

WECO EAST 29

## Step 2 Long Term Agreement for Purchase of Water

B. WECO is proposing an initial fee of \$ 0.75 per 1,000 gallons. This would be maintained during the first 5 years of the contract. The cost would then increase as illustrated in this graph. WECO is proposing an annual increase of 3 % or some other CPI increase after Contract Year 10.

In terms of Annual Payment, in the first 5 Years, Bexar Met would pay WECO, at minimum, 25 % of Sustainable Yield multiplied by \$ 0.75 per 1000 gals.

Assume Yield was 17,585 acre/feet, 25 % is 4,396 acre/feet, multiplied by \$ 0.75 per 1000 gallons = \$ 1,071,525.



	Cost Per 1,000 Gallons of Water Generated at Well Head	
	\$0.00	\$ 2.00

**\$0.00**

**\$0.50**

**\$1.00**

\$1.50

**\$2.00**

Year 0-5: \$0.75

**\$ 244 per acre/foot**

**Year 6-7: \$1.15**

**\$374 per acre/foot**

Year 8-9: \$1.35

**\$ 439 per acre/foot**

**Year 10 + \$ 1.50**

**\$488 per acre/foot**

**WECO is proposing that after Year 10, the contract price for water will be increased at a rate of 3 % per year or some other CPI**

**At 3 % E  
after Year  
water wi  
per 1,000  
per acre**

### 3, 5 Year Options

### Step 3 Bexar Met Constructs Water Conveyance System

- A. WECO provides all pipeline right-a-ways and other utility easements through properties which WECO has water rights on.
- B. Bexar Met has 5 Years to construct the water conveyance system and get the well fields into production. Otherwise, the minimum annual yield payment increases to 60 %.



## Other Issues in WECO's Proposal

- A. Re-Testing of annual sustainable yield can occur on a 3-Year intervals. Any changes in yield will be reflected in the annual minimum payments.
- B. Any wells that do not meet the minimum required production can be removed from the plan and WECO will re-imburse Bexar Met the cost of acidizing and pump testing.
- C. WECO is representing that the water from these wells meets drinking water standards without any additional treatment. Failure of any well to meet this quality can be removed from the plan and WECO will re-imburse the cost of acidizing and testing of the well.
- D. Bexar Met would have a "right-of-first refusal" to purchase WECO's interest in the subject wells.
- E. Bexar Met would be prevented from drilling any "new" Trinity wells within 1-mile of any WECO wells which are part of this proposal.



STRENGTHS

CONCLUSIONS

- A. If the WECO wells are capable of producing more than 10,000 Acre/feet of drinking water, their location is very favorable for Bexar Met. (The water is in an area where Bexar Met can use it fairly quickly).
- B. Transportation of this water to Bexar Met customers would be less than any other alternatives (apart from increased Edwards Aquifer water).
- C. The WECO water is "un-regulated", meaning no EAA fees.
- D. Development of the WECO water would free up existing Edwards Permits for transfer to high growth areas in western Bexar County.
- E. Initial water cost, if of necessary quality, is not unreasonably expensive.
- F. Bexar Met would be taking the lead in developing a new source of groundwater in Bexar County. There is some responsibility the District may have in fully researching this opportunity.
- G. The contract term is potentially "perpetual".
- H. There is no large up-front payment.



## WEAKNESSES

## CONCLUSIONS

- A. Long term sustainability of water yield and water quality – unknown.
  - B. Significant Testing at Bexar Met's expense will be required
    - 1. Acidizing of all wells likely to cost between \$ 500,000 and \$ 800,000.
    - 2. Engineering oversight and pump testing likely to cost between \$ 100,000 and \$ 250,000
- Total evaluation effort could cost upwards of \$ 1,000,000 and take As long as 12 months.

## RECOMMENDATIONS

- A. Bexar Met Board authorize Staff to initiate contract negotiation.
- B. Bexar Met Board authorize Staff to develop Evaluation and Testing Program.
- C. Bexar Met Board authorize Staff to develop Infrastructure Cost and Development Plan.

Bexar Met Staff will report back to Board with estimated cost for pursuing WECO East 29 Project



# **OVERSIZED Map**

To View OVERSIZED Document(s) Or

For any questions;

you can call CENTRAL RECORDS

main Line

**(512) 936.7180**

**COPY**

**LETTER OF INTENT  
BY AND BETWEEN  
BEXAR METROPOLITAN WATER DISTRICT  
AND  
WATER EXPLORATION COMPANY**

This non-binding Letter of Intent is entered into on this 15<sup>TH</sup> day of June, 2005, by and between the Bexar Metropolitan Water District, hereinafter referred to as BexarMet, and the Water Exploration Company, Ltd., hereinafter referred to as WECO for the intentions set out below.

The purpose of this non-binding Letter of Intent is to express the interest of both parties in working cooperatively to determine the technical and financial feasibility of a long-term water supply agreement and to grant BexarMet the exclusive right to negotiate with WECO for forty-five (45) days after the day whereon this Letter of Intent was entered by both parties.

**RECITALS**

Whereas BexarMet is a governmental agency of the State of Texas, a water conservation district, and a body politic and corporate, created and operating pursuant to Article XVI, § 59 of the Constitution of the State of Texas, and Texas Revised Civil Statutes, Art. 8280.126 as amended; and is a retail public water utility holding Certificates of Convenience and Necessity issued by the Texas Commission on Environmental Quality ("TCEQ");

Whereas WECO is a limited partnership company created with the express purpose of developing and marketing water supplies for municipal and other uses and which has constructed over forty-five (45) TCEQ-approved municipal supply wells in northern Bexar County tapping the middle Trinity Aquifer;

Whereas BexarMet staff has met with the owners of WECO on numerous occasions over the past two years to review and consider WECO's project in light of BexarMet's water resource development program;

Whereas BexarMet has a large service area in northern Bexar County with a large and growing population and commensurate water demand currently supplied with water withdrawn from the Edwards Aquifer and, to a limited extent, water withdrawn from the Trinity Aquifer;

Whereas in consideration of \$10.00 and other good and valuable consideration paid by BexarMet to WECO, the receipt of which is hereby acknowledged;

Whereas BexarMet is investigating all feasible options for increasing the supply of water to its service area in northern Bexar County including,

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but not limited to, acquiring additional land and easements and constructing its own wells and related infrastructure;

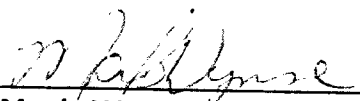
Whereas it is in BexarMet's interest to investigate the technical feasibility of a project involving WECO's wells and the financial impact on BexarMet's rate payers of a contract to purchase water from WECO.

Now, therefore in consideration of these premises, it is the intention of BexarMet and WECO to:

1. Enter exclusive negotiations for a period of forty-five (45) days after the day whereon this Letter of Intent was entered by both parties;
2. Share information and work cooperatively to evaluate the technical feasibility of incorporating WECO's East 29 wells in northern Bexar County into BexarMet's water supply and distribution system.
3. Estimate the capital and operating costs of facilities needed to collect, store and pump water obtained from WECO's wells and the cost to purchase water from WECO.
4. Investigate funding mechanisms for both the short-term capital costs and long-term operating costs associated with a project involving WECO's wells and the purchase of water from WECO.
5. Estimate the impact on BexarMet's rate payers of a project involving WECO's wells and the purchase of water from WECO.

This non-binding Letter of Intent will expire forty-five days after the day upon which it was entered by both parties unless extended by the mutual and written agreement of both parties.

  
\_\_\_\_\_  
Victor V. Villarreal  
President of the Board of Directors  
Bexar Metropolitan Water District

  
\_\_\_\_\_  
Mark Wynne  
President  
Water Exploration Company, Ltd.

ATTEST:

  
\_\_\_\_\_  
Jim Clement, Secretary

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## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



SOAH DOCKET NO. 582-03-3415  
 TCEQ DOCKET NO. 2003-0500-UCR  
 APPLICATION NO. 33605-C

IN THE MATTER OF THE	§	BEFORE THE
APPLICATION OF SNECKNER	§	
PARTNERS, LTD., d/b/a BSR WATER	§	
COMPANY TO AMEND WATER	§	TEXAS COMMISSION ON
CERTIFICATE OF CONVENIENCE	§	
AND NECESSITY NO. 12842	§	
IN BEXAR COUNTY, TEXAS	§	ENVIRONMENTAL QUALITY

## ORDER

An application by the Sneckner Partners, Ltd., d/b/a BSR Water Company ("BSR") to amend water Certificate of Convenience and Necessity ("CCN") No. 12842 in Bexar County, Texas, was presented to the Executive Director of the Texas Commission on Environmental Quality ("Commission") for approval pursuant to Section 5.122 of the Texas Water Code and Commission rules.

