out to Other Funds | (4,615) | (242) | (2,567) | (2,947) | (10,371) |
| Due to Other Funds | (3,271) | | (32) | 17 | (3,286) |
| Due from Other Funds | 226 | | | 25 | 251 |
| Cash Received from Other Noncapital Financing Activity | 1,781 | | 5 | 4 | 1,790 |
| **Net Cash Provided by (Used for) Noncapital Financing Activities** | (3,364) | (242) | 475 | (2,439) | (5,570) |
| **Cash Flows from Capital and Related Financing Activities:** | | | | | |
| Acquisitions and Construction of Capital Assets | (80) | | (1,508) | (1,680) | (3,268) |
| Principal Payments on Long-Term Debt | | | (1,141) | (170) | (1,311) |
| Interest and Fees Paid on Long-Term Debt | | | (1,089) | (145) | (1,234) |
| Interest Paid on Notes and Leases | | | | (331) | (331) |
| Principal Payments on Notes and Leases | | | | (3,927) | (3,927) |
| **Net Cash (Used for) Capital and Related Financing Activities** | (80) | | (3,738) | (6,253) | (10,071) |
| **Cash Flows from Investing Activities:** | | | | | |
| Purchases of Investment Securities | (15,966) | (1,193) | (14,471) | (11,835) | (43,465) |
| Maturity of Investment Securities | 13,190 | 867 | 14,280 | 16,259 | 44,596 |
| Purchases of Investments for Securities Lending | 321 | 21 | 330 | 407 | 1,079 |
| Proceeds from Cash Collected for Securities Lending Cash Collateral | (321) | (21) | (330) | (407) | (1,079) |
| Investments Earnings | 64 | 7 | 56 | 73 | 200 |
| **Net Cash Provided by (Used for) Investing Activities** | (2,712) | (319) | (135) | 4,497 | 1,331 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (29) | 11 | (512) | 2,220 | 1,690 |
| **Cash and Cash Equivalents, October 1** | 1,366 | 89 | 1,763 | 1,874 | 5,092 |
| **Cash and Cash Equivalents, September 30** | $ 1,337 | $ 100 | $ 1,251 | $ 4,094 | $ 6,782 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities** | | | | | |
| Operating Income (Loss) | $ 5,642 | $ 62 | $ 470 | $ (1,732) | $ 4,442 |
| **Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:** | | | | | |
| Depreciation | 5 | 352 | 1,137 | 4,811 | 6,305 |
| Other Nonoperating Revenues | 314 | 16 | 1,113 | 1,130 | 2,573 |
| **Changes in Assets and Liabilities:** | | | | | |
| (Increase) Decrease in Accounts Receivable | 162 | 7 | (239) | (351) | (421) |
| (Increase) in Due from Other Governmental Agencies | (2) | | | | (2) |
| (Increase) Decrease in Materials and Supplies | | | 42 | (18) | 24 |
| Increase in Vouchers Payable | 189 | 30 | 29 | 177 | 425 |
| Increase (Decrease) in Accounts Payable - Other | (469) | | 19 | 11 | (439) |
| Increase in Accrued Payroll | 30 | 72 | 18 | 105 | 225 |
| Increase (Decrease) in Accrued Leave Payable | (112) | 4 | 16 | (12) | (104) |
| (Decrease) in Landfill Postclosure Liability | | | | (726) | (726) |
| Increase in Net OPEB Obligation and Pension Obligation | 368 | 27 | 281 | 3,020 | 3,696 |
| Increase in Unearned Revenue | | 2 | | | 2 |
| **Net Cash Provided by Operating Activities** | $ 6,127 | $ 572 | $ 2,886 | $ 6,415 | $ 16,000 |
| **Noncash Capital and Related Financing Activities** | | | | | |
| Acquisitions and Construction of Capital Assets from Lease Purchase Proceeds | $ - | $ - | $ - | $ 4,470 | $ 4,470 |
| Contributed Capital | | 18 | | | 18 |

# Internal Service Funds

**SELF-INSURANCE PROGRAMS –** to account for Self-Insurance Programs including funds for the administration of all tort claims against the City and for the operation of the City's employee benefit programs. Included in the Self-Insurance Programs are the Employee Health Benefits Program, Insurance Reserve Program, and Workers' Compensation Program.

**INFORMATION SERVICES –** to account for financing of goods or services provided to other departments or agencies in the field of data processing, programming, and communication services.

**OTHER INTERNAL SERVICES –** to account for financing of goods or services (other than data processing and programming) provided to other departments or agencies. This fund has the following divisions: Purchasing, Central Stores, Automotive Repair, Temporary Services and Building Maintenance and Repairs. Reserves for Equipment Renewal and Replacement are recorded by charges to the user departments.

**CAPITAL IMPROVEMENTS MANAGEMENT SERVICES (CIMS) –** to account for revenues and expenses associated with the administration and delivery of the City's capital improvement projects.

## Combining Statement of Net Position
## Internal Service Funds
### As of September 30, 2014
(In Thousands)

| | SELF-INSURANCE PROGRAMS | | | | | | |
|---|---|---|---|---|---|---|---|
| | EMPLOYEE HEALTH BENEFITS | INSURANCE RESERVE | WORKERS' COMPENSATION | INFORMATION SERVICES | OTHER INTERNAL SERVICES | CAPITAL IMPROVEMENTS MANAGEMENT SERVICES | TOTAL INTERNAL SERVICE FUNDS |
| **Assets:** | | | | | | | |
| **Current Assets:** | | | | | | | |
| Cash and Cash Equivalents | $ 224 | $ 2,335 | $ 3,774 | $ 472 | $ 4,196 | $ 231 | $ 11,232 |
| Investments | 2,690 | 26,142 | 42,217 | 5,332 | 46,930 | 2,535 | 125,846 |
| Receivables, Net | 61 | 45 | 69 | 34 | 135 | 24 | 368 |
| Materials and Supplies, at Cost | | | | 24 | 1,574 | | 1,598 |
| Deposits | 102 | | 36 | | | | 138 |
| Prepaid Expenses | | 668 | | | | | 668 |
| Due From Other Funds | 224 | | 15 | 334 | 370 | | 943 |
| Due From Other Governmental Agencies | | | | 1,472 | 330 | | 1,802 |
| **Total Current Assets** | 3,301 | 29,190 | 46,111 | 7,668 | 53,535 | 2,790 | 142,595 |
| **Capital Assets:** | | | | | | | |
| Buildings | | | | 21 | 158 | | 179 |
| Improvements | | | | | 244 | | 244 |
| Machinery and Equipment | 16 | | | 5,566 | 164,975 | 80 | 170,637 |
| Depreciable Intangible | | | | | | 250 | 250 |
| **Total Capital Assets** | 16 | | | 5,587 | 165,377 | 330 | 171,310 |
| Less: Accumulated Depreciation | 11 | | | 5,058 | 92,817 | 157 | 98,043 |
| **Net Capital Assets** | 5 | | | 529 | 72,560 | 173 | 73,267 |
| **Total Assets** | 3,306 | 29,190 | 46,111 | 8,197 | 126,095 | 2,963 | 215,862 |
| **Liabilities:** | | | | | | | |
| **Current Liabilities:** | | | | | | | |
| Vouchers Payable | 274 | 56 | 103 | 484 | 4,201 | 39 | 5,157 |
| Accounts Payable-Other | 2,255 | 15 | 21 | 739 | 428 | 161 | 3,619 |
| Claims Payable | 11,299 | 5,390 | 10,159 | | | | 26,848 |
| Accrued Payroll | 43 | 35 | 47 | 437 | 367 | 362 | 1,291 |
| Current Portion of Accrued Leave Payable | 56 | 112 | 32 | 933 | 694 | 697 | 2,524 |
| Unearned Revenue | 4 | | | | | | 4 |
| Due To Other Funds | 11,451 | | | | 853 | 6 | 12,310 |
| **Total Current Liabilities** | 25,382 | 5,608 | 10,362 | 2,593 | 6,543 | 1,265 | 51,753 |
| **Noncurrent Liabilities:** | | | | | | | |
| Claims Payable | | 18,484 | 24,370 | | | | 42,854 |
| Accrued Leave Payable (net of current portion) | 3 | 6 | 4 | 309 | 114 | 11 | 447 |
| Net OPEB and Pension Obligation | 777 | 520 | 666 | 6,542 | 9,703 | 5,926 | 24,134 |
| **Total Noncurrent Liabilities** | 780 | 19,010 | 25,040 | 6,851 | 9,817 | 5,937 | 67,435 |
| **Total Liabilities** | 26,162 | 24,618 | 35,402 | 9,444 | 16,360 | 7,202 | 119,188 |
| **Net Position:** | | | | | | | |
| Net Investment in Capital Assets | 5 | | | 529 | 72,560 | 173 | 73,267 |
| Unrestricted | (22,861) | 4,572 | 10,709 | (1,776) | 37,175 | (4,412) | 23,407 |
| **Total Net Position** | $ (22,856) | $ 4,572 | $ 10,709 | $ (1,247) | $ 109,735 | $ (4,239) | $ 96,674 |

## Combining Statement of Revenues, Expenses, and Changes in Net Position
## Internal Service Funds
### Year-Ended September 30, 2014
(In Thousands)

| | SELF-INSURANCE PROGRAMS | | | | | | |
|---|---|---|---|---|---|---|---|
| | EMPLOYEE HEALTH BENEFITS | INSURANCE RESERVE | WORKERS' COMPENSATION | INFORMATION SERVICES | OTHER INTERNAL SERVICES | CAPITAL IMPROVEMENTS MANAGEMENT SERVICES | TOTAL INTERNAL SERVICE FUNDS |
| **Operating Revenues:** | | | | | | | |
| Charges for Services | $ 110,624 | $ 10,763 | $ 17,550 | $ 42,593 | $ 93,267 | 19,144 | $ 293,941 |
| **Total Operating Revenues** | 110,624 | 10,763 | 17,550 | 42,593 | 93,267 | 19,144 | 293,941 |
| **Operating Expenses:** | | | | | | | |
| Personal Services | 4,355 | 1,633 | 2,032 | 20,353 | 19,201 | 16,398 | 63,972 |
| Contractual Services | 14,332 | 854 | 1,358 | 16,950 | 3,688 | 468 | 37,650 |
| Commodities | 13 | 26 | 42 | 734 | 1,145 | 198 | 2,158 |
| Materials | | | | | 31,151 | | 31,151 |
| Claims | 113,737 | 4,221 | 9,146 | | | | 127,104 |
| Other | 1,362 | 2,230 | 564 | 5,638 | 8,352 | 2,261 | 20,407 |
| Depreciation | | | | 130 | 23,830 | 65 | 24,025 |
| **Total Operating Expenses** | 133,799 | 8,964 | 13,142 | 43,805 | 87,367 | 19,390 | 306,467 |
| **Operating Income (Loss)** | (23,175) | 1,799 | 4,408 | (1,212) | 5,900 | (246) | (12,526) |
| **Nonoperating Revenues (Expenses):** | | | | | | | |
| Investment Earnings | 37 | 115 | 176 | 27 | 208 | | 563 |
| Other Nonoperating Revenue | 214 | 48 | 529 | 242 | 230 | 30 | 1,293 |
| Gain (Loss) on Sale of Capital Assets | | | | | 268 | (3) | 265 |
| Other Nonoperating Expense | (6) | (24) | (36) | (5) | (41) | | (112) |
| **Total Nonoperating Revenues (Expenses)** | 245 | 139 | 669 | 264 | 665 | 27 | 2,009 |
| **Change in Net Position Before Transfers** | (22,930) | 1,938 | 5,077 | (948) | 6,565 | (219) | (10,517) |
| **Transfers In (Out):** | | | | | | | |
| Transfers In | | | 84 | | 8,414 | 1,233 | 9,731 |
| Transfers Out | | (84) | | (399) | (3,514) | (33) | (4,030) |
| **Total Transfers In (Out)** | | (84) | 84 | (399) | 4,900 | 1,200 | 5,701 |
| **Change in Net Position** | (22,930) | 1,854 | 5,161 | (1,347) | 11,465 | 981 | (4,816) |
| Net Position - October 1 | 74 | 2,718 | 5,548 | 100 | 98,270 | (5,220) | 101,490 |
| **Net Position - September 30** | $ (22,856) | $ 4,572 | $ 10,709 | $ (1,247) | $ 109,735 | $ (4,239) | $ 96,674 |

## Combining Statement of Cash Flows
## Internal Service Funds
### Year-Ended September 30, 2014
(In Thousands)

| | SELF-INSURANCE PROGRAMS | | | | | | |
|---|---|---|---|---|---|---|---|
| | EMPLOYEE HEALTH BENEFITS | INSURANCE RESERVE | WORKERS' COMPENSATION | INFORMATION SERVICES | OTHER INTERNAL SERVICES | CAPITAL IMPROVEMENTS MANAGEMENT SERVICES | TOTAL INTERNAL SERVICE FUNDS |
| **Cash Flows from Operating Activities:** | | | | | | | |
| Cash Received from Customers | $ 110,635 | $ 10,763 | $ 17,550 | $ 41,856 | $ 93,282 | 19,124 | $ 293,210 |
| Cash Payments to Suppliers for Goods and Services | (125,780) | (6,976) | (10,407) | (24,053) | (43,196) | (2,905) | (213,317) |
| Cash Payments to Employees for Service | (4,242) | (1,513) | (1,998) | (19,293) | (17,944) | (15,750) | (60,740) |
| Cash Received from Other Nonoperating Revenues | 214 | 48 | 529 | 242 | 230 | 30 | 1,293 |
| **Net Cash Provided by (Used for) Operating Activities** | (19,173) | 2,322 | 5,674 | (1,248) | 32,372 | 499 | 20,446 |
| **Cash Flows from Noncapital Financing Activities:** | | | | | | | |
| Transfers In from Other Funds | | | 84 | | 8,414 | 1,233 | 9,731 |
| Transfers Out to Other Funds | | (84) | | (399) | (3,514) | (33) | (4,030) |
| Due To Other Funds | 11,451 | (212) | | (55) | 641 | (143) | 11,682 |
| Due From Other Funds | 163 | 107 | 116 | 1 | (119) | | 268 |
| **Net Cash Provided by (Used for) Noncapital Financing Activities** | 11,614 | (189) | 200 | (453) | 5,422 | 1,057 | 17,651 |
| **Cash Flows from Capital and Related Financing Activities:** | | | | | | | |
| Acquisitions and Construction of Capital Assets | (5) | | | (313) | (34,491) | | (34,809) |
| Proceeds from Sale of Assets | | | | | 3,468 | | 3,468 |
| **Net Cash (Used for) Capital and Related Financing Activities** | (5) | | | (313) | (31,023) | | (31,341) |
| **Cash Flows from Investing Activities:** | | | | | | | |
| Purchases of Investment Securities | (2,874) | (27,928) | (45,102) | (5,697) | (50,138) | (2,708) | (134,447) |
| Maturity of Investment Securities | 9,580 | 25,392 | 38,830 | 7,373 | 42,957 | 1,260 | 125,392 |
| Purchases of Investments for Securities Lending | 248 | 623 | 948 | 185 | 1,048 | 29 | 3,081 |
| Proceeds from Cash Collected for Securities Lending Cash Collateral | (248) | (623) | (948) | (185) | (1,048) | (29) | (3,081) |
| Investment Earnings | 47 | 83 | 131 | 22 | 167 | | 450 |
| **Net Cash Provided by (Used for) Investing Activities** | 6,753 | (2,453) | (6,141) | 1,698 | (7,014) | (1,448) | (8,605) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (811) | (320) | (267) | (316) | (243) | 108 | (1,849) |
| **Cash and Cash Equivalents, October 1** | 1,035 | 2,655 | 4,041 | 788 | 4,439 | 123 | 13,081 |
| **Cash and Cash Equivalents, September 30** | $ 224 | $ 2,335 | $ 3,774 | $ 472 | $ 4,196 | $ 231 | $ 11,232 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:** | | | | | | | |
| Operating Income (Loss) | $ (23,175) | $ 1,799 | $ 4,408 | $ (1,212) | $ 5,900 | $ (246) | $ (12,526) |
| **Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:** | | | | | | | |
| Depreciation | | | | 130 | 23,830 | 65 | 24,025 |
| Other Nonoperating Revenues | 214 | 48 | 529 | 242 | 230 | 30 | 1,293 |
| **Changes in Assets and Liabilities:** | | | | | | | |
| (Increase) Decrease in Accounts Receivable | 14 | | | (18) | (26) | (20) | (50) |
| (Increase) Decrease in Due from Other Governmental Agencies | | | | (719) | 41 | | (678) |
| Decrease in Materials and Supplies | | | | 4 | 257 | | 261 |
| Decrease in Prepaid Expenses | | 209 | | | | | 209 |
| Increase (Decrease) in Vouchers Payable | 190 | (17) | 9 | (698) | 821 | 21 | 326 |
| Increase in Claims Payable | 2,506 | 163 | 709 | | | | 3,378 |
| Increase (Decrease) in Accounts Payable - Other | 968 | | (16) | (37) | 63 | 1 | 979 |
| Increase in Accrued Payroll | 8 | 7 | 7 | 60 | 29 | 47 | 158 |
| Increase (Decrease) in Accrued Leave Payable | (16) | 56 | (75) | 60 | (64) | (53) | (92) |
| Increase in Net OPEB and Pension Obligation | 121 | 57 | 103 | 940 | 1,291 | 654 | 3,166 |
| (Decrease) in Unearned Revenue | (3) | | | | | | (3) |
| **Net Cash Provided by (Used for) Operating Activities** | $ (19,173) | $ 2,322 | $ 5,674 | $ (1,248) | $ 32,372 | $ 499 | $ 20,446 |
| **Noncash Investing, Capital and Financing Activities:** | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

# Fiduciary Funds

**FIRE AND POLICE PENSION AND HEALTH CARE FUNDS –** to account for resources of the pension and health care funds established for the City's firefighters and police officers, as provided for under state law and the respective collective bargaining agreements:

**SAN ANTONIO FIRE AND POLICE PENSION FUND –** to account for collection and payment of funds for the pension fund established for the City's firefighters and police officers, as provided for under state law.

**SAN ANTONIO FIRE AND POLICE RETIREE HEALTH CARE FUND –** to account for the collection and payment of funds for health care benefits of the City's firefighters and police officers who retired after October 1, 1989, as provided for under state law and the respective collective bargaining agreements.

**AGENCY FUNDS –** to account for funds which are custodial in nature and for which the City is acting as an agent. The City has established the following agency funds based upon the above definition:

**BEXAR COUNTY HOTEL/MOTEL TAX COLLECTIONS FUND –** to account for the collection and payment to Bexar County for certain hotel occupancy taxes.

**CRIMINAL JUSTICE PLANNING FUND –** to account for the collection and payment to the State of Texas for Law Enforcement Fees collected.

**CVB HOUSING BUREAU FUND –** to account for individual hotel reservation deposits maintained by Convention & Visitors Bureau staff for confirmed City-wide conventions**.**

**DEPOSIT FUND –** to account for the collection and payment of cash deposits held by the City pending the outcome of bids on contracts.

**EVIDENTIARY CASH FUND –** to account for cash impounded by the San Antonio Police Department pending the outcome of legal proceedings.

**LESSEES' SPECIAL EVENTS LIABILITY INSURANCE FUND –** to account for funds utilized for the purchase of insurance coverage on special events. Financing is provided by contributions from lessees.

**MUNICIPAL COURT CASH BOND FUND –** to account for the collection and payment of Court Cash Bonds held by the City pending the outcome of court cases.

**MAYOR'S LUNCH –** to account for collection and payment to caterers for lunch events with the Mayor organized and for the benefit of third parties.

**STATE SALES TAX FUND –** to account for the collection and payment to the State of Texas for sales tax collected.

**UNCLAIMED PROPERTY FUND –** to account for the collection and administration of unclaimed property in accordance with the Texas Property Code - Title 6.

## Combining Statement of Fiduciary Net Position
## Fire and Police Pension and Health Care Funds
**As of September 30, 2014**
(In Thousands)

| | FIRE AND POLICE PENSION FUND | FIRE AND POLICE RETIREE HEALTH CARE FUND | TOTAL FIRE AND POLICE PENSION AND HEALTH CARE FUNDS |
|---|---|---|---|
| **Assets:** | | | |
| **Current Assets:** | | | |
| Cash and Cash Equivalents | $ 156,722 | $ 13,790 | $ 170,512 |
| Security Lending Collateral | 107,230 | 4,712 | 111,942 |
| Investments: | | | |
| Common Stock | 1,026,373 | 15,136 | 1,041,509 |
| U.S. Government Securities | 73,228 | | 73,228 |
| Corporate Bonds | 443,295 | | 443,295 |
| Mutual Funds | | 76,069 | 76,069 |
| Hedge Funds | 394,077 | 7,207 | 401,284 |
| Real Estate | 249,564 | 51,065 | 300,629 |
| Alternative | 341,002 | 146,344 | 487,346 |
| Receivables: | | | |
| Accounts | 4,626 | | 4,626 |
| Accrued Interest | 10,191 | 13 | 10,204 |
| Prepaid Expenses | | 24 | 24 |
| **Total Current Assets** | 2,806,308 | 314,360 | 3,120,668 |
| **Capital Assets:** | | | |
| Machinery and Equipment | 379 | 47 | 426 |
| Buildings | 551 | 103 | 654 |
| **Total Capital Assets** | 930 | 150 | 1,080 |
| Less: Accumulated Depreciation | 268 | 78 | 346 |
| **Net Capital Assets** | 662 | 72 | 734 |
| **Total Assets** | $ 2,806,970 | $ 314,432 | $ 3,121,402 |
| **Liabilities:** | | | |
| Vouchers Payable | $ 4,723 | $ 54 | $ 4,777 |
| Accounts Payable - Other | 17,919 | | 17,919 |
| Claims Payable | | 3,019 | 3,019 |
| Accrued Payroll | 243 | 39 | 282 |
| Securities Lending Obligation | 107,230 | 4,712 | 111,942 |
| **Total Liabilities** | 130,115 | 7,824 | 137,939 |
| **Net Position:** | | | |
| Net Position Held in Trust for Pension, OPEB Benefits and Other Purposes | $ 2,676,855 | $ 306,608 | $ 2,983,463 |





## Combining Statement of Changes in Fiduciary Net Position
## Fire and Police Pension and Health Care Funds
**Year-Ended September 30, 2014**
(In Thousands)

| | FIRE AND POLICE PENSION FUND | FIRE AND POLICE RETIREE HEALTH CARE FUND | TOTAL FIRE AND POLICE PENSION AND HEALTH CARE FUNDS |
|---|---|---|---|
| **Additions:** | | | |
| **Contributions:** | | | |
| Employer | $ 76,146 | $ 26,343 | $ 102,489 |
| Employee | 38,073 | 13,166 | 51,239 |
| Other Contributions | | 1,165 | 1,165 |
| **Total Contributions** | 114,219 | 40,674 | 154,893 |
| **Investment Earnings:** | | | |
| Net Increase in Fair Value of Investments | 185,817 | 21,298 | 207,115 |
| Real Estate Income, Net | 9,332 | | 9,332 |
| Interest and Dividends | 41,035 | 3,131 | 44,166 |
| Securities Lending | 401 | 11 | 412 |
| Other Income | 66 | 12 | 78 |
| **Total Investment Earnings** | 236,651 | 24,452 | 261,103 |
| Less: Investment Expenses | | | |
| Investment Management Fees and Custodian Fees | (13,588) | (457) | (14,045) |
| Less: Securities Lending Expenses | | | |
| Borrower Rebates and Lending Fees | (9) | (5) | (14) |
| **Net Investment Earnings** | 223,054 | 23,990 | 247,044 |
| **Total Additions** | 337,273 | 64,664 | 401,937 |
| **Deductions:** | | | |
| Benefits | 121,945 | 25,969 | 147,914 |
| Refunds of Contributions | 362 | | 362 |
| Administrative Expenses | 2,789 | 2,160 | 4,949 |
| **Total Deductions** | 125,096 | 28,129 | 153,225 |
| **Change in Net Position** | 212,177 | 36,535 | 248,712 |
| Net Position - October 1 | 2,464,678 | 270,073 | 2,734,751 |
| **Net Position - September 30** | $ 2,676,855 | $ 306,608 | $ 2,983,463 |

## Combining Balance Sheet
## Agency Funds
### As of September 30, 2014
(In Thousands)

| | ASSETS | | | | |
|---|---|---|---|---|---|
| | CASH AND CASH EQUIVALENTS | INVESTMENTS | ACCOUNTS RECEIVABLE | ACCRUED INTEREST | TOTAL ASSETS |
| **Funds:** | | | | | |
| Bexar County Hotel/Motel Tax Collections Fund | $ 133 | $ 1,467 | $ 16 | $ 1 | $ 1,617 |
| Criminal Justice Planning Fund | 3,288 | | | | 3,288 |
| CVB Housing Bureau Fund | 29 | | | | 29 |
| Deposit Fund | 5,060 | | | | 5,060 |
| Evidentiary Cash Fund | 215 | 2,398 | | 3 | 2,616 |
| Lessees' Special Events Liability Insurance Fund | 14 | | | | 14 |
| Municipal Court Cash Bond Fund | 114 | | | | 114 |
| Mayor's Lunch | 1 | 2 | | | 3 |
| State Sales Tax Fund | 820 | | 3 | | 823 |
| Unclaimed Property Fund | 217 | 415 | | 1 | 633 |
| **Total** | $ 9,891 | $ 4,282 | $ 19 | $ 5 | $ 14,197 |

| | LIABILITIES | |
|---|---|---|
| | ACCOUNTS PAYABLE OTHER | TOTAL LIABILITIES |
| **Funds:** | | |
| Bexar County Hotel/Motel Tax Collections Fund | $ 1,617 | $ 1,617 |
| Criminal Justice Planning Fund | 3,288 | 3,288 |
| CVB Housing Bureau Fund | 29 | 29 |
| Deposit Fund | 5,060 | 5,060 |
| Evidentiary Cash Fund | 2,616 | 2,616 |
| Lessees' Special Events Liability Insurance Fund | 14 | 14 |
| Municipal Court Cash Bond Fund | 114 | 114 |
| Mayor's Lunch | 3 | 3 |
| State Sales Tax Fund | 823 | 823 |
| Unclaimed Property Fund | 633 | 633 |
| **Total** | $ 14,197 | $ 14,197 |

## Combining Statement of Changes in Assets and Liabilities
## Agency Funds
### As of September 30, 2014
(In Thousands)

| | BALANCE 10-01-2013 | ADDITIONS | DEDUCTIONS | BALANCE 09-30-2014 |
|---|---|---|---|---|
| **Bexar County Hotel/Motel Tax Collections Fund** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 1,065 | $ 20,120 | $ 21,052 | $ 133 |
| Securities Lending Collateral | 5 | | 5 | |
| Investments | 192 | 3,810 | 2,535 | 1,467 |
| Receivables: | | | | |
| Accounts | 10 | 16,749 | 16,743 | 16 |
| Accrued Interest | | 1 | | 1 |
| **Total Assets** | $ 1,272 | $ 40,680 | $ 40,335 | $ 1,617 |
| **Liabilities:** | | | | |
| Accounts Payable - Other | $ 1,267 | $ 16,629 | $ 16,279 | $ 1,617 |
| Securities Lending Obligation | 5 | | 5 | |
| **Total Liabilities** | $ 1,272 | $ 16,629 | $ 16,284 | $ 1,617 |
| **Criminal Justice Planning Fund** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 3,722 | $ 12,930 | $ 13,364 | $ 3,288 |
| **Total Assets** | $ 3,722 | $ 12,930 | $ 13,364 | $ 3,288 |
| **Liabilities:** | | | | |
| Vouchers Payable | $ - | $ 46 | $ 46 | $ - |
| Accounts Payable - Other | 3,722 | 21,020 | 21,454 | 3,288 |
| **Total Liabilities** | $ 3,722 | $ 21,066 | $ 21,500 | $ 3,288 |
| **CVB Housing Bureau Fund** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ - | $ 157 | $ 128 | $ 29 |
| **Total Assets** | $ - | $ 157 | $ 128 | $ 29 |
| **Liabilities:** | | | | |
| Vouchers Payable | $ - | $ 129 | $ 129 | $ - |
| Accounts Payable - Other | | 169 | 140 | 29 |
| **Total Liabilities** | $ - | $ 298 | $ 269 | $ 29 |
| **Deposit Fund** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 4,491 | $ 5,333 | $ 4,764 | $ 5,060 |
| Receivables: | | | | |
| Accounts | 195 | 5,021 | 5,216 | |
| **Total Assets** | $ 4,686 | $ 10,354 | $ 9,980 | $ 5,060 |
| **Liabilities:** | | | | |
| Vouchers Payable | $ - | $ 50 | $ 50 | $ - |
| Accounts Payable - Other | 4,686 | 403,587 | 403,213 | 5,060 |
| **Total Liabilities** | $ 4,686 | $ 403,637 | $ 403,263 | $ 5,060 |

