



SFR-103
August 2012

Evaluation of Bexar Metropolitan Water District

Response to Senate Bill 341



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Published and distributed
by the
Texas Commission on Environmental Quality
PO Box 13087
Austin TX 78711-3087

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Table of Contents

1.0	Project Background and Methodology	4
1.1	Senate Bill 341.....	4
1.2	District Election and Results.....	4
1.3	Transition	5
1.4	Transfer of Assets.....	5
2.0	Inventory	7
2.1	Senate Bill Requirements (Task 1)	7
2.2	SAWS – BexarMet Water System Integration Master Plan Reports	7
2.2.1	Master Plan Summaries	9
2.2.2	Preliminary System Inventories	9
3.0	Transfer of Assets.....	10
3.1	Senate Bill Requirements (Task 2)	10
3.2	Task Not Necessary	10
4.0	Contracts	11
4.1	Senate Bill Requirements (Task 3)	11
4.2	Contracts Database	11
4.2.1	Information Added.....	12
4.2.2	Remaining Issues.....	13
5.0	Property, Rights, Staff, and Policies	14
5.1	Senate Bill Requirements (Task 4)	14
5.2	Property	14
5.2.1	Easements	15
5.3	Rights.....	16
5.3.1	Certificates of Convenience and Necessity (CCNs)	16
5.3.2	Pumping Rights	16
5.4	Staff.....	16
5.5	Internal Policies.....	17
6.0	Rehabilitation Plan	18
6.1	Senate Bill Requirements (Task 5)	18
6.2	Task Not Necessary	18

7.0	Service Review	19
7.1	Senate Bill Requirements (Task 6)	19
7.2	Task Not Necessary	19
8.0	Infrastructure Plan	20
8.1	Senate Bill Requirements (Task 7)	20
8.2	Task Not Necessary	20
9.0	District Financial Audit	21
9.1	Financial Audit (Task 8)	21
10.0	References.....	22

List of Abbreviations

Abbreviation	Term	Description
BMWD	Bexar Metropolitan Water District	Also known as BexarMet or District
CAD	County Appraisal District	
CCN	Certificate of Convenience and Necessity	Permit issued by TCEQ that authorized public utility to provide water or sewer service to specific geographic area
CIP	Capital Improvement Plan	
COSA	City of San Antonio	
CRWA	Canyon Regional Water Authority	
DSP	District Special Project	
DOJ	Department of Justice	
EDU	Equivalent Dwelling Unit	
GST	Ground storage tank	
IDIQ	Indefinite Delivery/Indefinite Quality	Used in contracts
LUA	Land Use Assumption	
PSA	Professional Services Agreement	
NM EFC	New Mexico Environmental Finance Center	
PWS	Public Water System	
RIF	Reduction in Force	
RoW	Right of Way	Easement
SARA	San Antonio River Authority	
SAWS	San Antonio Water System	
TCEQ	Texas Commission on Environmental Quality	Regulatory agency in Texas
USA	Utility Service Agreement	Agreement between BexarMet and Developer
WMP	Water Master Plan	
WRIP	Water Resource Integration Project	
WSR	Water Service Regulation	BexarMet term

1.0 Project Background and Methodology

1.1 Senate Bill 341

Senate Bill 341 of the 82nd Regular Session of the Texas Legislature required the Texas Commission on Environmental Quality (“TCEQ”) to perform an on-site evaluation of the Bexar Metropolitan Water District (“District” or “BexarMet”). The main tasks required by Senate Bill 341 included the following:

1. A complete inventory and evaluation of each distinct water system in the District
2. A list of any District assets whose transfer to another appropriate public water utility would be likely to improve service and overall efficiency
3. A list and copies of existing contracts to which the District is a party
4. A list of property, rights, staff, and internal policies
5. A comprehensive rehabilitation plan for the District
6. An assessment of the District's ability to provide reliable, cost-effective, quality service to customers
7. A study of the District's current infrastructure improvements
8. A financial audit of the District

Most of these tasks were intended to focus on the potential rehabilitation of the District in the event that the voters decided not to dissolve the District. Other tasks in SB 341 were focused on the potential transition to the San Antonio Water System (SAWS) and would be relevant with either outcome. If the voters decided to dissolve the District, most of the tasks in SB 341 would become unnecessary.

The TCEQ contracted with the New Mexico Environmental Finance Center (NM EFC) to assess and evaluate the District in accordance with the requirements of Senate Bill 341 (Contract 582-11-14416). This report summarizes the work related to these tasks. In completing these tasks, the NM EFC interviewed BexarMet employees in the following departments: records management, legal, water resources, geographic information system, information technology, financial, operations, engineering, capital planning, and human resources.

1.2 District Election and Results

SB 341 required the District to hold an election to determine if the District would be dissolved or remain in place. After the NM EFC was contracted to conduct the required study, the District decided to hold the election to determine the District’s fate on November 8, 2011. The BexarMet customers voted in favor of dissolving the District. The District’s Board then certified the election results to the Texas Secretary of State and immediately began working with SAWS to transfer operations to SAWS. On January 27, 2012 the U.S. Department of Justice (DOJ) affirmed that the

election was in line with the Voting Rights Act. Senate Bill 341 stated that all rights and duties of the District including existing contracts, assets, and obligations of the District shall be transferred to SAWS within 90 days of the DOJ certification.

In October of 2011, in anticipation of a potential vote to dissolve the District, the City of San Antonio passed an Ordinance authorizing SAWS to assume and continue operation of the District in the event the ratepayers voted to approve the dissolution of the District. Under this Ordinance the City created a District Special Project (“DSP”) which allows SAWS to operate the Bexar Metropolitan Water District as a separate unit until the system integration is complete. All rates collected and operating expenses and debt service will remain separate until the integration is complete. The vote to dissolve BexarMet allowed SAWS to operate Bexar Met under the DSP.

1.3 Transition

Immediately after the election a transition workgroup was formed. Representatives from the Legislative Oversight Committee staff, TCEQ, the District, SAWS, and the NM EFC participated in this workgroup. During this time, SAWS and District representatives were also meeting to begin the integration. The transition workgroup met every 2 weeks to discuss the main issues involving the transition of the District to SAWS, including the transfer of assets, property, permits and liabilities.

