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APPEAL OF WATER AND SEWER
RATES CHARGED BY THE
TOWN OF WOODLOCH
CCN NOS. 12312 AND 20141

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PUBLIC UTILITY COMMISSION
FILING CLERK

BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS

DIRECT TESTIMONY OF

MIKE MATHENA

ON BEHALF OF

The TOWN OF WOODLOCH (APPELLEE)

November 19, 2014

118

**DIRECT TESTIMONY OF
MIKE MATHENA**

LIST OF EXHIBITS

Exhibit	Description
Woodloch Exh. 4	Prefiled Testimony of Mike Mathena
Woodloch Exh. 5	Resume of Mike Mathena
Woodloch Exh. 6	Town of Woodloch Water and Sewer Map
Woodloch Exh. 7	Excerpts from the TCEQ Hearing Package
Woodloch Exh. 8	GST and Hydro Tank Inspection Reports
Woodloch Exh. 9	GST Photographs

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PUC DOCKET NO. 42862**

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TOWN OF WOODLOCH
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**BEFORE THE STATE OFFICE

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ADMINISTRATIVE HEARINGS**

**DIRECT TESTIMONY OF
MIKE MATHENA**

1

I. INTRODUCTION

2

Q. Please state your full name and business address.

3

A. Michael Warren Mathena, P.E., Bleyl and Associates, 100 Nugent Street, Conroe, Texas
4 77301.

5

Q. Who are you employed by?

6

A. Bleyl Interests, Inc, DBA Bleyl and Associates.

7

Q. Are you a Professional Engineer?

8

A Yes, I am a Registered Professional Engineer in the State of Texas. License number
9 91895.

10

Q. What is your title at Bleyl and Associates?

11

A. Vice President.

12

Q. How long have you been employed by Bleyl and Associates?

13

A. 10 years.

14

Q. Prior to then, who were you with?

15

A. AEI Engineering, Inc.

16

Q. What was your title at AEI Engineering, Inc.?

1 A. Project Engineer.

2 **Q. How long were you at that firm?**

3 A. 7 years.

4 **Q. What are your job responsibilities as Vice President?**

5 A. I am the overall manager for both projects and staff at all offices. I am the Client
6 Manager for a group of clients in our Conroe Office, including managing the clients'
7 project(s), along with the staff working on the projects.

8 **Q. Prior to working at Bleyl and Associates, who were you with?**

9 A. AEI Engineering, Inc.

10 **Q. What was your title at AEI Engineering, Inc.?**

11 A. Project Engineer.

12 **Q. How long were you with AEI Engineering, Inc?**

13 A. 7 Years.

14 **Q. What were your job responsibilities as a Project Engineer?**

15 A. My job responsibilities as a Project Engineer were to work on various types of project
16 that were assigned to me. I coordinated with various staff members and sub consultants
17 to complete the project. I also worked directly with the client to help meet their
18 expectations and complete the project on time.

19 **Q. How long have you been involved in the design and construction of municipal**
20 **water and sewer utilities?**

21 A. I have been involved in the design and construction of municipal water and sewer
22 facilities since 1995.

1 **Q. So all together, you have over 19 years of experience in the design and**
2 **construction of water and sewer utilities?**

3 A. Yes.

4 **Q. In that time, how many water and/or sewer projects have you designed or**
5 **been involved with?**

6 A. I've been involved in the design and construction of hundreds to water and sewer projects
7 in the State of Texas.

8 **Q. Did you get involved with the Town of Woodloch and its water and sewer**
9 **utility?**

10 A. Yes.

11 **Q. When was that?**

12 A. I became I involved around 2005 to help with a Community Development Block Grant
13 Application.

14 **Q. What is your educational background?**

15 A. Bachelor of Science in Civil Engineering, Texas Tech University, 1998.
16 Master of Business Administration, Our Lady of the Lake University, 2004.

17 **Q. Please identify Woodloch Exh. 5.**

18 A. Woodloch Exh. 5 is a true and correct copy of my current resume.

19 **Q. Did you prepare this resume?**

20 A. Yes.

21 **[WOODLOCH OFFERS WOODLOCH EXH. 5]**

22 **Q. Are you familiar with the regulatory programs through which municipal**
23 **water and sewer utilities are regulated?**

1 A. Yes.

2 **Q. Are you also familiar with the design, management, and construction of water**
3 **and sewer utilities?**

4 A. Yes.

5 **Q. Can you identify Woodloch Exh. 6?**

6 A. Yes. Woodloch Exh. 6 is an overall water and sewer facilities map for the Town of
7 Woodloch.

8 **Q: Will you describe the facilities map?**

9 A. Yes. The water distribution lines are shown on North Woodloch Drive, South Woodloch
10 Street, River Ridge Drive, River Oaks Drive, Woodhollow Drive, and Needham Road.
11 Gravity sanitary sewer collection lines are shown on North Woodloch Drive, South
12 Woodloch Street, River Ridge Drive, River Oaks Drive, and Woodhollow Drive. A
13 series of lift stations pumps flow from River Ridge Drive, River Oaks Drive, and
14 Woodhollow Drive through force main(s) into the Town of Woodloch before it
15 discharges to the Wastewater Treatment Plant. This information is taken from record
16 drawings and not field verified.

17 **Q. Was this drawing prepared by you or under your supervision and control.**

18 A. Yes, it was.

19 **[WOODLOCH OFFERS WOODLOCH EXH. 6]**

20 **Q. Are you familiar with the Town of Woodloch's water and sewer utility rates**
21 **at issue in this proceeding?**

22 A. Yes. I am the City Engineer for the Town of Woodloch, and I participated in developing
23 the rates that are being appealed.

1 **Q. Can you identify Woodloch Exh. 7?**

2 A. Yes. Woodloch Exh. 7 is a true and correct copy of the package of materials that were
3 previously provided to the TCEQ and the Out-Of City Customers. It was used by the
4 Town as part of the basis of the rate-setting. It was prepared under my supervision, and I
5 am personally familiar with the materials it contains.

6 **Q. Will you describe the documents?**

7 Yes. First, I want to point out that information included in these documents were
8 available when the rates were set, but some of the actual documents were created for the
9 TCEQ Hearing in August 2013. In addition, the January 2013 and February 2013 data
10 was not available at the time rates were set. The document includes (1) a profit and loss
11 report for Fiscal Year 2012, (2) a profit and loss report for January 2012 through
12 February 2013, (3) a Water and Sewer report for February 2012 to February 2013, (4)
13 sales and receivables report for February 2012 to February 2013, (5) Utility Operations
14 Budget vs. Actual expenses and revenues, (6) Repayment information regarding the
15 automatic meter reading (this cost was considered when setting the rate, but this
16 document was not available at the time the rates were set), (7) Ground Storage Tank No.
17 2 Loan information (this cost was considered when setting the rate, but this document
18 was not available at the time the rates were set), (8) monthly profit and loss report for
19 January 2012 through February 2013, (9) general journal transactions, (10) Fiscal Year
20 2012 and 2013 TML documentation, (11) February 2012 to January 2013, (12) Agenda
21 and Minutes related to the rate adoption, and (13) copies of grant documents.

22 **[WOODLOCH OFFERS WOODLOCH EXH. 7]**

1 **II. TOWN OF WOODLOCH'S WATER AND SEWER UTILITY HISTORY**

2 **Q. Were you familiar with the Town of Woodloch's Water and Sewer Utility**
3 **System before being asked to work on the rate setting in this matter?**

4 A. Yes. I have been working for the Town of Woodloch for almost ten years, and I have
5 become very familiar with their system over the past decade.

6 **Q. What is the history of the Woodloch system?**

7 A: Woodloch was incorporated in 1974 and majority of the Town's water, sewer, drainage
8 and streets were constructed at that time. Woodloch has not put any significant funds
9 into the Town's in-city system. In 1989, the State of Texas asked Woodloch to accept
10 and provide utilities to two CCN's that included homes on River Ridge Drive, River
11 Oaks Drive, and Woodhollow Drive. The CCNs' water distribution and sewer collection
12 systems were not meeting the minimum State requirements at the time. The State asked
13 Woodloch to take over the CCNs so that the State and Woodloch could bring the systems
14 into compliance. Woodloch has used grant funds, and City funds, over the years to
15 replace and rehabilitate the substandard systems. Woodloch purchased their existing
16 steel package wastewater treatment plant from the Richey Road Municipal Utility District
17 in the late 1980s/early 1990's. At the time Woodloch purchased the plant, it was
18 approximately 15 years old. Shortly after the City purchased the wastewater treatment
19 plant, the area experienced severe flooding, and Woodloch was unable to move the plant
20 onsite until 1994. Therefore, the plant is around 40 years old and well over the
21 anticipated useful life of 20 to 30 years.