(continued)






## Combining Statement of Changes in Assets and Liabilities
## Agency Funds
### As of September 30, 2014
(In Thousands)


| | BALANCE 10-01-2013 | ADDITIONS | DEDUCTIONS | BALANCE 09-30-2014 |
|---|---|---|---|---|
| **Evidentiary Cash Fund** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 223 | $ 2,887 | $ 2,895 | $ 215 |
| Securities Lending Collateral | 52 | | 52 | |
| Investments | 1,981 | 2,398 | 1,981 | 2,398 |
| Receivables: | | | | |
| Accrued Interest | 3 | 3 | 3 | 3 |
| **Total Assets** | $ 2,259 | $ 5,288 | $ 4,931 | $ 2,616 |
| **Liabilities:** | | | | |
| Accounts Payable - Other | $ 2,207 | $ 564 | $ 155 | $ 2,616 |
| Securities Lending Obligation | 52 | | 52 | |
| **Total Liabilities** | $ 2,259 | $ 564 | $ 207 | $ 2,616 |
| **Lessees' Special Event Liability Insurance Fund** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 20 | $ 14 | $ 20 | $ 14 |
| Receivables: | | | | |
| Accounts | | 1 | 1 | |
| **Total Assets** | $ 20 | $ 15 | $ 21 | $ 14 |
| **Liabilities:** | | | | |
| Vouchers Payable | $ - | $ 18 | $ 18 | $ - |
| Accounts Payable - Other | 20 | 14 | 20 | 14 |
| **Total Liabilities** | $ 20 | $ 32 | $ 38 | $ 14 |
| **Municipal Court Cash Bond Fund** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 150 | $ 90 | $ 126 | $ 114 |
| **Total Assets** | $ 150 | $ 90 | $ 126 | $ 114 |
| **Liabilities:** | | | | |
| Accounts Payable - Other | $ 150 | $ 226 | $ 262 | $ 114 |
| **Total Liabilities** | $ 150 | $ 226 | $ 262 | $ 114 |
| **Mayor's Lunch Fund** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 1 | $ 4 | $ 4 | $ 1 |
| Investments | 2 | 2 | 2 | 2 |
| **Total Assets** | $ 3 | $ 6 | $ 6 | $ 3 |
| **Liabilities:** | | | | |
| Vouchers Payable | $ - | $ 1 | $ 1 | $ - |
| Accounts Payable - Other | 3 | 1 | 1 | 3 |
| **Total Liabilities** | $ 3 | $ 2 | $ 2 | $ 3 |

(continued)

## CITY OF SAN ANTONIO, TEXAS

### Combining Statement of Changes in Assets and Liabilities
### Agency Funds
#### As of September 30, 2014
(In Thousands)

| | BALANCE 10-01-2013 | ADDITIONS | DEDUCTIONS | BALANCE 09-30-2014 |
|---|---|---|---|---|
| **State Sales Tax Fund** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 225 | $ 11,904 | $ 11,309 | $ 820 |
| Receivables: | | | | |
| Accounts | 2 | 32 | 31 | 3 |
| **Total Assets** | $ 227 | $ 11,936 | $ 11,340 | $ 823 |
| **Liabilities:** | | | | |
| Accounts Payable - Other | $ 227 | $ 11,924 | $ 11,328 | $ 823 |
| **Total Liabilities** | $ 227 | $ 11,924 | $ 11,328 | $ 823 |
| **Unclaimed Property Fund** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 41 | $ 717 | $ 541 | $ 217 |
| Securities Lending Collateral | 10 | | 10 | |
| Investments | 366 | 415 | 366 | 415 |
| Receivables: | | | | |
| Accounts | | 3 | 3 | |
| Accrued Interest | 1 | 1 | 1 | 1 |
| **Total Assets** | $ 418 | $ 1,136 | $ 921 | $ 633 |
| **Liabilities:** | | | | |
| Vouchers Payable | $ - | $ 41 | $ 41 | $ - |
| Accounts Payable - Other | 408 | 331 | 106 | 633 |
| Securities Lending Obligation | 10 | | 10 | |
| **Total Liabilities** | $ 418 | $ 372 | $ 157 | $ 633 |
| **Total All Agency Funds** | | | | |
| **Assets:** | | | | |
| Cash and Cash Equivalents | $ 9,938 | $ 54,156 | $ 54,203 | $ 9,891 |
| Securities Lending Collateral | 67 | | 67 | |
| Investments | 2,541 | 6,625 | 4,884 | 4,282 |
| Receivables: | | | | |
| Accounts | 207 | 21,806 | 21,994 | 19 |
| Accrued Interest | 4 | 5 | 4 | 5 |
| **Total Assets** | $ 12,757 | $ 82,592 | $ 81,152 | $ 14,197 |
| **Liabilities:** | | | | |
| Vouchers Payable | $ - | $ 285 | $ 285 | $ - |
| Accounts Payable - Other | 12,690 | 454,465 | 452,958 | 14,197 |
| Securities Lending Obligation | 67 | | 67 | |
| **Total Liabilities** | $ 12,757 | $ 454,750 | $ 453,310 | $ 14,197 |

(end of statement)

# Nonmajor Discretely Presented Component Units

**BROOKS DEVELOPMENT AUTHORITY (BDA) –** was designated to improve mission effectiveness, reduce the cost of providing quality installation support, and promote economic development on Brooks Air Force Base and in the surrounding community. Dedicated funds will provide basic municipal services at the base while continuing to develop it as a technology and business park.

**PORT AUTHORITY OF SAN ANTONIO (THE PORT) –** was established for the purpose of monitoring the closing of Kelly Air Force Base (Kelly) and formulating and adopting a comprehensive plan for the conversion and redevelopment of Kelly. The Port is authorized to issue bonds to finance related projects. These bonds are not obligations of the City.

**SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION (SAEAPFC) –** was established for the purpose 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 of San Antonio.

**SAWS DISTRICT SPECIAL PROJECT (DSP) –** was established as a component unit of the City during the transition of BexarMet's operations into SAWS.

**SAN ANTONIO HOUSING TRUST FINANCE CORPORATION (HTFC)** – was established in accordance with state laws for the purpose of acting on behalf of the City, to carry out the purposes of the Texas Housing Finance Corporations Act.

**SAN ANTONIO HOUSING TRUST FOUNDATION, INC. (HTF) –** is a nonprofit corporation established in 1990 for the purpose of supporting charitable, educational, and scientific undertakings, specifically for providing housing for low- to middle-income families. In addition, SAHTF provides administrative and other support for the operations of the San Antonio Housing Trust Fund, a Permanent Fund of the City.

**SAN ANTONIO HOUSING TRUST PUBLIC FACILITY CORPORATION (HTPFC) –** was established to assist the City in financing, refinancing, or providing public facilities. The Corporation was to provide a tool to develop affordable housing.

## Combining Statement of Net Position
## Nonmajor Discretely Presented Component Units
### As of September 30, 2014
(In Thousands)

| | BROOKS DEVELOPMENT AUTHORITY | PORT AUTHORITY OF SAN ANTONIO | SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION | SAWS DISTRICT SPECIAL PROJECT | SAN ANTONIO HOUSING TRUST FINANCE CORPORATION | SAN ANTONIO HOUSING TRUST FOUNDATION INC. | SAN ANTONIO HOUSING TRUST PUBLIC FACILITY CORPORATION | TOTAL NONMAJOR COMPONENT UNITS |
|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | |
| **Current Assets:** | | | | | | | | |
| **Unrestricted Assets:** | | | | | | | | |
| Cash and Cash Equivalents | $ 24,236 | $ 18,125 | $ 773 | $ 38,269 | $ 410 | $ - | $ 1,005 | $ 82,818 |
| Receivables, Net | 406 | 1,007 | 5,084 | 7,990 | | | | 14,487 |
| Materials and Supplies, at Cost | 44 | | | | | | | 44 |
| Due from Other Governmental Agencies | 60 | 1,492 | | | | | | 1,552 |
| Prepaid Expenses | 110 | | 32,774 | 487 | | | | 33,371 |
| Other Assets | | 360 | | | | | | 360 |
| **Total Unrestricted Assets** | 24,856 | 20,984 | 38,631 | 46,746 | 410 | | 1,005 | 132,632 |
| **Restricted Assets:** | | | | | | | | |
| Debt Service Accounts: | | | | | | | | |
| Cash and Cash Equivalents | | | 13,365 | 5,730 | | | | 19,095 |
| Investments | | | 9,702 | | | | | 9,702 |
| Receivables | | | 85 | | | | | 85 |
| Other Restricted Accounts: | | | | | | | | |
| Cash and Cash Equivalents | | 3,102 | | 2,412 | | 2,636 | | 8,150 |
| Receivables | | | 65,608 | | | 75 | | 65,683 |
| **Total Restricted Assets** | | 3,102 | 88,760 | 8,142 | | 2,711 | | 102,715 |
| **Total Current Assets** | 24,856 | 24,086 | 127,391 | 54,888 | 410 | 2,711 | 1,005 | 235,347 |
| **Noncurrent Assets:** | | | | | | | | |
| **Capital Assets:** | | | | | | | | |
| Land | 4,500 | 35,583 | | 10,121 | | | | 50,204 |
| Infrastructure | 25,817 | 45,785 | | | | | | 71,602 |
| Buildings | 63,571 | 174,936 | | | | | | 238,507 |
| Utility in Plant Service | | | | 380,315 | | | | 380,315 |
| Machinery and Equipment | 9,798 | 7,637 | | | | | 5,863 | 23,298 |
| Construction in Progress | 1,970 | 5,774 | | 17,066 | | | | 24,810 |
| **Total Capital Assets** | 105,656 | 269,715 | | 407,502 | | | 5,863 | 788,736 |
| Less: Accumulated Depreciation | 42,624 | 93,130 | | 127,262 | | | | 263,016 |
| Assets Held for Resale | | | | 2,247 | | | | 2,247 |
| **Net Capital Assets** | 63,032 | 176,585 | | 282,487 | | | 5,863 | 527,967 |
| **Other Noncurrent Assets:** | | | | | | | | |
| Receivables, Net | | 4,360 | | 670 | | 3,873 | | 8,903 |
| Prepaid Expenses | | 484 | 307,432 | | | | | 307,916 |
| Other Noncurrent Assets | | 2,590 | | | | | | 2,590 |
| **Total Other Noncurrent Assets** | | 7,434 | 307,432 | 670 | | 3,873 | | 319,409 |
| **Total Noncurrent Assets** | 63,032 | 184,019 | 307,432 | 283,157 | | 3,873 | 5,863 | 847,376 |
| **Total Assets** | 87,888 | 208,105 | 434,823 | 338,045 | 410 | 6,584 | 6,868 | 1,082,723 |
| **Deferred Outflows of Resources** | 2,397 | 987 | | 4,513 | | | | 7,897 |
| **Liabilities:** | | | | | | | | |
| **Current Liabilities:** | | | | | | | | |
| **Payable from Current Unrestricted Assets:** | | | | | | | | |
| Accounts Payable and Other Current Liabilities | 1,694 | 3,082 | | 8,482 | | 1,718 | 90 | 15,066 |
| Unearned Revenues | 670 | 5,760 | | | | | | 6,430 |
| Due to Other Governmental Agencies | | 3 | | | | | | 3 |
| Current Portion of Long-term Lease/Notes Payable | 1,420 | 2,318 | | | | | | 3,738 |
| Current Portion of Other Payables | 160 | | | | | | | 160 |
| **Total Payable from Current Unrestricted Assets** | 3,944 | 11,163 | | 8,482 | | 1,718 | 90 | 25,397 |
| **Payable from Restricted Assets:** | | | | | | | | |
| Accrued Bond Interest | | 310 | 11,049 | 1,383 | | | | 12,742 |
| Current Portion of Bonds and Certificates | | 2,567 | 25,620 | 6,520 | | | | 34,707 |
| Other Payables | | 1,218 | | 1,024 | | | 5,438 | 7,680 |
| **Total Payable from Current Restricted Assets** | | 4,095 | 36,669 | 8,927 | | | 5,438 | 55,129 |
| **Total Current Liabilities** | 3,944 | 15,258 | 36,669 | 17,409 | | 1,718 | 5,528 | 80,526 |
| **Noncurrent Liabilities:** | | | | | | | | |
| Bonds and Certificates (net of current portion & premium/discount) | | 38,225 | 398,154 | 232,292 | | | | 668,671 |
| Long-term Lease/Notes Payable (net of current portion) | 21,158 | 17,875 | | | | | | 39,033 |
| Other Payables (net of current portion) | 6,136 | | | 293 | | | | 6,429 |
| **Total Noncurrent Liabilities** | 27,294 | 56,100 | 398,154 | 232,585 | | | | 714,133 |
| **Total Liabilities** | 31,238 | 71,358 | 434,823 | 249,994 | | 1,718 | 5,528 | 794,659 |
| **Net Position:** | | | | | | | | |
| Net Investment in Capital Assets | 40,614 | 116,587 | | 59,946 | | | 5,863 | 223,010 |
| Debt Service | | 915 | | 9,231 | | | | 10,146 |
| Capital Projects | | 3,445 | | 7,185 | | | | 10,630 |
| Operating and Other Reserves | | | | 1,501 | | | | 1,501 |
| Unrestricted | 18,433 | 16,787 | | 14,701 | 410 | 4,866 | (4,523) | 50,674 |
| **Total Net Position** | $ 59,047 | $ 137,734 | $ - | $ 92,564 | $ 410 | $ 4,866 | $ 1,340 | $ 295,961 |

**Combining Statement of Activities**

**Nonmajor Discretely Presented Component Units**

**Year-Ended September 30, 2014**

(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: BROOKS DEVELOPMENT AUTHORITY | PORT AUTHORITY OF SAN ANTONIO | SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION | SAWS DISTRICT SPECIAL PROJECT | SAN ANTONIO HOUSING TRUST FINANCE CORPORATION | SAN ANTONIO HOUSING TRUST FOUNDATION, INC. | SAN ANTONIO HOUSING TRUST PUBLIC FACILITY CORPORATION | TOTAL NONMAJOR COMPONENT UNITS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Brooks Development Authority** | | | | | | | | | | | | |
| Economic Development and Opportunity | $ 13,827 | $ 8,240 | $ 220 | $ 750 | $ (4,617) | $ - | $ - | $ - | $ - | $ - | $ - | $ (4,617) |
| **Port Authority of San Antonio** | | | | | | | | | | | | |
| Economic Development and Opportunity | 35,251 | 36,284 | | | | 1,033 | | | | | | 1,033 |
| **SA Energy Acquisition Public Facility Corporation** | | | | | | | | | | | | |
| General Government | 47,616 | 46,711 | | | | | (905) | | | | | (905) |
| **SAWS District Special Project** | | | | | | | | | | | | |
| Public Works | 66,601 | 67,257 | 7,718 | | | | | 8,374 | | | | 8,374 |
| **San Antonio Housing Trust Finance Corporation** | | | | | | | | | | | | |
| Urban Redevelopment and Housing | 7 | 23 | | | | | | | 16 | | | 16 |
| **San Antonio Housing Trust Foundation, Inc.** | | | | | | | | | | | | |
| Urban Redevelopment and Housing | 318 | | | | | | | | | (318) | | (318) |
| **San Antonio Housing Trust Public Facility Corporation** | | | | | | | | | | | | |
| Urban Redevelopment and Housing | 94 | 469 | | | | | | | | | 375 | 375 |
| **Total** | $ 163,714 | $ 158,984 | $ 7,938 | $ 750 | (4,617) | 1,033 | (905) | 8,374 | 16 | (318) | 375 | 3,958 |
| | | **General Revenues:** | | | | | | | | | | |
| | | Investment Earnings | | | 639 | 367 | 905 | 91 | | 66 | | 2,068 |
| | | Miscellaneous | | | 10,872 | | | 636 | | 152 | | 11,660 |
| | | **Total General Revenues** | | | 11,511 | 367 | 905 | 727 | | 218 | | 13,728 |
| | | **Change in Net Position** | | | 6,894 | 1,400 | | 9,101 | 16 | (100) | 375 | 17,686 |
| | | Net Position - Beginning of Fiscal Year (restated) | | | 52,153 | 136,334 | | 83,463 | 394 | 4,966 | 965 | 278,275 |
| | | **Net Position - End of Fiscal Year** | | | $ 59,047 | $ 137,734 | $ - | $ 92,564 | $ 410 | $ 4,866 | $ 1,340 | $ 295,961 |

# Capital Assets Used in the Operation of Governmental Funds

## Capital Assets Used in the Operation of Governmental Funds

## Schedule of Capital Assets by Source[1]

### As of September 30, 2014

(In Thousands)

| | | 2014 |
|---|---|---|
| **Governmental Funds Capital Assets:** | | |
| Land | $ | 1,404,226 |
| Other Non-Depreciable Assets | | 2,844 |
| Non-Depreciable Intangible Assets | | 123,169 |
| Depreciable Intangible Assets | | 3,855 |
| Buildings | | 919,960 |
| Improvements | | 694,891 |
| Infrastructures | | 2,780,934 |
| Machinery and Equipment | | 292,991 |
| Construction in Progress | | 422,488 |
| **Total Governmental Funds Capital Assets** | $ | 6,645,358 |
| **Investment in Governmental Funds Capital Assets by Source:** | | |
| Current Revenue | $ | 2,378,582 |
| General Obligation Bonds, Certificates of Obligation, Notes, and Revenue Bonds | | 3,623,401 |
| Federal and State Grants | | 604,657 |
| Special Assessments | | 1,008 |
| Our SA | | 678 |
| Municipal Golf Association - SA | | 7,722 |
| Housing Trust Foundation | | 62 |
| Westside Development Corp | | 11 |
| Private Citizens' Contribution | | 24,695 |
| San Antonio Fair, Inc. | | 4,542 |
| **Total Investment in Governmental Funds Capital Assets by Source** | $ | 6,645,358 |

[1] This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Position.

## Capital Assets Used in the Operation of Governmental Funds

## Schedule of Capital Assets by Function and Activity[1]

**As of September 30, 2014**

(In Thousands)

| | LAND | OTHER NON-DEPRECIABLE ASSETS | NON-DEPRECIABLE INTANGIBLE ASSETS | DEPRECIABLE INTANGIBLE ASSETS | BUILDINGS | IMPROVEMENTS | INFRA-STRUCTURE | MACHINERY AND EQUIPMENT | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **General Government:** | | | | | | | | | |
| Legislative | $ 56 | $ - | $ - | $ - | $ 2,592 | $ 91 | $ - | $ 343 | $ 3,082 |
| Judicial | 196 | | | 1,004 | 19,091 | 248 | | 295 | 20,834 |
| Executive | | | | | | | | 27 | 27 |
| Administration | 3,930 | | 12,556 | 2,176 | 233,586 | 34,893 | 10,699 | 150,368 | 448,208 |
| **Total General Government** | 4,182 | | 12,556 | 3,180 | 255,269 | 35,232 | 10,699 | 151,033 | 472,151 |
| **Public Safety:** | | | | | | | | | |
| Police | 12,187 | | | | 40,082 | 10,152 | | 64,392 | 126,813 |
| Fire | 39,598 | | | | 70,960 | 11,204 | 236 | 42,395 | 164,393 |
| Building Inspection and Regulations | 7,299 | | | | 14,210 | | | 211 | 21,720 |
| **Total Public Safety** | 59,084 | | | | 125,252 | 21,356 | 236 | 106,998 | 312,926 |
| **Public Works** | 1,246,503 | 2,166 | 2,751 | | 200,166 | 314,879 | 2,734,154 | 11,754 | 4,512,373 |
| **Health Services** | 1,302 | | | 469 | 8,288 | 672 | | 4,303 | 15,034 |
| **Convention and Tourism** | 1,422 | | | 206 | 132,352 | 97,518 | | 8,721 | 240,219 |
| **Sanitation** | | | | | 45 | 15 | | 647 | 707 |
| **Welfare** | 419 | | | | 30,157 | 7,795 | | 1,038 | 39,409 |
| **Culture and Recreation:** | | | | | | | | | |
| Libraries | 8,707 | | | | 99,193 | 25,102 | 22,997 | 1,800 | 157,799 |
| Parks | 81,695 | | 107,862 | | 41,486 | 188,993 | 10,982 | 5,656 | 436,674 |
| **Total Culture and Recreation** | 90,402 | | 107,862 | | 140,679 | 214,095 | 33,979 | 7,456 | 594,473 |
| **Urban Redevelopment and Housing** | | 678 | | | | 699 | 1,866 | 750 | 3,993 |
| **Education** | 912 | | | | 27,752 | | | 269 | 28,933 |
| **Economic Development and Opportunity** | | | | | | 2,630 | | 22 | 2,652 |
| **Total Capital Assets Allocated to Functions** | $ 1,404,226 | $ 2,844 | $ 123,169 | $ 3,855 | $ 919,960 | $ 694,891 | $ 2,780,934 | $ 292,991 | $ 6,222,870 |
| **Construction in Progress** | | | | | | | | | 422,488 |
| **Total Governmental Funds Capital Assets** | | | | | | | | | $ 6,645,358 |

[1] This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Position.

## Capital Assets Used in the Operation of Governmental Funds

## Schedule of Changes in Capital Assets by Function and Activity[1]

**As of September 30, 2014**

(In Thousands)

| | GOVERNMENTAL FUNDS CAPITAL ASSETS 10-01-2013 (Restated) | ADDITIONS | DEDUCTIONS | GOVERNMENTAL FUNDS CAPITAL ASSETS 09-30-2014 |
|---|---|---|---|---|
| **Function and Activity:** | | | | |
| **General Government:** | | | | |
| Legislative | $ 3,082 | $ - | $ - | $ 3,082 |
| Judicial | 20,825 | 9 | | 20,834 |
| Executive | 27 | | | 27 |
| Administration | 449,951 | 3,518 | 5,261 | 448,208 |
| **Total General Government** | 473,885 | 3,527 | 5,261 | 472,151 |
| **Public Safety:** | | | | |
| Police | 122,974 | 5,323 | 1,484 | 126,813 |
| Fire | 160,369 | 6,999 | 2,975 | 164,393 |
| Building Inspection and Regulations | 21,720 | | | 21,720 |
| **Total Public Safety** | 305,063 | 12,322 | 4,459 | 312,926 |
| **Public Works** | 4,390,688 | 154,599 | 32,914 | 4,512,373 |
| **Health Services** | 15,341 | 215 | 522 | 15,034 |
| **Convention and Tourism** | 240,550 | 594 | 925 | 240,219 |
| **Sanitation** | 747 | | 40 | 707 |
| **Welfare** | 40,837 | 98 | 1,526 | 39,409 |
| **Culture and Recreation:** | | | | |
| Libraries | 161,804 | 361 | 4,366 | 157,799 |
| Parks | 401,876 | 35,802 | 1,004 | 436,674 |
| **Total Culture and Recreation** | 563,680 | 36,163 | 5,370 | 594,473 |
| **Urban Redevelopment and Housing** | 3,984 | 134 | 125 | 3,993 |
| **Education** | 1,181 | 27,752 | | 28,933 |
| **Economic Development and Opportunity** | 2,647 | 5 | | 2,652 |
| **Construction in Progress** | 308,352 | 147,255 | 33,119 | 422,488 |
| **Total Governmental Funds Capital Assets** | $ 6,346,955 | $ 382,664 | $ 84,261 | $ 6,645,358 |

[1] This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Position.

FY 2014

# STATISTICAL SECTION

# Statistical Section (Unaudited)

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 54 in fiscal year 2011; schedules presenting fund balance information as required by GASB Statement No. 54 began in that year.

**FINANCIAL TRENDS** – These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**REVENUE CAPACITY** – These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales and use taxes.

**DEBT CAPACITY** – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**DEMOGRAPHIC AND ECONOMIC INFORMATION** – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

**OPERATING INFORMATION** – These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

## Statistical Data
## Net Position by Component
### Last Ten Fiscal Years
*(accrual basis of accounting)*
(In Thousands)

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006 (Restated) | 2007 (Restated) | 2008 | 2009 | 2010 [1] (Restated) | 2011 (Restated) | 2012 (Restated) | 2013 [2] (Restated) | 2014 [3] (Restated) |
| **Governmental Activities:** | | | | | | | | | | |
| Net Investment in Capital Assets | $ 2,042,288 | $ 1,984,942 | $ 2,024,576 | $ 2,092,623 | $ 2,200,616 | $ 2,238,834 | $ 2,364,212 | $ 2,325,170 | $ 2,304,579 | $ 2,553,627 |
| Restricted | 101,253 | 105,024 | 120,591 | 122,537 | 128,727 | 124,300 | 126,142 | 104,158 | 72,643 | 100,264 |
| Unrestricted | 133,052 | 181,484 | 184,154 | 162,997 | 168,054 | 162,135 | 63,069 | 78,783 | 72,932 | 16,793 |
| **Total Governmental Activities, net position** | $ 2,276,593 | $ 2,271,450 | $ 2,329,321 | $ 2,378,157 | $ 2,497,397 | $ 2,525,269 | $ 2,553,423 | $ 2,508,111 | $ 2,450,154 | $ 2,670,684 |
| **Business-Type Activities:** | | | | | | | | | | |
| Net Investment in Capital Assets | $ 212,715 | $ 216,459 | $ 201,846 | $ 208,894 | $ 260,679 | $ 273,344 | $ 273,108 | $ 270,500 | $ 292,278 | $ 300,791 |
| Restricted | 26,636 | 27,700 | 61,559 | 76,178 | 66,099 | 78,558 | 90,532 | 104,990 | 91,418 | 102,390 |
| Unrestricted | 1,719 | 7,240 | 23,010 | 31,247 | 2,976 | 556 | 15,320 | 9,851 | 18,024 | 20,492 |
| **Total Business-Type Activities, net position** | $ 241,070 | $ 251,399 | $ 286,415 | $ 316,319 | $ 329,754 | $ 352,458 | $ 378,960 | $ 385,341 | $ 401,720 | $ 423,673 |
| **Primary Government:** | | | | | | | | | | |
| Net Investment in Capital Assets | $ 2,255,003 | $ 2,201,401 | $ 2,226,422 | $ 2,301,517 | $ 2,461,295 | $ 2,512,178 | $ 2,637,320 | $ 2,595,670 | $ 2,596,857 | $ 2,854,418 |
| Restricted | 127,889 | 132,724 | 182,150 | 198,715 | 194,826 | 202,858 | 216,674 | 209,148 | 164,061 | 202,654 |
| Unrestricted | 134,771 | 188,724 | 207,164 | 194,244 | 171,030 | 162,691 | 78,389 | 88,634 | 90,956 | 37,285 |
| **Total Primary Government, net position** | $ 2,517,663 | $ 2,522,849 | $ 2,615,736 | $ 2,694,476 | $ 2,827,151 | $ 2,877,727 | $ 2,932,383 | $ 2,893,452 | $ 2,851,874 | $ 3,094,357 |

[1] Net Position were restated as implementing GASB Statement No. 54 resulted in the reclassification of fund types between governmental, business-type and fiduciary.

