**OFFICIAL STATEMENT**
**Dated December 12, 2014**

**NEW ISSUE - Book-Entry-Only**

**RATINGS**: Fitch – "AAA"
Moody's – "Aaa"
S&P – "AA+"
(See "OTHER PERTINENT INFORMATION - Certificate Ratings" herein)

*In the opinion of Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes and the Certificates are not "private activity bonds." See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.*

# $87,130,000
# BEXAR COUNTY, TEXAS
# COMBINATION TAX AND REVENUE
# CERTIFICATES OF OBLIGATION, SERIES 2014

**Dated Date: December 15, 2014** **Due: June 15, as shown on page -ii-**

The $87,130,000 Bexar County, Texas Combination Tax and Revenue Certificates of Obligation, Series 2014 (the "Certificates") are being issued by the Commissioners Court (the "Court") of Bexar County, Texas (the "County") pursuant to the laws of the State of Texas, including the Certificate of Obligation Act of 1971, as amended (codified at Section 271.041 through 271.064, as amended, Texas Local Government Code); Chapter 1371, as amended, Texas Government Code ("Chapter 1371"); Subchapter E of Chapter 1473, as amended, Texas Government Code; and the terms of the order (the "Order") adopted by the Court on December 9, 2014. As permitted by the provisions of Chapter 1371, the Court has, in the Order, delegated to certain designated officials of the County the authority to execute an approval certificate (the "Approval Certificate") establishing the final terms and effectuating the sale of the Certificates. The Approval Certificate was approved on December 12, 2014.

Interest on the Certificates will accrue from the Dated Date stated above and will be payable semiannually on June 15 and December 15 of each year, commencing June 15, 2015, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Certificates are issuable only in fully registered form in the denominations of $5,000 or integral multiples thereof and initially registered solely in the name Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC") acting as securities depository for the Certificates, until DTC resigns or is discharged. The Certificates initially will be available to purchasers (the "Beneficial Owners") in book-entry form only. So long as Cede & Co. is the registered owner of the Certificates, as nominee for DTC, the Paying Agent/Registrar, initially, BOKF, NA dba Bank of Texas, Austin, Texas, will pay the principal of and interest on the Certificates to Cede & Co., which will, in turn, remit such amounts to DTC participants for subsequent disbursement to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for making permanent public improvements and for other public purposes, to-wit: (1) designing, acquiring, constructing, renovating, improving, and equipping the Bexar County Courthouse, Bexar County Jail, the "old" Bexar County Jail, Bexar County Adult Detention Facilities (Annex and Detention Center), Bexar County Juvenile Detention Facilities, Justice of the Peace/Constable Facilities, Forensic Science Center, Technology Centers, Bexar County Crime Lab, Haven for Hope, Bexar County Sheriff's Department law enforcement facilities, Bexar County Justice Center, Bexar County District Court Facilities, and other Bexar County-owned administrative facilities and civil and criminal justice facilities; (2) acquiring computer hardware and software and other technology (including information technology system and network upgrades and improvements), communication, and audio/visual equipment and the payment of professional fees relating thereto, including the County-wide Integrated Justice System and Financial Management System; (3) acquiring, constructing, renovating, improving, and equipping parks and recreational facilities and the purchase of park vehicles; (4) acquiring vehicles and equipment for various County departments; (5) acquiring and installing energy conservation equipment for County facilities; (6) acquiring, constructing, renovating, repairing, and improving County roads (including utilities relocation and related bridge and drainage improvements); (7) designing, acquiring, constructing and equipping of County-wide Americans with Disabilities Act improvements; (8) demolishing dangerous structures; (9) designing, acquiring, constructing and equipping parking facilities; (10) designing, acquiring, constructing and equipping an animal control facility; (11) constructing improvements for flood control purposes, including road and bridge improvements; (12) constructing improvements for flood control purposes, including the San Antonio River Improvement Projects; (13) acquiring technology for flood control improvements; (14) acquiring materials, supplies, equipment, machinery, land, easements, rights-of-way and other interests in real property for authorized needs and purposes relating to any of the foregoing purposes; and (15) paying professional services related to the design, construction, project management, and financing of the aforementioned projects.

The Certificates are payable primarily from an annual ad valorem tax levied against all taxable property located in the County, within the limitations prescribed by law, and additionally from a subordinate lien on and pledge of certain net revenues derived from the operation of the County's parking facilities (the "Pledged Revenues") on a parity with the currently outstanding Obligations Similarly Secured (as defined in the Order), such lien on and pledge of the Pledged Revenues being subordinate and inferior to the lien on and pledge of Net Revenues securing payment of any Prior Lien Bonds or Additional Revenue Obligations (each term as defined in the Order) hereafter issued by the County. In the Order, the County reserves and retains the right to issue Prior Lien Bonds, Additional Revenue Obligations, and Additional Parity Obligations while the Certificates are Outstanding, without limitation as to principal amount, but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Authority for Issuance" and "THE CERTIFICATES - Security for Payment" herein.)

Concurrently with the issuance of the Certificates, the County is issuing its $9,360,000 Unlimited Tax Refunding Bonds, Series 2014, $111,810,000 Flood Control Tax Refunding Bonds, Series 2014, and its $54,575,000 Limited Tax Refunding Bonds, Series 2014 (collectively, the "Refunding Bonds") for the purpose of refunding certain of its ad valorem tax-secured obligations (collectively, the "Refunded Obligations") to realize debt service savings. This Official Statement describes only the Certificates and not the Refunding Bonds and investors must review the County's disclosure documents relating to the Refunding Bonds in its entirety prior to making an investment decision with respect thereto. (See "INTRODUCTION - Additional Debt Issuances".)

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**SEE MATURITY SCHEDULE, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES ON PAGE -ii- HEREIN**

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*The Certificates are offered for delivery, when issued, and received by the initial purchasers thereof named below (the "Underwriters") subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Bracewell & Giuliani LLP, San Antonio, Texas, Bond Counsel. (See "APPENDIX D - Form of Bond Counsel's Opinion" herein.) Certain legal matters will be passed upon for the Underwriters by their co-counsel, Winstead PC and Manuel G. Escobar, Jr., Attorney at Law, both of San Antonio, Texas. (See "LEGAL MATTERS" herein.) The Certificates are expected to be available for initial delivery through the services of DTC on or about December 30, 2014.*

**MORGAN STANLEY**

**FROST BANK** **RBC CAPITAL MARKETS**
**SIEBERT BRANDFORD SHANK & CO., L.L.C.** **STERNE AGEE**

## MATURITY SCHEDULE, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS

**$87,130,000**
**Combination Tax and Revenue**
**Certificates of Obligation, Series 2014**

**CUSIP NO. PREFIX: 088281[1]**

**$50,150,000 Serial Certificates**

| Maturity 6/15 | Principal Amount ($) | Interest Rate (%) | Initial Yield (%) | CUSIP No. Suffix[1] |
|---|---|---|---|---|
| 2016 | 250,000 | 4.000 | 0.330 | PG9 |
| 2017 | 250,000 | 3.000 | 0.700 | PH7 |
| 2018 | 500,000 | 3.000 | 1.030 | PJ3 |
| 2019 | 500,000 | 4.000 | 1.320 | PK0 |
| 2020 | 750,000 | 4.000 | 1.600 | PL8 |
| 2021 | 750,000 | 4.000 | 1.810 | PM6 |
| 2022 | 1,000,000 | 4.000 | 2.020 | PN4 |
| 2023 | 1,000,000 | 5.000 | 2.140 | PP9 |
| 2024 | 3,180,000 | 5.000 | 2.260 | PQ7 |
| 2025 | 3,335,000 | 5.000 | 2.380[2] | PR5 |
| 2026 | 3,505,000 | 5.000 | 2.470[2] | PS3 |
| 2027 | 3,680,000 | 5.000 | 2.530[2] | PT1 |
| 2028 | 3,865,000 | 5.000 | 2.610[2] | PU8 |
| 2029 | 4,055,000 | 5.000 | 2.660[2] | PV6 |
| 2030 | 4,260,000 | 5.000 | 2.710[2] | PW4 |
| 2031 | 4,470,000 | 5.000 | 2.760[2] | PX2 |
| 2032 | 4,695,000 | 5.000 | 2.810[2] | PY0 |
| 2033 | 4,930,000 | 5.000 | 2.860[2] | PZ7 |
| 2034 | 5,175,000 | 5.000 | 2.910[2] | QA1 |

**$36,980,000 Term Certificates**

$36,980,000 5.000% Term Certificates Due June 15, 2040 Priced to Yield 3.130%[2] CUSIP No. Suffix QB9[1]

(Accrued interest to be added from the Dated Date)

**Redemption Provisions**

The County reserves the right to redeem the Certificates maturing on and after June 15, 2025 in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on June 15, 2024 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. (See "THE CERTIFICATES – Optional Redemption Provisions" herein.) In addition, the Certificates maturing on June 15, 2040 (the "Term Certificates") are subject to mandatory sinking fund redemption. (See "THE CERTIFICATES – Mandatory Redemption Provisions" herein.)

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*(1) CUSIP numbers are included solely for the convenience of the owners of the Certificates. 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 Underwriters, the County, or the Co-Financial Advisors is responsible for the selection or correctness of the CUSIP numbers set forth herein.*

*(2) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on June 15, 2024, the first optional call date for the Certificates, at a redemption price of par, plus accrued interest to the redemption date.*

## BEXAR COUNTY, TEXAS

## COMMISSIONERS COURT

| Name | Position | Length of Service | Term Expires | Occupation |
|---|---|---|---|---|
| Nelson W. Wolff [1] | County Judge | 12 years | 2018 | Businessman/Attorney |
| Sergio "Chico" Rodriguez | Commissioner, Precinct 1 | 9 years | 2016 | Public Official |
| Paul Elizondo [2] | Commissioner, Precinct 2 | 30 years | 2018 | Businessman |
| Kevin A. Wolff | Commissioner, Precinct 3 | 5 years | 2016 | Businessman |
| Tommy Adkisson [3] | Commissioner, Precinct 4 | 14 years | 2014 | Attorney |

(1) Nelson Wolff was reelected as Bexar County Judge at the November 4, 2014 general election.
(2) Paul Elizondo was reelected as County Commissioner for Precinct 2 at the November 4, 2014 general election.
(3) Tommy Adkisson did not seek reelection for County Commissioner for Precinct 4 in 2014. Tommy Calvert was elected as County Commissioner for Precinct 4 at the November 4, 2014 general election. Mr. Calvert's term as County Commissioner for Precinct 4 will commence on January 1, 2015 and this term will expire on December 31, 2018.

## COUNTY OFFICIALS

| Name | Position | Years Served |
|---|---|---|
| Albert Uresti | County Tax Assessor/Collector | 2 |
| Donna K. McKinney | District Clerk | 3 |
| Susan D. Reed [1] | Criminal District Attorney | 14 |
| Gerard C. Rickhoff | County Clerk | 16 |
| Susan Pamerleau | Sheriff | 2 |

(1) Nicholas LaHood was elected as Bexar County Criminal District Attorney at the November 4, 2014 general election. Mr. LaHood's term as Bexar County Criminal District Attorney will commence on January 1, 2015 and this term will expire on December 31, 2018.

## APPOINTED OFFICIALS

| Name | Position | Years Served |
|---|---|---|
| David L. Smith | County Manager | 3 |
| Susan T. Yeatts, CPA | County Auditor | 4 |
| Daniel R. Garza | Purchasing Agent | 4 |

## CONSULTANTS AND ADVISORS

| | |
|---|---|
| SAMCO Capital Markets, Inc.<br>San Antonio, Texas | Co-Financial Advisor |
| M. E. Allison & Co., Inc.<br>San Antonio, Texas | Co-Financial Advisor |
| Bracewell & Giuliani LLP<br>San Antonio, Texas | Bond Counsel |
| Garza/Gonzalez & Associates<br>San Antonio, Texas | Certified Public Accountants |

For additional information regarding the County, please contact:

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San Antonio, Texas 78205
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(210) 335-2683 - Facsimile
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Ms. Susan T. Yeatts, C.P.A.
County Auditor
Bexar County
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mseal@meallison.com

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**USE OF INFORMATION IN OFFICIAL STATEMENT**

No dealer, broker, salesman, or other person has been authorized by the County to give any information or to make any representation with respect to the Certificates, 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.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor will there be any sale of the Certificates by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. 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 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. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the County’s undertaking to provide certain information on a continuing basis.

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 CERTIFICATES 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 CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE THEREOF.

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

None of the County, the Co-Financial Advisors, or the Underwriters makes 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.

The agreements of the County and others related to the Certificates 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 Certificates, is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE CERTIFICATES.

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## TABLE OF CONTENTS



The cover page, subsequent pages hereof, and appendices attached hereto, are part of this Official Statement.

**OFFICIAL STATEMENT**

**RELATING TO**

**$87,130,000**
**BEXAR COUNTY, TEXAS**
**COMBINATION TAX AND REVENUE**
**CERTIFICATES OF OBLIGATION,**
**SERIES 2014**

## INTRODUCTION

### General

This Official Statement of Bexar County, Texas (the "County"), which includes the cover page and the appendices hereto, provides certain information in connection with the issuance of the County's $87,130,000 Combination Tax and Revenue Certificates of Obligation, Series 2014 (the "Certificates"). Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order authorizing the issuance of the Certificates (the "Order"), except as otherwise indicated herein.

This Official Statement contains descriptions of the Certificates and certain other information about the County and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the County at 101 W. Nueva, Suite 901, San Antonio, Texas 78205 and, during the offering period, from the County's Co-Financial Advisors, SAMCO Capital Markets, Inc., 8700 Crownhill Blvd., Suite 601, San Antonio, Texas 78209, and M. E. Allison & Co, Inc., 950 E. Basse Road, 2nd Floor, San Antonio, Texas 78209, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Certificates will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the County's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined, herein will have the meanings ascribed thereto in the Order.

### Additional Debt Issuances

Concurrently with the issuance of the Certificates, the County is issuing its $9,360,000 Unlimited Tax Refunding Bonds, Series 2014, $111,810,000, Flood Control Tax Refunding Bonds, Series 2014, and its $54,575,000 Limited Tax Refunding Bonds, Series 2014 (collectively, the "Refunding Bonds") for the purpose of refunding certain of its ad valorem tax-secured obligations (collectively, the "Refunded Obligations") to realize debt service savings. This Official Statement describes only the Certificates and not the Refunding Bonds. Investors interested in purchasing the Refunding Bonds should review the offering document describing the applicable County debt issuance.

## THE CERTIFICATES

### Authority for Issuance

The Certificates are being issued pursuant to the laws of the State of Texas (the "State"), including the Certificate of Obligation Act of 1971, as amended (codified at Section 271.041 through 271.064, as amended, Texas Local Government Code); Chapter 1371, as amended, Texas Government Code ("Chapter 1371"); Subchapter E of Chapter 1473, as amended, Texas Government Code; and the order (the "Order") adopted by the Commissioners Court of the County (the "Court") on December 9, 2014. As permitted by the provisions of Chapter 1371, the Court has, in the Order, delegated to certain designated officials of the County the authority to execute an approval certificate (the "Approval Certificate") establishing the final terms and to effectuate the sale of the Certificates. The Approval Certificate was approved on December 12, 2014.

### General Description

The Certificates are dated December 15, 2014 (the "Dated Date") and will be issued in principal denominations of $5,000 or any integral multiple thereof. The Certificates bear interest from the Dated Date at the stated interest rates indicated on the inside cover page hereof. Interest on the Certificates will be calculated on the basis of a 360-day year of twelve 30-day months, payable on June 15, 2015 and each December 15 and June 15 thereafter, until stated maturity or prior redemption.

Interest on the Certificates is payable to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (identified below) and such interest will be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class, postage prepaid, to the address of the registered owner recorded in the register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Certificates is payable at stated maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. The Certificates will be issued only in fully registered form in denominations of $5,000 or any integral multiple thereof.

Initially the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the Beneficial Owners thereof** (hereafter defined). Notwithstanding the foregoing, as long as the Certificates are held in the Book-Entry-Only System, principal of and interest on the Certificates 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 of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

**Security for Payment**

The Certificates will be payable primarily from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the County. Chapter 1208, Texas Government Code, applies to the issuance of the Certificates and the pledge of the taxes granted by the County under the Order and such pledge is, therefore, valid, effective, and perfected. The Certificates are payable from the County's $0.80 tax rate authorized by Article VIII, Section 9 of the Texas Constitution and are additionally payable from and equally and ratably secured by a lien on and pledge of the Pledged Revenues (as defined below) derived from the operation of the County's parking facilities on a parity with the currently outstanding Obligations Similarly Secured, such lien on and pledge of the Pledged Revenues being subordinate and inferior to the lien on and pledge of Net Revenues securing payment of any Prior Lien Bonds or Additional Revenue Obligations hereafter issued by the County. In the Order, the County reserves and retains the right to issue Prior Lien Bonds, Additional Revenue Obligations, and Additional Parity Obligations, while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "AD VALOREM TAX INFORMATION - Tax Rate and Funded Debt Limitations" and "APPENDIX A - SELECTED FINANCIAL INFORMATION OF THE COUNTY - Tax Rate and Funded Debt Limitations" herein).

Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are payable additionally from a pledge of and subordinate lien on the Pledged Revenues. The Pledged Revenues are pledged to the Certificates to comply with Texas law requiring a revenue pledge to sell the Certificates for cash.

The term "Pledged Revenues," as defined in the Order, means a portion of the Net Revenues of the County's parking facilities securing the payment of the currently outstanding Obligations Similarly Secured or any Additional Parity Obligations hereafter issued by the County. The amount of Pledged Revenues appropriated during any fiscal year and set aside in the annual budget for the payment of principal of or interest on each series of the currently outstanding Obligations Similarly Secured and the Certificates will be determined within the sole discretion of the Commissioners Court; provided, however, that in no event may the Commissioners Court in the exercise of its discretion appropriate more than $1,000, or such lesser amount remaining and available after the payment of all Maintenance and Operation Expenses, of such Net Revenues for the payment of the principal of or interest on each issue of the currently outstanding Obligations Similarly Secured, the Certificates, or any Additional Pledged Revenues hereafter issued by the County.

The County has transferred approximately $450,000 of Pledged Revenues in the current fiscal year for the payment of debt service requirements on the Obligations Similarly Secured and transferred a cumulative total of approximately $600,000 of Pledged Revenues in the six prior fiscal years; however, the owners of the Certificates should not anticipate that the County will transfer an amount in excess of $1,000 in each fiscal year for the payment of principal of and interest on the Certificates.

**Payment Record**

The County has never defaulted on the payment of its bonded indebtedness.

**Legality**

The Certificates are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Bracewell & Giuliani LLP, San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the Certificates. A form of the legal opinion of Bond Counsel appears in APPENDIX D attached hereto.

**Delivery**

The Certificates will be delivered when issued; anticipated on or about December 30, 2014.

**Future Issues**

The County does not anticipate issuing additional ad valorem tax-supported indebtedness during the remainder of the calendar year other than those issuances described under “INTRODUCTION - Additional Debt Issuances.”

**Use of Proceeds**

Proceeds from the sale of the Certificates will be used for making permanent public improvements and for other public purposes, to-wit: (1) designing, acquiring, constructing, renovating, improving, and equipping the Bexar County Courthouse, Bexar County Jail, the “old” Bexar County Jail, Bexar County Adult Detention Facilities (Annex and Detention Center), Bexar County Juvenile Detention Facilities, Justice of the Peace/Constable Facilities, Forensic Science Center, Technology Centers, Bexar County Crime Lab, Haven for Hope, Bexar County Sheriff’s Department law enforcement facilities, Bexar County Justice Center, Bexar County District Court Facilities, and other Bexar County-owned administrative facilities and civil and criminal justice facilities; (2) acquiring computer hardware and software and other technology (including information technology system and network upgrades and improvements), communication, and audio/visual equipment and the payment of professional fees relating thereto, including the County-wide Integrated Justice System and Financial Management System; (3) acquiring, constructing, renovating, improving, and equipping parks and recreational facilities and the purchase of park vehicles; (4) acquiring vehicles and equipment for various County departments; (5) acquiring and installing energy conservation equipment for County facilities; (6) acquiring, constructing, renovating, repairing, and improving County roads (including utilities relocation and related bridge and drainage improvements); (7) designing, acquiring, constructing and equipping of County-wide Americans with Disabilities Act improvements; (8) demolishing dangerous structures; (9) designing, acquiring, constructing and equipping parking facilities; (10) designing, acquiring, constructing and equipping an animal control facility; (11) constructing improvements for flood control purposes, including road and bridge improvements; (12) constructing improvements for flood control purposes, including the San Antonio River Improvement Projects; (13) acquiring technology for flood control improvements; (14) acquiring materials, supplies, equipment, machinery, land, easements, rights-of-way and other interests in real property for authorized needs and purposes relating to any of the foregoing purposes; and (15) paying professional services related to the design, construction, project management, and financing of the aforementioned projects.