The transition workgroup also held discussions regarding the necessity of the work that was originally included in Senate Bill 341 and tasked to the NM EFC. The vote, and subsequent transfer of assets to SAWS, negated or reduced the need for some tasks and others had been completed by SAWS. As a result of these discussions, the scope of work for the study was revised to reduce duplication of efforts and overall project costs. The study was to include only those items that would be necessary to respond to SB 341 and to benefit the transition process. The NM EFC reviewed all tasks required in SB 341 and responded in a cost efficient manner.

Under the District Special Projects Ordinance, SAWS is implementing the integration of BexarMet, including a thorough analysis of BexarMet revenues and expenses, contracts, water supply plan and capital improvement plan, impact fees, and employee compensation and benefits.

1.4 Transfer of Assets

On March 1, 2012, TCEQ issued a special Order to transfer and assign to SAWS all of the following: (A copy of the Order can be found in Appendix A.)

- Rights and duties of BexarMet, including existing contracts, duties, assets, and obligations of BexarMet;
- Files, records, and accounts of BexarMet, including those that pertain to the control, finances, management, and operation of BexarMet; and
- Permits, approvals, and certificates necessary to provide water services.

In addition, BexarMet operated under three Certificates of Convenience and Necessity (CCNs; see Section 5.3.1) which were consolidated under one CCN and transferred to SAWS. All of the District's PWS identification numbers remain the same and have been transferred to SAWS. On March 5, 2012, the Travis County District Court approved a declaratory judgment action which affirmed the transfer to SAWS of all bonds issued to BexarMet.

2.0 Inventory

2.1 Senate Bill Requirements (Task 1)

A complete inventory and evaluation of each distinct water system in the District to determine:

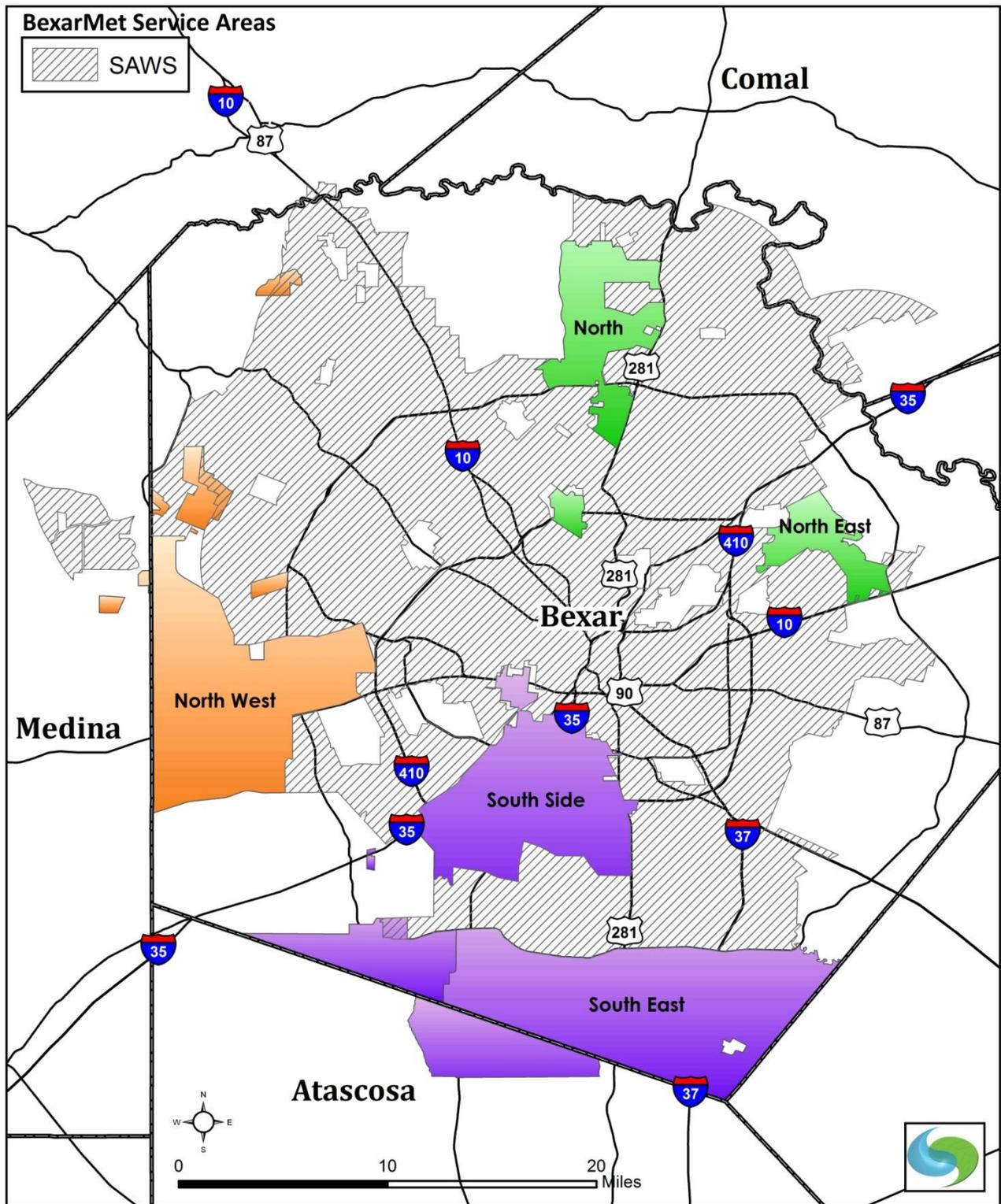
- (A) the District's basis in, or the intrinsic value of, the infrastructure associated with that water system;
- (B) the District's bonded debt and commercial paper reasonably associated with or allocable to the infrastructure in that water system; and
- (C) the adequacy of the water supply sources, water storage facilities, and distribution systems located in that water system's service area to supply current and projected demands in that service area.

2.2 SAWS – BexarMet Water System Integration Master Plan Reports

In April 2011, prior to the work undertaken by the NM EFC, SAWS awarded contracts to three consulting firms to develop Water Infrastructure Plans for integrating the SAWS and BexarMet water systems. The following firms studied three separate geographic areas to develop their recommended plans, with Figure 1 showing the locations:

- Black and Veatch Corporation – North and Northeast Area (green shaded area)
- Camp Dresser & McKee, Inc. - Southeast and Southside Area (purple shaded area)
- Pape-Dawson Engineers – Northwest Area (orange shaded area)

Figure 1: Geographic Areas of the BexarMet System and SAWS



2.2.1 Master Plan Summaries

The three studies conducted on behalf of SAWS focused on hydraulic analysis, water supply, and water quality. In addition, a five year Capital Improvement Plan (CIP) was developed from each of the studies. The studies analyzed alternatives to optimally integrate each of the BexarMet areas with SAWS facilities and made recommendations. A detailed summary of the reports can be found in Appendix B.