[2] Net Position were restated as implementing GASB Statement No. 61 resulted in the reclassification of reporting between discretely presented and blended component units.

[3] Net Position was restated as implementing GASB Statement No. 65 resulted in the reclassification of items previously reported as assets and liabilities.

# CITY OF SAN ANTONIO, TEXAS

## Statistical Data
## Changes in Net Position
### Last Ten Fiscal Years
*(accrual basis of accounting)*
(In Thousands)

| | 2005 | 2006 (Restated) | 2007 (Restated) | 2008 | 2009 | 2010[1] (Restated) | 2011 (Restated) | 2012 | 2013[2,3] (Restated) | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Expenses:** | | | | | | | | | | |
| **Governmental Activities:** | | | | | | | | | | |
| General Government | $ 80,018 | $ 83,719 | $ 118,881 | $ 109,850 | $ 92,415 | $ 114,591 | $ 103,617 | $ 140,761 | $ 127,697 | $ 112,845 |
| Public Safety | 428,582 | 424,058 | 456,375 | 529,762 | 497,274 | 545,359 | 607,532 | 613,975 | 684,547 | 721,930 |
| Public Works | 149,476 | 226,849 | 143,172 | 220,267 | 212,256 | 221,612 | 239,195 | 252,804 | 257,395 | 324,257 |
| Sanitation | 2,731 | 3,112 | 2,878 | 3,000 | 3,953 | 8,385 | 20,015 | 14,382 | 13,250 | 7,142 |
| Health Services | 89,011 | 87,283 | 91,432 | 90,443 | 92,351 | 104,667 | 101,995 | 101,293 | 38,250 | 55,014 |
| Culture and Recreation | 84,555 | 90,337 | 128,450 | 142,537 | 145,386 | 143,122 | 147,591 | 153,642 | 161,280 | 167,463 |
| Convention and Tourism | 48,364 | 126,802 | 155,285 | 69,734 | 42,512 | 26,437 | 28,735 | 31,892 | 29,674 | 31,579 |
| Conservation | 2 | 146 | | | | | | | | |
| Urban Redevelopment and Housing | 29,764 | 21,766 | 20,575 | 39,700 | 45,533 | 26,486 | 13,570 | 13,252 | 9,111 | 25,949 |
| Welfare | 131,840 | 134,554 | 153,704 | 168,585 | 162,956 | 177,819 | 185,600 | 157,678 | 162,015 | 115,094 |
| Education | | | | | | | | | 6,381 | 8,530 |
| Economic Development and Opportunity | 60,461 | 12,159 | 19,167 | 22,479 | 23,260 | 104,964 | 90,258 | 115,253 | 117,362 | 25,909 |
| Bond Issuance Costs | | | | | | | | | | 1,862 |
| Interest on Long-term Debt, Net | 70,655 | 65,960 | 48,114 | 71,103 | 75,108 | 70,945 | 87,792 | 85,073 | 115,016 | 93,313 |
| **Total Governmental Activities Expenses** | 1,175,459 | 1,276,745 | 1,338,033 | 1,467,460 | 1,393,004 | 1,544,387 | 1,625,900 | 1,680,005 | 1,721,978 | 1,690,887 |
| **Business-Type Activities:** | | | | | | | | | | |
| Airport System | 46,868 | 78,083 | 64,482 | 80,505 | 81,229 | 83,109 | 105,708 | 118,560 | 102,041 | 106,033 |
| Development Services | | | | | | 19,570 | 20,195 | 23,327 | 24,437 | 22,273 |
| Market Square | | | | | | 251 | 2,215 | 2,297 | 2,135 | 2,558 |
| Parking System | 8,413 | 9,234 | 8,525 | 10,382 | 8,984 | 9,135 | 8,703 | 8,117 | 8,214 | 12,165 |
| Solid Waste Management | 54,703 | 61,318 | 68,072 | 82,002 | 88,900 | 85,058 | 82,128 | 89,405 | 93,056 | 98,555 |
| **Total Business-Type Activities Expenses** | 109,984 | 148,635 | 141,079 | 172,889 | 179,113 | 197,123 | 218,949 | 241,706 | 229,883 | 241,584 |
| **Total Primary Government Expenses** | $ 1,285,443 | $ 1,425,380 | $ 1,479,112 | $ 1,640,349 | $ 1,572,117 | $ 1,741,510 | $ 1,844,849 | $ 1,921,711 | $ 1,951,861 | $ 1,932,471 |
| **Program Revenues:** | | | | | | | | | | |
| **Governmental Activities:** | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| General Government | $ 57,660 | $ 62,286 | $ 45,307 | $ 45,757 | $ 29,323 | $ 21,176 | $ 27,853 | $ 22,245 | $ 27,951 | $ 27,710 |
| Public Safety | 7,861 | 9,046 | 9,059 | 9,536 | 9,026 | 10,350 | 9,882 | 12,190 | 12,278 | 49,363 |
| Public Works | 34,201 | 36,969 | 39,090 | 46,970 | 50,266 | 53,723 | 43,267 | 43,164 | 44,706 | 47,342 |
| Sanitation | | | 268 | 5 | | 397 | 407 | 509 | 365 | 7,491 |
| Health Services | 10,252 | 15,852 | 24,401 | 22,792 | 26,518 | 31,595 | 33,815 | 30,940 | 30,356 | 18,844 |
| Culture and Recreation | 19,583 | 18,947 | 26,277 | 40,549 | 34,483 | 33,791 | 33,037 | 34,483 | 46,707 | 53,698 |
| Convention and Tourism | 14,740 | 19,640 | 19,067 | 1,278 | 1,308 | 1,262 | | | | |
| Urban Redevelopment and Housing | | 126 | 1 | 2 | 22,949 | 388 | 400 | 634 | 584 | |
| Welfare | 327 | 341 | 19 | 192 | 122 | 72 | 52 | 15 | 2 | |
| Education | | | | | | | | | | 267 |
| Economic Development and Opportunity | 2,485 | 2,562 | 1,971 | 2,026 | 2,141 | 2,582 | 2,631 | 5,025 | 90 | 135 |
| Operating Grants and Contributions | 198,185 | 179,917 | 186,381 | 198,736 | 206,356 | 256,214 | 267,524 | 211,290 | 202,932 | 168,170 |
| Capital Grants and Contributions | 8,256 | 29,050 | 57,891 | 49,577 | 81,114 | 98,362 | 137,892 | 149,713 | 145,199 | 84,744 |
| **Total Governmental Activities Program Revenues** | 353,550 | 374,736 | 409,732 | 417,420 | 463,606 | 509,912 | 556,760 | 510,208 | 511,170 | 457,764 |
| **Business-Type Activities:** | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Airport System | 45,791 | 50,058 | 53,115 | 63,944 | 61,764 | 63,524 | 82,901 | 84,395 | 80,635 | 84,410 |
| Development Services | | | | | | 20,336 | 21,629 | 23,392 | 24,813 | 27,646 |
| Market Square | | | | | | 138 | 2,211 | 2,316 | 2,477 | 2,598 |
| Parking System | 10,325 | 10,276 | 10,236 | 10,988 | 9,143 | 9,287 | 8,588 | 8,630 | 8,654 | 8,487 |
| Solid Waste Management | 51,753 | 60,090 | 70,080 | 81,988 | 81,263 | 87,888 | 90,067 | 93,333 | 92,871 | 96,321 |
| Capital Grants and Contributions | 2,223 | 18,079 | 23,188 | 36,987 | 31,115 | 40,156 | 40,237 | 34,765 | 39,580 | 44,206 |
| **Total Business-Type Activities Program Revenues** | 110,092 | 138,503 | 156,619 | 193,907 | 183,285 | 221,329 | 245,633 | 246,831 | 249,030 | 263,668 |
| **Total Primary Government Program Revenues** | $ 463,642 | $ 513,239 | $ 566,351 | $ 611,327 | $ 646,891 | $ 731,241 | $ 802,393 | $ 757,039 | $ 760,200 | $ 721,432 |

[1] Activities were restated as implementing GASB Statement No. 54 resulted in the reclassification of fund types between governmental, business-type and fiduciary
[2] Net Position were restated as implementing GASB Statement No. 61 resulted in the reclassification of reporting between discretely presented and blended component units
[3] EMS was reclassed from Health Services to Public Safety

## Statistical Data
## Changes in Net Position
### Last Ten Fiscal Years
*(accrual basis of accounting)*
(In Thousands)

| | 2005 | 2006 (Restated) | 2007 (Restated) | 2008 | 2009 | 2010 [1] (Restated) | 2011 (Restated) | 2012 | 2013 [2] (Restated) | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net (Expense) Revenue:** | | | | | | | | | | |
| Governmental Activities | $ (821,909) | $ (902,009) | $ (928,301) | $ (1,050,040) | $ (929,398) | $ (1,034,475) | $ (1,069,140) | $ (1,169,797) | $ (1,210,808) | $ (1,233,123) |
| Business-Type Activities | 108 | (10,132) | 15,540 | 21,018 | 4,172 | 24,206 | 26,684 | 5,125 | 19,147 | 22,084 |
| **Total Primary Government Net Expense** | $ (821,801) | $ (912,141) | $ (912,761) | $ (1,029,022) | $ (925,226) | $ (1,010,269) | $ (1,042,456) | $ (1,164,672) | $ (1,191,661) | $ (1,211,039) |
| **General Revenues and Other Changes in Net Position:** | | | | | | | | | | |
| **Governmental Activities:** | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property Taxes | $ 269,138 | $ 276,728 | $ 326,342 | $ 379,457 | $ 407,183 | $ 406,579 | $ 396,847 | $ 395,944 | $ 402,619 | $ 423,781 |
| General Sales and Use Taxes | 167,332 | 210,141 | 224,480 | 232,348 | 221,746 | 223,475 | 236,819 | 259,927 | 287,944 | 324,612 |
| Selective Sales and Use Taxes | 4,473 | 4,932 | 5,308 | 5,712 | 5,741 | 5,921 | 5,879 | 5,200 | 5,799 | 7,554 |
| Gross Receipts Business Taxes | 26,274 | 30,415 | 30,236 | 31,705 | 33,396 | 35,913 | 34,341 | 33,625 | 33,745 | 34,784 |
| Occupancy Taxes | 51,726 | 58,678 | 63,878 | 68,414 | 58,800 | 59,734 | 62,968 | 67,937 | 72,770 | 77,064 |
| Penalties and Interest on Delinquent Taxes | 3,434 | 3,851 | 4,088 | 3,797 | 3,784 | 3,885 | 3,797 | 3,554 | 3,302 | 3,557 |
| Revenues from Utilities | 222,162 | 256,541 | 257,687 | 304,545 | 275,993 | 293,091 | 308,838 | 299,693 | 307,687 | 355,515 |
| Investment Earnings | 19,931 | 38,386 | 54,027 | 39,463 | 17,500 | 6,954 | 6,184 | 5,005 | 5,192 | 3,997 |
| Miscellaneous | 22,431 | 16,173 | 26,530 | 30,299 | 24,017 | 24,039 | 40,217 | 53,990 | 35,500 | 50,868 |
| Gain on Sale of Capital Assets | 1,507 | | | | | | | | | |
| Special Items | | | | 8,320 | | | | | | |
| Transfers, net | 2,150 | 1,021 | (6,404) | (5,184) | 498 | 5,429 | 1,404 | 1,156 | (2,871) | 1,570 |
| **Total Governmental Activities** | 790,558 | 896,866 | 986,172 | 1,098,876 | 1,048,658 | 1,065,020 | 1,097,294 | 1,126,031 | 1,151,687 | 1,283,302 |
| **Business-Type Activities:** | | | | | | | | | | |
| Investment Earnings | 5,434 | 10,023 | 11,099 | 12,010 | 4,769 | 823 | 772 | 827 | 1,026 | 764 |
| Miscellaneous | 9,962 | 589 | 1,973 | 12 | 464 | 1,547 | 450 | 1,585 | 621 | 4,861 |
| Gain on Sale of Capital Assets | 96 | | | | | | | | | |
| Special Items | | 10,870 | | (8,320) | 4,528 | | | | | |
| Transfers, net | (2,150) | (1,021) | 6,404 | 5,184 | (498) | (5,429) | (1,404) | (1,156) | (4,351) | (4,552) |
| **Total Business-Type Activities** | 13,342 | 20,461 | 19,476 | 8,886 | 9,263 | (3,059) | (182) | 1,256 | (2,704) | 1,073 |
| **Total Primary Government** | $ 803,900 | $ 917,327 | $ 1,005,648 | $ 1,107,762 | $ 1,057,921 | $ 1,061,961 | $ 1,097,112 | $ 1,127,287 | $ 1,148,983 | $ 1,284,375 |
| **Change in Net Position:** | | | | | | | | | | |
| Governmental Activities | $ (31,351) | $ (5,143) | $ 57,871 | $ 48,836 | $ 119,260 | $ 30,545 | $ 28,154 | $ (43,766) | $ (59,121) | $ 50,179 |
| Business-Type Activities | 13,450 | 10,329 | 35,016 | 29,904 | 13,435 | 21,147 | 26,502 | 6,381 | 16,443 | 23,157 |
| **Total Primary Government** | $ (17,901) | $ 5,186 | $ 92,887 | $ 78,740 | $ 132,695 | $ 51,692 | $ 54,656 | $ (37,385) | $ (42,678) | $ 73,336 |

[1] Net Assets and Activities were restated as implementing GASB Statement No. 54 resulted in the reclassification of fund types between governmental, business-type and fiduciary
[2] Net Position was restated as implementing GASB Statement No. 61 resulted in the reclassification of reporting between discretely presented and blended component units

## Statistical Data
## Fund Balances, Governmental Funds
### Last Ten Fiscal Years

*(modified accrual basis of accounting)*

(In Thousands)

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006 (Restated) | 2007 (Restated) | 2008 | 2009 | 2010 | 2011 [1] (Restated) | 2012 | 2013 [2] (Restated) | 2014 |
| **General Fund:** | | | | | | | | | | |
| Reserved | $ 10,923 | $ 11,866 | $ 16,730 | $ 14,773 | $ 16,100 | $ 30,526 | | | | |
| Unreserved | 108,490 | 149,610 | 143,567 | 190,775 | 190,407 | 199,110 | | | | |
| **Total General Fund** | $ 119,413 | $ 161,476 | $ 160,297 | $ 205,548 | $ 206,507 | $ 229,636 | | | | |
| **All Other Governmental Funds:** | | | | | | | | | | |
| Reserved | $ 188,745 | $ 263,230 | $ 280,443 | $ 411,023 | $ 377,536 | $ 421,620 | | | | |
| **Unreserved, reported in:** | | | | | | | | | | |
| Special Revenue | 91,729 | 1,928 | 3,003 | 3,487 | 2,734 | 4,183 | | | | |
| Permanent | 12,947 | 3,102 | 4,756 | 5,018 | 4,649 | 4,802 | | | | |
| Capital Project | 361,120 | 238,946 | | | | | | | | |
| Unrestricted | | 176,631 | 380,823 | 279,624 | 354,906 | 298,480 | | | | |
| **Total All Other Governmental Funds** | $ 654,541 | $ 683,837 | $ 669,025 | $ 699,152 | $ 739,825 | $ 729,085 | | | | |
| **General Fund:** | | | | | | | | | | |
| Nonspendable | | | | | | | $ 4,939 | $ 5,800 | $ 6,238 | $ 5,504 |
| Restricted | | | | | | | 1,107 | 1,003 | 718 | 1,032 |
| Committed | | | | | | | 48,540 | 47,035 | 39,603 | 46,882 |
| Assigned | | | | | | | 7,413 | 4,143 | 3,230 | 523 |
| Unassigned | | | | | | | 170,693 | 158,532 | 135,375 | 164,654 |
| **Total General Fund** | | | | | | | $ 232,692 | $ 216,513 | $ 185,164 | $ 218,595 |
| **All Other Governmental Funds:** | | | | | | | | | | |
| Nonspendable | | | | | | | $ 4,416 | $ 5,235 | $ 4,943 | $ 4,716 |
| Restricted | | | | | | | 686,530 | 665,530 | 946,189 | 853,657 |
| Committed | | | | | | | 67,281 | 77,204 | 85,060 | 101,183 |
| Assigned | | | | | | | 13,237 | 12,330 | 19,866 | 24,367 |
| Unassigned | | | | | | | (74,796) | (38,916) | (30,699) | (4,812) |
| **Total All Other Governmental Funds** | | | | | | | $ 696,668 | $ 721,383 | $ 1,025,359 | $ 979,111 |

[1] The City implemented GASB Statement No. 54 in fiscal year 2011 resulting in different fund balance classifications than in prior years.

[2] Net Position were restated as implementing GASB Statement No. 61 resulted in the reclassification of reporting between discretely presented and blended component units.

## Statistical Data

## Changes in Fund Balances, Governmental Funds

### Last Ten Fiscal Years

*(modified accrual basis of accounting)*

(In Thousands)

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 [1] | 2011 | 2012 | 2013 [2] | 2014 |
| **Revenues:** | | | | | | | | | | |
| Taxes | $ 524,720 | $ 597,379 | $ 653,427 | $ 718,860 | $ 729,808 | $ 733,694 | $ 740,039 | $ 766,903 | $ 808,185 | $ 872,987 |
| Licenses and Permits | 20,716 | 19,765 | 6,927 | 7,756 | 7,090 | 7,769 | 8,680 | 8,469 | 8,343 | 7,396 |
| Intergovernmental | 190,251 | 192,285 | 202,667 | 221,943 | 229,476 | 269,315 | 306,813 | 245,030 | 230,356 | 240,847 |
| Revenues from Utilities | 221,775 | 256,368 | 257,687 | 304,158 | 275,605 | 292,726 | 308,451 | 299,306 | 307,300 | 348,480 |
| Charges for Services | 107,264 | 120,541 | 136,950 | 148,981 | 143,526 | 144,293 | 117,607 | 122,229 | 131,220 | 153,995 |
| Fines and Forfeits | 12,025 | 10,948 | 15,114 | 12,249 | 13,111 | 11,506 | 14,124 | 14,807 | 13,925 | 13,597 |
| Miscellaneous | 26,848 | 27,305 | 24,498 | 29,471 | 30,631 | 34,393 | 40,626 | 43,989 | 35,308 | 50,955 |
| Contributions | | 19,871 | 29,744 | 15,053 | 30,359 | 83,541 | 104,709 | 123,020 | 128,012 | 30,579 |
| In-Kind Contributions[1] | 24,872 | 15,617 | 13,786 | 16,222 | 13,273 | | | | | |
| Investment Earnings | 18,544 | 35,830 | 50,050 | 35,412 | 15,696 | 6,383 | 5,515 | 4,354 | 4,232 | 3,505 |
| **Total Revenues** | 1,147,015 | 1,295,909 | 1,390,850 | 1,510,105 | 1,488,575 | 1,583,620 | 1,646,564 | 1,628,107 | 1,666,881 | 1,722,341 |
| **Expenditures:** | | | | | | | | | | |
| General Government | 69,332 | 80,672 | 114,968 | 117,853 | 85,651 | 92,054 | 93,797 | 105,291 | 94,973 | 74,902 |
| Public Safety | 419,634 | 440,231 | 450,664 | 472,904 | 501,560 | 522,982 | 553,324 | 571,221 | 659,949 | 688,987 |
| Public Works | 85,940 | 119,697 | 101,433 | 121,023 | 103,127 | 114,327 | 93,975 | 88,697 | 92,498 | 164,768 |
| Health Services | 88,533 | 86,258 | 92,350 | 90,086 | 90,615 | 96,342 | 102,723 | 100,061 | 36,625 | 52,499 |
| Sanitation | 63,116 | 70,509 | 2,824 | 4,372 | 3,764 | 8,596 | 20,020 | 14,590 | 13,190 | 7,050 |
| Welfare | 131,012 | 137,711 | 153,877 | 166,263 | 162,411 | 176,961 | 184,942 | 156,105 | 159,528 | 113,074 |
| Culture and Recreation | 79,586 | 87,136 | 85,522 | 132,750 | 127,830 | 123,202 | 132,801 | 132,596 | 146,270 | 142,537 |
| Convention and Tourism | 48,315 | 87,509 | 60,288 | 20,053 | 20,930 | 21,240 | 20,043 | 20,158 | 18,939 | 20,969 |
| Conservation | 2 | | | | | | | | | |
| Urban Redevelopment and Housing | 25,557 | 17,538 | 14,028 | 20,008 | 43,700 | 41,686 | 13,298 | 15,902 | 9,214 | 25,251 |
| Education | | | | | | | | | 3,500 | 34,750 |
| Economic Development and Opportunity | 16,337 | 11,678 | 24,821 | 14,637 | 20,307 | 106,645 | 23,951 | 114,927 | 116,838 | 25,524 |
| Capital Outlay | 146,850 | 115,229 | 345,047 | 319,663 | 313,944 | 287,722 | 411,270 | 301,381 | 291,038 | 379,309 |
| Debt Service: | | | | | | | | | | |
| Principal Retirement | 57,581 | 61,865 | 81,835 | 99,385 | 113,316 | 152,605 | 140,975 | 117,265 | 117,595 | 130,412 |
| Interest | 60,202 | 71,848 | 57,190 | 77,271 | 79,723 | 75,614 | 83,981 | 87,327 | 102,965 | 105,417 |
| Bond Escrow Agent | | 5 | | | | | | | | |
| Arbitrage Expenditure | | | 42 | | | | | | | |
| Issuance Costs | 1,027 | 429 | 3,557 | 2,467 | 1,630 | 3,518 | 1,626 | 1,732 | 6,465 | 1,862 |
| **Total Expenditures** | 1,293,024 | 1,388,315 | 1,588,446 | 1,658,735 | 1,668,508 | 1,823,494 | 1,876,726 | 1,827,253 | 1,869,587 | 1,967,311 |
| **(Deficiency) of Revenues (Under) Expenditures** | (146,009) | (92,406) | (197,596) | (148,630) | (179,933) | (239,874) | (230,162) | (199,146) | (202,706) | (244,970) |
| **Other Financing Sources (Uses):** | | | | | | | | | | |
| Issuance of Long-Term Debt | 192,329 | 70,690 | 382,060 | 381,745 | 205,485 | 413,180 | 176,635 | 218,985 | 793,671 | 223,555 |
| Refunding Debt Issued | | | | | | | | | | 67,050 |
| Payments to Refunded Bond Escrow Agent | (93,163) | (34,927) | (210,643) | (170,737) | | (185,508) | | (37,892) | (356,969) | (76,531) |
| Issuance of Notes and Loans | 210,607 | 63,218 | 10,966 | 2,799 | 1,768 | | 14,716 | | | |
| Issuance of Commercial Paper | | | 4,000 | 6,500 | 15,305 | | | | | |
| Premium/(Discount) on Long-Term Debt | 12,904 | 2,251 | 7,139 | 12,014 | 3,034 | 27,680 | 15,182 | 30,617 | 43,246 | 31,455 |
| Release of Enterprise Fund Obligations | | | | 9,645 | | | | | | |
| Debt Transfer to Enterprise Fund | | | | (11,045) | | | | | | |
| Transfers In | 159,821 | 228,041 | 335,090 | 341,227 | 411,807 | 361,508 | 336,070 | 368,586 | 694,459 | 528,253 |
| Transfers Out | (160,611) | (231,290) | (350,275) | (348,140) | (415,809) | (364,600) | (340,516) | (369,827) | (698,979) | (532,384) |
| **Total Other Financing Sources (Uses)** | 321,887 | 97,983 | 178,337 | 224,008 | 221,590 | 252,260 | 202,087 | 210,469 | 475,428 | 241,398 |
| **Net Change in Fund Balances** | $ 175,878 | $ 5,577 | $ (19,259) | $ 75,378 | $ 41,657 | $ 12,386 | $ (28,075) | $ 11,323 | $ 272,722 | $ (3,572) |
| **Debt Service as a Percentage of Noncapital Expenditures** | 9.9% | 10.7% | 10.3% | 12.4% | 13.9% | 14.5% | 14.2% | 13.1% | 13.8% | 14.9% |

[1] In-Kind Contributions was combined under Contributions in fiscal year 2010

[2] EMS was reclassed from Health Services to Public Safety

## Statistical Data
## Tax Revenues by Source, Governmental Funds
### Last Ten Fiscal Years
*(modified accrual basis of accounting)*
(In Thousands)

| Fiscal Year | Property [1] | Sales and Use [2] | Hotel/Motel Occupancy | Alcoholic Beverage Tax [3] | Business Tax | Penalties and Interest and Judgments | Total |
|---|---|---|---|---|---|---|---|
| 2005 | 271,490 | 167,332 | 51,717 | 4,473 | 26,274 | 3,434 | 524,720 |
| 2006 | 289,348 | 210,141 | 58,672 | 4,932 | 30,823 | 3,464 | 597,380 |
| 2007 | 325,811 | 224,480 | 63,892 | 5,308 | 30,236 | 3,701 | 653,428 |
| 2008 | 376,884 | 232,348 | 68,414 | 5,712 | 31,705 | 3,797 | 718,860 |
| 2009 | 406,341 | 221,746 | 58,800 | 5,741 | 33,396 | 3,784 | 729,808 |
| 2010 | 404,766 | 223,475 | 59,734 | 5,921 | 35,913 | 3,885 | 733,694 |
| 2011 | 396,235 | 236,819 | 62,968 | 5,879 | 34,341 | 3,797 | 740,039 |
| 2012 | 396,660 | 259,927 | 67,937 | 5,200 | 33,625 | 3,554 | 766,903 |
| 2013 | 404,625 | 287,944 | 72,770 | 5,799 | 33,745 | 3,302 | 808,185 |
| 2014 | 425,416 | 324,612 | 77,064 | 7,554 | 34,784 | 3,557 | 872,987 |
| **Change:** | | | | | | | |
| 2005-2014 | 56.7% | 94.0% | 49.0% | 68.9% | 32.4% | 3.6% | 66.4% |

[1] The City had maintained the property tax rate at a current tax rate from 2002 to 2007, and was able to reduce the property tax rate in 2008 because of growth in property tax values (see Assessed Value and Actual Value of Taxable Property).

[2] Sales and Use tax revenues increased in the past ten years, with the exception of 2009 and 2010, due to a combination of rate increases (see Direct and Overlapping Sales and Use Tax Rates), growth in taxable retail sales (see Taxable Sales by Category), and several legislative measures to broaden the sales and use tax base.

[3] Alcoholic Beverage Tax increased in 2011 due to legislative measures, and again in 2014 due to restoration of a 2.0% administrative fee to City, plus additional legislative measures to broaden the Alcoholic Beverage Tax base.

## Statistical Data
## Assessed Value and Actual Value of Taxable Property
### Last Ten Fiscal Years
(In Thousands)

| Fiscal Year Ended | Residential Property | Commercial Property | Industrial Property | Other Property | Less: Tax-Exempt Property [1] | Net Taxable Assessed Value | Total Direct Tax Rate |
|---|---|---|---|---|---|---|---|
| 2005 | $ 28,522,603 | $ 19,030,656 | $ 1,509,281 | $ 2,761,668 | $ 5,342,234 | $ 46,481,974 | 0.58 |
| 2006 | 30,761,632 | 20,736,858 | 1,654,272 | 3,598,145 | 6,881,952 | 49,868,955 | 0.58 |
| 2007 | 35,144,958 | 23,195,079 | 1,728,928 | 4,964,661 | 8,265,925 | 56,767,701 | 0.58 |
| 2008 | 40,002,580 | 27,919,043 | 2,751,798 | 5,792,563 | 10,511,117 | 65,954,867 | 0.57 |
| 2009 | 42,379,588 | 30,763,686 | 2,735,402 | 7,973,642 | 11,311,176 | 72,541,142 | 0.57 |
| 2010 | 41,874,227 | 32,060,323 | 2,515,645 | 8,031,416 | 11,738,392 | 72,743,219 | 0.57 |
| 2011 | 41,545,063 | 30,853,443 | 2,363,174 | 7,974,502 | 11,728,635 | 71,007,547 [2] | 0.57 |
| 2012 | 41,126,475 | 31,052,797 | 2,362,451 | 8,114,854 | 11,975,378 | 70,681,199 [2] | 0.57 |
| 2013 | 40,716,193 | 32,283,498 | 2,455,552 | 8,039,080 | 12,095,367 | 71,398,956 | 0.57 |
| 2014 | 41,251,546 | 34,899,935 | 2,494,938 | 8,336,790 | 12,371,142 | 74,612,067 | 0.57 |

**Source:** Bexar Appraisal District

[1] Tax-exempt property deductions include deductions of residential homestead exemptions and exemptions granted to persons 65 years of age and older and disabled veterans. In addition, other exemptions include historic properties, tax phase-ins, freeport, and transitional housing.