BSR sought to amend its water CCN as a retail public utility as defined in Section 13.002(19) of the Texas Water Code.

On August 10, 2001, BSR filed an application with the Commission pursuant to Section 13.241, *et. seq.*, of the Texas Water Code to amend its water CCN to expand its water service in Bexar County, Texas. The application was accepted for filing and was assigned Application No. 33605-C. BSR provided notice to affected persons and neighboring utilities on December 20, 2001 and January 7, 2002. Notice of the application was published on December 22, 2001 and December 29, 2001, in the San Antonio Express News, a newspaper generally circulated in Bexar County,

Texas. The notice to BSR's application to amend CCN No. 12842 complied with the notice requirements of Title 30, Section 291.106 of the Texas Administrative Code and was sufficient to place affected persons on notice regarding the application for service. The Commission received a request for a public hearing on the application from Norfolk Properties, Ltd., Dymson, Ltd., Dickson Family Investments, Ltd., Aqua Development, L.L.C., Anton B. Friesenhahn, Majorie Friesenhahn, Ralph Friesenhahn, Diamond Water Company, Water Services, Inc., and Bexar Metropolitan Water District.

On July 16, 2003, BSR hand delivered a letter to the State Office of Administrative Hearings ("SOAH") stating that it wanted to withdraw its CCN amendment application. On July 17, 2003, Cassandra J. Church, an Administrative Law Judge with SOAH, convened the preliminary hearing and announced that BSR had withdrew its application, but did not take jurisdictional documents or name parties. On July 18, 2003, Judge Church issued Order No. 1, which dismissed the case from the SOAH docket and remanded the application to the Executive Director for dismissal pursuant to Title 30, Section 80.25 of the Texas Administrative Code.

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that:

The application by the Sneckner Partners, Ltd., d/b/a BSR Water Company to amend water Certificate of Convenience and Necessity No. 12842 in Bexar County, Texas, is hereby dismissed without prejudice.

The Chief Clerk of the Texas Commission on Environmental Quality shall forward a copy of this Order to the parties.

If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date:

MAR 17 2004

TEXAS COMMISSION ON  
ENVIRONMENTAL QUALITY

Margaret Hoffman  
For the Commission

JOHNNIE A. TERRAZAS, P.E., S.E.  
(830) 980-5550

**SUMMARY OF EXPERIENCE:**

Chief Engineer with a successful integration of diversified engineering capabilities to provide services from project feasibility studies, through design to post construction reclamation and restoration. Successfully completed projects for clients in all major areas of industrial, municipal, and private development. Among these have been residential and commercial land developers, industries, federal and state agencies, and municipalities.

**PROJECT EXPERIENCE:**

*Preliminary Engineering Services*

- . Urban Land Use Planning
- . Wastewater Planning
- . Facilities Planning
- . Master Planning
- . Flood Plain Studies
- . Land Development feasibility Analyses
- . Water Resources Analyses and Planning
- . Infiltration/Inflow Analyses
- . Environmental Impact Analyses
- . Solid Waste Planning

*Engineering Design*

- . Civil Engineering
- . Sanitary Engineering
- . Structural Engineering
- . Utilities Engineering
- . Waste Management Engineering
- . Computer-Aided Engineering
- . Environmental Engineering
- . Surveying
- . Transportation Engineering
- . Estimation and Scheduling
- . Value Engineering
- . Cost Management
- . Coastal Facilities Design
- . Geohydrology

*Construction Phase Services*

- . Construction Management
- . Construction Administration
- . Contract Management
- . Contractor Prequalification

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- . Contractor Consulting
- . Construction Inspection
- . Construction Scheduling and Planning

**EDUCATION:**

Bachelor of Science in Civil Engineering  
University of Texas at Austin, 1978

Associate of Art in Pre-Engineering  
San Antonio College, 1976

Associate in Applied Science in  
Drafting Technology, San Antonio College, 1971

**REGISTRATION:**

Professional Engineer  
State of Texas #55566

**PROFESSIONAL AFFILIATIONS:**

Mexican American Engineering Society  
National Board of Directors (1986-1992)  
National Assistance Secretary (1986-1987)  
National Vice President (1990-1991)  
National President (1991-1992)  
San Antonio Chapter of MAES  
President (1982-1984)  
Chairman of the Board (1984-1986)  
Assistant Secretary (1986-1987)  
Secretary (1988-1990)  
National Society of Professional Engineers  
National Association of Corrosion Engineers  
American Society of Civil Engineers  
Texas Society of Professional Engineers  
Institute of Transportation Engineers  
Texas Surveyors Association  
VFW Past 4700

**MILITARY EXPERIENCE:**

U.S. Army (Special Forces) June 1966 to June 1969

**PUBLICATIONS:**

Basic Surveying (1980) Department of Interior, BIA  
Route Surveying (1981) Department of Interior, BIA

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**AWARDS:**

Gold Medal for Excellence in Engineering (1989)  
...( awarded by National MAES)  
Hispanic Professional Engineer of the Year (1988)  
...( awarded by San Antonio MAES)  
Silver Medal for Excellence in Engineering (1986)  
... (awarded by National MAES)

**OCCUPATIONAL EXPERIENCE:**

<i><b>TIME PERIOD</b></i>	<i><b>FIRM</b></i>	<i><b>POSITION</b></i>
May 2000 to current	BexarMet Water District San Antonio, Texas	District Chief Engineer
March 1985 to May 2000	Terrazas & Associates, Inc. Consulting Engineers San Antonio, Texas	President
Sept. 1984 to March 1985	Terrazas & Rodriguez Consulting Engineers San Antonio, Texas	President
March 1983 to Sept. 1984	Metro 4 Consulting Engineers San Antonio, Texas	President
Jan. 1981 to March 1983	Bernard Johnson, Inc. Consulting Engineers San Antonio, Texas	Project Manager
Oct. 1979 to Jan. 1981	Ozuna & Associates, Inc. Consulting Engineers San Antonio, Texas	Design Engineer
Jan. 1980 to present	San Antonio College San Antonio, Texas	Lecturer
June 1979 to Oct. 1979	Joseph H. Kurz & Assoc., Inc. Consulting Engineers San Antonio, Texas	Project Engineer
Feb. 1979 to June 1979	Anderson Engineering Co. San Antonio, Texas	Design Engineer

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**Darrell Travis Brownlow, Ph.D.**

Address: 12425 FM 775 Office: (830) 216-4202 e-mail: brranch@gte.net  
Floresville, Texas 78114 Mobile: (210) 414-0437 Fax: (830) 393-9957

Education: Ph.D. / 1992 / Geoscience - Carbonate Petrology, Texas Tech University  
M.S. / 1989 / Geoscience - Geochemistry - Organic Chemistry, Texas Tech University  
B.S. / 1987 / Geoscience, Texas Tech University

Membership: Small Business Rep. - South Central Texas Regional Water Planning Group  
Governor of Texas Appointee: Evergreen Underground Water Conservation District

Years Professional Experience: 18 +

***Summary of Experience and Qualifications:***

Dr. Brownlow as the principal in Carrizo Consulting, L.P., works as a private consultant to various Mining Companies, Professional Engineering Firms, U.S. Governmental Agencies (Department of Defense and Department of Energy), and Municipal Water Supply Districts, providing services including business development, geological exploration, and environmental planning review, investigation, and research. He has expertise in the regional geology of South and Central Texas and particularly of the Edwards Limestone, Edwards Aquifer, Trinity, and the Carrizo Aquifer. In addition, Dr. Brownlow has experience in the construction and development of high capacity Trinity Aquifer industrial-use water wells in Bexar, Comal, and Medina counties, Texas. Also included in this experience is the management of shallow groundwater aquifers in Texas including management of groundwater protection and remediation projects for the Ogallala Aquifer and associated Perched Aquifers of the Texas High Plains for the U.S. Department of Energy Pantex Nuclear Weapons Facility in Amarillo, Texas. In addition to his remediation and mining experience, Dr. Brownlow has expertise in clay mineralogy and chemistry, groundwater geochemistry, soils, and aggregates, as well as X-Ray diffraction and SEM technologies.