2.2.2 Preliminary System Inventories

The NM EFC has reviewed the master plan studies commissioned by SAWS, which include an inventory of the facilities in the three geographic locations of BexarMet: North West, North and North East, and Southside and South East. These inventories are referred to as “windshield surveys” because they were done before SAWS had access to BexarMet facilities and did not include detailed on-site work to determine total asset inventories or asset condition. The information used in the windshield surveys was general information that was publicly available on BexarMet and information that could be gathered by observing BexarMet facilities from publicly accessible locations. Appendix C summarizes the information that was included in the asset surveys of each area.

Because the asset inventories were done with only publicly available information, they do not contain all of the information necessary to develop a complete, detailed asset inventory with an associated inventory condition. BexarMet has some of this information from the work it has done on an asset management program and SAWS will be working with former BexarMet employees to go through each of the systems and develop a detailed asset inventory. As a result, the NM EFC deferred the detailed asset inventory to SAWS. The transition workgroup concurred with this decision.

3.0 Transfer of Assets

3.1 Senate Bill Requirements (Task 2)

A list of any District assets whose transfer to another appropriate public water utility would be likely to improve:

- (A) service to the former customers of the District who would be served by that utility; or
- (B) the District's overall efficiency.

3.2 Task Not Necessary

On the November 8, 2011 the BexarMet customers voted to dissolve the District and transfer the District assets to SAWS. The vote was ratified by the Department of Justice on January 27, 2012. In the light of this decision, SB 341 requirements under this task were reviewed by the transition workgroup and it was concluded that the tasks are no longer relevant and to complete them would incur an unneeded expense. As a result of the vote, all assets are being transferred to SAWS, with the exception of the water systems in Comal County which were acquired by the Canyon Lake Water Service Company. This transfer was approved by TCEQ.

4.0 Contracts

4.1 Senate Bill Requirements (Task 3)

A list and copies of existing contracts to which the District is a party, including for each contract:

- (A) effective and termination dates;
- (B) the general scope of the property and services involved;
- (C) obligations of the District, including financial obligations;
- (D) how the District benefits from the contract; and
- (E) whether the District has waived governmental immunity.

4.2 Contracts Database

BexarMet had numerous contracts in effect prior to the vote to dissolve the District. The initial information received by the NM EFC via the BexarMet web-portal information was that there were 408 contracts. Unfortunately, there was incomplete information regarding the contracts on the web-portal, such as: the purpose of each contract, the amount spent on the contract, and the current status of the contract. Because contracts, including outstanding obligations, are a significant component in the transition and because SAWS had not had the opportunity to look at contracts prior to the vote by BexarMet customers, the NM EFC focused much of its efforts on this task.

A contracts database was constructed using Microsoft Excel. Given that many of the contracts in the original BexarMet database were no longer current, the NM EFC database contained only 337 contracts – those contracts that had the status of “active operation” (according to BexarMet) as of January 28th 2012. The NM EFC investigated each contract and determined the current financial status of the contracts as of December 2011. A copy of the database can be found on the accompanying CD, and is organized into six tabs:

1. All contracts – A list of all 337 known contracts
2. Expenditure – A sub-list of 244 contracts which are a cost to BexarMet
3. Revenue – A sub-list of 30 contracts which are revenue for BexarMet
4. USAs (Utility Service Agreements) – A sub-list of 53 USA contracts open with BexarMet
5. Grants – A sub-list of 2 grant contracts provided to BexarMet
6. Bonds – A sub-list of 8 contracts which encompass Bonds entered into by BexarMet

The contracts database contains 23 fields in the following sub-sections:

- **Contract Details** – Contract No., User Department, Contractor name, Subdivision name, General scope of services, Contract description, Effective date, Termination date, Renewal option.

- **Financial Obligations of BMWD** – Spend in 2011, Total cost, Remaining financial obligation, IDIQ, History of IDIQ spend.
- **Approval and Status** – How did BMWD benefit, Board meeting approval (date), Status of the project, Was Government Immunity waived?
- **Board Documents** – Justification/Background to contract, Were there Alternatives?, Board comments
- **Comments & Questions** – Comments, Questions

In order to complete the database, the NM EFC visited the BexarMet offices during November and December 2011, and January 2012. The purpose of these visits was to review contract data with BexarMet staff, examine financial information, and to review data related to contracts that could be found within the BexarMet Board Meeting packets and meeting transcripts. The reason for investigating the Board meeting packets was to gather insight into the purpose of the contracts. In many cases, it was difficult to determine the reason for the contracts without this information. The meeting packets were available from 2007 to present with months January 2007 – October 2009 available in hard copy. From November 2009 to present the board packets and transcripts (video recordings) are electronic. Each packet contains information on contracts presented to and voted on by the board. They detail the background and justifications for each contract. The transcripts and video recordings detail comments and discussion on each contract. Some board packets or transcripts could not be located and these are noted in the database where necessary. In particular, for any contract entered in to before 2007, board packet or transcripts information was not available.

4.2.1 Information Added

The NM EFC developed the database in the following way:

- Adding a contract description – this was obtained from the contract folders supplied by BexarMet, or from the board packets. Each description is a short (1-2 sentences) summary of the contract.
- Spend to Date of Spend in FY 2011/12 – this was obtained from data held in finance office. On some occasions the data was determined from contract information or by using monthly commitments and extrapolating this spend to the current month.
- Remaining financial obligation – was determined for most contracts, whereby spend for 2011 was known, as well as a total cost. Knowing these two values could calculate a remaining financial obligation, or where an annually/monthly fixed value is known for a contract.
- IDIQ – Added a column to separate out IDIQ (Indefinite Delivery Indefinite Quantity) contracts. This information was determined from the contract paperwork.
- History of IDIQ spend – Information to attempt to assign an estimated spend to an IDIQ contract (using historical data). In general, information is sparse but some information on these contracts could be determined from board packet memos which gave a detailed background to the contract.

