



## **History of Trophy Club Municipal Utility District No 1 (TCMUD1)**

In the early 1970's. Trophy Club was designed to be a bedroom community built around a Byron Nelson 18 hole golf course. The developer, Gibraltar, initially planned to have five (5) MUD Districts. MUD1 was formally established on April 24, 1975 and for quite a few years, initial development was all within the original MUD1 boundary, which extended from Timberline, off Indian Creek, to the creek near Tom Thumb. Over time, homes started being built in MUD2, an area near the elementary schools on the Tom Thumb side of town, and MUD3, property towards Harmony Park, starting at Timberline. MUD2 was formally established on March 12, 1980 and MUD3 on July 17, 1980. The area known today as the PID was originally going to be MUDs 4 and 5. Gibraltar established early-on a separate entity, known as the MUD Master District, responsible for certain long term interest that affected all five MUDs; and from 1975 to 2000, the Board of Directors of MUD1 also served as the Board of Directors for the Master District.

### **Solana Facility Located in Westlake and also in MUD 1**

In 1982, IBM and McGuire Partners purchased 448 acres in Westlake and started development on what is known today as the Solana Complex. At that time, since the Town of Westlake had no water, sewer and fire services to offer, with the Westlake Mayor and Council Members written approval, IBM petitioned the MUD Master District and the Solana Complex acreage was annexed into MUD1, as there were very few homes built in the other four MUDs. MUD1 has provided water, wastewater and fire services to this area ever since. During that time, State Law did not allow a MUD District to operate EMS (ambulance) operations, so IBM contracted elsewhere for EMS service. Eventually Westlake created its own fire department and requested that MUD1 back them up for fire services; but it is important to note that for water, sewer, fire support and tax purposes, the Solana property is just another physical area that exist within the boundaries of MUD1.

When the Town of Trophy Club incorporated in 1985, there were no houses being built in what was, at that time, MUDs 4 & 5, so the Town took action to do away with these two MUDs. As the Town initially had very few employees and infrastructure, the MUD Master District developed an agreement with the Mayor and Council whereby many employees were considered as "joint" employees and as such were funded 50 – 50 between the Town and the MUD Master District. Over time, there were employees that reported just to the Town Manager and others just to the MUD District Manager; but whenever possible, the two entities tried to consolidate work and split the cost. A number of specified expenses were also equally shared 50 – 50, such as IT expenses, copier and supplies expenses, maintenance of facilities, etc.

In 1990, the debt, expenses and total property evaluations of MUD's 2 and 3 were so close to each other that a vote was placed on the ballot that year to allow the two MUDs to merge. State Law required that a majority of both the two MUDs, independent of each other, had to vote in favor of the merger for it to go into effect. This occurred and MUD's 2 & 3 were incorporated into what became known as Trophy Club MUD2 (TCMUD2).

In the mid-1990's MUD1 (to include the Master District), MUD2 and the Town of Trophy Club agreed that all property existing within the boundaries of Trophy Club that were not already annexed into either MUD's 1 or 2 (basically all land that existed in what was originally MUDs 4 & 5), would be annexed into MUD2 as development started to occur within these areas. The reason for this decision was two-fold: 1) With the exception of the golf course, these properties basically were contiguous to the new MUD2; and 2) There was a desire to eventually raise the property evaluation within MUD2 to more closely approximate the evaluation of MUD1, allowing the voters within these two MUDs to also consider a merger. This action, if ever approved,

would eventually reduce the MUD Master District, MUD1 and MUD2 into just one entity – TCMUD1. No written contract was ever put in place as all elected officials at the time were in one accord over this direction.

In 2000, MUD2 became large enough in taxable evaluations that it was granted equal representation on the MUD Master District. When that occurred, the Master District then had 10 Board members, the 5 Directors from MUD1 and the 5 Directors from MUD2. The Master District, plus each MUD District, would meet monthly, but separately from each other.

### [PID Comes to Town](#)

In the 2006-2007 time-frame, a developer approached the Town about building out the old MUDs 4 & 5 area, and setting up a PID (Public Improvement District) to accomplish this. The Town was very interested in this concept; whereas MUDs 1 & 2 were very opposed – since there was a verbal agreement for this property to be annexed into MUD2 allowing the two MUDs to eventually merge. The MUDs also saw this as a potential future problem by introducing another separate entity into what was already defined as a fairly straight forward situation. This first developer eventually pulled out and another developer, Mehrdad Moayedi, took their place and started the development of the PID area. For approximately ten (10) months in the 2006 – 2007 time-frame, the MUD Master District held negotiations with Mr. Moayedi on how he would gain access to water and sewer services from the Master District for this new PID area, as he did not want that area to be annexed into MUD2. Eventually, an acceptable financial arrangement was reached. Of note, the Town of Trophy Club was not involved in these financial negotiations with Mr. Moayedi, but became responsible for executing the agreement and ensuring the transfers of funds happened appropriately.

