



Control Number: 42983



Item Number: 4

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83<sup>rd</sup>  
Legislature, Regular Session, transferred the functions  
relating to the economic regulation of water and sewer  
utilities from the TCEQ to the PUC effective  
September 1, 2014.

# TCEQ Interoffice Memorandum

# 42983

**To:** Sheresia Perryman  
Utilities Financial Review

 **From:** Fred Bednarski III  
Utilities Financial Review

 **Thru:** Tammy Benter  
Utilities Financial Review

**Date:** January 21, 2014

**Subject:** Application from the City of San Marcos to Decertify a Portion of their Certificate of Convenience and Necessity (CCN) No. 10298, and to Acquire Facilities and Transfer a Portion of CCN No. 10297 held by Crystal Clear Water Supply Corporation (WSC) in Guadalupe and Hays Counties; Application No. 37671-S

CN: 600521272; RN: 101427946 (City of San Marcos)  
CN: 600642268; RN: 101196822 (Crystal Clear WSC)

In my opinion, the City of San Marcos has demonstrated adequate financial and managerial capability to provide service to the area subject to this application. These conclusions are based on information provided by the applicant prior to this date and may not reflect any changes in the applicant's status subsequent to this date.

The total area being requested includes approximately 4,510 acres and serves 206 current customers. This transaction will have the following effect on the current customers' rates and services: All customers in the area being transferred will be charged different rates. The purpose of this transaction is to establish clear service boundaries between the City of San Marcos and Crystal Clear WSC. The current overlap of certificated areas causes inefficiency for both entities and has resulted in a duplication of water service facilities. The City of San Marcos water system has a superior rating and no enforcement cases or violations were found in CEEDS.

The City of San Marcos' audited financial statements for 2012 were available. The statements include an unqualified auditor's opinion that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information, and the respective budgetary comparison for the General Fund of the City, as of September 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Total net assets of the City of San Marcos' Proprietary Funds are \$127.9 million. The City of San Marcos' Proprietary Funds total debt to net position ratio at 08/31/2012 was \$121.9 million to \$127.9 million, or 0.95 to 1.00. A ratio of less than 1 to 1 is preferred for analysis of financial/managerial capabilities. Net operating income was \$9.9 million and depreciation was \$9.4 million for the City's Proprietary Funds. Cash flows from principle and interest

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## **TCEQ Interoffice Memorandum**

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payments on long term debt for FY12 were \$13.4 million for the City's Proprietary Fund. Therefore the debt service coverage ratio calculates to be \$19.2 million to \$13.3 million or 1.44 to 1.00. A ratio of at least 1.25:1 is preferred when reviewing financial capability to ensure that reserve funds for debt payment and repairs and maintenance are built up and maintained. Per the Municipal Advisory Council of Texas San Marcos' bond ratings per Moody's is Aa2 and A+ per Standard and Poor's which are a high grade rating and upper medium rating respectively.

Proprietary Funds

Debt to Net Position

net position

Long term notes & lease	121,923,393.00
Long term bonds oblig.	
Total Long Term Debt Amount	121,923,393.00

Total Net Assets

127,866,680.00

0.95

Cash flows from Principle Payments on LT Debt

Cash flows from Int. LT Debt	7,465,000.00
Debt Service	5,907,952.00
	13,372,952.00

Net Income

Depreciation Expense	9,874,915.00
NI Excluding noncash exp.	9,416,167.00
	19,291,082.00