[2] Net Taxable Assessed Value decreased in 2011 and 2012 due to a reduction in base values.

## Statistical Data
## Direct and Overlapping Property Tax Rates
### Last Ten Fiscal Years
(rate per $100 of assessed value)

| | | City Direct Rates | | | Overlapping Rates | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Tax Roll | General Fund | Debt Service Funds | Total Direct | Alamo Community College | Bexar County | University Health System | San Antonio River Authority | Alamo Heights ISD | East Central ISD |
| 2005 | 2004 | 0.367040 | 0.211500 | 0.578540 | 0.107050 | 0.318471 | 0.243869 | 0.016425 | 1.629600 | 1.680000 |
| 2006 | 2005 | 0.367040 | 0.211500 | 0.578540 | 0.107050 | 0.318471 | 0.243869 | 0.016425 | 1.656600 | 1.680000 |
| 2007 | 2006 | 0.367040 | 0.211500 | 0.578540 | 0.137050 | 0.314147 | 0.243869 | 0.016425 | 1.486600 | 1.520000 |
| 2008 | 2007 | 0.360800 | 0.211500 | 0.572300 | 0.134550 | 0.326866 | 0.237408 | 0.015951 | 1.156600 | 1.190000 |
| 2009 | 2008 | 0.355640 | 0.211500 | 0.567140 | 0.135855 | 0.326866 | 0.266235 | 0.015951 | 1.162000 | 1.319500 |
| 2010 | 2009 | 0.354190 | 0.211500 | 0.565690 | 0.135855 | 0.326866 | 0.276235 | 0.015951 | 1.168000 | 1.319500 |
| 2011 | 2010 | 0.354190 | 0.211500 | 0.565690 | 0.141623 | 0.326866 | 0.276235 | 0.016652 | 1.198000 | 1.296000 |
| 2012 | 2011 | 0.354190 | 0.211500 | 0.565690 | 0.141623 | 0.326866 | 0.276235 | 0.017370 | 1.218000 | 1.296000 |
| 2013 | 2012 | 0.354190 | 0.211500 | 0.565690 | 0.149150 | 0.326866 | 0.276235 | 0.017370 | 1.218000 | 1.275000 |
| 2014 | 2013 | 0.354190 | 0.211500 | 0.565690 | 0.149150 | 0.326866 | 0.276235 | 0.017500 | 1.205000 | 1.275000 |

| | | Overlapping Rates | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Tax Roll | Edgewood ISD | Harlandale ISD | Judson ISD | Northeast ISD | Northside ISD | San Antonio ISD | Somerset ISD | South San Antonio ISD | Southside ISD | Southwest ISD |
| 2005 | 2004 | 1.734500 | 1.756000 | 1.776000 | 1.794000 | 1.762500 | 1.722000 | 1.685000 | 1.738300 | 1.720000 | 1.642200 |
| 2006 | 2005 | 1.722200 | 1.756000 | 1.776000 | 1.794000 | 1.775000 | 1.720000 | 1.685000 | 1.840000 | 1.720000 | 1.618800 |
| 2007 | 2006 | 1.610000 | 1.700000 | 1.636000 | 1.669000 | 1.592500 | 1.579700 | 1.536700 | 1.710000 | 1.690000 | 1.496000 |
| 2008 | 2007 | 1.405000 | 1.349000 | 1.410000 | 1.402900 | 1.262500 | 1.249700 | 1.194000 | 1.445000 | 1.360000 | 1.195000 |
| 2009 | 2008 | 1.405000 | 1.479000 | 1.463000 | 1.402900 | 1.337500 | 1.249700 | 1.228000 | 1.433800 | 1.368990 | 1.243200 |
| 2010 | 2009 | 1.420000 | 1.604800 | 1.463000 | 1.402900 | 1.365500 | 1.279700 | 1.289000 | 1.454900 | 1.368990 | 1.256100 |
| 2011 | 2010 | 1.407000 | 1.544400 | 1.430000 | 1.402900 | 1.375500 | 1.307600 | 1.278000 | 1.454900 | 1.368990 | 1.222600 |
| 2012 | 2011 | 1.398000 | 1.538500 | 1.425000 | 1.402900 | 1.375500 | 1.357600 | 1.278000 | 1.454900 | 1.368900 | 1.273000 |
| 2013 | 2012 | 1.398000 | 1.538500 | 1.425000 | 1.425000 | 1.375500 | 1.357600 | 1.278000 | 1.451500 | 1.368900 | 1.401622 |
| 2014 | 2013 | 1.382600 | 1.528800 | 1.425000 | 1.425000 | 1.375500 | 1.357600 | 1.278000 | 1.451500 | 1.368900 | 1.401622 |

**Source:** Bexar County Tax Office, Bexar Appraisal District, and Independent School Districts

# Statistical Data
## Principal Property Taxpayers
### Current Year and Nine Years Ago
(In Thousands)

| | 2014 | | | 2005 | | |
|---|---|---|---|---|---|---|
| Taxpayer | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| H.E.Butt Grocery Stores | $ 826,933 | 1 | 1.10% | $ 525,786 | 1 | 1.13% |
| Toyota Motor Manufacturing Texas | 440,403 | 2 | 0.59% | | | |
| Methodist Healthcare System | 386,566 | 3 | 0.51% | 173,423 | 5 | 0.37% |
| VHS San Antonio Partners LP | 379,545 | 4 | 0.50% | | | |
| Wal-Mart Stores, Inc. | 346,274 | 5 | 0.46% | 219,857 | 4 | 0.47% |
| United Services Automobile Association | 312,108 | 6 | 0.42% | 309,480 | 3 | 0.67% |
| Hyatt Regency Hotels | 296,628 | 7 | 0.39% | 105,758 | 9 | 0.23% |
| Mariott Corporation | 238,660 | 8 | 0.32% | 166,114 | 6 | 0.36% |
| La Cantera Retail LTD Partnership | 237,166 | 9 | 0.32% | | | |
| AT&T (previously Southwestern Bell Telephone Company) | 202,394 | 10 | 0.27% | 348,918 | 2 | 0.75% |
| Time Warner | | | | 123,028 | 7 | 0.26% |
| Simon Properties Group (Texas) | | | | 102,988 | 10 | 0.22% |
| North Star Mall | | | | 116,484 | 8 | 0.25% |
| **Total** | $ 3,666,677 | | 4.88% | $ 2,191,836 | | 4.71% |

**Source:** City of San Antonio

## Statistical Data
## Property Tax Levies and Collections
### Last Ten Fiscal Years
(In Thousands)

| Fiscal Year Ended | Taxes Levied for the Fiscal Year [1] | Collected within the Fiscal Year of the Levy: Amount | Collected within the Fiscal Year of the Levy: Percentage of Levy | Collections in Subsequent Years [2,3] | Total Collections to Date: Amount | Total Collections to Date: Percentage of Levy |
|---|---|---|---|---|---|---|
| 2005 | $ 268,917 | $ 264,393 | 98.32% | $ 3,667 | $ 268,060 | 99.68% |
| 2006 | 288,512 | 283,418 | 98.23% | 3,941 | 287,359 | 99.60% |
| 2007 | 326,326 | 321,211 | 98.43% | 3,789 | 325,000 | 99.59% |
| 2008 | 372,823 | 366,888 | 98.41% | 3,781 | 370,669 | 99.42% |
| 2009 | 405,010 | 398,119 | 98.30% | 3,632 | 401,751 | 99.20% |
| 2010 | 405,896 | 397,356 | 97.90% | 3,439 | 400,795 | 98.74% |
| 2011 | 396,621 | 389,419 | 98.18% | 3,820 | 393,239 | 99.15% |
| 2012 | 395,466 | 389,217 | 98.42% | 3,533 | 392,750 | 99.31% |
| 2013 | 400,055 | 394,756 | 98.68% | 2,065 | 396,821 | 99.19% |
| 2014 | 418,177 | 413,452 | 98.87% | | 413,452 | 98.87% |

[1] Taxes levied, less the over-65 and disabled tax freeze amount.

[2] Penalty, judgments, and interest on judgments are excluded.

[3] Amounts represent the taxes levied during that fiscal year-end that were collected in subsequent fiscal years.

## Statistical Data
## Taxable Sales by Category
### Last Ten Calendar Years
(In Thousands)

| | Calendar Year [1] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Motor Vehicle and Parts Dealers | $ 3,682,539 | $ 4,530,840 | $ 4,279,474 | $ 4,741,297 | $ 4,255,879 | $ 3,748,520 | $ 4,433,993 | $ 4,992,543 | $ 5,800,519 | $ 6,242,321 |
| Furniture and Home Furnishings Stores | 451,644 | 558,900 | 632,722 | 623,580 | 587,033 | 543,871 | 534,378 | 531,298 | 660,701 | 595,966 |
| Electronics and Appliance Stores | 795,617 | 922,766 | 1,092,875 | 1,105,409 | 933,284 | 869,489 | 883,394 | 1,173,505 | 1,270,747 | 1,069,591 |
| Building Material and Garden Equipment and Supplies Dealers | 997,618 | 1,071,339 | 1,184,707 | 1,184,077 | 1,179,431 | 1,144,487 | 1,193,047 | 1,345,821 | 1,474,677 | 1,653,623 |
| Food and Beverage Stores [2] | 2,416,103 | 2,553,203 | 2,744,361 | 2,947,324 | 3,233,292 | 3,296,735 | 3,360,128 | 3,850,446 | 3,770,484 | 4,261,436 |
| Health and Personal Care Stores | 1,191,515 | 1,521,135 | 1,729,193 | 1,952,449 | 1,895,026 | 1,265,431 | 1,266,153 | 1,758,122 | 1,668,709 | 1,706,340 |
| Gasoline Stations | 1,087,281 | 1,270,710 | 1,482,688 | 1,553,859 | 1,684,077 | 1,312,607 | 1,557,800 | 1,843,246 | 2,214,699 | 1,864,947 |
| Clothing and Clothing Accessories Stores [3] | 916,003 | 939,403 | 1,042,774 | 1,083,057 | 1,083,856 | 1,011,987 | 1,068,586 | 1,133,418 | 1,275,161 | 1,332,480 |
| Sporting Goods, Hobby, Book and Music Stores | 415,861 | 437,902 | 390,546 | 405,698 | 528,716 | 542,502 | 674,629 | 629,928 | 657,522 | 718,030 |
| General Merchandise Stores | 2,204,383 | 2,554,982 | 2,884,279 | 3,142,862 | 3,229,483 | 3,173,001 | 3,234,093 | 3,376,580 | 3,506,042 | 3,602,616 |
| Miscellaneous Store Retailers | 741,205 | 789,071 | 846,862 | 982,130 | 818,767 | 774,875 | 808,292 | 861,017 | 896,706 | 973,027 |
| Nonstore Retailers | 90,393 | 86,138 | 81,602 | 107,407 | 114,534 | 98,354 | 117,890 | 146,821 | 146,666 | 170,897 |
| Food Services and Drinking Places | 2,048,179 | 2,228,510 | 2,371,142 | 2,530,543 | 2,653,768 | 2,640,952 | 4,011,106 | 2,994,004 | 3,253,930 | 3,438,648 |
| Total | $ 17,038,341 | $ 19,464,899 | $ 20,763,225 | $ 22,359,692 | $ 22,197,146 | $ 20,422,811 | $ 23,143,489 | $ 24,636,749 | $ 26,596,563 | $ 27,629,922 |
| City Direct Sales Tax Rate | 1.000% | 1.000% | 1.000% | 1.125% [4] | 1.125% [4] | 1.125% [4] | 1.125% [4] | 1.125% [4] | 1.125% [4] | 1.250% [4 5] |

**Source:** Texas Comptroller of Public Accounts

[1] Calendar Year 2014 information will not be available until May of 2015.

[2] General grocery items are not taxable; the sales and use tax applies only to prepared food items and nonfood items.

[3] Clothing under $100 is exempt during the sales and use tax holiday in August.

[4] Proposition 2 - Parks Development and Expansion Venue Project increased sales and use tax. This tax was added for acquisition of open space and linear parks along the Leon and Salado Creeks, Medina and San Antonio Rivers and improvements and additions to the Municipal Parks and Recreation System. A new proposition was approved in April 2011 to extend the incremental rate for similar acquisitions and improvements.

[5] In November 2012, the citizens of the City elected to enact a 1/8 cent sales tax to fund the San Antonio Early Childhood Municipal Development Corporation (Pre-K 4 SA).

# Statistical Data
# Direct and Overlapping Sales and Use Tax Rates
## Last Ten Fiscal Years

| Fiscal Year | San Antonio Tax | PreK4SA Tax[4] | San Antonio ATD[1] | San Antonio MTA[2] | State of Texas | Total |
|---|---|---|---|---|---|---|
| 2005 | 1.000% | | 0.250% | 0.500% | 6.250% | 8.000% |
| 2006[3] | 1.125% | | 0.250% | 0.500% | 6.250% | 8.125% |
| 2007 | 1.125% | | 0.250% | 0.500% | 6.250% | 8.125% |
| 2008 | 1.125% | | 0.250% | 0.500% | 6.250% | 8.125% |
| 2009 | 1.125% | | 0.250% | 0.500% | 6.250% | 8.125% |
| 2010 | 1.125% | | 0.250% | 0.500% | 6.250% | 8.125% |
| 2011 | 1.125% | | 0.250% | 0.500% | 6.250% | 8.125% |
| 2012 | 1.125% | | 0.250% | 0.500% | 6.250% | 8.125% |
| 2013[5] | 1.125% | 0.125% | 0.250% | 0.500% | 6.250% | 8.250% |
| 2014[5] | 1.125% | 0.125% | 0.250% | 0.500% | 6.250% | 8.250% |

[1] San Antonio Advanced Transportation District (ATD) is tax added for improvements to public transportation, streets, highways, and other related transportation infrastructure.

[2] San Antonio Metropolitan Transit Authority (MTA) is tax added by the Transit Authority to provide public transportation services within designated boundaries.

[3] Proposition 2 - Parks Development and Expansion Venue Project increased sales and use tax. This tax was added for acquisition of open space and linear parks along the Leon and Salado Creeks, Medina and San Antonio Rivers and improvements and additions to the Municipal Parks and Recreation System. A new proposition was approved in April 2011 to extend the incremental rate for similar acquisitions and improvements.

[4] In November 2012, the citizens of the City elected to enact a 1/8 cent sales tax to fund the San Antonio Early Childhood Municipal Development Corporation (Pre-K 4 SA).

[5] The City is currently at its Sales and Use Tax Rate maximum limit of 8.25%.

# Statistical Data
## Ratios of Outstanding Debt by Type
### Last Ten Fiscal Years
(dollars in thousands, except per capita)

**Governmental Activities**

| Fiscal Year | Tax-Exempt General Obligation Bonds | Taxable General Obligation Bonds | Tax-Exempt Commercial Paper | Tax-Exempt Certificates of Obligation | Taxable Certificates of Obligation | Tax Notes | Contractual Obligations | Revenue Bonds | Revenue Notes | Capital Leases | Notes Payable |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | $ 658,450 | $ - | $ - | $ 194,675 | $ 6,850 | $ - | $ - | $ 556,152 | $ - | $ 7,232 | $ 1,369 |
| 2006 | 612,290 | 10,785 | | 183,455 | 6,170 | 37,600 | | 551,767 | | 10,267 | 58,005 |
| 2007 | 657,595 | 9,685 | 4,000 | 218,185 | 290 | 60,000 | | 554,372 | | 14,465 | 56,171 |
| 2008 | 717,275 | | 10,500 | 291,380 | 225 | 17,925 | | 578,412 | | 12,685 | 54,958 |
| 2009 | 731,270 | | 25,805 | 348,235 | 155 | 48,095 | | 570,252 | | 10,567 | 53,355 |
| 2010 | 721,350 | 191,550 | 14,370 | 303,635 | 80 | 28,860 | | 557,387 | | 5,796 | 50,880 |
| 2011 | 708,055 | 191,550 | | 356,870 | | 27,450 | | 575,115 | | 17,045 | 48,816 |
| 2012 | 810,275 | 191,550 | | 332,685 | | 32,015 | | 564,371 | | 14,193 | 46,631 |
| 2013 | 850,645 | 191,550 | | 328,140 | | 19,190 | | 878,564 | 18,460 | 15,285 | 43,671 |
| 2014 | 950,405 | 191,550 | | 282,235 | | 38,070 | 17,500 | 870,919 | 28,055 | 8,916 | 41,320 |

**Business-Type Activities**

| Fiscal Year | Tax-Exempt General Obligation Bonds | Taxable General Obligation Bonds | Tax-Exempt Certificates of Obligation | Tax Notes | Revenue Bonds | Capital Leases | Total Primary Government[2] | Percentage of Personal Income [1] | Per Capita [1] |
|---|---|---|---|---|---|---|---|---|---|
| 2005 | $ - | $ 12,115 | $ - | $ - | $ 272,100 | $ 263 | $ 1,709,206 | 6.73% | $ 1,316 |
| 2006 | | | | | 261,885 | 115 | 1,732,339 | 6.51% | 1,310 |
| 2007 | | | | | 251,370 | 2,678 | 1,828,811 | 7.01% | 1,394 |
| 2008 | 940 | 8,555 | 2,805 | | 395,695 | 14,946 | 2,106,301 | 7.62% | 1,585 |
| 2009 | 905 | 17,575 | 2,715 | | 360,380 | 24,664 | 2,193,973 | 7.63% | 1,637 |
| 2010 | 1,345 | 16,875 | 2,135 | 34,500 | 344,525 | 25,615 | 2,298,903 | 8.13% | 1,742 |
| 2011 | 1,310 | 16,075 | 2,035 | | 406,300 | 21,140 | 2,371,761 | 8.35% | 1,788 |
| 2012 | 1,270 | 14,900 | 1,935 | | 379,665 | 21,312 | 2,410,802 | 8.30% | 1,773 |
| 2013 | 1,230 | 13,600 | 1,830 | | 361,550 | 16,105 | 2,739,820 | 8.91% | 1,981 |
| 2014 | 1,255 | 12,120 | 1,635 | | 342,885 | 16,471 | 2,803,336 | 8.88% | 1,990 |

**Note:** Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

[1] See Demographic and Economic Statistics for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

[2] In Fiscal Year 2014, unamortized premium and deferred amounts on refunding were removed from this table.

## Statistical Data
## Ratios of Net General Bonded Debt Outstanding
### Last Ten Fiscal Years
(dollars in thousands, except per capita)

| | Governmental and Business-Type Activities | | | | | | | | Percentage of Actual Taxable Value of Property | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | General Obligation Bonds | Certificates of Obligation | Tax Notes | Contractual Obligations | Revenue Notes | Total [1] | Less Principal [1] | Net Debt Outstanding | | Per Capita [2] |
| 2005 | $ 670,565 | $ 201,525 | $ - | $ - | $ - | $ 872,090 | $ (21,473) | $ 850,617 | 1.83% | $ 654.72 |
| 2006 | 623,075 | 189,625 | 37,600 | | | 850,300 | (25,680) | 824,620 | 1.65% | 623.34 |
| 2007 | 667,280 | 218,475 | 60,000 | | | 945,755 | (31,553) | 914,202 | 1.61% | 696.65 |
| 2008 | 726,770 | 294,410 | 17,925 | | | 1,039,105 | (39,898) | 999,207 | 1.51% | 751.86 |
| 2009 | 749,750 | 351,105 | 48,095 | | | 1,148,950 | (45,036) | 1,103,914 | 1.52% | 823.48 |
| 2010 | 931,120 | 305,850 | 63,360 | | | 1,300,330 | (39,295) | 1,261,035 | 1.73% | 955.70 |
| 2011 | 916,990 | 358,905 | 27,450 | | | 1,303,345 | (38,857) | 1,264,488 | 1.78% | 953.22 |
| 2012 | 1,017,995 | 334,620 | 32,015 | | | 1,384,630 | (46,141) | 1,338,489 | 1.89% | 984.38 |
| 2013 | 1,057,025 | 329,970 | 19,190 | | 18,460 | 1,424,645 | (24,866) | 1,399,779 | 1.96% | 1,011.99 |
| 2014 | 1,155,330 | 283,870 | 38,070 | 17,500 | 28,055 | 1,522,825 | (23,788) | 1,499,037 | 2.01% | 1,063.89 |

**Note:** Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements. Information is provided for the years since the implementation of GASB Statement No. 34.

[1] Airport, Parking, and Solid Waste untilized part of this debt from FY 2005 to FY 2014, refer to note 6.

[2] Resources have been externally restricted for the repayment of the principal of debt.

[3] Population data can be found in Demographic and Economic Statistics.

## Statistical Data
## Direct and Overlapping Governmental Activities Debt
### As of September 30, 2014
(In Thousands)

| | Debt Outstanding | Estimated Percentage Applicable [1] | Estimated Shares of Overlapping Debt |
|---|---|---|---|
| **Governmental Unit:** | | | |
| **Debt Repaid with Property Taxes:** | | | |
| Alamo Community College Bonds | $ 478,668 | 71.87% | $ 344,019 |
| Bexar County Bonds | 1,381,664 | 72.42% | 1,000,601 |
| San Antonio River Authority Bonds | 30,923 | 70.20% | 21,708 |
| University Health System | 708,704 | 70.45% | 499,282 |
| Alamo Heights Independent School District Bonds | 100,158 | 49.35% | 49,428 |
| East Central Independent School District Bonds | 63,721 | 42.27% | 26,935 |
| Edgewood Independent School District Bonds | 76,175 | 100.00% | 76,175 |
| Harlandale Independent School District Bonds | 175,839 | 100.00% | 175,839 |
| Judson Independent School District Bonds | 431,313 | 30.00% | 129,394 |
| Northeast Independent School District Bonds | 1,423,838 | 84.34% | 1,200,865 |
| Northside Independent School District Bonds | 1,957,443 | 75.57% | 1,479,240 |
| San Antonio Independent School District Bonds | 532,972 | 99.21% | 528,762 |
| Somerset Independent School District Bonds | 31,099 | 2.20% | 684 |
| South San Antonio Independent School District Bonds | 174,947 | 100.00% | 174,947 |
| Southside Independent School District Bonds | 49,180 | 20.99% | 10,323 |
| Southwest Independent School District Bonds | 234,563 | 53.13% | 124,623 |
| **Total Overlapping Debt** | | | $ 5,842,825 |
| **City Direct Debt** | | | $ 2,429,452 |
| **Total Direct and Overlapping Debt** | | | $ 8,272,277 |

**Sources:** Assessed value data used to estimate applicable percentages provided by the districts. Debt outstanding data provided by each overlapping government.

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of San Antonio. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

[1] For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

# Statistical Data
## Legal Debt Margin Information
### Last Ten Fiscal Years
(In Thousands)

**Legal Debt Margin Calculation for Fiscal Year 2014**

| | |
|---|---|
| Assessed Value | $ 86,983,209 |
| Debt Limit (10.0% of Assessed Value) | 8,698,321 |
| Debt Applicable to Limit: | |
| Total Bonded Debt | 1,494,770 |
| Less: Self-Supporting Debt: | (69,915) |
| Debt Supplemented by Other Sources | |
| Assets Available for Payment of Principal In: | |
| Debt Service Fund | (43,455) |
| Total Net Debt Applicable to Limit | 1,381,400 |
| Legal Debt Margin | $ 7,316,921 |

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Debt Limit | $ 5,182,421 | $ 5,675,091 | $ 6,503,363 | $ 7,646,598 | $ 8,385,232 | $ 8,448,161 | $ 8,273,618 | $ 8,265,658 | $ 8,349,432 | $ 8,698,321 |
| Total Net Debt Applicable to Limit | 919,223 | 913,972 | 879,538 | 917,865 | 986,437 | 1,159,482 | 1,177,644 | 1,246,134 | 1,297,787 | 1,381,400 |
| Legal Debt Margin | $ 4,263,198 | $ 4,761,119 | $ 5,623,825 | $ 6,728,733 | $ 7,398,795 | $ 7,288,679 | $ 7,095,974 | $ 7,019,524 | $ 7,051,645 | $ 7,316,921 |
| Total Net Debt Applicable to the Limit as a Percentage of Debt Limit | 17.7% | 16.1% | 13.5% | 12.0% | 11.8% | 13.7% | 14.2% | 15.1% | 15.5% | 15.9% |

**Note:** City Charter and the Constitution of the State of Texas sets limits of bond indebtedness at 10.0% of assessed valuation

# Statistical Data
## Pledged-Revenue Coverage
### Last Ten Fiscal Years
(In Thousands)

| | Hotel Occupancy Tax Revenue Bonds[3] | | | | Texas Convention Center Hotel Finance [1 2] | | | |
|---|---|---|---|---|---|---|---|---|
| | | Debt Service | | | | Debt Service | | |
| Fiscal Year | Hotel Occupancy Tax | Principal | Interest | Coverage | Net Revenues of Hotel | Principal | Interest | Coverage |
| 2005 | $ 40,266 | $ 800 | $ 9,926 | 3.75 | $ - | $ - | $ 1,073 | |
| 2006 | 45,634 | 1,375 | 9,910 | 4.04 | | | 10,442 | |
| 2007 | 49,711 | 3,100 | 8,865 | 4.15 | | | 10,442 | |
| 2008 | 53,211 | 245 | 6,960 | 7.39 | | | 10,442 | |
| 2009 | 45,733 | 4,255 | 5,539 | 4.67 | | | 10,442 | |
| 2010 | 46,460 | 7,265 | 4,199 | 4.05 | | 2,150 | 10,442 | |
| 2011 | 48,975 | 7,660 | 3,952 | 4.22 | | 2,320 | 10,345 | |
| 2012 | 52,840 | 8,385 | 3,819 | 4.33 | | 2,500 | 10,238 | |
| 2013 | | | | | | 2,690 | 10,122 | |
| 2014 | | | | | | 2,895 | 9,993 | |

| | Municipal Drainage Utility System | | | | Starbright Industrial Development Corporation | | | |
|---|---|---|---|---|---|---|---|---|
| | | Debt Service | | | | Debt Service | | |
| Fiscal Year | Municipal Drainage Utility System Revenue | Principal | Interest | Coverage | Pledged Revenue | Principal | Interest | Coverage |
| 2005 | $ 26,382 | $ 1,065 | $ 2,926 | 6.61 | $ 213,384 | $ - | $ 1,138 | 187.51 |
| 2006 | 27,758 | 2,410 | 4,896 | 3.80 | 246,084 | | 1,138 | 216.24 |
| 2007 | 29,540 | 2,495 | 4,811 | 4.04 | 248,540 | 525 | 1,138 | 149.45 |
| 2008 | 33,485 | 2,590 | 4,719 | 4.58 | 293,796 | 535 | 1,126 | 176.88 |
| 2009 | 36,306 | 2,685 | 4,617 | 4.97 | 265,512 | 550 | 1,113 | 159.66 |
| 2010 | 36,972 | 2,795 | 4,507 | 5.06 | 283,502 | 565 | 1,097 | 170.58 |
| 2011 | 37,576 | 2,915 | 4,390 | 5.14 | 297,630 | 585 | 1,078 | 178.97 |
| 2012 | 38,187 | 3,055 | 4,253 | 5.23 | 288,096 | 605 | 1,057 | 173.34 |
| 2013 | 38,847 | 3,200 | 2,851 | 6.42 | 293,310 | | 605 | 484.81 |
| 2014 | 39,279 | 3,245 | 3,312 | 5.99 | 331,717 | | 734 | 451.93 |

(Continued)

**Note:** Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements. Operating expenses do not include interest, depreciation, or amortization expenses.