Over the past eight years, as a private consultant, Dr. Brownlow has specialized in the development of large scale limestone aggregate, basalt, and sand and gravel quarries both nationally and internationally. His involvement has ranged from conceptual development, land research, negotiation with landowners for quarry land and transportation routes, environmental engineering, public relations, and geological exploration and mine plan development. Dr. Brownlow has also consulted on behalf of his clients to the Edwards Aquifer Authority, the TCEQ, the US Army Corp of Engineers, and the US Fish & Wildlife Service. His industrial clients have included Vulcan Materials Company, Martin Marietta Materials, Trinity Industries, and Cemex. Since 1999, he has served as a voting member of the South Central Texas Regional Water Planning Group, and since 2001 has served as the Governor's Appointee to the Evergreen Underground Water Conservation District.

*Chronological Experience over past 10 years:*

**Mining Industry Consultant - Private** assessments and investigations, quarry reserves evaluations, and environmental studies. Principal consultant to major mining companies involving the conception and implementation of aggregate plants and operations ranging in size from 1,000,000 to 10,000,000 ton per year, including the conceptual plant design, procurement of properties and right-a-ways, and installation of railroad access to the plants. Consulting projects have included mining related investigations in the Caribbean, southern California, South Carolina, Arkansas, Oklahoma, New Mexico

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and more than 50 counties in Texas including, Hays, Bexar, Blanco, Burnet, Uvalde, Medina, Comal, Guadalupe, Wilson, Kerr, Kendall, Travis, Hays, Fort Bend, Lubbock, and El Paso Counties.

**Pantex Groundwater Investigation and Treatment System Expansion, Pantex Nuclear Weapons Plant, Amarillo, Texas (\$ 1.30 million).** Managed the continued investigation of the contamination within the Perched Aquifer beneath the Pantex Weapons Plant. This project also included installation of four groundwater extraction wells (300 feet deep), and over 6,500 feet of dual contained piping system to convey water from the new wells to the Treatment System.

**Statistical Analysis of Sampling Protocols for City of San Antonio Landfills.** Performed statistical evaluation of historical regulatory sampling events on City of San Antonio's Nelson Gardens Landfill in an effort to provide technical justification for reducing sampling of landfill monitoring wells from quarterly to annual events (Subcontractor to Maxim Technologies) reducing annual sampling costs by 75 %.

**Kelly AFB, Groundwater Treatment System, Activated Carbon Polishing System (\$ 1.5 million).** Project and Program Management Assistance to Ogden Environmental and Energy Services Company in the installation of a 1,000 gpm activated carbon system for Kelly AFB. Assisted Ogden in the preparation of the winning proposal for their competitive RAC award and provide Ogden's Pennsylvania Operations with local project and program management support including engineering and other technical oversight efforts.

**Zone 12 Groundwater Treatability Study Expansion Project including Hexavalent Chromium Treatment System, Pantex Nuclear Weapons Plant, Amarillo, Texas (\$ 2.45 million).** Program Manager and Technical Project Director for the expansion of a 300 gpm GAC groundwater treatment system for the removal of high explosive contaminants from groundwater. In addition, the design and installation of a chemical precipitation system for the removal of hexavalent chromium from the groundwater. Also included in this project is the operation and maintenance of the treatment systems for a period of 18 months.

**Quality Assurance / Quality Control Supervision, Firing Site 5, Depleted Uranium D & D, Project, Pantex Nuclear Weapons Plant, Amarillo, Texas.** Program Manager for QA/QC supervision for the radioactive source removal and decontamination of a decommissioned High Explosive firing site including re-enforced subterranean observation bunker at Pantex. The firing site was severely contaminated with depleted uranium fragments.

**Pantex Groundwater Protection Project, Pantex Nuclear Weapons Plant, Amarillo, Texas (\$ 700 K).** Program Manager and Technical Lead for the Pantex Groundwater Protection Project which involved the evaluation and abandonment of 11 homestead domestic water wells that may be in contact with contaminated groundwater on an around the Pantex Facility. These wells ranged in depth from 450 to 750 feet. In addition, the project involves the construction of new Ogallala Aquifer domestic water wells, monitoring wells, and small domestic water supply systems. This project represented the highest priority and highest profile project the DOE had for the Pantex Plant in 1996.

**Dual-Phase GW/SVE Treatability Study, Pantex Nuclear Weapons Plant, Amarillo, Texas (\$ 2.3 million).** Project Director and Program Manager for the design, installation, and operation of a 300 gpm groundwater and 2000 scfm soil vapor extraction treatability study. System was designed to demonstrate effectiveness of removing High Explosive (HE) contaminants from groundwater as well as abate off-site contaminant migration. System included innovative dual function, dual interval extraction wells for extracting water from 300 feet below ground surface. The system was in place and operating

86 days after contract award and operational efficiencies demonstrated 99.9 % removal efficiencies. This project was the DOE's 1995 submittal to the State of Texas Clean 2000 Governor's Award for Environmental Excellence.

**Full Scale RD/RA for Dual-Phase GW/SVE Treatment System, March AFB, California (\$ 3.2 million).** Project Manager for this effort which includes the full scale design, installation, and operation and maintenance of a twin 300 gpm (600 gpm total influent capacity) groundwater extraction system coupled with a twin 1200 scfm (2400 scfm total capacity) soil vapor treatment system. The off-gas and groundwater systems utilize liquid phase and vapor phase Granulated Activated Carbon. Contaminants consist primarily of VOCs (TCE).

**Allied Signal Moundville Site Remedial Strategy, Moundville, West Virginia.** As a subcontractor to Battelle Memorial Institute, assisted in the development of remedial strategies for addressing massive DNAPL contamination beneath the former Chlor-Alkali plants on the shores of the Ohio River.

**Site ST-10 SVE and Bioventing Treatability Study, Scott AFB, Illinois (\$ 950,000).** Project Manager for the design, installation, and assessment of two SVE systems and two bioventing systems. Project was designed to develop a remedial treatment strategy for over 50 leaking USTs on the base.

**Facility 87 Chemical Supply Warehouse Full Scale SVE Treatment System, Newark AFB, Ohio (\$ 350,000).** Project manager for the design, installation, and operation and maintenance of an SVE system to remove VOCs from the vadose zone soils underlying a former chemical supply warehouse.

**Dual-phase GW/SVE Treatment, 1100 Area Kelly AFB, Texas, (\$ 325,000).** Project Manager for the Operation and Maintenance of a dual-phase GW/SVE pump and treat system for remediation of an 80,000 gallon JP-4 jet fuel spill.

**Bioventing Projects, U.S. Air Force, March AFB, Loring AFB.** Assisted in the design and evaluation of bioventing projects at these facilities. At March AFB Site 34, the remediation was for a former site of six leaking 50,000 gallon UST. Developed in-situ respiration testing (ISRT) equipment for the characterization of oxygen utilization. Developed procedures and protocols for bioventing application at former UST sites.

**Geologic Review, Pantex Plant, U.S. Department of Energy (DOE), Amarillo, Texas.** Project Manager for the geologic review and critical technical assessment of research performed by the Texas Bureau of Economic Geology at the Pantex Plant.

*Other Experience over past 18 years:*

**Economic Evaluation of Bentonite and Titanium Resources, Uvalde County, Texas.** Developed and implemented exploration programs for the evaluation of calcium bentonite deposits containing titanium (anatase) minerals in Uvalde County, Texas.

**Regional Geology and Economic Resource Evaluation of the Anacacho Limestone, Uvalde County, Texas.** Designed and managed a 50 square mile study of the Anacacho Limestone in Western Uvalde County, Texas, discovering and delineating in excess of 1,000,000,000 tons of asphaltic limestone materials suitable for road building applications. This project was a three (3) year research project for Vulcan Materials Company.

**Regional Evaluation of Edwards Limestone Quarries, Bexar and Surrounding Counties, Texas.** Managed exploration and evaluation projects at principal mining locations across the Edwards Aquifer Recharge Zone, including those sites of Vulcan and Redland Stone Products Company.