1.44

FY 2012

Moody's S&P  
A1 AA - High Grade

Current Per Municipal Accounting Council of Texas  
2011  
Moody's S&P  
Aa2 A+

# CITY OF SAN MARCOS, TEXAS

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities-
	Electric	Water and Wastewater	Stormwater Drainage	Other Enterprise	Total	Internal Service
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 9,889,665	\$ 25,760,892	\$ 2,134,609	\$ 1,277,786	\$ 39,062,952	\$ 2,040,469
Investments	10,011,897	29,152,712	8,818,346	-	47,982,955	-
Accounts receivable, net	5,791,269	3,546,061	316,624	378,953	10,032,907	727
Due from other funds	99,842	338,567	95,706	51,798	585,913	156,710
Due from other governments	-	-	-	12,142	12,142	-
Inventories	601,986	495,895	-	-	1,097,881	-
Prepaid items	1,133	155	155	-	1,443	-
Total current assets	26,395,792	59,294,282	11,365,440	1,720,679	98,776,193	2,197,906
Non-current assets:						
Deferred charges	151,478	1,489,857	271,529	-	1,912,864	-
Capital assets:						
Land	31,695	1,313,997	-	100,337	1,446,029	-
Buildings	472,092	1,557,930	-	4,339,745	6,369,767	-
Improvements other than buildings	15,356,214	137,558,671	7,570,165	8,216,267	168,701,317	-
Furnishings and equipment	2,837,130	5,425,813	403,663	19,463	8,686,069	-
Construction in progress	21,483,903	43,150,792	6,338,963	1,143,978	72,117,636	-
Less accumulated depreciation	( 14,329,304)	( 62,323,147)	( 1,830,332)	( 9,276,179)	( 87,758,962)	-
Total capital assets	25,851,730	126,684,056	12,482,459	4,543,611	169,561,856	-
Total non-current assets	26,003,208	128,173,913	12,753,988	4,543,611	171,474,720	-
Total assets	\$ 52,399,000	\$ 187,468,195	\$ 24,119,428	\$ 6,264,290	\$ 270,250,913	\$ 2,197,906
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	3,740,252	2,446,604	656,444	217,367	7,060,667	29,087
Accrued liabilities	215,594	191,183	4,290	10,191	421,258	-
Due to other funds	386,370	275,881	14,088	60,845	737,184	146,918
Deferred revenue	-	560,146	-	-	560,146	-
Claims payable	-	-	-	-	-	1,059,950
Customer deposits	2,276,271	632,333	1,179	134,791	3,044,574	-
Accrued interest payable	162,814	638,616	108,398	-	909,828	-
Compensated absences	112,787	111,446	7,078	-	231,311	-
Current maturities of long-term debt	1,173,519	5,624,396	809,179	-	7,607,094	-
Total current liabilities	8,067,607	10,480,605	1,600,656	423,194	20,572,062	1,235,955
Non-current liabilities:						
Compensated absences	27,551	27,236	1,730	-	56,517	-
Long-term debt	14,515,278	90,453,945	16,886,031	11,622	121,866,876	-
Total non-current liabilities	14,542,829	90,481,181	16,887,761	11,622	121,923,393	-
Total liabilities	22,610,436	100,961,786	18,488,417	434,816	142,495,455	1,235,955
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	18,361,769	51,446,509	3,066,067	4,543,611	77,417,956	-
Unrestricted	11,426,795	35,059,900	2,564,944	1,285,863	50,337,502	961,951
Total net assets	\$ 29,788,564	\$ 86,506,409	\$ 5,631,011	\$ 5,829,474	127,755,458	\$ 961,951

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the business-type activities of the statement of net assets.

111,222

Total net assets per government-wide financial statements

\$ 127,866,680

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

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# CITY OF SAN MARCOS, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS

### PROPRIETARY FUNDS

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water and Wastewater	Stormwater Drainage	Other Enterprise	Total	Internal Service
<b>OPERATING REVENUES</b>						
Charges for services	\$ 49,843,421	\$ 28,095,240	\$ 2,553,844	\$ 2,560,157	\$ 83,052,662	\$ -
Intergovernmental	1,940,240	44,028	-	319,244	2,303,512	-
Employer contributions	-	-	-	-	-	2,892,053
Employee contributions	-	-	-	-	-	914,530
Retiree contributions	-	-	-	-	-	171,699
Pharmacy rebates	-	-	-	-	-	17,844
Total operating revenues	<u>51,783,661</u>	<u>28,139,268</u>	<u>2,553,844</u>	<u>2,879,401</u>	<u>85,356,174</u>	<u>3,996,126</u>
<b>OPERATING EXPENSES</b>						
Purchased power	36,529,320	-	-	-	36,529,320	-
Personnel services	3,339,658	3,337,286	285,148	37,321	6,999,413	-
Contracted services	1,224,275	7,418,125	669,818	2,373,801	11,686,019	-
Materials and supplies	1,163,504	891,174	20,624	17,069	2,092,371	-
Indirect costs	973,651	3,105,034	130,917	-	4,209,602	-
Claims	-	-	-	-	-	4,533,042
Other charges	1,005,811	590,834	7,021	24,785	1,628,451	657,057
Depreciation	660,543	7,974,161	526,374	255,089	9,416,167	-
Total operating expenses	<u>44,896,762</u>	<u>23,316,614</u>	<u>1,639,902</u>	<u>2,708,065</u>	<u>72,561,343</u>	<u>5,190,099</u>
<b>OPERATING INCOME</b>	<u>6,886,899</u>	<u>4,822,654</u>	<u>913,942</u>	<u>171,336</u>	<u>12,794,831</u>	<u>( 1,193,973)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment earnings	65,824	208,272	29,836	-	303,932	7,131
Interest and fiscal charges	( 625,349)	( 4,531,444)	( 847,359)	-	( 6,004,152)	-
Other	248,588	2,423,687	46,676	61,353	2,780,304	-
Total non-operating revenue (expenses)	<u>( 310,937)</u>	<u>( 1,899,485)</u>	<u>( 770,847)</u>	<u>61,353</u>	<u>( 2,919,916)</u>	<u>7,131</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>6,575,962</u>	<u>2,923,169</u>	<u>143,095</u>	<u>232,689</u>	<u>9,874,915</u>	<u>( 1,186,842)</u>
Capital contributions	-	1,274,418	-	-	1,274,418	-
Transfers in	-	-	-	170,636	170,636	-
Transfers out	<u>( 4,194,426)</u>	<u>( 2,362,316)</u>	<u>-</u>	<u>-</u>	<u>( 6,556,742)</u>	<u>( 146,918)</u>
<b>CHANGE IN NET ASSETS</b>	<u>2,381,536</u>	<u>1,835,271</u>	<u>143,095</u>	<u>403,325</u>	<u>4,763,227</u>	<u>( 1,333,760)</u>
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>27,407,028</u>	<u>84,671,138</u>	<u>5,487,916</u>	<u>5,426,149</u>	<u>122,992,231</u>	<u>2,295,711</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u>\$ 29,788,564</u>	<u>\$ 86,506,409</u>	<u>\$ 5,631,011</u>	<u>\$ 5,829,474</u>	<u>127,755,458</u>	<u>\$ 961,951</u>
Change in net assets, per above					4,763,227	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with Business Activities.					( 118,686)	
Change in business-type activities in net assets per government-wide financial statements					\$ 4,644,541	

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

# CITY OF SAN MARCOS, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric	Water and Wastewater	Stormwater Drainage	Other Funds	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 52,934,268	\$ 28,088,258	\$ 2,517,678	\$ 2,779,965	\$ 86,320,169	\$ 3,995,399
Cash paid to suppliers for goods and services	( 40,661,174)	( 10,391,646)	( 663,366)	( 2,420,308)	( 54,136,494)	( 6,461,769)
Cash paid to employees for services	( 3,322,519)	( 3,258,151)	( 285,509)	2,009	( 6,864,170)	-
Net cash provided (used) by operating activities	<u>8,950,575</u>	<u>14,438,461</u>	<u>1,568,803</u>	<u>361,666</u>	<u>25,319,505</u>	<u>( 2,466,370)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Cash received from miscellaneous items	248,588	2,423,687	46,676	-	2,718,951	-
Transfers from other funds	-	-	-	170,636	170,636	-
Transfers to other funds	( 4,194,426)	( 2,362,316)	-	-	( 6,556,742)	-
Net cash provided (used) by noncapital financing activities	<u>( 3,945,838)</u>	<u>61,371</u>	<u>46,676</u>	<u>170,636</u>	<u>( 3,667,155)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from capital debt	8,090,000	31,500	4,696	-	8,126,196	-
Capital contributions	-	1,274,418	-	-	1,274,418	-
Principal paid on debt	( 1,035,000)	( 5,655,000)	( 775,000)	-	( 7,465,000)	-
Interest and fiscal charges paid on debt	( 591,951)	( 4,474,252)	( 841,749)	-	( 5,907,952)	-
Acquisition of capital assets	( 2,433,043)	( 10,253,967)	( 1,378,447)	( 67,935)	( 14,133,392)	-
Net cash provided (used) by capital and related financing activities	<u>4,030,006</u>	<u>( 19,077,301)</u>	<u>( 2,990,500)</u>	<u>( 67,935)</u>	<u>( 18,105,730)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Sale of investment securities	( 1,410,450)	30,130,089	1,283,101	-	30,002,740	3,095,985
Interest received	<u>65,824</u>	<u>208,272</u>	<u>29,836</u>	<u>61,353</u>	<u>365,285</u>	<u>7,131</u>
Net cash provided (used) by investing activities	<u>( 1,344,626)</u>	<u>30,338,361</u>	<u>1,312,937</u>	<u>61,353</u>	<u>30,368,025</u>	<u>3,103,116</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>7,690,117</u>	<u>25,760,892</u>	<u>( 62,084)</u>	<u>525,720</u>	<u>33,914,645</u>	<u>636,746</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>2,199,548</u>	<u>-</u>	<u>2,196,693</u>	<u>752,066</u>	<u>5,148,307</u>	<u>1,403,723</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 9,889,665</u>	<u>\$ 25,760,892</u>	<u>\$ 2,134,609</u>	<u>\$ 1,277,786</u>	<u>\$ 39,062,952</u>	<u>\$ 2,040,469</u>

