

East Cedar Creek FWSD Quarterly News Letter

September 2011

Texas still in the grip of La-Nina

National Weather Forecasters are predicting a dry and warm winter for our region. The drought conditions in Texas are expected to continue for several more months. As General Manager for your district I want to express my sincere thanks for complying with our conservation / drought plan. We are currently in our stage 2 mandatory water restrictions. We all hope that our weather predictors are incorrect and we receive some much needed rain. However as with all emergency planning we must prepare for the worst case scenario which in this case the Cedar Creek Lake drops below a level the district would have to extend the raw water intakes further out to continue pumping raw water to the treatment plants for producing drinking water. Tracking the current level of decline of Cedar Creek Lake the extension of our intakes may need to be considered sometime in the first quarter of 2012. Now is the time to begin planning for this event and your district is already reviewing plans that were not implemented in 2006 due to low lake levels but were approved by the Board of Directors and the local Cedar Creek Lake Authority. This plan was to install a temporary raw water pumping unit further into the lake for the continuation of a water supply source for our water treatment facilities.

Conservation / Drought Contingency Plan

The District's Plan must coincide with the Tarrant Regional Water District's (TRWD) Plan. TRWD Reservoirs include Lake Bridgeport, Eagle Mountain, Cedar Creek Lake and Richland-Chambers. Primary Wholesale Customers include the City of Arlington, City of Fort Worth, City of Mansfield and the Trinity River Authority. There are many other customers other than the Primary customers such as East Cedar Creek FWSD, West Cedar Creek MUD, City of Mabank, City of Malakoff, City of Weatherford, City of Corsicana to name a few of the local water purveyors that rely on their surface water storage.

Two key monitoring factors of their plan, not considering emergencies and or contamination, are Conservation Storage Capacity and the capability to deliver adequate flow to meet their customer demands. If the combined conservation pool drops below 75% capacity, TRWD initiates their first stage: Water Watch. To be compliant with our contractual obligations as a customer of TRWD we must initiate our first mandatory stage of water restrictions which is stage 2 of our plan and is the stage that is in effect to date. If TRWD conservation pool declines below 65% they may initiate their Stage 2: Water Warning. If this does occur ECCFWSD will initiate our Stage 3 of our plan which will reduce non-essential watering greater than stage 2. We hope this does not occur however we all must realize that there is no course of action except to reduce non-essential watering and conserve for public health and safety. So far, science has not found a way to prevent evaporation nor a silver bullet to produce rain on demand.

We are currently working on an update to our Conservation / Drought Contingency Plan and as soon as the draft has been approved by the District's Board of Directors and by TRWD a full copy will be available on our website for review or downloading.

Cedar Creek Lake Watershed

The potential good news is the vastness of our lake's watershed area. The watershed covers over 1,000 square miles. The watershed area extends into the full eastern portion of Kaufman County, 3/4ths of the western portion of Van Zandt County and up into the center of Rockwall County and of course the north western portion of Henderson County. Some of the cities out in the far sections of our watershed boundaries include Terrell, Forney, Kaufman and Crandall. So if we can be blessed with significant rain falls anywhere within this watershed we would receive runoff that would make its way into our lake.

ECCFWSD Purchase of Mabank Water Meter Customers

September 21, 2011 ECCFWSD Board of Directors approved by Resolution 2011-004 the issuance and sale of Utility System Revenue Bonds, Series 2011B in the amount of \$1,760,000. The District competitively bid out the sale of the bonds. The awarded low bid was submitted by SAMCO Capital Markets, Inc. at a net interest cost of 3.66%. The other bid submitted by Southwest Securities, Inc at a net interest cost of 3.85%.

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As part of the sale process, the District's long term debt rating was upgraded from A- to an A by Standard & Poor's, Inc. The District had the bond issue insured by Assured Guaranty Municipal (AGM), which is rated "AA+" by Standard and Poor's, Inc. The District's Financial Advisor, Jim Sabonis of First Southwest Company, complimented the District for the bond rating upgrade. Also, he indicated that the combination of the positive bond rating, the purchase of bond insurance and the strong municipal bond market resulted in the bids for the bond issue being at a lower interest rate than budgeted.

The delivery of Funds is expected to be October, 20, 2011. Soon after that date ECCFWSD will wire transfer to the City of Mabank the remaining \$1,095,000 purchase price. The District will then assume ownership of the water meters, meter reading, billing and the maintenance of the water main infrastructure that has been agreed upon under the purchase agreement. The remaining funds will be committed to engineering fees, construction costs and any contingencies that may occur.

We expect construction to begin in mid to late November and the first transfer of water meter customers from Mabank to ECCFWSD will be Thunderbird Shores, Pleasure Land and Loon Bay by the end of December of 2011. Shortly after that the contractor will begin transferring Timber Trails and Mabank customers that reside on Luther Lane. The district has up to one year to complete the remaining commercial and residential Mabank customers to ECCFWSD water source and the additional infrastructure extensions.

Customers that will be affected by this project will be receiving notices of the intended transfer dates and an ECCFWSD information packet which will include a service agreement, payment options and customer service information.

What does the future have in store for ECCFWSD

As with most of water and sewer utilities we attempt to predict what additional unfunded mandates we will be faced with and the most cost efficient way to meet compliance. The census reports for Texas continue to predict a significant increase in population growth. Gun Barrel City, our largest populated area within the District's CCN is predicting an increase in growth. The district has planned for this growth by increasing the Brookshire Water Treatment Facility from a 2 million gallon per day (MGD) to a 4-MGD treatment facility.

This planned project was divided into 4 major phases and we are nearing the end of phase three, refurbishment of the original clarifier. Once this project is completed the facility will be able to produce the full amount of production under our existing Texas Commission of Environmental Quality (TCEQ) permit of 3.02-MGD. The final phase of this expansion is the Raw Water Pump Station. Currently the pump station consists of (2) raw water pumps rated at 1,400 gallons per minute (GPM) and one raw water pump rated at 700-GPM.

The replacement of the last 700-gallon per minute raw water intake pump to a 1,400 gallon per minute pump will complete the expansion projects. Once this project is completed the Brookshire raw water pumping station will consist of (3) 1,400 gallon per minute pumps. The replacement of this pump is scheduled to be completed by end of fiscal year 2013. Once this project is fully completed and a new permit is submitted to TCEQ and approved the facility will be rated as a 4-MGD facility.

With growth comes the demand for more water. Our raw water supply source is Cedar Creek Lake which is noted above as one of the reservoirs managed by Tarrant Region Water District (TRWD). TRWD does not provide this water source free. Currently we are paying \$0.77942 per 1,000 gallons. This cost is for the ability to withdraw raw (lake) water from Cedar Creek Lake so we can treat and produce drinking water. Each year TRWD provides to its customers what this fee will be for their next fiscal year. Starting October 1, 2011 which is the beginning of TRWD's fiscal year the fee will increase to \$0.88316. This does not necessarily mean that your district will increase water rates it is just a fact of economics that TRWD as well as ECCFWSD must review fiscal budgets and balance the budget. As General Manager I feel this is a time to mention that the water rate of \$3.25 includes this raw water expense and is one of several expenses we do not have any control over.