22 **Q: Could you please describe the various components of the water system?**

1 A: Woodloch's water system includes one water plant with two water wells, two ground
2 storage tanks (however one tank is offline and is in need of demolition), two hydro
3 pneumatic tanks, four booster pumps, a generator, and associated plant piping, valves,
4 etc. Woodloch owns water distribution lines on North Woodloch Street, South Woodloch
5 Street, River Ridge Drive, River Oaks Drive, Woodhollow Drive, and Needham Road.

6 **Q: Could you please describe the condition of those components?**

7 A: The existing water plant was constructed around 1994. The water plant consists of two
8 water wells, however only one of which (Well 1) is operating. Well 2 is currently offline
9 due to a mechanical problem with the pump. Woodloch does not have the funds to
10 perform annual well performance testing, so we are unable to comment on the overall
11 performance of either well. We also cannot state whether we anticipate immediate
12 repairs. Water Well No. 2 has been offline since January, 2014 with a mechanical
13 failure. At this time, Woodloch does not have funds to pull the pump and evaluate it, let
14 alone repair it. In addition, water wells typically require a rework every 7 to 10 years,
15 and the wells have not been reworked in the last 10 years. Ground Storage Tank No. 2
16 was constructed and put online in 2013 because the existing Ground Storage Tank No. 1
17 was leaking due to failures in the galvanized protective coating. Ground Storage Tank
18 No. 1 was constructed around 1997 and is currently offline, waiting demolition, as soon
19 as funding becomes available. Hydro Pneumatic Tanks No. 1 and No. 2 have interior and
20 exterior coating failures and are in advance stages of deterioration. Portions of the tank
21 shells on Hydro Pneumatic Tanks No. 1 and No. 2 have loss of base metal thickness,
22 increasing the risk of failure. Hydro Pneumatic Tanks No. 1 and No. 2 need to be
23 recoated as soon as possible to help reduce the risk of replacing both hydro pneumatic

1 tanks in the near future. There is a significant chance that either of the Hydro Tanks
2 could fail, at any time, due to the lack of funding for maintenance. There are four booster
3 pumps at the water plant, and three appear to be operating without issue. One booster
4 pump is out of service due to a bad seal. The cost to fix the seal is about the same cost as
5 it is to replace the booster pump however Woodloch lacks the funds to repair or replace
6 it. Woodloch has not made any significant improvements to the waterlines inside the city
7 limits on North and South Woodloch Street except to repair leaks. The Town only has a
8 couple functioning hydrants, but the functioning hydrants do not meet the standard fire
9 protection design parameters. River Ridge Drive (outside the City Limits) has new
10 waterlines and fire hydrants that were installed with a 2010 CDBG grant. Water meters
11 across the service area were replaced in 2013 with digital meters to improve accuracy and
12 reduce meter reading costs.

13 **Q: How are you familiar with these various components?**

14 A: I have visited and inspected the different components many times over the past 10 years.
15 I have supervised designs of improvement projects, including design of a new ground
16 storage tank and waterline upsizing. We have also received reports on and documented
17 the condition of system facilities.

18 **Q. Can you identify Woodloch Exh. 8?**

19 A. Yes. Woodloch Exh. 8 is a true and correct copy of the Ground Storage Tank No. 1 and
20 Hydro Pneumatic Tanks No. 1 and No. 2 evaluations prepared by Preventative Services
21 in February 2012. Preventative Services recommended that Ground Storage Tank No. 1
22 be replaced. Preventative Services recommended Hydro Pneumatic Tanks No. 1 and No.
23 2 be recoated immediately or the tanks would need to be replaced. To date, Hydro

1 Pneumatic Tanks No. 1 and No. 2 have not been recoated or replaced due to lack of
2 funding. Ground Storage Tank No. 1 has been replaced, however not demolished due to
3 lack of funding.

4 **[WOODLOCH OFFERS WOODLOCH EXH. 8]**

5 **Q. Can you identify Woodloch Exh. 9?**

6 A. Yes. Woodloch Exh. 9 is a true and correct copy the Ground Storage Tank No. 1 pictures
7 taken in January 2014 after the tank was drained and taken offline. The coating failure,
8 holes, and overall deteriorated condition of the tank is apparent. I have seen this tank
9 many times and these photos accurately represents my observation of the condition of
10 this tank.

11 **[WOODLOCH OFFERS WOODLOCH EXH. 9]**

12 **Q: Could you please describe the various components of the sewer system?**

13 A: Woodloch's sewer system includes a steel package wastewater treatment plant, five lift
14 stations, and a sanitary sewer collection systems on North Woodloch Street, South
15 Woodloch Street, River Ridge Drive, River Oaks Drive, Woodhollow Drive, and
16 Needham Road.

17 **Q: Could you please describe the condition of those components?**

18 A: The Wastewater Treatment Plant is substandard. It was not designed to treat the
19 concentrated flows it receives. In 2011, the Town was under TCEQ enforcement action
20 due to failure to comply with permitted effluent levels and other submit required
21 documents. The Operator is continually repairing and replacing components of the
22 wastewater treatment plant to keep it operating within its permit, which requires more
23 attention from the Operator than a typical plant. The Town also receives complaints

1 about the Wastewater Treatment Plant's smell and noise. The sewer lines on North and
2 South Woodloch Street are the original sewers lines and approximately 40 years old.
3 Typical, sewer lines from the mid-1970's require rehabilitation after 25 to 30 years. I am
4 concerned with the structural integrity of and infiltration in the sewer lines that are
5 located inside the City Limits. The Town is at risk of having sinkholes, collapsed lines,
6 sewer back-ups or excursions, increased flows at the treatment plant, and other failures
7 due to deficient sewer lines. If the City experiences any of these failures, it may not have
8 the funding to correct the issue. Sewer lines on River Ridge Drive were rehabilitated
9 with cured in place pipe with a 2012 CDBG the Town acquired. Four of the five lift
10 stations only serve areas outside the city limits. The lift stations frequently need
11 attention, and maintenance. The wastewater treatment plant lift station was constructed
12 with a 2001 Disaster Relief grant, which also paid for a sewer extension to the lift station.
13 In early 2014, a lift station on River Ridge Drive required repair because two pump
14 impellers were worn due to pumping sand. I believe the sand is from an adjacent
15 homeowner that was pumping storm water into the sewer lift station. These pumps were
16 only a few years old.

17 **Q: How are you familiar with these various components?**

18 A: I have visited and inspected the different components many times over the past ten years.
19 I have supervised designs of improvement projects, including lift station design, and
20 sanitary sewer rehabilitation.

21 **Q: How many water and sewer connections does the Woodloch system serve?**

22 A: Woodloch serves approximately 254 connections. It can change monthly.

23 **Q: Is that number the same for both the water and the sewer sides of the system?**

1 A: Yes.

2 **Q: Are those the numbers that were included in the year that is the subject of**
3 **this rate dispute?**

4 A: Yes.

5 **Q: Could you describe your role in the matter of assisting Woodloch in setting**
6 **those rates?**

7 A: As City Engineer and Client Manager, I oversaw the representative from Bleyl and
8 Associates that attended the Council meetings. I reviewed the rates and offered guidance
9 on how the rates should be structured to generate enough revenue to support repayment
10 of all City debts, and to establish a reserve fund for future repairs.

11 **Q: Do you have an opinion about whether the rates set by Woodloch for the**
12 **water system are appropriate for generating the revenue necessary for the**
13 **Town to cover its operating and maintenance costs during the year in**
14 **question?**

15 A: Yes, the rates set by Woodloch for the water system are appropriate for generating the
16 revenue necessary for the Town to cover the ongoing and maintenance costs for the year
17 in question.

18 **Q: On what do you base that opinion?**

19 A: Based on the expenses from calendar year 2012, the expenses for the water and sewer
20 system were approximately \$425,000, and the revenues were approximately \$428,000.

21 **Q: Do you have an opinion about whether those rates raise more than the utility**
22 **needs to operate its system during the year for which they were set?**

1 A: In my opinion, the rates do not generate more than the Town needs to operate its system.
2 Currently, the Town does not generate adequate funds, with its current rates, due to the
3 rate protest. Without the rate protest, the Town still does not have adequate funding to
4 repair and replace all the facilities that require attention. Overtime, the rates should
5 generate enough money to repay a TWDB loan used to replace the existing wastewater
6 treatment plant, operate its system, and fund maintenance and repair to the system.

