

# *Citizens Advisory Committee*

## *Final Report*



*Jim Hase, Chairman*  
*Neil Twomey, Co-Chairman*  
*Mike Buck*  
*Wallace Carlson*  
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*February 2014*



*Trophy Club Municipal Utility District No. 1*

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## Historical Background

Before the Town of Trophy Club (the “Town”) was incorporated, the area we now know as Trophy Club consisted of five planned municipal utility districts (“MUDs”). A municipal utility district is a governmental entity with ad valorem taxing authority. A MUD is granted certain authority under the laws of Texas, including the authority to construct and operate water, sewer, and drainage systems and to develop and maintain a fire department.

Trophy Club Municipal Utility District No. 1 (“TCMUD1”) was the original MUD in Trophy Club and was formed in 1975. In the early 1980’s, MUDs 2 and 3 were formed as development began to occur in the areas they encompassed. In 1982, the partnership that was building the area now known as Solana in Westlake approached TCMUD1 to request water, sewer and fire protection services. TCMUD1 had the capability to provide these services and the Town of Westlake did not. With an agreement from Westlake, Solana was annexed into TCMUD1 in 1983.

In 1985 the Town of Trophy Club was incorporated. In July, 1990, MUDs 2 and 3 consolidated into what was known as MUD2. Subsequently, there was a letter agreement between MUD 2 and the Town of Trophy Club that all remaining land would become part of MUD2 rather than creating any new MUDs. In October, 2000, the Trophy Club Master District Joint Venture was formed for the purpose of managing both TCMUD1 and MUD2.

In 2009, the Town of Trophy Club Town Council placed an item on the agenda to dissolve MUD2. Dissolution of MUD2 by the Town only required a vote of the Town Council because the MUD was located wholly within the corporate boundaries of the Town. The Board of Directors of both TCMUD1 and MUD2 opposed the dissolution because they determined it was not in the best financial interest of MUD customers. After the MUDs filed an injunction against the Town to prevent the dissolution by the Town, the Denton County judge ruled that an election should be held to allow residents to decide the fate of MUD2. In 2009 an election was held and the residents voted to combine all the MUDs into a single MUD, resulting in the current Trophy Club Municipal Utility District No. 1 (“TCMUD1”). **The election results in May 2009 indicated that Trophy Club residents were opposed to the Town of Trophy Club dissolving the MUD.**

In December 2012, the Town and TCMUD1 began working on an amended contract for water and wastewater supply to the Town’s Public Improvement District (“PID”). The existing contract was not a long-term contract and did not address how the Town’s PID customers would pay their fair share of future system improvements, including the currently planned wastewater treatment plant improvements. TCMUD1 provided a draft agreement to the Town during March 2013. On May 21, 2013, the Town of Trophy Club rejected the agreement that the two entities had been working on and instead proposed a Strategic Partnership Agreement (“SPA”) to the Town of Westlake and to Trophy Club Municipal Utility District No. 1. The purpose of the SPA was to abolish TCMUD1 and allow Westlake to become the water and wastewater service provider to the area of TCMUD1 located in Westlake, and to allow the Town to become the provider of water and wastewater service to the area of TCMUD1 located within the Town of Trophy Club. Because there were no financial benefits provided by the Town to TCMUD1 for dissolution, the TCMUD1 Board of Directors rejected the SPA.

In August, 2013, the TCMUD1 Board of Directors approved the formation of a Citizens Advisory Committee to study the financial impacts to TCMUD1 customers if it were dissolved. Applications were received from interested residents and on September 17, 2013, the TCMUD1 Board appointed a six member committee with representatives that lived within TCMUD1 and the PID. The committee included:

Jim Hase (TCMUD1)	Wallace Carlson (PID)
Neil Twomey (TCMUD1)	Mike Buck (PID)
Larry Hoover (TCMUD1)	Pete Reincke (TCMUD1)

At their first meeting on September 25, 2013, the committee elected Jim Hase as Committee Chair and Neil Twomey as Co-chair.



