



District News

April 2016

District Board of Directors

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Vice President

Kevin Carr
Secretary/Treasurer

Jim Hase
Director

Jim Thomas
Director

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Make plans to vote!

May 7th Election

Denton County — Early Voting
and Election Day in Svore
Municipal Boardroom.

Tarrant County — Early Voting in
Westlake and other locations.
Election Day at Trophy Club Fire
Station.

See the Elections page at
[www.tcmud.org/public-
informatio/elections/](http://www.tcmud.org/public-information/elections/) for more
information.

Funding Our Water System

In the last three issues we looked at the source, treatment, and distribution of your drinking water and the improvements planned to accommodate the growth in our community.

This month we will explore how the District's ratepayers and taxpayers fund the water and sewer operations and how we will pay for the planned water system improvements. If you would like a copy of the documents referenced in this newsletter, please call us at (682) 831-4670 or email info@tcmud.org.

Who Pays for District Operations?

Customers with active accounts in Trophy Club Municipal Utility District No. 1 (the "District"), in the Town of Trophy Club's Public Improvement District, (the "PID") and several out-of-district customers pay monthly base service charges and a volumetric rate per thousand gallons of water used. These revenues pay for almost all of the Operations & Maintenance portion of the District's budget, including the price of the treated water purchased from the City of Fort Worth.

Story continued on next page

Time to Tune Up Your Sprinklers

As the weather warms up and residents turn on their sprinkler systems, it's important to give some attention to the systems that are allowed to control tens, if not hundreds, of thousands of gallons of water each year.

Start the season right by giving your whole system a thorough inspection, or hire an irrigation professional for a good check-up.

During irrigation season, make sprinkler system maintenance part of your routine. Check frequently to make sure there are no leaks or broken sprinkler heads and that the spray is directed over the landscaping, not the pavement. Check the system controller for any programming errors, especially after a power outage. The City of Scottsdale, AZ has a really helpful short video on YouTube to

tackle unexpected water use, "Looking for Water Leaks Outside Your Home."

Keep track of your usage and avoid surprises on your bill by reading your meter regularly. Taking a picture of the meter head with your phone can be a convenient way to make a log. For more tips, see the District's Frequently Asked Questions page at www.tcmud.org/my-account/faqs/#highbill.

To learn more about your sprinkler system, join us in the Svore Municipal Boardroom for a FREE Texas A&M AgriLife class "Sprinkler System Quick Fixes and System Operation." The class will be held on May 14th from 9:00 am to 12:00 pm. See the District's Events page at [www.tcmud.org/administratio/events/
#sprinklerclass](http://www.tcmud.org/administratio/events/#sprinklerclass) for a link to register, or call us at (682) 831-4670.

Get the latest news & information! Visit www.tcmud.org to subscribe to our email news service.

Funding Our Water System, continued

The cost for purchased water currently accounts for more than half of the water revenues received. While we can't control the rate charged by the City of Fort Worth, keeping other expenses as low as possible has resulted in District customers paying some of the lowest rates in the area. To compare the water rates for Trophy Club and surrounding water systems please visit the Rates & Charges page at www.tcmud.org/my-account/rates-charges/.

In addition to the monthly utility bill, the District levies a tax on properties within its boundaries. Property owners pay a fire tax for the Fire Department operations, tax for debt service, and a small amount of tax for operations and maintenance of the water and wastewater systems.

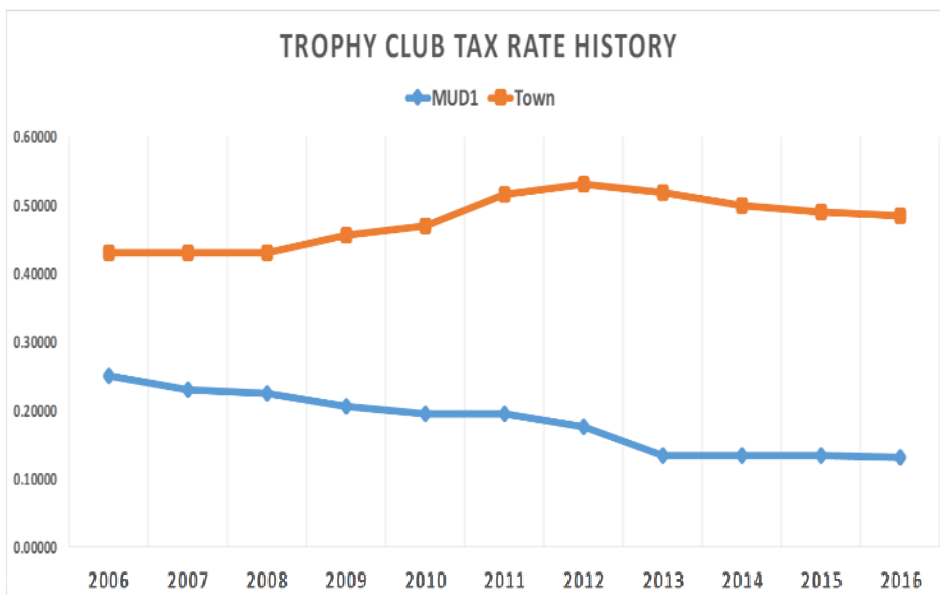
Property owners in the PID pay their share of these costs through assessments and surcharges. The assessment for the Fire Department is collected by Denton County with the property taxes, as