The amount eventually agreed to by the developer for obtaining access to the MUD Master District's water and wastewater services was \$4M dollars. But, soon after this amount was established, the MUD Master District determined that it might eventually need additional elevated storage capacity (pressurization) to cover future expansion. The developer was committed to building an elevated storage tank of 300,000 gallons capacity to support the needs of the new PID area. Since this tank was going to be tied into the MUD Master District's water system, the developer agreed to construct a 500,000 gallon tank instead, solving the MUD Master District's need for additional pressurization, and the MUD Master District agreed to lower the developer's \$4M price to \$3.8M. This larger elevated tank was completed and went "on-line" in May of 2012.

The developer proposed a set of financing to the MUD Master District whereby, out of the \$3.8M agreement, he would pay the Master District \$540,000 up-front, and then the balance in \$2300 installments every time a new home permit was filed with the town for the PID area. At that time, 1,417 homes were planned to be constructed within the PID. All calculations were based off this 1,417 number.

The developer wanted to make this "up-front" \$540K cash payment so that he could reduce the per-home amount, that would be required to pay off the overall agreement, from over \$3000 a home to \$2300. He further "guaranteed" the MUDs contractually that he would construct a minimum of 150 houses a year for five (5) years, and if that did not occur, he would pay the MUD's for any yearly short-fall. This guaranteed the MUDs \$345,000 per year in revenue (150 homes times \$2300 per home) for five years. The two MUDs agreed among themselves as to how these overall funds were to be distributed, with the majority going to MUD2 since the PID property fell into the 1990's agreement to annex this land into MUD2.

When the developer and the MUD Master District finalized all negotiations, two contracts were initiated and were commonly referred to as the PID Financial Contract and the PID Wholesale Water Contract. The PID Financial Contract basically laid out the dollar terms, as already mentioned above, between the developer and the MUDs. The PID Wholesale Water Contract laid out the terms whereby the MUDs would maintain what would become the Town's new water and sewer infrastructure. Since the PID infrastructure was to be deeded over to the Town by the developer, officially the contracts were drawn up between the Town and the MUDs.

With these contracts in place with the majority of funds going to MUD2, in 2007 the MUDs initiated a committee to perform an extensive financial study to determine if it now made sense to merge the two MUDs into one entity. All growth projections for this study came from the Town Manager. The group, comprised of representation from MUD1, MUD2 and two at-large citizens, met a minimum of once a week for quite a few months. Fairly early in the process, the town requested to participate in the work effort as it was interested to see if it made more financial sense for the town to absorb MUD2. The committee's direction was expanded to consider both options, and two council members were added to the group.

As the work effort was completed, the data clearly showed that there was an overall savings, over just a three year period (2008 through 2010), of \$1.8M in financial benefit to the residents for the two MUDs to merge, versus the town taking over MUD2. Meetings were set up whereby all MUD board members and the mayor and town council members, who were not a part of the committee, were offered individual briefings on the final financial data.

### [Voters Overwhelmingly Vote to Merge the Two MUD's](#)

But, before all the briefings could be scheduled and completed, the Town attempted to pass a resolution in a Town Council meeting to do away with MUD2, but could not get enough votes that night to do so. Two weeks later, on a Thursday afternoon before the next council meeting, the MUD's learned that the Town was going to attempt to do so again on the following Monday night. Early Monday morning, before the Town Council could meet and take action, the MUD's filed for and were granted an injunction by a Denton County Judge to prevent this vote from taking place. After several months of expensive legal activity by both the MUD Master District and the town of Trophy Club, the Denton County Judge recommended that the voters be allowed to decide for themselves which path to take.

Two resolutions were placed on the May 2008 ballot. The Town's resolution was to do away with MUD2 and, in doing so, the Town would absorb MUD2's responsibilities, assets and revenue. The MUD's resolution was to merge MUD1 and MUD2. As stated earlier, State Law required that the MUD's resolution be approved by over 50% of the voters living in MUD1 and then again by over 50% of the voters living in MUD2. As the financial numbers became widely known, the residents in the two districts overwhelmingly approved the MUD's resolution to merge the two, and overwhelmingly voted down the Town's resolution to dissolve MUD2.