## Executive Summary

The Citizens Advisory Committee worked diligently over several months to build financial models that will project the financial impact to all Trophy Club customers if TCMUD1 were dissolved, the committee identified revenue streams that would be affected, identified scenarios that should be modeled, and identified the parameters that should be included within each model. The committee refined the assumptions that would be included in each scenario through data provided by TCMUD1 staff. The data included historical financial trends related to revenues and expenses and data accumulated through research with the Denton and Tarrant County Tax Assessors, the City of Fort Worth, and the Town of Trophy Club. At each committee meeting a specific model was dissected and refined to ensure accurate data and accurate future projections. Committee members also reviewed the models on their own between meetings to identify any possible conflicts or inaccuracies.

The committee agreed that to determine all financial impacts to TCMUD1 customers, four scenarios should be modeled and included in the final report:

- SCENARIO 1: Base Model – as is
- SCENARIO 2: Base Model with Solana Growth
- SCENARIO 3: PID Annexation into TCMUD1
- SCENARIO 4: TCMUD1 Dissolution (Takeover by Town of Trophy Club and the Town of Westlake)

As the committee collected the financial data for each of the four Scenarios, two models were finalized incorporating the four Scenarios that addressed the projected financial impact on the TCMUD1 and PID residents.

Each scenario and its associated assumptions are described in this report. The source spreadsheets are available on CD as **Appendix A**.

The Town of Trophy Club Town Council also formed a citizens committee, known as the Blue Ribbon Panel ("BRP"), to study the issues related to dissolution of TCMUD1. The BRP divided its members into two subcommittees: the governance subcommittee, formed to study governance issues related to having a single governing body within Trophy Club, and the finance subcommittee, formed to study financial impacts of TCMUD1 dissolution. An open invitation was extended to the BRP finance subcommittee to participate in CAC weekly meetings. Members of the BRP attended a few meetings and expressed overall approval of the CAC models with a few changes to assumptions. CAC agreed with the requested changes and they are reflected in the models presented herein. The BRP agreed with the financial models created by the Citizen Advisory Committee.

As the committee considered financial impacts if TCMUD1 dissolution were to occur, bond defeasance became a major factor for consideration. The committee requested assistance from TCMUD1 financial advisors and bond counsel and learned there are complex legal and financial considerations related to dissolution and bond defeasance. The financial impact to residents will vary according to how TCMUD1 bonds are addressed should dissolution be considered; therefore the committee requested the Town of Trophy Club provide information related to its proposed plan for bonds if dissolution were to occur.

The committee was never provided the Town's plan of action for payment and/or defeasance of TCMUD1 outstanding bonds. The lack of specificity by the Town related to this major issue causes serious concern to the committee. The committee felt compelled to note that they could only make assumptions regarding bond defeasance and therefore actual bond defeasance costs are not included in the model. Our estimate of defeasance cost is five hundred thousand dollars.



### **Committee Recommendation**

For reasons explained within this report, the committee recommends the following to the TCMUD1 Board of Directors, customers and the property owners of the District:

- **Maintain the Utility District as an ongoing separate entity as it is the most cost effective course of action that benefits all of its taxpayers and customers.**

### **Scenario 1**

In Scenario 1, the committee collected the basic financial data from existing audit reports, financial reports, approved budgets of the TCMUD1 and 2013 tax valuation data from Denton Central Appraisal District and the Tarrant Central Appraisal District.

The above information was used to develop a base line model in which various projections of TCMUD1 revenue and expenses were calculated. The model reflects maintaining TCMUD1 as it is today and projects future revenues and expenses and the associated affects to Trophy Club residents and all TCMUD1 customers, including those in the Westlake area ("Solana").

In this Scenario, Solana is currently 19.1% of the TCMUD1. It contributes over \$500,000 in taxes and water net proceeds annually to the TCMUD1 and enables all its customers to realize the lowest rate order in the area. (even after including associated taxes)

### **Scenario 2**

In Scenario 2, the committee augmented the Base Model by noting the recently announced \$500 million commercial and residential developments planned for the Solana area. The committee then addressed the impact of the new Solana developments on TCMUD1's valuations and water revenue in the future.

The result of these future developments in the Solana area is a dramatic reduction in the TCMUD1's tax rates. The model's projections indicate the TCMUD1's tax rates will drop by over 50% while still maintaining the lowest water and wastewater rates in the area.

