



October 11, 2013

To All Customers of Trophy Club MUD No. 1:

We hope that the information we've recently been sending to our customers about the move under way by the Town of Trophy Club to take over your municipal utility district has been helpful.

We wanted our first materials—the newspaper ads and the mailings you've received—to whet your appetite for more. This letter lays out in great detail the background on which we drew to prepare our documents. We know that this issue is both politically charged and complex, so we'll ask your forgiveness in advance for what promises to be an informative yet somewhat complicated letter.

The bottom line: We want to clarify what it will cost you, the customers of Trophy Club MUD No. 1 (TCMUD1), and the residents that live in the Public Improvement District (PID), if the Trophy Club town manager, mayor and council can find a way to abolish TCMUD1. As you know, Westlake plays an important role in this issue, and we will attempt to show you how its offer factors in. You deserve to know all the facts.

To start with, the three governmental entities have, by their very nature, different motivations. The two towns make decisions in a political arena, while the MUD's primary focus is on the financial side of issues. The Town of Trophy Club's frequently expressed desire is to take over TCMUD1 simply so it can function like many other Texas municipalities. The problem is that the town manager has said several times that his mayor and town council are not concerned about the negative financial impact a takeover will have on you. They just want to control everything. TCMUD1 believes this is an irresponsible position for them to take.

The Town of Trophy Club states that so-called inefficiencies are the driving force, **but let's look at the facts.** In the past, TCMUD1 tried to take steps to knit ourselves more closely to the Town of Trophy Club, but we had to remove ourselves from the town's financial system *because* of inefficiencies.

Just a few examples:

- The MUD agreed to a consolidated Human Resources Department with the Town. The Town charged the MUD more than 77 percent of its total operating budget for the department when MUD employees represented less than 30 percent of all employees.
- Our expense reports, prepared by the Town, routinely ran two to three months in arrears.
- The Town decided to purchase new financial software, which we analyzed for more than two months and declined to participate. We determined that the Town's chosen software lacked functionality we already had and needed, and it was a very expensive and unnecessary decision to participate 50/50 in its acquisition as the Town was requesting.

- The MUD developed its own website only after months of frustration over the Town refusing to make needed changes to our data on its website. Requested changes were not made despite the fact that we paid more than \$24,000 annually for this service. The MUD website was created very inexpensively using assistance from Trophy Club volunteers while the Town spent thousands of dollars to redesign its website.
- The MUD evaluated several insurance plans and found one that offers our employees much more and better coverage than the Town's plan, for no additional cost.
- After a difficult time securing assurance from the Town that MUD employees would be legally covered by the Town's retirement plan, we evaluated retirement plans and opted for one that guarantees our employees a 2 percent greater annual return than the Town's plan, maintains the same level of benefits and costs no more than the Town's plan.

So, do we have a different HR system, payroll system, accounting system, communications effort and website department than the Town? ABSOLUTELY. Why would the MUD now want to fold itself back into the Town's very inefficient systems?

But our decision-making is based on more than just the factors described above.

First and foremost is the looming need to commit substantial money for a much-needed upgrade to your MUD's wastewater-treatment plant. Growth in Trophy Club has been outstanding, primarily in the PID, an area of the Town of Trophy Club that is served by TCMUD1 through a contract with the Town but is outside our original boundaries. The PID's growth now requires that the MUD's wastewater treatment plant be upgraded as the plant is dangerously near its capacity to process wastewater as mandated by Texas Commission on Environmental Quality (TCEQ) standards.

The District submitted a compliance schedule to the TCEQ promising to upgrade this plant as soon as possible. The MUD board carefully evaluated four different alternatives and is working toward getting started on the option selected. The TCEQ has been involved with TCMUD1 on all aspects of this process, including the new design. Key to the MUD's decision was our anticipation that the town will continue to use the MUD's services for its PID customers.

The MUD board needs the flexibility to explore all types of financial instruments to pay for the wastewater treatment plant—estimated at \$11 million dollars. TCMUD1 has repeatedly stated that the Town's PID customers will pay only their "fair share"—no more and no less—than all other MUD customers. The good news is that the more water and wastewater customers we serve, the better financing deal we can obtain, which is a benefit for everyone.