[1] Texas Convention Center Hotel Finance interest for FY 2005-2007 has been capitalized.

[2] The bonds are secured by a lien on and are payable from the following sources of revenue (in the order of priority given): first, the Pledged Hotel Operating Revenues which are the net revenues derived from the Hotel that remain after making necessary monthly escrow payments for property taxes; insurance premiums; and furniture, fixtures, and equipment replacements; second, the State Hotel Occupancy Tax collected at the Hotel; third, the State Sales Tax collected at the Hotel; fourth, the Hotel specific General Hotel Occupancy Tax (7.0% HOT); and fifth, the Expansion Hotel Occupancy Tax revenues collected Citywide (2.0% HOT).

[3] In fiscal year 2013 the City refunded all Hotel Occupancy Tax Revenue Bonds

# Statistical Data
## Pledged-Revenue Coverage
### Last Ten Fiscal Years
(In Thousands)

| Fiscal Year | Airport System: Airport System Revenues | Airport System: Debt Service Principal | Airport System: Debt Service Interest | Airport System: Coverage | Parking System [1]: Parking System Revenues | Parking System [1]: Debt Service Principal | Parking System [1]: Debt Service Interest | Parking System [1]: Coverage |
|---|---|---|---|---|---|---|---|---|
| 2005 | $ 52,404 | $ 7,545 | $ 9,866 | 3.01 | $ 10,349 | $ 450 | $ 1,347 | 5.76 |
| 2006 | 60,774 | 7,910 | 9,526 | 3.49 | 11,160 | 600 | 1,325 | 5.80 |
| 2007 | 65,487 | 8,245 | 8,749 | 3.85 | 10,263 | 620 | 1,295 | 5.36 |
| 2008 | 65,935 | 8,310 | 11,466 | 3.33 | 11,173 | 660 | 1,264 | 5.81 |
| 2009 | 61,353 | 9,665 | 12,456 | 2.77 | | | | |
| 2010 | 63,878 | 5,380 | 11,770 | 3.72 | | | | |
| 2011 | 63,761 | 13,325 | 11,661 | 2.55 | | | | |
| 2012 | 62,300 | 12,845 | 10,200 | 2.70 | | | | |
| 2013 | 61,370 | 13,190 | 10,750 | 2.56 | | | | |
| 2014 | 67,800 | 13,440 | 9,874 | 2.91 | | | | |

PFC Operations

| Fiscal Year | PFC Beginning Fund Balance | PFC Revenues | Less: PFC Expenses | Net Available Revenue | Debt Service Principal | Debt Service Interest | Coverage |
|---|---|---|---|---|---|---|---|
| 2005 | $ 16,908 | $ 9,978 | $ 4,648 | $ 22,238 | $ 845 | $ 2,282 | 7.11 |
| 2006 | 20,960 | 10,682 | 10,361 | 21,281 | 1,705 | 3,719 | 3.92 |
| 2007 | 26,293 | 12,678 | 6,050 | 32,921 | 1,775 | 3,651 | 6.07 |
| 2008 | 31,601 | 17,115 | 5,257 | 43,459 | 3,965 | 6,128 | 4.31 |
| 2009 | 32,024 | 16,116 | 13,216 | 34,924 | 3,535 | 7,222 | 3.25 |
| 2010 | 30,752 | 16,766 | 6,049 | 41,469 | 3,690 | 7,066 | 3.86 |
| 2011 | 32,498 | 16,197 | 7,926 | 40,769 | 4,845 | 7,783 | 3.23 |
| 2012 | 25,200 | 16,364 | 3,725 | 37,839 | 4,795 | 7,605 | 3.05 |
| 2013 | 21,542 | 16,064 | 715 | 36,891 | 4,925 | 7,904 | 2.88 |
| 2014 | 21,165 | 15,318 | 10 | 36,473 | 5,225 | 7,609 | 2.84 |

(End of Schedule)

**Note:** Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements. Operating expenses do not include interest, depreciation, or amortization expenses.

[1] In fiscal year 2009 the City defeased its Parking System Series 2000 Revenue Bonds. The outstanding debt is not pledged with revenues of the Parking System.

## Statistical Data
## Demographic and Economic Statistics
### Last Ten Calendar Years

| Year | Population | Personal Income *(thousands of dollars)* | Per Capita Personal Income | Median Age | School Enrollment | Unemployment Rate |
|---|---|---|---|---|---|---|
| 2005 | 1,299,200 | $ 25,386,368 | $ 19,540 | 32.2 | 279,756 | 4.4% |
| 2006 | 1,322,900 | 26,603,519 | 20,110 | 33.2 | 283,393 | 3.8% |
| 2007 | 1,312,286 | 26,093,495 | 19,884 | 32.6 | 291,873 | 4.0% |
| 2008 | 1,328,984 | 27,653,499 | 20,808 | 32.8 | 295,673 | 5.4% |
| 2009 | 1,340,549 | 28,750,754 | 21,447 | 32.6 | 296,328 | 6.8% |
| 2010 | 1,319,492 | 28,260,879 | 21,418 | 32.1 | 387,343 | 7.3% |
| 2011 | 1,326,539 | 28,421,098 | 21,425 | 32.8 | 392,897 | 6.7% |
| 2012 | 1,359,730 | 29,038,394 | 21,356 | 32.7 | 396,718 | 5.9% |
| 2013 | 1,383,194 | 30,752,552 | 22,233 | 33.2 | 397,500 | 5.3% |
| 2014 | 1,409,019 | 31,581,326 | 22,414 | 33.0 | 407,047 | 4.9% |

**Sources:** Population, personal income, per capita income, median age, school enrollment, and education level information provided by the Planning Department, City of San Antonio, Texas. Unemployment rate provided by the United States Department of Labor, Bureau of Labor Statistics.

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

## Statistical Data
## Principal Employers
### Current Year and Nine Years Ago

| | 2014 | | | 2005 | | |
|---|---|---|---|---|---|---|
| Employer | Employees | Rank | Percentage of Total City Employment [1] | Employees | Rank | Percentage of Total City Employment [2] |
| Joint Base San Antonio (JBSA) - Lackland, Fort Sam & Randolph | 80,165 | 1 | 8.86% | | | |
| H.E.B. Food Stores | 20,000 | 2 | 2.21% | | | |
| USAA | 16,000 | 3 | 1.77% | 13,965 | 1 | 1.85% |
| Northside Independent School District | 13,000 | 4 | 1.44% | 10,320 | 2 | 1.36% |
| City of San Antonio | 11,326 | 5 | 1.25% | 9,601 | 3 | 1.27% |
| North East Independent School District | 9,141 | 6 | 1.01% | 7,574 | 6 | 1.00% |
| Methodist Health Care System | 8,118 | 7 | 0.90% | 7,027 | 8 | 0.93% |
| San Antonio Independent School District | 7,425 | 8 | 0.82% | 7,685 | 5 | 1.02% |
| Baptist Health Systems | 7,205 | 9 | 0.80% | | | |
| Wells Fargo | 6,500 | 10 | 0.72% | | | |
| SBC Communications (AT&T) | | | | 5,941 | 9 | 0.79% |
| Fort Sam Houston | | | | 8,160 | 4 | 1.08% |
| Alamo Community College District | | | | 7,200 | 7 | 0.95% |
| University Health System | | | | 5,000 | 10 | 0.66% |
| **Total** | 178,880 | | 19.78% | 82,473 | | 10.91% |

**Source:** Economic Development Division, City of San Antonio, Texas, Book of Lists 2014, and Department of Defense personnel statistics.

[1] Percent based on an Employment Estimate of 905,100 of Non-Farm jobs in the San Antonio-New Braunfels, TX Metropolitan Statistical Area as of January 2014. Figure provided by the Texas Workforce Commission.

[2] Percent based on an Employment Estimate of 756,700 of Non-Farm jobs in the San Antonio-New Braunfels, TX Metropolitan Statistical Area as of January 2005 Figure provided by the Texas Workforce Commission.

## Statistical Data

## Full-Time Equivalent City Government Employees by Function/Program

### Last Ten Fiscal Years

| | Full-time Equivalent Employees as of September 30 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| **Function/Program:** | | | | | | | | | | |
| Mayor and Council | 18 | 17 | 18 | 17 | 17 | 17 | 15 | 18 | 19 | 18 |
| City Manager | 12 | 13 | 24 | 22 | 17 | 17 | 17 | 15 | 18 | 18 |
| Administrative Services [1 6] | | 185 | | | | | | | | |
| Alamodome [7] | 48 | 46 | | | | | | | | |
| Animal Care Services [4] | | 77 | 83 | 100 | 104 | 108 | 103 | 117 | 116 | 109 |
| Asset Management [2] | 128 | 212 | 212 | | | | | | | |
| Aviation Uniformed Officers | 28 | 28 | 28 | 28 | 27 | 30 | 31 | 33 | 52 | 49 |
| Aviation Civilian Employees | 342 | 360 | 382 | 417 | 424 | 415 | 409 | 425 | 338 | 322 |
| Building & Equipment Services [11] | | | 182 | 155 | 161 | 147 | 157 | 256 | 250 | 155 |
| Capital Improvements Management Services (CIMS) [21] | | | | 137 | 183 | 196 | 200 | 200 | 198 | |
| Center City Development [9] | | | | | | | 6 | 7 | 7 | 121 |
| City Attorney | 90 | 93 | 92 | 108 | 104 | 104 | 99 | 95 | 94 | 84 |
| City Auditor | 19 | 13 | 25 | 23 | 22 | 22 | 20 | 21 | 21 | 21 |
| City Clerk | 18 | 20 | 22 | 24 | 24 | 20 | 21 | 22 | 27 | 30 |
| Code Compliance [3] | 103 | | | | | | | | | |
| Communications and Public Affairs [5 18] | | 6 | 8 | 8 | 9 | 8 | 13 | 16 | 16 | 56 |
| Contract Services [1 2] | 15 | | | | | | | | | |
| Convention and Visitors Bureau | 67 | 67 | 75 | 86 | 90 | 86 | 84 | 132 | 127 | 80 |
| Convention Facilities [7] | 243 | 252 | | | | | | | | |
| Convention, Sports and Entertainment Facilities [7] | | | 276 | 308 | 298 | 280 | 290 | 311 | 292 | 297 |
| Creative and Cultural Affairs | 10 | 9 | 11 | 12 | 12 | 11 | 12 | 12 | 19 | 20 |
| Customer Services/311 System [18] | 51 | 58 | 52 | 62 | 62 | 56 | 59 | 52 | 42 | |
| Development Services [13 8] | 204 | 219 | 244 | 217 | 220 | 200 | 225 | 199 | 195 | 221 |
| Downtown Operations [20] | | | 67 | 174 | 174 | 160 | 140 | 143 | 123 | |
| Eastpoint [19] | | | | | | | | | | 15 |
| Early Education Development | | | | | | | | | 146 | 300 |
| Economic and Employment Development | 34 | 37 | 37 | 38 | 35 | 33 | 24 | 27 | 21 | 24 |
| External Relations [5] | 13 | | | | | | | | | |
| Finance [12] | 77 | 71 | 87 | 91 | 87 | 82 | 89 | 134 | 186 | 145 |
| Firefighters and EMS | 1414 | 1435 | 1450 | 1448 | 1533 | 1568 | 1,606 | 1,612 | 1,641 | 1,655 |
| Fire Department Civilian Employees | 110 | 95 | 114 | 103 | 133 | 159 | 144 | 124 | 107 | 112 |
| Grants Monitoring and Administration [15] | | | 20 | 22 | 21 | 25 | 22 | 16 | | |
| Health [4] | 602 | 510 | 483 | 365 | 365 | 360 | 345 | 314 | 295 | 292 |
| Housing and Community Development [3] | 25 | 23 | | | | | | | | |
| Human Resources | 69 | 67 | 77 | 91 | 85 | 73 | 69 | 84 | 80 | 105 |
| Human Services [10] | 357 | 331 | 331 | 335 | 319 | 278 | 251 | 286 | 285 | 255 |
| Information Technology Services | 225 | 212 | 196 | 208 | 218 | 214 | 199 | 194 | 317 | 309 |
| Intergovernmental Relations [5] | | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 7 |
| International Affairs [14] | 12 | 12 | 10 | 10 | 10 | 8 | 4 | 4 | | |
| Library | 294 | 311 | 315 | 336 | 331 | 300 | 321 | 497 | 468 | 297 |
| Municipal Court | 169 | 174 | 164 | 156 | 166 | 174 | 182 | 188 | 171 | 175 |
| Neighborhood Action [3] | 49 | | | | | | | | | |
| Housing and Neighborhood Services [3 17] | | 153 | 156 | 167 | 173 | 154 | 131 | 133 | 134 | |
| Non Departmental [14] | 21 | 19 | 21 | 35 | 24 | 36 | 36 | 30 | 53 | 35 |
| Office of Historic Preservation [16] | | | | | | | | | | 12 |
| Office of Management and Budget | 17 | 17 | 14 | 14 | 18 | 17 | 23 | 22 | 21 | 26 |
| Parks and Recreation | 817 | 812 | 703 | 624 | 646 | 617 | 602 | 630 | 587 | 566 |
| Planning and Community Development [8 15] | 35 | 33 | 40 | 36 | | | | 48 | 57 | 189 |
| Police Officers | 1964 | 1988 | 2031 | 2078 | 2186 | 2229 | 2,261 | 2,276 | 2,311 | 2,333 |
| Police Department Civilian Employees | 545 | 562 | 552 | 523 | 638 | 599 | 585 | 565 | 547 | 506 |
| Public Works [21] | 861 | 750 | 740 | 647 | 636 | 610 | 591 | 600 | 547 | |
| Purchasing [1] | 180 | | | | | | | | | |
| Purchasing and Contract Services [2 6 12] | | | 8 | 147 | 131 | 136 | 131 | 2 | | |
| Solid Waste Management | 512 | 515 | 468 | 460 | 452 | 455 | 447 | 521 | 512 | 578 |
| Special Projects | 1 | | | | | | | | | |
| Transportation and Capital Improvments [21] | | | | | | | | | | 698 |
| **Total** | **9,799** | **9,806** | **9,823** | **9,837** | **10,160** | **10,009** | **9,969** | **10,386** | **10,445** | **10,235** |

## Statistical Data
## Full-Time Equivalent City Government Employees by Function/Program
### Last Ten Fiscal Years

**Source:** City of San Antonio, Texas. Figures account for actual employment positions filled

[1] In fiscal year 2006 the Purchasing and Contract Services Departments were combined to form the Administrative Services Department
[2] The Contract Services Department began as a division of Asset Management in FY 2001. In fiscal year 2004, they became their own separate department and in fiscal year 2008 they were moved into Purchasing and Contract Service
[3] In fiscal year 2006 the Neighborhood Action and Code Compliance Departments were combined then in fiscal year 2007 this combined with Housing to form the Housing and Neighborhood Services Departmen
[4] Prior to fiscal year 2006 Animal Care Services was part of the Health Department.
[5] During fiscal year 2006 the External Relations Department divided to form the Intergovernmental Relations and the Communications and Public Affairs Departments
[6] In fiscal year 2007 Administrative Services was divided into two new departments, forming the Fleet Maintenance and Operations and Purchasing and Contract Services Departments
[7] In fiscal year 2007 Alamodome and Convention Facilities were combined to form the Convention, Sports and Entertainment Facilities Department
[8] In fiscal year 2009 Planning and Community Development was combined with Development Services and then split back up in fiscal year 2012
[9] In fiscal year 2011 Center City Development was separated from Economic and Employment Development
[10] In fiscal year 2011 Community Initiatives was renamed Human Services.
[11] In fiscal year 2012 Fleet Maintenance Operations was renamed Building & Equipment Services
[12] In fiscal year 2012 Purchasing and Contract Services was combined with Finance
[13] In fiscal year 2012 Code Compliance was combined with Development Services
[14] In fiscal year 2013 International Affairs was combined with Non Departmental
[15] In fiscal year 2013, Grants Monitoring and Administration was combined with Planning and Community Development
[16] In fiscal year 2014, Office of Historic Preservation split from Development Services
[17] In fiscal year 2014, Housing and Neighborhood services combined with Planning and Community Development
[18] In fiscal year 2014, Customer Services/311 Systems combined with Communications and Public Affairs.
[19] In fiscal year 2014, Eastpoint department was established.
[20] In fiscal year 2014, Downtown Operations was combined with Center City Development
[21] In fiscal year 2014, Public Works and CIMS combined to form Transportation and Capital Improvements

# Statistical Data
## Operating Indicators by Function/Program
### Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| **Function/Program:** | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Physical Arrests [1] | 82,158 | 80,794 | 75,516 | 88,078 | 123,038 | 186,181 | 161,604 | 165,319 | 164,310 | 180,667 |
| Parking Violations | 111,863 | 93,888 | 104,309 | 110,670 | 81,480 | 76,142 | 62,170 | 78,612 | 77,570 | 76,128 |
| Traffic Violations | 271,655 | 222,326 | 200,371 | 236,792 | 266,866 | 254,011 | 165,908 | 266,157 | 226,084 | 215,164 |
| Fire: | | | | | | | | | | |
| Fire Incidents | 84,573 | 89,426 | 90,389 | 100,104 | 101,421 | 104,253 | 114,087 | 108,507 | 105,404 | 99,191 |
| Fires Extinguished | 8,370 | 9,719 | 7,292 | 5,305 | 4,839 | 2,390 | 3,121 | 2,218 | 2,420 | 2,371 |
| Inspections | 16,223 | 16,612 | 19,986 | 24,718 | 23,149 | 22,459 | 21,180 | 25,057 | 23,891 | 24,517 |
| Solid Waste: | | | | | | | | | | |
| Refuse Collected (tons per day) | 1,690 | 1,709 | 1,818 | 1,842 | 1,698 | 1,376 | 1,137 | 1,123 | 1,138 | 1,084 |
| Recyclables Collected (tons per day) | 98 | 100 | 149 | 217 | 285 | 478 | 446 | 501 | 593 | 504 |
| Other Public Works: | | | | | | | | | | |
| Street Resurfacing (miles) | 128.46 | 115.46 | 140.09 | 185.31 | 453.20 | 423.00 | 275.00 | 348.00 | 252.00 | 241.00 |
| Potholes Repaired | 27,294 | 17,290 | 23,724 | 12,919 | 12,120 | 42,240 | 15,137 | 11,431 | 10,465 | 12,955 |
| Parks and Recreation: | | | | | | | | | | |
| Athletic Field Permits Issued | 1,854 | 1,955 | 1,674 | 1,628 | 1,939 | 1,945 | 3,939 | 4,273 | 4,746 | 5,043 |
| Community Center Reservations | 3,027 | 2,805 | 3,079 | 2,190 | 2,220 | 1,930 | 1,735 | 2,015 | 2,198 | 2,097 |
| Library: | | | | | | | | | | |
| Volumes in Collection | 1,970,661 | 2,155,843 | 2,091,735 | 2,164,172 | 2,188,219 | 2,241,491 | 2,333,032 | 2,216,722 | 2,155,139 | 2,139,234 |
| Volumes in Circulation | 5,876,331 | 6,030,777 | 5,935,818 | 6,374,109 | 6,616,776 | 6,601,175 | 6,733,534 | 7,354,466 | 7,396,057 | 7,177,889 |
| Water: | | | | | | | | | | |
| Customers | 315,000 | 325,944 | 336,434 | 344,168 | 348,834 | 352,059 | 356,546 | 360,281 | 365,099 | 367,408 |
| Water Main Breaks | 1,305 | 2,577 | 3,073 | 1,392 | 2,594 | 3,212 | 1,475 | 3,397 | 2,128 | 1,863 |
| Average Daily Consumption (millions of gallons) | 143.7 | 172.2 | 181.6 | 169.2 | 194.9 | 181.4 | 188.0 | 204.5 | 192.2 | 189.1 |
| Maximum Daily Consumption (millions of gallons) | 196.5 | 278.1 | 269.0 | 224.0 | 299.1 | 243.5 | 266.02 | 265.6 | 264.0 | 270.2 |
| Wastewater: | | | | | | | | | | |
| Amount Treated Peak Day (millions of gallons) | 297.0 | 212.0 | 169.0 | 294.0 | 174.0 | 194.0 | 258.0 | 160.0 | 199.0 | 221.0 |

**Sources:** Various City departments and San Antonio Water System.

[1] City Class "C" offenses.

## Statistical Data
## Capital Asset Statistics by Function/Program
### Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| **Function/Program:** | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sub-Stations | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Marked Patrol Units [1] | 554 | 555 | 559 | 580 | 668 | 680 | 716 | 716 | 716 | 716 |
| Fire: | | | | | | | | | | |
| Fire Stations | 49 | 50 | 50 | 50 | 50 | 50 | 50 | 51 | 51 | 51 |
| Solid Waste: | | | | | | | | | | |
| Garbage Trucks | 129 | 137 | 147 | 193 | 224 | 49 | 65 | | | |
| Recycling Trucks [2] | 46 | 46 | 37 | 35 | 23 | | | | | |
| Dual Purpose Collection Vehicles [2] | | | | | | 120 | 160 | 323 | 333 | 349 |
| Other Public Works: | | | | | | | | | | |
| Streets (miles) | 3,953 | 4,022 | 3,981 | 4,018 | 4,018 | 4,064 | 4,066 | 4,066 | 4,066 | 4,066 |
| Highways (miles) | 911 | 911 | 911 | 1,004 | 1,004 | 1,046 | 1,036 | 1,036 | 1,140 | 1,180 |
| Streetlights | 64,678 | 64,848 | 75,490 | 76,696 | 77,674 | 79,468 | 79,468 | 70,714 | 71,531 | 71,877 |
| Traffic Signals | 1,139 | 1,153 | 1,180 | 1,197 | 1,226 | 1,288 | 1,299 | 1,317 | 1,332 | 1,366 |
| Parks and Recreation: | | | | | | | | | | |
| Acreage | 16,151 | 16,660 | 18,384 | 18,914 | 14,241 | 14,282 | 14,288 | 14,519 | 14,822 | 14,866 |
| Playgrounds | 115 | 116 | 119 | 114 | 151 | 148 | 154 | 166 | 177 | 178 |
| Baseball/Softball Diamonds | 111 | 112 | 112 | 112 | 129 | 129 | 129 | 129 | 129 | 130 |
| Soccer/Football Fields | 61 | 62 | 62 | 62 | 93 | 93 | 93 | 94 | 94 | 94 |
| Golf Courses | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Swimming Pools | 23 | 24 | 24 | 24 | 25 | 27 | 26 | 26 | 26 | 26 |
| Community Centers | 26 | 26 | 29 | 29 | 31 | 30 | 30 | 30 | 30 | 30 |
| Water: | | | | | | | | | | |
| Water Mains (miles) | 4,324 | 4,404 | 4,525 | 4,673 | 4,802 | 4,866 | 4,936 | 4,988 | 5,022 | 5,072 |
| Fire Hydrants | 22,691 | 23,212 | 23,964 | 25,004 | 25,955 | 26,599 | 27,115 | 27,566 | 27,914 | 28,323 |
| Storage Capacity (millions of gallons) | 161.5 | 142.0 | 166.0 | 164.0 | 165.0 | 166.2 | 180.8 | 184.1 | 183.7 | 197.4 |
| Wastewater: | | | | | | | | | | |
| Sewer Mains (miles) | 4,533 | 4,607 | 4,739 | 4,877 | 5,001 | 5,085 | 5,118 | 5,163 | 5,200 | 5,238 |
| Storm Sewers (miles) | 498.0 | 498.0 | 498.0 | 498.0 | 498.0 | 498.0 | 581.0 | 581.0 | 581.0 | 700.0 |
| Permitted Treatment Capacity (millions of gallons) | 225.5 | 225.5 | 225.5 | 179.5 | 187.0 | 187.0 | 187.0 | 187.0 | 187.0 | 187.0 |

**Sources:** Various City departments, CPS Energy, TxDOT, and San Antonio Water System.

[1] The number of units reported in fiscal year 2011 includes all marked patrol vehicles, regardless of function.

[2] The recycle only vehicles have been removed from the fleet. COSA has purchased dual purpose vehicles, which serve both as garbage and recycle collection vehicles.

# FY 2014

# FEDERAL SECTION

## Summary Schedule of Federal Awards by Type

### Last Two Fiscal Years

| Grant Type | Fiscal Year 2014 | Fiscal Year 2013 | Variance Increase (Decrease) |
|---|---|---|---|
| **Federal Categorical Grants:** | | | |
| Social Services | $ 60,540,370 | $ 70,231,537 | $ (9,691,167) |
| Air Transportation | 27,838,320 | 23,556,391 | 4,281,929 |
| Public Health | 16,350,239 | 14,350,195 | 2,000,044 |
| Criminal Justice | 3,783,421 | 4,212,740 | (429,319) |
| Recreation and Culture | 2,113,865 | 1,282,798 | 831,067 |
| Economic Development | 4,353,551 | 1,500,000 | 2,853,551 |
| Emergency Management | 2,911,064 | 2,750,274 | 160,790 |
| Environmental Quality | 1,506,854 | 477,963 | 1,028,891 |
| **Total Federal Categorical Grants** | $ 119,397,684 | $ 118,361,898 | $ 1,035,786 |
| **Federal Block Grants:** | | | |
| Community Development Block Grant | $ 11,772,041 | $ 11,559,540 | $ 212,501 |
| HOME Program Block Grant | 3,745,405 | 3,872,708 | (127,303) |
| **Total Federal Block Grants** | $ 15,517,446 | $ 15,432,248 | $ 85,198 |
| **Total Federal Grants** | $ 134,915,130 | $ 133,794,146 | $ 1,120,984 |

The City's Federal awards increased over the prior year by $1.1 million. Social Services had a $9.7 million decrease from fiscal year 2013 due to money previously awarded to the City now being directly awarded to the agencies as well as an additional $1.5 million in Child Care Services funds being reclassed as State dollars. This decrease is offset with an increase in grants from the Federal Aviation Administration for $4.3 million for airport repairs and taxiway rehabilitation. Economic Development and Environmental Quality both had first time grants from TXDoT for $3.7 million and $1.0 million, respectively, for transportation enhancements. Public Health grants increased by $2.0 million due to increased public health state support projects.