**Optional Redemption Provisions**

The County reserves the right to redeem the Certificates maturing on and after June 15, 2025 in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on June 15, 2024 or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption.

**Mandatory Redemption Provisions**

The Certificates maturing on June 15, 2040 (the “Term Certificates”) are subject to mandatory sinking fund redemption on June 15 in each of the years and in the principal amounts at a price of par plus accrued interest to the redemption date prior to stated maturity as set forth below:

| Term Certificates Maturing on June 15, 2040 | |
|---|---|
| Year | Principal Amount ($) |
| 2035 | 5,435,000 |
| 2036 | 5,710,000 |
| 2037 | 5,995,000 |
| 2038 | 6,295,000 |
| 2039 | 6,605,000 |
| 2040 | 6,940,000* |

*Payable at Stated Maturity.

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions will be reduced, at the option of the County, by the principal amount of any Term Certificates of such stated maturity which, at least 50 days prior to the mandatory redemption date (1) will have been defeased or acquired by the County and delivered to the Paying Agent/Registrar for cancellation, (2) will have been purchased and canceled by the Paying Agent/Registrar at the request of the County with money in the Certificate Fund, or (3) will have been redeemed pursuant to the optional redemption provisions set forth in the Order (and described above) and not theretofore credited against a mandatory redemption requirement.

**Selection of Certificates for Redemption**

The years of maturity of the Certificates called for redemption will be selected by the County. If less than all of the Certificates are redeemed within a stated maturity at any time, the Certificates to be redeemed will be selected by the Paying Agent/Registrar at random and by lot or other customary method in multiples of $5,000 within any stated maturity.

**Notice of Redemption**

Not less than thirty (30) days prior to a redemption date for the Certificates the County will cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the Owners of the Certificates to be redeemed at the address of the Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

In the Order, the County reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem the Certificates conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the County retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the County delivers a certificate of the County to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such redemption notice and redemption will be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar will give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Certificate subject to conditional notice of redemption where such redemption has been rescinded will remain Outstanding, and the rescission of such redemption will not constitute an event of default. Further, in the case of a conditional notice of redemption, the failure of the County to make moneys and/or authorized securities available in part or in whole on or before the redemption date will not constitute an event of default.

ANY NOTICE SO MAILED WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND SUBJECT, IN THE CASE OF AN OPTIONAL REDEMPTION, TO ANY RIGHTS OR CONDITIONS RESERVED BY THE COUNTY IN THE NOTICE, THE CERTIFICATES CALLED FOR REDEMPTION WILL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF WILL CEASE TO ACCRUE.

The Paying Agent/Registrar and the County, so long as the Book-Entry-Only System of the Depository Trust Company ("DTC"), New York, New York, is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the County will reduce the outstanding principal amount of the Certificates held by DTC.

**Discharge**

The Order provides that the County may discharge its obligations to the registered owners of any or all of the Certificates to pay principal, interest and redemption price thereon in any manner permitted by law. Under current State law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Certificates to maturity or redemption or (ii) by depositing with a trust company, commercial bank or any place of payment (paying agent) for obligations of the County payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Certificates; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the County adopts or approves the proceedings authorizing the defeasance and/or redemption of the Certificates, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (c) non-callable 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 County adopts or approves the proceedings authorizing the defeasance and/or redemption of the Certificates, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry form, and will mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Certificates. If any of the Certificates are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Order.

Under current State law, upon such deposit as described above, the Certificates will no longer be regarded to be outstanding for any purpose other than the payment thereof. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the County to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the County: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

**Amendments**

The County may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the County may, with the written consent of the owners of a majority in aggregate principal amount of the Certificates then outstanding, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of all of the registered owners of the Certificates then outstanding, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of, or any installment of interest on any Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, the redemption price therefor, or in any other way modify the terms of payment of the principal of, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the percentage of the aggregate principal amount of Certificates required to be held for consent to any amendment, addition, or waiver.

**Defaults and Remedies**

If the County defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Order and the County's obligations are not uncertain or disputed. 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 Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the owners upon any failure of the County to perform in accordance with the terms of the Order, 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. Texas counties are generally immune from suits for money damages for breach of contracts under the doctrine of sovereign immunity. The Texas Supreme Court 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, which pertains to the issuance of public securities by issuers such as the County, permits the County to waive sovereign immunity in the proceedings authorizing the issuance of the Certificates. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Certificates (as further described under the caption "THE CERTIFICATES – Authority for Issuance"), the County has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the County's sovereign immunity from a suit for money damages outside of Chapter 1371, registered owners may not be able to bring such a suit against the County for breach of the Certificates or the Order covenants. Even if a judgment against the County could be obtained, it could not be enforced by direct levy and execution against the County's property. Further, the registered owners cannot themselves foreclose on property within the County or sell property within the County to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the County 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, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. 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 County avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity which permit the exercise of judicial discretion.

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## SOURCES AND USES OF FUNDS FOR THE CERTIFICATES

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|---|---|
| **Sources of Funds:** | |
| Principal Amount of the Certificates | $87,130,000.00 |
| Original Issue Reoffering Premium | 15,071,944.85 |
| Accrued Interest | 179,541.67 |
| **Total Sources of Funds** | $102,381,486.52 |
| **Uses of Funds:** | |
| Deposit to Construction Fund | $101,500,000.00 |
| Underwriters' Discount | 407,437.35 |
| Costs of Issuance | 294,507.50 |
| Deposit to Certificate Fund | 179,541.67 |
| **Total Uses of Funds** | $102,381,486.52 |

## REGISTRATION, TRANSFER, AND EXCHANGE

### Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA dba Bank of Texas, Austin, Texas. The Certificates will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. If the Certificates are not held in the Book-Entry-Only System, interest on the Certificates will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date (see "REGISTRATION, TRANSFER, AND EXCHANGE - Record Date" herein) or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner, and principal of the Certificates will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar.

### Successor Paying Agent/Registrar

The County covenants that until the Certificates are paid it will at all times maintain and provide a paying agent/registrar. In the Order, the County retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the County, 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 by the County must be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the County will promptly cause a notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice must give the address of the new Paying Agent/Registrar.

### Record Date

The record date for determining the registered owner entitled to a payment of interest on a Certificate is the last business day of the month next preceding each interest payment date ("Record Date").

If the date for the payment of the principal of or interest on the Certificates is a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment is the next succeeding day which is not such a day and payment on such date will have the same force and effect as if made on the original date payment was due.

### Special Record Date for Interest Payment

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. 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) must be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Certificate appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

### Registration, Transferability and Exchange

In the event the Book-Entry-Only System is discontinued, printed certificates will be issued to the registered owners of the Certificates and thereafter the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates 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 Certificates 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 and at the same maturity or maturities as the Certificate or Certificates surrendered for exchange or transfer. Neither the County nor the Paying Agent/Registrar will be required to transfer or exchange any Certificates (i) during a period beginning at the close of business on any Record Date and ending with the next interest payment date or (ii) with respect to any Certificates or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates.)

**Limitation on Transferability of Certificates Called for Redemption**

Neither the County nor the Paying Agent/Registrar will be required to issue, transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, that such limitation on transferability will not be applicable to an exchange by the registered owner of the unredeemed principal balance of a Certificate called for redemption in part.

**Replacement Certificates**

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate of like kind and in the same amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and in substitution for a Certificate which has been destroyed, stolen, or lost, such new Certificate will be delivered only (a) upon filing with the County and the Paying Agent/Registrar evidence satisfactory to establish to the County and the Paying Agent/Registrar that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the County and the Paying Agent/Registrar with Certificate or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

## BOOK-ENTRY-ONLY SYSTEM

The following information describes how ownership of the Certificates is to be transferred and how the principal of and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee's 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 County, 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 County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates 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 security certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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 United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 Certificates, except in the event that use of the book-entry-only system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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.

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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Certificates 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 County or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as 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 [nor its nominee], the Paying Agent/Registrar, or the County, 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 County 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 Certificates at any time by giving reasonable notice to the County or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, security certificates representing the Certificates are required to be printed and delivered.

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

**Use of Certain Terms in Other Sections of This Official Statement**

In reading this Official Statement it should be understood that while the Certificates 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 Participant acquires an interest in the Certificates, 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 Order will be given only to DTC.

## AD VALOREM TAX INFORMATION

### Ad Valorem Taxation

The Certificates are payable primarily from an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property within the County. Reference is hereby made to the Vernon's Texas Codes Annotated, Tax Code (the "Property Tax Code") for identification of property subject to taxation, property exempt or which may be exempted from taxation, the appraisal of property for taxation purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes. Among other provisions, the Property Tax Code contains the following provisions with respect to the assessment of property and the levy and collection of ad valorem taxes:

(1) a single appraisal district in each county to appraise property for taxation purposes for all taxing units located wholly or partly within the county;

(2) excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, all property is to be appraised on the basis of 100% of its market value and the assessment of property on the basis of a percentage of its appraised value is prohibited;

(3) requires an "effective tax rate" and "rollback tax rate" to be annually calculated and publicized and necessitates the holding of two public hearings when the tax rate proposed to be adopted exceeds the lower of the rollback tax rate or the effective tax rate; if the adopted tax rate exceeds the rollback tax rate, a referendum election may be required to be held on limiting the tax rate for the County for the current year to the rollback tax rate; and

(4) the value of property is generally assessed for purposes of taxation on January 1 of each year and taxes levied each year generally become due and payable on October 1 and become delinquent on February 1 of the following year in which the taxes are imposed.

### Taxable Property, Exemptions and Agricultural Exclusions

All real property located in the taxing unit and certain personal property is taxable property unless exempt by law. With certain exceptions, intangible personal property is not taxable property. Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, all property is to be appraised on the basis of 100% of its market value. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. The value placed upon property within the appraisal district is subject to review by an appraisal review board, consisting of three members appointed by the board of directors of the local appraisal district. The local appraisal district is required to review the value of property within the appraisal district at least every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with an appraisal review board. (See "PROPERTY TAXES - Property Tax Code and County-Wide Appraisal District herein.")

Principal categories of exempt property include: (1) property owned and used for public purposes by the State of Texas or its political subdivisions; (2) property exempt by federal law; (3) family supplies, household goods and personal effects not held or used in the production of income; (4) certain property owned by charitable organizations, youth development associations, and religious organizations; (5) certain properties used for school purposes; (6) solar and wind-powered energy devices; (7) farm products, livestock, and poultry in the hands of the producer, and family supplies for home and farm use; (8) implements of husbandry used in the production of farm and ranch products; (9) personally owned automobiles (unless affirmatively provided to be taxed by taxing entity); (10) property owned by disabled veterans or by the surviving spouse and surviving minor children of disabled veterans is exempt from taxation in amounts ranging from $5,000 to $12,000 depending on the disability rating of the veteran; and (11) other miscellaneous exceptions.

The Property Tax Code states that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, the surviving spouse of a deceased veteran who had received a disability rating of 100% is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost to the veteran by a charitable organization.

The surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The Texas Constitution permits the exemption of certain percentages of the market value of residential homesteads from ad valorem taxation. The Constitution authorizes the governing body of each political subdivision in the state to exempt up to twenty percent (20%) of the market value of all residential homesteads from ad valorem taxation, and permits an additional optional homestead exemption for taxpayers 65 years of age or older and disabled persons of a minimum of $3,000.

Counties, cities, towns or junior college districts are authorized under the Texas Constitution to establish an ad valorem "tax freeze" on residence homesteads of the disabled and persons sixty-five years of age or older. This "tax freeze" can be implemented by official action of a governing body, or pursuant to an election called by the governing body upon receipt of a petition signed by 15% of registered voters of the municipality. The County implemented this "tax freeze" on May 11, 2005 with the benefits beginning for the 2006 tax year on January 1, 2006.

Non-business personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as non-business property are exempt from ad valorem taxation.

Article VIII, Section 1-j of the Texas Constitution exempts from taxation goods, wares, merchandise, other tangible personal property and ores (other than oil, natural gas and other petroleum products) acquired or imported for assembling, storing, manufacturing, processing or fabricating purposes while such property is being detained in the State, and such property is to be forwarded outside the State within 175 days after the date of its acquisition or importation. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax is taken before April 1, 1990. The official action to tax such property can subsequently be rescinded and, if rescinded, such property will thereafter be exempt from taxation.

In addition, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit", which are defined as personal property acquired or imported into the State and transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. Current Texas law requires that the governmental entities take affirmative action (even if such action had been previously taken) prior to December 31, 2011 to continue its taxation of goods-in-transit in the 2012 tax year and beyond. The County took official action on November 1, 2011 to continue its taxation of goods-in-transit.

**Tax Rate and Funded Debt Limitations**

The County must annually calculate and publicize its "effective tax rate" and "rollback tax rate." By the later of September 30 or the 60th day after the County receives the certified appraisal roll the Commissioners Court must adopt a tax rate per $100 taxable value for the current year. A failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, the Commissioners Court may not adopt a tax rate that exceeds the lower of the rollback rate or of the effective tax rate until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. The tax rate consists of two components: (1) a rate for funding of operations, and (2) a rate for debt service. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the County, by petition, may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (adjusted) divided by the anticipated tax collection rate.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

The Property Tax Code provides certain cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year.

***Limited Tax Funded Debt Payable From Proceeds of $0.80 Constitutional Tax Rate***: Article VIII, Section 9 of the Texas Constitution imposes a limit of $0.80 per $100 assessed valuation for all purposes of the County's General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, including debt service of bonds, warrants, tax notes and certificates of obligation issued against such funds. By administrative policy, the Attorney General of Texas will permit allocation of $0.40 of the constitutional $0.80 tax rate for the payment of the debt service requirements on the County's indebtedness payable from such tax. Taxes subject to this limitation are the primary source for the currently outstanding limited tax bonds, tax notes, and certificates of obligation; however, this limitation is not a continuing legal limitation on the levy of ad valorem taxes for the payment of debt service. (See "OBLIGATIONS OUTSTANDING" and "AUTHORIZED BUT UNISSUED TAX BONDS" in APPENDIX A.) The Certificates are limited tax-supported debt obligations payable from the $0.80 constitutional tax.

Limited tax obligations of counties issued pursuant to authority granted under Section 1301.003, Texas Government Code, as amended, does limit the amount of such debt issued for those certain purposes as follows:

| | |
|---|---|
| Courthouse | 2% of Assessed Valuation |
| Jail | 1 1/2% of Assessed Valuation |
| Courthouse and Jail | 3 1/2% of Assessed Valuation |
| Road and Bridge | 1 1/2% of Assessed Valuation |

However, courthouse, jail, and certain other types of bonds may be issued under the authority of Section 1473.101 of the Texas Government Code, which does not provide for the above limitations.

***Unlimited Tax Road Bonds***: Article III, Section 52, Texas Constitution, authorizes the County to levy a separate unlimited tax to pay debt service on County road bonds. Unlimited tax road bonds may not be issued in an amount greater than 25% of the County's assessed valuation of real estate. (See "OBLIGATIONS OUTSTANDING" and "AUTHORIZED BUT UNISSUED TAX BONDS" in APPENDIX A.)

***Road Maintenance***: As imposed by statute (Section 256.052, as amended, Texas Transportation Code) $0.15 per $100 assessed valuation may be levied by the County for road maintenance, no part of which may be used for debt service.

***Farm-to-Market and/or Flood Control***: As imposed by statute (Section 256.054, as amended, Texas Transportation Code, pursuant to Article VIII, Section 1-a of the Texas Constitution), $0.30 per $100 assessed valuation after exemption of homesteads up to $3,000 may be levied by the County for farm-to-market and/or flood control; no allocation is prescribed by statute between debt service and maintenance. All or part may be used for either purpose. Although the receipts of these taxes are not available to pay debt service on the Certificates, these levies provide additional funds for road and flood control purposes that might otherwise be paid from taxes subject to the $0.80 tax limitation. The County held an election on April 17, 1951 which approved the levy of a (i) $0.15 tax per $100 valuation for Farm-to-Market and Lateral Roads and (ii) $0.15 tax per $100 valuation for flood control purposes (the "Flood Control Tax"). The County has previously issued certificates of obligation that are payable, in part, from a lien on and pledge of the Flood Control Tax. (See "OBLIGATIONS OUTSTANDING" in APPENDIX A.)

**2015 Legislative Session**

On January 13, 2015, the Texas Legislature will convene in its 84th Regular Session until June 1, 2015. During this time, the Texas Legislature may enact laws that affect ad valorem tax matters. The County can make no representation regarding any actions the Texas Legislature may take.

## PROPERTY TAXES

**Property Tax Code and County-Wide Appraisal District**

The appraisal district created for Bexar County (the "Bexar Appraisal District" or the "Appraisal District") is responsible for the appraisal of all taxable property and the equalization of appraised values of property of all taxing units in the Appraisal District, including the County. The Appraisal District is governed by a board of directors (the "Board of Directors") elected by the governing bodies of certain taxing units in the Appraisal District. The Board of Directors has appointed a Chief Appraiser to act as Chief Administrator of the Appraisal District. Appraisal districts have a minimum of 5 directors and may have up to 13 directors. The Bexar Appraisal District presently has 6 directors.

The Property Tax Code: (1) requires that all taxing units assess taxable property at 100% of its appraised value, subject to the limitations hereafter described; (2) allows the valuation of certain eligible farm, ranch, and timberlands on a "productive capacity" basis; (3) requires that the appraised values, subject to the limitations hereafter described of real property within an appraisal district be reviewed at least every three years; (4) provides for notices of any increases in appraised values to property owners before meetings of an appraisal review board; (5) grants rights of administrative and judicial appeal for taxpayers challenging property valuations established by an appraisal district or a county; (6) requires taxing jurisdictions to hold two public hearings and publish newspaper advertisements before adopting a tax rate that exceeds the rollback tax or the effective tax rate, whichever is lower in accordance with the Property Tax Code; and (7) permits taxpayers by referendum in the event the tax rate exceeds the rollback tax rate to reduce the tax rate to the rollback tax rate. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

The Texas Constitution permits local governments the option of granting all individuals a homestead exemption of up to 20% of market value, with a minimum exemption of $5,000. The Commissioners Court has never granted such exemption and it cannot be predicted whether the Commissioners Court will exercise any of its options thereunder in future years.

**Tax Abatement Reinvestment Zone/Tax Phase-In Agreements/Economic Development Programs**

Texas statutes permit the creation of tax abatement reinvestment zones to attract new commercial investment, to expand existing facilities, and to contribute to retaining or expanding primary employment within areas of economic development interests. The designation of a zone should contribute to the County's economic development and guidelines and criteria for governing tax phase-in agreements must be adopted at the discretion of Commissioners Court. Once a reinvestment zone has been designated, the County may offer a tax phase-in agreement to owners or lessees of taxable property within the reinvestment zone on a case-by-case basis. Areas designated as an enterprise zone under the Texas Enterprise Zone Act also constitute designation as a reinvestment zone. Tax phase-in agreements are contracts between the County and an owner or lessee of property wherein the owner or lessee makes an amount of new capital investment and jobs and the County abates all or a portion of ad valorem taxes under its authority on the new eligible real and personal property improvements within a reinvestment zone for a specific period of time. Tax phase-in agreements may abate up to 100% on real and/or personal property improvement values for up to 10 years.

Since 1985, the County has executed a number of tax abatement agreements to grow and diversify the regional economy, to attract new industry and commercial enterprises, and to encourage the retention and development of existing businesses. These abatement agreements have resulted in major economic stimulus. Examples of this can be seen in some of the companies utilizing abatements: Baker Hughes; Becton Dickinson; Con-way Freight, Inc.; Kohl's Department Stores; Microsoft Corporation; Nationwide Insurance; Toyota Motor Manufacturing Texas (Tacoma and Tundra production lines) and nearly 20 of its suppliers; and Weatherford.

Under the County's 2013-2014 Tax Abatement Guidelines, 10-year term abatements are focused on the revitalization of areas located within Loop 410 or South of U.S. Highway 90 or I-35 and projects located within commercial areas of the Medical Center, the boundaries of the San Antonio International Airport, or the Texas Research Park Foundation. Areas eligible for 6-year terms are outside of Loop 410 and also North of U.S. Highway 90 or I-35. Areas not eligible for tax abatement are projects located in whole or in part over the Edwards Aquifer Recharge Zone or new or existing projects that may have a potentially negative impact on military missions. The County does not abate the Flood Control Taxes or taxes levied on behalf of the University Health System.