(continued)



# CITY OF SAN MARCOS, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

(Continued)

YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric	Water and Wastewater	Stormwater Drainage	Other Funds	Totals	
Reconciliation of operating income to net cash provided by operating activities.						
Operating income (loss)	\$ 6,886,899	\$ 4,822,654	\$ 913,942	\$ 171,336	\$ 12,794,831	\$( 1,193,973)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	660,543	7,974,161	526,374	255,089	9,416,167	-
Changes in assets and liabilities:						
Decrease (increase) in assets:						
Accounts receivable	972,055	( 29,618)	( 36,421)	( 56,075)	849,941	( 727)
Due from other funds	511,205	446,748	( 64,284)	2,533	896,202	187,297
Due from other governments	-	-	-	( 8,623)	( 8,623)	-
Inventories	( 40,558)	( 99,003)	-	-	( 139,561)	-
Prepaid items	17,589	1,845	( 155)	-	19,279	-
Increase (decrease) in liabilities:						
Accounts payable	( 593,728)	845,257	220,497	17,173	489,199	16,649
Accrued liabilities	23,062	57,392	( 594)	2,009	81,869	-
Due to other funds	277,939	( 456,050)	7,065	( 13,949)	( 184,995)	( 1,638,289)
Deferred revenue	-	560,146	-	( 21,921)	538,225	-
Claims payable	-	-	-	-	-	162,673
Net pension obligation	60,552	261,123	1,798	2,007	325,480	-
OPEB liability	2,388	53,455	93	-	55,936	-
Compensated absences	( 5,923)	21,743	233	-	16,053	-
Customer deposits	178,552	( 21,392)	255	12,087	169,502	-
Net cash provided (used) by operations	\$ 8,950,575	\$ 14,438,461	\$ 1,568,803	\$ 361,666	\$ 25,319,505	\$( 2,466,370)

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

# CITY OF SAN MARCOS, TEXAS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The City of San Marcos, Texas (the City) was incorporated July 11, 1877, while the City's Home Rule Charter was adopted by election in 1967. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, general and administrative, electric, water and wastewater services.

The accompanying financial statements comply with the provisions of the GASB Statement No. 14 and 39, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City. There are no component units which satisfy requirements for blending within the City's financial statements or for discrete presentation.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

(continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if collected within 30 days of the end of the current fiscal period. Property taxes availability period is considered to be 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Projects Fund** accounts for the acquisition of fixed assets or construction of major capital projects not being financed by other funds.

The **Debt Service Fund** accounts for the accumulation of resources for the payment of general long-term principal, interest, and related costs.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)

The City reports the following major proprietary funds:

The Electric Fund accounts for the activities necessary for the provision of electric services.

The Water and Wastewater Fund accounts for the activities necessary for the provision of water and sewer services.

The Stormwater Drainage Fund was created to address the need for improvements in drainage channels throughout the City. The fund obtains revenue through the assessment of a monthly drainage utility fee to both residential and commercial customers.

