

MINUTES
BEXAR METROPOLITAN WATER DISTRICT
REGULAR BOARD MEETING
2047 W. MALONE, SAN ANTONIO, TEXAS 78225
P.O. BOX 245994, SAN ANTONIO, TEXAS 78224
May 2, 2006

In accordance with Chapter 551 of the Texas Government Code, Vernon's Annotated Civil Statutes, Section 31, the Board of Directors for the BEXAR METROPOLITAN WATER DISTRICT held a **Regular Board of Directors Meeting at 4:30 p.m. on the 2nd day of May, 2006**, in the Board Room of Bexar Metropolitan Water District, 2047 W. Malone, San Antonio, Texas.

BOARD MEMBERS PRESENT: Victor Villarreal; Lesley Wenger; Jim Clement; James Fenimore; Robert Morin; David Sosa. (Jose Gallegos arrived at 6:13 PM).

STAFF MEMBERS PRESENT: Gil Olivares; Adolfo Ruiz; Mike Albach; Jesse Morin; Miyoung Squire; Johnnie Terrazas; Gene Camargo; Edna Wigfall Crute'; Patty Lozano; Helen Casias; Tasha Morton; Liliana Oranday; Steve Sandoval; Travis Runty; Abel Ruiz; Alice Huron; Phil Hopkins; Nathan Riggs; Glenn George.

GUESTS PRESENT: Gilbert Garza, Tom Pardue, Felix Bernal, Gary Lucas & Leonard Gomez (BexarMet); Margie Galvan (Partners Realty); Buck Bensen (Earl & Associates); Steven Krauskopf, Craig Fletcher & Brice Moczygemba (Pape-Dawson); Cody Mitchell & Eric Lipar (LCI Homes); Tom Garcia, Charmain & Charlie Sanchez (Terreno Services); Onel Jimenez & Jesse Garza (Garza Architects); Richard Mott (Pulte Homes); Ricardo Villasenor (Ramirez & Co.); Rogelio Rodriguez (Frost Bank); Michael Dutton (KK&A); Tom Victorine (San Jose Water Co.); George Peck (ABG Development); Jose & Gricella Alfaro (ACC); Trey Marsh (Centex Homes); Patrick Lindow (Davidson & Truillo); James Sims (AZTX Properties Ltd.); Larry Kurth (Clark, Thomas & Winters); Daniel Monreal.

PRESS PRESENT: Jerry Needham (*Express-News*).

MINUTES

The open session of this meeting was tape recorded. These minutes are a summary record of the Board's actions at the meeting. For a detailed record of discussions and statements made by persons speaking at the meeting, please consult the audio files at the District's office.

Item 1.

Mr. Villarreal called the meeting to order at 4:30 p.m. Mr. Villarreal opened with an announcement:

I'd like to introduce Orlando Pacheco, a Sergeant in the 111th Area Support Group, Texas National Guard. Sgt. Pacheco was deployed to Afghanistan in support of Operation Enduring

Freedom for the period of January 2005 through March 2006. Sgt. Pacheco has worked at BexarMet Water District since October 27, 1997 and is currently a Computer Technician with the IT Department. He would like to make a presentation to the Board and to staff this afternoon.

Sgt. Pacheco: Thank you Mr. Villarreal, Members of the Board and staff of BexarMet Water District. On behalf of myself and the men and women of the 111th Area Support Group, I'd like to present this flag and this certificate. It says "United States of America Flag Certificate was flown in Bagram Airfield, Afghanistan in Honor of the men and women of BexarMet Water District. This flag of the United States of America was flown over Bagram Airfield, Afghanistan on the 25th of January 2006 during Operation Enduring Freedom VI. It was flown in honor of your dedication, commitment, and noble support to those who proudly serve in the Armed Forces of the United States during the Global War on Terrorism. This reflects greatly on you and your valorous patriotism as American Citizens. Signed by Alexander Tafolla CSM, USA and Joyce L. Stevens, Col., QM."