7 **Q: Are there system components that you believe will need significant repair or**
8 **replacement in the near future?**

9 A: In my opinion we will need to spend money on Water Well No. 2, and both Hydro Tanks
10 at the water plant. We will also need to spend money on rehabilitating the sanitary sewer
11 lines in various parts of the service area, as well as rehabilitating the remaining lift
12 stations in the City. The City's existing wastewater treatment plant is in need of
13 replacement as soon as possible.

14 **Q: Could you describe those items and their anticipated costs for me please?**

15 A: Water Well No. 2 has an urgent repair need, but the City does not have sufficient funds to
16 pull the pump out of the well to determine what the problem is. Base on a preliminary
17 assessment, the repair is estimated by a well installer to be around \$22,000. The repair
18 cost could be significantly higher.

19 Hydro Tank 1 and 2 – If repairs could be made immediately, it is possible the
20 recoating would \$40,000 total, but likely the tanks are beyond recoating due to deficient
21 base metal thickness. If repairs are delayed, then the tanks might have to be replaced at a
22 cost of \$100,000 to \$130,000 total.

1 Sanitary Sewer Rehabilitation – The City still needs to maintain the existing sanitary
2 sewer collection system to reduce infiltration and risks to overflows. The City owns and
3 maintains approximately 9,500 LF of sanitary sewer line that needs rehabilitation after
4 the 2008 project. The total cost to rehab all of the sanitary sewer lines is approximately
5 \$650,000. In 2008, the City rehabilitated the lift station on River Oaks. The City's
6 remaining 4 lift stations have not be rehabilitated.

7 **Q: In your opinion do the rates adopted by the Town that are the subject of this**
8 **dispute provide for the funding of the future projects you anticipate the Town**
9 **facing in the near future?**

10 A: To some degree yes.

11 **Q: Why or why not?**

12 A: The cost of the anticipated work on the water and sanitary sewer system exceeds what the
13 city will have in the reserve fund.

14 **Q: Are there other sources of funding that the Town has pursued to provide for**
15 **those improvements?**

16 A: The City can secure funding from a variety of sources, including the Texas Water
17 Development Board, Certificates of Obligations, Grants, and Bank Loans. However the
18 cost, and repayment schedules, of some of these loans make them prohibitive. Grants are
19 available, however they are hard to get.

20 **Q: What is the status of the City's TWDB loan?**

21 A: The TWDB's 2013 funding commitment expired in January 2014, and the TWDB did not
22 extend their commitment due to the rate protest. The Town was invited to submit an
23 Intended Use Plan (IUP) for the 2015 Clean Water State Revolving Fund, but loan

1 forgiveness is not available at this time. The Texas Water Development Board notified
2 the City in October, 2014 that they can submit an application for 2015 Clean Water State
3 Revolving Funds. The TWDB had money left over from IUP's, that were ranked higher,
4 and who chose not to borrow all they asked for.

5 **Q: Did you or someone under your supervision or control submit that 2013 loan**
6 **application to the TWDB?**

7 A: Yes.

8 **Q: Is that loan for water system or sewer system improvements?**

9 A: The loan was for the planning, design, and construction associated with a new wastewater
10 treatment plant to replace an existing plant and rehabilitating or replacing approximately
11 5,000 linear feet of sanitary sewer.

12 **Q: So it does not provide anything for improvements to the water system?**

13 A: Correct.

14 **Q: Can you describe the terms of the 2013 TWDB loan?**

15 A: The TWDB loan application budget was \$2,699,500 for Planning, Design, and
16 Construction. The 2013 funding request was for planning and design only, which was
17 \$427,613, and repayment would have been \$130,000 after 70% forgiveness. The
18 repayment of the \$130,000 would have been over a 10 year term. Woodloch would then
19 automatically be placed on the following Intended Use Plans for the next three years.
20 The Intended Use Plans lists eligible entities. Once planning and design were complete,
21 Woodloch would have been on the first round invitation to submit an application to
22 receive construction funds with loan forgiveness. The TWDB loan is also a low interest
23 loan, and approximately 1.3% below market rate.

1 **Q: Does the Town's adopted sewer rate include some amount for paying back**
2 **the portion of that loan that the Town must pay back?**

3 A: Yes. The reason for the rate increase was to provide sufficient funds to repay the loan.
4 The rates included funding to repay not only the design loan, but the construction loan as
5 well (assuming 70% overall loan forgiveness). Any excess money generated by the rate
6 structure, that did not go to repay debt, would have been transferred to a reserve fund to
7 be used for other repairs/maintenance on the water and sewer system.

8 **Q: Do the rates provide any excess other than the amount needed to operate and**
9 **maintain the system and make the loan payments on the TWDB loan?**

10 A: The rates do provide for an estimated \$10,000 per year for the reserve fund. However,
11 any excess funds from the rates, including the money generated before receiving the
12 TWDB Construction loan, would be transferred to the reserve fund.

13 **Q: What is the status of the 2015 loan at this time?**

14 A: We are preparing an application to submit to the TWDB, and we anticipate submitting
15 the application before December 2014. If we submit an administratively complete
16 application and funds are still available, Woodloch should be slated to receive a
17 commitment for Planning and Design funds without any loan forgiveness. In order to
18 afford the loan, a 30 year term loan is necessary. A 30 year term was not an available
19 option for the 2013 TWDB loan.

20 **Q: If the TCEQ or the PUC disallow the Woodloch sewer rate that is the subject**
21 **of this dispute, what do you believe will be the fate of Woodloch's effort to**
22 **secure the 2015 loan?**

1 A: The Town must show proof of sufficient funds to repay the loan. Without the rate,
2 sufficient funds are not available. Therefore, the Town will not be able to close on the
3 loan, and the TWDB loan commitment will expire again.

4 **Q: And if the Town does not get that loan, what do you see as the potential**
5 **downside for the Town and the customers of the utility?**

6 A: The existing wastewater treatment plant is past its useful life, and may cease to function
7 or start to leak wastewater on the ground, unless it is completely rebuilt or replaced.
8 Rebuilding it is nearly as costly as replacing it. This loan enables the Town to continue
9 to serve customers of the utility. Without the loan, the Town will not be capable of
10 providing sewer serve in the future. At that point, the Town will need to look to the
11 adjacent utility providers or the State to intervene. The cost of water and sewer will
12 likely be higher than the current rates if an adjacent utility provider takes over
13 Woodloch's service area.

14 **Q: Would it also have an effect on the water utility?**

15 A: Yes.

16 **Q: What would be the impact on the water utility side?**

17 A: Woodloch cannot provide water to customers if the customer cannot discharge to the
18 sewer system. If an adjacent utility provider were to take over Woodloch's sewer
19 customers, that utility provider would also need to accept the water customers.

20 **Q: Let's talk about the water utility now. You have described several critical**
21 **needs of the water utility also. What are the potential costs of those needed**
22 **items?**

1 A: Water well reworks typically cost \$75,000 to \$100,000 per well, and each well will likely
2 need a rework in the next few years. Water Well No. 2 has an urgent repair need, and the
3 repair is estimated to be around \$22,000. Should we have to replace the two hydro
4 pneumatic tanks, the cost is estimated to be \$100,000 total.

5 **Q: Do the water rates established by the Town generate enough revenue to cover**
6 **the operation and maintenance costs of the water system plus the existing**
7 **debts associated with that system?**

8 A: Yes. The current rates generate enough revenue to cover operation and maintenance costs
9 and existing debts associated with the utility system. The Woodforest loan for the
10 Ground Storage Tank No. 2 is the only existing debt. The current rates will not cover the
11 total cost of the existing debts associated with the utility system; the expected TWDB
12 loan without the originally approved 70% loan forgiveness; the consultant's fees incurred
13 from this rate protest; and the necessary capital improvements to maintain the integrity of
14 the system that are beyond the normal operation and maintenance. Repayment of costs
15 associated with this rate protest will delay capital projects, extend loan terms, and
16 ultimately increase the cost of providing utility service.

17 **Q: Is there excess revenue being generated that is not necessary to fund those**
18 **costs?**

19 A: No. other than a reserve fund.

20 **Q: Will those rates generate an adequate reserve to pay for those items you see**
21 **as needed for water system improvements in the near future?**

22 A: No.

1 **Q: Do you have an opinion about whether the rates in question provide enough**
2 **revenue for the Town to build reserves adequate for long-term future system**
3 **improvements?**

4 A: The rates in question will help to build up reserves adequate enough for future system
5 improvements, but will not completely cover those costs. The City will still have to
6 explore other funding options for those improvements.

