

OCTOBER 2021

FORT BEND MUD #41

BOND ELECTION



As many residents may already know, the Board of Directors (the "Board") of Fort Bend County Municipal Utility District No. 41 (the "District") has called for a \$20.2 million bond authorization election and a maintenance tax substitution election this coming November 2, 2021.

To ensure that residents of the District have accurate information regarding the proposed bond authorization, the proposed maintenance tax substitution, and the Board's goals for the District, we have put together answers for residents' common questions. This page may be updated to address additional questions and provide additional information.

What is the District



The District is responsible for providing water and sanitary sewer service to approximately 4400 residents in more than 1150 homes in Village of Oak Lake and Oak Lake Estates, as well as to the 8 commercial customers within the approximately 355 acres of the District. The District also provides drainage, solid waste collection service, and Duhacsek Park to residents of the District.

The District currently operates and maintains a water plant (and water well), a wastewater treatment plant, 2 lift stations, about 12 miles of water lines, about 11 miles of sanitary sewer lines, and about 7.7 miles of storm sewer lines.

What is a bond authorization?

The District is requesting authorization from its voters to issue bonds in several increments over time, as needed, to fund the required maintenance and replacement of the District's water, sanitary sewer and drainage ("WS&D") infrastructure over the next 10 years.

Language similar to the below will be on the ballot for residents of the District when they go to the polls or vote by mail for the November 2, 2021 general election:

Proposition A - The issuance of up to \$20,200,000 of water, sanitary sewer, and drainage facilities bonds.

A bond authorization is an authorization to sell bonds to fund district projects. It is similar to a line of credit that a business might use to fund its operations. An authorization is not immediate funding, nor is it a “blank check” to fund the entire amount of the authorization without meeting strict regulatory requirements. While an authorization may be for a larger amount, **bonds may only be sold once necessary projects are ready to begin or as needed for repairs and maintenance or replacement.**

What will the bond authorization be used for?

If approved by District voters, bond funding will be used for several vital projects required to allow the District to achieve its goal of continuing to provide consistent water supply and sanitary sewer treatment service to the residents and businesses in the District. With this goal in mind, our Capital Improvement Plan (often referred to as the "CIP") was adopted by the Board with input from the District's engineer, financial advisor, and operator.

The CIP identifies the projects the Board anticipates will be necessary over the next 10 years to maintain, repair, replace, or upgrade the aging WS&D infrastructure owned and operated by the District. Costs for those projects (and required bond issuance costs) are estimated to be \$20.2 million.

Key Capital Improvement Plan projects include:

- **Replacing some of the District's water lines;**
- **Rehabilitation of the District's sanitary sewer lines; and**
- **Maintenance, rehabilitation, and replacement of critical items at the District's water plant and wastewater treatment plant.**

Why is it necessary to do these projects now?

The District was created in 1982 and much of the District's WS&D infrastructure has been in place for many years. As such infrastructure ages, it requires maintenance, rehabilitation, and, sometimes, replacement as part of its lifecycle. On average, infrastructure lasts about 30-40 years with optimal maintenance and operations.

The District intends to issue bonds only as necessary over the next 10 years pursuant to the CIP in order to proactively maintain its facilities. This will enable the District to ensure reliable and continuous service by maximizing the life of its water and sanitary sewer infrastructure.

Municipal utility districts were originally created to eventually be annexed by a neighboring city, after which the city would pay for the costs of operating, maintaining, and repairing all District facilities. Annexation of the District by the City of Houston is very unlikely, so the District must prepare to fund all necessary costs of maintenance of the WS&D facilities required to serve its residents.

Can't the District just pay for projects without issuing bonds?

The primary alternative to authorizing the bonds is to fund all necessary projects on a "pay as you go" basis, likely requiring substantial increases in maintenance tax rates and/or water and sanitary sewer rates. The District must have all of the project funds in hand before it can contract for and proceed with a required project. Funding projects with maintenance taxes and/or water and sewer rates would likely require a major increase in rates in the short-term in order to collect the required funds. This method places the entire financial burden on current residents and could create significant delays for the completion of large projects.