The result is a cost effective utility that benefits its customers better than any other alternative.

### **Scenario 3**

In Scenario 3, while the committee was not tasked with making a recommendation regarding the potential PID annexation into TCMUD1, the committee was requested to explore the potential impact to the TCMUD1 and PID residents. In the case that the PID requests annexation in to TCMUD1 the committee used the Base Model with Solana Growth to derive the financial impact of annexation to all of the residents. The committee augmented the Base Model with additional Tabs pertaining to the PID to facilitate providing all TCMUD1 and PID residents the necessary information regarding annexation.



The results from calculating the future TCMUD1 tax rates, if annexation of the PID was requested and approved, indicate that after the initial year annexation occurs, there is a positive financial benefit to the PID homeowners.

The model contains data regarding the tax rates and PID fees. This data was sorted into a summary that compares the PID continuing to pay fees to the Town of Trophy Club versus the TCMUD1's tax rates if annexation is approved.

The annexation summary allows an individual PID resident to take the projected fees and rates to determine how the projected PID annexation would impact their personal financial situation.

#### Scenario 4

In Scenario 4, the committee augmented the Base Model with Solana Growth to address the Town of Trophy Club's proposed Strategic Partnership Agreement ("SPA") to the Town of Westlake and to Trophy Club Municipal Utility District No. 1 to determine impact to the residents.

In addition, this **Dissolution Scenario** also analyzed the August 19, 2013 proposal by the Town of Westlake to TCMUD1 to de-annex the Solana area from TCMUD1 boundaries.

Numerous inquiries were made to the Town of Trophy Club on the methods to be used to facilitate this transaction. To date we have not received requested information from the Town of Trophy Club as to how they would deal with the outstanding debt of the district. Likewise the committee worked to understand the possible cost savings the Town proposed. These estimates of cost savings showed a lack of thoroughness one would not expect on such an aggressively pursued transaction. The lack of a cohesive plan by both the Town of Westlake and the Town of Trophy Club denotes a failure by both entities to have performed the due diligence to understand the impact to its citizens. Their collective failure to adhere to the applicable sections of the Texas Water Code regarding a Municipal Utility District is a disservice to its taxpayers. (Texas Water Code 43.076)

The most current cost savings submitted to the committee by the Trophy Club Town Manager were used in the models. However, the committee believes there are significant unrecognized one-time expenses that would exceed those savings for many years to come. Additionally, the financial burden to PID residents would be significantly higher than the burden to TCMUD1 residents under the Town's proposal.

More specifically, a TCMUD1 resident would incur an effective eight cent tax rate increase, if the Town of Trophy Club's proposal to dissolve TCMUD1 is realized.

From a financial standpoint, the Town of Westlake's proposal reduces overall revenues of TCMUD1 by more than \$1.8 million in the next four years and over \$23 million over the next twenty years.

The Town of Westlake's proposal was found to be completely inadequate by the committee. As offered it would financially impair the TCMUD1 property owners while it also appeared to violate applicable Water Code Statutes.

The Town of Westlake proposed converting tax bonds to revenue bonds as a means of de-annexing the Solana area from TCMUD1. However, utilizing revenue bonds to finance the defeasance of existing TCMUD1 debt would materially increase the cost of the debt service expense by over \$500,000. This extra debt service would be paid by all Trophy Club residents.



*Therefore the CAC recommends maintaining the Utility District as an ongoing separate entity as it is the most cost effective course of action that benefits all of its taxpayers and customers.*

***The CAC would like to thank the TCMUD1 staff and especially District Manager McKnight for their time and efforts in assisting the committee in producing this report.***

*Jim Hase, Chairman*

*Neil Twomey, Co-Chairman*

*Mike Buck*

*Wallace Carlson*

*Larry Hoover*

*Pete Reincke*



## **Exhibit A**

### **§ 43.076. ABOLITION OF WATER-RELATED SPECIAL DISTRICT THAT BECOMES PART OF MORE THAN ONE MUNICIPALITY.**

*(a) This section applies to a municipality that contains, as a result of the annexation by or the incorporation of the municipality, any part of the area in a water control and improvement district, fresh water supply district, or municipal utility district organized for the primary purpose of providing municipal functions such as the supplying of fresh water for domestic or commercial uses or the furnishing of sanitary sewer service, if:*