Counties are also authorized, pursuant to Chapter 381, Texas Local Government Code, ("Chapter 381") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the County. In accordance with a program established pursuant to Chapter 381, the County may make loans or grants of public funds for economic development purposes; however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the County.

**Exemptions from Taxes**

The Texas Constitution and the Property Tax Code grant various exemptions from taxation, if properly claimed, including exemptions for public property, residence homestead, tangible personal property not producing income, farm products and implements of farming or ranching, cemeteries, property owned and used exclusively by certain charitable organizations, and, at the option of the taxing jurisdiction, freeport goods and goods-in-transit. The County has elected to tax freeport goods and goods-in-transit. (See "AD VALOREM TAX INFORMATION - Taxable Property, Exemptions, and Agricultural Exclusions" herein.)

In addition, Texas law authorizes counties, cities, or junior college districts to take official action to establish a permanent limitation on the total amount of ad valorem taxes that may be imposed by such governmental entity on the residence homestead of a disabled individual or an individual 65 years of age or older under the Texas Constitution, Article VIII, Section 1-b(h). Under the legislation, the surviving spouse of an individual who qualified for the limitation on ad valorem taxes, would be entitled to the limitation if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse is 55 years of age or older when the individual dies, and (iii) the residence homestead of the qualifying individual is, and remains, the residence homestead of the surviving spouse. If an individual who qualified for the limitation makes improvements to the residence homestead, the governmental entity granting the limitation may increase the amount of taxes on the homestead in the first year the value of the homestead is increased on the appraisal roll because of the enhanced value of the improvements. As previously described, the Court, by order approved on May 11, 2005, adopted the ad valorem tax limitation on the residence homestead of individuals who are under a disability for purposes of payment of disability insurance benefits under Federal Old-Age, Survivors, and Disability Insurance, or its successor, and individuals 65 years of age or older as permitted under the Texas Constitution, Article VIII, 1-b(h) and Property Tax Code, Section 11.261. Adoption of the tax limitation by Commissioners Court set 2005 as the base year for those individuals who qualify for the stated ad valorem tax limitation and the qualified individuals realized tax freeze benefits beginning January 1, 2006 for tax year 2006. Once established, the governing body of the taxing unit may not repeal or rescind the tax limitation. The County studied the effects of implementing such an ad valorem tax freeze for resident homeowners that qualify as disabled individuals and/or individuals 65 years of age or older and was unable to determine the exact extent to which such a tax freeze would negatively impact the County's future tax revenues. A number of other studies have been undertaken to measure the extent of the impact of a tax freeze and these studies have concluded that such a tax freeze would cause a decrease in the rate of growth of future ad valorem tax revenues to the County.

### County and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the County, may appeal orders of the Bexar Appraisal Review Board (the "Board") by filing a notice of appeal with that Board and a petition for review in district court. In such event, the property value in question may be determined by the courts or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

### Levy and Collection of Taxes

The County is responsible for the collection of its taxes, but it may assign such functions to another governmental entity. By the later of September 30 or 60 days after the certified appraisal roll is delivered to the taxing unit, the rate of taxation is set by the Commissioners Court based upon the valuation of property within the County as of January 1. Ad valorem taxes are due on receipt of a tax bill and payable from October 1 of the year in which levied until January 31 of the following year without interest or penalty. Split payments are allowed with the first half due by November 30 and the second half of the taxes due by June 30. Unless the split payment option is exercised by the taxpayer, taxes become delinquent after January 31 of the following year. In the event a taxpayer fails to make timely payment of taxes due to the County on taxable property, a penalty of 6% of the amount of the unpaid taxes is incurred in February and 1% is added monthly until the penalty reaches 10%, after which it becomes a flat 12%. In addition, interest is charged on the unpaid balance at the rate of 1% per month; further, the County may file suit for the collection thereof and may foreclose such lien in a foreclosure proceeding. State law allows employment of outside legal counsel to collect delinquent taxes. When this is done, the County may, upon giving proper notice, impose an additional penalty up to 20% to the taxes, penalty, and interest delinquent as of July 1. The County has elected this option and presently uses outside legal counsel to collect delinquent taxes.

### Tax Liens

Taxes levied by the County are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the County, having power to tax the property. The tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the County may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the County may join other taxing units that have claims for delinquent taxes against all or part of the same property. The ability of the County to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt. Also, provisions of the Property Tax Code require the abatement of any foreclosure or collection suit for delinquent taxes against any individual who is 65 years of age or older, owns and occupies as a residential homestead the property on which the taxes are delinquent, and requests the abatement in writing at the appropriate time.

### The Effect of the Financial Institutions Act of 1989 on Tax Collections of the County

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") and the Resolution Trust Corporation ("RTC") when the FDIC/RTC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA real property held by the FDIC/RTC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC/RTC will be subject to foreclosure or sale without the consent of the FDIC/RTC and no involuntary liens will attach to such property, (ii) the FDIC or RTC will not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value will be determined as of the period for which such tax is imposed.

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain federal court decisions have held that the FDIC/RTC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC/RTC, and no liens for penalties, fines, interest, attorneys' fees, costs of abstract and research fees exist against the real property for the failure of the FDIC/RTC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC/RTC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the County, and to the extent that the FDIC/RTC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC/RTC in the County, and may prevent the collection of penalties and interest on such taxes.

## INVESTMENT POLICIES

### Investments

The County invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Court. Both State law and the County's investment policies are subject to change.

### Legal Investments

Texas law permits the County to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas 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 of Texas 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 of Texas, 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) or in any other manner and amount provided by law for County deposits, and in addition (b) the County 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 of Texas and that participates in the Certificate of Deposit Account Registry Service network ("CDARS") and as further provided by Texas law, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1) and require the security being purchased by the County to be pledged to the County, held in the County's name and deposited at the time the investment is made with the County or with a third party selected and approved by the County, and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (8) bankers' acceptances with the remaining term of 270 days or less from the date of issuance, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper with the remaining term of 270 days or less from the date of issuance that is rated at least "A-1" or "P-1" or the equivalent by at least (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (10) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission 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, (11) no-load mutual fund registered with the United States Securities and Exchange Commission that: have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses and clause (12), and 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 (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 its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days. Texas law also permits the County to invest bond proceeds in a guaranteed investment contract subject to the limitations set forth in Chapter 2256, as amended, Texas Government Code.

Entities such as the County may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized including accrued income, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (5) and clause (12) above, (b) pledged irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (5) above, clause (9) above and clauses (10) and (11) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to such investing entity or a third party designated by such investing entity; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The County may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The County 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.

The County may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or registered 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 County retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the County must do so by order, ordinance or resolution. The County has contracted with an investment management firm to provide such services.

**Investment Policies**

The County is required by Texas law to invest its funds under 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; and that includes a list of authorized investments for County funds, maximum allowable stated maturity of any individual investment owned by the County and the maximum average dollar-weighted maturity allowed for pooled fund groups. All County 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.

The County 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 County must submit an investment report detailing: (1) the investment position of the County, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value 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 County funds without express written authority from the Commissioners Court.

**Additional Provisions**

The County is additionally required by Texas law to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, 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 Commissioners Court; (4) require the qualified representative of firms offering to engage in an investment transaction with the County to: (a) receive and review the County's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the County and the business organization that are not authorized by the County's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the County's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the County and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the County's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and 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 purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the County'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 County.

**Current Investments** [(1)]

The investments of the County as of September 30, 2014 are as follows:

| Type of Investment | Book Balance | Fair Market Value | Percent |
|---|---|---|---|
| Money Markets | $ 48,839,045 | $ 48,839,045 | 5.82% |
| U.S. Government Securities | 449,964,849 | 449,586,040 | 53.54% |
| Local Government Investment Pools | 65,082,081 | 65,082,081 | 7.75% |
| Commercial Paper | 276,156,355 | 276,206,726 | 32.89% |
| Total | $ 840,042,330 | $ 839,713,892 | 100.00% |

*Source: Bexar County Quarterly Investment Report for the quarter ended September 30, 2014.*
[(1)] *Unaudited.*

As of such date, the fair value of such investments (as determined by the County by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book balance. No funds of the County are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

## LEGAL MATTERS

The County will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the County, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Order, are valid and legally binding obligations of the County and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Though it represents the Co-Financial Advisors and the Underwriters from time to time in matters unrelated to the Certificates, Bond Counsel has been engaged by and only represents the County in connection with the issuance of the Certificates. With respect to this Official Statement, Bond Counsel has not assumed any responsibility with respect hereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the caption "THE CERTIFICATES" (other than the information under the subcaptions "Payment Record," "Delivery," "Future Issues," "Defaults and Remedies," and "Use of Proceeds," as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE," "LEGAL MATTERS" (except for the last two sentences of the first paragraph thereof, as to which no opinion is expressed), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (other than the information under the subcaption "Compliance with Prior Undertakings," as to which no opinion is expressed), and the subcaption "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER PERTINENT INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the provisions of the Order. 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 Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain matters will be passed upon for the Underwriters by Winstead PC and Manuel G. Escobar, Jr., Attorney at Law, both of San Antonio, Texas as co-underwriters counsel. The fees of Winstead PC and Manuel G. Escobar, Jr., Attorney at Law, are contingent upon the sale and delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates 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 the 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.

## NO-LITIGATION

On the date of delivery of the Certificates to the Underwriters, the County will execute and deliver to the Underwriters a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Certificates or which would adversely affect the provisions made for their payment or security, or in any manner questioning the validity of the Certificates.

In the opinion of certain officials of the County, the County is not a party to any litigation or other proceedings pending or, to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the County, would have a material adverse effect on the financial statements of the County.

## TAX MATTERS

### Tax Exemption

In the opinion of Bracewell & Giuliani LLP, Bond Counsel, under existing law (i) interest on the Certificates is excludable from gross income for federal income tax purposes and (ii) the Certificates are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Certificates is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Certificates, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The County has covenanted in the Order that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Order pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Certificates for federal income tax purposes and, in addition, will rely on representations by the County, the County's Co-Financial Advisor and the initial purchaser with respect to matters solely within the knowledge of the County, the County's Co-Financial Advisor and the initial purchaser, respectively, which Bond Counsel has not independently verified. If the County fails to comply with the covenants in the Order or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Certificates could become includable in gross income from the date of delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Certificates, is included in a corporation's "adjusted current earnings," ownership of the Certificates could subject a corporation to alternative minimum tax consequences.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Certificates.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems 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 as to whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the County as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates regardless of the ultimate outcome of the audit.

### Additional Federal Income Tax Considerations

<u>Collateral Tax Consequences</u>. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Certificates. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium. The issue price of all of the Certificates exceeds the stated redemption price payable at maturity of such Certificates. Such Certificates (the "Premium Certificates") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Certificate in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Certificate in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Certificate by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Certificate that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Certificate) is determined using the yield to maturity on the Premium Certificate based on the initial offering price of such Certificate.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Certificate and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Certificates.

### Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed, pending or future legislation.

## EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending took effect as of March 1, 2013. These required reductions in federal spending include a reduction to refundable credits under section 6431 of the Internal Revenue Code (the "Code") applicable to certain qualified bonds, including "build America bonds" under section 54AA of the Code for which an issuer elected to receive a direct credit subsidy payment pursuant to section 6431 of the Code.

For such qualified bonds eligible for the direct credit subsidy payment, the Office of Management and Budget ("OMB") set a sequester percentage (i.e. reduction) of 5.1% (the annualized percentage was 8.7%) for fiscal year 2013 and 7.2% for fiscal year 2014. For fiscal year 2015, the OMB set the sequester percentage at 7.3%, which applies to any payments processed on or after October 1, 2014 and on or before September 30, 2015, unless and until a law is enacted that cancels or otherwise impacts the sequester. Sequestration may continue past September 31, 2015 and the sequestration percentage may increase or decrease in any fiscal year.

The County has previously issued its Bexar County, Texas Combination Tax and Revenue Certificates of Obligation, Taxable Series 2009B (Direct Subsidy - Build America Bonds) and Bexar County, Texas Combination Flood Control Tax and Revenue Certificates of Obligation, Taxable Series 2009B (Direct Subsidy - Build America Bonds) (collectively, the "Affected Obligations"). It is anticipated that the federal payments to the County for such Affected Obligations will be reduced as described above. Pursuant to the order authorizing the issuance of the Affected Obligations, the County is required to make interest and principal payments on the Affected Obligations regardless of whether any federal funding is received. The reductions in the payments to be received by the County have not materially adversely affected the financial condition or operations of the County. However, the County can make no prediction as to the length or long-term effects of the sequestration.

## CONTINUING DISCLOSURE OF INFORMATION

### General

In the Order, the County has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The County is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified mate events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to the general public at no charge from the MSRB as described below.

### Annual Reports

The County will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included (i) in APPENDIX A, exclusive of the table reflecting "Consolidated Overlapping Gross Funded Debt Payable from Ad Valorem Taxes," and (ii) in APPENDIX C. The County will update and provide this information within six months after the end of each fiscal year ending in or after 2015.

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"). The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements within the required time and will provide audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the County may be required to employ from time to time pursuant to state law or regulation.
The County's current fiscal year is October 1 to September 30. Accordingly, it must provide updated information by March 31 in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify the MSRB.

**Material Event Notices**

The County will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner and not more than 10 business days after the occurrence of the event: (i) principal and interest payment delinquencies; (ii) nonpayment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, 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 Certificates, or other material events affecting the tax status of the Certificates; (vii) modifications to rights of Owners, if material; (viii) certificate calls, if material and tender offers; (ix) defeasance; (x) release, substitution, or sale of property securing repayment of the Certificates, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership, or similar event of the County, which will occur as described below; (xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

For these purposes, any event described in the immediately preceding clause (xii) considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the County.

The County will notify the MSRB, in a timely manner, of any by the County to provide financial information or operating data in accordance with the foregoing provisions by the time required therein.

**Availability of Information from MSRB**

The County has agreed to provide the foregoing information only to the MSRB. The information will be available free of charge to the general public via the Electronic Municipal Market Access system ("EMMA") at www.emma.msrb.org.

**Limitations and Amendments**

The County has agreed to update information and to provide notices of material events only as described above. The County 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 County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek injunctive relief to compel the County to comply with its agreement.

The County may amend its continuing disclosure agreement with respect to the Certificates 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 County, if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell the Certificates in the offering described herein in compliance with Rule 15c2-12 and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the County (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The County may also repeal or amend these provisions if the United States Securities and Exchange Commission amends or repeals the applicable provisions of Rule 15c2-12 or any court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of Rule 15c2-12. If the County so amends its agreement with respect to the Certificates, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

**Compliance with Prior Undertakings**

The County's filings of annual financial information and operating data for fiscal years ending September 30, 2009 through 2013 were all made on a timely basis. In a review of its prior continuing disclosure filings, however, the County discovered that it had inadvertently omitted certain tables relating to convention statistics, hotel occupancy, hotel occupancy tax collections and motor vehicle rental tax collections. On December 2, 2014, the County filed with EMMA a Notice of Filing Additional Annual Financial Information and Operating Data which included the omitted tables. For future continuing disclosure filings, the County will, to the extent required by its continuing disclosure undertakings, include theses tables as part of its annual financial information and operating data to be filed with EMMA.

Due to the recalibration of municipal credit ratings that both Fitch (defined below) and Moody's (defined below) completed in 2010, the County received upgraded ratings on its indebtedness from both Moody's (on April 23, 2010) and Fitch (on April 30, 2010) (see "OTHER PERTINENT INFORMATION - Certificate Ratings" herein). On June 4, 2010, the County filed notice of these recalibrations as material events with the MSRB through EMMA.

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

## OTHER PERTINENT INFORMATION

**Authenticity of Financial Data and Other Information**

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

**Registration and Qualification of Certificates for Sale**

The sale of the Certificates 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 Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities act of any other jurisdiction. The County assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates will 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 Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.052, as amended, Texas Local Government Code provide that the Certificates 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 Certificates 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 Certificates be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. (See "OTHER PERTINENT INFORMATION - Certificate Ratings" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Certificates 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.

**Certificate Ratings**

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") have assigned their municipal bond ratings of "AAA", "Aaa", and "AA+", respectively, to the Certificates.

The County's underlying, unenhanced ratings on the Certificates reflect recent upgrades received by the County on its indebtedness due to the recalibration of municipal credit ratings that both Fitch and Moody's completed in 2010. Moody's released its recalibrated ratings on April 23, 2010 and Fitch released its recalibrated ratings on April 30, 2010. See "CONTINUING DISCLOSURE OF INFORMATION – Compliance with Prior Undertakings" herein.

The ratings reflect only the views of Fitch, Moody's and S&P at the time the ratings are given, and the County makes no representations as to the appropriateness thereof. There is no assurance that any rating will continue for any given period of time, or that a rating will not be revised downward or withdrawn entirely if, in the judgment of Fitch, Moody's or S&P, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Certificates.

Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country and developments arising from the Budget Control Act of 2011, including the deliberations and results thereof of the Joint Select Committee on Deficit Reduction, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Certificates, could be subject to a rating downgrade (as evidenced by Moody's placement of the County's "Aaa" ad valorem tax-backed credit rating on negative outlook because of perceived indirect linkage of its local economy to the United States government). Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Certificates.

**Co-Financial Advisors**

SAMCO Capital Markets, Inc. and M. E. Allison & Co., Inc. (the "Co-Financial Advisors") are employed as the Co-Financial Advisors to the County in connection with the issuance of the Certificates. The Co-Financial Advisors, in their capacity as Co-Financial Advisors, have relied on the opinion of Bond Counsel and have not verified and do not assume any responsibility for the information, covenants, and representations contained in any of the bond documentation with respect to the federal income tax status of the Certificates.

The fee of the Co-Financial Advisors for services with respect to the Certificates is contingent upon the issuance and sale of the Certificates. In the normal course of business, the Co-Financial Advisors may also from time to time sell investment securities to the County for the investment of bond proceeds or other funds of the County upon the request of the County.

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 County 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.

**Underwriting**

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates at a price equal to the initial offering prices to the public, as shown on page –ii-, less an underwriting discount of $407,437.35 plus a premium of $15,071,944.85, plus accrued interest on the Certificates from the Dated Date through their date of initial delivery. The Underwriters' obligations are subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates may be offered and sold to certain dealers and others at prices lower than such public offering price, and such public 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 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.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Certificates, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Certificates.

**Financial Statements**

Appendix C to this Official Statement contains the County's annual financial report for the fiscal year ended September 30, 2013. These financial statements have been audited by Garza/Gonzalez & Associates, San Antonio, Texas, independent certified public accountants, as stated in their reports included with such financial statements in Appendix C.

**Forward Looking Statements**

The statements contained in this Official Statement, and in any other information provided by the County, that are not purely historical, are forward-looking statements, including statements regarding the County'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 County on the date hereof, and the County assumes no obligation to update any such forward-looking statements. It is important to note that the County's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and 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 and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the County. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

**Certification of the Official Statement**

At the time of payment for and delivery of the Certificates, the Underwriters will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the County contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, and on the date of the initial delivery of the Certificates, were and are true and correct in all material respects; (b) insofar as the County and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they are made, not misleading; (c) insofar as the description and statements, including financial data, of or pertaining to entities, other than the County, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the County believes to be reliable and that the County has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the County since September 30, 2013, the date of the last audited financial statements of the County.

**Authorization of the Official Statement**

No person has been authorized to give any information or to make any representations other than those 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 the County.

This Official Statement has been approved by the Court for distribution in accordance with provisions of the Rule 15c2-12.

The Order also approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the reoffering of the Certificates by the Underwriters.

BEXAR COUNTY, TEXAS

/s/ Nelson W. Wolff
County Judge

ATTEST:

/s/ Gerard C. Rickoff
County Clerk and Ex-Officio Clerk
of the Commissioners Court

**APPENDIX A**
**SELECTED FINANCIAL INFORMATION OF**
**BEXAR COUNTY, TEXAS**

**APPENDIX A**
**SELECTED FINANCIAL INFORMATION OF**
**BEXAR COUNTY, TEXAS**
**TAX DEBT**

| | |
|---|---|
| 2014 Appraised Valuation of County @ 100% | $129,400,703,291 |
| Less Local Exemptions | 17,418,810,167 |
| 2014 Taxable Assessed Valuation | $111,981,893,124 |

*Source: Bexar Appraisal District.*

County's Funded Debt Payable from Ad Valorem Taxes ("Tax Debt") (as of December 1, 2014)

| | |
|---|---|
| Total Funded Tax Debt Outstanding | $ 1,506,220,000* |
| Ratio Total Funded Tax Debt to 2014 Taxable Assessed Valuation | 1.35% |

*
*Includes the Certificates, the Limited Tax Refunding Bonds, the Unlimited Tax Refunding Bonds, and the Flood Control Tax Refunding Bonds; excludes the Refunded Obligations.*
.