7 **Q: If not, then how will the Town fund those improvements?**

8 A: Few affordable funding options are available. That is why it was devastating for the
9 Town to lose the 2013 TWDB loan that included 70% loan forgiveness. The Town is
10 applying a second time for a loan from the TWDB for Planning and Design of a new
11 wastewater treatment plant. Loan forgiveness was not available for the Town this time. If
12 the Town receives a 30 year loan for Planning and Design, the may be eligible to receive
13 70% loan forgiveness for the construction, which would significantly reduce the debt
14 schedule. CBDG grants are available, but those are limited, so it is not an option for the
15 wastewater treatment plant, but it may help to fund water plant improvement projects.

16 **Q: So the rate, in your opinion, is not adequate to accumulate reserves to pay for**
17 **expenses like these?**

18 A: Yes.

19 **Q: What do you foresee for the Town's water and sewer system if the rates**
20 **under question are cut back to any significant degree?**

21 A: The utility system would continue to deteriorate to a point where the Town would not be
22 able to pay for the maintenance, and they would not be able to provide water and sewer
23 service to their customers once the system ultimately fails to operate.

1 **Q: What is your understanding of the relative rates as between the Town**
2 **residents and the out-of-city customers?**

3 A: My understanding is the out-of-city customers' rates were increased to balance the
4 revenue being spent on public works expenses (Keep in mind that the City acquired the
5 CCNs at a point in time when even the State found them to be substandard). Prior to the
6 February 2013 rate increase, the Town subsidized the deficit on public works expenses by
7 using nearly 100% of the tax revenues to fund the public works deficit. Therefore tax
8 revenue was not available to benefit the tax payers, and the Town's streets, drainage and
9 park facilities have all suffered. The out-of-city rates increased more than in-city to
10 ensure in-city residents, which are smaller in population, did not continue to pay the a
11 disproportionate percentage of the Town's public works expenses.

12 **Q: Were you involved in the Town's discussions that resulted in the relative**
13 **rates being set in the manner that is being disputed?**

14 A: Yes. I was not present at the meeting the rates were adopted, but I supervised and had
15 numerous discussions with the engineer that attended the meeting and with the Mayor.

16 **Q: What was your role?**

17 A: My role was to assist and guide the engineer who worked directly with the Town to set
18 the rates.

19 **Q: What was the ratio of the in-city to out-of-city customers prior to this rate**
20 **increase?**

21 A: Assuming average monthly water usage of 5,000 gallons, the previous water bill ratio
22 (out-of-city/in-city) was approximately 1.4:1 and the previous sewer bill ratio was
23 approximately 1.2:1.

1 **Q: What is the current ratio for both water and sewer?**

2 A: Assuming average monthly water usage of 5,000 gallons, the current water bill ratio (out-
3 of-city/in-city) is 1.85:1 and the sewer bill ratio is 2:1.

4 **Q: Why did the Town set its rates with the current 2-1 ratio?**

5 A: The Town set its rates with the current 2-1 ratio in order to ensure the revenue generated
6 from the out-of-town customers' utility bills are adequate to maintain the out-of-city's
7 respective percentage of the Town's public works expenses, including necessary repairs
8 to maintain the utility system's integrity, annual capital improvements needs. The rate
9 was also set to pay for a much needed Wastewater Treatment Plant, funded by the TWDB
10 with 70% of the total funding being forgiven by the TWDB.

11 **Q: Do you believe the rate is unfair either in- and out-of- city customers?**

12 A: No.

13 **Q: Why or why not?**

14 A: The current rates are structured to balance both in-city rate revenue and out-of-city rate
15 revenue with respect to what is cost to operate the system. The current rates also account
16 for in-city tax revenue put towards public works expenses.

17 **Q: How much have you billed the Town for your work on this rate appeal?**

18 A: I estimate that we have billed the Town \$32,000 for our part of the preparation for this
19 rate case up to this point and estimate that I will bill approximately \$15,000 more before
20 this case is final.

21 **Q: In your professional opinion is that amount reasonable?**

1 A: Yes. I have billed fewer hours than our actual time spent on the rate protest. We have
2 written-off over \$2000 in billable time. In addition, our firm typically bills at a lower rate
3 than most other similar firms who do this type of work.

4 **Q: In your professional opinion was the work you did and the work you expect to**
5 **do in the future necessary to properly present this case to the SOAH ALJ and**
6 **the PUC?**

7 A: Yes, my work was directed by the Mayor and you (Duncan Norton) the lead attorney on
8 the case, and was either directly tied to the many settlement discussions that occurred or
9 to the preparation for this legal proceeding.

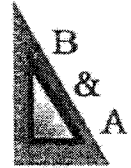
10 **Q: Does this testimony represent your professional opinion in this matter?**

11 A: Yes.

12 **Q: Does this complete your testimony?**

13 A: Yes, but I'd like to reserve the right to amend this testimony as needed prior to the
14 hearing.

MICHAEL W. MATHENA, P.E.
VICE PRESIDENT, PROJECT MANAGER



EDUCATION

Master of Business Administration in
Management, 2004
Our Lady of the Lake University
San Antonio, Texas

REGISTRATION

Licensed Professional Engineer
State of Texas No. 91895

Bachelor of Science in Civil Engineering, 1998
Texas Tech University
Lubbock, Texas

PROFESSIONAL AFFILIATIONS & HONOR SOCIETIES

Chi-Epsilon - Civil Engineering Honor Society

BACKGROUND

Mr. Mathena has significant experience in the design and management of developments (residential and commercial) and municipal utility district projects. He has experience in the design of roadways, water production/distribution, wastewater collection/treatment systems, land development and drainage facilities. He also has a design background involving elevated storage tanks, water wells, wastewater treatment systems, water distribution, wastewater collection, drainage facilities, and land development. Construction costs for these projects have ranged from \$2,500 to over \$3 million.

RELEVANT EXPERIENCE

Bleyl & Associates

Conroe, Texas

Vice President of Marketing/Engineer Manager/Project Manager, September 2004 to Present

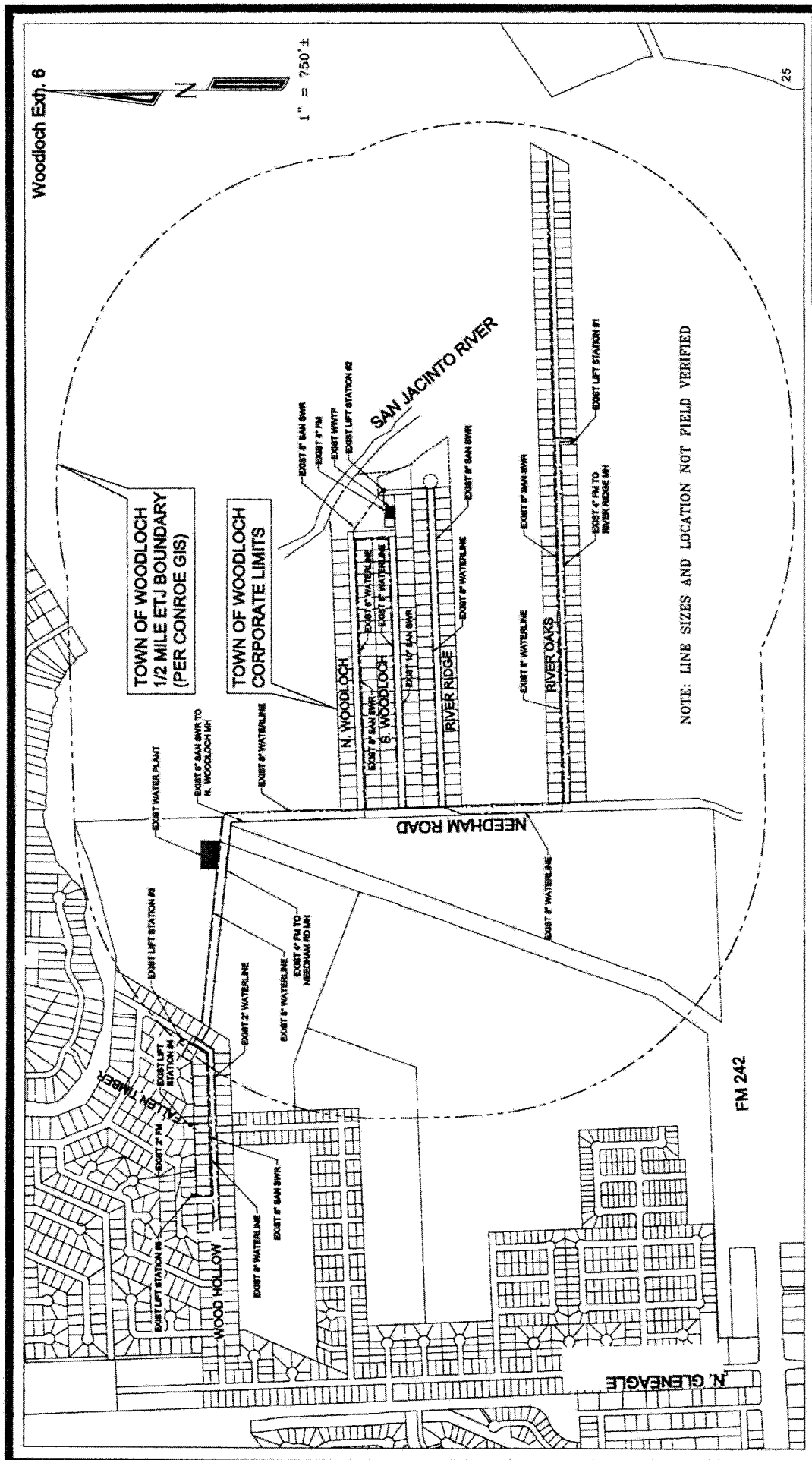
Plans, organizes, and manages a team of engineers and technicians to provide design and consulting services to land developers and municipal clients.