- (1) the balance of the area in the district is located in one or more other municipalities;*
- (2) the district is not created by a special act of the legislature and the balance of the area is located in one or more other municipalities and in an unincorporated area; or*
- (3) the district is a conservation and reclamation district of more than 10,000 acres which provides water and sanitary sewer service to households and parts of which are located in two or more municipalities, one of which has a population of more than 1.6 million.*

*(b) The municipality succeeds to the powers, duties, assets, and obligations of the district as provided by this section. This section does not prohibit the municipality from continuing to operate utility facilities in the district that are owned and operated by the municipality on the date the part of the district area becomes a part of the municipality.*

*(c) If the district is located wholly in two or more municipalities, the district may be abolished by agreement among the district and the municipalities in which the district is located. Subject to Subsection (f), the agreement must provide for the distribution among the municipalities of the property and other assets of the district and for the pro rata assumption by the municipalities of all the debts, liabilities, and obligations of the district. The assumption by each municipality must be based on the ratio that the value of the property and other assets distributed to that municipality bears to the total value of all the property and other assets of the district. The determination of value may be made on an original cost basis, a reproduction cost basis, a fair market value basis, or by any other valuation method agreed on by the parties that reasonably reflects the value of the property and other assets, debts, liabilities, and obligations of the district. The agreement must specify the date on which the district is abolished.*

*(d) If the district is located wholly in two or more municipalities and in unincorporated area, the district may be abolished by agreement among the district and all of the municipalities in which parts of the district are located. The abolition agreement must provide for the distribution of assets and liabilities as provided by Subsection (c). The agreement must also provide for the distribution among one or more of the municipalities of the pro rata assets and liabilities located in the unincorporated area and must provide for service to customers in unincorporated areas in the service area of the abolished district. The municipality that provides the service in the unincorporated area may charge its usual and customary fees and assessments to the customers in that area.*

*(e) An agreement made under Subsection (c) or (d) must be approved by an ordinance adopted by the governing body of each municipality and by an order or resolution adopted by the governing board of the district before the date specified in the agreement for the abolition, distribution, and assumption.*





*(f) If the abolished district has outstanding bonds, warrants, or other obligations payable in whole or in part from the net revenue from the operation of the district utility system or property, the affected municipalities shall take over and operate the system or property through a board of trustees as provided by this section. The municipalities shall apply the net revenue from the operation of the system or property to the payment of outstanding revenue bonds, warrants, or other obligations as if the district had not been abolished. The system or property shall be operated in that manner until all the revenue bonds, warrants, or obligations are retired in full by payment or by the refunding of the bonds, warrants, or other obligations into municipal obligations. The board of trustees must be composed of not more than five members appointed by the governing bodies of the municipalities. The trustees are appointed for the terms and shall perform the duties as provided by the agreement made under Subsection (c) or (d). The board also shall perform the duties and other functions that are imposed by law or by contract on the abolished district and its governing board and that relate to the outstanding revenue bonds. The board shall charge and collect sufficient rates for the services of the system or property and shall apply the revenue to comply with each covenant or agreement contained in the proceedings relating to the revenue bonds, warrants, or other obligations with respect to the payment of principal and interest and the maintenance of reserves and other funds. When all the revenue bonds, warrants, and other obligations are retired in full, the property and other assets of the district shall be distributed among the municipalities as provided by Subsection (c) or (d). On the distribution, the board is abolished.*

*(g) When the pro rata share of any district bonds, warrants, or other obligations payable in whole or in part from property taxes has been assumed by the municipality, the governing body of the municipality shall levy and collect taxes on all taxable property in the municipality to pay the principal of and interest on its share as the principal and interest become due and payable.*

*(h) The municipality may issue general obligation refunding bonds in its own name to refund in whole or in part its pro rata share of any outstanding district bonds, warrants, or other obligations, including unpaid earned interest on them, that are assumed by the municipality and that are payable in whole or in part from property taxes. The refunding bonds must be issued in the manner provided by Chapter 1207, Government Code. Refunding bonds must bear interest at the same rate or at a lower rate than that borne by the refunded obligations unless it is shown mathematically that a different rate results in a savings in the total amount of interest to be paid.*