# Schedule of Expenditures of Federal Awards by Grantor, Federal Program and Grant Number

## Schedule of Expenditures of Federal Awards
**Year-Ended September 30, 2014**

| FEDERAL GRANTOR/PASS THROUGH GRANTOR/FEDERAL PROGRAM | FEDERAL CFDA NUMBER | GRANT NUMBER | CITY NUMBER | FEDERAL EXPENDITURES |
|---|---|---|---|---|
| **U. S. Department of Agriculture:** | | | | |
| **Pass Through - Texas Department of State Health Services:** | | | | |
| **Special Supplemental Nutrition Program for Women, Infants, and Children:** | | | | |
| WIC 2012-2013 | 10.557 | 2013-042718 | 26-01636101 | $ 24,164 |
| WIC 2013-2014 | 10.557 | 2014-045067 | 26-01636124 | 6,120,769 |
| **Total Special Supplemental Nutrition Program for Women, Infants, and Children** | | | | $ 6,144,933 |
| **Pass Through - Texas Health and Human Services Commission:** | | | | |
| **Summer Food Service Program for Children:** | | | | |
| Summer Food Program 2013 | 10.559 | CE ID 01566 | 26-02026007 | $ (162) |
| Summer Food Program 2014 | 10.559 | CE ID 01566 | 26-02026008 | 627,764 |
| **Total Summer Food Service Program for Children** | | | | $ 627,602 |
| **Total U.S. Department of Agriculture** | | | | $ 6,772,535 |
| **Department of Commerce:** | | | | |
| **Direct Program** | | | | |
| **Public Works & Economic Development Facilities Grant:** | | | | |
| Walters Street Revitalization Initiative | 11.301 | 08-01-04548 | 26-05380001 | $ 246,833 |
| **Total U.S. Department of Commerce** | | | | $ 246,833 |
| **U.S. Department of Defense:** | | | | |
| **Direct Program** | | | | |
| **Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation:** | | | | |
| Office of Military Transformation 2011 | 12.607 | RA06185-11-04 | 26-03248003 | $ (69,805) |
| Office of Military Transformation 2013 | 12.607 | RA06185-12-05 | 26-03248005 | 261,863 |
| **Total Community Economic Adjustment Assistance** | | | | $ 192,058 |
| **Total U.S. Department of Defense** | | | | $ 192,058 |
| **U.S. Department of Housing and Urban Development:** | | | | |
| **Direct Programs** | | | | |
| **Housing Counseling Assistance Program:** | | | | |
| Housing Counseling Program 2012-TSAHC | 14.169 | MOU | 26-05438032 | $ 9,355 |
| Housing Counseling Program 2013 | 14.169 | HC13-0821-055 | 26-05438035 | (3,179) |
| Housing Counseling Program 2014 | 14.169 | HC14-0821-012 | 26-05438039 | 15,009 |
| **Total Housing Counseling Assistance Program** | | | | $ 21,185 |
| **Community Development Block Grants/Entitlement Grants:** | | | | |
| Community Development Program - 28th Year | 14.218 | B02MC480508 | 28-028000 | $ 172,364 |
| Community Development Program - 29th Year | 14.218 | B03MC480508 | 28-029000 | (903,597) |
| Community Development Program - 30th Year | 14.218 | B04MC480508 | 28-030000 | (488) |
| Community Development Program - 31st Year | 14.218 | B05MC480508 | 28-031000 | (144,094) |
| Community Development Program - 32nd Year | 14.218 | B06MC480508 | 28-032000 | 168,503 |
| Community Development Program - 34th Year | 14.218 | B08MC480508 | 28-034000 | 404,364 |
| Community Development Program - 35th Year | 14.218 | B09MC480508 | 28-035000 | 846,929 |
| Community Development Program - 36th Year | 14.218 | B10MC480508 | 28-036000 | 367,411 |
| Community Development Program - 37th Year | 14.218 | B11MC480508 | 28-037000 | 593,752 |
| Community Development Program - 38th Year | 14.218 | B12MC480508 | 28-038000 | 1,402,451 |
| Community Development Program - 39th Year | 14.218 | B13MC480508 | 28-039000 | 5,549,485 |
| Neighborhood Stabilization Grant | 14.218 | B08MN480501 | 23-28000001 | 123,197 |
| CDBG Investment Partnerships Program Outstanding Loans | 14.218 | Various | Various | 4,426,746 |
| Neighborhood Stabilization Grant Program Outstanding Loans | 14.218 | Various | Various | 4,361,882 |
| **Total Community Development Block Grants/Entitlement Grants** | | | | $ 17,368,905 |
| **Community Development Entitlement Grants-Section 108 Loan Guarantees:** | | | | |
| Community Development Block Grants - Section 108 Loans | 14.248 | MC480508 | 27-040000 | $ 6,524,407 |
| **Emergency Solutions Grants Program:** | | | | |
| ESG 2011-2013 | 14.231 | E11MC480508 | 26-05438025 | $ 136 |
| ESG 2011-2013 Supplemental Funds | 14.231 | E11MC480508 | 26-05438030 | 73,529 |
| ESG 2012-2014 | 14.231 | E12MC480508 | 26-05438031 | 412,983 |
| ESG 2013-2015 | 14.231 | E13MC480508 | 26-05438036 | 695,950 |
| **Total Emergency Solutions Grants Program** | | | | $ 1,182,598 |
| **Supportive Housing Program:** | | | | |
| SHP 2011 | 14.235 | TXB6J001104 | 26-05438028 | $ 116 |
| SHP 2012 | 14.235 | TX7L6J001205 | 26-05438034 | 245,529 |
| SHP 2013 | 14.235 | TX0007L5J00XXXX | 26-05438038 | 64,801 |
| **Total Supportive Housing Program** | | | | $ 310,446 |
| **Subtotal U.S. Department of Housing and Urban Development** | | | | $ 25,407,541 |

See accompanying Notes to the Schedule of Expenditures of Federal Awards







## Schedule of Expenditures of Federal Awards
**Year-Ended September 30, 2014**



| FEDERAL GRANTOR/PASS THROUGH GRANTOR/FEDERAL PROGRAM | FEDERAL CFDA NUMBER | GRANT NUMBER | CITY NUMBER | FEDERAL EXPENDITURES |
|---|---|---|---|---|
| **U.S. Department of Housing and Urban Development (Continued):** | | | | |
| **Direct Programs (Continued)** | | | | |
| **HOME Investment Partnerships Program:** | * | | | |
| HOME Program Grant - 15th Year | 14.239 | M06MC480508 | 25-015000 | $ 87,906 |
| HOME Program Grant - 17th Year | 14.239 | M08MC480508 | 25-017000 | 117,314 |
| HOME Program Grant - 18th Year | 14.239 | M09MC480508 | 25-018000 | 126,658 |
| HOME Program Grant - 19th Year | 14.239 | M10MC480508 | 25-019000 | 565,482 |
| HOME Program Grant - 20th Year | 14.239 | M11MC480508 | 25-020000 | 997,729 |
| HOME Program Grant - 21st Year | 14.239 | M12MC480508 | 25-021000 | 2,161,258 |
| HOME Program Grant - 22st Year | 14.239 | M13MC480508 | 25-022000 | 458,043 |
| HOME Investment Partnerships Program Outstanding Loans | 14.239 | Various | Various | 26,525,007 |
| **Total HOME Investment Partnerships Program** | | | | $ 31,039,397 |
| **Housing Opportunities for Persons with AIDS:** | | | | |
| HOPWA 2011-2014 | 14.241 | TXH11F005 | 26-05438026 | $ 11,306 |
| HOPWA 2012-2015 | 14.241 | TXH12F005 | 26-05438029 | 56,653 |
| HOPWA 2013-2016 | 14.241 | TXH13F005 | 26-05438037 | 1,120,145 |
| **Total Housing Opportunities for Persons with AIDS** | | | | $ 1,188,104 |
| **Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants:** | | | | |
| Railway Safety Classroom Building | 14.251 | B-08-SP-TX-0146 | 26-05420001 | $ 7,991 |
| **Lead Hazard Reduction Demonstration Grant Program:** | | | | |
| Lead Hazard Reduction Demonstration 2011-2014 | 14.905 | TXLHD0226-11 | 26-05461003 | $ 516,719 |
| Lead Hazard Reduction Demonstration 2013-2016 | 14.905 | TXLHD0259-13 | 26-05450001 | 78,582 |
| **Total Lead Hazard Reduction Demonstration Grant Program** | | | | $ 595,301 |
| **Healthy Homes Production Grant Program:** | | | | |
| Healthy Homes Production Grant | 14.913 | TXHHP0009-11 | 26-05461004 | $ 423,377 |
| **Total U.S. Department of Housing and Urban Development** | | | | $ 58,661,711 |
| **U.S. Department of the Interior:** | | | | |
| **Pass Through - Texas Historical Commission** | | | | |
| **Historic Preservation Fund Grants-In-Aid:** | | | | |
| CLG Grant 2012 | 15.904 | TX12028 | 26-00680005 | $ 134 |
| **Total U.S. Department of the Interior** | | | | $ 134 |
| **U.S. Department of Justice:** | | | | |
| **Pass-Through - Office of the Governor, Criminal Justice Division:** | | | | |
| **Edward Byrne Memorial Justice Assistance Grant Program:** | | | | |
| Cure Violence Grant 2014 | 16.738 | 28266-01 | 26-05336001 | $ 17,648 |
| JAG 2011-2014 | 16.738 | 2011DJBX3270 | 26-02817019 | 39,358 |
| JAG 2012-2016 | 16.738 | 2011DJBX0821 | 26-02817022 | 173,055 |
| JAG 2013-2017 | 16.738 | 2011DJBX1037C | 26-02817024 | 92,952 |
| **Total Edward Byrne Memorial Justice Assistance Grant Program** | | | | $ 323,013 |
| **Direct Programs** | | | | |
| **Economic High-Tech and Cyber Crime Prevention** | | | | |
| Economic High-Tech and Cyber Crime Prevention | 16.752 | 2012-DG-BX-004 | 26-02817021 | $ 1,141 |
| **Federal Confiscated Property:** | | | | |
| Airport Federal Account | 16.XXX | N/A | 29-037000 | $ 101,567 |
| Federal Account | 16.XXX | N/A | 29-039000 | 67,952 |
| HIDTA - Federal Account | 16.XXX | N/A | 29-046000 | 519,211 |
| **Total Federal Confiscated Property** | | | | $ 688,730 |
| **Total U.S. Department of Justice** | | | | $ 1,012,884 |

* Major Program

See accompanying Notes to the Schedule of Expenditures of Federal Awards

## Schedule of Expenditures of Federal Awards
### Year-Ended September 30, 2014

| FEDERAL GRANTOR/PASS THROUGH GRANTOR/FEDERAL PROGRAM | FEDERAL CFDA NUMBER | GRANT NUMBER | CITY NUMBER | FEDERAL EXPENDITURES |
|---|---|---|---|---|
| **U.S. Department of Transportation:** | | | | |
| **Direct Programs** | | | | |
| **Airport Improvement Program:** | | | | |
| Residential Acoustical Program 72-2012 | 20.106 | 34801927212 | 26-05833051 | $ 5,195,108 |
| Residential Acoustical Program 75-2013 | 20.106 | 348019207513 | 26-05833061 | 2,964,491 |
| Runway 12R Rehabilitation 60-09 | 20.106 | 34801926009 | 26-05833058 | 3,377 |
| Runway 12R Rehabilitation 64-10 | 20.106 | 34801926410 | 26-05833060 | 24,782 |
| Runway 3-21 Paving 66-10 | 20.106 | 34801926610 | 26-05833040 | 865,864 |
| Runway 3-21 Paving 6911 | 20.106 | 34801920692 | 26-05833044 | 4,035,270 |
| Stinson- Air Traffic Control Tower | 20.106 | 2XXAV027 | 26-05833045 | 148,730 |
| Stinson- Ramp | 20.106 | AM 2012TSON | 26-05833047 | 50,000 |
| Stinson-Runway 1432 | 20.106 | 13155STSON | 26-05833046 | 209,254 |
| Terminal Area Taxiways 73-12 | 20.106 | 348019207312 | 26-05833052 | 88,011 |
| Terminal Area Taxiways 60-09 | 20.106 | 34801926009 | 26-05833057 | 510,046 |
| Terminal Area Taxiways 64-10 | 20.106 | 34801926410 | 26-05833059 | 87,547 |
| Terminal Area Taxiways 76-13 | 20.106 | 34801920762013 | 26-05833064 | 5,472,464 |
| Taxiway R Reconstruction 60-2009 | 20.106 | 34801920609 | 26-05833062 | 55,238 |
| **Total Airport Improvement Program** | | | | $ 19,710,182 |
| **National Motor Carrier Safety:** | | | | |
| TACT Enforcement & Evaluation Program 2012-2013 | 20.218 | FMMHP0064120100 | 26-05917016 | $ 3,993 |
| TACT Public Education & Outreach Program 2012-2013 | 20.218 | FMMHP0065120100 | 26-05917017 | 51 |
| TACT Public Education & Outreach Program 2013-2014 | 20.218 | FMMHP0128130101 | 26-05917019 | 306,480 |
| TACT Enforcement & Evaluation Program 2013-2014 | 20.218 | FMMHP0128130101 | 26-05917020 | 528,402 |
| TACT Enforcement & Evaluation Program 2014-2015 | 20.218 | FMMHP015614 | 26-05917023 | 374 |
| **Total National Motor Carrier Safety** | | | | $ 839,300 |
| **Pass Through - Texas Department of Transportation:** | | | | |
| **Highway Planning and Construction:** * | | | | |
| TxDOT Low Impact Landsaping | 20.205 | CSJ 0915-12-534 | 26-05923004 | $ 23,887 |
| School Flasher Communications Upgrade Project | 20.205 | 0915-12-495 | 26-05923005 | 140,089 |
| Public Safety Campaign | 20.205 | 0915-12-488 | 26-05955001 | 39,679 |
| TXDoT Contributions | 20.205 | Various | 26-05940001 | 68,399,935 |
| **Total Highway Planning and Construction** | | | | $ 68,603,590 |
| **Enhanced Mobility of Seniors and Individuals with Disabilities:** | | | | |
| Freedom Grant 2014 | 20.513 | N/A | 26-05938005 | $ 124,009 |
| **Total Enhanced Mobility of Seniors and Individuals with Disabilities** | | | | $ 124,009 |
| **Paul S. Sarbanes Transit in the Parks Grant:** | | | | |
| Paul S. Sarbanes Transit in the Parks | 20.520 | D2011-ATPL-015 | 26-05955005 | $ 41,749 |
| **Alcohol Impaired Driving Countermeasures Incentive Grants I:** | | | | |
| DWI Step Program 2012 | 20.601 | S-IDM-00047 | 26-05917008 | $ 62 |
| DWI Step Program 2013 | 20.601 | S-1YG-0017 | 26-05917018 | (14,611) |
| Traffic Safety Grant 2014 | 20.601 | S-1YG-0008 | 26-05917022 | 987,325 |
| **Total Alcohol Impaired Driving Countermeasures Incentive Grants I** | | | | $ 972,776 |
| **Total U.S. Department of Transportation** | | | | $ 90,291,606 |
| **Environmental Protection Agency:** | | | | |
| **Pass Through - Texas Commission on Environmental Quality** | | | | |
| **Surveys, Studies, Research, Investigations, Demonstrations, & Special Purpose Activities Relating to the Clean Air Act:** | | | | |
| Air Monitoring in SA TCEQ PM 2.5 2014 | 66.034 | 582-12-10038 | 26-00836016 | $ 63,899 |
| Air Monitoring in SA TCEQ PM 2.5 2015 | 66.034 | 582-12-10038 | 26-00836019 | 7,420 |
| **Total Surveys, Studies, Research, Investigations, Demonstrations, & Special Purpose Activities Relating to the Clean Air Act** | | | | $ 71,319 |
| **Nonpoint Source Implementation Grants:** | | | | |
| 319 Grant for Old Mission Drive In | 66.460 | 582-11-12836 | 26-00823001 | $ 165,805 |
| **Total Environmental Protection Agency** | | | | $ 237,124 |
| **U.S. Department of Energy:** | | | | |
| **Direct Programs** | | | | |
| **Recovery Act Energy Efficiency and Conservation Block Program:** * | | | | |
| ARRA Energy Efficiency and Conservation Block Grant | 81.128 | DE-EE0000970/00 | 23-01455001 | $ 62,921 |
| ARRA San Antonio Green Retrofit Initiative Program | 81.128 | DE-EE0003569 | 23-01455003 | 268,308 |
| **Total Recovery Act Energy Efficiency and Conservation Block Program** | | | | $ 331,229 |
| **Total U.S. Department of Energy** | | | | $ 331,229 |

* Major Program

See accompanying Notes to the Schedule of Expenditures of Federal Awards





## Schedule of Expenditures of Federal Awards
### Year-Ended September 30, 2014

| FEDERAL GRANTOR/PASS THROUGH GRANTOR/FEDERAL PROGRAM | FEDERAL CFDA NUMBER | GRANT NUMBER | CITY NUMBER | FEDERAL EXPENDITURES |
|---|---|---|---|---|
| **U.S. Department of Education:** | | | | |
| **Pass Through - Texas Education Agency:** | | | | |
| **Adult Education - Basic Grants to State:** | | | | |
| English Literacy/Civics Education 2012-2013 | 84.002 | 134100087110 | 26-04138006 | $ 548 |
| **Pass Through - United Way of San Antonio and Bexar County:** | | | | |
| **Fund for the Improvement of Education:** | | | | |
| Eastside Promise Neighborhood Grant | 84.215 | U215N110053 | 26-04217001 | 81,539 |
| **Total U.S. Department of Education** | | | | $ 82,087 |
| **U.S. Department of Health and Human Services:** | | | | |
| **Direct Program** | | | | |
| **Medical Reserve Corps Small Grant Program:** | | | | |
| National Association of County and City Health Officials Grant 2013 | 93.008 | MRC131891 | 26-02236040 | $ 2,094 |
| National Association of County and City Health Officials Grant 2014 | 93.008 | MJRC 14-1891 | 26-02236029 | 1,345 |
| **Total Medical Reserve Corps Small Grant Program** | | | | $ 3,439 |
| **Pass Through - Alamo Area Council of Governments:** | | | | |
| **Aging Cluster:** | | | | |
| **Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers:** * | | | | |
| SSEP Supportive Service for Elderly 2012-2013 | 93.044 | COSA 13 SST | 26-01138014 | $ 25,818 |
| SSEP Supportive Service for Elderly 2013-2014 | 93.044 | COSA 14 SST | 26-01138016 | 137,396 |
| **Total Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers** | | | | $ 163,214 |
| **Special Programs for the Aging - Title III, Part C - Nutrition Services:** * | | | | |
| CNP 2012-2013 | 93.045 | COSA 13 NS | 26-01138013 | $ 18,633 |
| CNP 2013-2014 | 93.045 | COSA 14 NS | 26-01138015 | 1,952,553 |
| **Total Special Program for the Aging - Title III, Part C - Nutrition Services** | | | | $ 1,971,186 |
| **Total Aging Cluster** | | | | $ 2,134,400 |
| **Direct Programs** | | | | |
| **Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infrastructure:** | | | | |
| Bioterrorism Surge Capacity Grant | 93.065 | 564001002051305 | 26-06536002 | $ 302 |
| Laboratory Information Management Systems Integration Project | 93.065 | 564002002021306 | 26-01636108 | 75 |
| **Total Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infrastructure** | | | | $ 377 |
| **Sodium Reduction in Communities:** | | | | |
| Sodium Reduction 2013-2014 | 93.082 | 1UI58DP004939-0 | 26-02236045 | $ 162,112 |
| **Total Sodium Reduction in Communities** | | | | $ 162,112 |
| **Pass Through-Department of State Health Services:** | | | | |
| **Public Health Emergency Preparedness:** | | | | |
| Bio-Terrorism Preparation 2012-2013 | 93.069 | 2013-041143-007 | 26-01636098 | $ (10,902) |
| Bio-Terrorism Preparation 2013-2014 | 93.069 | 2014-001103-001 | 26-01636115 | 894,179 |
| Bio-Terrorism Preparation 2014-2015 | 93.069 | 2015-001103-001 | 26-01636132 | 78,320 |
| Cities Readiness Initiative 2012-2014 | 93.069 | 2013-041143-003 | 26-01636099 | (2,226) |
| Cities Readiness Initiative 2013-2015 | 93.069 | 2014-001117-001 | 26-01636116 | 195,691 |
| Cities Readiness Initiative 2014-2016 | 93.069 | 2015-001117-001 | 26-01636133 | 16,462 |
| Laboratory Response Network 2013 | 93.069 | 2013-041143-001 | 26-01636097 | 1,585 |
| Laboratory Response Network 2014 | 93.069 | 2014-001067-001 | 26-01636114 | 186,051 |
| Laboratory Response Network 2015 | 93.069 | 2015-001067-001 | 26-01636131 | 8,139 |
| **Total Public Health Emergency Preparedness** | | | | $ 1,367,299 |
| **Environmental Public Health and Emergency Response:** | | | | |
| CDC Healthy Homes Grant 2012 | 93.070 | 2012-040143 | 26-01636085 | $ (79) |
| **Project Grants and Cooperative Agreements for Tuberculosis Control Programs:** | | | | |
| Special T.B. Team Project 2013 | 93.116 | 2013-041143-010 | 26-01636094 | $ (79) |
| Special T.B. Team Project 2014 | 93.116 | 2014-001409-001 | 26-01636122 | 188,339 |
| Special T.B. Team Project 2015 | 93.116 | 2015-001409-001 | 26-01636140 | 34,339 |
| **Total Tuberculosis Control Program** | | | | $ 222,599 |
| **Direct Programs** | | | | |
| **Grants to States to Support Oral Health Workforce Activities:** | | | | |
| Oral Health Workforce Grant 2013 | 93.236 | 2013-042497-001 | 26-02236035 | $ 86 |
| **Immunization Cooperative Agreements:** | | | | |
| Hepatitis B Vaccine Pilot Program 2013 | 93.268 | 1H23IP000694-01 | 26-02236038 | $ 108,998 |
| Immunization Program 317 - 2013 | 93.268 | 1H23IP000718-01 | 26-02236039 | 734,523 |
| Immunization Program 317 - 2014 | 93.268 | 5H23IP000718-02 | 26-02236046 | 2,705,745 |
| **Total Immunization Grants** | | | | $ 3,549,266 |
| **PPHF National Public Health Improvement Initiative:** | | | | |
| Strengthening Public Health Infrastructure for Improved Health | 93.507 | 5U58CD001304-03 | 26-02236034 | $ 28,100 |
| Strengthening Public Health Infrastructure for Improved Health | 93.507 | 5U58CD001304-04 | 26-02236044 | 224,561 |
| **Total Strengthening Public Health Infrastructure for Improved Health Outcomes** | | | | $ 252,661 |
| **Subtotal U.S. Department of Health and Human Services** | | | | $ 7,692,160 |

* Major Program

See accompanying Notes to the Schedule of Expenditures of Federal Awards

## Schedule of Expenditures of Federal Awards
### Year-Ended September 30, 2014

| FEDERAL GRANTOR/PASS THROUGH GRANTOR/FEDERAL PROGRAM | FEDERAL CFDA NUMBER | GRANT NUMBER | CITY NUMBER | FEDERAL EXPENDITURES |
|---|---|---|---|---|
| **U.S. Department of Health and Human Services (Continued):** | | | | |
| **Pass Through - The Texas Department of Housing & Community Affairs:** | | | | |
| **Community Services Block Grant:** | | | | |
| CSBG - 2012 | 93.569 | 61120001292 | 26-06038008 | $ (632) |
| CSBG - 2013 | 93.569 | 61130001573 | 26-06038009 | 590,334 |
| CSBG - 2014 | 93.569 | 61140001833 | 26-06038010 | 1,455,262 |
| **Total Community Services Block Grant** | | | | $ 2,044,964 |
| **Pass Through - Alamo Workforce Development, Inc.:** | | | | |
| **Temporary Assistance for Needy Families** | | | | |
| CCDS - 2012-2013 | 93.558 | CCDS2008001 | 26-03938007 | $ 9,457 |
| CCDS - 2013-2014 | 93.558 | CCDS2008001 | 26-03938008 | 162,887 |
| **Child Care Cluster:** | | | | $ 172,344 |
| **Child Care and Development Block Grant** * | | | | |
| CCDS - 2012-2013 | 93.575 | CCDS2008001 | 26-03938007 | $ 349,912 |
| CCDS - 2013-2014 | 93.575 | CCDS2008001 | 26-03938008 | 11,560,617 |
| | | | | $ 11,910,529 |
| **Child Care Mandatory and Matching Funds of the Child Care and Development Fund:** * | | | | |
| CCDS - 2012-2013 | 93.596 | CCDS2008001 | 26-03938007 | $ 3,201,058 |
| CCDS - 2013-2014 | 93.596 | CCDS2008001 | 26-03938008 | 13,653,040 |
| **Total Child Care Mandatory and Matching Funds of the Child Care and Development Fund** | | | | $ 16,854,098 |
| **Total Child Care Cluster** | | | | $ 28,764,627 |
| **Direct Programs** | | | | |
| **Head Start:** | | | | |
| Head Start Program 2012 | 93.600 | 06CH0107/34 | 26-02238013 | $ (6,477) |
| Head Start Program 2013-2014 | 93.600 | 06CH0107/35 | 26-02238014 | 6,990,584 |
| Head Start Program 2014-2015 | 93.600 | 06CH7074/02 | 26-02238015 | 12,832,052 |
| **Total Head Start Program** | | | | $ 19,816,159 |
| **Healthy Start Initiative:** | | | | |
| Healthy Start Initiative 2013-2014 | 93.926 | H49MC00101-01 | 26-02236042 | $ 611,678 |
| Healthy Start Initiative 2013-2014 | 93.926 | H49MC00101-01 | 26-02236049 | 30,687 |
| **Total Healthy Start Initiative** | | | | $ 642,365 |
| **National Bioterrorism Hospital Preparedness Program:** | | | | |
| PHEP LAB-HPP 2014 | 93.889 | 2014-001069-001 | 26-01636113 | $ 25,811 |
| **Total National Bioterrorism Hospital Preparedness Program** | | | | $ 25,811 |
| **Pass Through - Department of State Health Services:** | | | | |
| **HIV Prevention Activities - Health Department Based:** | | | | |
| STD-Staff Support Program 2013 | 93.940 | 2013-041143-008 | 26-01636092 | $ (39) |
| STD-Staff Support Program 2014 | 93.940 | 2014-001341-001 | 26-01636119 | 99,576 |
| STD-Staff Support Expanded Services Program 2014 | 93.940 | 2014-001341-001 | 26-01636126 | 6,051 |
| STD-Staff Support Program 2015 | 93.940 | 2015-001341-001 | 26-01636135 | 93,406 |
| **Total HIV Prevention Activities Health Department Based** | | | | $ 198,994 |
| **Preventative Health Services - Sexually Transmitted Diseases Control Grants:** | | | | |
| STD-Staff Support Program 2013 | 93.977 | 2013-041143-008 | 26-01636092 | $ (140) |
| STD-Staff Support Program 2014 | 93.977 | 2014-001341-001 | 26-01636119 | 353,041 |
| STD-Staff Support Expanded Services Program 2014 | 93.977 | 2014-001341-001 | 26-01636126 | 21,452 |
| STD-Staff Support Program 2015 | 93.977 | 2015-001341-001 | 26-01636135 | 331,166 |
| **Total Preventative Health Services - Sexually Transmitted Diseases Control Grants** | | | | $ 705,519 |
| **Maternal and Child Health Services Block Grant to the States:** | | | | |
| Title V CHS - Dental Services 2014 | 93.994 | 2014-044723-001 | 26-01636125 | $ 212,386 |
| Title V CHS - Dental Services 2015 | 93.994 | 2015-046161-001 | 26-01636141 | 11,336 |
| **Total Maternal and Child Health Services Block Grant to the States** | | | | $ 223,722 |
| **Total U.S. Department of Health and Human Services** | | | | $ 60,286,665 |

* Major Program

See accompanying Notes to the Schedule of Expenditures of Federal Awards





## Schedule of Expenditures of Federal Awards
### Year-Ended September 30, 2014

| FEDERAL GRANTOR/PASS THROUGH GRANTOR/FEDERAL PROGRAM | FEDERAL CFDA NUMBER | GRANT NUMBER | CITY NUMBER | FEDERAL EXPENDITURES |
|---|---|---|---|---|
| **Executive Office of the President:** | | | | |
| **Direct Program** | | | | |
| **High Intensity Drug Trafficking Area Program:** * | | | | |
| HIDTA Initiative San Antonio 2012 | 95.001 | G12SS0009A | 26-02817020 | $ 108,279 |
| HIDTA Initiative San Antonio 2013 | 95.001 | G13SS0009A | 26-02817023 | 559,901 |
| HIDTA Initiative San Antonio 2014 | 95.001 | G14SS0009A | 26-02817025 | 1,457,980 |
| **Total High Intensity Drug Trafficking Area Program** | | | | $ 2,126,160 |
| **Total Executive Office of the President** | | | | $ 2,126,160 |
| **U.S. Department of Homeland Security:** | | | | |
| **Direct Programs** | | | | |
| **Assistance to Firefighters Cluster:** | | | | |
| **Recovery Act Assistance to Firefighters Grant:** | | | | |
| ARRA Assistance to Firefighters Grant 2009 | 97.115 | EMW2009FC05882R | 23-06540001 | $ 13,426 |
| **Total Assistance to Firefighters Cluster** | | | | $ 13,426 |
| **National Explosives Detection Canine Team Program:** | | | | |
| Airport K9 Grant | 97.072 | HSTS0208HCAN448 | 26-06533008 | $ 363,000 |
| **Law Enforcement Officer Reimbursement Agreement Program:** | | | | |
| Airport Checkpoint Grant 2013-2015 | 97.090 | HSTS0213HSLR282 | 26-06533010 | $ 240,900 |
| **Pass Through - Office of the Governor:** | | | | |
| **Homeland Security Cluster:** | | | | |
| **Non-Profit Security Program:** * | | | | |
| UASI 2010 | 97.008 | 10-SS-TO-0008 | 26-06520015 | $ (1,799) |
| UASI 2012 | 97.008 | 2012-SS-00018-S01 | 26-06520021 | 992,531 |
| **Total Non-Profit Security Program** | | | | $ 990,732 |
| **Emergency Management Performance Grants:** * | | | | |
| EMPG 2013 | 97.042 | 2013 EP00067 | 26-06520020 | $ (18,873) |
| EMPG 2014 | 97.042 | 14-EPMG-0632 | 26-06520023 | 269,648 |
| **Total Emergency Management Performance Grants** | | | | $ 250,775 |
| **Homeland Security Grant Program:** * | | | | |
| SHSP 2013 | 97.067 | 13-SR-65000-01 | 26-06520024 | $ 201,924 |
| **Total Homeland Security Grant Program** | | | | $ 201,924 |
| **Metropolitan Medical Response System:** * | | | | |
| Metro Medical Response System 2011 | 97.071 | 2010-SS-T9-0064 | 26-06520017 | $ 169,023 |
| **Total Metropolitan Medical Response System** | | | | $ 169,023 |
| **State Homeland Security Program:** * | | | | |
| SHSP 2011 | 97.073 | 11-SR-65000-03 | 26-06520017 | $ 1,170,890 |
| SHSP 2012 | 97.073 | 12-SR-65000-04 | 26-06520022 | 148,524 |
| **Total State Homeland Security Program** | | | | $ 1,319,414 |
| **Total Homeland Security Cluster** | | | | $ 2,931,868 |
| **Pass Through - Texas Commission on Environmental Quality** | | | | |
| **Homeland Security Biowatch Program:** | | | | |
| Biowatch Lab Technical Support 2012 | 97.091 | HSQDC-12-00160 | 26-06536001 | $ 53,844 |
| Air Monitoring Biowatch 2013 | 97.091 | 582-13-30020 | 26-00836012 | (98) |
| Air Monitoring Biowatch 2014 | 97.091 | 582-13-30020 | 26-00836015 | 221,535 |
| Air Monitoring Biowatch 2015 | 97.091 | 582-13-30020 | 26-00836018 | 22,539 |
| **Total Homeland Security Biowatch Program** | | | | $ 297,820 |
| **Total U.S. Department of Homeland Security** | | | | $ 3,847,014 |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | | | **$ 224,088,040** |

* Major Program

See accompanying Notes to the Schedule of Expenditures of Federal Awards

## Notes to the Schedule of Expenditures of Federal Awards

**Year-Ended September 30, 2014**

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

2. In March 1998, the City of San Antonio accepted a U.S. Department of Housing and Urban Development (HUD) Section 108 award in an amount up to $38,700,000 which authorized a loan transaction with Port San Antonio (Port) to fund certain improvements in real property to be leased at KellyUSA. As of September 30, 2014, the City has made third party loans to the Port in the amount of $20,000,000. The construction portion of this program terminated March 2003 and currently, the only activity is the loan repayment account. This loan program contains no continuing compliance requirements.