AEI Engineering, Inc.

Spring, Texas

Project Engineer, May 1995 to April 2004

Project management and design of municipal type projects including water, sanitary sewer, drainage, and land development. Other responsibilities included the preparation of proposals, construction observation and management, research, water well studies, permitting, and bond reports. Mr. Mathena also served as primary engineering contact for six municipal utility districts, two cities, one governmental entity, and two land development companies.



Woodloch Exh. 6

1" = 750' ±

25

NOTE: LINE SIZES AND LOCATION NOT FIELD VERIFIED

B & A
Bleyl & Associates
 Project Engineering & Management
 100 N. GLENEAGLE
 CONROE, TEXAS 77385
 936-441-7633 PHONE
 936-760-5853 FAX

TOWN OF WOODLOCH WATER AND SEWER MAP

TOWN OF WOODLOCH W&S MAP
 PROJECT # 11107
 DATE: NOVEMBER 2014

1

4:25 PM
07/30/13
Accrual Basis

Town of Woodloch
Profit & Loss
January 2012 through February 2013

	<u>Jan '12 - Feb 13</u>
Ordinary Income/Expense	
Income	
811 Ad Valorem Tax	64,583.85
814 Franchise Fee Street Rental	21,719.09
820 Charges for Services	3.70
829 Other	0.00
830 Licenses & Permits	80.00
910 Water Revenues	12,683.32
912 Residential Water Sales	113,656.27
914 Water Tap Fees	600.00
922 Residential Sewer Sales	111,116.98
924 Sewer Tap Fees	1,925.00
932 Residential Collections	15,548.84
955 CDBG	270,831.53
960 Regulatory Agency Fees	23,473.93
980 Interest	104.56
990 Unassigned Revenue	30.00
Total Income	<u>636,357.07</u>
Gross Profit	636,357.07
Expense	
110 Full Time Employees	57,967.20
210 Social Security	3,378.42
211 Medicare	790.12
230 Group Insurance	4,466.74
260 Transportation Allowance	6,835.35
290 Unemployment Compensati...	594.01
310 Office Supplies	6,764.61
320 Janitorial Supplies	758.82
330 Minor Tools	147.89
340 Mechanical Supplies	1,862.95
350 Motor Vehicle Fuel	389.17
360 Chemical Supplies	10,612.25
385 Educational Materials	50.00
390 Clothing	273.58
405 Administration Contract	480.00
410 Building Maintenance	3,051.55
420 Motor Vehicle Maintenance	540.29
430 Office Equip. Maintenance	1,927.16
435 Other Equip. Maintenance	903.28
440 Street Maintenance	3,301.53
442 Recreation Facility Maint	6,233.20
450 Utility Line Maintenance	1,366.69

4:25 PM

07/30/13

Accrual Basis

Town of Woodloch
Profit & Loss
 January 2012 through February 2013

	<u>Jan '12 - Feb 13</u>
454 Meter & Tap Expense	4,111.00
455 Water Well Maintenance	1,033.00
456 Water Samples	14,851.32
460 Electric Service	25,931.74
462 Water Service	29,318.93
463 Sewer Service	45,734.17
467 Sanitation Collection	12,878.27
468 Telephone Service	3,500.55
480 General Liability Insurance	2,638.73
482 Building Insurance	899.38
484 Auto Insurance	156.00
510 Travel	45.75
520 Training & Education	1,229.36
530 Dues & Memberships	1,415.50
531 Licenses & Permits	15,547.28
535 Postage	2,385.20
550 Radio/Phone Equipment M...	300.00
560 Disaster Cleanup	4,145.32
565 Inspection Fees	1,830.78
570 Legal Services	9,486.25
571 Engineering	9,222.60
580 Tax Collection	4,052.92
585 Accounting Services	9,160.20
610 Community Events	523.34
620 Unfunded Mandates	12,920.49
710 Land	2,550.00
720 Buildings	2,563.32
730 Machinery & Equipment	5,933.08
750 CDBG	72,703.15
780 Depreciation Expense	37,815.00
Payroll Expenses	
SUTA	147.60
Total Payroll Expenses	<u>147.60</u>
Total Expense	<u>447,725.04</u>
Net Ordinary Income	188,632.03
Other Income/Expense	
Other Expense	
Grants (Exp)	
Local Matching Funds	-700.00
Total Grants (Exp)	<u>-700.00</u>

4:25 PM
07/30/13
Accrual Basis

Town of Woodloch
Profit & Loss
January 2012 through February 2013

	<u>Jan '12 - Feb 13</u>
Void	<u>0.00</u>
Total Other Expense	<u>-700.00</u>
Net Other Income	<u>700.00</u>
Net Income	<u><u>189,332.03</u></u>

2

Town of Woodloch Water and Sewer Reports
February 2012 - February 2013
July 2013

Month	Water Sold (gallons)	Water Pumped (gallons)	Active Meters ⁽¹⁾	Gallons Treated (WWTP)
February 2012	1,479,000	1,747,000	244	842,000
March 2012	1,368,000	1,473,000	246	638,000
April 2012	1,634,000	1,707,000	244	501,000
May 2012	1,940,000	2,391,000	243	445,000
June 2012	2,626,000	2,107,000	243	429,000
July 2012	1,816,000	1,864,000	244	461,000
August 2012	2,083,000	2,756,000	244	404,000
September 2012	1,981,000	1,924,000	244	365,000
October 2012	1,528,000	1,711,000	242	376,000
November 2012	1,565,000	1,698,000	244	394,000
December 2012	1,349,000	1,625,000	243	462,000
January 2013	1,525,000	1,532,000	243	460,000
February 2013	1,540,000	1,449,000	244	395,000

Notes:

1. All meter sizes are 3/4" x 5/8" meters according to the Town's operator.

3

**Town of Woodloch Water and Sewer Reports
February 2012 - February 2013
July 2013**

Month	Water Sold (gallons)	Water Pumped (gallons)	Active Meters ⁽¹⁾	Gallons Treated (WWTP)
February 2012	1,479,000	1,747,000	244	842,000
March 2012	1,368,000	1,473,000	246	638,000
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4

Town of Woodloch Water and Sewer Reports
February 2012 - February 2013
July 2013

Month	Water Sold (gallons)	Water Pumped (gallons)	Active Meters ⁽¹⁾	Gallons Treated (WWTP)
February 2012	1,479,000	1,747,000	244	842,000
March 2012	1,368,000	1,473,000	246	638,000
April 2012	1,634,000	1,707,000	244	501,000
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December 2012	1,349,000	1,625,000	243	462,000
January 2013	1,525,000	1,532,000	243	460,000
February 2013	1,540,000	1,449,000	244	395,000

Notes:

1. All meter sizes are 3/4" x 5/8" meters according to the Town's operator.

5

Thursday, July 4, 2013

11:52:26AM

WATER

Page 1 of 1

Sales Tax Report 2/12-2/13

SALES AND RECEIVABLES REPORT

Month	Water	Sewage	Garbage	Late	Ground	Adjust	DISCON	Sales	LSGCD	Total Sales	Total Past Due	Overpay Prepays	Total Receivables
02-12	7,584.00	8,005.00	1,080.00	545.73	1,285.20	143.30	300.00	67.68	239.00	19,249.91	2,716.50	(\$2,036.93)	19,929.48
03-12	7,298.00	8,070.00	1,095.00	689.10	1,194.30	600.00	150.00	68.62	241.00	19,406.02	2,465.11	(\$2,704.00)	19,167.13
04-12	7,967.67	8,126.83	1,100.50	625.20	1,416.60	152.97	250.00	68.96	243.00	19,951.73	2,520.56	(\$2,362.87)	20,109.42
05-12	8,707.00	8,070.00	1,095.00	616.92	1,647.90	(46.99)	300.00	68.62	241.00	20,399.45	2,925.10	(\$2,132.42)	21,192.13
06-12	10,851.00	8,035.00	1,095.00	694.22	2,318.40	17.05	300.00	68.62	240.00	23,619.29	2,509.12	(\$2,877.46)	23,250.95
07-12	8,459.00	8,035.00	1,095.00	720.80	1,593.90	370.84	200.00	68.62	240.00	20,783.16	2,382.40	(\$3,105.72)	20,059.84
08-12	9,263.00	8,105.00	1,073.50	747.36	1,811.70	107.37	200.00	67.26	242.00	21,617.19	2,662.42	(\$2,770.60)	21,509.01
09-12	8,760.00	8,045.00	1,065.00	712.86	1,712.70	(72.77)	200.00	66.74	240.00	20,529.53	3,016.08	(\$1,367.30)	22,178.31
10-12	7,671.50	8,040.00	1,080.00	770.75	1,332.00	30.00	250.00	67.68	240.00	19,481.93	2,951.59	(\$2,615.47)	19,818.05
11-12	7,901.00	8,040.00	1,080.00	823.16	1,387.80	46.62	50.00	67.68	240.00	19,586.26	3,423.69	(\$2,693.75)	20,316.20
12-12	7,219.50	8,075.00	1,080.00	641.96	1,164.60		200.00	67.68	241.00	18,539.74	4,533.10	(\$1,108.38)	21,964.46
01-13	7,506.00	8,040.00	1,080.00	746.76	1,282.50		550.00	67.68	240.00	19,162.94	2,829.30	(\$2,499.12)	19,493.12
02-13	7,737.50	8,075.00	1,080.00	727.49	1,314.00			67.68	241.00	19,792.67	3,043.77	(\$2,469.47)	20,366.97

13 Month Totals

Monthly Averages

Total Water	\$106,925.17	Average Water	\$8,225.01
Total Sewage	\$104,761.83	Average Sewage	\$8,058.60
Total Garbage	\$14,099.00	Average Garbage	\$1,084.54
Total Late	\$9,062.31	Average Late	\$697.10
Total Ground	\$19,461.60	Average Ground	\$1,497.05
Total Adjust	\$1,348.39	Average Adjust	\$103.72
Total DISCON	\$2,450.00	Average DISCON	\$188.46
Total Sales	\$883.52	Average Sales	\$67.96
Total LSGCD	\$3,128.00	Average LSGCD	\$240.62
	\$262,119.82		\$20,163.06

Qualified By: System for 02-12 to 02-13

Town of Woodloch

6

Tuesday, July 30, 2013

2:38:03PM

***WATER**

Page 1 of 1

SALES AND RECEIVABLES REPORT

Month	Water	Sewage	Garbag	Late	Ground	Adjust	DISCON	Sales	LSGCD	Total Sales	Total Past Due	Overpay Prepnys	Total Receivables
02-12	7,584.00	8,005.00	1,080.00	545.73	1,285.20	143.30	300.00	67.68	239.00	19,249.91	2,716.50	(\$2,036.93)	19,929.48
03-12	7,298.00	8,070.00	1,095.00	689.10	1,194.30	600.00	150.00	68.62	241.00	19,406.02	2,465.11	(\$2,704.00)	19,167.13
04-12	7,967.67	8,126.83	1,100.50	625.20	1,416.60	152.97	250.00	68.96	243.00	19,951.73	2,520.56	(\$2,362.87)	20,109.42
05-12	8,707.00	8,070.00	1,095.00	616.92	1,647.90	(46.99)	300.00	68.62	241.00	20,399.45	2,925.10	(\$2,132.42)	21,192.13
06-12	10,851.00	8,035.00	1,095.00	694.22	2,318.40	17.05	300.00	68.62	240.00	23,619.29	2,509.12	(\$2,877.46)	23,250.95
07-12	8,459.00	8,035.00	1,095.00	720.80	1,593.90	370.84	200.00	67.26	242.00	21,617.19	2,662.42	(\$2,770.60)	21,509.01
08-12	9,263.00	8,105.00	1,073.50	747.36	1,811.70	107.37	200.00	66.74	240.00	20,529.53	3,016.08	(\$1,367.30)	22,178.31
09-12	8,760.00	8,045.00	1,065.00	712.86	1,712.70	(72.77)	250.00	67.68	240.00	19,481.93	2,951.59	(\$2,615.47)	19,818.05
10-12	7,671.50	8,040.00	1,080.00	770.75	1,332.00	30.00	50.00	67.68	240.00	19,586.26	3,423.69	(\$2,693.75)	20,316.20
11-12	7,901.00	8,040.00	1,080.00	823.16	1,387.80	46.62	200.00	67.68	241.00	18,539.74	4,533.10	(\$1,108.38)	21,964.46
12-12	7,219.50	8,075.00	1,080.00	641.96	1,164.60		550.00	67.68	240.00	19,162.94	2,829.30	(\$2,499.12)	19,493.12
01-13	7,506.00	8,040.00	1,080.00	746.76	1,282.50								
02-13	7,737.50	8,075.00	1,080.00	727.49	1,314.00			67.68	241.00	19,792.67	3,043.77	(\$2,469.47)	20,366.97

13 Month Totals

Total Water	\$106,925.17	Average Water	\$8,225.01
Total Sewage	\$104,761.83	Average Sewage	\$8,058.60
Total Garbag	\$14,099.00	Average Garbag	\$1,084.54
Total Late	\$9,062.31	Average Late	\$697.10
Total Ground	\$19,461.60	Average Ground	\$1,497.05
Total Adjust	\$1,348.39	Average Adjust	\$103.72
Total DISCON	\$2,450.00	Average DISCON	\$188.46
Total Sales	\$883.52	Average Sales	\$67.96
Total LSGCD	\$3,128.00	Average LSGCD	\$240.62
	\$262,119.82		\$20,163.06

Qualified By: System for 02-12 to 02-13

Town of Woodloch

Monthly Averages

Average Water	\$8,225.01
Average Sewage	\$8,058.60
Average Garbag	\$1,084.54
Average Late	\$697.10
Average Ground	\$1,497.05
Average Adjust	\$103.72
Average DISCON	\$188.46
Average Sales	\$67.96
Average LSGCD	\$240.62
	\$20,163.06

2:33 PM
07/30/13
Cash Basis

Town of Woodloch
Utility Operations - Budget vs Actual
February 2012 through February 2013

	<u>Feb '12 - Feb 13</u>	<u>Budget</u>	<u>\$ Over Budget</u>
Ordinary Income/Expense			
Income			
910 Water Revenues	11,458.12	1,150.00	10,308.12
912 Residential Water Sales	106,115.17	120,800.00	(14,684.83)
914 Water Tap Fees	600.00	600.00	0.00
922 Residential Sewer Sales	102,571.98	96,000.00	6,571.98
924 Sewer Tap Fees	1,925.00	75.00	1,850.00
932 Residential Collections	14,408.84	13,110.00	1,298.84
955 CDBG	270,831.53	17,500.00	253,331.53
960 Regulatory Agency Fees	22,019.42	24,782.00	(2,762.58)
980 Interest	45.49	0.00	45.49
990 Unassigned Revenue	30.00	0.00	30.00
Total Income	<u>530,005.55</u>	<u>274,017.00</u>	<u>255,988.55</u>
Gross Profit	530,005.55	274,017.00	255,988.55
Expense			
110 Full Time Employees	13,945.60	30,000.00	(16,054.40)
210 Social Security	776.27	4,290.00	(3,513.73)
211 Medicare	181.55	1,008.00	(826.45)
230 Group Insurance	5,367.24	1,200.00	4,167.24
240 Workmen's Compensation	0.00	1,272.00	(1,272.00)
260 Transportation Allowance	2,604.60	7,500.00	(4,895.40)
290 Unemployment Compensati...	438.49	525.00	(86.51)
310 Office Supplies	4,821.98	2,704.00	2,117.98
320 Janitorial Supplies	744.91	884.00	(139.09)
330 Minor Tools	0.00	1,192.00	(1,192.00)
340 Mechanical Supplies	1,760.11	3,990.00	(2,229.89)
350 Motor Vehicle Fuel	389.17	836.00	(446.83)
360 Chemical Supplies	9,411.00	14,036.00	(4,625.00)
390 Clothing	229.81	897.00	(667.19)
405 Administration Contract	352.50	2,507.00	(2,154.50)
410 Building Maintenance	2,714.83	921.00	1,793.83
420 Motor Vehicle Maintenance	540.29	4,755.00	(4,214.71)
430 Office Equip. Maintenance	1,475.16	570.00	905.16
435 Other Equip. Maintenance	903.28	4,108.00	(3,204.72)
440 Street Maintenance	3,501.53	945.00	2,556.53
442 Recreation Facility Maint	6,233.20	4,384.00	1,849.20
450 Utility Line Maintenance	1,366.69	10,408.00	(9,041.31)
454 Meter & Tap Expense	4,111.00	0.00	4,111.00
455 Water Well Maintenance	1,033.00	300.00	733.00
456 Water Samples	13,899.32	9,230.00	4,669.32
460 Electric Service	23,650.01	22,388.00	1,262.01
462 Water Service	29,318.93	2,435.00	26,883.93

