



Dear Residents

Montgomery County WCID No. 1 “water district” would like to inform you of two Bond Proposals which are unfolding and concerns you. The first proposal is for a Bond Election for new money needed for repairs and replacements of our failing utility infrastructure. This will allow the Water District to continue servicing water and sewer utilities without interruptions, in the near future. The second proposal is for a \$2,000,000 refunding bonds. The facts of each proposition are described in the information below. **We encourage you to read this letter in its entirety as it may affect your future utility resources.**

The First Proposal is for a Bond Election -The Board of Directors has called a November 2021 bond election for \$31,550,000 in unlimited tax bonds. Such Bonds will be issued over the next 15 to 20 years depending on when specific repairs & improvements to our infrastructure are required. The Bonds, as each portion is sold, would be paid by annual ad valorem taxes assessed against all taxable property within the District.

Our District's infrastructure, much of which was installed in 1964, is reaching a critical point in its lifespan. Much of our water distribution system is built out of ductile iron, which has an average lifespan of 50 years. Ours just turned 57 this year. Our operators are finding that the systems long term durability is no longer adequate for pressurized systems and must be addressed.

Many of our main line valves which allow us to isolate specific areas when there is a break, are no longer operating properly. When this happens, it requires our crews to shut down a much larger area before repairs can be made. As an example, our last repair outside Water Plant No. 2, forced us to take the water plant offline, to replace 3 main line valves that would not seal, which was more costly than the District anticipated.

The ductile iron piping serving most of this District has severe pitting, tuberculation, and deterioration internally. This causes much of the red water flare ups we experience throughout the distribution system. Many of the repairs we have made to the distribution system are due to chunks of pipe popping out at the pitted areas. Most of the cementitious coating placed inside the ductile iron pipe when manufactured is completely gone which weakens the pipe and allows the water to leach Iron out of the pipe easier, further weakening the pipe structure.

Over the years, we have addressed the aging sewer system infrastructure with interior liners and main line replacements. The materials used in the sewer system are far less durable than the material used in the water system. While much of the sewer system is still in need of repairs, we need to address the potable water supply systems now with some urgency.

There are two bond methods we can use to solve our issue:

EXAMPLES

1.) Tax Bonds- are bonds that require an election

How it works: -in order to predict the effect of issuance of the \$31,550,000 bonds upon the tax rates, certain assumptions have to be made. **Assuming we maintain a 3.5% annual growth** over the next 7 years, the tax rate could increase by 2 cents (actual growth exceeded 12% over the last ten years). This equates to a **\$20 increase in annual property taxes (per \$100,000 of taxable value)**. ie: A home valued at \$100,000 is equal to a \$20 increase in property taxes per year.

2.) Revenue Bonds-do not require an election These bonds have a higher interest rate.

How it works: -the only way to repay revenue bonds is through an increase in water and sewer rates. This would equate to approximately **\$20 per month increase for the next five years** or it could be up to **\$120 per month within the 20 years**.

The second proposal in the bond election is for \$2,000,000 refunding bonds, which would be used to re-finance outstanding bonds, resulting in a lower debt service, similar to re-financing your mortgage. It is required that any refunding bond issued by the District produces at least a 3% present value savings over the bond issue(s) it is refunding.

Our Board has requested that our consultants, and myself put together more information on the bonds which can be found by visiting our website at www.wcid1tx.org/bond. Here you can find a comprehensive list of projects and information to make an informed decision for the bonds.

Taxes you are charged on tax bonds are deductible from your income taxes, revenue bonds do not allow you to deduct the expense added to your bill.

Thank you.

Jackie W. Chance Sr.
General Manager

Frequently Asked Questions about Bonds

1. What is the bond paying for?
 - a. The bond will be used to address current infrastructure repairs and improvements including water and sewer lines across the district. A detailed list of projects can be found on our website at www.wcid1tx.org/bond
2. How Much will it cost?
 - a. Due to increases in commercial properties within the district, we do not anticipate additional cost with the approval of this bond, however if we do not pass the bond, we will have to issue revenue bonds to address the infrastructure issues which will cause a significant increase in districts water and sewer rates.
3. How does the district maintain a low tax rate if they are acquiring more debt?
 - a. The Bond debt, both principal and interest are paid for by tax revenues generated by the debt service tax rate. Currently the tax rate is .747 and is not anticipated to increase with the bond referendum. This is due to favorable interest rates, and continued growth.
4. Does the bond include a pay raise for the Employees and board?
 - a. Absolutely Not. Bond funds cannot be used for salaries or pay increases.
5. What happens if it does not pass?
 - a. If the bonds are not approved, the district will be forced to use revenue bonds to cover the cost. By doing so, water bills will increase to cover any costs necessary to repair the system.
6. How will the bond be sold?
 - a. The district will sell the bond in increments. Based on current projections we anticipate selling the bonds in 3 phases to cover projects over the next 10 years. All funds must be spent on approved projects by the TCEQ and must be used in conjunction with the information provided in the approval process.

More information on the bonds and where to vote can be found by visiting our website at www.wcid1tx.org/bond.

NOVEMBER 2, 2021 ELECTION DAY

TUESDAY 7:00 AM – 7:00 PM

Early Voting:

October 18-23	Monday - Saturday	8:00 am – 5:00 pm
October 25-27	Monday - Wednesday	8:00 am – 5:00 pm
October 28 -29	Thursday - Friday	7:00 am – 7:00 pm