*(i) The municipality may issue revenue refunding bonds or general obligation refunding bonds in its own name to refund in whole or in part its pro rata share of any outstanding district bonds, warrants, or other obligations, including unpaid earned interest on them, that are assumed by the municipality and that are payable solely from net revenues. The municipality may combine the different issues or the bonds of different issues of both district and municipal revenue bonds, warrants, or other obligations into one or more series of revenue refunding bonds. The municipality may pledge the net revenues of the district utility system or property to the payment of those bonds, warrants, or other obligations. The municipality may also combine the different issues or the bonds of the different issues into one or more series of general obligation refunding bonds. An originally issued municipal revenue bond may not be refunded into municipal general obligation refunding bonds. Except as otherwise provided by this section, Subchapter B, Chapter 1502, Government Code, applies to the revenue refunding bonds, but an election for the issuance of the bonds is not required. Revenue refunding bonds or general obligation refunding bonds must be issued in the manner provided by Chapter 1207, Government Code. The revenue refunding bonds and the general obligation refunding bonds must bear interest at the same rate or at a lower rate than that borne by the refunded obligations unless it is shown mathematically that a different rate results in a savings in the total amount of interest to be paid.*

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1997, 75<sup>th</sup> Leg., ch. 1339, § 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1064, § 37, eff. Sept. 1, 1999.



(Exhibit B)

**PID Annexation into TCMUD**

YEAR	(2% Appreciation) TCPID Average Home Value	Unannexed TCPID Fees	Average Home Annual Fees	Merged Tax Rate	Average PID Home MUD Annual Taxes	Impact of Federal Income Taxes 28% Rate	Net MUD Taxes After Federal Income Taxes	Delta
2013-2014	\$ 382,966	\$ 0.08738	\$334.64					
2014-2015	\$ 390,625	\$ 0.10861	\$424.24	\$0.15484	\$ 604.83	\$ 169.35	\$ 435.48	\$ (11.24)
2015-2016	\$ 398,438	\$ 0.08930	\$355.80	\$0.11623	\$ 463.11	\$ 129.67	\$ 333.44	\$ 22.36
2016-2017	\$ 406,407	\$ 0.07772	\$315.87	\$0.10109	\$ 410.83	\$ 115.03	\$ 295.79	\$ 20.08
2017-2018	\$ 414,535	\$ 0.07684	\$318.54	\$0.09941	\$ 412.08	\$ 115.38	\$ 296.70	\$ 21.84
2018-2019	\$ 422,825	\$ 0.07648	\$323.37	\$0.09927	\$ 419.72	\$ 117.52	\$ 302.20	\$ 21.17
2019-2020	\$ 431,282	\$ 0.07612	\$328.30	\$0.09804	\$ 422.81	\$ 118.39	\$ 304.42	\$ 23.88
2020-2021	\$ 439,908	\$ 0.07577	\$333.33	\$0.09741	\$ 428.51	\$ 119.98	\$ 308.53	\$ 24.81
2021-2022	\$ 448,706	\$ 0.07543	\$338.46	\$0.09677	\$ 434.23	\$ 121.58	\$ 312.64	\$ 25.82
2022-2023	\$ 457,680	\$ 0.07510	\$343.70	\$0.09613	\$ 439.97	\$ 123.19	\$ 316.78	\$ 26.92
2023-2024	\$ 466,833	\$ 0.07477	\$349.03	\$0.07680	\$ 358.51	\$ 100.38	\$ 258.13	\$ 90.90
2024-2025	\$ 476,170	\$ 0.07444	\$354.48	\$0.07648	\$ 364.19	\$ 101.97	\$ 262.22	\$ 92.26
2025-2026	\$ 485,693	\$ 0.07413	\$360.03	\$0.07619	\$ 370.07	\$ 103.62	\$ 266.45	\$ 93.58
2026-2027	\$ 495,407	\$ 0.07382	\$365.70	\$0.07589	\$ 375.97	\$ 105.27	\$ 270.70	\$ 95.00
2027-2028	\$ 505,316	\$ 0.07351	\$371.47	\$0.07559	\$ 381.99	\$ 106.96	\$ 275.03	\$ 96.44
2028-2029	\$ 515,422	\$ 0.07322	\$377.37	\$0.07530	\$ 388.11	\$ 108.67	\$ 279.44	\$ 97.92
2029-2030	\$ 525,730	\$ 0.07292	\$383.38	\$0.07501	\$ 394.36	\$ 110.42	\$ 283.94	\$ 99.44
2030-2031	\$ 536,245	\$ 0.07264	\$389.51	\$0.07473	\$ 400.73	\$ 112.20	\$ 288.52	\$100.98
2031-2032	\$ 546,970	\$ 0.06495	\$355.26	\$0.06922	\$ 378.63	\$ 106.02	\$ 272.61	\$ 82.65
2032-2033	\$ 557,909	\$ 0.06467	\$360.83	\$0.06891	\$ 384.43	\$ 107.64	\$ 276.79	\$ 84.04
2033-2034	\$ 569,067	\$ 0.06440	\$366.51	\$0.06859	\$ 390.35	\$ 109.30	\$ 281.05	\$ 85.46