**In-Situ Uranium Mining - Brooks County, Texas.** Field geologist for the delineation and exploration of in-situ uranium deposits in Brooks County, Texas. In-Situ mining operations included the construction of 400 foot deep injection and extraction wells for acid injection, solution, and extraction of uraniferous fluids.

**Surface Uranium Mining - Karnes County, and McMullen County, Texas.** Field geologist for the delineation and quality control aspects of surface mines located in Karnes and McMullen County's, Texas.

**Underground Uranium Mining, San Mateo, New Mexico.** Geologist for Chevron Resources Mt. Taylor Uranium Operation, Grants, New Mexico. The primary ore deposit was located 3,200 feet below ground surface and at the time represented the deepest and richest operating uranium mine in the world.

*Employment History:*

**The Brownlow Group – Carrizo Consulting, L.P. (1998 - )**  
Private Consultant

**engineering - environmental Management (e<sup>2</sup>M) - (1995 - 1998)**  
Principal - Vice President  
DOE Pantex Program Director

**The Earth Technology Corporation (1994 - 1995)**  
Senior Geologist, Senior Project manager for remedial projects including U.S.AFCEE Contracts.

**Science Applications International Corporation (1992 - 1994)**  
Senior Geologist, lead project manager for remedial activities at Kelly AFB.

**Vulcan Materials Company (1989 - 1992)**  
Division Geologist for Vulcan's Southwest Division. Responsible for geological evaluation and exploration for mining resources in the southwestern U.S.

**Texas Tech University (1987 - 1989)**  
Research assistant. Clay mineralogy and geochemistry research.

**Chevron Resources Company (1984 - 1987)**  
Geologist. Project geologist in Chevron's uranium mining operations throughout the southwestern U.S. Projects included open-pit uranium mining in south Texas, in-situ acid leach mining of uranium in south Texas, and underground mining of uranium in Chevron's Mt. Taylor Uranium Operation in Grants, New Mexico.

**Additional Information:**

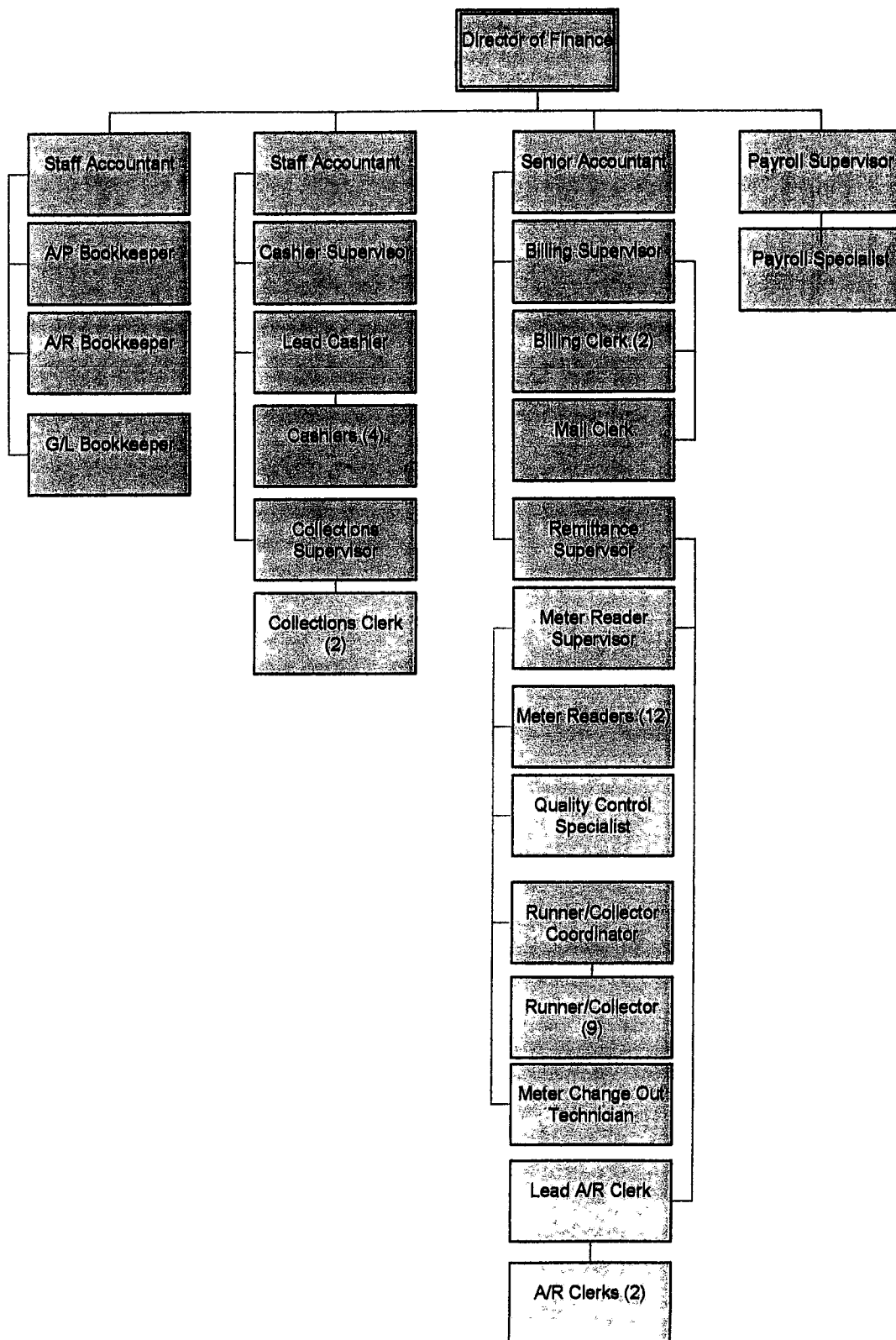
References and Publications Available on Request

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## **Outline of WECO Presentation to the TGR Water District Board Regarding TGR Groundwater Management Plan and Recharge Discussions**

1. Acknowledge the Extent of Research on the Trinity Aquifer across the Region
  - a. Changes over the Last 5 Years
2. Discuss the General Findings of the TWDB Report 353 on Groundwater Availability in the Trinity
3. Present the Location Map of the 47 WECO Trinity Wells
  - a. Discuss Importance of Locations for Future Supply Needs
4. Present the Geologic Map of the 47 WECO Trinity Wells
  - a. Discuss Estimated Volume of Water in Storage
5. Present and Discuss the TWDB Cross Section for the Trinity Aquifer
6. Present and Discuss the WECO Cross Section
7. Observations of WECO Wells
  - a. Recharge Sources
    - i. Vertical Infiltration from Precipitation (as Modeled by TWDB)
    - ii. Recharge from Cibolo Creek (as Modeled by TWDB)
    - iii. Possible Recharge from Hosston and Sligo due to cross formational recharge within BFZ (specific to WECO Wells)
    - iv. Potential Recharge from Vertical Infiltration via Karst Features within the Edwards Aquifer Recharge Zone (specific to WECO Wells)
  - b. Summarize Recharge Discussion
    - i. Recommended Modifications in TWDB Modelling
    - ii. Direct Observations
8. Future Course of Research
  - a. WECO working with TWDB and Bexar County Water Providers to Improve and Update Model
  - b. Extensive Field Research to be Performed by WECO on Wells
9. Recommendations for TGR's Management Plan
  - a. Flexibility in Planning as New Data and Research Becomes Available

Bexar Metropolitan Water District  
Organizational Chart  
FY 05-06



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Jesse Morin  
4106 Knoll Bluff  
San Antonio, TX 78247

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## QUALIFICATIONS

Sixteen years of accounting experience in diverse settings, involving financial statement preparation, budget development, revenue and expenditure analysis, debt management, rate design analysis and cash management.

Manage accounting department assuring compliance with generally accepted accounting principles. Develop operational policies and procedures addressing accounting issues. Handle all staffing and employee related matters. Maintain excellent lines of communications with upper management. Excellent interpersonal and organizational skills.

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## WORK HISTORY

5/05 - present Director of Finance, Bexar Metropolitan Water District  
Manage and direct all financial and procurement activities. Plan, organize, direct and control the financial affairs of the District. Prepare financial statements, analyses and responsible for maintaining the system of accounts. Responsible for proposing, implementing and evaluating all financial policies, procedures and practices, internal controls and accounting procedures. Ensures the District's compliance with Generally Accepted Accounting Principles, District financial policies, State and Federal laws and regulations and other guidelines set forth by the General Manager and the Board of Directors.