2000 U.S. Census Population - 1,392,931; 2010 U.S. Census Population - 1,714,773
2014 Population Estimate - 1,817,610
Per Capita 2014 Taxable Assessed Valuation - $61,609.42
Per Capita Total General Purpose Funded Debt - $828.68
Area - 1,248 Square Miles - 798,720 Acres
Total General Purpose Funded Debt Per Acre - $1,885.79

[The remainder of this page has been left blank intentionally.]

## TAX DEBT OUTSTANDING[a]

(As of December 1, 2014)

Limited Tax Debt: [b][c]

| | |
|---|---|
| Combination Tax and Revenue Certificates of Obligation, Series 2004[d] | - |
| Limited Tax Refunding Bonds, Series 2005 | $ 10,905,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2007 | 2,960,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2008[d] | 7,040,000 |
| Pass-Through Revenue and Limited Tax Bonds, Series 2008 | 2,495,000 |
| Limited Tax Refunding Bonds, Series 2009 | 1,395,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2009 A& B | 149,065,000 |
| Limited Tax Refunding Bonds, Series 2010[c] | 8,995,000 |
| Limited Tax General Obligation Bonds, Series 2010 | 21,975,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2010 A & B | 118,305,000 |
| Limited Tax Refunding Bonds, Series 2011 | 16,850,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2011 | 59,330,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2011A | 51,295,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2013 | 83,955,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2013A | 114,940,000 |
| Combination Tax and Revenue Certificates of Obligation, Series 2013B | 331,725,000 |
| Limited Tax Refunding Bonds, Series 2013 | 16,170,000 |
| Pass-Through Revenue and Limited Tax Refunding Bonds, Series 2013A | 13,375,000 |
| Pass-Through Revenue and Limited Tax Refunding Bonds, Series 2013B | 16,790,000 |
| ***Limited Tax Refunding Bonds, Series 2014 (the "Limited Tax Refunding Bonds")*** | ***54,575,000*** |
| ***Combination Tax and Revenue Certificates of Obligation, Series 2014 (the "Certificates")*** | ***87,130,000*** |
| Total Limited Tax Debt[c] | $1,169,270,000 |

Flood Control Tax Obligations:

| | |
|---|---|
| Combination Flood Control Tax and Revenue Certificates of Obligation, Series 2002[d] | - |
| Combination Flood Control Tax and Revenue Certificates of Obligation, Series 2004[d] | - |
| Combination Flood Control Tax and Revenue Certificates of Obligation, Series 2007[d] | $ 3,085,000 |
| Combination Flood Control Tax and Revenue Certificates of Obligation, Series 2008[d] | 4,460,000 |
| Combination Flood Control Tax and Revenue Certificates of Obligation, Series 2009 | 154,310,000 |
| Combination Flood Control Tax and Revenue Certificates of Obligation, Series 2009 | 33,370,000 |
| ***Flood Control Tax Refunding Bonds, Series 2014 (the "Flood Control Tax Refunding Bonds")*** | ***111,810,000*** |
| Total Flood Control Tax Obligations[d] | $ 307,035,000 |

Unlimited Tax Road Bonds: [c]

| | |
|---|---|
| Unlimited Tax Road Bonds, Series 2007 | $ 1,730,000 |
| Unlimited Tax Road Bonds, Series 2008[d] | 1,990,000 |
| Unlimited Tax Refunding Bonds, Series 2013 | 16,835,000 |
| ***Unlimited Tax Refunding bonds, Series 2014 (the "Unlimited Tax Refunding Bonds")*** | ***9,360,000*** |
| Total Unlimited Tax Road Bonds[d] | $ 29,915,000 |
| Total All Debt[d] | $1,506,220,000 |

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(a) *Unaudited.*

(b) *See "AD VALOREM TAX INFORMATION - Limited Tax Funded Debt Payable from Proceeds of $0.80 Constitutional Tax Rate" in the Official Statement.*

(c) *As of December 1, 2014. Excludes debt payable from a flood control tax which is included as "Flood Control Tax Debt." (See "AD VALOREM TAX INFORMATION - Tax Rate and Funded Debt Limitations" in the Official Statement.)*

(d) *Excludes Refunded Obligations.*

## OTHER DEBT[a]

At an election held on May 10, 2008 (the "2008 Election"), the County's qualified voters authorized the County to continue its levy and collection of a venue tax (the "Venue Tax"), which the County began collecting on January 1, 2000 as authorized at an election of its qualified voters held on November 2, 1999, and to pledge the revenues therefrom for the repayment of, and as security for, one or more series of bonds to finance various venue projects authorized by Chapter 334, as amended, Texas Local Government Code. The Commissioners Court ordered the continuation of its collection of the Venue Taxes on May 27, 2008. On September 30, 2008, the County refunded the original venue bonds, and issued two series of new money venue project bonds to provide construction proceeds for the completion of venue projects approved at the 2008 Election, all of which obligations are secured by and payable from (in whole or in part) the Venue Taxes. Since that time, the County issued four additional series of bonds. The purpose of these bonds is for financing the costs of Motor Vehicle Rental Tax Venue Projects, to pay the costs of their issuance, and to fund the Tax-Exempt Combined Venue Tax Bonds Reserve. These six series of bonds that have been issued represent the only outstanding County indebtedness secured by and payable from the Venue Taxes; however, the County anticipates issuing multiple series of such bonds over the next five years to provide additional proceeds for the completion of the projects authorized at the 2008 election. As of December 1, 2014, the County had $325,700,000 in combined venue project debt outstanding.

*Source: The County's audited financial statements and information provided by the County.*
(a) *Unaudited.*

## AD VALOREM TAX RATIOS[a]

The following table sets forth the ratio of the County's outstanding Tax Debt to assessed value and indebtedness outstanding per capita.

| Fiscal Year Ended 9/30 | Assessed Value (a) | Net Tax Debt Outstanding | Net Tax Debt Outstanding To Assessed Value | Estimated Population | Net Tax Debt Outstanding Per Capita |
|---|---|---|---|---|---|
| 2001 | $45,407,904,531 | $128,096,591 | 0.28% | 1,488,600 | $86.05 |
| 2002 | 49,789,196,016 | 133,262,031 | 0.27% | 1,512,800 | 88.09 |
| 2003 | 52,734,890,581 | 121,442,194 | 0.23% | 1,536,600 | 79.03 |
| 2004 | 57,047,025,482 | 120,114,211 | 0.21% | 1,560,500 | 76.97 |
| 2005 | 60,273,124,001 | 145,642,187 | 0.24% | 1,584,600 | 91.94 |
| 2006 | 65,437,180,648 | 132,304,822 | 0.20% | 1,609,500 | 82.20 |
| 2007 | 74,916,971,550 | 234,361,842 | 0.31% | 1,609,500 | 169.75 |
| 2008 | 86,921,985,819 | 349,497,513 | 0.40% | 1,618,918 | 215.88 |
| 2009 | 97,312,377,954 | 665,979,115 | 0.68% | 1,622,899 | 410.36 |
| 2010 | 98,569,847,507 | 784,857,224 | 0.80% | 1,641,170 | 478.23 |
| 2011 | 97,432,199,934 | 778,970,351 | 0.80% | 1,714,773 | 454.27 |
| 2012 | 98,919,272,876 | 962,710,000 | 0.97% | 1,785,704 | 539.12 |
| 2013 | 104,364,039,107 | 1,394,805,416 | 1.33% | 1,817,610 | 767.39 |
| 2014 | 111,981,893,124 | 1,387,658,065 (c) | 1.23% | 1,817,610 (d) | 763.45 |

*Source: Bexar County Auditor's office.*
*(a) Unaudited.*
*(b) Assessed values are net of exemptions. The basis of assessment is 100% of appraised value.*
*(c) Does not include the Certificates or the Refunding Bonds; includes the Refunded Obligations; less County debt service cash and investments as of September 30, 2014 (unaudited).*
*(d) Bexar County 2014 population is an estimate. The United States Census Bureau will not have the 2014 estimate available until March 2015.*

## ADDITIONAL TAX DEBT

The County may issue certificates of obligation, personal property finance contractual obligations, tax notes and commercial paper notes payable from ad valorem taxes without voter approval. (See, also, "OTHER DEBT" above.)

## AUTHORIZED BUT UNISSUED TAX BONDS

The County has the following bonds authorized by the voters but unissued payable from the $0.80 Tax Limitation:

| Purpose | Date Authorized | Original Amount Authorized | Amount Previously Issued | Amount Being Issued | Unissued Balance |
|---|---|---|---|---|---|
| Detention Facilities | 11-2-93 | $79,000,000 | $66,999,113 | $0 | $12,000,887 [(a)] |
| Detention Facilities | 11-4-03 | 47,990,000 | 8,112,500 | 0 | 22,447,129 [(a)] |
| Parks & Comm. Facilities | 11-4-03 | 5,925,000 | 975,000 | 0 | 2,060,782 [(a)] |
| Public Safety | 11-4-03 | 4,750,000 | 312,500 | 0 | 757,089 [(a)] |

The County has not previously held a bond election to authorize debt payable from the Flood Control Tax (hereinafter defined).

The County has no authorized but unissued bonds payable from its unlimited tax for County road projects.

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[(a)] *The Commissioners Court does not contemplate the issuance of these bonds.*

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**DEBT SERVICE REQUIREMENTS - LIMITED TAX INDEBTEDNESS**

The following table sets forth the annual debt service requirements on the County's limited tax indebtedness (See "SELECTED FINANCIAL INFORMATION OF THE COUNTY - Authorized But Unissued Tax Bonds" herein.)

| Fiscal Year Ending 9/30 | Principal[1] | Interest[1] | Less: Direct Subsidy[2] | Total Limited Tax Debt Service[1][2] |
|---|---|---|---|---|
| 2015 | $ 20,105,000 | $ 52,678,197 | $ (1,656,577) | $ 71,126,621 |
| 2016 | 21,110,000 | 55,438,522 | (1,656,577) | 74,891,946 |
| 2017 | 20,580,000 | 54,668,822 | (1,656,577) | 73,592,246 |
| 2018 | 21,620,000 | 53,804,410 | (1,656,577) | 73,767,833 |
| 2019 | 24,705,000 | 52,865,860 | (1,656,577) | 75,914,283 |
| 2020 | 27,435,000 | 51,718,972 | (1,656,577) | 77,497,396 |
| 2021 | 28,810,000 | 50,388,922 | (1,656,577) | 77,542,346 |
| 2022 | 26,045,000 | 48,973,272 | (1,656,577) | 73,361,696 |
| 2023 | 27,250,000 | 47,743,072 | (1,656,577) | 73,336,496 |
| 2024 | 30,750,000 | 46,420,272 | (1,656,577) | 75,513,696 |
| 2025 | 32,260,000 | 44,929,922 | (1,656,577) | 75,533,346 |
| 2026 | 33,860,000 | 43,356,860 | (1,656,577) | 75,560,283 |
| 2027 | 35,505,000 | 41,726,829 | (1,656,577) | 75,575,252 |
| 2028 | 37,490,000 | 40,016,516 | (1,656,577) | 75,849,940 |
| 2029 | 39,375,000 | 38,191,841 | (1,656,577) | 75,910,265 |
| 2030 | 41,335,000 | 36,250,816 | (1,656,577) | 75,929,240 |
| 2031 | 43,400,000 | 34,192,966 | (1,656,577) | 75,936,390 |
| 2032 | 45,535,000 | 32,075,660 | (1,656,577) | 75,954,083 |
| 2033 | 47,710,000 | 29,902,166 | (1,656,577) | 75,955,590 |
| 2034 | 49,985,000 | 27,673,616 | (1,656,577) | 76,002,040 |
| 2035 | 52,180,000 | 25,435,804 | (1,656,577) | 75,959,227 |
| 2036 | 53,820,000 | 23,025,697 | (1,656,577) | 75,189,121 |
| 2037 | 55,700,000 | 20,332,621 | (1,364,004) | 74,668,617 |
| 2038 | 58,005,000 | 17,508,328 | (976,159) | 74,537,169 |
| 2039 | 60,085,000 | 14,516,999 | (567,387) | 74,034,613 |
| 2040 | 56,975,000 | 11,414,782 | (138,229) | 68,251,553 |
| 2041 | 50,680,000 | 8,723,450 | | 59,403,450 |
| 2042 | 62,540,000 | 6,240,300 | | 68,780,300 |
| 2043 | 64,420,000 | 3,166,100 | | 67,586,100 |
| | $1,169,270,000 | $1,013,381,598 | $ (39,490,463) | $2,143,161,134 |

(1) *Includes the Certificates and the Limited Tax Refunding Bonds. Excludes the portion of the Refunded Obligations to be refunded by the Limited Tax Refunding Bonds. See table "Tax Debt Outstanding" herein.*

(2) *The Bexar County, Texas Combination Tax and Revenue Certificates of Obligation, Taxable Series 2009B (Direct Subsidy - Build America Bonds) (the "Taxable Non-Flood Obligations") were designated as "Build America Bonds" under and pursuant to the authority provided for in the federal American Recovery and Reinvestment Act of 2009 (effective February 17, 2009) and are permitted to receive directly from the United States Treasury a refundable tax credit equal to 35% of the taxable interest the County pays on the Taxable Non-Flood Obligations to the holders thereof (the "Subsidy Payment"). Failure on the part of the County to comply with the conditions imposed by the Internal Revenue Code, and future guidance to be provided by the United States Treasury and the Internal Revenue Service, may cause the County to fail to receive the Subsidy Payment for the Taxable Non-Flood Obligations. Moreover, Subsidy Payments are subject to automatic offsets against certain amounts that may, for unrelated reasons, be owed by the County to an agency of the United States of America. The Subsidy Payments to be received from the United States Treasury in relation to the aforementioned Build America Bonds may be reduced as a result of the automatic reductions in federal spending effective March 1, 2013 pursuant to Budget Control Act of 2011 (commonly referred to as "Sequestration"). The County has determined that the reduction in the amount of the Subsidy Payments will not have a material impact on the financial condition of the County or its ability to pay regularly scheduled debt service on its outstanding obligations when and in the amounts due and owing. See "EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS" in the body of the Official Statement.*

**TAX ADEQUACY - LIMITED TAX DEBT**

| | |
|---|---|
| Estimated Proceeds from $0.0613 Limited Tax Using 2014 Taxable Assessed Valuation of $111,981,893,124 at 95% Collected | $65,176,621 |
| Estimated Other Sources (includes funds transferred from the Advanced Transportation District) | 5,950,000 |
| Total Estimated Available Funds for 2014/2015 Debt Service | $71,126,621 |
| 2014/2015 Estimated Limited Tax Debt Service Requirement | $71,126,621* |

* *Includes the Certificates and the Limited Tax Refunding Bonds; excludes the portion of the Refunded Obligations to be refunded by the Limited Tax Refunding Bonds.*

**DEBT SERVICE REQUIREMENTS - UNLIMITED TAX INDEBTEDNESS**

The following table sets forth the annual debt service requirements on the County's unlimited tax indebtedness.

| Fiscal Year End 9/30 | Principal | Interest | Total Unlimited Tax Debt Debt Service[1] |
|---|---|---|---|
| 2015 | $ 1,950,000 | $ 1,104,150 | $ 3,054,150 |
| 2016 | 2,035,000 | 1,238,800 | 3,273,800 |
| 2017 | 2,115,000 | 1,153,388 | 3,268,388 |
| 2018 | 2,155,000 | 1,047,638 | 3,202,638 |
| 2019 | 2,190,000 | 1,011,575 | 3,201,575 |
| 2020 | 2,275,000 | 923,850 | 3,198,850 |
| 2021 | 2,390,000 | 810,100 | 3,200,100 |
| 2022 | 2,310,000 | 690,600 | 3,000,600 |
| 2023 | 2,430,000 | 575,100 | 3,005,100 |
| 2024 | 2,090,000 | 453,600 | 2,543,600 |
| 2025 | 2,185,000 | 360,800 | 2,545,800 |
| 2026 | 2,285,000 | 263,700 | 2,548,700 |
| 2027 | 2,380,000 | 162,100 | 2,542,100 |
| 2028 | 1,125,000 | 56,250 | 1,181,250 |
| | $29,915,000 | $9,851,650 | $39,766,650 |

(1) *Includes the Unlimited Tax Refunding Bonds. Excludes the Refunded Obligations to be refunded by the Unlimited Tax Refunding Bonds. See table "Tax Debt Outstanding" herein.*

**TAX ADEQUACY - UNLIMITED TAX BONDS***

| | |
|---|---|
| Estimated Proceeds from $0.0028 Unlimited Tax Using 2014 Taxable Assessed Valuation of $111,981,893,124 at 95% Collected | $3,054,150 |
| Estimated Other Sources | -0- |
| Total Estimated Available Funds for Unlimited Tax Debt Service | $3,054,150 |
| 2014/2015 Estimated Unlimited Tax Debt Service Requirement | $3,054,150* |

* *In practice, the County has not levied a tax for its unlimited tax bonds. The County currently is covering the debt service for these unlimited tax bonds from other lawfully available funds.*

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## DEBT SERVICE REQUIREMENTS - FLOOD CONTROL TAX INDEBTEDNESS

The following table sets forth the annual debt service requirements on the County's flood control indebtedness.

| Fiscal Year Ending 9/30 | Principal | Interest | Less: Direct Subsidy(1) | Total Flood Control Debt Service(1)(2) |
|---|---|---|---|---|
| 2015 | $ 3,670,000 | $ 12,960,406 | $(1,089,734) | $ 15,540,672 |
| 2016 | 4,120,000 | 15,507,506 | (1,089,734) | 18,537,772 |
| 2017 | 3,600,000 | 15,312,056 | (1,089,734) | 17,822,322 |
| 2018 | 3,765,000 | 15,143,056 | (1,089,734) | 17,818,322 |
| 2019 | 5,950,000 | 14,966,206 | (1,089,734) | 19,826,472 |
| 2020 | 6,220,000 | 14,689,056 | (1,089,734) | 19,819,322 |
| 2021 | 6,515,000 | 14,387,206 | (1,089,734) | 19,812,472 |
| 2022 | 6,850,000 | 14,061,456 | (1,089,734) | 19,821,722 |
| 2023 | 8,200,000 | 13,718,956 | (1,089,734) | 20,829,222 |
| 2024 | 9,625,000 | 13,329,956 | (1,089,734) | 21,865,222 |
| 2025 | 10,075,000 | 12,870,306 | (1,089,734) | 21,855,572 |
| 2026 | 10,570,000 | 12,385,981 | (1,089,734) | 21,866,247 |
| 2027 | 11,075,000 | 11,876,169 | (1,089,734) | 21,861,434 |
| 2028 | 12,610,000 | 11,340,194 | (1,089,734) | 22,860,459 |
| 2029 | 15,225,000 | 10,728,144 | (1,089,734) | 24,863,409 |
| 2030 | 16,605,000 | 9,966,894 | (1,089,734) | 25,482,159 |
| 2031 | 17,435,000 | 9,136,644 | (1,089,734) | 25,481,909 |
| 2032 | 18,300,000 | 8,276,219 | (1,089,734) | 25,486,484 |
| 2033 | 19,185,000 | 7,391,987 | (1,089,734) | 25,487,253 |
| 2034 | 20,040,000 | 6,535,481 | (1,089,734) | 25,485,747 |
| 2035 | 20,950,000 | 5,627,506 | (1,089,734) | 25,487,772 |
| 2036 | 22,115,000 | 4,601,312 | (1,089,734) | 25,626,578 |
| 2037 | 23,330,000 | 3,329,710 | (841,089) | 25,818,621 |
| 2038 | 17,200,000 | 1,986,798 | (577,266) | 18,609,532 |
| 2039 | 13,805,000 | 914,995 | (297,191) | 14,422,805 |
| | $307,035,000 | $261,044,200 | $(25,689,703) | $542,389,497 |