- Board approval meeting date – gives the date at which the board gave approval for the contract to be entered. This may be not applicable if the price of the contract was less than \$25,000 (pre-2010) or under \$50,000 (post 2010). This was obtained from the contract, board packet, or transcript.
- Status of the project – this is to give indication of the status of the project (on-hold, on-going, etc.). All capital improvement projects were placed on-hold following the loss of credit line in the wake of SB 341, these are not included in the database. This information was obtained from the contract files provided by BexarMet.
- Board documents (justification/background, alternatives, board comments) – This information was added to record how the board based their judgment for award of the contract, and details any noteworthy comments/discussion made during the meeting.
- Comments/Questions – two columns added to detail any uncertainty or questions with the contract, and also provide additional information which cannot be added in to any other column. The information was determined from board packets, transcripts, and contract documentation.

4.2.2 Remaining Issues

The NM EFC worked to complete as much information regarding contracts as possible. In some cases, it was not possible to determine all of the information regarding a contract. The information that was unable to be obtained at the time this study was completed includes the following:

- Information available on bond contracts was incomplete.
- Although most of the data regarding each contract has been completed, there are still a few missing or incomplete items, such as effective and termination dates, cost, and board approval dates. The missing data is highlighted in red.
- Five contracts were entered into in early 2012. No data regarding these contracts was shared by BexarMet with the NM EFC. Therefore, no information is provided for these contracts.
- Several contracts required further checking by BexarMet. The NM EFC made repeated attempts to gather this information, but BexarMet did not provide the information. These contracts are highlighted in red in the spreadsheet.
- Financial data regarding how much was spent on contracts was obtained from the BexarMet Finance Department. The records are not well-maintained and therefore, the financial data may be inaccurate. The data on amount spent is, however, the best data available and reflects spend rates up until December 2011. No additional financial data for 2012 was considered.

5.0 Property, Rights, Staff, and Policies

5.1 Senate Bill Requirements (Task 4)

A list of the following in regard to the District:

- (A) property;
- (B) rights, including certificates of convenience and necessity, pumping rights, and any other rights;
- (C) staff; and
- (D) internal policies, including employment rules, benefits, and an evaluation of the usefulness and efficacy of each policy.

5.2 Property

As of February 2012, the District owned 181 individual properties at various locations. Of these properties, 171 are located in Bexar County, eight in Atascosa County, and two in Medina County. The sale of all of the property owned by BexarMet in Comal County was finalized at the beginning of 2012 before any transition to SAWS.

The NM EFC developed a spreadsheet containing property information for the District. Sources used in compiling the property list were the Texas County Appraisal District (CAD), and information from the BexarMet web-portal and provided by District staff. In addition, property maps were developed showing aerial photography, and parcel boundaries for all property locations. These maps can be found on the accompanying CD.

The property information spreadsheet contains the following information and can be found on the accompanying CD.

1. County Appraisal Property ID
2. Property Address
3. County
4. County Appraisal District listed Acreage
5. Public Water System Number
6. Public Water System Name
7. BexarMet Facility Number
8. BexarMet Description

Items 1 through 4 were extracted from the Texas County Appraisal District (CAD) website. The remaining information was obtained from the BexarMet Plant & Facilities department in January 2012.

On November 4, 2011, BexarMet's GIS Department provided raster and shape file data of the District including aerials, base map, and boundaries. This data contained a shape file with county appraisal property information, which allowed the creation of maps of aerial imagery overlaid with parcel, and street layers. The purpose of these maps is to provide an overview of property location and site information.

Maps were created for 180 property locations; the only exception is Property CAD ID 491616. The County Appraisal District confirmed that this property was indeed registered under BexarMet, but did not have GIS data available. Also, BexarMet confirmed that they owned property address 1050 Lockhill Selma. However, this address was not listed in the CAD property database. The CAD ID for this property appears as 'unknown' in the NM EFC property list created for TCEQ.

The GIS data provided by BexarMet used for this study, along with the NM EFC property maps in PDF format were uploaded onto the BexarMet ftp site on February 14, 2012. In addition, a hard copy of the maps was provided to SAWS.

5.2.1 Easements

The NM EFC study found that BexarMet has a total of 370 easements in Bexar, Atascosa, and Medina County. The information was extracted from the respective County Clerk websites, and cross-referenced with the list provided by BexarMet. A final list was completed and provided to SAWS.

According to the Bexar County Clerk website, BexarMet has a total of 361 easements in Bexar County. Of these, 311 show BexarMet as Grantee, and 50 as Grantor. BexarMet has seven easements in Atascosa County, six as Grantee, and one as Grantor. Finally, BexarMet has two easements in Medina County as Grantor.

The EFC developed an easement information spreadsheet containing the following information.

1. Searched Name
2. Grantor/Grantee (GTR/GTE)
3. Document Number
4. Filed Date
5. Book-Page
6. Instrument Type
7. Opposite Name
8. Lot List
9. Block
10. New City Block
11. County Block
12. Subdivision
13. Bexar PWS Number

Items 8 through 12 were recorded as they appear on the County Clerk's website. The information is partial, and not complete.

Item 13 includes information provided by BexarMet as of January 19, 2012. Providing additional information for 80 of the 320 easements would have incurred additional expense that the transition workgroup deemed would not provide enough benefit for the cost (at the January 27, 2012 meeting). Therefore, in the interest of providing sufficient information to address SB 341 in the most cost effective manner, no additional work in this area was done by the NM EFC. All of BexarMet easements were transferred to SAWS as part of the transfer document executed on March 23, 2012. (See Appendix D.)

5.3 Rights

5.3.1 Certificates of Convenience and Necessity (CCNs)

A Certificate of Convenience and Necessity is a permit issued by the TCEQ which authorizes and obligates a retail public utility to furnish, make available, render or extend continuous and adequate retail water or sewer utility service to a specific geographic region.

BexarMet had three Certificates of Convenience and Necessity CCN 10675, CCN 12759, and CCN 12760. It was determined at initial transition workgroup meetings with TCEQ and SAWS that further research on BexarMet CCNs would not be needed because the CCNs had been thoroughly researched by SAWS and TCEQ. TCEQ transferred the CCNs to SAWS on March 23, 2012. (See Appendix D.)

5.3.2 Pumping Rights

Pumping Rights were thoroughly investigated by SAWS in cooperation with BexarMet during the transition period following the vote. The NM EFC reviewed that information and discussed this with the transition workgroup and it was determined that there was no need for the NM EFC to further investigate this issue given the work of BexarMet and SAWS to determine the current and active water rights for both leased and owned rights. Water rights were transferred to SAWS as part of the transfer document executed on March 23, 2012. (See Appendix D.)

