

TO: ALL BASTROP COUNTY MUNICIPAL UTILITY DISTRICT NO. 1 RESIDENTS AND PROPERTY OWNERS

FROM: THE BOARD OF DIRECTORS OF BASTROP COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

October 24, 2022

The Bastrop County Municipal Utility District No. 1 works hard to be good stewards in overseeing the value of your dollars.

Because of the actions taken by past and current Boards and the support of you, the property owners, the District is financially and operationally sound. The District's tax base is growing rapidly. The District has available capacity in its utility systems to service another 175 homes. Most importantly, the District has a declining tax rate, and the vast majority of homeowners are now seeing real reductions in their MUD tax. To further reduce property owner's financial exposure, the District is now eligible for State and Federal grant moneys in addition to the disaster assistance funds for infrastructure repair and upgrades.

The much-needed and long-awaited growth in the District has finally arrived. Fifty new homeowners will help share in essentially the same annual costs that roughly 110 homeowners have been shouldering for well over a decade. The District's ability to handle growth with very minimal additions to our existing facilities has started paying major dividends in the form of reduced MUD tax rates. At the September meeting, the Board approved the 2022-2023 fiscal year operating budget that includes funding for a Capital Improvement Program (CIP). At the October meeting the Board approved execution of an amendment with Aqua Water Supply Corporation (Aqua) as well as ratified the District's Hazard Mitigation Plan.

Reducing Tax Rates and Funding Maintenance Capital Projects

The Board approved a 12% tax rate reduction for 2022 to \$0.68 per \$100 of taxable valuation down from \$0.777 assessed for 2021. The roughly 50 homes that have been started in the last 18 months, once fully valued by the Bastrop County Appraisal District, are projected to grow the District's Tax base by roughly \$17Million. The District's taxable property base will increase by roughly 70% from \$48Million at January 1, 2021 to \$64Million at January 1, 2022 to a projected \$81Million at January 1, 2023.

To ensure that the District's Wastewater Treatment Plant will continue to service our needs for decades to come, it requires a major rehabilitation every 12 to 15 years. The cost of this work is estimated to be \$450,000 and needs to take place sometime within the next 5 years. Additionally, many homeowners in the upper plain of the

District are experiencing unacceptable low water pressure. The most cost-effective solution is a combination of pressure control valves and pump modifications. These two projects comprise that lion's share of the \$700,000 CIP. To fund the CIP, the Board approved moving \$200,000 from the District's General Fund to the CIP Fund as well as another \$60,000 over the course of this fiscal year all of which has been included in the 2022/2023 Approved Budget available on the District's website.

Our Financial Advisor projects, given the Districts solid financial condition plus the value of home construction in progress, that the necessary moneys to fund the CIP, operate the District and service the debt can all be raised while continuing to gradually reduce the tax rate in each of the next 5 years. In 2027, the District is scheduled to retire all its outstanding debt. Annual debt service payments represent approximately 40% of our tax rate and levy.

Aqua Water Supply Corporation Contract - Volume Expanded and Term Extended

The District and Aqua have agreed to the terms of an amendment modifying a 2002 agreement that obligates Aqua to provide to the District enough water to service the needs of up to 185 homes for the next 30 years. Today, we have 177 homes / equivalents completed or under construction in the District. Additionally, to allow for continued growth, the District is in negotiations with Aqua for another agreement that would reserve options for additional water to service the District's future water demand associated with the roughly 75 platted vacant home sites currently in the District.

District Now Eligible for FEMA Grants

FEMA has approved the Bastrop County's Hazard Mitigation Plan, of which the District is a part of, which addresses natural and manmade hazards before they occur that could affect the County. In addition to continuing to receive assistance from FEMA following disasters, the District is now also qualified to receive directly from FEMA, Hazard Mitigation Grants just as our State and County do. A FEMA-approved Plan is required for eligibility for grant funds through FEMA's Hazard Mitigation Assistance (HMA) programs. Funds from Federal and State grant programs may now be awarded directly to Bastrop County MUD No. 1 to implement mitigation projects identified in the Plan. More details concerning FEMA's HMA and our Hazard Mitigation Plan can be found on the District's Website. Special thanks to District Director Jane Sevier and past District President Nick Textor for their work and leadership in accomplishing this major milestone.

Coordination with County Officials around Drainage and Development

While the District has the legal and statutory authority required in order to construct, operate and repair drainage facilities within the District's boundaries, the Board has not yet assumed this responsibility due to the additional costs that would increase the District's tax rate. Now that (i) the District has grown substantially, (ii) the District's bonds are soon to be retired and (iii) tax rates are predicted to continue to come down significantly, it's time for the District to consider assuming some role concerning drainage. The District's Directors and consultants have had multiple meetings with our County Commissioner Clara Beckett as well as the County Engineer related to improved and cost-effective vegetation control in drainage ditches throughout the District and joint solutions including the County and FEMA to address major erosion issues which endanger the District's water and sewer lines.

Opposition to Proposed Sand and Gravel Operations Adjacent to the District

The District continues to oppose the proposed sand and gravel mining operation, which could significantly impact (a) the health and safety of the District's residents and (b) the integrity of the District's utility lines and plants along the Colorado River. A letter has been sent by the District's Board to the Executive Director of the Texas Commission on Environmental Quality ("TCEQ") opposing such operations and requesting that the TCEQ notify the District if an application is received. A copy of the entire letter can be found on the District's website. The District's engineering firm is preparing visual aids to use in presentations to government and elected officials using CAD and mapping tools. The District's legal counsel is vetting and engaging in discussions with experts in land development and environmental law. Likewise, the District's tax advisors, financial advisors, and operator have been informed that their expertise may be needed. In addition, the District is coordinating its efforts with the property owners associations in the District, Bastrop County officials, and the other affected water districts and homeowners and property owners associations in Bastrop County.

We welcome our new neighbors and thank all the residents for their trust and support. For those new to the District, this letter is one in a series of informational letters and presentations the Directors started in 2020 aimed at providing property owners information about the workings, finances and obligations of the District. Prior letters and presentation material can be found on the District's website at www.bastropcountymud1.com.

Sincerely,
Directors of Bastrop County Municipal Utility District No. 1