**Assumptions**

Estimated PID Annexation Expenses in 2014-2015 in O&M Taxes \$5,000 cost of the special PID election and \$195,000 in PID Annexation expenses in O&M Expenses.



(Exhibit C)

## Rate Orders Comparisons

Annual Cost of Water and Sewer Services for 20,000 Gallons a Month.

<u>Residential</u>		<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>% Higher than TCMUD</u>
	<b>Trophy Club MUD 1</b>	\$ 853.92	\$ 512.52	\$ 1,366.44	
	<b>Town of Westlake</b> <a href="http://www.westlake-tx.org/DocumentCenter/Home/View/187">http://www.westlake-tx.org/DocumentCenter/Home/View/187</a>	\$ 1,582.80	\$ 1,497.60	\$ 3,080.40	<b>125.43%</b>
	<b>City of Roanoke</b> <a href="http://www.roanoketexas.com/index.aspx?NID=253">http://www.roanoketexas.com/index.aspx?NID=253</a>	\$ 1,313.76	\$ 600.36	\$ 1,914.12	<b>40.08%</b>
	<b>City of Keller</b> <a href="http://www.cityofkeller.com/index.aspx?page=623#ResWRate">http://www.cityofkeller.com/index.aspx?page=623#ResWRate</a>	\$ 985.68	\$ 895.80	\$ 1,881.48	<b>37.69%</b>
	<b>City of Southlake</b> <a href="http://www.cityofsouthlake.com/index.aspx?NID=627">http://www.cityofsouthlake.com/index.aspx?NID=627</a>	\$ 1,257.48	\$ 961.92	\$ 2,219.40	<b>62.42%</b>
<u>Commercial</u>					
Actual	Solana Commercial Meters (31 meters)	\$351,298.14	\$130,616.10	\$481,914.24	
Estimated	Solana meters using the Westlake 2013 Rate Order	\$623,927.24	\$277,562.40	\$901,489.64	<b>87.06%</b>



(Exhibit D)