PID #1 Emergency Services. The rate for fire services is the same as for customers in the District (0.07222 per hundred). The Town of Trophy Club (the "Town") receives the money collected by Denton County and pays the District the total amount calculated from the tax rolls.

Customers in the PID also pay a share of the operations and maintenance amount, and a share of the new debt service for tax bonds issued to pay for new water and sewer improvements. The PID share is calculated based on the percentage of the property value of the PID to the total combined property value of the District and the PID. This percentage is applied to the amount of new debt service for the upcoming fiscal year and billed to the Town. The Town has elected to divide this amount by the number of active connections and bill each customer through a surcharge on the monthly utility bill. Customers in the PID do not pay for old debt service (currently .03281 per hundred for District property owners).

Over the past ten years the District's tax rate has decreased by about half as old debt was paid off or refinanced. In 2006, MUD 1 property owners paid 0.2500 per hundred dollars of appraised value and MUD 2 paid 0.29900. In 2006 the average home value was around \$190,000, so a home of that value in MUD 1 would have paid about \$475 and MUD 2 would have paid \$568 in 2006. In 2009 residents voted to combine MUD 1 and MUD 2, resulting in the current Trophy Club Municipal Utility District No. 1. For 2016 the District tax rate is 0.13114, of which 0.07222 is Fire. The average home value today is around \$350,000, so an average homeowner now pays about \$459, **less than in 2006**. A resident who has stayed in the same home has saved even more, as individual home values have not increased greatly.

While reducing taxes over the last ten years, the District has built a new fire station, acquired a new ladder truck for its Fire Department, and made upgrades to the existing water infrastructure (see page 2 of the March 2016 newsletter). Given the plans to build out the property surrounding the wastewater treatment facility, the District purchased land to ensure that present and future wastewater infrastructure can be accommodated. The bonds for the improvements to the wastewater treatment plant were funded in 2015 and **are included in the 2016 tax rate**. The new plant will use a state-of-the-art treatment process to meet current State standards as well as those anticipated in the next permit.



See the Rates & Charges page for more tax history information.

Consumer Confidence Report is Coming Soon!

Each year the District sends its customers an Annual Drinking Water Quality Report, also known as the Consumer Confidence Report. Watch your mailbox in June for the 2015 report. Current sample results are also available on our page on TCEQ's Drinking Water Watch. For links to these documents and information on how to read the results, as well as the difference between routine and special samples, see our Get to Know Your Water page at www.tcmud.org/get-to-know-your-water.

Get the facts! If you have any questions or concerns about your water, please contact us directly at info@tcmud.org or by phone at (682) 831-4600.

Funding Our Water System, continued

What about Solana?

The Solana complex in Westlake located south of 114 was annexed into the District in 1983 at the request of the property owner and with the consent of Westlake. The Town of Trophy Club had not yet been formed. It provides a significant portion of the District's valuation, contributing approximately 17% of our tax base. With the new construction and renovations, the value of this property is expected to increase considerably. A Municipal Utility District is able to collect taxes on property in another town or city (like the Solana complex) but a Town is not. Without Solana, the residents' tax burden would increase significantly and the fixed costs of operating, maintaining and improving the water and wastewater systems would be shared among fewer customers, resulting in higher rates as well.

For our customers in Solana, being a District customer instead of purchasing water and sewer services through the Town of Westlake saves them a substantial amount of money. The District's rates are so much lower that the largest customer saves over \$200,000 per year *even after paying property taxes*.

The most recent look at the financial implications of dissolution of the District was performed by the Citizens Advisory Committee ("CAC") and completed in February 2014. The Town's Blue Ribbon Panel agreed with the results that maintaining the Municipal Utility District is the most cost effective action for its customers. To learn more read the Final Report or watch the video of the presentation at the February 18, 2014 Board Meeting. For links to this information please visit the About TCMUD1 page at www.tcmud.org/about-tcmud-1/. Agendas, minutes and videos from the CAC meetings are available by request.