Mr. Villarreal asked that the entire Board stand in front of the console to receive the flag. Sgt. Pacheco presented the flag to Mr. Villarreal who thanked him on behalf of the Board, which has always supported our troops, in particular those members with prior military experience. Mr. Villarreal noted that his son has just been deployed in the War Against Terrorism, and he saluted Sgt. Pacheco.

Item 2.

Upon motion of Ms. Wenger, seconded by Mr. Villarreal and passed without opposition, the Board adjourned into Executive Session at 4:35 p.m.

Item 3. Executive Session Items.

The Board reconvened in Open Session at 6:13 p.m. and took the following actions per discussion in Executive Session.

2 b. Lease of Edwards Aquifer Permit.

Mr. Clement moved to approve the lease of 356.3 acre feet of an Edwards Aquifer Initial Regular Permit from Frank W. Mechler, Jr. The motion was seconded by Ms. Wenger.

Mr. Villarreal called for the vote.

Mr. Gallegos stated he would abstain from voting on items discussed in Executive Session, since he did not attend.

Ayes: Villarreal; Wenger; Clement; Fenimore; Sosa; Morin.

Abstained: Gallegos.

2 e. Amendment to WECO Contract.

Ms. Wenger moved to authorize the General Manager to amend the WECO contract regarding the purchase of Trinity Aquifer water, to execute the amendment and bring it to the Board for ratification. Motion was seconded by Mr. Clement.

Mr. Villarreal called for the vote.

Ayes: Villarreal; Wenger; Clement; Fenimore; Sosa; Morin.

Abstained: Gallegos.

Item 4. Citizens to be Heard

Cody Mitchell on behalf of LGI Homes (19221 IH-45, Conroe, TX) addressed the Board to protest Item 9 on the Agenda regarding the assessment of the \$1000.00 Water Supply Development Fee. He stated that his company has a development on the southwest side at Canyon Crossing and while they understand the need for fees, they already have a budget in place for these units. Since they also have an approved plat and construction drawings from BexarMet, he requested that his company not be assessed the fees for this project.

Richard Mott, on behalf of Pulte Homes (823 E. Nakoma, San Antonio), also protested the \$1000.00 Water Supply Development Fee, and requested more details: how this fee will be applied, how it would impact the development community and if there will be any grandfathering.

Mr. Villarreal stated that once the Board votes on this item, no matter what the outcome would be, both gentlemen should address any questions to Staff.

A brief announcement was made to introduce two new employees: Gene Camargo, the new Water Resources Coordinator and Miyoung Squire, the new Director of Engineering.

Item 5. Operating and Capital Budget, Business & Financial Plans: FY 2006 –07.

Mr. Olivares emphasized this was the second year in a row that a budget is being presented with a zero rate increase. The simple and fundamental Business Plan presented last year was implemented, and according to the financials, the District has had a very strong year. Therefore, with a few additions, the same Business Plan will be used this year.

Mr. Sosa moved to approve the District's Operations and Capital Budget for Fiscal Year 2006 - 2007. Motion was seconded by Mr. Clement.

Mr. Sosa commended staff on an excellent job in preparing the budget. He stated the Finance Committee and staff met on several occasions to review the proposed budget and make the changes necessary to retain the zero increase for ratepayers. He recommended that because the Budget is a "living document" the Finance Committee should hold regular meetings to review it throughout the year.

Mr. Villarreal added his thanks to staff and to the committee and pointed out that if you walk into any store, market or gas station today, as opposed to last year, you will find that the price on everything has gone up in just about every business in America. But we are holding the line on rates, which has not been easy, and while we will put that out in a newsletter, he urged the press to help us get that message to ratepayers

Mr. Villarreal called for the vote.

Motion carried unanimously.

Item 6. Architectural Services for Pay Station.

Mr. Sosa moved to approve the firm of Garza Architects (selected via RFQs) for architectural design services for the pay station. Motion was seconded by Mr. Clement.