(1) *The Bexar County, Texas Combination Flood Control Tax and Revenue Certificates of Obligation, Taxable Series 2009B (Direct Subsidy - Build America Bonds) (the "Taxable Flood Obligations") were designated as "Build America Bonds" under and pursuant to the authority provided for in the federal American Recovery and Reinvestment Act of 2009 (effective February 17, 2009) and are permitted to receive directly from the United States Treasury a refundable tax credit equal to 35% of the taxable interest the County pays on the Taxable Flood Obligations to the holders thereof (the "Subsidy Payment"). Failure on the part of the County to comply with the conditions imposed by the Internal Revenue Code, and future guidance to be provided by the United States Treasury and the Internal Revenue Service, may cause the County to fail to receive the Subsidy Payment for the Taxable Flood Obligations. Moreover, Subsidy Payments are subject to automatic offsets against certain amounts that may, for unrelated reasons, be owed by the County to an agency of the United States of America. The Subsidy Payments to be received from the United States Treasury in relation to the aforementioned Build America Bonds may be reduced as a result of the automatic reductions in federal spending effective March 1, 2013 pursuant to Budget Control Act of 2011 (commonly referred to as "Sequestration"). The County has determined that the reduction in the amount of the Subsidy Payments will not have a material impact on the financial condition of the County or its ability to pay regularly scheduled debt service on its outstanding obligations when and in the amounts due and owing. See "EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS" in the body of the Official Statement.*

(2) *Includes the Flood Control Tax Refunding Bonds. Excludes the Refunded Obligations to be refunded by the Flood Control Tax Refunding Bonds. See table "Tax Debt Outstanding" herein.*

## TAX ADEQUACY - FLOOD CONTROL TAX OBLIGATIONS

| | |
|---|---|
| Estimated Proceeds from $0.0146 Flood Control Tax Using 2014 Taxable Assessed Valuation of $111,981,893,124 at 95% Collected | $15,540,672 |
| Estimated Other Sources | -0- |
| Total Estimated Available Funds for Flood Control Tax Debt Service | $15,540,672 |
| 2014/2015 Estimated Flood Control Tax Debt Service Requirement | $15,540,672 |

## AD VALOREM TAX RATES

The following table shows the County's ad valorem tax rates per $100 of assessed value for each of the tax years 2010 through 2014:

| Purpose | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| General Fund | $0.244737 | $0.250920 | $0.250920 | $0.250920 | $0.250920 |
| Limited Tax Debt Service | 0.039084 | 0.045267 | 0.045267 | 0.045267 | 0.045267 |
| Equipment Obligations | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Limited Tax Rate | $0.283821 | $0.296187 | $0.296187 | $0.296187 | $0.296187 |
| Unlimited Tax Rate [(1)] | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Sub-Total | $0.283821 | $0.296187 | $0.296187 | $0.296187 | $0.296187 |
| Farm to Market Special Tax | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Flood Control Special Tax [(2)] | 0.030679 | 0.030679 | 0.030679 | 0.030679 | 0.030679 |
| Total Tax Rate | $0.314500 | $0.326866 | $0.326866 | $0.326866 | $0.326866 |

*(1)* *The County has historically utilized other lawfully available funds, including the Farm-to-Market and Lateral Road Tax discussed above to pay the debt service requirements on the County's unlimited tax road bonds.*

*(2)* *The County has previously entered into a contract, as amended, with the San Antonio River Authority ("SARA") pursuant to Section 411.003, as amended, Texas Local Government Code, for the accomplishment of plans and programs for flood control and soil conservation, pursuant to which the County agreed to annually assess and levy a portion of the Flood Control Tax at the rates and amounts set forth in the contract sufficient to meet the obligations of the County under the contract with SARA. In addition, a portion of the Flood Control Tax is utilized to pay the debt service requirements on the Flood Control Certificates.*

## PROPERTY TAX LEVIES AND COLLECTIONS

(Unaudited)

**County Tax Rate - General and Debt**

| | | Collected Within the Fiscal Year of the Levy | | Subsequent Collections | Total Collections to Date | | Receivable |
|---|---|---|---|---|---|---|---|
| Fiscal Year | Taxes Levied For Fiscal Year | Amount | Percent of Levy | Taxes from Prior Year Levy | Amount | Percent Of Current Levy | Outstanding Taxes From Prior Years[(1)] |
| 2004 | $182,996,097 | $179,297,078 | 98.0% | $3,258,815 | $182,555,894 | 99.8% | $12,058,064 |
| 2005 | 191,389,035 | 187,860,871 | 98.2% | 3,095,024 | 190,955,895 | 99.8% | 11,616,455 |
| 2006 | 207,393,607 | 203,851,097 | 98.3% | 3,082,434 | 206,933,531 | 99.8% | 11,880,379 |
| 2007 | 232,857,689 | 229,355,021 | 98.5% | 2,971.749 | 232,326,770 | 99.8% | 11,142,226 |
| 2008 | 253,110,020 | 249,567,648 | 98.6% | 2,973,740 | 252,541,389 | 99.8% | 11,415,483 |
| 2009 | 274,110,478 | 270,493,314 | 98.7% | 2,810,641 | 273,303,955 | 99.7% | 12,359,490 |
| 2010 | 283,632,760 | 279,982,520 | 98.7% | 2,447,275 | 282,429,795 | 99.6% | 13,953.925 |
| 2011 | 281,269,878 | 277,373,606 | 98.6% | 2,280,655 | 279,654,261 | 99.4% | 14,306,351 |
| 2012 | 283,055,152 | 278,676,422 | 98.5% | 1,757,543 | 280,433,965 | 99.1% | 13,760.990 |
| 2013 | 288,449,751 | 284,572,346 | 98.7% | 0 | 284,572.346 | 98.7% | 13,399,256 |

*Source: Bexar County Tax Assessor-Collector TC-168 Reports.*

(1) *Outstanding taxes from prior years consist of all delinquent taxes from tax year 1991 - 2013 for the County.*

## County Tax Rate - Flood and Debt

| Fiscal Year | Taxes Levied for Fiscal Year | Collected Within the Fiscal Year of the Levy: Amount | Percent of Levy | Subsequent Collections: Taxes from Prior Year Levy | Total Collections to Date: Amount | Percent of Total | Receivable: Outstanding Taxes from Prior Years [(1)] |
|---|---|---|---|---|---|---|---|
| 2004 | $ 7,633,836 | $ 7,480,196 | 98.0% | $ 132,857 | $ 7,613,053 | 99.7% | $ 607,588 |
| 2005 | 8,042,566 | 7,888,282 | 98.1% | 132,743 | 8,021,025 | 99.7% | 586,621 |
| 2006 | 8,694,557 | 8,538,987 | 98.2% | 132,147 | 8,671,134 | 99.7% | 588,853 |
| 2007 | 9,839,643 | 9,685,804 | 98.4% | 126,813 | 9,812,617 | 99.7% | 560,731 |
| 2008 | 26,779,785 | 26,407,917 | 98.6% | 317,241 | 26,725,158 | 99.8% | 827,131 |
| 2009 | 34, 804,952 | 34,354,457 | 98.7% | 357,901 | 34,712,357 | 99.7% | 1,100,234 |
| 2010 | 29,285,278 | 28,908,352 | 98.7% | 255.982 | 29,164,334 | 99.6% | 1,245,183 |
| 2011 | 29,133,246 | 28,733,381 | 98.6% | 234,336 | 28,967,717 | 99.4% | 1.288.486 |
| 2012 | 29,461,328 | 29,005,583 | 98.5% | 186,168 | 29,191,751 | 99.1% | 1,265,205 |
| 2013 | 30,143,855 | 29,736,667 | 98.6% | 0 | 29,737,667 | 98.6% | 1,256.623 |

*Source: Bexar County Tax Assessor-Collector TC-168 Reports.*
(1) *Outstanding taxes from prior years consists of all delinquent taxes from tax year 1991-2011 for flood control.*

### TAXPAYERS BY CLASSIFICATION

## Property Valuations by Category

| Classification | 2014 Assessed Valuation | Percent Of Total | 2013 Assessed Valuation | Percent Of Total | 2012 Assessed Valuation | Percent Of Total |
|---|---|---|---|---|---|---|
| Real Estate: | | | | | | |
| Single Family Residential | $68,996,372,577 | 53.32% | $63,921,503,585 | 52.99% | $62,049,233,849 | 54.11% |
| Multi-Family Residential | 9,353,880,174 | 7.23% | 8,465,756,690 | 7.02% | 6,966,358,572 | 6.08% |
| Vacant - Platted Lots/Tracts | 2,079,884,102 | 1.61% | 2,054,940,703 | 1.70% | 2,054,769,738 | 1.79% |
| Acreage (Land Only) | 3,711,419,930 | 2.87% | 3,725,121,659 | 3.09% | 3,401,271,945 | 2.97% |
| Farm/ Ranch Improvements | 42,531,468 | 0.03% | 22,974,346 | 0.02% | 339,894,381 | 0.30% |
| Commercial & Industrial | 25,385,456,656 | 19.62% | 23,597,805,143 | 19.56% | 22,279,386,742 | 19.43% |
| Oil, Gas & Other Mineral Res. | 62,590,401 | 0.05% | 62,540,149 | 0.05% | 11,811,736 | 0.01% |
| Personal: | | | | | | |
| Utilities | 604,173,344 | 0.47% | 603,113,195 | 0.50% | 595,376,078 | 0.52% |
| Commercial | 9,243,019,420 | 7.14% | 8,780,754,361 | 7.28% | 8,189,713,190 | 7.14% |
| Industrial | 1,968,607,259 | 1.52% | 1,929,697,399 | 1.60% | 1,849,838,542 | 1.61% |
| Mobile Homes | 274,214,103 | 0.21% | 267,405,121 | 0.22% | 269,026,242 | 0.23% |
| Residential Inventory | 839,448,075 | 0.65% | 819,535,796 | 0.68% | 714,563,127 | 0.62% |
| Special Inventory | 501,012,322 | 0.39% | 466,583,200 | 0.39% | 395,621,650 | 0.35% |
| Totally Exempt Property | 6,338,093,460 | 4.90% | 5,910,547,479 | 4.90% | 5,547,383,412 | 4.84% |
| Total Valuation | $129,400,703,291 | | $120,628,278,826 | | $114,664,249,204 | |
| Less Exemptions/Exclusions | 17,418,810,167 | 100.00% | 16,264,239,719 | 100.00% | 15,744,976,328 | 100.00% |
| Net Taxable Assessed Valuation | $111,981,893,124 | | $104,364,039,107 | | $ 98,919,272,876 | |

*Source: Comptroller of Public Accounts - Property Tax Assistance Division - County Reports of Property Value.*

## EXEMPTIONS AND REDUCTIONS TO APPRAISED VALUES

| | Fiscal Year ending September 30 | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| 65 and Over Exemptions on Homestead [(a)] | $5,095,572,350 | $4,905,440,385 | $5,522,357,491 |
| Veterans Exemption | 1,523,832,816 | 1,246,394,302 | 329,510,540 |
| Freeport Loss | 490,641,610 | 521,668,530 | 513,761,304 |
| Productivity Loss | 2,238,070,216 | 2,252,884,195 | 2,300,515,483 |
| Abatement Loss | 1,295,381,503 | 1,298,909,832 | 1,114,952,422 |
| Totally Exempt Property | 5,645,021,422 | 5,271,259,993 | 5,577,189,557 |
| Other | 721,960,744 | 658,305,625 | 307,772,240 |
| Value Lost to 10% Cap | 408,329,506 | 109,376,857 | 78,917,291 |
| | $17,418,810,167 | $16,264,239,719 | $15,744,976,328 |

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*(a) The County currently offers an exemption of $50,000 to property owners that qualify as disabled persons and/or persons 65 years of age or older. The County has studied the effects to the property tax base and tax revenues of raising that exemption to levels between $60,000 and $100,000. The exact extent to which such an increase in the current exemption would negatively impact the County's future tax revenues is unknown. A number of studies, however, have been undertaken to measure the extent of the impact of an increase in the current exemption, and these studies have concluded that such an increase in the current exemption would cause a decrease in the rate of growth of future tax revenues to the County.*

*Source: Comptroller of Public Accounts - County Reports of Property Value.*

## TEN LARGEST TAXPAYERS AND THEIR VALUATIONS

The following table lists the ten taxpayers with the largest assessed values in the County as of September 30, 2013:

| Taxpayer | Type of Business | Market Value | Percent of Total 2013 Taxable Value |
|---|---|---|---|
| H.E. Butt Grocery Company | Retail | $1,091,712,381 | 1.11% |
| Methodist Healthcare System SA | Medical | 540,522,741 | 0.55% |
| VHS San Antonio Partners LP | Medical | 469,526,138 | 0.48% |
| Wal-Mart Stores, Inc. | Retail | 412,389,880 | 0.42% |
| Southwestern Bell Telephone | Services | 351,030,450 | 0.36% |
| USAA | Finance/Insurance | 307,078,290 | 0.31% |
| La Cantera Specialty Retail LP | Real Estate | 228,525,590 | 0.23% |
| SA Real Estate LLLP | Real Estate | 220,992,250 | 0.22% |
| Western Rim | Real Estate | 215,405,840 | 0.22% |
| Target Corporation | Retail | 197,770,520 | 0.20% |
| Total | | $4,034,954,080 | 4.10% |

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*Source: County's annual financial statement.*

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**CONSOLIDATED OVERLAPPING GROSS FUNDED DEBT PAYABLE FROM AD VALOREM TAXES**

Expenditures of the various taxing bodies within the territory of the County are paid out of ad valorem taxes levied by these taxing bodies on properties within the County. These political taxing bodies are independent of the County and may incur borrowings to finance their expenditures. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "*Texas Municipal Reports*" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the County, the County has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional debt since the date stated in the table, and such entities may have programs requiring the issuance of substantial amounts of additional debt, the amount of which cannot be determined. The following table reflects the County's estimated share of overlapping gross debt of these various taxing bodies:

| Taxing Body | Tax Debt Outstanding As of 9/30/2013 | | Estimated Overlapping Percent | Estimated Overlapping Tax Debt |
|---|---|---|---|---|
| Alamo Community College District | $488,040,000 | | 100.00% | $488,040,000 |
| City of Alamo Heights | 10,695,000 | | 100.00% | 10,695,000 |
| Alamo Heights ISD | 101,236,054 | | 100.00% | 101,236,054 |
| City of Balcones Heights | 429,000 | | 100.00% | 429,000 |
| Bexar County Hospital District | 709,120,000 | | 100.00% | 709,120,000 |
| Bexar Co. WC&ID #10 | -0- | | 100.00% | -0- |
| Bexar Co. WC&ID #18 | -0- | | 100.00% | -0- |
| Boerne ISD | 187,297,928 | | 20.22% | 37,871,641 |
| Cibolo Creek Municipal Authority | -0- | | 100.00% | -0- |
| Cibolo Canyons Special Imp. District | 19,870,000 | | 100.00% | 19,870,000 |
| Comal ISD | 476,128,425 | | 12.35% | 58,801,860 |
| City of Converse | 9,155,000 | | 100.00% | 9,155,000 |
| East Central ISD | 69,410,000 | (a) | 100.00% | 69,410,000 |
| Edgewood ISD | 85,580,000 | (a) | 100.00% | 85,580,000 |
| City of Elmendorf | 1,244,000 | | 100.00% | 1,244,000 |
| City of Fair Oaks Ranch | 1,160,000 | | 72.39% | 839,724 |
| Floresville ISD | 72,794,985 | | 13.00% | 9,463,348 |
| City of Grey Forest | -0- | | 100.00% | -0- |
| Harlandale ISD | 181,451,639 | (a) | 100.00% | 181,451,639 |
| City of Helotes | 7,905,000 | | 100.00% | 7,905,000 |
| City of Hill Country Village | 848,000 | | 100.00% | 848,000 |
| Town of Hollywood Park | -0- | | 100.00% | -0- |
| Judson ISD | 435,059,205 | (a) | 100.00% | 435,059,205 |
| City of Kirby | 1,845,000 | | 100.00% | 1,845,000 |
| Lackland ISD | -0- | (a) | 100.00% | -0- |
| City of Leon Valley | 8,995,000 | | 100.00% | 8,995,000 |
| City of Live Oak | 23,440,000 | | 100.00% | 23,440,000 |
| City of Lytle | 2,110,000 | | 7.97% | 168,167 |
| Medina Valley ISD | 55,005,572 | (a) | 16.90% | 9,295,942 |
| North East ISD | 1,448,848,775 | (a) | 100.00% | 1,448,848,775 |
| Northside ISD | 1,982,870,000 | (a) | 99.62% | 1,975,335,094 |
| City of Olmos Park | 3,410,000 | | 100.00% | 3,410,000 |
| Randolph Field ISD | -0- | (a) | 100.00% | -0- |
| City of St. Hedwig | 650,000 | | 100.00% | 650,000 |
| San Antonio ISD | 692,259,988 | (a) | 100.00% | 692,259,988 |
| San Antonio MUD #1 | 1,005,000 | | 100.00% | 1,005,000 |
| San Antonio River Authority | 25,735,000 | | 100.00% | 25,735,000 |
| City of San Antonio | 1,494,770,000 | | 100.00% | 1,494,770,000 |
| City of Schertz | 70,890,000 | | 1.87% | 1,325,643 |
| Schertz- Cibolo- University City ISD | 330,835,634 | | 12.50% | 41,354,454 |
| City of Selma | 11,560,000 | | 7.30% | 843,880 |
| City of Shavano Park | 4,555,000 | | 100.00% | 4,555,000 |
| Somerset ISD | 32,329,991 | (a) | 73.69% | 23,823,970 |

(Table continued on next page)

**Consolidated Overlapping Gross Funded Debt Payable From Ad Valorem Taxes** (continued from page A-10)

| Taxing Body | Tax Debt Outstanding As of 9/30/2013 | Estimated Overlapping Percent | Estimated Overlapping Tax Debt |
|---|---|---|---|
| City of Somerset | $ 1,420,000 | 100.00% | $ 1,420,000 |
| South San Antonio ISD | 179,301,867 [(a)] | 100.00% | 179,301,867 |
| Southside ISD | 51,520,000 [(a)] | 100.00% | 51,520,000 |
| Southwest ISD | 243,953,289 [(a)] | 100.00% | 243,953,289 |
| City of Terrell Hills | 9,785,000 | 100.00% | 9,785,000 |
| City of Universal City | 16,293,000 | 100.00% | 16,293,000 |
| City of Von Army | 93,000 | 100.00% | 93,000 |
| City of Windcrest | -0- | 100.00% | -0- |
| Total Overlapping | | | $8,487,046,541 |
| Bexar County | 1,506,220,000 [(b)] | 100.00% | $1,506,220,000 |
| Total Direct & Overlapping | | | $9,993,266,541 |

(a) *Certain bonds issued by Texas Independent School Districts are eligible for payment from the State of Texas "Instructional Facilities Allotments" and from "Existing Debt Allotments." These bonds, while obligations of the district, are payable in whole or in part from district allocations of state funds. Such funding may vary between districts and from year to year depending upon the state's contributions.*

(b) *Includes the Certificates, the Limited Tax Refunding Bonds, the Unlimited Tax Refunding Bonds, and the Flood Control Tax Refunding Bonds. Excludes the Refunded Obligations.*

*NOTE: All outstanding capital appreciation bonds are shown at the original issue amount.*

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**CURRENT TAX DEBT SERVICE REQUIREMENTS**

The following table sets forth the annual debt service requirements on all of the County's outstanding Tax Debt, including the Certificates, the Unlimited Tax Refunding Bonds, the Limited Tax Refunding Bonds, and the Flood Control Tax Refunding Bonds and excludes the Refunded Obligations.

| Fiscal Year Ending 9/30 | Principal | Interest | Less: Direct Subsidy[(1)] | Total Tax Debt Debt Service |
|---|---|---|---|---|
| 2015 | $ 25,725,000 | $ 66,742,754 | $(2,746,311) | 89,721,443 |
| 2016 | 27,265,000 | 72,184,829 | (2,746,311) | 96,703,518 |
| 2017 | 26,295,000 | 71,134,266 | (2,746,311) | 94,682,955 |
| 2018 | 27,540,000 | 69,995,104 | (2,746,311) | 94,788,793 |
| 2019 | 32,845,000 | 68,843,641 | (2,746,311) | 98,942,330 |
| 2020 | 35,930,000 | 67,331,879 | (2,746,311) | 100,515,568 |
| 2021 | 37,715,000 | 65,586,229 | (2,746,311) | 100,554,918 |
| 2022 | 35,205,000 | 63,725,329 | (2,746,311) | 96,184,018 |
| 2023 | 37,880,000 | 62,037,129 | (2,746,311) | 97,170,818 |
| 2024 | 42,465,000 | 60,203,829 | (2,746,311) | 99,922,518 |
| 2025 | 44,520,000 | 58,161,029 | (2,746,311) | 99,934,718 |
| 2026 | 46,715,000 | 56,006,541 | (2,746,311) | 99,975,230 |
| 2027 | 48,960,000 | 53,765,097 | (2,746,311) | 99,978,786 |
| 2028 | 51,225,000 | 51,412,960 | (2,746,311) | 99,891,649 |
| 2029 | 54,600,000 | 48,919,985 | (2,746,311) | 100,773,674 |
| 2030 | 57,940,000 | 46,217,710 | (2,746,311) | 101,411,399 |
| 2031 | 60,835,000 | 43,329,610 | (2,746,311) | 101,418,299 |
| 2032 | 63,835,000 | 40,351,879 | (2,746,311) | 101,440,568 |
| 2033 | 66,895,000 | 37,294,154 | (2,746,311) | 101,442,843 |
| 2034 | 70,025,000 | 34,209,097 | (2,746,311) | 101,487,786 |
| 2035 | 73,130,000 | 31,063,310 | (2,746,311) | 101,446,999 |
| 2036 | 75,935,000 | 27,627,010 | (2,746,311) | 100,815,699 |
| 2037 | 79,030,000 | 23,662,331 | (2,205,093) | 100,487,237 |
| 2038 | 75,205,000 | 19,495,126 | (1,553,425) | 93,146,701 |
| 2039 | 73,890,000 | 15,431,995 | (864,577) | 88,457,418 |
| 2040 | 56,975,000 | 11,414,782 | (138,229) | 68,251,553 |
| 2041 | 50,680,000 | 8,723,450 | - | 59,403,450 |
| 2042 | 62,540,000 | 6,240,300 | - | 68,780,300 |
| 2043 | 64,420,000 | 3,166,100 | - | 67,586,100 |
| | $1,506,220,000 | $1,284,277,448 | $(65,180,166) | $2,725,317,282 |

*(1) See Footnote 2 in "DEBT SERVICE REQUIREMENTS - LIMITED TAX INDEBTEDNESS."*

## THE COUNTY

### Creation and Location

The County was created in 1836 and organized in 1837 as one of the original counties of the Republic of Texas and is now the third most populous of the 254 counties in the State. The County is located in south central Texas and is a component of the San Antonio Metropolitan Statistical Area, the nation's thirtieth largest Metropolitan Statistical Area and the third largest in the State in 2010. According to the U.S. Census, the 2013 population of the County was 1,817,610. See Appendix B for more information concerning the County.