3. In September 2004, City Council authorized the submission of a $57,000,000 HUD 108 loan application to HUD, which was received August 2006. Proceeds of the loan have been utilized to fund various capital improvement projects including streets and drainage projects, and to fund improvements to public health facilities, parks, libraries, and community recreation and cultural facilities. As of September 30, 2014, $58,188,578 has been expended, which includes principal received, as well as interest revenue earned. The City received an extension during fiscal year 2012 that requires the funds to be fully expended by December 31, 2013 or transferred to cover debt service payments. The loan amount outstanding as of September 30, 2014 is $41,290,000.

4. Through September 30, 2014, the City provided federal awards to subrecipients as follows:

| Program Titles | Federal CFDA Number | Amount Provided to Subrecipients |
|---|---|---|
| Community Development Block Grants/Entitlement Grants | 14.218 | $ 1,294,792 |
| Emergency Shelter Grants Program | 14.231 | 851,743 |
| HOME Investment Partnerships Program | 14.239 | 263,814 |
| Housing Opportunities for Persons with AIDS | 14.241 | 1,051,323 |
| Community Development Entitlement Grants-Section 108 Loan Guarantees | 14.248 | 1,000,000 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 606,633 |
| Head Start Program | 93.600 | 14,239,661 |
| Total | | $ 19,307,967 |





Notes to the Schedule of Expenditures of Federal Awards
Year-Ended September 30, 2014

5. As of September 30, 2014, the City had HOME Program Notes Receivable of $41,542,318, which is reduced by the estimated allowances for the doubtful accounts of $8,027,186. These are loans that are made for renovation or construction of apartment complexes that provide rental to low income people. Some loans are forgivable provided the program and loan criteria are met. Included in the gross notes receivable balance are multi-family loans in the amount of $26,525,007 that have continuing eligibility compliance requirements and are included in the Schedule of Expenditures of Federal Awards.

6. As of September 30, 2014, the City had CDBG Program Notes Receivable of $16,607,974, which is reduced by the estimated allowances for the doubtful accounts of $1,927,057. These are rental rehabilitation loans. Some loans are forgivable provided the program and loan criteria are met. Included in the gross notes receivable balance are multi-family loans in the amount of $4,426,746 that have continuing eligibility compliance requirements and are included in the Schedule of Expenditures of Federal Awards.

7. As of September 30, 2014, the City had NSP Program Notes Receivable of $3,570,223, which is reduced by estimated allowances for doubtful accounts of $906,226. These are rental rehabilitation loans. Some loans are forgivable provided the program and loan criteria are met. Included in the gross notes receivable balance are multi-family loans in the amount of $4,361,882 that have continuing eligibility compliance requirements and are included in the Schedule of Expenditures of Federal Awards.

# Independent Auditor's 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 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2015. Our report was modified to include a reference to other auditors and also a reference to a restatement of beginning net position/fund balance and implementation of new accounting standards. We did not audit the financial statements of HemisFair Park Area Redevelopment Corporation; San Antonio Fire and Police Pension Fund; or the San Antonio Fire and Police Retiree Health Care Fund, blended component units, which represent 78%, 84%, and 32%, respectively, of the assets and deferred outflows, net position/fund balances, and revenues/additions of the aggregate remaining fund information. We also did not audit CPS Energy; SA Energy Acquisition Public Facility Corporation; San Antonio Housing Trust Finance Corporation; San Antonio Housing Trust Foundation, Inc.; or the San Antonio Housing Trust Public Facility Corporation, discretely presented component units, which represent 67%, 59%, and 79%, respectively, of the assets and deferred outflows, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the report of the other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Brooks Development Authority, CPS Energy, SA Energy Acquisition Public Facility Corporation, San Antonio Housing Trust Finance Corporation, San Antonio Housing Trust Public Facility Corporation, and San Antonio Water System – District Special Project, audited separately by other auditors, were not audited in accordance with *Government Auditing Standards.*

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency as item 2014-001.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***City's Response to the Finding***

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Padgett, Stratemann & Co., L.L.P.

San Antonio, Texas
March 24, 2015

# Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance as Required by OMB Circular A-133

# Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance as Required by OMB Circular A-133

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

***Report on Compliance for Each Major Federal Program***

We have audited the City of San Antonio, Texas' (the "City") compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The City's basic financial statements include the operations of CPS Energy, the Port Authority of San Antonio, and San Antonio Water System, which expended $13,738,743 in federal awards, which are not included in the Schedule of Expenditures of Federal Awards during the year ended September 30, 2014. Our audit, described below, did not include the operations of CPS Energy, the Port Authority of San Antonio, or San Antonio Water System because the component units engaged other auditors to perform an audit in accordance with OMB Circular A-133.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002, 2014-003, 2014-004, and 2014-005. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

***Report on Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs, as items 2014-002, 2014-003, and 2014-006, that we consider to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Padgett, Stratemann & Co., L.L.P.

San Antonio, Texas
March 24, 2015

# Schedule of Findings and Questioned Costs

# Federal

## Schedule of Findings and Questioned Costs
## Federal Grants
### Year-Ended September 30, 2014

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

| | | |
|---|---|---|
| Material weakness (es) identified? | ____ Yes | X No |
| Significant deficiencies identified that are not considered to be material weaknesses? | X Yes | ____ No |

| | | |
|---|---|---|
| Noncompliance material to financial statements noted? | ____ Yes | X No |

***Federal Awards***

Internal control over major programs:

| | | |
|---|---|---|
| Material weakness(es) identified? | ____ Yes | X No |
| Significant deficiencies identified that are not considered to be material weaknesses? | X Yes | ____ No |

Type of auditors' report issued on compliance for major programs: Unmodified

| | | |
|---|---|---|
| Any audit findings disclosed that are required to be reported in accordance with section 501 (a) of Circular A-133? | X Yes | ____ No |

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 14.239 | HOME Investment Partnership Programs |
| 20.205 | Highway Planning and Construction |
| ARRA-81.128 | Recovery Act Energy Efficiency and Conservation Block Program |
| 93.044, 93.045 | Aging Cluster |
| 93.575, 93.596 | Child Care Cluster |
| 95.001 | High Intensity Drug Trafficking Area Program |
| 97.008, 97.042, 97.067, 97.071, 97.073 | Homeland Security Cluster |

Dollar threshold used to distinguish between Type A and Type B programs: $3,000,000

| | | |
|---|---|---|
| Auditee qualified as low-risk auditee? | X Yes | ____ No |

## Schedule of Findings and Questioned Costs
## Federal Grants
### Year-Ended September 30, 2014

**SECTION II – FINDINGS AND QUESTIONED COSTS RELATED TO FINANCIAL STATEMENTS**

**Finding: 2014-001**
**Accounting and Reporting of a Transaction Related to the Convention Center Hotel Finance Corporation**
**Type of Finding – Significant deficiency**

In 2005, the Convention Center Hotel Finance Corporation ("CCHC"), a blended component unit of the City, issued revenue bonds in the amount of $208,145,000 ($195,590,000 outstanding as of 2014) which is recorded as a liability in the City's government-wide financial statements. The proceeds of these bonds were loaned to a partnership for the purpose of constructing a hotel project in downtown San Antonio. The loan is to be paid back to the CCHC, in accordance with the loan agreement, after certain other payments have been made. To date, all required loan payments have been made to the CCHC; however, the loan to the partnership was not recorded in the financial statements of the CCHC or the City.

The CCHC receives trustee statements showing certain receipts and disbursements of the partnership (e.g., payment of property taxes, insurance, return of preferred equity, debt service payments). Currently, CCHC has differing amounts of the balances due to the investor return of preferred equity and basic rentals due to the CCHC. CCHC has currently fully allowed for the basic rental, since no payments have been made.

Additionally, CCHC has recorded all activity from the trustee statements as revenues and expenditures in the City's financial statements, although the majority of these receipts and disbursements do not relate to the CCHC or to the City and, therefore, had initially overstated revenues and expenditures by more than $100,000,000.

We recommend that the City strengthen its procedures over the above transaction and similar transactions to ensure these transactions are appropriately recorded and disclosed in the financial statements.

**Views of responsible officials and planned corrective actions:**

CCHC is a blended component unit of the City and as such the financial operations and account balances are presented in the City's comprehensive annual financial statements. With the implementation of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, the external auditors discovered that the loan receivable between the Grand Hyatt and CCHC's was not previously reported in CCHC's financial statements. It was further noted that operational activity (revenue and expenses) of the hotel was inaccurately running through CCHC operations. The external auditors recommended the City review the agreements in place that formed CCHC and the associated activity generated for its benefit to ensure that CCHC is accurately reporting all of its applicable transactions. The City agreed with the finding, recording of the loan receivable and adjusting the operations to remove transactions that were not applicable to CCHC's operations. It should be noted the adjustments made have no financial or budgetary impact and are merely reporting entries for financial statement purposes. The City will enhance procedures to identify and document significant terms of all future agreements and their accounting triggers to ensure the terms' proper recording and disclosure in the City or its component units' financial statements.

## Schedule of Findings and Questioned Costs
## Federal Grants
### Year-Ended September 30, 2014

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

**Finding: 2014-002**
**Special Tests and Provisions – Drawdowns of HOME Funds**

**CFDA #14.239 – HOME Investment Partnerships Program**
**Award Numbers – M08MC480508, M10MC480508, M11MC480508, M12MC480508, and M13MC480508**
**Award Year – 2009, 2011, 2012, 2013, and 2014**
**Federal Agency – U.S. Department of Housing and Urban Development**

**Type of Finding – Non-compliance and Significant deficiency**

**Questioned Costs - $0**

**Condition and Context:**

The City Department of Planning and Community Development (DPCD) is responsible for drawing funds from the U.S. Department of Housing and Urban Development (HUD) using the Integrated Disbursement and Information System (IDIS). HOME Drawdown certifications are required each time a drawdown of funds is made using IDIS. The certifications require the following:

- a representative of the City to certify the funds are being drawn in accordance with HUD regulations at 24 CFR Part 92,
- he/she is authorized to execute the certifications set forth,
- the City has no funds in its local account that constitutes program income and
- the City has not drawn and will not draw HOME Investment Partnerships Program funds until after all program income has been expended.

Prior to the drawdown of funds, a City representative reviews and approves the drawdown request for funding.

During our auditing procedures of the requirements of the HOME Program’s Special Tests and Provisions – Drawdowns of HOME Funds, we found City representatives incorrectly certified the use of program income before the drawdown of funds for 19 out of the 25 drawdown transactions selected for testing.

**Cause:**

Reconciliation issues between the City’s accounting system and IDIS prompted the City to cease expending program income held in its local account. Although the City recognized there were issues in the reconciliation process noted above, the City continued to receive and hold program income receipts that were not being expended in accordance with 24 CFR Part 92.502 prior to the certification of drawdown of funds.

## Schedule of Findings and Questioned Costs
## Federal Grants
### Year-Ended September 30, 2014

**Effect:**

The City's discontinued use of program income prior to the drawdown of funds, resulted in non-compliance with 24 CFR Part 92.502 caused by incorrect certifications by the City representative.

**Recommendation:**

We recommend the City update controls and procedures to ensure the City representative certifying the drawdown of funds reviews the local account to ensure all program income funds have been expended prior to the processing of any request for additional funds as required by HUD regulations.

**Views of responsible officials and planned corrective actions:**

The City certified the drawdowns knowing program income was not being used first in accordance with communication received from HUD on April 24, 2014. The City and HUD have been working diligently to reconcile the City's HOME Program Income recorded in SAP to that reported in IDIS. HUD requested that we not make any changes until the reconciliation had been completed. A separate review was performed on HOME program income of $4.5M reported inaccurately into IDIS in 2003. The review was submitted to HUD in February 2015 and remaining reconciliation items are anticipated to be resolved by March 2016.

**Finding: 2014-003**
**Program Income**

**CFDA #14.239 – HOME Investment Partnerships Program**
**Award Numbers – M08MC480508, M10MC480508, M11MC480508, M12MC480508, and M13MC480508**
**Award Year – 2009, 2011, 2012, 2013, and 2014**
**Federal Agency – U.S. Department of Housing and Urban Development**

**Type of Finding – Non-compliance and Significant deficiency**

**Questioned Costs - $383**

**Condition and Context:**

Program income must be used in accordance with HUD regulations at 24 CFR Part 92.503. Program income must be deposited in the City's local account. HOME funds in the local account must be disbursed before requests are made for HOME funds in the United States Treasury Account (U.S. Treasury Account).

During our auditing procedures over the HOME Program's program income requirements, we found the City did not disburse any program income funds from the City's local account during fiscal year 2014. During this time the City continued to receive program income receipts into the local account and did not offset the account for program expenditures. During our auditing procedures over the HOME Program's remaining compliance requirements for the fiscal year ended September 30, 2014, we found the City requested and drew down funds 19 times from the U.S. Treasury Account amounting to $2,919,748 even though local funds were available to be disbursed.

## Schedule of Findings and Questioned Costs
## Federal Grants
### Year-Ended September 30, 2014

**Cause:**

Due to turnover in DPCD staff the City did not take any action to reconcile the amounts between the City's accounting system and IDIS since 2006 when they suspended using program income to offset program expenditures. The City began reconciliation procedures in February of 2014 and in March of 2014 HUD was informed of the issue. At this time, HUD requested the City reconcile the receipts and vouchers in its local account with IDIS.

During this time, the City's controls and procedures did not operate effectively to ensure the use of program income to offset program expenditures prior to the drawdown of funds. In addition, the City lacked a control and procedure over the reconciliation of amounts between the City's accounting systems and IDIS.

**Effect:**

This resulted in an advance of funds from the U.S. Treasury Account to the City during the fiscal year ended September 30, 2014 in the amount of $958,083. As a result of the advance, the City calculated the interest earned on the advance that needs to be remitted to the U.S. Treasury. The City multiplied $958,083 by the 2014 annualized risk free interest rate of .04% and determined $383 of interest was earned on this advance by the City in its local account for the fiscal year ended September 30, 2014.

**Recommendation:**

We recommend the City update controls and procedures to ensure all program income funds have been expended prior to approving the request for additional funds.

We also recommend the City complete a reconciliation of the HOME program income receipts and the HOME program income activities between IDIS and the City's accounting system from 2006 through the present as requested by HUD and apply future expenditures against the program income funds before any additional drawdowns.

In addition, we recommend the City implement monthly reconciliation controls and procedures between HOME program income receipts and vouchers reported in the City's accounting system with drawdowns in IDIS to ensure the accuracy of the amounts being requested from HUD.

**Views of responsible officials and planned corrective actions:**

The City and HUD have been working diligently to reconcile the City's HOME Program Income recorded in SAP to that reported in IDIS Remaining reconciliation items are anticipated to be resolved by March 2016. Once the reconciliation has been completed and approved by HUD, new processes developed will be initiated to ensure program income is reported in IDIS monthly and used before new funding is drawn upon.

## Schedule of Findings and Questioned Costs
## Federal Grants
### Year-Ended September 30, 2014

**Finding: 2014-004**
**Procurement and Suspension and Debarment**

**CFDA #95.001 – High Intensity Drug Trafficking Area**
**Award Number – G14SS0009A**
**Award Year – 2014**
**Federal Agency – Executive Office of the President**

**Type of Finding – Non-compliance and Control deficiency**

**Questioned Costs - $0**

**Condition and Context:**

Procurement

2 CFR section 215.46 requires procurement records and files for purchases in excess of the small purchase threshold ($25,000) to include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

Suspension and Debarment

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity and its principals are not suspended or debarred or otherwise excluded from federal contracts. Covered transactions include procurement contracts for goods and services that are expected to equal or exceed $25,000 and all nonprocurement transactions (that is, subawards to subrecipients) irrespective of award amount (2 CFR, Sections 180.210 through 180.220 and 180.970).

During our auditing procedures over procurement and suspension and debarment requirements for the High Intensity Drug Trafficking Area's (HITDA's) program, we found the one procurement contract (a building lease renewal) selected for testing did not follow any of the procurement and suspension and debarment requirements as noted above.

**Cause:**

Included in the City's Procurement Policy and Procedures is a procedure requiring the Contracting Officer requesting the purchase to check the funding source (i.e., federally funded grant) to determine the legal requirements for the specific solicitation. Although the purchase was in compliance with some of the City's Procurement Policy and Procedures, we noted there were no further procedures to determine compliance with procurement requirements and no further procedures to ensure the vendor was not suspended or debarred. In addition, the City's Procurement Policy and Procedures do not include procedures related to leases and lease renewals to be funded through a federal grant award.

In the situation noted above, the City's controls and procedures to ensure compliance with documentation requirements for the purchase using federal funds did not operate effectively on a timely basis.

## Schedule of Findings and Questioned Costs
## Federal Grants
### Year-Ended September 30, 2014

**Effect:**

This resulted in a lack in documentation to support the purchase was in compliance with procurement and suspension and debarment requirements. We noted the vendor for this purchase was not suspended or debarred.

**Recommendation:**

We recommend the City amend its Procurement Policy and Procedures to include controls and procedures over federally funded leases and lease renewals greater than $25,000 in order to ensure such expenditures are adequately documented and in compliance with procurement and suspension and debarment requirements.

**Views of responsible officials and planned corrective actions:**

In reviewing the lease purchase referenced above, it was determined that while due diligence was performed before entering into a contract, appropriate documentation was not maintained. In the future, the San Antonio Police Department will coordinate with Eastpoint, the City's Real Estate department, to confirm all background checks are completed and include documentation that the search for suspension or debarment occurred for a prospective supplier.

The Finance Department will coordinate with Eastpoint to draft, release, and train on a Lease Administrative Directive by September 2015. The Administrative Directive and training will include checklists created by the Eastpoint Department to ensure that adherence with all federal procurement regulations are followed, and that proper documentation is retained (to include documentation of sole source cases and searches for suspension and debarment). Specific identification of funding sources of the leases, whether grant or debt, will be required in order to ensure specific adherence to governing regulations.

**Finding: 2014-005**
**Procurement and Suspension and Debarment**

**Homeland Security Cluster**
**Award Number – EMW-2012-SS-00018-S01**
**Award Year – 2012**
**Federal Agency – U.S. Department of Homeland Security**

**Type of Finding – Non-compliance and Control deficiency**

**Questioned Costs - $0**

## Schedule of Findings and Questioned Costs
## Federal Grants
### Year-Ended September 30, 2014

**Condition and Context:**

2 CFR section 215.46 requires procurement records and files for purchases in excess of the small purchase threshold ($25,000) to include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

During our auditing procedures over procurement and suspension and debarment requirements for the Homeland Security Cluster, we found one of the two contracts selected for testing did not follow any of the procurement requirements as noted above.

**Cause:**

Included in the City's Procurement Policy and Procedures is a procedure requiring the Contracting Officer requesting the purchase to check the funding source (i.e., federally funded grant) to determine the legal requirements for the specific solicitation. Although the purchase was in compliance with some of the City's Procurement Policy and Procedures, we noted there was no documentation to support the rationale for contractor selection, lack of competition since competitive bids or offers were not obtained nor a basis for award cost or price.

The City's Office of Emergency Management (OEM) is responsible for administering the Homeland Security Grant. OEM officials asserted the purchase noted above should have been documented as a sole source purchase in accordance with procurement requirements because the purchase was for an annual contract on maintenance for specialty equipment purchased by the department. Subsequent to year-end, OEM followed guidance within the City's Procurement Policy and Procedures Manual and documented the rationale for the sole source purchase including documentation to support the rationale for contractor selection, lack of competition since competitive bids or offers were not obtained and a basis for award cost or price.

In the situation noted above, the City's controls and procedures to ensure documentation regarding the use of federal funds for a sole source purchase did not operate effectively on a timely basis.

**Effect:**

This resulted in a lack of timely documentation to support the purchase was in compliance with procurement and suspension and debarment requirements.

**Recommendation:**

We recommend the City should ensure that its departments comply with its procurement requirements and document written justification for limiting competition for each individual purchase in excess of the small purchase threshold ($25,000).

## Schedule of Findings and Questioned Costs
## Federal Grants
### Year-Ended September 30, 2014

**Views of responsible officials and planned corrective actions:**

In 2012, 10 Hazmat detectors were procured utilizing the sole source procurement process. In 2013 this equipment had to be calibrated and maintained in order to remain operational. Field personnel had this equipment serviced by the vendor without notifying the Office of Emergency Management (OEM) and having a purchase order in place. Upon notification, OEM initiated the procurement process for an annual maintenance program by providing Finance's Purchasing Division with an "After the Fact Memo". This memo explained that in order to ensure continuous uninterrupted maintenance, service had to be performed prior to a purchase order. The source sole vendor was researched and validated not to be suspended nor debarred before the purchase order was issued and the invoice was paid. Since the equipment is required to be maintained only by the sole source vendor, the bidding process and contractor selection was not necessary.
OEM has subsequently obtained a sole source letter from the vendor and all required sole source justification documentation has been added to the file. In order to prevent work performance before the issuance of a purchase order, field personnel has been informed that a purchase order must be in place before a vendor can perform maintenance on equipment. This will ensure that suspension and debarment requirements are met prior to the vendor performing any work.

**Finding: 2014-006**
**Program Income**

**CFDA #14.218 – Community Development Block Grants/Entitlement Grants**
**Award Number – B05MC480508, B06MC480508, B08MC480508, B09MC480508, B10MC480508, B11MC480508, B12MC480508, B13MC480508**
**Award Year – 2005, 2006, 2008, 2009, 2010, 2011, 2012, and 2013**
**Federal Agency – U.S. Department of Housing and Urban Development**

**Type of Finding –Significant deficiency**

**Questioned Costs - $0**

**Condition and Context:**

Program income must be used in accordance with HUD regulations at 24 CFR Part 570.504.

Program income received before grant closeout may be retained by the recipient if the income is treated as additional Community Development Block Grants/ Entitlement Grants ("CDBG") funds subject to all applicable requirements governing the use of CDBG funds.

If the recipient chooses to retain program income, that program income shall be disposed of as follows:

i. Program income in the form of repayments to, or interest earned on, a revolving fund as defined in §570.500(b) shall be substantially disbursed from the fund before additional cash withdrawals are made from the U.S. Treasury for the same activity. (This rule does not prevent a lump sum disbursement to finance the rehabilitation of privately owned properties as provided for in §570.513.)

## Schedule of Findings and Questioned Costs
## Federal Grants
### Year-Ended September 30, 2014

ii. Substantially all other program income shall be disbursed for eligible activities before additional cash withdrawals are made from the U.S. Treasury.

iii. At the end of each program year, the aggregate amount of program income cash balances and any investment thereof (except those needed for immediate cash needs, cash balances of a revolving loan fund, cash balances from a lump-sum drawdown, or cash or investments held for section 108 loan guarantee security needs) that, as of the last day of the program year, exceeds one-twelfth of the most recent grant made pursuant to §570.304 shall be remitted to HUD as soon as practicable thereafter, to be placed in the recipient's line of credit. This provision applies to program income cash balances and investments thereof held by the grantee and its subrecipients.

During our auditing procedures over another major program's program income requirements and as a result of discussions with management, we found the City did not reconcile CDBG program income funds in the City's local account with IDIS during fiscal year 2014.

**Cause:**

Due to turnover in DPCD staff the City did not take any action to reconcile the amounts between the City's accounting system and IDIS. The City began reconciliation procedures in February of 2014 and in March of 2014 HUD was informed of the issue. At this time, HUD requested the City reconcile the receipts and vouchers in its local account with IDIS.

During this time, the City's controls and procedures did not operate effectively to ensure the use of program income to offset program expenditures prior to the drawdown of funds. In addition, the City lacked a control and procedure over the reconciliation of amounts between the City's accounting systems and IDIS.

**Effect:**

The lack of reconciliation control noted above resulted in the City's inability to monitor the use of program income.

**Recommendation:**

We recommend the City update controls and procedures to ensure all program income funds have been expended prior to approving the request for additional funds.

We also recommend the City complete a reconciliation of the CDBG program income receipts and the CDBG program income activities between IDIS and the City's accounting system as requested by HUD, and apply future expenditures against program income funds before any additional drawdowns.