5.4 Staff

In August 2011, the District terminated approximately 34 employees after the District's \$50 million line of credit was frozen. After the election, approximately 250 of the remaining BexarMet employees were transferred to SAWS and 11 BexarMet employees were released. In order to ensure that operating needs are met, former BexarMet employees have transitioned to the same scheduled holidays as SAWS employees. To clarify the changes now and into the future, particularly concerning the pension plan, all employees were required to attend a 4-hour orientation session.

Under the Special Project Ordinance, the salaries and benefits for these employees are paid under a separate account, including a 2.5% raise that BexarMet employees began receiving on their April 27, 2012 paycheck. This raise was a result of the SAWS Board action on April 3, 2012 approving a new budget for the DSP. Compensation and non-compensation benefits will remain essentially the same as they were under BexarMet during the Special Project Ordinance with the exception of a few practices related to leave policies. Non-compensation benefits include health, dental, life, and vision as well as long-term and short-term disability.

SAWS is currently evaluating health, dental, life and vision benefits and determining whether or not to transition benefits to the SAWS plan. This is due to the differences between SAWS and DSP in the benefit plan designs and employee contribution amounts. SAWS is considering a gradual transition to the SAWS benefits plan, possibly starting in 2014. Any new employee hired will have the same benefits as SAWS employees

Employees who have fully terminated employment with SAWS (employees who no longer work at DSP or SAWS), are eligible to receive a lump-sum payout from the retirement plan even if they are not eligible to retire. This ability to receive a lump-sum payout prior to retirement eligibility will expire on October 1, 2012. Therefore, participants must terminate employment and elect a lump-sum payout to the provider, the Standard, no later than September 30, 2012. Beginning October 1, 2012, employees who fully terminate employment with SAWS must wait until they are eligible to retire in order to receive benefits from the plan, including a lump-sum payout. Eligibility for early retirement is age 55. Eligibility for normal retirement is age 65 or the sum of 90 when combining age and years of service with age at least age 60.

SAWS is transitioning DSP employees into the SAWS Human Resources Information System (HRIS) and payroll systems and transitioning their pay periods to align with SAWS. This should be completed in the fall of 2012. Currently, SAWS management is assessing the process whereby DSP employees will be integrated into SAWS vacancies within the next year. SAWS is evaluating several factors, including, but not limited to, the tenure, experience, knowledge, skills, performance, and other information of every current DSP employee. The information compiled will then be used to compare each employee to a current SAWS vacancy for possible placement; this process is in lieu of following the more traditional application and interview process.

Within 5 years, all employee benefits will become uniform as the integration is completed and the Special Project Ordinance concludes.

5.5 Internal Policies

After the election, SAWS began a thorough review of BexarMet's internal policies and made a comparison to SAWS policies. SAWS provided information to the NM EFC during the interviews that indicated that SAWS would retain some of the District's policies that SAWS believed were beneficial to the overall organization. Other policies will be phased out or eliminated during the transition period. All employees were notified of SAWS policies.

6.0 Rehabilitation Plan

6.1 Senate Bill Requirements (Task 5)

A comprehensive rehabilitation plan for the District that:

- (A) identifies strategies for restoring the District's financial integrity and developing a system of sound financial management;
- (B) describes a standard of ethics, professionalism, and openness expected of each Director and employee of the District;
- (C) provides a mechanism to enforce compliance with District policies, including procurement policies;
- (D) identifies ways to enhance the District's operational efficiency and improve the District's provision of redundancy in water services; and
- (E) provides for educating the Board and management personnel on improving management practices and complying with District policy and state and federal laws and regulations.

6.2 Task Not Necessary

As a result of the vote to dissolve the District, the NM EFC decided that the development of a BexarMet rehabilitation plan was deemed an unnecessary expense. The transition workgroup concurred with this determination and felt that rehabilitation of the District and its assets would be part of the overall integration plan.

7.0 Service Review

7.1 Senate Bill Requirements (Task 6)

An assessment of the District's ability to provide reliable, cost-effective, quality service to customers, including an assessment of operations compared to the best management practices of modern utilities.

7.2 Task Not Necessary

Following the vote to dissolve BexarMet, the responsibility to provide reliable, cost-effective service to customers has been transferred to SAWS and they will address any needs throughout the transition period. The transition workgroup agreed with the NM EFC that this task was irrelevant and would incur an unnecessary expense. Customer rates will be set by SAWS as a District Special Project, and SAWS has five years to integrate the rates of BexarMet customers into the SAWS overall rate structure.

8.0 Infrastructure Plan

8.1 Senate Bill Requirements (Task 7)

A study of the District's current infrastructure improvements, including:

- (A) personnel for the improvements, including staffing levels of engineers, capital improvement program personnel, and mains and services personnel; and
- (B) contracts related to any capital improvements.

8.2 Task Not Necessary

Following the passage of Senate Bill 341, all capital improvement projects were placed on hold by the BexarMet Board. Therefore, capital improvement contracts were not included or assessed as part of the contracts database created for Task 3. Because all BexarMet assets were transferred to SAWS, all capital projects must be reassessed in the overall context of the integrated utility. Some assets will be abandoned rather than rehabilitated, some will be integrated into the system, and others may still require upgrade. These decisions are best made by SAWS staff and therefore it was neither necessary nor cost effective for the NM EFC to perform this review of capital improvements projects. The transition workgroup concurred with this assessment.

9.0 District Financial Audit

9.1 Financial Audit (Task 8)

SB 341 included the requirement for a financial audit of the District. The vote to dissolve the District in November negated the need for this independent Financial Audit and the Texas State Auditor's office declined to conduct an audit of its own. No work in the area of financial audits was required in the contract between TCEQ and the NM EFC, nor was any of this work performed by the NM EFC. However, SAWS engaged an independent financial auditor to perform a financial audit as of the date that control of the District was transferred to SAWS.