Mr. Olivares explained that architectural services were needed to address the mechanical, electrical, HVAC and plumbing issues of the pay station. Requests for qualifications were published and the three firms which met the qualifications made their presentations to the pay station committee yesterday, Monday, May 1, 2006. The firm of Garza Architects is recommended by staff and the committee

Ms. Wenger said that while she was comfortable with the committee process, the pay station committee had conducted two or three meetings without one member—Mr. Villarreal. Since he has the most background on the issue, she requested that no more committee meetings be held unless he is available to attend.

Mr. Clement called for the vote.

Motion carried unanimously.

Item 7. Rehabilitation of Five Trinity Aquifer Wells (District 6).

Mr. Albach explained that in our continuing efforts to improve the water supply to Timberwood Park and parts of the Hill Country system, the five wells at Timberline Station, which were drilled between 1973 and 1986, require rehabilitation. Although the pumps have been replaced numerous times, the wells tend to accumulate limestone debris at the bottom and rehabilitation—which involves purging under high pressure and possibly acidizing-- is overdue. Staff is recommending C & C Groundwater Services (selected via bid) to perform this work for an amount not to exceed \$130,525.

Ms. Wenger moved to approve. The motion was seconded by Mr. Clement.

Mr. Villarreal called for the vote.

Motion carried unanimously.

Item 8. Pue Road Main Adjustments (District 2).

Mr. Fenimore moved to approve a contract with Turner Collie & Braden for engineering services for water main adjustments required in the reconstruction of Pue Road (per the Agenda) for an amount not to exceed \$8,800. Motion was seconded by Mr. Villarreal.

Mr. Villarreal called for the vote.

Ayes: Villarreal; Wenger; Clement; Fenimore; Sosa; Morin.

Nays: Gallegos.

Item 9. Resolution on Water Supply Development Fee.

Mr. Albach reminded the Board of the study PBS&J Engineering presented at the March meeting, which included two impact fees, one for capital improvement and one for water development. Per the Board's vote, staff submitted the increase in the capital improvement fee to TCEQ for approval. The Board has the authority to adopt the water development fee on its own, and did not do so in March because staff had not determined the amount to recommend. Using a graph, Mr. Albach delineated how the water BexarMet is allowed to pump from its Edwards Aquifer permit will decrease, in accordance with EAA rules, between 2005 and 2015. Obviously our current and future customers will still need water, so that means we're going to have to lease and develop additional supplies of non-Edward's water. The water supply development fee that staff is recommending is intended to pay for those projects. Our current rate payers are paying for a part of these new sources, through their monthly bills, because they are beneficiaries of these projects. But if the developers were not charged a water development fee for the new EDUs, the total cost would fall, unfairly, on current rate payers.

The CRWA Lake Dunlap project is already underway. Other projects include Staggs Ranch, which will bring Carrizo water into our system, additional Trinity wells, a proposed Northwest surface water treatment facility to take advantage of the water we have contracted for with BMA, as well as the lease and acquisition of additional Edwards permits. The projected cost to BexarMet for all of this additional water, from through 2015, is \$116 million. Staff is recommending recovery of 50% of that cost—or \$58 million---through water supply development fees. While the total cost for full implementation would be \$1747.00 per EDU, staff recommends a phased implementation of \$1000.00 per EDU this year, with the remaining \$747.00 being added possibly by next year. While nobody likes additional fees, it is essential that these water projects be developed to supply the new homes and businesses within the BexarMet system.

Mr. Albach recommended that both impact fees be assessed when the plats are approved. The alternative would be to assess at final inspection, which would be some 6, 12 or 18 months after the plat is approved by the District.

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Ms. Wenger moved to adopt a Resolution of the Water Supply Development as described on the agenda. Motion was seconded by Mr. Clement.

Mr. Villarreal called for discussion.

Mr. Ruiz clarified that the Board was voting on a Resolution to adopt the water development fee, and the Resolution before the Board includes staff's recommendation on when the fee will be paid, which is at the time of platting. The actual motion is to pass the Resolution for the adoption of the fee as defined in the Water Supply Development Fee Study accepted by the BexarMet Directors on March 27, 2006 in the amount of \$1000.00 per equivalent dwelling unit ("EDU") to become effective May 3, 2006 with the fee payable at the time of platting for the phase and/or the unit of the development.