11/97 - present Accounting Manager, Bexar Metropolitan Water District  
Prepare annual and monthly financial statements, develop and monitor annual budget, administer debt program, direct cash management program, manage fiscal year-end audit, analyze general ledger accounts, formulate water rates and prepare ad-hoc management reports. Oversee the management and reporting of several federal grants. Supervise accounting department staff responsible for accounts payable, general ledger, account receivables, and fixed assets. Develop operational policies and procedures relating to accounting issues.

12/94 - 11/97 Accountant, El Centro del Barrio  
Prepare monthly financial statements, develop program budgets, reconcile general ledger accounts, analyze accounts receivable and prepare management reports. Oversee the management and reporting of several Texas Department of Health and private foundation grants. Supervise medical billing department responsible for billing medical claims for 10 multi-specialty physicians. Familiar with Medicaid, Medicare, private insurance and managed care regulations. Prepare Federally Qualified Health Center Medicaid cost report.

06/89 - 11/94 Accountant, Edwards Underground Water District  
Developed annual budget, prepared monthly financial statements and reviewed revenue/expenditure trends. Recorded accounts payable transactions and prepared cash disbursement checks. Assisted in bi-weekly payroll preparation. Reconciled monthly bank statements. Monitored cash, investments and collateral balances. Entered general ledger transactions. Prepared annual audit schedules. Maintained all financial and accounting files.

## EDUCATION

Bachelor of Business Administration, May 1989  
Southwest Texas State University, San Marcos, Texas.

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**BEXAR METROPOLITAN WATER DISTRICT**  
San Antonio, Texas

Financial Statements with Auditors' Report

Year Ended April 30, 2004

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BEXAR METROPOLITAN WATER DISTRICT  
San Antonio, Texas

FINANCIAL STATEMENTS WITH AUDITORS' REPORT

Year Ended April 30, 2004

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Annual Filing Affidavit

STATE OF TEXAS  
COUNTY OF BEXAR

}  
}

I, Thomas C. Moreno of the Bexar Metropolitan Water District hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 13 day of SEPTEMBER, 2004, its annual audit report for the fiscal period ended April 30, 2004 and that copies of the annual audit report have been filed in the District's office, located at 2049 W. Malone, San Antonio, Texas 78225.

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

Date: 14 SEPTEMBER, 2004

By:

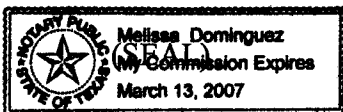
  
(Signature of District Representative)

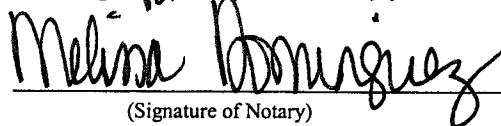
Thomas C. Moreno, CEO

(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this

14th day of September, 2004.



  
(Signature of Notary)

My Commission Expires On: March 13, 2007.  
Notary Public in the State of Texas.

# Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

Members of the Audit Committee and  
Board of Directors  
Bexar Metropolitan Water District  
San Antonio, Texas

We have audited the accompanying basic financial statements of the Bexar Metropolitan Water District (the District), as of and for the year ended April 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District, as of April 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The Schedule of Revenues, Expenses and Changes Net Assets - Enterprise Fund - (Budget and Actual) is also not a required part of the basic financial statements but is supplementary information required by the Texas Commission on Environmental Quality. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Grand Auditor*  
*Associates*

August 6, 2004

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**BEXAR METROPOLITAN WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

The management of the Bexar Metropolitan Water District (the District), provides this narrative overview and analysis of the financial statements and financial activities of the District for the fiscal year ended April 30, 2004.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$48,159,842. Of this amount, \$1,565,041 (Unrestricted Net Assets) may be used to meet the District's ongoing obligations to creditors.
- The District's total net assets decreased by \$1,927,558 (before capital contributions). The primary reason for this decrease is the recognition of \$1,192,153 of accreted bond interest attributed to the 1998 Capital Appreciation Bonds as required by GASB 34.
- The District's ending total assets equaled \$270,281,887, which represents an increase over the prior year of \$6,112,342.
- The District issued \$5,000,000 of commercial paper during the year.
- Beginning net assets were decreased by \$7,089,050, as described in Note J in the notes to financial statements.
- The District recognized revenues of \$3,776,999 on SWAP transactions.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) statement of net assets, (2) statement of revenues, expenses, and changes in net assets, and (3) statement of cash flows. This report also contains other supplementary information in addition to the basic financial statements.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets shows the revenue sources, expenses classifications, and reflects the change in net assets for the fiscal year.

The Statement of Cash Flows demonstrates the sources and uses of funds received and expended and reconciles beginning and ending cash and cash equivalents.

**BEXAR METROPOLITAN WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

The basic financial statements can be found on pages 10-14 of this report.

Notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 16-44 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, total assets exceeded liabilities by \$48,159,842 at the close of the fiscal year.

The District's net asset classification "investment in capital assets net of related debt" increased by \$20,193,112 during the year. At the beginning of the fiscal year this amount was \$12,684,815 and had improved at the end of the fiscal year by one hundred and fifty-nine percent (159.00 %) to \$32,877,927, as a result of construction expenditures, capitalization of interest, reclassifications, and restatements of prior year amounts.

Restricted net assets consist of amounts for debt service, construction, and contingencies and escrow. During the year, net assets restricted for debt service increased by \$202,609 to \$8,559,677. Net assets restricted for construction decreased by \$208,103 to \$513,682. Amounts restricted for contingencies and escrow decreased \$7,759,777 primarily from the application of funds to two capital leases. Overall, net restricted assets decreased by \$7,765,271 to \$13,716,874.

Total net assets decreased by \$1,643,018 to \$48,159,842. This decrease resulted from restating beginning net assets by \$7,089,050 (See Note J), combined with the current year increase in net assets of \$5,446,032.

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<p align="center"><b>BEXAR METROPOLITAN WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)</b></p>
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**Bexar Metropolitan Water District's Net Assets**

	2004	2003
Unrestricted Current Assets	8,771,210	7,789,845
Restricted Assets	21,699,803	21,503,707
Capital Assets (Net)	236,354,480	209,105,118
Other Assets	3,456,394	25,770,875
Total Assets	\$ 270,281,887	\$ 264,169,545
Unrestricted Current Liabilities	8,678,207	8,427,866
Current Liabilities Payable from Restricted Assets	7,982,928	7,631,607
Long-term Debt	205,460,910	198,307,212
Total Liabilities	222,122,045	214,366,685
Net Assets		
Invested in Capital Assets, Net of Related Debt	32,877,927	12,684,815
Restricted Net Assets		
Restricted for Debt Service	8,559,677	8,357,068
Restricted for Construction	513,682	721,785
Restricted for Contingency and Escrow	4,643,515	12,403,292
Total Restricted Net Assets	13,716,874	21,482,145
Unrestricted Net Assets	1,565,041	15,635,900
Total Net Assets	48,159,842	49,802,860
Total Liabilities and Net Assets	\$ 270,281,887	\$ 264,169,545

<p align="center"><b>BEXAR METROPOLITAN WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)</b></p>
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Revenues exceeded expenses, which increased net assets by \$5,446,032. Elements of this increase are as follows:

**Bexar Metropolitan Water District's  
Statement of Revenues and Expenses**

	2004	2003
Operating Revenues		
Water Sales	\$ 37,249,594	\$ 35,381,760
Sewer Revenues	-	-
Customer Penalties and Fees	2,560,970	1,515,141
Impact Fees	1,946,495	1,732,371
Collection Fees for Sewer, Garbage and Fire Protection	1,070,449	1,018,830
Fire Protection	131,762	68,447
Regulatory Fees	944,407	782,806
Total Operating Revenues	<u>43,903,677</u>	<u>40,499,355</u>
Operating Expenses		
Production Expenses	19,547,040	13,906,833
Administrative and General Expenses	10,942,379	11,532,674
Depreciation	9,345,262	7,677,503
Total Operating Expenses	<u>39,834,681</u>	<u>33,117,010</u>
Operating Income	<u>4,068,996</u>	<u>7,382,345</u>
Non-Operating Revenues (Expenses)		
Gain on Swap Transactions	3,776,999	-
Grant Revenue	247,563	-
Interest Revenue	656,060	719,838
Main and Service Extensions	1,008,104	882,613
Bad Debts Recovered	36,982	4,599
Other Non-operating Revenues	434,633	467,000
Loss on Sale of Capital Assets	(908,667)	33,829
Bond and Other Interest Expense	(9,978,001)	(8,291,294)
Amortization of Bond Issuance Costs	(1,270,257)	(580,008)
Total Non-Operating Revenues (Expenses)	<u>(5,996,584)</u>	<u>(6,763,423)</u>
(Loss) Before Capital Contributions	(1,927,588)	618,922
Capital Contributions	<u>7,373,620</u>	<u>5,274,293</u>
Increase in Net Assets	<u>5,446,032</u>	<u>5,893,215</u>
Net Assets - Beginning Balance (Restated)	<u>42,713,810</u>	<u>43,909,645</u>
Net Assets - Ending Balance	\$ <u>48,159,842</u>	\$ <u>49,802,860</u>

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**BEXAR METROPOLITAN WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

The most significant increases were from increased District water revenues (5.3%) of \$1,867,834 to \$37,249,594. Operating expenses increased (20.3%) by \$6,717,671 to \$39,834,681. The change in net assets, which includes both operating and non-operating revenues and expenses decreased (7.6%) \$447,183 to \$5,446,032. The primary reason for this decrease was due to increases in depreciation expense, increases in administrative and general expenses in the areas of personnel and related benefits, a loss on the sale of capital assets, and accretion on capital appreciation bonds.

At the end of the fiscal year, the District had unrestricted cash balances of \$1,679,747 and unrestricted net assets of \$1,565,041. Unrestricted cash balances decreased \$481,750 (40.2%) over the prior year, and unrestricted net assets decreased \$14,070,859 (90.0%). The large change in unrestricted net assets is due to the restatement of beginning net assets as described in Note J to the financial statements.

### **Capital Asset and Debt Administration**

Capital Assets – The District's capital assets as of April 30, 2004 amounts to \$236,354,480 (net of depreciation).. This amount includes land, a water treatment plant, transmission lines, machinery and equipment, capitalized interest, construction in progress, vehicles, software water diversion rights, and other equipment. The total increase in capital assets during the year was (13.0%) \$27,249,362.

Major capital asset events completed during the current fiscal year included the following:

1. Sixteen Inch water main from Highway 46 to Bulverde Hills in Comal County, Texas.
2. Cagnon Road Twenty-four Inch and Twenty Inch Water main extension and bore across Highway 90 in Bexar County, Texas.
3. Sixteen Inch Water main extension at Loop 1604 South- from Pleasanton Rd. to Hwy 281 in Bexar County, Texas.

Other major capital asset projects that began in the current fiscal year and are still in progress are:

1. 2.5 million gallon elevated storage tank at Echo Mountain in Bexar County, Texas.
2. 1.0 million gallon elevated storage tank at New World in Bexar County, Texas.
3. Sixteen inch 16" water main extension at Loop 1604 from Highway 281 to Campbellton Rd in Bexar County, Texas.

The unexpended portion of construction commitments totaled \$644,489.

Additional information on the District's capital assets can be found in Note D on pages 25 and 26 of this report.

**BEXAR METROPOLITAN WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

Debt Administration – During the current year, the District did not issue any new bonds but issued \$5,000,000 in additional commercial paper. The District's debt increased by \$1,736,949, which is the net effect of principal payments made in the current year, the issuance of commercial paper, and the accretion of interest on capital appreciation bonds. Additional information on the District's debt can be found in notes G, H, and I on pages 27 to 37 of this report.

**Budgetary Highlights**

Management has reviewed the significant variances between budget and actual expenditures during the fiscal year ended April 30, 2004 and has determined that the significant variance were primarily due to:

1. business needs such as increased personnel required to meet business demand;
2. acquisition of additional water resources and development/repair of infrastructure to ensure availability of water to District customers;
3. reimbursable expenses incurred pursuant to an interlocal agreement with a neighboring county to clean-up flood debris from the 2002 flood which threatened the quality of water utilized by the District in its Ultrafiltration Plant;
4. Ultrafiltration Plant expansion and Median Dam repairs;
5. increases in the cost of basic business services and goods purchased such as fuel and utilities, which were driven by factors beyond the control of the District; and
6. professional fees related to litigation which should be resolved in the District's favor during FY 2004-2005.

In regard to the impact of these variances, the District does not believe these current year budget variations will have a significant effect on future services or liquidity. In fact the District believes that expenses incurred in FY 2003-2004 should:

1. lead to improved service due to increased staff;
2. greater availability of water due to acquisitions of water resources, Ultrafiltration Plant expansion, and the clean-up of the Medina River;
3. resolution of litigation which will allow the District to focus on its core business of the treatment and delivery of water to its customers; and
4. improved budget amendment policies to address changes to the budget in a more rapid manner.

The District is committed to providing the highest quality water in the most economic manner possible and District management believes it has implemented a FY 2004-2005 budget tracking and amendment process that provides a budget that will meet the needs of its customers and the needs of the District in an efficient and responsive manner.

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**BEXAR METROPOLITAN WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**Economic Factors and Next Year's Budget**

- The approved FY 2004-2005 total operating budget for the District is \$39,199,785. The approved budget represents a decrease of approximately one percent under the previous year's total operating budget. The approved budget contemplates increases in only basic operating areas such as fuel, insurance, utilities, personnel, and water resource agreements necessary to maintain adequate and continuous water utility service as mandated by the Texas Water Code.
- Budgeted FY 2004-2005 District Net Income is \$3,785,659.
- The approved FY 2004-2005 capital improvement program budget is \$14,457,443. These expenditures will be funded with a combination of operating revenues, impact fee revenues, and proceeds from debt issuances.

**Request for Information**

This financial report is designed to provide a general overview of the Bexar Metropolitan Water District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Thomas C. Moreno, General Manager/CEO at Bexar Metropolitan Water District, 2047 W. Malone, San Antonio, Texas 78225.

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BASIC FINANCIAL STATEMENTS

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BEXAR METROPOLITAN WATER DISTRICT  
San Antonio, Texas

Statement of Net Assets - Proprietary Funds

April 30, 2004

	Business-Type Activities <u>Enterprise Funds</u>
ASSETS	
Current Assets	
Unrestricted	
Cash and Cash Equivalents	\$ 1,679,747
Accounts Receivable:	
District Customers (Net of allowance for uncollectible accounts of \$196,252)	4,224,947
Miscellaneous (Net of allowance for uncollectible accounts of \$169,602)	1,243,214
Prepaid Expenses	219,746
Inventory	1,390,571
Security Deposits	<u>12,985</u>
Total Unrestricted Current Assets	<u>8,771,210</u>
Restricted Current Assets	
Cash and Cash Equivalents	21,532,212
Cash Held in Escrow	<u>167,591</u>
Total Restricted Assets	<u>21,699,803</u>
Noncurrent Assets	
Capital Assets	
Land	11,473,007
Construction In Progress	15,244,843
Capital Assets Being Depreciated	278,754,718
Less: Accumulated Depreciation	<u>(69,118,088)</u>
Total Capital Assets (Net)	236,354,480
Other Assets - Unamortized Bond Issuance Costs	<u>3,456,394</u>
Total Noncurrent Assets	<u>239,810,874</u>
Total Assets	\$ <u><u>270,281,887</u></u>

(Continued)

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BEXAR METROPOLITAN WATER DISTRICT  
San Antonio, Texas