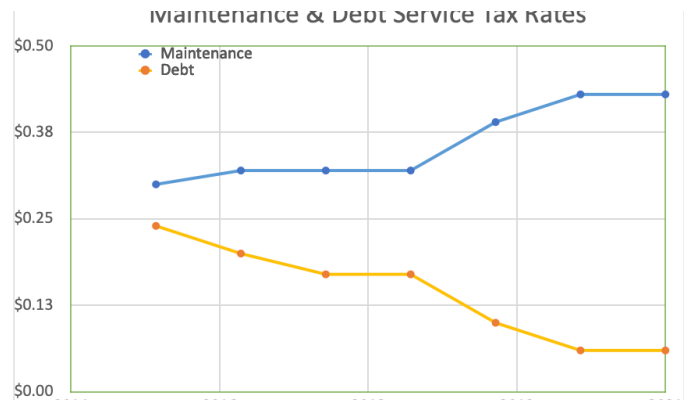
Authorizing the District to issue bonds will allow the Board to spread the costs of the necessary projects over several years and avoid significant increases in maintenance tax rates and/or water and sanitary sewer rates required by a "pay as you go" approach. This method spreads the cost for these projects among current and future residents and businesses in the District and enables the District to complete necessary projects quickly.

How are my taxes determined?

The District levies a total tax rate each year that has two components:

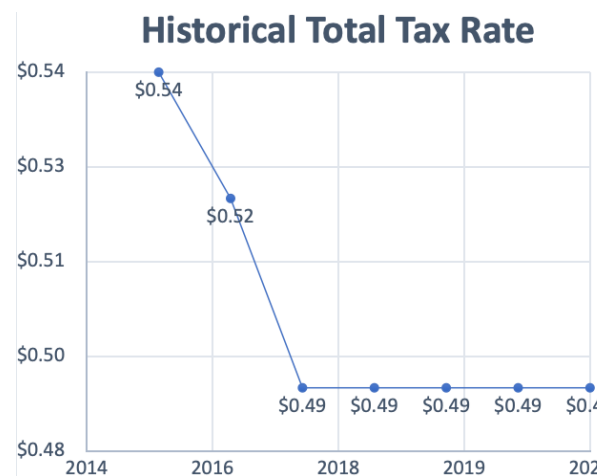
- The debt service tax, the proceeds of which can only be used to make payments on the District's outstanding bonds and;
- The maintenance and operations tax, the proceeds of which are deposited to the District's General Operating Fund and used, together with water and sewer revenue, to pay the operating and maintenance expenses of the District

These two components of the District's tax rate have changed over the years as the District's debt service and operating expenses have changed.



How does the District manage taxpayer dollars?

The Board has reduced the District's total tax rate by more than 9% between 2015 and 2021 (from \$0.54/\$100 assessed value to \$.49/\$100). As a result of prudent financial management, the District's most recent rating from Standard & Poor's was an A+.



Through careful supervision of expenses and planning for maintenance, the District currently has over 23 months of reserve funding. The standard for municipal utility districts is generally 12 months.

Reserve funds earn interest and are available for emergencies, but are insufficient for the various large projects required over the next 10 years to keep the District's infrastructure functioning properly.

How will the authorization affect our taxes?

The Board does not anticipate an increase in the District's total tax rate as a result of the first bond issue from the authorization.

Further, with the authorization and issuance of the bonds, **it is not expected that an increase in the District's maintenance tax rate will be required.** Rather, as the District anticipates allocating more of the total tax rate to debt service, **the District anticipates decreasing the maintenance tax rate in future years.**

Can the District construct park and recreation projects in the community?

Yes, beginning in 2003, the District was authorized by the Texas Constitution and the Texas Water Code to finance, develop, and maintain park and recreation projects for the people in the District.

However, the revenue currently available to the District for such projects is limited by the District's existing maintenance tax authorization which was passed in 1984 and did not contemplate park and recreation projects.

Current park and recreation items, such as the maintenance of Duhacsek Park, are funded out of surplus water and sanitary sewer revenue.

Can the District update its maintenance tax authorization so that it may fund more park and recreation and beautification projects in the District?

Yes. The Board is proposing that the voters of the District substitute (in full replacement of the 1984 authorization) a new maintenance tax authorization that would allow the District to utilize a portion of its maintenance tax revenue to fund park and recreation projects in the District.

Language similar to the below will be included on the ballot:

Proposition B – An operation and maintenance tax not to exceed \$0.50 per \$100 valuation of taxable property.

If the District's maintenance tax rate will likely decrease (as described above), then why is the District requesting maintenance tax authorization?

The purpose of the request for the new maintenance tax authorization is to expand the purposes for which the District may use maintenance tax revenue, not to change the rate or the cap on the rate. The existing cap of \$0.50 per \$100 of taxable value and the 2021 maintenance tax rate of \$0.43 per \$100 of taxable value will both remain unchanged by the election.

If the updated maintenance tax authorization is approved by the voters of the District, it will replace the 1984 maintenance tax authorization and will allow the District to fund park and recreation projects using a portion of its maintenance tax revenues.

What if I have more questions?

Thank you for reviewing this page. Our goal is for District residents to have all the information at their disposal when voting approaches. Additional questions can be fielded through the **Contact Us** form on the **District's website.**