The principal city within the County is San Antonio, Texas, the county seat. The economy is based on manufacturing, agriculture, mineral production, medical facilities, military activities, and tourism.

### Administration of the County

Those officials having responsibility for the financial administration of the County are the County Judge and four County Commissioners (the "Commissioners Court"), the County Tax Assessor Collector, and the County Clerk (all of whom are elected officials), the County Auditor (who is appointed by the District Judges elected and sitting in the County), and the County Manager (who is an employee of Commissioners Court). See page iii of the Official Statement for the names of the current office holders.

The Commissioners Court is the governing body of the County. It has certain powers expressly granted by the Texas Constitution and by the State Legislature and powers necessarily implied from such grants. Among other things, it approves the budget, determines the tax rates, approves contracts in the name of the County, determines whether indebtedness should be authorized and issued, and appoints certain County officials.

The County Judge is the presiding official of the Commissioners Court and is elected for a four-year term by the voters of the County. Each Commissioner represents one of the four precincts into which the County is divided. Each of the four Commissioners is elected by the voters of his precinct for a four-year term.

The Tax Assessor Collector is responsible for collecting ad valorem taxes, collecting certain State and County fees and other taxes.

The County Clerk's duties include treasurer responsibilities as related to depositing money received by the County in the depository selected by the Commissioners Court and cosigning all of the County's checks. In addition, the County Clerk is the Clerk of the Commissioners Court and civil, criminal, and probate courts. The County Clerk is also the recorder of the County and (1) issues and records marriage licenses, and assumed business names and (2) records military discharges, cattle brands, uniform commercial code filings, and deeds.

The County Auditor is the chief financial officer of the County and is responsible for substantially all County finance and accounting control functions. The responsibilities include those of auditing, accounting system design, financial planning, financial relations, payroll and is charged statutorily with strict enforcement of the law governing county finances. The County Auditor is appointed for a two-year term by, and is accountable to, the 27 State District Judges whose courts are located in the County.

The County Manager is appointed by the Commissioners Court and is responsible for preparing the County's annual budget. These responsibilities also include those of County Budget Officer and Chief Investment Officer, debt issuance planning and health insurance administration. In addition, the County Manager develops the long range financial forecast and completes special studies and cost/benefit analyses of various issues that have a fiscal impact on the County.

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### Employees

The following table shows the number and employment category of the County's employees on September 30, years 2007 through 2013.

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|
| General Government | 765 | 748 | 803 | 801 | 807 | 803 | 767 |
| Judicial | 978 | 941 | 953 | 945 | 921 | 902 | 904 |
| Public Safety | 2,494 | 2,464 | 2,545 | 2,556 | 2,579 | 2,515 | 2,387 |
| Education & Recreation | 62 | 62 | 67 | 67 | 73 | 69 | 62 |
| Public Works | 276 | 286 | 286 | 277 | 272 | 277 | 270 |
| Health & Public Welfare | 58 | 55 | 57 | 58 | 59 | 68 | 50 |
| Total | 4,633 | 4,556 | 4,711 | 4,704 | 4,711 | 4,634 | 4,440 |

### County Services

The County operates a jail and detention system and various parking facilities, constructs and maintains roads, and provides various levels of civil and criminal courts, a district attorney's office, a county sheriff's department, juvenile probation and detention, parks, and certain other public health and social welfare services.

The Bexar County Hospital District which uses the assumed name University Health System (the "System"), is a political subdivision of the State which owns and operates several health care facilities and is the major teaching facility for the University of Texas Health Science Center. The Commissioners Court appoints the governing body of the System and approves the System's annual budget. The financial information contained herein does not include information concerning the System.

The financial statements of the County include the Bexar County Housing Finance Corporation, the Bexar County Health Facilities Development Corporation, and the Bexar County Industrial Development Corporation as blended component units.

In March 2005, the Commissioners Court recognized the Deputy Sheriff's Association of Bexar County ("DSABC") as the exclusive bargaining agent for collective bargaining under Section 174.101 of the Texas Local Government Code. The DSABC represents all Sheriff's Office uniformed employees in the Detention and Law Enforcement careers and a majority of the senior management.

The purpose of bargaining is to come to an agreement pertaining to wages, hours and conditions of employment and enter into a contract between members of the DSABC and the County. Agreement on all articles in the collective bargaining contract was reached April 19, 2012. The contract was ratified by DSABC membership on May 8, 2012 and approved by both Commissioners Court and the Sheriff's Office the same day.

The Wages and Benefits articles include adoption of a new step pay plan resulting in a first year average base pay increase of 2%. A 3% salary increase will be implemented in fiscal year 2013 and another 3% salary increase will be implemented in 2014. The total cumulative investment over the three-year period is $32 million.

## RETIREMENT PROGRAM

### Plan Description

The County provides retirement, disability and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system which consists of 641 non-traditional defined benefit pension plans. TCDRS, in the aggregate issues a Comprehensive Annual Financial Report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted and may be amended by the governing body of the County within the options available in the State statutes governing TCDRS ("TCDRS Act"). Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump-sum and who are not eligible to retire are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employees' deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act, so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**Funding Policy**

The County has elected the Annually Determined Contribution Rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 11.30% of covered payroll for the months of the accounting year in 2012, and 12.38% of covered payroll for the months of the accounting year in 2013.

The deposit rate payable by all employee members for the calendar year 2012 is the rate of 7% as adopted by the governing body of the County. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**Annual Pension Cost**

For the County's accounting year ended September 30, 2013, the annual pension cost for the TCDRS plan for its employees was $26,523,168 and the actual contributions were $26,523,168.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2010 and December 31, 2011, the basis for determining the contribution rates for calendar years 2012 and 2013. The December 31, 2012 actuarial valuation is the most recent valuation.

**Actuarial Valuation Information**

| | | | |
|---|---|---|---|
| Actuarial valuation date | December 31, 2010 | December 31, 2011 | December 31, 2012 |
| Actuarial cost method | Entry age | Entry age | Entry age |
| Amortization method | Level percentage of payroll, closed | Level percentage of payroll, closed | Level percentage of payroll, closed |
| Amortization period in years | 20.0 | 20.0 | 20.0 |
| Asset valuation method | SAF: 10-yr Smoothed value ESF: Fund Value | SAF: 10-yr Smoothed value Fund Value | SAF: 10-yr Smoothed value ESF: Fund Value |
| Actuarial assumptions: | | | |
| Investment return* | 8.0% | 8.0% | 8.0% |
| Projected salary increases* | 5.4% | 5.4% | 5.4% |
| Inflation | 3.5% | 3.5% | 3.5% |
| Cost-of-living adjustments | 0.0% | 0.0% | 0.0% |

* *Includes inflation at the stated rate*.

**Trend Information**

| Accounting Year Ending | Actual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| September 30, 2011 | $22,753,831 | 100% | $-0- |
| September 30, 2012 | $23,560,331 | 100% | $-0- |
| September 30, 2013 | $26,523,168 | 100% | $-0- |

**Schedule of Funding Progress for the Retirement Plan for the Employees of Bexar County**

| Actuarial Valuation Date | Actuarial Value Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll*(c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 12/31/10 | 615,705,829 | 726,801,815 | 111,095.986 | 84.71% | 217,066,212 | 51.18% |
| 12/31/11 | 643,782,380 | 775,163,106 | 131,380,626 | 83.05% | 210,826,765 | 62.32% |
| 12/31/12 | 666,871,643 | 814,523,343 | 147,651,660 | 81.87% | 213,634,303 | 69.11% |

** The annual covered payroll is based on the employee contribution received by TCDRS for the year ending with the valuation date.*

**GASB 45 – Reporting Liabilities for Other Post-Employment Benefits (OPEB)**

The Governmental Accounting Standards Board has issued Statement No. 45 ("GASB 45"), "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions". GASB 45 establishes financial reporting standards for other post employment benefit plans. Currently the County has established a post employment healthcare plan for full-time regular employees that retire after January 1, 2000. In order to comply with GASB 45, beginning with FY 2007-08, the County started reporting the accrued liability for Other Post Employment Benefits ("OPEB"). Although this reporting is not required by law, it is part of Generally Accepted Accounting Principles ("GAAP"). Furthermore, bond rating agencies such as Moody's, Fitch, and S&P have stated that GASB 45 compliance will be considered when assigning credit ratings for local governments.

In FY 2006-07, the County retained L&E Actuaries and Consultants to do an actuarial study on the County's potential OPEB liabilities. This study showed that as of May 1, 2007, the County's unfunded actuarial accrued liability ("UAAL") was $117,676,388 and the County's annual contribution requirement ("ARC") was $10,336,862 (assuming a 4.5% investment rate of return) of which $5,150,000, approximately 50%, was programmed by the County in the 2007-08 fiscal year budget to begin assessing this liability. A second actuarial study was performed for fiscal year ending September 30, 2009 to confirm these initial findings. This study showed that as of October 1, 2008, the County's UAAL was $128,591,423, and the County's ARC was $10,046,870 (assuming a 4% investment rate return). A third actuarial study was performed for fiscal year ending September 30, 2011. This study showed that as of October 1, 2010, the County's UAAL was $159,197,151 and the County's ARC was $11,554,482 (assuming a 3.75% investment rate return). A fourth actuarial study was performed for fiscal year ending September 30, 2013. This study showed that as of October 1, 2012, the County's UAAL was $166,600,965 and the County's ARC was $12,016,077 (assuming a 3.75% investment rate return). A fourth actuarial study was performed for the fiscal year ending September 30, 2013. This study shows that as of October 1, 2012, the County's UAAL was $166,600,965 and the County's ARC was $12,016,077 (assuming a 3.75% investment rate of return). A fourth actuarial study was performed for the fiscal year ending September 30, 2013. This study shows that as of October 1, 2012, the County's UAAL was $166,600,965 and the County's ARC was $12,016,077 (assuming a 3.75% investment rate of return).

The County has continued to explore cost mitigation strategies and to develop a full funding plan to meet its OPEB liabilities. At this time the County has not and is not contemplating entering into any contracts that obligate the County to make future health care benefit payments and no such obligation exists under State law as the County, at its sole discretion, may reduce, modify, and/or terminate any post-employment healthcare benefit plans with any County employees. It is not the County's intention to establish an irrevocable trust for its OPEB liabilities, but rather report this liability as prescribed by GASB 45 and develop a structured funding mechanism with annual contributions maintained in a dedicated fund, thereby reducing the County's OPEB liability over a period of time.

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**BEXAR COUNTY, TEXAS**
**STATEMENT OF REVENUES, EXPENDITURES, AND**
**CHANGES IN GENERAL FUND BALANCE**

| | For the Fiscal Year Ended September 30 | | | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| REVENUES: | | | | | |
| Ad Valorem Taxes | $245,004,632 | $239,427,350 | $237,500,949 | $239,682,477 | $237,371,527 |
| Other Taxes, Licenses, Fees & Permits | 18,298,876 | 18,992,869 | 14,120,472 | 12,623,231 | 12,282,471 |
| Intergovernmental Revenue | 7,552,244 | 7,106,926 | 8,578,408 | 7,711,460 | 7,327,046 |
| Fines and Court Costs | 24,121,453 | 23,961,236 | 23,671,545 | 23,415,696 | 23,349,658 |
| Fees on Motor Vehicles | 6,257,432 | 6,130,290 | 5,801,534 | 5,601,514 | 5,317,888 |
| Other Fees | 15,208,981 | 13,281,268 | 10,704,300 | 10,754,432 | 11,092,240 |
| Commissions from Govt. Units | 4,006,304 | 4,244,598 | 4,779,636 | 4,423,514 | 3,632,217 |
| Revenue from Use of Assets | 14,995,071 | 15,307,753 | 12,812,325 | 14,258,599 | 13,644,286 |
| Sales Refunds and Miscellaneous | 4,299,259 | 5,074,499 | 6,957,089 | 8,719,265 | 5,237,073 |
| TOTAL REVENUES | 339,744,252 | 333,526,789 | 324,926,258 | 327,190,188 | 319,254,406 |
| EXPENDITURES: | | | | | |
| General Government | 71,138,032 | 63,025,127 | 62,153,540 | 63,083,244 | 62,641,999 |
| Judicial | 78,724,883 | 76,931,173 | 78,509,309 | 76,919,120 | 76,083,494 |
| Public Safety | 166,375,753 | 158,284,260 | 156,867,729 | 161,121,298 | 162,044,672 |
| Education and Recreation | 3,252,472 | 6,693,316 | 8,135,507 | 7,904,739 | 7,888,400 |
| Public Works | 216,259 | 209,347 | 980,484 | 649,095 | 892,467 |
| Health and Public Welfare | 4,735,125 | 7,198,871 | 6,172,333 | 6,197,473 | 6,659,129 |
| Capital Expenditures | 46,457 | 55,142 | 175,806 | 76,108 | 387,839 |
| Debt Service | | -0- | -0- | -0- | 100,171 |
| TOTAL EXPENDITURES | 324,488,981 | 312,397,236 | 312,994,708 | 315,951,077 | 316,698,171 |
| Excess (Deficiency) of Revenues Over Expenditures | 15,255,271 | 21,129,553 | 11,931,550 | 11,239,111 | 2,556,235 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating Transfers In | 3,070 | 3,070 | 3,070 | 44,145 | 17,599 |
| Operating Transfers (Out) | (10,179,184)) | (14,754,886) | (5,641,488) | (5,208,230 ) | (5,428,829) |
| Total Other Financing Sources (Uses) | (10,176,114)) | (14,751,816) | (5,638,418) | (5,164,085 ) | (5,411,230) |
| Net Change in Fund Balance | 5,079,157 | 6,377,737 | 6,293,132 | 6,075,026 | (2,854,995) |
| Beginning Fund Balance (Oct. 1) | 67,381,083 | 61,003,346 | 54,710,214 | 48,635,188 | 51,490,183 |
| Ending Fund Balance (Sept. 30) | 72,460,240 [(1)] | $67,381,083 | $ 61,003,346 | $ 54,710,214 | $ 48,635,188 |

*Source: County's Annual Financial Reports*

*(1) The County anticipates that the unaudited General Fund balance for the period ending September 30, 2014 will be approximately $77,225,709.*

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# APPENDIX B

## GENERAL INFORMATION REGARDING
## BEXAR COUNTY, TEXAS

**APPENDIX B**

**GENERAL INFORMATION REGARDING
BEXAR COUNTY, TEXAS**

This Appendix contains a brief discussion of certain economic and demographic characteristics of the area in which the County is located, which the County has prepared in connection with the issuance of the Certificates. Information in this Appendix has been obtained from the sources noted and certain of the information may be dated. The sources are believed to be reliable, although no investigation has been made to verify the accuracy of such information, nor is any representation made that the information provided is the most current that is available. Information concerning the City of San Antonio, Texas (the "City") and its operations is included in this Appendix solely for general information; the City is not obligated in any way to support payment of the Certificates.

**Creation and Location of Bexar County**

The County was organized in 1836 as one of the original counties of the Republic of Texas and is now the third most populous of the 254 counties in the State of Texas. Bexar County's 2010 census population was 1,714,773 with a 2013 estimated population of 1,817,610. The County has an area of approximately 1,248 square miles, and contains 21 other incorporated cities within its boundaries.

The County is located in south central Texas and is a component of the Metropolitan Statistical Area ("MSA") of San Antonio. The San Antonio MSA is one of the nation's largest MSAs and the third largest MSA in Texas. The principal city within the County is San Antonio, the county seat. The City was founded in the early eighteenth century and was incorporated by the Republic of Texas in 1837. The City covers approximately 467 square miles and is located in south central Texas approximately 80 miles south of Austin, the state capital. The City's 2010 census population of 1,327,407 makes it the second largest city in Texas and the seventh largest in the United States.

The following table provides, at the dates shown, the population of the City, the County, and the San Antonio MSA, which includes Bexar, Comal, Wilson and Guadalupe Counties.

| Calendar Year | City of San Antonio | Bexar County | San Antonio MSA |
|---|---|---|---|
| 1930 | 231,542 | 292,533 | 333,442 |
| 1940 | 253,854 | 338,176 | 376,093 |
| 1950 | 408,442 | 500,460 | 542,209 |
| 7960 | 587,718 | 687,151 | 736,066 |
| 1970 | 654,153 | 830,460 | 888,179 |
| 1980 | 786,023 | 988,870 | 1,088,881 |
| 1990 | 935,933 | 1,185,394 | 1,407,745 |
| 2000 | 1,144,646 | 1,392,931 | 1,711,703 |
| 2010 | 1,327,407 | 1,714,773 | 2,142,508 |
| 2013 | 1,409,019 | 1,817,610 | 2,277,550 |

*Source: U.S. Census of Population, 1930-2010 as of April 1 of the year shown; 2013 as of June 2013.*

**Economic Factors**

The County has a diversified economic base which is composed of financial services, healthcare, agriculture, manufacturing, construction, military, and tourism. Support for these economic activities is demonstrated by the County's ongoing commitment to economic development projects along with ongoing infrastructure improvements to support the County's growing population. As Bexar County has continued to add jobs it has also fared better than the nation with the current unemployment issues. Bexar County's unemployment rate (not seasonally adjusted) in September 2013 was 6.2%, up from 6.1%[1] the same month last year, and still well below the national unemployment rate in September of 7.2%.[2] Another economic factor attracting companies and families to the San Antonio area is the low cost of living. For metropolitan areas with one million plus populations, San Antonio is ranked among the lowest in cost of living at 94.8%, 5.2% below the national average.[3] With one of the lowest cost workforces of any major cities in the United States, Bexar County is positioned to increase employment opportunities in various industries.

[1] U.S Bureau of Labor Statistics - http://data.bls.gov/map/MapToolServlet
[2] U.S Bureau of Labor Statistics - http://data.bls.gov/pdq/SurveyOutputServlet
[3] San Antonio EDF - http://www.sanantonioedf.com/living/cost-living/

*Financial Services*

The finance industry has become an important component of the Bexar County economy as it is San Antonio's largest economic generator with an annual impact of $21 billion. There are eight financial institutions headquartered in San Antonio and four regional headquarters located in the City. As of April 2013, the financial sector alone employed more than 71,000[4] people in the San Antonio area.