Statement of Net Assets - Proprietary Funds

April 30, 2004

	Business-Type Activities <u>Enterprise Funds</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>	
Unrestricted	
Accounts Payable	\$ 2,450,225
Sewer and Garbage Collections	2,932,184
Accrued Wages/Payroll Taxes Payable	336,792
Prepaid Customer Accounts	142,276
Capital Lease	1,394,531
Contracts Payable	77,506
Security Deposits	35,555
Accrued Vacation	376,783
Deferred Revenue	650,000
Insurance Claims Liability	191,784
Other Accrued Expenses	90,571
Total Unrestricted Current Liabilities	<u>8,678,207</u>
Current Liabilities Payable from Restricted Assets	
Accrued Bond Interest Payable	4,307,928
Revenue Bonds and Notes Payable Within One Year	3,675,000
Total Current Liabilities Payable from Restricted Assets	<u>7,982,928</u>
Total Current Liabilities	<u>16,661,135</u>
<b>Noncurrent Liabilities</b>	
Accreted Interest Payable	6,084,031
Revenue Bonds and Notes Payable	184,226,827
Less: Unamortized Discounts	(2,752,420)
Commercial Paper Notes	15,000,000
Capital Leases Payable	2,870,009
Contracts Payable	32,463
Total Noncurrent Liabilities	<u>205,460,910</u>
Total Liabilities	<u>222,122,045</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	32,877,927
Restricted Net Assets	
Restricted for Debt Service	8,559,677
Restricted for Construction	513,682
Restricted for Contingency and Escrow	4,643,515
Total Restricted Net Assets	<u>13,716,874</u>
Unrestricted Net Assets	1,565,041
Total Net Assets	<u>48,159,842</u>
Total Liabilities and Net Assets	<u>\$ 270,281,887</u>

The accompanying notes to financial statements form an integral part of this statement.

BEXAR METROPOLITAN WATER DISTRICT  
San Antonio, Texas

Statement of Revenues, Expenses and Changes in  
Net Assets - Proprietary Funds

Year Ended April 30, 2004

	Business-Type Activities Enterprise Funds
Operating Revenues	
Water Sales	\$ 37,249,594
Customer Penalties and Fees	2,560,970
Impact Fees	1,946,495
Collection Fees for Sewer, Garbage and Fire Protection	1,070,449
Fire Protection	131,762
Regulatory Fees	944,407
Total Operating Revenues	<u>43,903,677</u>
Operating Expenses	
Production Expenses	19,547,040
Administrative and General Expenses	10,942,379
Depreciation	9,345,262
Total Operating Expenses	<u>39,834,681</u>
Operating Income	<u>4,068,996</u>
Non-Operating Revenues (Expenses)	
Gain on Swap Transactions	3,776,999
Grant Revenue	247,563
Interest Revenue	656,060
Main and Service Extensions	1,008,104
Bad Debts Recovered	36,982
Other Non-operating Revenues	434,633
Loss on Sale of Capital Assets	(908,667)
Bond and Other Interest Expense	(9,978,001)
Amortization of Bond Issuance Costs	(1,270,257)
Total Non-Operating Revenues (Expenses)	<u>(5,996,584)</u>
(Loss) Before Capital Contributions	(1,927,588)
Capital Contributions	<u>7,373,620</u>
Increase in Net Assets	<u>5,446,032</u>
Net Assets - Beginning Balance (Restated)	<u>42,713,810</u>
Net Assets - Ending Balance	<u>\$ 48,159,842</u>

The accompanying notes to financial statements form an integral part of this statement.

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BEXAR METROPOLITAN WATER DISTRICT

San Antonio, Texas

Statements of Cash Flows - Proprietary Funds

Year Ended April 30, 2004

	Business-Type Activities
	<u>Enterprise Funds</u>
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 40,360,555
Cash Received from Other Services	4,470,580
Cash Payments to Suppliers for Goods and Services	(21,650,435)
Cash Payments to Employees for Services	<u>(8,368,680)</u>
Net Cash Provided by Operating Activities	<u>14,812,020</u>
Cash Flows From Investing Activities:	
Cash Received on Swap Transactions	3,699,104
Investment Income	<u>656,060</u>
Net Cash Provided by Investing Activities	<u>4,355,164</u>
Cash Flows From Capital & Related Financial Activities:	
Proceeds from Issuance of Commercial Paper	5,000,000
Grant Revenue	247,563
Repayments of Bad Debt	36,982
Other Non-Operating Revenues	434,633
Cash Proceeds from Sale of Capital Assets	38,927
Mains and Service Connection Fees	1,008,104
Principal Payments - Bonds and Notes	(3,280,000)
Principal Payments - Capital Leases	(1,151,622)
Principal Payments - Contracts Payable	(23,582)
Purchase of Capital Assets	(11,900,639)
Bond and Other Interest Expense	<u>(9,045,632)</u>
Net Cash (Used) for Capital and Related Financing Activities	<u>(18,635,266)</u>
Net Increase in Cash & Cash Equivalents	531,918
Cash & Cash Equivalents, Beginning of Year (Restated)	<u>22,680,041</u>
Cash and Cash Equivalents, End of Year	<u>\$ 23,211,959</u>

(Continued)

BEXAR METROPOLITAN WATER DISTRICT  
San Antonio, Texas

Statements of Cash Flows - Proprietary Funds

Year Ended April 30, 2004

	Business-Type Activities <u>Enterprise Funds</u>
Reconciliation of Income From Operations to Net Cash	
Provided by Operating Activities	
Operating Income	\$ 4,068,996
Adjustments to Reconcile Net Income From Operations to Net Cash Provided by Operating Activities:	
Depreciation	9,345,262
Credit Losses	891,733
(Increase) Decrease In:	
Accounts Receivable - District Customers	923,184
Accounts Receivable - Miscellaneous	(506,824)
Inventory of Materials and Supplies	(79,475)
Prepaid Expenses	(31,392)
Other Assets	19,637
Increase (Decrease) in:	
Accounts Payable	(746,541)
Sewer & Garbage Collection Payable	182,212
Accrued Wages/Payroll Taxes	85,296
Prepaid Customer Accounts	(8,539)
Accrued Vacation	115,196
Deferred Revenue	500,000
Insurance Claims Liability	191,784
Accrued Expenses - Other	(138,509)
	<u>14,812,020</u>
Total Cash Provided by Operating Activities	\$ <u>14,812,020</u>

Noncash Capital and Financing Activities

- a. The District received contributed capital assets from developers in the amount of \$6,436,223.
- b. Capitalized interest costs totaled \$205,748.
- c. Amortization of bond issue costs and original issue discounts totaled \$1,270,257.

The accompanying notes to financial statements form an integral part of this statement.

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BEXAR METROPOLITAN WATER DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Bexar Metropolitan Water District (the District) is a political subdivision of the State of Texas created in 1945 by an Act of the 49<sup>th</sup> Legislature. Duties and functions of the District are in Article 8280-126 VATS, Title 128, Chapter 12. While the District was created for the purpose of controlling, distributing and utilizing storm and flood waters of rivers and streams; and to control and regulate the accumulation and disposal of sewage and refuse, the District presently provides water service and limited sewer service to its customers. The District, on a contract basis, also collects garbage and sewer revenues for various entities within its service area.

The District's service area consists of approximately 277 square miles in Bexar, Atascosa, Medina, and Comal counties. The principal areas of service are the Southside of San Antonio, the City of Castle Hills, the City of Somerset, the Northeast service area, the Northwest and Texas Research Park area, the Southeast area, the Chaparral service area and the North Central areas which include the cities of Hill Country Village, Hollywood Park, and the Stone Oak subdivision.

The District is governed by a seven member Board of Directors, elected from representative customer districts and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, *"The Financial Reporting Entity"*, and is not included in any other governmental reporting entity.

The pension plan described in Note M is administered by a third party and is not a part of the reporting entity.

The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB).

**Blended Component Units**

In January, 1997, the District approved the formation of the Bexar Metropolitan Development Corporation and the Bexar Metropolitan Water District Public Facility Corporation. Although these two entities are legally separate from the District, they are, in substance, part of the District's operations since they were organized exclusively for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of, the District. Therefore, these Corporations are reported as blended component units.

BEXAR METROPOLITAN WATER DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2004

The Bexar Metropolitan Development Corporation was organized for the purpose of furthering the public purpose of the promotion and development of industrial and manufacturing enterprises, including the issuance and payment of the "Bexar Metropolitan Development Corporation Water Facility Contract Revenue Bonds, Series 2003". The Bexar Metropolitan Development Corporation is currently operating a water treatment facility that it leases to the District.

