

September 22, 2023

Dear Meadow Lake Property Owner:



The Meadow Lake Nolte Dam Association ("MLNDA") is providing this update to all of its members and **affected property owners** (you) regarding the upcoming bond election for the Meadow Lake Water Control and Improvement District No.1 (the "WCID" or "the District"). Set forth below is a brief summary of the actions taken by MLNDA regarding the creation of the WCID and upcoming actions relating to the WCID. We encourage you to review the information below carefully.

Also, MLNDA will be having its annual membership meeting at the Seguin Public Library on Saturday, October 7th from 10am to 12pm if you'd like to obtain more information in person, join MLNDA or speak to our Board members.

WCID Creation

The WCID was created by petition of property owners for the purposes of evaluating and financing improvements to Nolte Dam that will allow Meadow Lake to be returned to its normal water elevation. The WCID is a type of local government entity that is authorized by law to own, operate, finance, construct and maintain lakes and dams. The WCID was created by approval of the Guadalupe County Commissioners Court on August 16, 2022, and its creation was confirmed by an election conducted in November 2022. The WCID is governed by a Board of Directors elected by residents within the WCID. It is currently intended that the WCID would acquire ownership of the Nolte Dam facilities from the Guadalupe-Blanco River Authority ("GBRA"), and the WCID would thereafter finance and construct improvements to Nolte Dam for purposes of restoration of Meadow Lake.

WCID Boundary

The WCID currently includes 1,814 acres of land which generally consists of all tracts abutting the lake (including any canals or waterways directly connected to and with access by water to the main lake), adjacent tracts owned by the same property owner as the tract abutting the lake, and contiguous tracts with an easement, lease or other contractual/legal right to access the lake. A map identifying the boundaries of the WCID as well other important WCID information may be found on MLNDA's website: <https://mlndatx.wixsite.com/mlnda/wcidinfo>

Bond Election

A WCID does not have the authority to levy ad valorem taxes without approval by a majority of the voters within the WCID. At its August 16, 2023 meeting, the WCID Board called for an election to be held on November 7, 2023, for authorization to issue bonds in the maximum principal amount of \$15,840,000, and the payment of the principal and interest on such bonds by the levy and collection of taxes on all taxable property within the District, **Prop A**. WCID voters will also have the opportunity to vote on **Prop B**, which would authorize the issuance of Refunding Bonds. Having the authority to refinance its debt may be important should interest rates decline in the future, and the bonds could be refinanced at a lower interest rate with the savings being passed down to taxpayers by way of lower property taxes. Finally, WCID voters will also have the opportunity to vote on **Prop C** which would authorize the levy of a maximum maintenance and operations (M&O) tax rate of \$0.12 per \$100 assessed valuation of taxable property located in the District. The purpose of the M&O tax would be to fund the ongoing operations and administration costs of the WCID. The District operating costs would include bookkeeping services, audit services, legal expenses and insurance. Note that WCID Board members are unpaid. It is currently anticipated that dam operation and maintenance costs would be funded from hydroelectric revenues.

The Notice of Election can be found here:

https://www.co.guadalupe.tx.us/elections/ElectionPrep/2023/11/7/noticeofelection/Meadow_Lake_Notice_of_Election-Eng.pdf

Please note that the last day to register to vote is Tuesday, October 10th. Address changes take longer as the form needs to be mailed in and there may be a backlog of registrations to process, so it is important to do this ASAP. Only those registered in Guadalupe County at the residence in the WCID will be allowed to vote on the WCID bond election. The address on the registration must be a residence within the WCID.

Acquisition of Nolte Dam

It is currently contemplated that the WCID would acquire ownership of Nolte Dam from GBRA. The WCID and

GBRA are negotiating a Memorandum of Understanding (MOU) to this effect. In the event the issuance of bonds is voted in, then a detailed conveyance contract will be negotiated. Upon conveyance of ownership, the WCID would assume responsibility for improving and operating Nolte Dam.

Financing of Dam Improvements

MLNDA, through member donations, financed a Preliminary Engineering Study by Freese and Nichols, Inc. ("FNI"), which can be found on the MLNDA website under News/Updates. Total cost of the project is estimated at \$19.9 million which includes over 25% (over \$5M) in contingency reserves to account for potential unknowns. On August 15, the Seguin City Council unanimously passed a resolution for a \$5 million contribution towards future construction costs to rehabilitate Nolte Dam (reduces total cost to \$15.8M). The WCID, MLNDA, FNI and future operator Sorenson Engineering are all working with GBRA to apply for a DOE grant which would award up to \$5 million in additional funding. The current plan is for the WCID to seek financing from the Texas Water Development Board or US Army Corps of Engineers for below market interest rates.

Tax Implications

The chart below shows how the WCID determined the bond amount:

Total Project Cost:	\$19,894,173
Less City of Seguin Contribution	(\$5,000,000)
Net Project Cost:	\$14,894,173
Cost of Issuance	\$942,235
Total Project Amount	\$15,836,408
Amount of Bonds Issued	\$15,840,000

Assuming a 5% interest rate over a 30-year loan would provide the following tax impacts for property appraised at different valuations:

Projected Taxable Value	Scenario 1 (Worst Case) \$15,840,000	Scenario 2 (Middle Case)¹ \$10,452,000	Scenario 3 (Best Case)² \$5,751,000
\$100,000	\$1,162	\$735	\$427
\$400,000	\$4,650	\$2,940	\$1,708
\$800,000	\$9,299	\$5,880	\$3,416

Note: The above scenarios are based upon the highest projected tax rate assuming moderate growth in the property values of the District over time. If growth exceeds projection over time, the tax rate levied by the District will decrease. Any decrease in taxable values would require a tax rate increase. The amount paid by each property owner would equal the tax rate multiplied by the taxable value of each property.

Ways to reduce the tax burden:

1. **Scenario 2: Estimated costs excluding contingency reserves + \$0.05 M&O tax** – Assumes no contingency reserves and assumes a lower expected M&O tax rate. Also includes the \$5 million contribution indicated from the City of Seguin.
2. **Scenario 3: Estimated costs excluding contingency reserves + \$0.05 M&O tax + award of DOE grant** - DOE grant would cover 30% of project costs up to \$5M. Application to be submitted by October 6th with expected award between February 2024 – May 2024. Also includes the \$5 million contribution indicated from the City of Seguin.

All avenues of reducing the tax burden, including additional grants, are being and will continue to be sought by the WCID Board. Should any become available now or in the future, it may reduce the amount of bond financing necessary to complete the project.

We appreciate your continued support and hope this provides useful information to you. Please review the MLNDA website, www.MLNDA.org, for additional updates regarding the WCID or contact MLNDA at pr@MLNDA.org to add your email to our list for updates and/or to join MLNDA. We will be updating the "WCID Info" tab on the website shortly with FAQs.