San Antonio is a major insurance center in the southwest, serving as the headquarters for several insurance companies, including United Services Automobile Association (USAA). As of 2012, USAA was the nation's 6th largest automobile insurer and the 5th largest homeowner's insurer. Not just an insurance company, USAA is also the 8th largest credit card provider in the nation and the 27th largest bank (based on deposits). Since 2010, USAA has been consistently ranked in the Fortune Magazine's List of 100 Best Companies to Work For. During March of 2013, the company announced its plans to add an additional 1,000 new employees by 2016 within the County. With its main campus nearly full, the company has begun construction to open another campus. Phase one began in August of 2014 which will allow 1,000 workers followed by phase two which opens in 2015 and will house 5,000 employees. New jobs will be available in all levels of insurance, banking, investment, claims, underwriters, information security, business and financial analyst, modeling and statistical analysts, and financial services.

In October 2009, Nationwide selected San Antonio for its consolidation and expansion of operations. Nationwide has invested nearly $90 million in capital to the project and created over 800 jobs when the regional corporate campus was completed. As of December 2013, Nationwide reported that it employs over 1,200 employees at its Westover Hills location.

In February 2010, Allstate Insurance announced its decision to open a new $11.6 million customer information center and plans to hire 600 people in San Antonio. The 75,000 square foot facility houses a customer operations call center and sells additional insurance products to existing clients. The facility opened in June 2010 with over 280 employees with hiring ongoing to fully staff the operation.

Banking also has a large presence in Bexar County with numerous banking headquarters and regional operation centers. Frost National Bank, Broadway Bank, and previously mentioned USAA Bank have their banking headquarters in San Antonio. Companies with large regional operations centers in San Antonio include J.P. Morgan Chase, Wells Fargo, and Citigroup.

J.P. Morgan Chase currently employs 2,300 at its Chase Retail Operations Center and 1,700 people at its Chase Card Center. These operations centers handle inbound from retail customers and small-business owners, as well as outbound calls and collections.

Wells Fargo has more than 4,000 employees in the San Antonio area, with more than 3,500 employees at a 112-acre, 10 building campus, which was acquired from the acquisition of Wachovia Corp. Customer service representatives at this location process loan-applications and work with customers who are facing delinquent payments.

Financial and insurance companies are not the only companies with operations centers within Bexar County. In April 2010, the Kohl's department store chain signed a 10-year lease to occupy a 102,000 square-foot office center. This operation center handles customer service, e-commerce and credit card services and employs over 1,000 people. Kohl's completed an additional 90,000 square-foot facility next to the leased office center in the spring of 2012.

Other companies with call centers in San Antonio are Spain-based Atento and West Business Services. Atento, the world's second-largest call center company expanded its San Antonio operations to 2,000 workers from fewer than 400 in 2012. West Business Services added 700 full-time employees in October 2010 and has since hired an additional 275 employees for inside sales and account-management services for Fortune 1000 companies.

*Healthcare & Bioscience*

The medical and bio-medical industry is now the number one economic generator in the County, having an economic impact of $23.9 billion on the local economy in 2013, maintained a $7.6 billion payroll and employed 164,537 persons. One of every six City employees works in the health care and bio-medical industry.[5] The key components of the health care industry are three major military medical centers, the South Texas Medical Center, the Southwest Research Institute, and the Southwest Foundation for Biomedical Research.

The 900-acre South Texas Medical Center (STMC) boasts the region's largest concentration of medical treatment, research, education and related activity. Its more than 75 medical-related facilities comprise approximately $2.8 billion in infrastructure values and employ over 27,000 medically related personnel.[6] Approximately 27,386 Medical Center employees provided care for over 5.38 million patients. The Medical Center has almost 300 acres of undeveloped land still available for expansion. Capital projects planned for the Medical Center total approximately $1.031 billion.

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[4] *U.S. Bureau of Labor Statistics*
[5] *Greater San Antonio Chamber of Commerce, "San Antonio's Health Care And Bioscience Industry, Economic Impact 2011"*
[6] *BioMed San Antonio – http://www.biomedsa.org/health_services*

The Southwest Research Institute (SwRI), headquartered in San Antonio, is one of the oldest and largest, independent, nonprofit, applied research and development (R&D) organizations in the United States and is internationally renowned. SwRI occupies more than 2 million square feet of office and laboratory space on a more than 1,200-acre site in San Antonio. Historically more than 4,000 projects are open at the Institute at any one time with funding almost equally between the government and commercial sectors. The SwRI total revenue for fiscal year 2013 was $592 million and at the close of fiscal year 2013, the staff numbered 2,845, including 280 professionals who hold doctorate-level degrees and 507 with master's degrees.[7]

Independent of the SwRI, but only one mile away, is the Texas Biomedical Research Institute (formerly known as the Southwest Foundation for Biomedical Research). This research organization conducts biomedical research, specializing in genetics, virology and immunology. The Institute also houses the world's largest nonhuman primate colonies used to study human diseases, The Southwest National Primate Research Center, which maintains 3,000 nonhuman primates and provides specialized facilities and expertise in research with nonhuman primates internationally.

The Texas Biomedical Research Institute is also home to the nation's only privately owned biosafety level 4 (BSL-4) laboratory. This maximum containment lab allows for safe research on lethal pathogens for which there are no treatments or vaccines, including potential bio-terror agents and emerging diseases. Another resource that puts the Foundation 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.

A number of highly successful private companies, 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 eleven cancer drugs approved for general use by the United States Food and Drug Administration.

*Agriculture*

Agribusiness is still a leading industry in the County. The agricultural industry is not limited to farmers and ranchers, but includes storage, processing and distribution of farm commodities and products made from them.

*Manufacturing*

Manufacturing has been a major economic driver in San Antonio for more than two decades, growing from a $7 billion industry in 1991 to $13 billion in 2001 and $22.5 billion in 2011.[8]According to the 2014 Texas Manufacturing Register, San Antonio ranked the fourth-largest manufacturing market in Texas, with over 57,000 jobs.

The cornerstone of the manufacturing sector is the Toyota Tundra manufacturing facility. In November 2006, the first Toyota Tundra rolled off the assembly line in the City. Toyota produces approximately 200,000 trucks per year and has a payroll exceeding $37 million for 2,000 jobs. The facility covers 2,000 acres and represents an investment of $850 billion. The 21 on-site suppliers will employ 2,100 people and represent an additional investment of over $300 million (Source: Toyota). As the trucks roll off the line, the jobs also spin off, possibly adding 5,300 to 13,000 new jobs to Bexar County in associated industries (Source: Texas Workforce Commission). Union Pacific's new intermodal railroad facility near the Toyota plant opened in 2008, and the company is investing in infrastructure improvements to railways in and around Bexar County (Source: Union Pacific).

Toyota's presence in San Antonio increased in August 2009 when Toyota confirmed it was moving the production of the Tacoma pickup to its San Antonio facility. The move added as many as 1,000 new jobs and returned the plants on-site suppliers to full capacity employing hundreds more. The addition of a second vehicle, estimated to be 100,000 Tacoma pickups yearly, returns the plant to two shifts and means that 80% of Toyota's pickups will be made in San Antonio. Production commenced for the Toyota Tacoma on August 6, 2010. Toyota and its 21 on-site suppliers, located on San Antonio's south side, have created 292 new jobs and retained 6,151 jobs through 2013, bringing the total number of jobs supporting Toyota's production of Tundra and Tacoma vehicles to 6,443, with an annual impact of $1.7 billion.

HVHC Inc, parent company of optical retailer Visionworks, the largest wholly owned and operated U.S. based optical company announced in April 2013 that it would open a new optical manufacturing plant and distribution center in San Antonio. The facility is expected to employ 600 individuals and produce more than two million pairs of eyeglasses per year when fully operational. The company will also grow its downtown headquarters by leasing extra space at the IBC Centre and create an additional 150 jobs in San Antonio.[9]

*Information Technology*

[7] Southwest Research Institute - http://www.swri.org/6swsa/work/facts.htm
[8] San Antonio Economic Chamber of Commerce
[9] Bloomberg BusinessWeek

Headquartered in the City, Rackspace Managed Hosting is the fastest growing manage hosting specialist in the world. The company was founded in San Antonio in 1998 and manages more than 22,000 servers in seven data centers in Europe and the United States. Rackspace was awarded a $22 million grant from the Texas Enterprise Fund as part of an incentive package to help Rackspace relocate within Bexar County and create up to 4,000 new jobs. The company is spending more than $100 million to convert a 1.2 million square foot mall located on a 68 acre-tract and has already converted over 600,000 square feet of the former mall. Rackspace could increase its local employment from nearly 2,000 to as much as 6,000 over the next 5 years with an annual payroll of approximately $300 million.

*Hospitality*

San Antonio's hospitality industry continues to be a driving force in the local economy. The latest study using data from 2011 shows an economic impact of $12 billion.[10] From 1998-2008, the hospitality industry's impact grew 50%. More than 112,500 people are employed in hospitality with an estimated payroll of $2.23 billion.

*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 30 million visitors in 2012. Of these, 14 million were overnight leisure visitors, placing San Antonio as one of the top United States destinations in Texas. Some of the recent fiscal year 2013 accomplishments contributing to this success is the launch of a new leisure website and Certified Tourism Ambassador Program, and completing a Long Range Strategic Plan which works towards expanding and enhancing the range of leisure and convention services, and maximizing destination awareness.

The San Antonio River Improvement Project, an investment by the County, the City, and the United States Army Corps of Engineers with the San Antonio River Authority providing project and technical management, recently completed the northern portion of its flood control, amenities, ecosystem restoration and recreational improvements to the San Antonio River. The Museum Reach, as the northern portion is known, extends from the downtown area north to the San Antonio Museum of Art and the 125-year-old Pearl Brewery building, where shopping, dining, and entertainment venues are planned. The southern portion, known as the Mission Reach, is already underway and will connect the downtown river area to the historic missions in the southern part of San Antonio.

The tourism Index has a current growth rate of +7.3 percent vs 9.2 percent in 2011, which qualifies as a historically healthy rate. Hotel/motel room demand remains strong, with an above par 5.4 percent growth following its 2011 rate of 7.1 percent. Despite the fact that average room rates have stabilized in the $97 rage, room demand by convention and visitor and business travelers has generated hotel/motel monthly revenues of $94.3 million through August, 2012.[11]

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[10] San Antonio Economic Chamber of Commerce - file:///C:/Users/mw82155/Downloads/tmp_2779_10-16-2012_52346_.pdf
[11] San Antonio Chamber of Commerce

*Conventions*

The City is one of the top convention cities in the country, and the opening of the 1,003-room Grand Hyatt Hotel along with the 1,002-room JW Marriott allows the City to host more and larger conventions and meetings in the years to come. The City 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 booked and hosted by the San Antonio Convention & Visitors Bureau for the calendar years indicated:

| Calendar Year | Hotel Occupancy[(a)] | Revenue Per Available Room (RevPAR)[(a)] | Room Nights Sold[(a)] | Convention Attendance[(b)] | Convention Room Nights[(b)] | Convention Delegate Expenditures ($ Millions)[(b)(c)] |
|---|---|---|---|---|---|---|
| 2002 | 64.2% | 56.57 | 6,383,286 | 483,452 | 693,921 | 435.5 |
| 2003 | 63.8% | 54.07 | 6,555,974 | 429,549 | 613,747 | 387.0 |
| 2004 | 64.4% | 55.80 | 6,669,644 | 491,287 | 621,640 | 510.5 |
| 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 | 7,167,503 | 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 | 590.0 |
| 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 |

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*(a)* *Data obtained from Smith Travel Research based on hotels in the San Antonio selected zip code reports dated March 2007 and January 2011.*

*(b)* *Reflects only those conventions hosted by the San Antonio Convention and Visitors Bureau.*

*(c)* *Beginning in 1998, the estimated dollar value is calculated in accordance with the 1998 DMAI Foundation Convention Income Survey Report conducted by Deloitte & Touche LLP, which reflected the average expenditure of $900.89 per convention trade show delegate. January 2004 - September 2008 are based on an average expenditure of $1,039.20 per convention and trade show delegate, and October 2008 - December 2009 are based on average expenditure of $1,188.05 per convention and trade show delegate.*

*Source: San Antonio Convention and Visitors Bureau.*

*Eagle Ford Shale*

The Eagle Ford Shale is rapidly becoming one of the largest domestic crude oil and natural gas discoveries in more than 40 years. Roughly 50 miles wide and 400 miles long, the Eagle Ford Shale spreads across Texas from the Mexican border covering 24 Texas counties. Communities throughout South Texas are experiencing tremendous growth and are positioned to profit from the significant economic impacts as a result of natural gas, oil, and condensate development in the Eagle Ford Shale. Oil and condensate production in the Eagle Ford Shale has grown from 581 barrels per day in 2008 to over 1.1 million barrels per day as of June 2014. Natural gas production now tops 4 billion cubic feet per day.

The latest economic impact report on Eagle Ford Shale represents the 4th installment in the series, prepared by the Center for Community and Business Research at the University of Texas at San Antonio's Institute for Economic Development showed that, as of 2013, Bexar County benefited from its proximity to the Eagle Ford Shale with close to $3.2 billion in total output, around $1.8 billion in total gross regional product, and almost $48.9 million in payroll for 13,919 full-time employees. Projections for the County showed that by 2023, involvement in the Eagle Ford Shale would result in close to $4.4 billion in total output, around $2.6 billion in total gross regional product, and almost $1 billion in payroll for 19,332 full-time employees.

The study assesses the economic impact of the Eagle Ford Shale for 2013, including direct, indirect and induced impacts in the 21 counties directly and indirectly involved in production. Included in the study is an analysis of economic impacts of related businesses such as construction projects, manufacturing investments, as well as upstream, midstream and downstream impacts.

Of particular note is the aspect of community sustainability. The momentum that is driven companies and related industries presents community leaders with a rare opportunity to ensure the long-term viability of their cities, towns, and counties. As the natural gas, oil and condensate production in the Eagle Ford Shale continues to increase, the challenges facing community leaders are more critical than ever. Investments in infrastructure - roads, water, wastewater, education, medical facilities, etc. are the key components that will provide the necessary foundation to ensure future sustainability of communities in South Texas.

In June 2014, San Antonio officials gave their support for the export of liquefied natural gas, saying its international trade could generate $86 billion in U.S. economic benefit over the next 20 years. Houston Based Cheniere Energy Inc., said continued federal approval for LGN export will boost production in South Texas' Eagle Ford Shale. Bexar County Officials agreed saying "It makes great sense economically for the nation as well as for our region." The addition of Eagle Ford Shale production means additional jobs and tax revenue for the state.[12]

Natural gas offers significant benefits for San Antonio as a transportation fuel. Liquefied natural gas has been working for Texas and its natural gas vehicles (NGS). NGVs offer increased fuel efficiencies, lower operating coast, and has a significant higher octane rating than conventional fuel. Natural gas is helping keep dollars in Bexar County resident's wallet. On average, natural gas costs 33 percent less than gasoline at the pump.[13]

San Antonio is the largest metropolitan area adjacent to the Eagle Ford Shale and will continue to receive serious economic benefits. The County benefits from refinery operations both here and in the Corpus Christi area. In 2022, it is projected that Bexar County will use 14,000 barrels of oil per day for refining. Additionally, in 10 years, the gross county product will be an estimated $3.92 billion and the total output will be an estimated $6.65 billion. For the estimated 24,280 jobs supported, the total payroll will have increased to $1.1 billion.

**Military Industry**

The military represents a significant component of the County's economy providing an annual economic impact over $13.3 billion for the County and providing over 95,152 defense-related jobs. The active military installations in the County include Fort Sam Houston and Lackland and Randolph Air Force Bases, as well as the "privatized" installation of Brooks City-Base.

One of the most significant events in San Antonio's most recent economic history is the 2005 Defense Base Closure and Realignment Commission and its final recommendations which have been recognized to have profound effects on many communities. Recommendations were made to strategically transform the military infrastructure to meet current and future missions of the United States of America.

The BRAC 2005 established an internationally renowned teaching and research hospital in San Antonio, thus creating the largest school for training medical technicians in the world. Each year, San Antonio will graduate over 152,000 students across all three bases. BRAC 2005 also brought management and command centers for the Fifth Army, Sixth Army, Military Property Management, and Military Health Care. As a result, it provides jobs in six targeted industries: health care, health care education, communications, technology, intelligence, and security. It also established Joint Base San Antonio ("JBSA"), which consolidated installation management at the three military bases in San Antonio, thereby creating the largest base equalization in the Department of Defense ("DoD"). JBSA services more DoD students than any other installation, houses the DoD's largest hospital, and supports more than 250,000 personnel, including 425 retired general officers.

*Fort Sam Houston*

The recommendations also significantly expand Fort Sam Houston to become the nation's premier military medical training base and the future home of Army installation management, and management of family support activities and community programs. The economic impact from Fort Sam Houston due to the BRAC 2005 expansion has been tremendous at nearly $8.3 billion. The economic impact is mainly due to the enormous amount of construction that has been taking place on post to accommodate the new missions and accounts for approximately 80% of the impact at $6.7 billion. While the construction impact will be relatively short-lived, once BRAC 2005 is completed the economic impact from the operation of Fort Sam Houston will increase by nearly $1.6 billion annually. After BRAC 2005 is completed by September 2011, the increase in personnel and missions at Fort Sam Houston could support the employment of over 15,000 in the community.

Currently, all U.S. Army combat medic training is conducted at Fort Sam Houston. As a result of BRAC 2005, all military combat medic training will be undertaken at the new Medical Education and Training Campus at Fort Sam Houston Army Base.

Brooke Army Medical Center (BAMC) conducts treatment and research in a 1.5 million square foot facility at Fort Sam Houston Army Base, providing health care to nearly 640,000 military personnel and their families annually. BAMC is a Level I trauma center (the only one in the Army medical care system) and contains the world-renowned Center for Battlefield and Health Trauma. BAMC also conducts bone marrow transplants in addition to more than 600 ongoing research studies.

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 BAMC and Wilford Hall. Wilford Hall has been

[12] San Antonio Business Journal
[13] The U.S. Energy Information Administration

renamed SAMMC-South and BAMC has been renamed SAMMC-North. SAMMC-North is doubling its Level 1 trauma facility by incorporating the Level 1 trauma missions from SAMMC-South. SAMMC-South is an outpatient only facility and has received outpatient missions from SAMMC-North. Wilford Hall Medical Center will be replaced with the Lackland Ambulatory Care Center. Scheduled for completion in 2013, this $486 million Care Center will provide world-class medical care for the community.

In addition, San Antonio will receive new medical research missions. BRAC 2005 will transform the United States Army Institute of Surgical Research (USAISR) 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.

*Lackland Air Force Base*

Lackland AFB is home to the 37th Training Group and is situated on 9,700 acres. According to the 2008 Lackland AFB "Facts and Stats" report, over 54,000 military, civilian, student, contractors and military dependents work, receive training or utilize Lackland AFB's services. On an annual basis, Lackland AFB will graduate 86,000 trainees per year.

*Port San Antonio*

In 2001, Kelly Air Force Base officially closed and the land and facilities were transferred to the Greater Kelly Development Authority, a local redevelopment authority responsible for overseeing the redevelopment of the base into a business and industrial park. The business park is now known as Port San Antonio (the "Port"). The Port has developed a rail port for direct international rail operations, including inland port distribution with the Port of Corpus Christi, and continues to work on establishing international air cargo operations and the expansion and addition of new tenants.

In February 2009, the Port opened an on-site U.S. Customs and Homeland Security facility to enable international air cargo to develop at Kelly Field Industrial Airport. Mexpress International, Inc. now provides air cargo service between Mexico and San Antonio on a three-times-per-week basis. Air cargo service also complements the East Kelly Railport, which opened with a 360,000 square foot speculative building offered by a private developer that today is at full occupancy. The developer, Santa Barbara Development, also completed construction on a second 265,000 square foot speculative building in 2009. With over 11 million square feet of industrial/commercial space, the Port is the largest commercial property-leasing firm in San Antonio. With a stable tenant base of over 70 companies and seven remaining Air Force agencies, the Port has over 14,000 workers.

BRAC 2005 has brought an additional 2,900 military and DoD civilian personnel to the Port. The Air Force maintains a significant presence at the former Kelly Air Force Base as it continues to lease over 70 facilities (over 2,000,000 square-feet) and 213 acres of property. In addition, the Air Force and the Port jointly utilize the Kelly Field runway for military and commercial airfield operations.