10.0 References

Bexar County Clerk (2012). *Bexar County – Bexar Records*. Retrieved from <https://gov.propertyinfo.com/tx-bexar/>

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APPENDIX A – TCEQ ORDER TRANSFERRING ALL RIGHTS, DUTIES, PERMITS

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



TCEQ DOCKET NO. 2012-0421-MLM

IN THE MATTER OF	§	BEFORE THE
THE TRANSFER OF BEXAR	§	
METROPOLITAN WATER	§	
DISTRICT TO THE SAN ANTONIO	§	TEXAS COMMISSION ON
WATER SYSTEM	§	
IN BEXAR, MEDINA, AND	§	ENVIRONMENTAL QUALITY
ATASCOSA COUNTIES, TEXAS	§	

ORDER

Pursuant to Section 50(c), Chapter 306, Acts of the 49th Texas Legislature, Regular Session, 1945, set forth in Article 4, Section 4.01 of Senate Bill 341, 2011 Regular Session, enacted into law on or about June 19, 2011 ("SB 341") concerning the BEXAR METROPOLITAN WATER DISTRICT, a political subdivision of the State of Texas and water district created by a special act of the Texas Legislature pursuant to Article XVI, Section 50 of the Texas Constitution (together, for purposes herein, with all interests held by its Board of Trustees, "BexarMet"), the Texas Commission on Environmental Quality, having consulted with the Bexar Metropolitan Water District Oversight Committee (the "Oversight Committee"), finds that it is necessary to transfer and assign unto the SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES and their successors in office appointed by the City Council of the City of San Antonio as provided in Ordinance No. 75686, adopted at a regular meeting of the city council, April 30, 1992 ("SAWS"), all (1) rights and duties of BexarMet, including existing contracts, duties, assets, and obligations of BexarMet; (2) files, records, and accounts of BexarMet, including those that pertain to the control, finances, management, and operation of the BexarMet; and (3) permits, approvals, and certificates necessary to provide water services (all of the foregoing being the "Transferred Interests").

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

1. As authorized by SB 341, and in consultation with the Oversight Committee, the TCEQ does hereby TRANSFER and ASSIGN to SAWS all

- (1) rights and duties of BexarMet, including existing contracts, duties, assets, and obligations of BexarMet;
 - (2) files, records, and accounts of BexarMet, including those that pertain to the control, finances, management, and operation of the BexarMet; and
 - (3) permits, approvals, and certificates necessary to provide water services.
2. All of the rights and privileges, of every kind and nature, previously enjoyed by the former BexarMet, and related in any way to the Transferred Interests, shall immediately inure to the benefit of SAWS so that SAWS can effectively own, control, manage and operate that system.
 3. Pursuant to Chapter 501 of the Texas Local Government Code (Development Corporation Act), the City of San Antonio has succeeded BexarMet as the authorizing unit for the Bexar Metropolitan Development Corporation.

This order is made pursuant to the requirements of SB 341 and shall not constitute an assignment or other transfer that would require consent by any third party or terminate or otherwise prejudice any interest previously held by BexarMet under any agreement applicable or related to Transferred Interests. Further, this Order is consistent with Section 50 (d) of the Legislation which specifically excludes the requirement of a notice and hearing procedure.

The Office of 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: 3-1-2012

TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY


For the Commission

APPENDIX B – DETAILED SUMMARY OF MASTER PLANS FOR SAWS AND BEXARMET SYSTEM INTEGRATION

Table 1: Summary of Master Plans to Combine SAWS with BexarMet

	Northwest Area <i>(Study by Pape -Dawson Engineers, Inc.)</i>	Southeast and Southside Area <i>(Study by Camp Dresser & McKee Inc)</i>	North and Northeast Area <i>(Study by Black & Veatch Corporation)</i>
Service Areas	<i>Anaqua Springs, Culebra Road, Stevens Ranch/Texas Research Park, Talley Road, Sea World, Cagnon Road, Elm Valley, North San Antonio Hills, and West View</i>	<i>Southside and Southeast</i>	<i>Castle Hills, Hill County and Northeast</i>
Summary of Findings	<p>The data indicates that San Antonio Water System’s ability to meet the projected demand is weakened by the potential consolidation with BexarMet.</p> <p>Several of the existing systems were recommended for integration, while other portions of the system were recommended for continued stand-alone.</p>		
Alternatives Considered	<p>Alternative 1-Stand-Alone System</p> <p>Alternative 2-Integrated Systems</p> <p>A combination of both alternatives was recommended.</p>		
Categories Considered	<p>This report identified infrastructure improvements required for the integration of the two systems through analysis of system hydraulics and existing 5-yr CIP Plans.</p> <p>Report was based on publicly available data regarding BexarMet. Data is subject to change as SAWS obtains additional information.</p> <p>Report consisted of master planning, hydraulic modeling, water supply analysis, water quality analysis, and cost analysis.</p>		
1. Hydraulic Analysis Results	<p>Hydraulic analysis evaluated the operation of the existing SAWS and BexarMet systems to determine the ability of the system to comply with TCEQ requirements.</p>		

	Northwest Area <i>(Study by Pape -Dawson Engineers, Inc.)</i>	Southeast and Southside Area <i>(Study by Camp Dresser & McKee Inc)</i>	North and Northeast Area <i>(Study by Black & Veatch Corporation)</i>
2. Water Supply Analysis Results	<p>There are no alternative water sources currently available to the Northwest Area, placing significant limit on available water during a drought of record conditions.</p> <p>Integration will solve future supply issues.</p> <p>In the future, the Water Resource Integration Project (WRIP) will supply a combination of desalinated, Local Carrizo and ASR water to the BexarMet Northwest Service Area.</p>	<p>Southside and Southeast do not have the recommended amount of water to sustain supply through a repeat of the drought of record.</p> <p>Integration will solve future supply issues.</p> <p>In the future, the Water Resource Integration Project (WRIP) will supply a combination of desalinated, Local Carrizo and ASR water to the BexarMet Southeast and Southside Service Area.</p>	<p>Castle Hills and Timberwood service areas have adequate water supply to meet demands through 2017.</p> <p>Northeast Area water supply issues need further study before integration alternative can be properly developed for this area.</p> <p>Hill Country and Timberwood integration would increase reliability of the water system, and will solve future supply issues.</p>
3. Water Rights	<p>BexarMet owns a total of approximately 23,579 acre-feet of water rights and leases approximately 12,711 acre-feet of water rights in the Edwards Aquifer.</p>		
	<p>The total Edwards Aquifer rights assumed available to the Northwest Service Area are approximately 32% of the total Edwards Aquifer rights owned or leased by BexarMet.</p> <p>Current sources of water for the Northwest Service Area are the Trinity (Anaqua Springs) and Edwards Aquifers.</p>	<p>The total Edwards Aquifer rights assumed available to the Southside and Southeast Service Area are approximately 12% of the total Edwards Aquifer rights owned or leased by BexarMet.</p> <p>Current sources of water for the Southeast and Southside Service Area are the Edwards and Carrizo Aquifers, and surface water from the Medina River.</p>	<p>The total Edwards Aquifer rights assumed available to the North and Northeast Service Area are approximately 56% of the total Edwards Aquifer rights owned or leased by BexarMet.</p> <p>Current sources of water for the North and Northeast Service Area are the Edwards, Carrizo and Trinity Aquifers, and surface water from Lake Dunlap.</p>