## Opportunity Loss to the TCMUD if Solana Deannexed

YEAR	NET Water Revenue	Tax Proceeds	Total Revenue & Taxes	Cumulative Revenue & Taxes
2013-2014	\$ 227,356.68	\$ 271,312.32	\$ 498,669.00	\$ 498,669.00
2014-2015	\$ 286,305.26	\$ 275,983.03	\$ 562,288.29	\$ 1,060,957.29
2015-2016	\$ 304,038.93	\$ 324,012.17	\$ 628,051.11	\$ 1,689,008.40
2016-2017	\$ 323,587.58	\$ 575,993.93	\$ 899,581.51	\$ 2,588,589.91
2017-2018	\$ 344,535.00	\$ 785,166.43	\$ 1,129,701.43	\$ 3,718,291.34
2018-2019	\$ 366,979.98	\$ 802,061.66	\$ 1,169,041.64	\$ 4,887,332.98
2019-2020	\$ 391,028.23	\$ 817,640.08	\$ 1,208,668.31	\$ 6,096,001.28
2020-2021	\$ 416,792.89	\$ 821,978.06	\$ 1,238,770.96	\$ 7,334,772.24
2021-2022	\$ 444,395.07	\$ 832,661.60	\$ 1,277,056.67	\$ 8,611,828.91
2022-2023	\$ 473,964.34	\$ 843,325.86	\$ 1,317,290.21	\$ 9,929,119.12
2023-2024	\$ 505,639.41	\$ 853,974.46	\$ 1,359,613.87	\$ 11,288,732.99
2024-2025	\$ 539,568.71	\$ 650,520.06	\$ 1,190,088.77	\$ 12,478,821.76
2025-2026	\$ 575,911.08	\$ 661,104.01	\$ 1,237,015.09	\$ 13,715,836.85
2026-2027	\$ 614,836.54	\$ 671,661.35	\$ 1,286,497.88	\$ 15,002,334.73
2027-2028	\$ 656,527.00	\$ 682,418.27	\$ 1,338,945.27	\$ 16,341,280.00
2028-2029	\$ 701,177.17	\$ 693,378.78	\$ 1,394,555.95	\$ 17,735,835.95
2029-2030	\$ 748,995.42	\$ 704,546.93	\$ 1,453,542.35	\$ 19,189,378.30
2030-2031	\$ 800,204.73	\$ 715,926.89	\$ 1,516,131.62	\$ 20,705,509.92
2031-2032	\$ 853,345.24	\$ 727,522.89	\$ 1,580,868.13	\$ 22,286,378.05
2032-2033	\$ 910,205.58	\$ 695,800.78	\$ 1,606,006.36	\$ 23,892,384.42
2033-2034	\$ 971,046.15	\$ 706,386.13	\$ 1,677,432.28	\$ 25,569,816.70

### Assumption

Tax Valuations appreciate 2% annually.



(Exhibit E)

## MUD Dissolution 2% Appreciation

February 18, 2014

### Comparison of MUD as an Ongoing Entity (No PID Annexation) to its Acquisition by Westlake and Trophy Club

1.11509739 (Freeze Adjustment Factor)

#### Apples to Apples

Year	MUD Average Home Value TC Denton County	TCMUD Tax Rate Plus Revenue Bond	Impact of a Trophy Club Acquisition of TCMUD Additional Taxes MUD Tax Rate	Additional Town Tax Per Home (Denton County)	Additional Town Tax over Mud Tax
2013-2014	\$ 273,163	\$ 0.13339			
2014-2015	\$ 278,626	\$ 0.18262	\$ 0.23833	\$ 155.22	\$ 0.05571
2015-2016	\$ 284,199	\$ 0.14689	\$ 0.21338	\$ 188.97	\$ 0.06649
2016-2017	\$ 289,883	\$ 0.12518	\$ 0.20961	\$ 244.75	\$ 0.08443
2017-2018	\$ 295,680	\$ 0.12266	\$ 0.20869	\$ 254.38	\$ 0.08603
2018-2019	\$ 301,594	\$ 0.12230	\$ 0.20963	\$ 263.36	\$ 0.08732
2019-2020	\$ 307,626	\$ 0.12047	\$ 0.20854	\$ 270.95	\$ 0.08808
2020-2021	\$ 313,778	\$ 0.11945	\$ 0.20883	\$ 280.43	\$ 0.08937
2021-2022	\$ 320,054	\$ 0.11844	\$ 0.20880	\$ 289.21	\$ 0.09036
2022-2023	\$ 326,455	\$ 0.11741	\$ 0.20924	\$ 299.79	\$ 0.09183
2023-2024	\$ 332,984	\$ 0.09085	\$ 0.18154	\$ 301.98	\$ 0.09069
2024-2025	\$ 339,644	\$ 0.09031	\$ 0.18269	\$ 313.75	\$ 0.09238
2025-2026	\$ 346,437	\$ 0.08975	\$ 0.18360	\$ 325.13	\$ 0.09385
2026-2027	\$ 353,365	\$ 0.08920	\$ 0.18483	\$ 337.92	\$ 0.09563
2027-2028	\$ 360,433	\$ 0.08865	\$ 0.18590	\$ 350.50	\$ 0.09724
2028-2029	\$ 367,641	\$ 0.08812	\$ 0.18742	\$ 365.06	\$ 0.09930
2029-2030	\$ 374,994	\$ 0.08760	\$ 0.18874	\$ 379.26	\$ 0.10114
2030-2031	\$ 382,494	\$ 0.08708	\$ 0.19050	\$ 395.55	\$ 0.10341
2031-2032	\$ 390,144	\$ 0.08215	\$ 0.18412	\$ 397.82	\$ 0.10197
2032-2033	\$ 397,947	\$ 0.08159	\$ 0.18590	\$ 415.07	\$ 0.10430
2033-2034	\$ 405,906	\$ 0.08105	\$ 0.18746	\$ 431.91	\$ 0.10641
				<b>\$ 6,261.03</b>	

