

MUD NEWSLETTER Oct 2006

NEW DIRECTORS

The Board of Directors for our MUD consists of 5 members, each serving a 4-year term. Three of those positions were up for re-election this past spring, and you may recall that our newsletter solicited expressions of interest from potential candidates. One resident (Roy Champagne) did come forward as a candidate. Al Haight and Linda Pierce, incumbent directors, chose to run for re-election. Les Krohn, also an incumbent director chose not to serve again.

Since we ended up with only three candidates for three positions, the election was not held. Therefore, we started this new 4-year cycle with Al Haight, Linda Pierce and Roy Champagne as directors. Bill Newsom and Lou Tichacek continue in their unexpired terms for another two years.

Recently Al Haight has resigned from his duties on the MUD Board for personal reasons. Resignations during a term are not filled by calling an election but by having the Board of Directors designate someone to fill the vacancy until expiration of that term. Joe Constantino has been designated by the Board to serve the remainder of Al Haight's term.

We believe that Bentwater residents owe a debt of gratitude to Al and Les for the years of hard work they have rendered in improving the operation of our utility district. We hope always to be able to find people with their level of talent and dedication.

NEW TAX RATE

Each fall governmental bodies in Texas must publish a tax rate as the basis for taxes to be assessed at the end of the year. The Board of Directors has voted to set the overall tax rate at 50 cents per hundred dollars for our district, a reduction of one cent. This new tax rate must be approved by the governmental body in Austin which regulates municipal utility districts – i.e., the Texas Commission on Environmental Quality. This year the Commission is unusually late in granting approvals, so the rate is not yet official. However, we see no reason why approval will be withheld. Our tax bills are set partly by this rate and also by what the Montgomery County Appraisal District declares for the values of our houses. The MCAD mailed these valuations to homeowners a few months ago.

Many taxpayers have grown accustomed to our cutting tax rates by 2 to 4 cents per year, and they may wonder why the reduction is only one cent this year. Actually, the tax rate is made up of two parts – one to cover maintenance costs and one to cover retirement of our debt. (Our debt is in the form of tax-free bonds which we have sold in order to finance installation of new water systems, sewer systems, etc.) We were able to lower the component for debt retirement but had to retain last year's component for maintenance.

Our maintenance costs are rising because of the aging of facilities installed years ago, and also because of the growing size of the facilities investment we have in place. Our maintenance practices continue to be good and we are keeping things in reliable condition; we have not had to compromise for lack of funds. And we are fortunate to have facilities that were designed and installed with long-term quality in mind.

Recently the Board of Directors made a policy decision about the financing of extraordinary maintenance events. This past year we had two such events. One was the

repair of our largest storage tank for domestic water. The paint on the inside of this tank had been eaten away by the residual disinfecting chlorine in the water, and thereafter much of the steel support structure inside was destroyed. The other large maintenance item was the total reworking of our oldest water well, which had suffered a decline in its ability to lift water from the aquifer. Each of these major events cost over \$200,000.

Texas law allows utility districts to treat such expenses as though they were “investments” – i.e., it allows districts to finance such extraordinary costs by issuing new bonds, which would be paid off over 20 years. While this is common political practice, it fails the kind of logical test that would be applied in successful businesses. The water tank will have to be painted and repaired again in about 10 years and the water well will have to be reworked in about 10 years. That means we still would not have paid off the last 10 years of the 20-year bonds when we would be forced to incur the same expenditures all over again. Debt could continue to grow with no equivalent asset value in place to show for it.

Henceforth, for maintenance “investments” with an expected life significantly less than 20 years, we will finance the costs out of current taxes and current income, not by issuing new debt. The increased maintenance tax rate is a recognition of this. The last increase in water and sewer rates is also a recognition of the growing size of maintenance bills we can face; these rate increases are designed to build a cash reserve to cover large maintenance costs when they do arise. We expect our cash reserve to meet our goal in another year or so. Our determination to manage our affairs in this style has led to an improved rating from Standard & Poors for any new bonds we sell, thus allowing us to borrow money more economically.

NEW INVESTMENTS IN FACILITIES

Our engineering contractor is finishing the design for a new sewage treatment plant which will be built next to the present treatment plant. The funds for this plant have already been secured by bond sales. In a few more years we will likely need to invest in a new water well and the associated treatment facilities to produce additional domestic-quality water. Bonds will have to be sold for this purpose. And we will continue to invest in new underground facilities for delivering domestic water and collecting sewage.

HOUSING REPORT FOR BENTWATER

There are currently 61 homes under construction, 25 of which are by contractors who intend to find buyers. 19 other homes have been approved for construction, but not yet started. Adding all these to the currently built homes brings the total to 1483 homes.

BOARD OF DIRECTORS

Lou Tichacek	President	597-7010
Bill Newsom	Vice-President	597-6839
Linda Pierce	Treasurer	597-5463
Roy Champagne	Secretary	597-8786
Joe Constantino	Assistant Secretary	597-8029

WATER or SEWER EMERGENCIES (24 hours, 7 days) --- Hayes Utilities 588-1166