Ms. Wenger moved to amend accordingly and approve. Motion was seconded by Mr. Clement.

Mr. Villarreal called for discussion.

Ms. Sosa noted some concerns had been expressed by some people in the audience as far as those who have platted properties prior to today's vote. He asked if those would be assessed the \$1000.00. Mr. Ruiz stated no.

Mr. Villarreal and Mr. Gallegos inquired how many USAs were in negotiation. Mr. Olivares explained that in the case of USAs where the plat has been approved, this fee would not apply. However if plats have not been approved then the fee would be charged.

Mr. Gallegos inquired if we were not penalizing developers whose plats were in review, but not yet approved. He felt we should consider including them.

Ms. Wenger said that Mr. Albach did a really excellent job explaining the issue and the fact is that the longer we go forward without collecting this fee, the more the burden is falling on the existing rate payers. She pointed out that the District was going into its second year without raising rates, yet the cost of water continues to rise. The Legislature has determined that the purpose of these fees is precisely to insure that new development pays for itself and the burden does not fall on existing rate payers. Also, having had extensive discussions on this matter with several developers, she learned that they determine the sale price of a lot, after the plat is approved by the District. If we were to add to the cost after lots had been sold, there might be some claim that developers were being penalized, but this scenario does not penalize anyone.

Ms. Wenger called for the vote.

Motion carried unanimously.

Item 10. Cost of Service Analysis.

Mr. Fenimore moved to authorize the General Manager to negotiate and approve the contract with Integrated Utilities Group, selected via RFP, for a Cost of Service

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analysis as recommended per Staff and the Finance Committee. Motion was seconded by Mr. Sosa.

Mr. Villarreal called for the vote.

Ayes: Villarreal; Wenger; Clement; Fenimore; Sosa; Morin.

Nays: Gallegos.

Items 11, 12, 13. Utility Service Agreements: Standard Pacific Homes of Texas, ABG Development and LGI Homes (District 2).

Mr. Fenimore moved to accept Items 11, 12, and 13 as a group. Motion was seconded by Ms. Wenger.

Mr. Villarreal called for the vote.

Motion carried unanimously.

Mr. Fenimore moved to approve Items 11, 12, and 13 for the Potranco-Stan Pac, Felder Tract and Canyon Crossing developments, respectively. Motion was seconded by Ms. Wenger.

Mr. Villarreal called for the vote.

Motion carried unanimously.

Item 14. Deductible Reimbursement Payment.

Mr. Fenimore moved to approve Deductible Reimbursement payment of \$10,000.00 and \$5,000.00 to St. Paul Travelers for the settlement of two losses under the prior insurance policy periods. Motion was seconded by Mr. Sosa.

Mr. Villarreal called for discussion.

Mr. Villarreal inquired if the deductible was the norm, because it sounded high considering what we pay for the policy. Mr. Ruiz informed him these were claims with the prior carrier.

Mr. Villarreal called for the vote.

Motion carried unanimously.

Item 15. Resolution: Waterworks System Revenue Refunding Bonds.

Mr. Fenimore moved to approve a Resolution authorizing the commencement of proceedings relating to the issuance of Refunding Bonds (per the Agenda). Motion was seconded by Mr. Sosa.

Ms. Wenger called for the vote.

Ayes: Villarreal; Wenger; Clement; Fenimore; Sosa; Morin.

Abstained: Gallegos.

Item 16. Contract with Terreno Services for Wireless Infrastructure Consulting.

Mr. Fenimore moved to table Item 16. Motion was seconded by Mr. Villarreal.

Mr. Villarreal called for the vote.

Motion carried unanimously.

Item 17. Contract with LAN: Design for BMA Gate Repair.

Ms. Wenger moved to table Item 17 because there is still ongoing investigation. Motion was seconded by Mr. Villarreal.

Mr. Villarreal called for the vote.

Motion carried unanimously.