The largest Air Force leaseback is at Building 171, a facility previously closed from the 1995 Base Realignment and Closure of Kelly AFB. Much of the new BRAC 2005 growth occurring on PSA property will be at Building 171. The Air Force is spending $100 million to renovate the building, which will house 11 missions. Seven missions and approximately 800 personnel are relocating to the building from Brooks City-Case. Building 171 also houses the "Cyber" 24th Air Force, a new cyber command which San Antonio was selected for in 2009. The unit slated to have a $1 billion budget created up to 400, brought 2,000 employees many who moved from out of state and created 400 military and civilian jobs from 2009 to 2010. Building 171 should reach full capacity by the end of 2011 resulting in the Air Force having about 7,000 personnel at Port San Antonio, about half of the 14,000 jobs.

In September 2009, Boeing Global Services and Support, San Antonio, Texas, was awarded a $150 million contract for programmed depot maintenance, unprogrammed depot level maintenance, and modifications installations on the C/KC-135 series aircraft, resulting in the retention of approximately 400 aerospace jobs at the Port. Boeing also brought a portion of their 787 Dreamliner workload to the Port for follow-on refurbishment and testing following manufacturing. This new investment will create up to another 400 aerospace jobs in 2011. 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.

Another announcement in 2009 was the expansion of Affiliated Computer Services, a Fortune 500 Company, which resulted in an additional 300 employees. Other major commercial employers at the Port include Lockheed Martin, General Dynamics, Standard Aero, Pratt & Whitney, Chromalloy, Gore Design Completions, and EG&G. At the end of 2010, the tenant employee base had grown to over 12,000 as a result of these companies' presence and expansions.

*Brooks City-Base*

The property of Brooks Air Force Base was transferred from the U.S. Air Force to Brooks Development Authority in 2002, as part of the Brooks City-Base Project. Even though the Air Force missions have relocated over the last three to five years, Brooks City-Base continues to draw private business investment. In addition, Brooks City-Base is continuing its goal of sustainability by creating a Tax Increment Reinvestment Zone ("TIRZ"), which will utilize the tax increments generated to assist in funding street infrastructure projects.

Dermatological Products of Texas Laboratories' has developed a new site at Brooks City-Base which is a combination research and development warehouse and production facility of nearly 450,000 square feet. The project involved two new buildings with a capital investment of $15 million and was completed in May 2010.

In July 2008, Vanguard Health Systems, Inc. and its affiliate Baptist Health System purchased 28 acres at Brooks City-Base and have an option for an additional 20 acres under contract. The new Mission Trail Baptist Hospital, completed in June 2011, replaced the Southeast Baptist Hospital. The new $80 million medical campus spans over 220,000 sq. ft. with 110 licensed beds and four operating rooms.

A $24.5 million Emergency Operations Center (EOC) began operations at Brooks City-Base in December 2007. The EOC was financed through Bexar County and the City of San Antonio bond funds and will be a campus of City, County, Regional, State, and Federal departments and/or personnel.

*Other Military & Government*

The County also is home to Camp Bullis which offers nearly 28,000 acres of unparalleled training infrastructure to ensure the readiness of military and government agencies. The demand for training at Camp Bullis is strong, particularly in light of the ongoing global war on terror and its capacity to support joint military operations and homeland security missions.

The National Trauma Institute (NTI), a collaborative military-civilian trauma institute involving SAMMC-North, SAMMC-South, University Hospital, the UT Health Science Center, and the USAISR, is also located in San Antonio. The NTI coordinates resources from the institutions to most effectively treat the trauma victims and their families. The NTI received $3.8 million in grants in 2008.

Audie L. Murphy Memorial Veterans Hospital, located in the Medical Center, is an acute care facility and supports a nursing home, the Spinal Cord Injury Center, an ambulatory care program, the Audie L. Murphy Research Services (which is dedicated to medical investigations) and the Frank Tejeda Veterans Administration Outpatient Clinic (serves veterans located throughout South Texas). The two military medical care facilities and the Veterans Hospital collaborate in a variety of ways, including clinical research and the provision of medical care to military veterans. In September 2007, the Veterans Administration announced plans to build a new $67 million Level 1 Polytrauma Center at the Audie L. Murphy Veterans Administration hospital campus. The expansion was completed in October of 2011 and these two facilities now serve over 80,000 Veterans in the South Texas area.

The National Security Agency (NSA) also has a formidable presence in South Texas employing over two thousand people in San Antonio. The NSA established a new facility at an old Sony microchip plant that is now known as the Texas Cryptology Center. The 470,000-square-foot facility represents an investment of over $100 million by the NSA to renovate the old plant which houses a data center geared toward cybersecurity.

**Trade with Mexico**

The County is approximately 150 miles from the United States/Mexico border cities of Del Rio, Eagle Pass, and Laredo. The County's proximity to Mexico provides favorable conditions for international business relations in the areas of agriculture, tourism, manufacturing, wholesale and retail markets. Approximately fifty percent of U.S. exports to Mexico and fifty percent of Mexican imports to the U.S. pass through San Antonio. U.S. goods exports to Mexico in 2013 reached a record of $226.2 billion, up 5 percent from the previous year.[14] Corresponding U.S. imports from Mexico were $280.5 billion, up 1 percent.[15] The increase in trade between the U.S. and Mexico is largely attributed to the passage of the North American Free Trade Agreement (NAFTA) in 1993. Under this free trade agreement, NAFTA countries progressively eliminated tariffs and nontariff barriers to trade, improved access for services, established strong rules on investment, and strengthened protection of intellectual property rights. Pursuant to the terms of NAFTA, all remaining duties and quantitative restrictions were eliminated, as scheduled, on January 1, 2008[(16)]

San Antonio is also the headquarters for the North American Development Bank (NADB), a bi-national institution created by NAFTA. The intended purpose of NADB is to help finance environmental infrastructure projects within 60 to 100 miles of the US/Mexican border to further the goals of NAFTA. The Border Environment Cooperation Commission (BECC) and the NADB are working with almost 150 communities throughout the United States-Mexico border region to address their needs for environmental infrastructure. With a lending capacity of $3 billion, NADB finances projects including water, wastewater and solid waste programs. As of September 30,, 2014 the NADB had contracted a total of $2.36 billion in loans and/or grant resources to partially finance 199 infrastructure projects certified by the BECC.[(17)]

[14] U.S Census Bureau Trade in Goods with Mexcio - https://www.census.gov/foreign-trade/balance/c2010.html
[15] *www.ustr.gov, "2013 National Trade Estimate Report on Foreign Trade Barriers"*

[16] *www.ustr.gov, "2011 Trade Policy Agenda and 2010 Annual Report"*

[17] *North American Development Bank Summary Status Report September 2014*

**Employment Statistics**

The following table indicates the total civilian employment in the County for the period 2009 through 2013.

| | Annual 2013 | Annual 2012 | Annual 2011 | Annual 2010 | Annual 2009 |
|---|---|---|---|---|---|
| Civilian Labor Force | 831,841 | 815,285 | 804,768 | 782,191 | 765,017 |
| Total Employment | 781,721 | 761,612 | 743,879 | 724,046 | 712,970 |
| Total Unemployment | 50,120 | 53,673 | 60,889 | 58,145 | 52,047 |
| Unemployment Rate | 6.0% | 6.6% | 7.60% | 7.40% | 6.80% |
| Texas Unemployment Rate | 6.3% | 6.80% | 7.90% | 8.20% | 7.60% |

*Source: Texas Workforce Commission*

The following table shows employment estimates by industry in Bexar County for the last quarter for the years 2009 through 2013.

| Industry (4th Quarter Data) | 2013* | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Natural Resources and Mining | 5,700 | 3,686 | 2,971 | 3,219 | 3,341 |
| Construction | 43,000 | 32,523 | 33,047 | 34,680 | 36,611 |
| Manufacturing | 46,200 | 35,735 | 35,074 | 34,833 | 32,727 |
| Trade, Transportation and Utilities | 154,000 | 127,517 | 122,512 | 120,171 | 121,848 |
| Information | 20,800 | 19,255 | 18,043 | 17,058 | 18,067 |
| Financial Activities | 76,000 | 66,011 | 63,589 | 61,850 | 60,456 |
| Professional Business Services | 110,600 | 101,512 | 98,814 | 93,120 | 94,051 |
| Education and Health Services | 138,300 | 116,249 | 113,253 | 109,860 | 105,868 |
| Leisure and Hospitality | 116,600 | 96,100 | 91,786 | 89,094 | 85,439 |
| Other Services | 34,000 | 23,862 | 22,991 | 22,664 | 21,913 |
| Unclassified | N/A | 249 | 144 | 193 | 121 |
| Federal | 34,700 | 34,455 | 34,666 | 34,113 | 32,508 |
| State | 20,200 | 18,600 | 18,306 | 17,354 | 18,052 |
| Local | 106,200 | 86,014 | 85,758 | 88,084 | 86,362 |
| Total Employment | 906,300 | 761,767 | 738,955 | 726,298 | 717,384 |

*Source: Labor Market Information Department, Texas Workforce Commission.*
**2013 Data represents the San Antonio MSA.*

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### Education

The County encompasses 19 independent school districts, which includes over 400 schools. Enrollment ranges anywhere from nearly 900 in Lackland ISD to over 91,000 in Northside ISD, the fourth largest independent school district in Texas. Students attend school districts in which they reside with no busing in effect. In addition, San Antonio has over 150 private and parochial schools at all education levels. San Antonio has 20 institutions of higher learning offering degrees in all major fields of study, many at the graduate level. Among universities, the University of Texas at San Antonio (UTSA) has over 30,000 students enrolled and has represented many first-time college students within their family. In May of 2009, the Texas A&M University San Antonio became the newest four-year college in San Antonio. Among junior colleges, Alamo Colleges includes five colleges, San Antonio, Palo Alto, St. Philips, Northeast Lakeview, and Northwest Vista, totaling over 62,377 students enrolled.

| Year | School Enrollment[(a)] | University Enrollment[(b)] |
|---|---|---|
| 2002 | 338,270 | 87,361 |
| 2003 | 345,032 | 92,619 |
| 2004 | 350,791 | 95,213 |
| 2005 | 355,965 | 98,473 |
| 2006 | 365,223 | 99,845 |
| 2007 | 373,017 | 100,043 |
| 2008 | 379,779 | 102,806 |
| 2009 | 387,118 | 113,307 |
| 2010 | 397,144 | 119,283 |
| 2011 | 404,161 | 119,352 |
| 2012 | 421,651 | 119,710 |
| 2013 | 429,036 | 120,273 |

*Source:* [(a)] *Education Service Center, Region 20.*
[(b)] *Texas Education Agency.*

### Electric & Gas Services

Electric and gas services to the Bexar County area are provided by CPS Energy ("CPS"), an electric and gas utility owned by the City of San Antonio (the "City") that maintains and operates certain utilities infrastructure. This infrastructure includes a 16 generating unit electric system and the gas system that serves the Bexar County area. CPS also owns a 40% interest in the South Texas Project ("STP") two existing nuclear generating Units 1 and 2 which generates 1,088 megawatts of power for CPS Energy customers. CPS Energy has invested in a 7.625 percent share of two additional units at STP, once loan guarantees are approved by the federal government the additional units should be online by 2017 and will provide an additional 200 megawatts of power for customers. These nuclear units supplied 34.6% of the electric system native load for the fiscal year ending January 31, 2010. CPS operations and debt service requirements for capital improvements are paid from revenues received from charges to its customers.[18]

### Water Supply

Historically and currently, the City obtains all of its water through wells drilled into a geologic formation known as the Edwards Limestone Formation. The portion of the formation supplying water in the City's area has been the "Edwards Underground Water Reservoir" (the "Edwards Aquifer") and since 1978 has been designated by the Environmental Protection Agency as a sole-source aquifer under the Safe Drinking Water Act. The Edwards Aquifer lies beneath an area approximately 3,600 square miles in size, and including its recharge zone, it underlies all or part of 13 counties, varying from 5 to 30 miles in width and stretching over 175 miles in length, beginning in Bracketville, Kinney County, Texas, in the west and stretching to Kyle, Hays County, Texas, in the east. The Edwards Aquifer receives most of its water from rainfall runoff, rivers, and streams flowing across the 4,400 square miles of drainage basins located above it. Much of the Edwards Aquifer region consists of agricultural land, but areas of population ranging from communities with only a few hundred residents to urban areas with well over one million citizens exist as well. The Edwards Aquifer supplies nearly all the water for the municipal, domestic, industrial, commercial, and agricultural needs in its region.

Naturally occurring artesian springs, such as the Comal Springs and the San Marcos Springs, are fed with Edwards

[18] CPS Energy

Aquifer water and are utilized for commercial, municipal, agricultural, and recreational purposes, while at the same time supporting ecological systems containing rare and unique aquatic life.

The water level of the Edwards Aquifer has never fallen below the uppermost part of the Edwards Aquifer even during extreme and lengthy drought conditions lasting from 1947 to 1956. The maximum fluctuation of water levels at the City's index well has been about 91 feet, with the recorded low of 612 feet above sea level in August, 1956 and a recorded high of 703 feet above sea level in June, 1992. In the summer of 2007, the Edwards Aquifer hit 699 feet above sea level. The historical (1934 to 1999) average water level at the index well in San Antonio is approximately 664 feet above sea level. San Antonio Water Supply ("SAWS"), the major water purveyor in the County as the water agency of the City, sets all pumps at 575 feet to insure continuous access to Edwards Aquifer water in any anticipated condition.

The Edwards Aquifer is recharged from streams and by precipitation infiltrating directly into the cavernous, honeycombed, limestone outcroppings in its north and northwestern area. Practically continuous recharge is furnished by spring-fed streams, with storm water runoff adding additional recharge, as well. The historical annual recharge to the reservoir is approximately 679,000 acre-feet. The average annual recharge over the last four decades, however, including the aforementioned drought period, is approximately 791,300 acre-feet. The lowest recorded recharge was 43,000 acre-feet in 1956, while the highest was 2,485,000 acre-feet in 1992. Recharge has been increased by the construction of recharge dams over an area of the Edwards Aquifer exposed to the surface known as the "recharge zone." The recharge dams, or flood-retarding structures, slows flood waters and allows much of the water that would have otherwise bypassed the recharge zone to infiltrate the Edwards Aquifer.

**Enhancing the City's Water Supply**

The City has relied on the Edwards Aquifer as its sole source of water since the 1800's. Beginning in the 1980's and continuing today, however, the conservation and regulation of the water in the Edwards Aquifer has been the subject of intense scrutiny that has led to both extensive litigation and federal and state agency initiation of regulatory action.

Based upon population and water demand projections, along with various regulatory and environmental issues, the City recognizes that additional water sources supplementing its use of the Edwards Aquifer will be required to meet the City's long-term water needs.

SAWS' Resource Development department is charged with the responsibility of identifying additional water resources for the City and its surrounding areas. New water resource projects range from optimizing the City's current source through conservation measures to identification and procurement of completely new and independent water sources. These efforts are guided by the 2005 Water Resource Plan, a comprehensive, widely supported water resource plan for the City, which established programs for formulating and implementing both immediate and long-term water plans to enhance the City's water supply. In October, 2000, the City Council created a permanent funding mechanism (the "Water Supply Fee") to be used for water supply development and water quality protection. The fee is based upon a uniform rate per 100 gallons of water used and is applied to all customers. The Water Supply Fee is projected to generate sufficient revenue to support approximately $642 million in capital expenditures, as well as sufficient operational funds to conduct the planning, operation, and maintenance of such water resource facilities. The multi-year financial plan will be updated every 3 years to ensure sufficient revenues are available to meet the water resource requirements. An updated Water Resource Plan is currently being formulated.

Water Supply Fee

| Year | Actual Fee Assessed Per 100 Gallons |
|---|---|
| 2002 | $ .0708 |
| 2003 | 0.0938 |
| 2004 | 0.1128 |
| 2005 | 0.1378 |
| 2006 | 0.1487 |
| 2007 | 0.1487 |
| 2008 | 0.1487 |
| 2009 | 0.1529 |
| 2010 | 0.1573 |
| 2011 | 0.1573 |
| 2012 | 0.1620 |
| 2013 | 0.1661 [(a)] |

*Source: SAWS.*
[(a)] *General Class Fee. Residential Fee is a tier structure as of 2010.*

SAWS has determined that the City's water needs can be met through the implementation of an array of programs and projects, including a critical management plan, conservation, agricultural irrigation efficiencies, reuse, surface water, non-Edwards Aquifer groundwater, enhanced recharge capabilities, and aquifer storage and recovery. SAWS has already initiated and/or implemented many such programs in an effort to increase the supply of water available to the City.

**2013 Ten Largest Employers**

| Firm Name | Total | Category | Percent of County Employment |
|---|---|---|---|
| Joint Base San Antonio[(1)] | 100,802 | Government | 13.08% |
| H.E.B. Grocery Company | 17,717 | Retail | 2.30% |
| USAA | 15,900 | Finance/Insurance | 2.06% |
| City of San Antonio | 13,573 | Services | 1.76% |
| Northside Independent School District | 13,356 | Government | 1.73% |
| Northeast Independent School District | 8,500 | Services | 1.10% |
| Methodist Healthcare System | 8,118 | Medical | 1.05% |
| San Antonio Independent School District | 7,425 | Services | 0.96% |
| Baptist Health System | 7,205 | Medical | 0.93% |
| University Health System | 6,702 | Medical | 0.87% |
| Total | 199,298 | | 25.86% |
| Total County Employment for 2013[(2)] | 770,825 | | |

*Source: San Antonio Business Journal Book of Lists 2012, Greater San Antonio Chamber of Commerce and confirmation from individual corporate human resource offices.*

*(1) Under the BRAC Joint Basing Recommendation for San Antonio, installation support functions at the Army's Fort Sam Houston were combined with those at Randolph and Lackland Air Force Bases under a single organization (Joint Base San Antonio). Includes military personnel and civilian personnel.*

*(2) Total County Employment figure for 2013 - Texas Workforce Commission website.*

**Growth Indices**

| | CPS Energy[(a)] | | SAWS[(b)] | |
|---|---|---|---|---|
| As Of 12/31 | Electric Customers | Gas Customers | Water Customers | Wastewater Customers |
| 2001 | 589,426 | 305,702 | 293,299 | 324,624 |
| 2002 | 594,945 | 306,503 | 298,216 | 333,403 |
| 2003 | 604,108 | 306,591 | 303,917 | 335,439 |
| 2004 | 602,185 | 308,681 | 311,556 | 339,100 |
| 2005 | 617,261 | 310,699 | 320,661 | 349,544 |
| 2006 | 638,344 | 314,409 | 331,476 | 362,113 |
| 2007 | 681,312 | 319,122 | 341,220 | 375,653 |
| 2008 | 693,815 | 320,321 | 346,865 | 385,978 |
| 2009 | 706,235 | 321,984 | 350,859 | 393,245 |
| 2010 | 717,109 | 324,634 | 355,085 | 398,174 |
| 2011 | 723,551 | 326,834 | 358,656 | 402,942 |
| 2012 | 736,071 | 329,499 | 362,794 | 408,389 |
| 2013 | 741,467 | 331,192 | 367,000 | 415,000 |

*(a) Source: CPS Energy Customers for the Month of December.*
*(b) Source: San Antonio Water System Average Customers per Fiscal Year.*

**Construction Activity in Bexar County**

| Calendar Year | Residential Single Family Building Permits | Residential Single Family Average Value Per Dwelling Unit | Residential Multi-Family Building Permits | Residential Multi-Family Average Value Per Dwelling Unit |
|---|---|---|---|---|
| 2001 | 7,462 | $ 85,200 | 93 | $45,500 |
| 2002 | 7,880 | 82,700 | 175 | 38,300 |
| 2003 | 7,699 | 136,900 | 62 | 78,800 |
| 2004 | 8,987 | 136,600 | 280 | 58,400 |
| 2005 | 10,298 | 146,700 | 264 | 64,000 |
| 2006 | 9,219 | 156,000 | 410 | 78,700 |
| 2007 | 5,565 | 169,300 | 302 | 86,500 |
| 2008 | 3,557 | 175,800 | 185 | 76,000 |
| 2009 | 3,625 | 175,200 | 48 | 86,400 |
| 2010 | 3,151 | 175,700 | 42 | 50,800 |
| 2011 | 2,442 | 176,500 | 31 | 68,100 |
| 2012 | 2,873 | 181,100 | 92 | 72,800 |
| 2013 | 3,066 | 185,900 | 18 | 192,300 |

*Source: Texas A&M Real Estate Center.*

## APPENDIX C

## BEXAR COUNTY, TEXAS
## ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2013

# APPENDIX D

## FORM OF OPINION OF BOND COUNSEL