	Northwest Area <i>(Study by Pape -Dawson Engineers, Inc.)</i>	Southeast and Southside Area <i>(Study by Camp Dresser & McKee Inc)</i>	North and Northeast Area <i>(Study by Black & Veatch Corporation)</i>
4. Water Quality Analysis Results	<p>This study did not find any major water quality issues in the Northwest Service Area.</p>	<p>Geographic distance along with low water demands in some areas cause distribution system water quality standards to be exceeded based on TCEQ data.</p> <p>Integration will reduce exceeding water quality standards due to water age and long distance travel.</p> <p>Integration will reduce water quality issues related to disinfection by-product formation.</p>	<p>This study did not find any major water quality issues in the North Service Area and Hill Country District.</p> <p>For Northeast, additional study is required on the Canyon Regional Water Association water supply to determine the impact of water quality and disinfection on integration with other resources.</p>

APPENDIX C –SUMMARY OF PRELIMINARY ASSET INVENTORY INFORMATION

Table 2: Summary of Preliminary Asset Information

<p>Service Areas</p>	<p>Northwest Area <i>(Study by Pape -Dawson Engineers, Inc.)</i></p>	<p>Southeast and Southside Area <i>(Study by Camp Dresser & McKee Inc)</i></p>	<p>North and Northeast Area <i>(Study by Black & Veatch Corporation)</i></p>
<p>Windshield Survey</p>	<p>BexarMet facilities were inspected from outside of their property boundaries. Visible facilities and their apparent condition were noted and photographs taken.</p> <p>See detailed inventory in the reports.</p>		

APPENDIX D – TCEQ DISTRICT ORDER

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



ENDORSEMENT TO

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

CERTIFICATES OF CONVENIENCE AND NECESSITY NO. 10675, 12759, 12760;

PERMIT NO. WQ0004437-000;

CERTIFICATES OF ADJUDICATION 19-1959, 19-4768, 19-2144, 19-1966;

WATER RIGHTS PERMITS 3867, 3866, 3865, 5549.

TCEQ DOCKET NO. 2012-0421-MLM

FOR Bexar Metropolitan Water District

The name and address of the above-referenced CCNs, Permits, certificates of adjudication, and water right permits has changed. That part of the signature page pertaining to the name and address of the permit holder is hereby changed so that the name shall hereafter be and read as follows:

SAN ANTONIO WATER SYSTEM
2800 U.S. Hwy. 281 North
San Antonio, TX 78212

This endorsement is part of the listed orders, certificates, authorizations and permits and should be attached to it.

This endorsement is in accordance with 30 Texas Administrative Code Section 50.145(b)(3).

ISSUED DATE: *March 23, 2012*


For the Commission



Texas Commission On Environmental Quality

By These Presents Be It Known To All That

San Antonio Water System

having duly applied for certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this Commission that the public convenience and necessity would in fact be advanced by the provision of such service by this Applicant, is entitled to and is hereby granted this

Certificate of Convenience and Necessity No. 10640

to provide continuous and adequate water utility service to that service area or those service areas in Atascosa, Bexar, Comal, Kendall and Medina Counties as by final Order or Orders duly entered by this Commission, which Order resulting from Application No. 37272-S is on file at the Commission offices in Austin, Texas; and is a matter of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of San Antonio Water System to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, this March 23, 2012


For the Commission



CANCELLATION OF CERTIFICATE OF CONVENIENCE AND NECESSITY

To Provide Water Service Under V.T.C.A., Water Code
and Texas Commission on Environmental Quality Substantive Rules

Certificate No. 10675

Certificate No. 10675 was canceled by Order of the Commission in Docket No. 37272-S. Bexar Metropolitan Water District's facilities and lines were transferred to San Antonio Water System, CCN No. 10640, in Bexar, Comal and Medina Counties.

Please reference Certificate No. 10640 for the location of maps and other information related to the service area transferred.

Certificate of Convenience and Necessity No. 10675 is hereby
CANCELED by Order of the Texas Commission on Environmental
Quality.

Issued Date:

March 23rd, 2012


For the Commission



CANCELLATION OF CERTIFICATE OF CONVENIENCE AND NECESSITY

To Provide Water Service Under V.T.C.A., Water Code
and Texas Commission on Environmental Quality Substantive Rules

Certificate No. 12759

Certificate No. 12759 was canceled by Order of the Commission in Docket No. 37272-S. Bexar Metropolitan Water District's facilities and lines were transferred to San Antonio Water System, CCN No. 10640, in Bexar County.

Please reference Certificate No. 10640 for the location of maps and other information related to the service area transferred.

Certificate of Convenience and Necessity No. 12759 is hereby CANCELED by Order of the Texas Commission on Environmental Quality.

Issued Date: March 23rd, 2012


For the Commission



CANCELLATION OF CERTIFICATE OF CONVENIENCE AND NECESSITY

To Provide Water Service Under V.T.C.A., Water Code
and Texas Commission on Environmental Quality Substantive Rules

Certificate No. 12760

Certificate No. 12760 was canceled by Order of the Commission in Docket No. 37272-S. Bexar Metropolitan Water District's facilities and lines were transferred to San Antonio Water System, CCN No. 10640, in Atascosa County.

Please reference Certificate No. 10640 for the location of maps and other information related to the service area transferred.

Certificate of Convenience and Necessity No. 12760 is hereby CANCELED by Order of the Texas Commission on Environmental Quality.

Issued Date: March 23rd, 2012


For the Commission

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



TCEQ DOCKET NO. 2012-0421-MLM

IN THE MATTER OF THE SAN ANTONIO	§	BEFORE THE TEXAS
WATER SYSTEM CERTIFICATE OF	§	
CONVENIENCE AND NECESSITY NO.	§	
10640, TO TRANSFER AND CANCEL	§	COMMISSION ON
CERTIFICATE OF CONVENIENCE AND	§	
NECESSITY NOS. 10675, 12759, AND	§	
12760 FROM BEXAR METROPOLITAN	§	ENVIRONMENTAL QUALITY
WATER DISTRICT IN BEXAR, MEDINA,	§	
AND ATASCOSA COUNTIES, TEXAS	§	

ORDER

On March 23, 2012, the Executive Director of the Texas Commission on Environmental Quality pursuant to Chapters 5 and 13 of the Texas Water Code considered the requirements of Senate Bill 341 for San Antonio Water System Certificate of Convenience and Necessity No. 10640, to transfer and cancel Certificate of Convenience and Necessity Nos. 10675, 12759, and 12760 from Bexar Metropolitan Water District in Bexar, Medina, and Atascosa Counties, Texas.