Item 18. Rename "Moreno" Street at the Water Treatment Plant.

Mr. Olivares stated some names have been suggested as possible alternatives. He recommended the Board move to rename the street and then the name itself could be submitted at the next Board meeting for selection.

Ms. Wenger so moved. Motion was seconded by Mr. Clement.

Mr. Villarreal called for the vote.

Ayes: Villarreal; Wenger; Clement; Fenimore; Morin.

Nays: Sosa; Gallegos.

Item 19. Retract the Name of the Water Treatment Plant.

Mr. Villarreal recommended the same motion for Item 18 be considered for this item. Ms. Wenger agreed because once the street is renamed, the Board might choose to give the same name to the plant.

Ms. Wenger moved to table. Motion was seconded by Mr. Villarreal.

Mr. Villarreal called for the vote.

Ayes: Villarreal; Wenger; Clement; Fenimore; Morin.

Nays: Sosa; Gallegos.

Item 20. Consent Items.

Mr. Ruiz requested that Item 20f be pulled and tabled, and that 20k be pulled and amended to reflect the deletion of the first sentence.

Mr. Villarreal requested Item 20c be pulled due to the high dollar amount, to allow for discussion.

Mr. Sosa moved to approve Items 20 a, b, d, e, g, h, i, j, l, and m. Motion was seconded by Mr. Clement.

Ms. Wenger called for the vote.

Motion carried unanimously.

Item 20 c: Purchase of Vertical Turbine Water Well Pump (District 2).

Mr. Sosa moved to approve the purchase and installation of a vertical turbine water well pump (per the Agenda) for Facility #070 on Tamaron Road from Peerless Equipment Co. for the amount of 77,402.00. Motion was seconded by Mr. Villarreal.

Mr. Villarreal called for the vote.

Motion carried unanimously.

Item 20 f: Ratification on USA: Talley Road Participation Group.

Ms. Wenger moved to table Item 20f. Motion was seconded by Mr. Morin.

Mr. Villarreal called for the vote.

Motion carried unanimously.

Item 20 k: BexarMet Utility Service Agreement provisions.

Mr. Ruiz requested the motion should be to amend the first sentence with regard to the Water Development Fee. It is no longer applicable but the other provisions are.

Mr. Villarreal moved to amend. Motion was seconded by Mr. Clement.

Mr. Villarreal called for the vote.

Motion carried unanimously,

Item 21. Action Items Administration: Board Minutes.

Ms. Wenger moved to group Items a, b, c and d—the Minutes for February 27, March 6, March 23 and March 27, 2006. Motion was seconded by Mr. Clement.

Mr. Villarreal called for the vote.

Motion carried unanimously.

Ms. Wenger moved to approve Items a, b, c and d. Motion was seconded by Mr. Clement.

Mr. Villarreal called for the vote.

Motion carried unanimously.

Item 22. Report Items.

22 a: Committee Reports.

Mr. Olivares advised that the reports for the Pay Station and Finance Committees had been given earlier on the Agenda, and he did not believe there were any more reports.

Mr. Gallegos asked how many standing committees there were. Mr. Villarreal stated there were two standing committees: Personnel and Finance. The other committees were ad hoc.

Item 22 b: Purchase of Materials Necessary for Store's Inventory.

No discussion.

Item 22 c: Exceptional Expenditures and Professional Fees.

No discussion.

Item 22 d: Top 25 Delinquent Accounts.

No discussion.

Item 22 e: General Manager's Monthly Reports.

Automatic Debit.

Phil Hopkins of IT stated the secure site had to be completed before we could start the auto pay schedule. The project is on track and we will be able to implement customer sign-up a week before actual implementation, which would be May 15th with the first payment received on May 22nd. Customers who sign up for auto pay will receive their bill by e-mail. It is also possible to sign up to receive your bill by e-mail and then pay it by mail or by phone. The process of auto pay is that the bill will be received on the normal cycle time, and the debit or transaction will occur seven days later, or half-way between bill receipt and the due date.

When we receive confirmation of that payment, the customer will receive an e-mail back to advise them that their payment cleared the bank.