The Bexar Metropolitan Water District Public Facility Corporation was organized to assist the District in financing, refinancing, or providing public facilities. This Corporation has the authority to finance the acquisition of District obligations issued or incurred in accordance with existing law, to provide for the acquisition, construction, rehabilitation, renovation, repair, and the equipping, furnishing and placement in service of public facilities of the District. As of April 30, 2004, the Bexar Metropolitan Water District Public Facility Corporation had not been activated.

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The District operates as an enterprise (proprietary) fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operation. The principal operating revenues of the District are charges to customers for providing water. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The financial statements in this report are prepared using the accrual basis of accounting and on the flow of economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The District applies all applicable GASB pronouncements as well as any FASB statements and interpretations, APB opinions and ARB's issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The lease activity between the District and the Development Corporation is eliminated for financial statement presentation.

BEXAR METROPOLITAN WATER DISTRICT  
San Antonio, Texas

NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2004

Grant funds are considered to be earned when the related program expenditures are incurred. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. Funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

Impact fees are considered to be earned when the related property is platted. Accordingly, when such funds are received, they are recorded as deferred revenues until the property is platted.

C. OTHER ACCOUNTING POLICIES

1. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are considered to be cash on hand, demand deposits, money market funds, and investments with a maturity of three months or less from the date of acquisition.

3. Investments

State statutes and the District's investment policies authorize the District to invest (short-term and long-term) in Certificates of Deposit, U.S. Treasury Obligations, U.S. Agency Issues, High-Grade Commercial Paper, Banker's Acceptances, Repurchase Agreements and certain stock and bond funds. Generally, short-term investments are stated at cost or amortized cost and long-term investments are reported at fair value. The District records any unrealized gains or losses on the long-term securities as non operating revenues.

Local Governmental Investment Cooperative (LOGIC): LOGIC is a public funds investment pool established pursuant to the Interlocal Cooperation Act and Public Funds Investment Act of Texas. It is governed by an Interlocal contract among participants, by-laws and board oversight of its investment and operating policies. So that LOGIC is considered a "2a-7 like pool" under GASB Statement No. 31, it operates the portfolio in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Accordingly, the fair value of the District's position in LOGIC is the same as the value of LOGIC's shares and does not include any unrealized gains and losses.

BEXAR METROPOLITAN WATER DISTRICT  
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NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2004

LOGIC was organized in 1994 in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Texas Public Funds Investment Advisory Act, Chapter 2256 of the Texas Government Code. The Public Funds Investment Act allows eligible local governments, state agencies, and non-profit corporations of the State of Texas to jointly invest their funds in permitted investments. LOGIC's governing body is a three member Board of Directors comprised of government officials or employees. Citigroup Asset Management serves as the sub advisor for the LOGIC program and SWS Capital Corporation, a wholly-owned subsidiary of Southwest Securities Group, Inc., serves at the investment advisor and administrator. LOGIC is rated Aaa/MR1 by Moody's Investors Service. Financial information for LOGIC can be obtained by calling 1-800-TX-LOGIC or by requesting it by e-mail at [info@logic.com](mailto:info@logic.com)

Money Market Investments: The District maintains funds in a U.S. Government Money Market Fund which are invested by the District's agent in U.S. Treasury and Government Agency Securities. The District reflects the funds in the Money Market Fund as deposits.

4. Inventory

Inventory consists of pipes, supplies, and other items used in the District's construction projects and system maintenance. These inventories are valued using the average cost method and are reported under the consumption method whereby inventory is expensed or capitalized (as a construction cost) when utilized.

5. Capital Assets

Capital assets having a unit cost equal to or greater than \$1,000 are recorded at cost or estimated historical cost if purchased or constructed. The capital asset accounts include all of the District's assets including public domain ("infrastructure") assets such as drainage systems which have value only to the District and assets acquired through capital leases. Assets acquired through contributions; such as, those from land developers, are capitalized and recorded as capital assets and capital contributions (revenue) at estimated fair value at date of donations.

It is the policy of the District to capitalize certain interest costs on revenue bonds and commercial paper associated with newly constructed capital asset additions. The applicable interest costs are reflected in the capitalized value of the assets constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized but are charged to operating expense. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

BEXAR METROPOLITAN WATER DISTRICT  
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NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2004

Capital assets are depreciated and property under capital lease is amortized on the straight-line method using rates estimated to fully depreciate and amortize the costs of the asset group over their estimated useful lives.

The estimated useful lives of the assets are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Utility Plant and Distribution System	5- 50 years
Buildings/Improvements	5-40 years
Water Rights Diversion	40 years
Equipment	4-25 years
Communication Equipment	5-40 years
Computer Equipment	5 years
Construction Equipment	3-15 years
Software	5 years
Furniture and Fixtures	10 years
Vehicles	3-5 years

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Vacation pay is accrued when incurred and reported as a liability. Employees may accumulate from two to four weeks of vacation pay per year depending on their length of employment. As of April 30, 2004, accrued vacation payable is \$376,783 and is reflected as a short term liability since it must be used within the following fiscal year. Accumulated sick leave is not payable upon termination and is therefore not recorded as a liability at year end.

7. Net Assets

Net assets are reported as (1) invested in capital assets net of related debt, (2) restricted for debt service; construction; and contingencies and escrow, and (3) unrestricted.

8. Bond Discounts/Premiums/Issuance Costs

Bond premiums and discounts, as applicable, are deferred and amortized over the life of the bonds using the effective interest method and bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the straight-line basis.

BEXAR METROPOLITAN WATER DISTRICT  
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NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2004

9. Changes in Classification

Certain items have been reclassified on the financial statements from the previous year. Impact fees are included in operating revenues but were previously reported as non-operating revenues and bond issuance costs are included as a non-current asset but were previously reported as a contra-liability. Amounts classified as investments in restricted assets in the previous year have been reclassified to restricted cash and cash equivalents.

II. BUDGETS AND BUDGETARY ACCOUNTING

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year.
2. The District adopts a budget on a GAAP basis.
3. The budget amounts reflected in these financial statements are the final authorized amounts adopted by the District's Board.

During the year the budget was properly adopted in accordance with the above procedures. There were excess of expenditures over appropriations at April 30, 2004. The production, administrative and general, and depreciation expenses exceeded the budget by \$2,890,479, \$3,334,389, and \$1,978,274, respectively.

III. DETAILED NOTES

A. DEPOSITS and INVESTMENTS

Deposits at year end are categorized below to give an indication of the level of risk assumed. Category 1 includes deposits insured by federal depository insurance or collateralized with securities held by the District or by its agent in the District's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agents in the District's name. Category 3 includes deposits, which are considered uncollateralized. The District's deposits are maintained in several bank institutions. These deposits were secured by FDIC and pledged securities throughout the year, with the exception for two days during the month of April 2004, in which the deposits exceeded the FDIC and pledged securities by \$5,874,054.

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NOTES TO FINANCIAL STATEMENTS

Year Ended April 30, 2004

Deposits:

	Category			Total Bank Balance	Book Balance
	1	2	3		
Demand Accounts	\$ 113,374	\$ 779,304	\$ 5,874,054	\$ 6,766,732	\$ 6,157,367
Petty Cash	-	-	-	-	3,500
U.S. Money Market Fund	7,216,776	-	-	7,216,776	7,216,776
Total	<u>\$ 7,330,150</u>	<u>\$ 779,304</u>	<u>\$ 5,874,054</u>	<u>\$ 13,983,508</u>	<u>\$ 13,377,643</u>

Investments held at a financial institution can be categorized according to three levels of risk. The District's only investment is the Local Governmental Investment Cooperative (LOGIC), a local government investment pool, which is based upon a contract and not the security itself. Therefore, these types of investments are not categorized. The fair value of investments in LOGIC was \$9,834,316 as of April 30, 2004.

The following is a reconciliation of deposits and investments from the notes to the statement of net assets:

Reported Amounts from Notes as presented above:

Deposits	\$ 6,157,367
Petty Cash	3,500
U.S. Money Market Fund	7,216,776
Investments	9,834,316
	<u>\$ 23,211,959</u>

Totals from Statement of Net Assets:

Unrestricted - Cash and Cash Equivalents	\$ 1,679,747
Restricted - Cash and Cash Equivalents	
Interest & Sinking Funds-Revenue Bonds	12,381,336
Reserve Funds	4,161,269
Construction Funds	513,682
Contingency Fund	4,475,925
	<u>21,532,212</u>
Total	<u>\$ 23,211,959</u>