#### Assumptions

Assumes a MUD Dissolution 10/1/2014

The Debt Service of the MUD's Revenue Bond is included as a tax supported expense.

The Average Home Value is adjusted for the Town's Tax Rate due to tax Freeze for over 65 and Disabled residents.



## MUD Dissolution 2% Appreciation

February 18, 2014

### Comparison of MUD as an Ongoing Entity (No PID Annexation) to its Acquisition by Westlake and Trophy Club

Apples to Apples Year	Average Home Value TCPID	Unannexed PID Fees	Impact of a Trophy Club Acquisition of TCMUD		Town Tax Per Home Per Home (PID)	0 Additional Town Tax over Mud Tax
			Additional Taxes MUD Tax Rate			
2013-2014	\$ 382,966	\$ 0.087380				
2014-2015	\$ 390,625	\$ 0.108606	\$ 0.23833	\$ 506.72	\$ 0.12972	
2015-2016	\$ 398,438	\$ 0.089299	\$ 0.21338	\$ 494.38	\$ 0.12408	
2016-2017	\$ 406,407	\$ 0.077723	\$ 0.20961	\$ 536.02	\$ 0.13189	
2017-2018	\$ 414,535	\$ 0.076843	\$ 0.20869	\$ 546.57	\$ 0.13185	
2018-2019	\$ 422,825	\$ 0.076479	\$ 0.20963	\$ 562.99	\$ 0.13315	
2019-2020	\$ 431,282	\$ 0.076123	\$ 0.20854	\$ 571.11	\$ 0.13242	
2020-2021	\$ 439,908	\$ 0.075774	\$ 0.20883	\$ 585.31	\$ 0.13305	
2021-2022	\$ 448,706	\$ 0.075431	\$ 0.20880	\$ 598.43	\$ 0.13337	
2022-2023	\$ 457,680	\$ 0.075096	\$ 0.20924	\$ 613.95	\$ 0.13414	
2023-2024	\$ 466,833	\$ 0.074766	\$ 0.18154	\$ 498.48	\$ 0.10678	
2024-2025	\$ 476,170	\$ 0.074444	\$ 0.18269	\$ 515.42	\$ 0.10824	
2025-2026	\$ 485,693	\$ 0.074127	\$ 0.18360	\$ 531.69	\$ 0.10947	
2026-2027	\$ 495,407	\$ 0.073817	\$ 0.18483	\$ 549.95	\$ 0.11101	
2027-2028	\$ 505,316	\$ 0.073513	\$ 0.18590	\$ 567.91	\$ 0.11239	
2028-2029	\$ 515,422	\$ 0.073215	\$ 0.18742	\$ 588.64	\$ 0.11420	
2029-2030	\$ 525,730	\$ 0.072923	\$ 0.18874	\$ 608.87	\$ 0.11581	
2030-2031	\$ 536,245	\$ 0.072636	\$ 0.19050	\$ 632.02	\$ 0.11786	
2031-2032	\$ 546,970	\$ 0.064950	\$ 0.18412	\$ 651.81	\$ 0.11917	
2032-2033	\$ 557,909	\$ 0.064675	\$ 0.18590	\$ 676.32	\$ 0.12122	
2033-2034	\$ 569,067	\$ 0.064405	\$ 0.18746	\$ 700.24	\$ 0.12305	
				<b>\$ 11,536.80</b>		



APPENDIX A  
COMMITTEE MODELS