This vote resulted in the two MUDs being consolidated into what is known today as Trophy Club MUD1 (TCMUD1), and in the disbandment of the MUD Master District.

### [New Fire Station](#)

Planning for a new fire station had been underway for some time prior to the May 2008 election. Numerous sites had been studied, and the final decision was to tear down the old temporary fire building and construct a new one on that same site. The total project was estimated to cost \$4M. Therefore, to accomplish this, also included in the May 2008 election was approval from the MUD1 residents to allow MUD1 to sell \$2M in tax-based bonds to finance their 50% share of a new fire building. MUD2, or the town if MUD2 was dissolved, was in a position to pay cash for its 50% portion of the expense. Final planning and construction began as quickly as possible and in 2010 the new station was completed and dedicated; at a cost that was almost \$800K less than originally budgeted. Since home owners in the PID were also responsible for their share of the debt to build the new fire station, and TCMUD1 could not tax them for such, a formula was developed by the Town manager, and approved by everyone, to ensure this occurred.

### [Shared Expenses](#)

As the Town staff continued to grow, the MUD's staff remained relatively flat. The increase in Town staff growth, and related expenses, caused an imbalance whereby TCMUD1 was no longer receiving a 50 – 50 value but was still funding certain salaries and expenses at a 50 – 50 expense. In the summer of 2009, TCMUD1

created a committee to study and determine the best financial solution to address this imbalance. As a result, for the financial budget year of 2009-2010, the MUD entered into a formal services agreement between the Town and MUD1 known as the SEMO contract – Shared Employees and MUD (Financial) Operations. This effort was initiated by the MUDs in order to ensure that funds paid for certain people and certain services were in alignment with the work efforts and amounts of time, performed by these individuals to provide certain services to MUD1. It also took into consideration a more accurate split of certain other expenses based on the number of personnel employed by the Town versus the MUD. As stated above, the first actual SEMO contract between the MUD Master District and the Town went into effect for the 2009-2010 budget year; and has been reviewed and adjusted annually ever since. In essence, the SEMO Contract is an annual “services contract” where in most instances the Town is the provider of services and MUD1 is the receiver of those services and pays an annual fee for such. One exception is the contract for maintenance of the MUD buildings. This one is managed by TCMUD1 and the Town pays the MUD on a 50 – 50 basis for this annual expense.

The MUD views this purely as a “contract for services” and annually compares all costs against other solutions.

### [TCMUD1 Services for the Town’s PID Area](#)

In early 2013, the Town and TCMUD1 met to discuss the need to revamp the existing two PID Contracts. The driving force behind this was the necessity for a major upgrade to TCMUD1’s wastewater treatment plant – required by the TCEQ to be implemented by early 2015. Plus, the town had never obtained its own Public Water ID required by the TCEQ for the PID water and sewer system it owned, and the MUD felt this had to be corrected as well. Several other issues also had surfaced over time that also indicated that the older PID contracts needed to be rewritten.

A committee was set up representing the MUD Board and Town Council to rework the two contracts. A draft version on the new contract(s) was presented to the Town Manager in March of 2013 but was never formally responded to. Instead, the Town, working closely with Westlake, two months later presented a plan to dissolve TCMUD1 that did not appear to have any sound financial plan supporting it. This disagreement led to two different Town Hall meetings, one sponsored by the Town, and one by TCMUD1, and from these the formation of the Town’s Blue Ribbon Panel Committee (BRPC) and TCMUD1’s Citizens Advisory Committee (CAC).

At the same time, in August of 2013, TCMUD1 received a financial offer from the Town of Westlake to buy-out TCMUD1’s interest in the Solana area. That offer was studied in detail by Stowe Group, an outside financial consulting firm, as well as TCMUD1’s Citizens Advisory Committee, and both reported that the offer was basically disingenuous and the MUD Board should reject it – which it did in the fall of 2013. Since that date, Westlake has not made another offer; but has continued to state that its original offer was valid.

The Citizens Advisory Committee was specifically missioned to look into the financial impact on the residents/customers of the District if TCMUD1 were to be dissolved. The BRPC had a broader mission, but also was to look at the financial impact as well. In early 2014, both committees delivered their final reports to their respective governing bodies. Working together, the two entities determined that a severe negative financial impact would be forced upon all the citizens of Trophy Club if TCMUD1 were to be dissolved – and the CAC recommended formally that this not happen. Both committees recommended that the PID be annexed into TCMUD1.