How we've grown!

The District now serves almost 4600 active connections, up from about 2800 at the beginning of 2006. The District also has responsibility for the additional sampling, reporting, operations, maintenance and billing for a second water system (the Town's PID). With all the growth in Trophy Club, the District still has only 19 employees, about the same number as it did in 2006.

Through careful management, Trophy Club Municipal Utility District No. 1 has reduced taxes

and kept costs as low as possible for its customers. As discussed in the March newsletter, major improvements are now needed to accommodate the growth in our community. For details on the Water System Study and the engineers' recommended improvements, visit the District's Capital Improvements page at <http://www.tcmud.org/services/capital-improvements/>.

How will we fund improvements?

Every expense the District incurs is paid by its customers. Whether it's time for new infrastructure, the Texas Commission on Environmental Quality ("TCEQ") increases a fee, the Town requires a project, or the supplies, treated water, or legal expenses increase, the water and sewer rates and taxes must be set to cover all debt service and operation expenses.

The needed water system projects will likely be funded through a combination of water revenues and taxes/surcharges. For a look at the proposed projects, costs, timing and possible funding options please see the Capital Improvements page on the District website.

The advantage of tax bonds is that the rate is generally lower

Funding Our Water System, continued

compared to revenue bonds or short term financing. Tax bonds are repaid through property taxes, which may be deductible on homeowner's income taxes. Improvements such as the 30 inch water line are eligible for SWIFT funding, which is a state program that allows a lower rate and longer repayment term. The downside of tax bonds is the extra expense for an election, where the bonds must obtain voter approval.

If voters reject tax bonds, the District may pursue revenue bonds to fund needed improvements. The repayment of this debt would be reflected in the monthly base rate for water customers. In addition to the generally higher rates for revenue bonds, utility bill payments are not normally tax deductible.

Tarrant Regional Water District (TRWD) and the City of Fort Worth must fund the costs of their improvements necessary to bring more water to our area through higher rates to their wholesale customers. These higher rates are reflected in the increased water rates we have seen in the last few years. The District must adjust volumetric rates to pay for increased operating expenses like purchased water and supplies.

Smaller capital projects like the ammonia feed system or high capacity pumps may be paid with available reserve funds or budgeted annually as a capital expense funded through water rates.

Would well water be less costly?

Wells are expensive to dig and maintain. The volume and quality of the water in our area is unreliable due to receding aquifer

levels, and increased regulations and fees make the future cost and availability unpredictable. Most area water systems have moved exclusively to surface water provided by the major water suppliers like TRWD.

The District owns and operates four wells (one Trinity and three Paluxy). Over time the production from these wells has decreased by 30% and continues to decline as the aquifer levels recede. From 2011 to 2015 the maintenance and operation costs to produce 1,000 gallons of groundwater increased by 90%.

To save on the overall cost of water, the District currently offers a controlled blend from the City of Fort Worth and the four wells, but groundwater is not part of the District's long-term plan for water supply. The four current wells can now produce less than 1 million gallons per day. To use groundwater exclusively we would need to dig many more wells to secure the nearly 10 million gallons per day capacity we will need at buildout. Without the controlled blend of purchased treated water, the District would also need to invest in additional costly water treatment infrastructure.

When will the Board review rates again?

Normally the District reviews rates annually to determine if rates are set appropriately to cover expenses, debt and meet existing bond covenants. Currently, bond covenants require the District to maintain rates equal to 110% of debt service and expenses.

Due to the pending rate challenge with the Public Utility Commission of Texas ("PUC"), it would not be

prudent for the District to amend its Rate Order until the case is heard and decided. If expenses increase in the next budgeting cycle, the District will look to reduce services and postpone needed improvements to adhere to the bond covenants.

At the Regular Board Meeting on March 23, 2016, attorney John Carlton presented information regarding the rate challenge process with the PUC and the status of the Ratepayers Appeal of the Decision by Trophy Club MUD No. 1 to Change Rates. Visit the District's News page at www.tcmud.org/public-information/news/ to view the presentation, timeline and documents related to this case. The video replay is available from the Agendas & Meetings page.

When will we hear more about tax bonds?

District staff is researching possible funding methods and rates. The Board of Directors will consider the options and impact on taxpayers and ratepayers at their meetings. If the Board decides to pursue tax bonds, a bond election could be called in August for a November 2016 election. Public meetings will be held in the near future to share information on necessary upgrades.

As always, public attendance is invited and encouraged at Board Meetings. Video replays are available on our YouTube channel. To view the agendas, videos and other information for these meetings, please visit our Agendas & Meetings page at www.tcmud.org/public-information/agendas-meetings-online/.