But the Town's politically driven decision-making process is standing in the way of making responsible choices about wastewater treatment. Since the Town of Trophy Club wants to abolish TCMUD1, it is holding a new water and wastewater contract hostage, in an attempt to limit the borrowing power of TCMUD1 to finance this new, required construction. The MUD's current contract with the town could expire in less than 18 months due to the current build-out rate within

the PID area. The MUD board is committed to moving ahead with required plant upgrades with or without a new contract with the Town to cover PID customers.

What about the Town's threat to "go its own way" and acquire water and sewer for its PID customers elsewhere? Well, this would cost people in the PID many millions of dollars in infrastructure costs: additional water and sewer lines, lift stations, multiple expensive pumps and added personnel to make this happen—to accomplish what? To buy water and sewer services from a much more expensive provider. TCMUD1 already has among the lowest rates in this part of North Texas.

As to the question asked recently by a Trophy Club councilmember about why the MUD was considering indebtedness that exceeded the \$11-million estimated cost for upgrading the sewage plant—our response is that a responsible board, which primarily focuses on the financial side of issues, always plans for a contingency amount to cover unforeseen problems that arise during construction. It is simple to plan for more and issue only the funds needed, but it is far harder to get additional money in an emergency.

In the Town Hall meeting in August, Town Manager Mike Slye suggested that TCMUD1 should walk away from approximately \$331,000 in current taxes and revenues we receive from our customers in Solana. His rationale was confusing—essentially, he believes that future growth in the PID and PD-30 (the undeveloped front entrance of Trophy Club) would somehow offset these revenues.

This is, quite simply, a very bad—and costly—suggestion. Assuming the PID and PD-30 will together yield revenues of \$331,000, why would your MUD *not* want to use the combined total of the two revenue streams – \$662,000 – to help keep your bills as low as possible?

Now we come to Westlake. The Trophy Club town manager, mayor and council do not worry about TCMUD1 customers who are served in Solana (Westlake), but the MUD board does. These folks are within the boundaries of TCMUD1 and are longtime, valued customers of our water, sewer and fire services, just like everyone else. Town Manager Slye has never bothered to acknowledge that the MUD's customers in Solana would have paid Westlake an additional \$358,078 from July 2012 through June 2013 if they had been served by Westlake for water and sewer services and not by the MUD. This number is calculated based on TCMUD1 and Westlake's currently published water and sewer rates.

Would Westlake like to do away with TCMUD1 and collect this additional revenue for themselves? Probably. Do these customers desire that TCMUD1 be disbanded so their rates skyrocket? Probably not!

As you may know, the Town of Westlake has sent TCMUD1 a letter outlining a buyout proposal for the TCMUD1 board to consider. It may be viewed, along with TCMUD1's response, on our website at www.tcmud.org. The offer is complex and will require a very in-depth analysis to determine if it makes financial sense for our customers. To assist with this effort, TCMUD1 has put together a six-person, financially focused panel that will study this proposal in detail and report back to the TCMUD1 board as soon as possible on its findings. The MUD board appreciates the respectful and financially oriented offer by the Town of Westlake as compared to the approach being taken by the Town of Trophy Club.

If these facts make sense to you, please consider contacting Town Manager Slye, Mayor Connie White and Councilmembers Bill Rose, Jeannette Tiffany, Glen Schroeder, Greg Lamont and Danny Mayer and request two things:

- They stop playing politics with your money, and
- They sign a new long-term contract with TCMUD1 to assure the future for the PID residents.

Their contact details are:

Mike Slye, Town Manager	mslye@trophyclub.org
Connie White, Mayor	cwhite@trophyclub.org
Jeannette Tiffany, Mayor Pro Tem	jtiffany@trophyclub.org
Greg Lamont, Councilmember	glamont@trophyclub.org
Danny Mayer, Councilmember	dmayer@trophyclub.org
Bill Rose, Councilmember	brose@trophyclub.org
Clint Schroeder, Councilmember	cschroeder@trophyclub.org

Thank you very much for taking the time to read this letter. Please let us know if you need any additional information. We truly appreciate your business. It is an honor to serve you with clean, safe water and wastewater as well as fire protection services.

Sincerely,

Jim Moss
Trophy Club MUD No. 1
President, Board of Directors