All during this time, the Town and TCMUD1 were continuously trying to come to agreement on a set of final PID contracts. Upon completion and formal presentation of the BRPC and CAC final results, the attention reverted away from dissolving the MUD back to the contracts themselves; and in early 2014 a new set of contracts were completed and signed. They guaranteed that PID home owners would pay the same amount

for water and sewer as MUD residents pay, and participate in future MUD expenses that benefited everyone at the same rate as MUD residents.

### Wastewater Treatment Plant (WWTP) Upgrade

Whether TCMUD1 remained a separate entity or was dissolved, the wastewater treatment plant upgrade had to proceed, per TCEQ mandate.

The MUDs wastewater treatment plant was initially constructed by the MUD Master District. Over time, several improvements were made. In the early 2000's, it was dramatically upgraded to what was thought at the time to be a plant large enough to handle all of Trophy Club as well as Solana's sewage requirements, at full build-out of both. It has always been rated by the State of Texas, currently by the TCEQ (Texas Commission on Environmental Quality), at a certain level for daily "volumetric loading" (the total number of gallons of wastewater arriving into the plant on any given day) and for daily "organic loading" (the amount of certain particles per liter remaining within the effluent water once the wastewater is fully treated and sold to the Trophy Club Country Club, or released from the plant into Lake Grapevine. Its permit is reviewed every several years. After the last major upgrade in the early 2000's, when the plant's permit came up for its next renewal, due to plans for Lake Grapevine the TCEQ amended its requirements, basically reducing the plant's capability to handle "organic" loading by as much as 50% on certain elements. The water and wastewater volumes from Solana have remained relatively flat; but, over time, new home construction within the PID created extensive additional "organic" loading. So much so, that eventually the TCEQ required that TCMUD1 take appropriate action to upgrade the WWTP facility.

As part of the process, the MUD engaged the Wallace Group to study its WWTP and recommend changes as required by the TCEQ. It also hired the Stowe Group to assist with a new water and wastewater rate study. Increased cost from Ft Worth for water, and the potential cost to bond and pay for the new WWTP, would require that the MUD initiate a new set of rates. Both companies were highly competent and highly respected.

After nearly a year of study on both projects, and site visits to multiple WWTP's around the country, the MUD selected what it felt was the absolute best long-term solution to correct the issues at its WWTP. On note, one of the options was to use TRA (Texas River Authority) for sewer services as they provide such to other close-by municipalities, but that option turned out not to be cost effective versus the option eventually selected.

As work progressed and the "estimated" cost for the new WWTP was developed, TCMUD1 sought approval from the TCEQ to sell bonds to finance the construction costs. In 2013, Mr. Mehrdad Moayedi, the same developer of the Trophy Club PID area, purchased some of the 448 acres of property in Westlake that lies within the boundaries of TCMUD1 for a major new commercial and residential area to be built. He agreed to purchase water and sewer from Westlake for his new development, at nearly 125% more cost, versus buying such from TCMUD1. In doing so, Westlake granted him a PID for his development. As was the case in Trophy Club, a PID guarantees a developer that he will recover his infrastructure expense as soon as he builds such and deeds it over to a town – the absolute fastest way a developer can recover the majority of his development expenses.

In 2014, Mr. Moayedi legally protested the approval of bonds by the TCEQ for TCMUD1 to start construction on its new WWTP. He wanted to find a way to get his development removed from TCMUD1 since he knew that once the bonds were sold, his eventual property owners would also be taxed to pay for them. He filed two lawsuits against the TCEQ for approving TCMUD1's bond sales. Realizing that his suits might drag on for several years, TCMUD1 filed its own suit such that everything went onto a fast track to be reviewed by the courts in the Fall of 2014. The final judgment went totally in favor of TCMUD1 and the TCEQ, and the initial

tax-based bonds to finance the WWTP were sold in December. Construction is expected to begin in the Spring of 2015.

TCMUD1 remains committed to providing the best water, wastewater and fire services possible, at competitive prices, versus surrounding municipalities. Additional information may be obtained by calling the MUD office at 682-831-4600 or viewing our website at [www.tcmud.org](http://www.tcmud.org).

### Current TCMUD1 Board Members



Jim Moss  
President



Jim Hase  
Vice President



Kevin Carr  
Secretary / Treasurer



Jim Thomas  
Director



Neil Twomey  
Director

### TCMUD1's Main Building



### TCMUD1 Infrastructure