Rebate on Hot Water Circulating Pumps.

Nathan Riggs, manager of Water Efficiency stated the rebate for hot water circulating pumps has been implemented. So far two customers have applied for the rebate and another five have downloaded the application or requested one by mail. We've had an article on the website about this program since the rebate was approved and a list of all our rebates will be in the next *AquaFacts* newsletter. One of the hot water systems on our list is the Metlund system which is available locally at the ACME Lumber stores. Copies of our application have been delivered to the stores so that when one of our customers purchases the system they get the rebate application with their purchase.

Mr. Gallegos suggested there were other hardware/home improvement stores which should also receive copies of the application, because customers shop at different stores. Mr. Riggs said that as far as he knew, Acme was the only chain in San Antonio selling the pumps. Ms. Wenger related that customers from the Stone Oak area had told her they were able to purchase at least one of the pump brands at Home Depot and that rather than hand-delivering applications to all the stores, we could advise them by e-mail that the application was available on our website so that the store or the customer could download it when necessary. Mr. Riggs said he would look into that possibility.

Theft from Fire Hydrants.

Mr. Riggs continued with an update on the fire hydrant theft issue. Since the fine increase was approved in March we're investigating two reported incidents and an article about this is on our website. This will also be in the next *AquaFacts* and we plan on sending a release to the media about this fine because it's a public health as well as a lost water issue. Additionally a letter will be going out to all the engineering firms and developers that we deal with to let them know about the increase in this fine.

Asphalt Restoration: Kirk Street (District 1).

Mr. Olivares asked Glenn George, currently in charge of Maintenance-Construction, to describe the resurfacing project on Kirk. Mr. George explained that we're coordinating with the City on a joint project to avoid the expense of paving the whole road. Since we know the area is prone to flooding we have asked the City for a letter that will advise us if and when they plan a drainage project, because we have already budgeted \$200,000.00 for such a project. Mr. George said he has a meeting with City Inspector Henry Ruiz, tomorrow morning to discuss what other work is necessary to make that street a little smoother.

Mr. Villarreal expressed the importance of a method to track the status of every project,-- particularly when it pertains to leaks and road repair--that BexarMet is working on, will be working on or has worked on. He has noticed that SAWS is also guilty of leaving work unfinished, but he does not want BexarMet to be that kind of company. He also commented on the importance of following up on issues that have been brought up, such as placing signs on fire hydrants describing the fine for theft.

Item 22 f: Professional Services Monthly Reports.

No discussion.

Item 23: Date and Time of Next Board Meeting.

Ms. Wenger moved to hold the next Regular Board Meeting on Wednesday, May 31, 2006 at 5:00 p.m. for Executive Session and 6:00 p.m. for Open Session. Motion was seconded by Mr. Morin.

Mr. Villarreal called for the vote.

Motion carried unanimously.

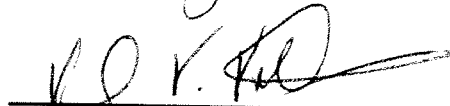
Item 24: Adjournment.

Ms. Wenger moved to adjourn. Motion was seconded by Mr. Villarreal.

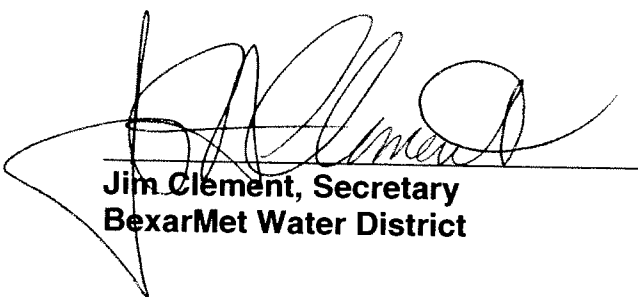
Motion carried unanimously.

The meeting was adjourned at 8:00 p.m.

Minutes approved this 31st day of May, 2006.



Victor V. Villarreal, President
BexarMet Water District



Jim Clement, Secretary
BexarMet Water District