No notice or hearing is required to complete this transfer.

The certificate amendment and cancellations required by SB 341 are necessary for the service, accommodation, convenience, and safety of the public.

Now, therefore, be it ordered by the Texas Commission on Environmental Quality that Certificate of Convenience and Necessity No. 10640 be amended and Certificates of Convenience and Necessity Nos. 10675, 12759, and 12760 be cancelled in accordance with the terms and conditions set forth herein and in the certificate.

IT IS FURTHER ORDERED that San Antonio Water System shall serve every customer and applicant for service within the area certified under Certificate of Convenience and Necessity No. 10640 and that such service shall be continuous and adequate.

Texas Commission on Environmental Quality

Issued date: *March 23rd, 2012* 
For the Commission

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE

DEED, WATER DEED AND TRANSFER OF REAL PROPERTY INTERESTS

KNOW ALL BY THESE PRESENTS that the TEXAS COMMISSION ON ENVIRONMENTAL QUALITY, an agency of the State of Texas, acting pursuant to Section 50(c), Chapter 306, Acts of the 49th Texas Legislature, Regular Session, 1945, set forth in Article 4, Section 4.01 of Senate Bill 341, 2011 Regular Session, enacted into law on or about June 19, 2011 (the "Legislation") concerning the BEXAR METROPOLITAN WATER DISTRICT, a governmental agency, municipal corporation, political subdivision of the State of Texas and water district created by a special act of the Texas Legislature pursuant to Article XVI, Section 50 of the Texas Constitution (together, for purposes herein, with all interests held by its Board of Trustees, "BexarMet"), has, in connection with the dissolution of the Bexar Metropolitan Water District Board of Trustees, TRANSFERRED, GRANTED, and CONVEYED, and by these presents does hereby TRANSFER, GRANT, and CONVEY unto the CITY OF SAN ANTONIO, A TEXAS MUNICIPAL CORPORATION, FOR THE USE, BENEFIT AND CONTROL OF ITS SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES as such and their successors in office appointed by the City Council of the said City of San Antonio as provided in Ordinance No. 75686, adopted at a regular meeting of said council, April 30, 1992 ("Grantee"), all of the following real property and water rights interests (being collectively, the "Property"):

A. Land: All real property, including all improvements thereon, owned in fee-simple, fee-simple determinable or similar estate by BexarMet and located in Bexar, Medina or Atascosa Counties, or any other county in the State of Texas (all of the foregoing being collectively the "Land"), together with all BexarMet's right, title and interest in and to (i) all water rights and claims of water rights of any nature related to the Land, (ii) all oil, gas and other minerals in and under and that may be produced from said Land, and (iii) all appurtenances including, but not limited to, reversionary rights or rights of reverter related to said Land, strips between the Land and abutting properties, and in any street, highway, alley, easement or right of way, existing or proposed, on or adjacent to or benefitting the Land.

B. Water Rights: All water rights, permits to withdraw groundwater, leases of water rights or permits to withdraw groundwater, and permits for the use, withdrawal, diversion or detention of surface water, owned or held by BexarMet (all of the foregoing being collectively the "Water Rights"), together with all BexarMet's right, title and interest in and to (i) all successor rights of or relating to the Water Rights, (ii) all real or personal property rights appurtenant to the Water Rights, and (iii) all historical rights, claims, permits, easements, and licenses relating to the Water Rights.

C. Easements: All easements and rights of way owned by, held by or for the use and benefit of BexarMet, whether by express grant, plat, implication or prescription, and located in Bexar, Medina or Atascosa Counties, or any other county in the State of Texas, together with all improvements, facilities, pipelines and other infrastructure owned by BexarMet and located on,

across or under any of the foregoing, together with all rights and appurtenances thereto.

E. Miscellaneous: All right, title and interest of BexarMet in and to all leases, licenses, and any other rights to real property, as well as and including all rights derived by adverse possession or time periods of adverse possession of any real property interest by BexarMet.

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereto in anywise belonging unto the said Grantee, its successors and assigns forever.

This instrument is being executed pursuant to the requirements of the Legislation and to put third parties on notice that the real property interests of BexarMet are under the ownership, benefit, use and control of the Grantee, and this instrument shall not constitute an assignment or other transfer that would require consent by any third party or terminate or otherwise prejudice any interest to any of the Property under any agreement applicable to the Property.

All of the rights and privileges, of every kind and nature, previously enjoyed by the former BexarMet, and related in any way to the Property, shall immediately inure to the benefit of Grantee so that Grantee can effectively own, control, manage and operate that system. The Property is initially being held by Grantee related to the District Special Project, as defined in City of San Antonio City Council Ordinance No. 2011-10-20-0845, and as allowed by Section 52 (c) the Legislation.

This instrument shall be effective as of, and relate back to, the Texas Commission on Environmental Quality's Order dated March 1, 2012 for TCEQ Docket No. 2012-0421-MLM, In the Matter of the Transfer of Bexar Metropolitan Water District to the San Antonio Water System in Bexar, Medina and Atascosa Counties, Texas.

Signature and acknowledgement on following page

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY,
an agency of the State of Texas:

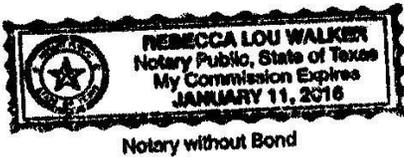
By: [Signature]
Printed Name: Mark Vickery
Title: Executive Director

STATE OF TEXAS §
 §
COUNTY OF Travis §

This instrument was acknowledged before me on this 23rd day of March, 2012, by Mark Vickery, Executive Director of the Texas Commission on Environmental Quality, an agency of the State of Texas, on behalf of said agency.

[Seal]

[Signature]
Notary Public, State of Texas



After recording, return to:
San Antonio Water System
Attn: Mark Brewton, Corporate Counsel
P.O. Box 2449
San Antonio, Texas 78298-2449