In addition, we recommend the City implement monthly reconciliation controls and procedures between CDBG program income receipts and vouchers reported in the City's accounting system with drawdowns in IDIS to ensure the accuracy of the amounts being requested from HUD.

## Schedule of Findings and Questioned Costs
## Federal Grants
### Year-Ended September 30, 2014

**Views of responsible officials and planned corrective actions:**

The City and HUD have been working diligently to reconcile the City's CDBG Program Income recorded in SAP to that reported in IDIS. Remaining reconciliation items are anticipated to be resolved by March 2016.

Once the reconciliation has been completed and approved by HUD, new processes developed will be initiated to ensure program income is reported in IDIS monthly and used before new funding is drawn upon.

# Corrective Action Plan

# Federal

## Corrective Action Plan
## Federal Grants
### Year-Ended September 30, 2014

**Finding 2014-001**
**Accounting and Monitoring a Transaction Related to the Convention Center Hotel Finance Corporation**

**Responsible Person**
Troy Elliott, CPA, Director
Finance Department

**Implementation Dates**
March 5, 2015

**Views of responsible officials and planned corrective actions**

CCHC is a blended component unit of the City and as such the financial operations and account balances are presented in the City's comprehensive annual financial statements. With the implementation of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, the external auditors discovered that the loan receivable between the Grand Hyatt and CCHC's was not previously reported in CCHC's financial statements. It was further noted that operational activity (revenue and expenses) of the hotel was inaccurately running through CCHC operations. The external auditors recommended the City review the agreements in place that formed CCHC and the associated activity generated for its benefit to ensure that CCHC is accurately reporting all of its applicable transactions. The City agreed with the finding, recording of the loan receivable and adjusting the operations to remove transactions that were not applicable to CCHC's operations. It should be noted the adjustments made have no financial or budgetary impact and are merely reporting entries for financial statement purposes. The City will enhance procedures to identify and document significant terms of all future agreements and their accounting triggers to ensure the terms' proper recording and disclosure in the City or its component units' financial statements.

**Finding: 2014-002**
**Special Tests and Provisions – Drawdowns of HOME Funds**

**CFDA #14.239 – HOME Investment Partnerships Program**

**Responsible Person**
John Dugan, Director
Department of Planning and Community Development

**Implementation Dates**
March 2016

**Views of responsible officials and planned corrective actions**
The City certified the drawdowns knowing program income was not being used first in accordance with communication received from HUD on April 24, 2014. The City and HUD have been working diligently to reconcile the City's HOME Program Income recorded in SAP to that reported in IDIS. HUD requested that we not make any changes until the reconciliation had been completed. A separate review was performed on HOME program income of $4.5M reported inaccurately into IDIS in 2003. The review was submitted to HUD in February 2015 and remaining reconciliation items are anticipated to be resolved by March 2016.

## Corrective Action Plan
## Federal Grants
### Year-Ended September 30, 2014

**Finding: 2014-003**
**Program Income**

**CFDA #14.239 – HOME Investment Partnerships Program**

**Responsible Person**
John Dugan, Director
Department of Planning and Community Development

**Implementation Dates**
March 2016

**Views of responsible officials and planned corrective actions**
The City certified the drawdowns knowing program income was not being used first in accordance with communication received from HUD on April 24, 2014. The City and HUD have been working diligently to reconcile the City's HOME Program Income recorded in SAP to that reported in IDIS. HUD requested that we not make any changes until the reconciliation had been completed. A separate review was performed on HOME program income of $4.5M reported inaccurately into IDIS in 2003. The review was submitted to HUD in February 2015 and remaining reconciliation items are anticipated to be resolved by March 2016.

Once the reconciliation has been completed and approved by HUD, new processes developed will be initiated to ensure program income is reported in IDIS monthly and used before new funding is drawn upon.

**Finding: 2014-004**
**Procurement and Suspension and Debarment**

**CFDA #95.001 – High Intensity Drug Trafficking Area**

**Responsible Persons**
Chief Anthony Trevino
San Antonio Police Department

Troy Elliott, CPA, Finance Director
Finance Department

**Implementation Date**
September 30, 2015

**Views of responsible officials and planned corrective actions**
In reviewing the lease purchase referenced above, it was determined that while due diligence was performed before entering into a contract, appropriate documentation was not maintained. In the future, the San Antonio Police Department will coordinate with Eastpoint, the City's Real Estate department, to confirm all background checks are completed and include documentation that the search for suspension or debarment occurred for a prospective supplier.

## Corrective Action Plan
## Federal Grants
### Year-Ended September 30, 2014

The Finance Department will coordinate with Eastpoint to draft, release, and train on a Lease Administrative Directive by September 2015. The Administrative Directive and training will include checklists created by the Eastpoint Department to ensure that adherence with all federal procurement regulations are followed, and that proper documentation is retained (to include documentation of sole source cases and searches for suspension and debarment). Specific identification of funding sources of the leases, whether grant or debt, will be required in order to ensure specific adherence to governing regulations.

**Finding: 2014-005**
**Procurement and Suspension and Debarment**

**Homeland Security Cluster**

**Responsible Person**
Chief Charles Hood
San Antonio Fire Department

**Implementation Date**
January 2, 2015

**Views of responsible officials and planned corrective actions**
In 2012, 10 Hazmat detectors were procured utilizing the sole source procurement process. In 2013 this equipment had to be calibrated and maintained in order to remain operational. Field personnel had this equipment serviced by the vendor without notifying the Office of Emergency Management (OEM) and having a purchase order in place. Upon notification, OEM initiated the procurement process for an annual maintenance program by providing Finance's Purchasing Division with an "After the Fact Memo". This memo explained that in order to ensure continuous uninterrupted maintenance, service had to be performed prior to a purchase order. The source sole vendor was researched and validated not to be suspended nor debarred before the purchase order was issued and the invoice was paid. Since the equipment is required to be maintained only by the sole source vendor, the bidding process and contractor selection was not necessary.

OEM has subsequently obtained a sole source letter from the vendor and all required sole source justification documentation has been added to the file. In order to prevent work performance before the issuance of a purchase order, field personnel has been informed that a purchase order must be in place before a vendor can perform maintenance on equipment. This will ensure that suspension and debarment requirements are met prior to the vendor performing any work.

**Finding: 2014-006**
**Program Income**

**CFDA #14.218 – Community Development Block Grants/Entitlement Grants**

**Responsible Person**
John Dugan, Director
Department of Planning and Community Development

## Corrective Action Plan
## Federal Grants
### Year-Ended September 30, 2014

**Implementation Date**
March 2016

**Views of responsible officials and planned corrective actions**
The City and HUD have been working diligently to reconcile the City's CDBG Program Income recorded in SAP to that reported in IDIS. Remaining reconciliation items are anticipated to be resolved by March 2016.

Once the reconciliation has been completed and approved by HUD, new processes developed will be initiated to ensure program income is reported in IDIS monthly and used before new funding is drawn upon.

# Summary Status of Prior Year Findings

# Federal

## Summary Status of Prior Year Findings
## Federal Grants
### Year-Ended September 30, 2014

**Finding: 2013-01**
**Non-Cash and Multi-Funded Awards Reporting in the Schedule of Expenditures of Federal Awards**
**Type of Finding – Significant Deficiency**

**Recommendation:**

We recommend the City continue to work with all federal, state and pass-through awarding agencies to strengthen the communication and sharing of information to ensure information on all federal awards is obtained timely in order for the City to accurately record federal expenditures in the proper period on the SEFA. In addition, we recommend the City work with all Department Fiscal Administrators to increase awareness of reporting requirements for non-cash federal awards and specific identification of grant expenditures when multiple funding sources are awarded to cover the same program.

**Status:**

Corrected

The City of San Antonio's Finance Department developed controls to require communication with the granting entity, at a minimum, upon award and at fiscal year-end specifically requesting the funding allocation for multi-funded grants and expenditure amounts incurred by the granting organization for assets to be titled over to the City. The City will utilize responses in these communications to properly account for and report grant activity in the City's financial reporting system. Communication to departments on the developed controls was sent out on March 5, 2014 and was covered in the grant training sessions scheduled for citywide fiscal staff on April 11 and 22, 2014.

Responsible Person
Troy Elliott, CPA, Director
Finance Department

FY 2014

# STATE SECTION

## Summary Schedule of State Awards by Type
### Last Two Fiscal Years

| Grant Type | Fiscal Year 2014 | Fiscal Year 2013 | Variance Increase (Decrease) |
|---|---|---|---|
| **State Categorical Grants:** | | | |
| Public Health | $ 3,470,034 | $ 2,006,288 | $ 1,463,746 |
| Criminal Justice | 1,182,945 | 1,126,621 | 56,324 |
| Environmental Quality | | 52,304 | (52,304) |
| Emergency Management | 28,908 | 27,139 | 1,769 |
| Social Services | 13,727,164 | 12,202,052 | 1,525,112 |
| **Total State Categorical Grants** | $ 18,409,051 | $ 15,414,404 | $ 2,994,647 |

The increase in state awards is attributed to an increase in Public Health and Social Services grants. For Social Services, the amount of Child Care Services had an increase of $1.5 million from fiscal year 2013. Public Health received a new TB Medicaid Waiver grant from the Texas Department of State Health Services in the amount of $1.5 million.

# Schedule of Expenditures of State Awards by Grantor, State Program and Grant Number

## Schedule of Expenditures of State Awards
**Year-Ended September 30, 2014**

| STATE GRANTOR/PASS THROUGH GRANTOR/ STATE PROGRAM | GRANT NUMBER | CITY NUMBER | STATE EXPENDITURES |
|---|---|---|---|
| **Texas Commission on Environmental Quality:** | | | |
| **Direct Programs** | | | |
| **Air Monitors:** | | | |
| Air Monitors Lake Calaveras 2013-2014 | 582-11-86426-004 | 26-00836017 | $ 36,553 |
| Air Monitors Lake Calaveras 2014-2015 | 582-15-50028 | 26-00836020 | 4,148 |
| **Total Air Monitors** | | | $ 40,701 |
| **Solid Waste Grant Projects:** | | | |
| Community Outreach Program 2012 | 12-18-G01 | 26-00855009 | $ 17,112 |
| **Total Texas Commission on Environmental Quality** | | | $ 57,813 |
| **Texas Department of State Health Services:** | | | |
| **Direct Programs** | | | |
| **HIV Surveillance & Prevention Programs:** * | | | |
| HIV Prevention Program 2014 | 2014-001339-001 | 26-01636120 | $ 143,567 |
| HIV Surveillance Program 2014 | 2014-001408-001 | 26-01636118 | 188,069 |
| HIV Prevention Program 2015 | 2014-001339-001 | 26-01636136 | 10,050 |
| HIV Surveillance Program 2015 | 2015-001408-00 | 26-01636134 | 16,632 |
| **Total HIV Surveillance & Prevention Programs** | | | $ 358,318 |
| **Healthy Texas Babies Initiative:** | | | |
| DFCHS Healthy Texas Babies | 2012-040626-001 | 26-01636088 | $ 15,000 |
| **Emerging and Acute Infectious Disease Branch:** | | | |
| Foodborne Illness 2014 | 2014-001105-001 | 26-01636127 | $ 4,493 |
| Foodborne Illness 2015 | 2015-046165-001 | 26-01636143 | 3,816 |
| **Total Foodborne Illness** | | | $ 8,309 |
| **Milk Sample Lab Tests:** | | | |
| Milk Group - 2014 | 2014-044054-001 | 26-01636123 | $ 35,330 |
| Milk Group - 2015 | 2015-001034-00 | 26-01636142 | 3,229 |
| **Total Milk Sample Lab Tests Grants** | | | $ 38,559 |
| **TB Prevention and Control:** | | | |
| Infectious Disease Control Unit Flu-Lab 2014 | 2014-001105-001 | 26-01636112 | $ 3,045 |
| TB Prevention and Control 2012-2013 | 2013-041143-011 | 26-01636093 | (2,619) |
| TB Prevention and Control 2013-2014 | 2014-001439-001 | 26-01636121 | 340,162 |
| TB Prevention and Control 2014-2015 | 2015-001439-00 | 26-01636139 | 34,510 |
| TB Medicaid Waiver 2014 | 2014-045668 | 26-01636128 | 107,279 |
| **Total TB Prevention and Control** | | | $ 482,377 |
| **Preventive Health and Health Services Block Grant:** | | | |
| RLSS - Local Public Health (Triple O) 2012-2013 | 2013-041143-005 | 26-01636090 | $ (19) |
| RLSS - Local Public Health (Triple O) 2013-2014 | 2014-001066-001 | 26-01636117 | 238,293 |
| RLSS - Local Public Health (Triple O) 2014-2015 | 2015-001066-001 | 26-01636137 | 17,964 |
| **Total Preventive Health and Health Services Block Grant:** | | | $ 256,238 |
| **Immunization Grants:** | | | |
| Inner-City School Immunization 2014 | 2014-001034-001 | 26-01636111 | $ 642,300 |
| Inner-City School Immunization 2015 | 2015-001034-00 | 26-01636129 | 26,710 |
| **Total Immunization Grants** | | | $ 669,010 |
| **STRAC Grant Project:** | | | |
| STRAC Grant Project FY 2013 | N/A | 26-01620006 | $ 21,463 |
| STRAC Grant Project FY 2014 | N/A | 26-01620007 | 28,908 |
| **Total STRAC Grant Project** | | | $ 50,371 |
| **Total Texas Department of State Health Services** | | | $ 1,878,182 |
| **Texas Department of Transportation:** | | | |
| **Pass Through - The Texas Automobile Burglary & Theft Prevention Authority:** | | | |
| Regional Auto Crimes Team 2012-2013 | SAT041006313 | 26-03117004 | $ 4,194 |
| Regional Auto Crimes Team 2013-2014 | SAT041006314 | 26-03117005 | 1,247,163 |
| Regional Auto Crimes Team 2014-2015 | SAT041006314 | 26-03117006 | 20,514 |
| **Total Texas Department of Transportation** | | | $ 1,271,871 |
| **Texas Attorney General's Office:** | | | |
| **Direct Program** | | | |
| **State Confiscated Property:** | | | |
| New State Account | N/A | 29-038000 | $ 747,066 |
| Vice Seizures | N/A | 29-040000 | 148,619 |
| Salvage Theft Reduction Program Seizures | N/A | 29-042000 | 1,071 |
| **Total State Confiscated Property** | | | $ 896,756 |
| **Total Texas Attorney General's Office** | | | $ 896,756 |
| **Texas Commission on the Arts:** | | | |
| **Direct Program** | | | |
| **Program of the Arts:** | | | |
| TCA Subgranting Grant 2013-2014 | 14-35275 | 26-00528008 | $ 31,217 |
| TCA Subgranting Grant 2014-2015 | 14-35276 | 26-00528009 | 14,000 |
| **Total Texas Commission on the Arts** | | | $ 45,217 |
| **Texas Workforce Commission:** | | | |
| **Pass Through - Alamo Workforce Development, Inc.:** * | | | |
| CCDS - 2012-2013 | CCDS2008001 | 26-03938007 | $ 180,700 |
| CCDS - 2013-2014 | CCDS2008001 | 26-03938008 | 13,561,522 |
| **Total Texas Workforce Commission** | | | $ 13,742,222 |
| **TOTAL EXPENDITURES OF STATE AWARDS** | | | $ 17,892,061 |

See accompanying Notes to the Schedule of Expenditures of State Awards

## Notes to the Schedule of Expenditures of State Awards

### Year-Ended September 30, 2014

1. The accompanying schedule of expenditures of state awards includes the state grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *State of Texas Single Audit Circular* ("Audit Circular"). The Audit Circular was issued under the authority of the Texas Government Code, Chapter 783, entitled Uniform Grant and Contract Management. This circular sets standards for obtaining consistency and uniformity among state agencies for the coordinated audit of local governments expending any state awards.

2. Through September 30, 2014, the City did not provide state awards to any subrecipients.

# Independent Auditor's 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*

PS&Co.

Padgett Stratemann

# Independent Auditor's 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2015. Our report was modified to include a reference to other auditors and also a reference to a restatement of beginning net position/fund balance and implementation of new accounting standards. We did not audit the financial statements of HemisFair Park Area Redevelopment Corporation; San Antonio Fire and Police Pension Fund; or the San Antonio Fire and Police Retiree Health Care Fund, blended component units, which represent 78%, 84%, and 32%, respectively, of the assets and deferred outflows, net position/fund balances, and revenues/additions of the aggregate remaining fund information. We also did not audit CPS Energy; SA Energy Acquisition Public Facility Corporation; San Antonio Housing Trust Finance Corporation; San Antonio Housing Trust Foundation, Inc.; or the San Antonio Housing Trust Public Facility Corporation, discretely presented component units, which represent 67%, 59%, and 79%, respectively, of the assets and deferred outflows, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the report of the other auditors. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Brooks Development Authority, CPS Energy, SA Energy Acquisition Public Facility Corporation, San Antonio Housing Trust Finance Corporation, San Antonio Housing Trust Public Facility Corporation, and San Antonio Water System – District Special Project, audited separately by other auditors, were not audited in accordance with *Government Auditing Standards.*

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***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency as item 2014-001.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***City's Response to the Finding***

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Padgett, Stratemann & Co., L.L.P.

San Antonio, Texas
March 24, 2015

# Independent Auditor's Report on Compliance For Each Major State Program and on Internal Control over Compliance as Required by the State of Texas Single Audit Circular

PS&Co.

Padgett Stratemann

# Independent Auditor's Report on Compliance For Each Major State Program and on Internal Control Over Compliance as Required by the State of Texas Single Audit Circular

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

***Report on Compliance for Each Major State Program***

We have audited the City of San Antonio, Texas' (the "City") compliance with the types of compliance requirements described in the State of Texas Single Audit Circular that could have a direct and material effect on each of the City's major state programs for the year ended September 30, 2014. The City's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The City's basic financial statements include the operations of CPS Energy, the Port Authority of San Antonio, and San Antonio Water System. Our audit, described below, did not include the operations of CPS Energy, the Port Authority of San Antonio, and San Antonio Water System because the component units engaged other auditors to perform an audit in accordance with *Government Auditing Standards*, OMB Circular A-133, and the State of Texas Single Audit Circular, as applicable.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Texas Single Audit Circular. Those standards and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Major State Programs***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2014.

***Report on Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each of its major state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of its major state programs and to test and report on internal control over compliance in accordance with the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Padgett, Stratemann & Co., L.L.P.

San Antonio, Texas
March 24, 2015

# Schedule of Findings and Questioned Costs

## State

# Schedule of Findings and Questioned Costs
## State Grants
### Year-Ended September 30, 2014

## SECTION I – SUMMARY OF AUDITOR'S RESULTS

***Financial Statements***

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes __X__ No

Significant deficiencies identified that are not considered to be material weaknesses? __X__ Yes _____ No

Noncompliance material to financial statements noted? _____ Yes __X__ No

***State Awards***

Internal control over major programs:

Material weakness(es) identified? _____ Yes __X__ No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes __X__ No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in Accordance with the *State of Texas Single Audit Circular?* _____ Yes __X__ No

Identification of major programs:

| **Grant Numbers:** | **Name of State Program or Cluster:** |
|---|---|
| 2014-001339-001, 2014-001408-001, 2015-001408-001 | HIV Surveillance and Prevention Programs |
| CCDS2008001 | Child Care Delivery Service |

Dollar threshold used to distinguish between Type A and Type B programs: $536,762

Auditee qualified as low-risk auditee? __X__ Yes _____ No

## Schedule of Findings and Questioned Costs
## State Grants
### Year-Ended September 30, 2014

**SECTION II – FINDINGS AND QUESTIONED COSTS RELATED TO FINANCIAL STATEMENTS**

**Finding: 2014-001**
**Accounting and Reporting of a Transaction Related to the Convention Center Hotel Finance Corporation**
**Type of Finding – Significant deficiency**

In 2005, the Convention Center Hotel Finance Corporation ("CCHC"), a blended component unit of the City, issued revenue bonds in the amount of $208,145,000 ($195,590,000 outstanding as of 2014) which is recorded as a liability in the City's government-wide financial statements. The proceeds of these bonds were loaned to a partnership for the purpose of constructing a hotel project in downtown San Antonio. The loan is to be paid back to the CCHC, in accordance with the loan agreement, after certain other payments have been made. To date, all required loan payments have been made to the CCHC; however, the loan to the partnership was not recorded in the financial statements of the CCHC or the City.

The CCHC receives trustee statements showing certain receipts and disbursements of the partnership (e.g., payment of property taxes, insurance, return of preferred equity, debt service payments). Currently, CCHC has differing amounts of the balances due to the investor return of preferred equity and basic rentals due to the CCHC. CCHC has currently fully allowed for the basic rental, since no payments have been made.

Additionally, CCHC has recorded all activity from the trustee statements as revenues and expenditures in the City's financial statements, although the majority of these receipts and disbursements do not relate to the CCHC or to the City and, therefore, had initially overstated revenues and expenditures by more than $100,000,000.

We recommend that the City strengthen its procedures over the above transaction and similar transactions to ensure these transactions are appropriately recorded and disclosed in the financial statements.

**Views of responsible officials and planned corrective actions:**

CCHC is a blended component unit of the City and as such the financial operations and account balances are presented in the City's comprehensive annual financial statements. With the implementation of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, the external auditors discovered that the loan receivable between the Grand Hyatt and CCHC's was not previously reported in CCHC's financial statements. It was further noted that operational activity (revenue and expenses) of the hotel was inaccurately running through CCHC operations. The external auditors recommended the City review the agreements in place that formed CCHC and the associated activity generated for its benefit to ensure that CCHC is accurately reporting all of its applicable transactions. The City agreed with the finding, recording of the loan receivable and adjusting the operations to remove transactions that were not applicable to CCHC's operations. It should be noted the adjustments made have no financial or budgetary impact and are merely reporting entries for financial statement purposes. The City will enhance procedures to identify and document significant terms of all future agreements and their accounting triggers to ensure the terms' proper recording and disclosure in the City or its component units' financial statements.

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS**

The results of our procedures disclosed no findings to be reported for the fiscal year-ended September 30, 2014.

# Corrective Action Plan

# State

## Corrective Action Plan
## State Grants
### Year-Ended September 30, 2014

**Finding 2014-001**
**Accounting and Monitoring a Transaction Related to the Convention Center Hotel Finance Corporation**

**Responsible Person**
Troy Elliott, CPA, Director
Finance Department

**Implementation Dates**
March 5, 2015

**Views of responsible officials and planned corrective actions**

CCHC is a blended component unit of the City and as such the financial operations and account balances are presented in the City's comprehensive annual financial statements. With the implementation of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, the external auditors discovered that the loan receivable between the Grand Hyatt and CCHC's was not previously reported in CCHC's financial statements. It was further noted that operational activity (revenue and expenses) of the hotel was inaccurately running through CCHC operations. The external auditors recommended the City review the agreements in place that formed CCHC and the associated activity generated for its benefit to ensure that CCHC is accurately reporting all of its applicable transactions. The City agreed with the finding, recording of the loan receivable and adjusting the operations to remove transactions that were not applicable to CCHC's operations. It should be noted the adjustments made have no financial or budgetary impact and are merely reporting entries for financial statement purposes. The City will enhance procedures to identify and document significant terms of all future agreements and their accounting triggers to ensure the terms' proper recording and disclosure in the City or its component units' financial statements.

# Summary Status of Prior Year Findings

# State

## Summary Status of Prior Year Findings
## State Grants
### Year-Ended September 30, 2014

**Finding: 2013-01**
**Non-Cash and Multi-Funded Awards Reporting in the Schedule of Expenditures of State Awards**
**Type of Finding – Significant Deficiency**

**Recommendation:**

We recommend the City continue to work with all federal, state and pass-through awarding agencies to strengthen the communication and sharing of information to ensure information on all state awards is obtained timely in order for the City to accurately record federal expenditures in the proper period on the SESA. In addition, we recommend the City work with all Department Fiscal Administrators to increase awareness of reporting requirements for non-cash federal awards and specific identification of grant expenditures when multiple funding sources are awarded to cover the same program.

**Status:**

Corrected

The City of San Antonio's Finance Department developed controls to require communication with the granting entity, at a minimum, upon award and at fiscal year-end specifically requesting the funding allocation for multi-funded grants and expenditure amounts incurred by the granting organization for assets to be titled over to the City. The City will utilize responses in these communications to properly account for and report grant activity in the City's financial reporting system. Communication to departments on the developed controls was sent out on March 5, 2014 and was covered in the grant training sessions scheduled for citywide fiscal staff on April 11 and 22, 2014.

Responsible Person
Troy Elliott, CPA, Director
Finance Department

# APPENDIX E

## FORM OF BOND COUNSEL'S OPINION

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McCALL, PARKHURST & HORTON L.L.P.

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1800 ONE AMERICAN CENTER
AUSTIN, TEXAS 78701-3248
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**Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.*

July __, 2015

**CITY OF SAN ANTONIO, TEXAS**
**AIRPORT SYSTEM REVENUE IMPROVEMENT BONDS, SERIES 2015 (AMT)**
**DATED JULY 1, 2015**
**IN THE AGGREGATE PRINCIPAL AMOUNT OF $38,805,000**

***AS BOND COUNSEL FOR THE CITY OF SAN ANTONIO, TEXAS*** (the "***City***"), the issuer of the bonds described above (the "***Bonds***"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates, and payable on the dates, as stated in the text of the Bonds, and which are subject to redemption prior to maturity, all in accordance with the terms and conditions stated in the text of the Bonds.

***WE HAVE EXAMINED*** the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City relating to the issuance of the Bonds, including (i) two ordinances (collectively, the "***Ordinance***") of the City (the *"Master Ordinance Establishing the Airport System Revenue Bond Financing Program,"* adopted by the City Council of the City on April 19, 2001, as amended by the City Council on March 29, 2012, and the *"Fifteenth Supplement to the Master Ordinance,"* adopted by the City Council of the City on June 18, 2015, which authorized the issuance of the Bonds), (ii) the City's Federal Tax Certificate of even date herewith, and (iii) other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number T-1).

***BASED ON SAID EXAMINATION, IT IS OUR OPINION*** that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding special revenue obligations of the City in accordance with their terms (except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally); and that the Bonds, together with the "Outstanding Parity Obligations" and any "Additional Parity Obligations" (as such terms are defined in the Ordinance), are equally and ratably secured by and payable from an irrevocable first lien on and pledge of the "Gross Revenues" of the City's "Airport System" (as such terms are defined in the Ordinance). The owners of the Bonds shall never have the right to demand payment of money raised or to be raised by taxation, or from any source whatsoever other than the Gross Revenues of the City's Airport System.

***THE CITY HAS RESERVED THE RIGHT***, subject to the requirements stated in the Ordinance, to issue Additional Parity Obligations which also may be secured by and made payable from a first lien on and pledge of the aforesaid Gross Revenues of the City's Airport System on a parity with the Bonds and all other Parity Obligations then outstanding.

***IT IS FURTHER OUR OPINION***, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. The exceptions are as follows:

(1) interest on the Bonds will be includable in the gross income of the holder during any period that the Bonds are held by either a "substantial user" of the facilities financed with the proceeds of the Bonds or a "related person" of such user, as provided in section 147(a) of the Internal Revenue Code of 1986 (the "Code"); and

(2) interest on the Bonds will be included as an item of tax preference in determining the alternative minimum taxable income of the owner under section 57(a)(5) of the Code.

***IN EXPRESSING THE AFOREMENTIONED OPINIONS*** as to the exclusion of interest from federal income taxes, we have relied on certain representations, the accuracy of which we have not independently verified, and we have assumed compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

***EXCEPT AS STATED ABOVE***, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

***WE EXPRESS NO OPINION*** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

***OUR OPINIONS ARE BASED ON EXISTING LAW***, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "***Service***"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

***OUR SOLE ENGAGEMENT*** in connection with the issuance of the Bonds is as Bond Counsel for the City, and in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds, and we have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the City as to the current outstanding Parity Obligations and as to the historical and projected Gross Revenues of the City's Airport System. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

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