2:33 PM
07/30/13
Cash Basis

Town of Woodloch
Utility Operations - Budget vs Actual
February 2012 through February 2013

	<u>Feb '12 - Feb 13</u>	<u>Budget</u>	<u>\$ Over Budget</u>
463 Sewer Service	45,734.17	17,698.00	28,036.17
467 Sanitation Collection	11,980.43	9,033.00	2,947.43
468 Telephone Service	2,866.85	1,720.00	1,146.85
471 State Comptroller	0.00	974.00	(974.00)
480 General Liability Insurance	2,646.25	1,500.00	1,146.25
482 Building Insurance	931.50	750.00	181.50
484 Auto Insurance	141.00	750.00	(609.00)
510 Travel	45.75	378.00	(332.25)
520 Training & Education	58.76	2,266.00	(2,207.24)
530 Dues & Memberships	569.94	934.00	(364.06)
531 Licenses & Permits	14,275.53	9,902.00	4,373.53
535 Postage	1,786.14	1,499.00	287.14
550 Radio/Phone Equipment M...	300.00	0.00	300.00
560 Disaster Cleanup	4,145.32	0.00	4,145.32
565 Inspection Fees	1,755.78	350.00	1,405.78
570 Legal Services	8,766.25	8,847.00	(80.75)
571 Engineering	8,625.10	1,686.00	6,939.10
580 Tax Collection	1,717.74	0.00	1,717.74
585 Accounting Services	7,251.00	4,606.00	2,645.00
610 Community Events	425.31	0.00	425.31
620 Unfunded Mandates	11,260.49	11,816.00	(555.51)
660 Emergency Management	0.00	850.00	(850.00)
710 Land	2,550.00	0.00	2,550.00
720 Buildings	2,563.32	0.00	2,563.32
730 Machinery & Equipment	4,422.00	0.00	4,422.00
750 CDBG	71,532.15	17,500.00	54,032.15
780 Depreciation Expense	37,815.00		
Payroll Expenses			
SUTA	26.82		
Total Payroll Expenses	<u>26.82</u>		
Total Expense	<u>373,963.07</u>	<u>226,344.00</u>	<u>147,619.07</u>
Net Ordinary Income	<u>156,042.48</u>	<u>47,673.00</u>	<u>108,369.48</u>
Net Income	<u><u>156,042.48</u></u>	<u><u>47,673.00</u></u>	<u><u>108,369.48</u></u>

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07/30/13
Cash Basis

Town of Woodloch
Utility Operations - Budget vs Actual
February 2012 through February 2013

	<u>Feb '12 - Feb 13</u>	<u>Budget</u>	<u>\$ Over Budget</u>
Ordinary Income/Expense			
Income			
910 Water Revenues	11,458.12	1,150.00	10,308.12
912 Residential Water Sales	106,115.17	120,800.00	(14,684.83)
914 Water Tap Fees	600.00	600.00	0.00
922 Residential Sewer Sales	102,571.98	96,000.00	6,571.98
924 Sewer Tap Fees	1,925.00	75.00	1,850.00
932 Residential Collections	14,408.84	13,110.00	1,298.84
955 CDBG	270,831.53	17,500.00	253,331.53
960 Regulatory Agency Fees	22,019.42	24,782.00	(2,762.58)
980 Interest	45.49	0.00	45.49
990 Unassigned Revenue	30.00	0.00	30.00
Total Income	530,005.55	274,017.00	255,988.55
Gross Profit	530,005.55	274,017.00	255,988.55
Expense			
110 Full Time Employees	13,945.60	30,000.00	(16,054.40)
210 Social Security	776.27	4,290.00	(3,513.73)
211 Medicare	181.55	1,008.00	(826.45)
230 Group Insurance	5,367.24	1,200.00	4,167.24
240 Workmen's Compensation	0.00	1,272.00	(1,272.00)
260 Transportation Allowance	2,604.60	7,500.00	(4,895.40)
290 Unemployment Compensati...	438.49	525.00	(86.51)
310 Office Supplies	4,821.98	2,704.00	2,117.98
320 Janitorial Supplies	744.91	884.00	(139.09)
330 Minor Tools	0.00	1,192.00	(1,192.00)
340 Mechanical Supplies	1,760.11	3,990.00	(2,229.89)
350 Motor Vehicle Fuel	389.17	836.00	(446.83)
360 Chemical Supplies	9,411.00	14,036.00	(4,625.00)
390 Clothing	229.81	897.00	(667.19)
405 Administration Contract	352.50	2,507.00	(2,154.50)
410 Building Maintenance	2,714.83	921.00	1,793.83
420 Motor Vehicle Maintenance	540.29	4,755.00	(4,214.71)
430 Office Equip. Maintenance	1,475.16	570.00	905.16
435 Other Equip. Maintenance	903.28	4,108.00	(3,204.72)
440 Street Maintenance	3,501.53	945.00	2,556.53
442 Recreation Facility Maint	6,233.20	4,384.00	1,849.20
450 Utility Line Maintenance	1,366.69	10,408.00	(9,041.31)
454 Meter & Tap Expense	4,111.00	0.00	4,111.00
455 Water Well Maintenance	1,033.00	300.00	733.00
456 Water Samples	13,899.32	9,230.00	4,669.32
460 Electric Service	23,650.01	22,388.00	1,262.01
462 Water Service	29,318.93	2,435.00	26,883.93

Utility Operations

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Cash Basis

Town of Woodloch
Utility Operations - Budget vs Actual
February 2012 through February 2013

	<u>Feb '12 - Feb 13</u>	<u>Budget</u>	<u>\$ Over Budget</u>
463 Sewer Service	45,734.17	17,698.00	28,036.17
467 Sanitation Collection	11,980.43	9,033.00	2,947.43
468 Telephone Service	2,866.85	1,720.00	1,146.85
471 State Comptroller	0.00	974.00	(974.00)
480 General Liability Insurance	2,646.25	1,500.00	1,146.25
482 Building Insurance	931.50	750.00	181.50
484 Auto Insurance	141.00	750.00	(609.00)
510 Travel	45.75	378.00	(332.25)
520 Training & Education	58.76	2,266.00	(2,207.24)
530 Dues & Memberships	569.94	934.00	(364.06)
531 Licenses & Permits	14,275.53	9,902.00	4,373.53
535 Postage	1,786.14	1,499.00	287.14
550 Radio/Phone Equipment M...	300.00	0.00	300.00
560 Disaster Cleanup	4,145.32	0.00	4,145.32
565 Inspection Fees	1,755.78	350.00	1,405.78
570 Legal Services	8,766.25	8,847.00	(80.75)
571 Engineering	8,625.10	1,686.00	6,939.10
580 Tax Collection	1,717.74	0.00	1,717.74
585 Accounting Services	7,251.00	4,606.00	2,645.00
610 Community Events	425.31	0.00	425.31
620 Unfunded Mandates	11,260.49	11,816.00	(555.51)
660 Emergency Management	0.00	850.00	(850.00)
710 Land	2,550.00	0.00	2,550.00
720 Buildings	2,563.32	0.00	2,563.32
730 Machinery & Equipment	4,422.00	0.00	4,422.00
750 CDBG	71,532.15	17,500.00	54,032.15
780 Depreciation Expense	37,815.00		
Payroll Expenses			
SUTA	26.82		
Total Payroll Expenses	<u>26.82</u>		
Total Expense	<u>373,963.07</u>	<u>226,344.00</u>	<u>147,619.07</u>
Net Ordinary Income	<u>156,042.48</u>	<u>47,673.00</u>	<u>108,369.48</u>
Net Income	<u>156,042.48</u>	<u>47,673.00</u>	<u>108,369.48</u>

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City of Woodloch
2620 North Woodloch
Conroe, Texas 77835

February 4, 2013

Re: Automatic Meter Reading

To Whom It May Concern;

Please find listed below our quotation for furnish and install RG3 Meters with Tesla AMR registers.