Additionally, the City reports the following fund type:

Internal Service Fund accounts for benefits provided to other departments or agencies of the City on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

(continued)

TABLE 20

## CITY OF SAN MARCOS, TEXAS

## PLEDGED REVENUE COVERAGE

## LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue Bonds					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2003	\$ 17,595,675	\$ 11,339,435	\$ 6,256,240	\$ 2,690,556	\$ 1,322,620	\$ 1.56
2004	19,502,026	11,076,196	8,425,830	2,808,810	1,364,756	2.02
2005	21,415,438	11,677,318	9,738,120	3,507,750	1,578,546	1.91
2006	26,318,349	12,782,882	13,535,467	3,140,000	3,045,435	2.19
2007	24,138,588	17,796,700	6,341,888	3,195,000	3,633,942	0.93
2008	28,352,029	19,568,829	8,783,200	3,620,000	3,383,614	1.25
2009	26,279,549	19,637,393	6,642,156	4,065,000	4,531,610	0.77
2010	25,241,695	14,630,182	10,611,513	4,585,000	4,626,338	1.15
2011	26,986,572	14,874,577	12,111,995	4,895,000	5,034,288	1.22
2012	28,139,268	15,342,453	12,796,815	5,655,000	4,336,835	1.28

Fiscal Year	Electric					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2003	\$ 29,551,713	\$ 28,725,521	\$ 826,192	\$ 906,000	\$ 297,298	\$ 0.69
2004	33,070,143	31,418,256	1,651,887	910,714	292,778	1.37
2005	39,412,677	35,068,455	4,344,222	924,231	279,315	3.61
2006	45,564,818	43,679,087	1,885,731	770,000	437,183	1.56
2007	45,038,579	40,134,868	4,903,711	790,000	414,457	4.70
2008	49,787,885	48,713,986	1,073,899	825,000	451,891	0.84
2009	49,461,030	45,689,134	3,771,896	865,000	394,994	2.99
2010	48,768,174	44,500,751	4,267,423	900,000	364,006	3.38
2011	48,453,727	42,144,555	6,309,172	980,000	438,706	4.45
2012	51,783,661	44,236,219	7,547,442	1,035,000	560,859	4.73

Fiscal Year	Drainage					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005	\$ 878,012	\$ 313,785	\$ 564,227	\$ 70,000	\$ 267,658	\$ 1.67
2006	1,068,207	338,748	729,459	170,000	274,973	1.64
2007	1,424,761	577,461	847,300	175,000	266,998	1.92
2008	1,373,094	811,057	562,037	315,000	349,000	0.85
2009	1,390,465	866,427	524,038	350,000	957,806	0.40
2010	1,478,191	871,308	606,883	595,000	786,466	0.44
2011	2,108,913	771,837	1,337,076	730,000	892,251	0.82
2012	2,553,844	1,113,528	1,440,316	775,000	822,308	0.90

## **TCEQ Interoffice Memorandum**

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**To:** Fred Bednarski  
Utilities Financial Review Team

**From:** Sheresia Perryman  
Utilities Financial Review Team

**Date:** January 10, 2014

**Subject:** Application from the City of San Marcos to Decertify a Portion of Certificate of Convenience and Necessity (CCN) No. 10298, and to Acquire Facilities and Transfer a Portion of CCN No. 10297 held by Crystal Clear Water Supply Corporation (WSC), in Guadalupe and Hays Counties; Application No. 37671-S

CN: 600521272; RN: 101427946 (City of San Marcos)  
CN: 600642268; RN: 101196822 (Crystal Clear WSC)

Attached is a copy of the file for the above referenced application. Please review their FMT information at your earliest convenience.

**\*\* Transmit Conf. Report \*\***

P.1

Jan 9 2014 16:32

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How is our customer service? [www.tceq.texas.gov/goto/customersurvey](http://www.tceq.texas.gov/goto/customersurvey)

Fax: 512-239-6972  
 Phone: 512-239-3654  
 Texas Commission on Environmental Quality  
 Water Supply Division  
 Sheresa Perryman  
 Division :  
 From:  
 Fax: 512-239-6972

Bryan W. Shaw, Ph.D., *Chairman*  
Toby Baker, *Commissioner*  
Zak Covar, *Executive Director*



91 7199 9991 7031 8279 5015

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

January 10, 2014

**BY FAX TO 830/372-0067 AND**  
**BY CERTIFIED MAIL**

Mr. John Clack, Asst. Director of Public Services  
City of San Marcos  
630 East Hopkins  
San Marcos, TX 78666

Re: Application from the City of San Marcos to Decertify a Portion of their Certificate of Convenience and Necessity (CCN) No. 10298, and to Acquire Facilities and Transfer a Portion of CCN No. 10297 held by Crystal Clear Water Supply Corporation (WSC) in Guadalupe and Hays Counties; Application No. 37671-S

CN: 600521272; RN: 101427946 (City of San Marcos)  
CN: 600642268; RN: 101196822 (Crystal Clear WSC)

Dear Mr. Clack:

The above referenced application, received on July 26, 2013, has been accepted for filing. Thank you for the items provided with your letter, received on November 13, 2013. Please refer to the application number in future correspondence. Mr. Tom Glab has been assigned to perform the technical review.