Equipment and Pricing

Infinity Metering of Texas is pleased to provide a quotation for the following equipment and services for and AMR Water Meters in the City Of Woodloch. We believe you will find our AMR solution to be the best value to your water supply.

AMR Automated Solutions

RG3 Tesla RF mobile AMR System is a true two-way communication drive-by AMR system. Driven by high-power 1 watt spread spectrum RF technology, it provides reliable radio transmission from some of the toughest meter environments.

- . Meter Register with Integrated Radio Transceiver.
- . No Wires or Connections Needed.
- . Easy to Read LCD Display.
- . 160 days of hourly water usage.
- . Leak Detection, Backflow and Tamper Notification.
- . Easy to Use Data Collection Laptop with Remote Transceiver.

The Tesla RF mobile AMR System is full-featured including data profiling, Leak detection Backflow and Tamper indication. The leak detection, backflow and tamper flags can be seen on the Laptop computer inside the vehicle during read cycles and can also appear on reports after meter reading has been completed.

The mapping feature of the software allows the user to easily view unread meters and plan the most efficient route. Completely wireless, the Tesla RF mobile AMR System is hassle free. There are no connections to make or wires to run. Simply install and read.

Unlike other meters with integrated AMR transmitters, the Tesla Register has an external

antenna and fully encapsulated electronics. The external antenna allows the transceiver to transmit a reliable signal even when the meter is completely covered in soil and water. The fully encapsulated electronics are protected from water and humidity ensuring years of dependable service.

Asset Management Software

Included at no additional charge is our Asset Management Software. The Asset Manager allows you to place your assets on a map. Assets can be entered manually as well as imported from various other sources. Asset Manager also includes drawing tools to show any type of item and boundaries.

Tesla RF Component Warranty

Tesla RF registers and external transmitters (herein know as "product") are warranted to be free from defects in materials and workmanship for ten (10) years from date of shipment by RG3 Meter Company and at a prorated replacement cost of list price during the following ten (10) years based on the discounted rate value listing below.

All other Tesla RF System components are warranted to be free from defects in materials and workmanship for one (1) year from date of shipment by RG3 Meter Company

If a product fails to perform as warranted, RG3 Meter will repair or replace the product, at RG3 Meter Company sole option, at no charge to the customer, subject to the terms of the warranty. This warranty shall not be applicable to products that have been damaged by willful misconduct, negligence, vandalism, act of God, exposure to adverse service conditions or improper installation, use or repair.

RG3 Meter Company liability under this warranty is expressly limited to repair or replacement of the product, at RG3 Meter option. The repaired or replacement product will maintain the original meter's warranty based on the original purchase date. The customer must pay for freight cost of the returned product or products to the factory or service center designated by RG3 Meter Company. The product replaced becomes the property of RG3 Meter Company.

RG3 Meter Company further warrants that any Tesla register or external transmitter installed shall be free from battery defects in manufacturing and design for a period of ten (10) years from the date of shipment in the relevant Tesla RF product (such period is defined as the "Battery Warranty Period"). RG3 Meter Company will repair or replace a product that is non-performing due to battery failure free of charge for the first ten (10) years and at a prorated replacement cost based on the current list price during the remaining ten (10) years as follows:

Year of Failure Replacement Cost

Year 1-10 Full Replacement

Year 11, 30%, Year 12, 35%, Year 13, 40%, Year 14, 45%, Year 15, 50%, Year 16, 55%, Year 17, 60%, Year 18, 65%, Year 19, 70%, Year 20, 75%.

Quotation

AMR Materials

RG3 Software* both (client and server) with one year support,
Laptop and Transceiver and GPS units

\$ 3,800.00

250a 5/8"x 3/4" RG3 PD Meters with Tesla Registers \$ 195.00ea \$ 48,750.00

\$ 52,500.00

Thank you for the opportunity to present this quotation. Please contact me if you need any additional information.

Sincerely

Mickey L. Jordan
Vice President of Operations

Infinity Metering of Texas
P O Box 218 Fentress, Texas 78622
888-649-3654 Fax 501-255-7732

Infinity Financing

Administered by Government Capital

2/04/13

City of Woodloch Texas
2620 North Woodloch
Conroe, Texas 77385

RE: AMR/Meter Project

Dear Sirs:

Thank you for the opportunity to present the following proposal for financing:

Lender:	Government Capital Corporation
Borrower:	City of Woodloch
Equipment/Project:	AMR/Meter Project
Financing Structure:	Tax Exempt Financing - Texas Public Property Finance Act Contract subject to Section 271.005 of the Texas Local Government Code
Payments Due:	One year from signing & annually thereafter
Financed Amount:	\$52,500.00

OPTIONS:	5 Years	7 Years
Payment Amount:	\$11,555.25	\$8,484.00
Effective Interest Rate:	2.889%	2.917%

The above proposal is an expression of interest, subject to audit analysis and mutually acceptable documentation and is not a binding commitment. The terms outlined herein are subject to change and rates are valid for fourteen (14) days from the date of this proposal. If funding does not occur within this time period, rates will be indexed to markets at that time. Proposed funding considers the total cost of borrowing and includes up to .015 in fees to cover underwriting, issuance and documentation costs.

I look forward to proceeding with this project and should you have any questions or wish to consider other terms, please feel free to give me a call. Sample documents are available upon request.

Sincerely,

Tara Chumley

Tara Chumley
Account Manager
817-722-0242
tara@govcap.com

*Infinity Meters of Texas * PO Box 218, Fentress, TX 78622 * 501-255-7760*

GOVERNMENT CAPITAL CORPORATION

TRANSACTION INFORMATION SHEET-Utility Projects

Legal Name of Entity/Obligor: Town of Woodloch		Federal Tax ID# 74- 1942635	
Address: P.O. Box 1379			
City: Conroe	County: Montgomery	State: TX	Zip: 77305
Contact Person: Diane L. Lincoln	Title: Mayor		
Phone (10 Digit): (936) 321-3700	Fax (10 Digit): (936) 321-9199		
Email Address: townofwoodloch@consolidated.net	Self-Insured? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
Name of Authorized Signer: Diane L. Lincoln	Title: Mayor		
Board Secretary/Clerk: Tina Williams, City Secretary	Date of Board Meeting Action (past or future):		
Attorney Contact: Marcia Tillman	Attorney Phone: (936) 756-3337		
Attorney Email: mtillman@dfclp.com	Law Firm Name: Darden, Fowler & Creighton		
Send Invoices/Attention To: Tina Williams			
Invoice Address: P.O. Box 1379	City: Conroe	State: TX	Zip: 77305

Total Cost of Project: \$ 52,500.00	Term (years) Requested: 7
Down Payment: \$ 0.00	Source of Down Pymt (fund name):
Trade In: \$	Payment Amount: \$
Other: \$	Delivery Date:
Amount to Finance: \$ 52,500.00	Payment: <input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input type="checkbox"/> Semi-Annual <input type="checkbox"/> Annual
Has entity made any payment for any portion of project being financed? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes If yes, explain:	

From which fund will the remaining contract payments be made? <input checked="" type="checkbox"/> General <input type="checkbox"/> Specify (state specific):
Has the entity ever defaulted or non-appropriated on a lease, bond, or legal obligation? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Do you anticipate issuing more than \$10,000,000 in tax-exempt debt in this calendar year? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has Obligor issued any new debt in the current fiscal year? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If so, please list creditor name and outstanding balances:

Project Name: AMR/Meter Project	Description of the project and purpose:
Installation of AMR meters at customer site, proprietary software, training	
Is the project mandated by any government agency for safety or quality issues? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, please explain:	
Are there any existing obligations with liens on Issuers assets? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, please describe/list:	
Date of the last rate increase: 02/12/13	
Reason for that increase: Expected projects	
Are any rate increases planned for this project (provide details)?	
No	
Provide number of customers (residential and commercial) served for the past three years.	
235-250	

Special Notes/Comments:

<ul style="list-style-type: none"> • Additional financial information may be requested if deemed necessary during transaction review. • By signing this application Obligor representative agrees to the following statement: "Everything stated in this application is correct to the best of my knowledge. Obligor is authorized to verify any information on this application with an appropriate third party as necessary to complete the credit review process."

Completed By (Signature): <i>Diane L. Lincoln</i>	Printed Title: Mayor
Printed Name: Diane L. Lincoln	Date: April 24, 2013