Your next step is to provide the **revised** public notices without delay. The notice to the public must be published once each week for two (2) consecutive weeks in a newspaper of general circulation in Guadalupe and Hays Counties. **It is the responsibility of the applicant to provide correct notice** of the application to:

- any districts, groundwater conservation districts, counties, utilities, cities, cities with an extraterritorial jurisdiction within two (2) miles of your proposed service area, and
- any customers transferred, or other affected parties in your requested area, and
- any city with an extraterritorial jurisdiction which overlaps the proposed service area or other affected parties in your requested area, and
- all landowners with more than 25 acres in your proposed CCN area. The landowner information may be obtained from the county appraisal district tax rolls for the county or counties in which the proposed CCN lies.



Mr. John Clack, Asst. Director of Public Services

Page 2

January 10, 2014

Please be sure to include a map showing the proposed service area with your individual notices to neighboring utilities, other affected parties and each landowner. It is the applicant's burden to provide an accurate map delineating the proposed area with each individual notice.

**Check notices carefully before mailing or publishing. You must list the zip codes affected by the application in the space provided on the notice form before providing notice.**

Information related to utilities and districts including addresses can be obtained from the TCEQ web site located at [www10.tceq.texas.gov/iwud/](http://www10.tceq.texas.gov/iwud/).

<http://www.tceq.texas.gov/groundwater/districts.html> for ground water districts.

As proof that notice was given, you are required to return to this office a copy of the actual notice attached to a signed affidavit that the notice was given.

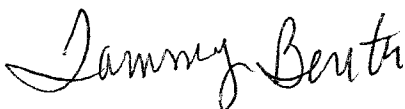
Affidavit forms are enclosed. Please complete the affidavits and submit an original and two copies (attached to the notice) to this office.

Additional financial or technical information may also be requested through future correspondence.

These items must be completed and returned to our office by **February 10, 2014**. Processing of this application cannot proceed until the close of the 30 day public comment period which begins after all the required notices have been given. If we do not receive the requested information by this date, your application will be returned for failure to prosecute.

If you have any questions, please contact Ms. Sheresia Perryman at 512/239-3654, or if by correspondence, include Mail Code 153 in the letterhead address.

Sincerely,



Tammy Benter, Manager  
Utilities & Districts Section  
Water Supply Division  
Texas Commission on Environmental Quality

TB/CM/mmg

Enclosures: as stated

To: Administrative Reviewer

Date Complete: November 21, 2013

From: Cartographer-Utilities & Districts Section

Subject: Overlap & Notice Check for Administrative Review No. A-102-13/37671-S  
City of San Marcos (10298) to acquire a portion of Crystal Clear WSC (10297) and amend and decertify a portion in Comal, Guadalupe and Hays counties.

1. No new overlap of service areas exists.
2. An overlap:
3. Dual certification:
4. An overlap exists with the city limits of:
- X 5. If this is a Sale, Transfer, or Merger, is additional area being requested? YES
7. Map submitted is digital request digital data.
9. Utility notice was sufficient.
10. Utility notice was insufficient. In addition to those systems listed in the application, they will also need to notify:  
TWO MILES:  
✓ Maxwell WSC (10293)  
✓ Martindale WSC (10312)  
Comal county ✓  
Guadalupe county ✓  
Hays county ✓  
Edwards Aquifer Authority ✓  
All cities and etj's within 2 miles of proposed area  
Any other Utility, District or entity that would be required to receive notice

11. Notice: applicant needs to publish notice and provide land owner notice for all

**the areas being decertified and the uncertificated areas being added.**

Approximately 8 miles south and 7 miles west of downtown San Marcos

Approximately 700 acres being transferred, 1900 acres being added and 4100 acres being decertified.

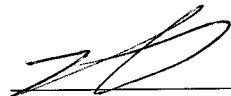
On the north by RR12

On the east by San Marcos River

On the south by Braune Rd

On the west by

12. Other comments:



Kent Steelman