

BRUSHY CREEK MUNICIPAL UTILITY DISTRICT

FREQUENTLY ASKED QUESTIONS REGARDING

SENDERO SPRINGS AND HIGHLAND HORIZON (CORNERSTONE) DEFINED AREA

TO THE RESIDENTS OF THE SENDERO SPRINGS AND HIGHLAND HORIZON (CORNERSTONE) DEFINED AREA:

The Board of Directors of Brushy Creek Municipal Utility District (the “District”) has prepared this FAQ to answer the most common questions that have been asked regarding the Defined Area.

1. What is a defined area?

In very general terms, a defined area represents a geographical area that is designated by a board of directors of a water district to pay for infrastructure improvements, facilities or services that primarily benefit the defined area. Property owners pay for defined area facilities by payment of a defined area tax in the same way property owners within a water district pay for facilities financed by the water district.

2. What type of facilities will be financed by the Defined Area?

The Defined Area was created to finance water, sewer and drainage facilities that primarily benefit residents within the Defined Area.

3. How does the Defined Area finance facilities?

The Defined Area finances infrastructure in the same way that the District has financed other infrastructure. The developer constructs infrastructure within the Defined Area at the developer’s sole cost and expense. As buildout occurs within the Defined Area the District issues Defined Area bonds. The proceeds of the bonds are then used by the District to purchase the facilities from the Developer.

4. What lands are included within the Defined Area?

The Defined Area includes the lands within Sections 2 through 10 of Sendero Springs, and the lands within Highlands Horizon (Cornerstone Development- south of Hwy. 620), which is currently under construction.

5. Are both the Sendero Springs and Highland Horizon (Cornerstone) projects within the same defined area?

Yes. The Board of Directors designated the area as one defined area.

6. Are the lands within the Defined Area also within Brushy Creek MUD?

Yes. The lands within the Defined Area are also located within Brushy Creek MUD.

7. Are there other defined areas?

Brushy Creek MUD has designated only one defined area. There are other defined areas within Central Texas. Examples include Steiner Ranch, Flintrock Hills, Comanche Trail, Serene Hills, and Escondido (prior to its annexation by the City of Horseshoe Bay). Cities do not have the authority to create defined areas.

8. When was the Defined Area created?

The Defined Area was established by order of the Board of Directors of the District on December 13, 2001. The voters within the Defined Area approved the creation of the Defined Area at an election held on February 2, 2002.

9. How is a defined area created?

A defined area is created by petition of a property owner. In this case, the developer of the Sendero Springs and Highland Horizon (Cornerstone) projects requested that the District create a defined area for payment of infrastructure costs. The Board of Directors of the District approved creation of the Defined Area. The creation of the Defined Area was then confirmed at an election at which the registered voters within the Defined Area voted in favor of or against the Defined Area. In this case, the voters approved the creation of the Defined Area, the issuance of defined area bonds, and the levy and collection of defined area taxes.

10. How many voters voted at the election?

Two voters voted at the election. These were the only registered voters within the Defined Area at the time of the election in 2001. This is similar to the creation of most water districts. Because the developer is the owner of the lands within the proposed district, and most of the lands are undeveloped acreage, there are typically only one or two voters at the time a water district or defined area is created.

11. Did the District have to create the Defined Area?

No. The Board of Directors of the District elected to approve the Defined Area in response to the petition of the developer. It did not have to do so. If the Defined Area was not created, then the Developer would have had to recover infrastructure costs from the sale of lots, which would have made the lots significantly more expensive. In this case, the developer explained that without the Defined Area, the Sendero Springs project would not have been economically feasible and would not proceed.

12. How does the Defined Area affect property owners?

The owners of property within the Defined Area pay defined area taxes in addition to MUD taxes.

13. Why do Defined Area property owners pay both Brushy Creek MUD taxes and Defined Area taxes?

The taxes are used for different purposes. The MUD taxes are used to pay MUD costs, the defined area taxes are used to pay defined area costs.

14. Who approved the taxes?

The tax authorization was approved by the same voters at the same time, and during the same election, that the creation of the Defined Area was approved. Each year, the Board of Directors of the District establishes tax rates for the Defined Area at the same time as it establishes other District tax rates.

15. What are the current defined area taxes?

The 2016 Defined Area tax rate was set at \$0.225. The Board sets this rate each year. This is the amount of tax paid per \$100 assessed valuation for real property in the Defined Area. There is not a Defined Area maintenance tax.

16. Will the defined area tax rates increase?

The Board of Directors has never levied a defined area tax rate greater than \$0.36 per \$100, and does not contemplate doing so.

17. What is the maximum amount of taxes that may be levied?

The maximum amount of the maintenance tax that can be levied is \$0.56 per \$100. There is no maximum bond tax (just as there is no maximum bond tax rate for the District). Instead, the amount of the bond tax is set each year as necessary to pay debt service on the defined area bonds based on the assessed values in the Defined Area. The District does not issue bonds until there are sufficient assessed values in the Defined Area to ensure that the tax rates will remain low. The District does not anticipate that the defined area bond tax will exceed its current rate (\$0.35 per \$100 taxable property).

18. Has the defined area bond tax always been in effect?

No. Prior to the bond tax, the Board levied a Defined Area maintenance tax in the amount of \$0.36 per \$100 assessed valuation. The tax monies collected have been separately accounted for by the District, and the Board previously adopted a resolution confirming its intent to utilize these monies to pay for Defined Area facilities, or to pay Defined Area debt service costs, to ensure that these tax monies benefit the property owners within the Defined Area that paid the tax.

19. Can the defined area taxes be used to pay for other facilities or costs?

No. The use of the taxes is dictated by law and by authorization of the voters that approved the levy and collection of the taxes.

20. Why did the District levy a defined area tax before issuance of defined area bonds?

The projected amount of the tax (\$0.36 per \$100) was put into place so that there would not be a tax “shock” when the bonds were issued. Further, this ensured that homeowners qualified for mortgages based on actual future tax rates within the Defined Area. This is a common practice for new water districts and defined areas.

21. Can the District refuse to issue defined area bonds to finance infrastructure?

No. The District has agreed by contract to issue bonds and to purchase the defined area facilities that are constructed by the Developer.

22. Has the District issued any Defined Area bonds?

Yes. The District has issued four (5) Defined Area Bonds:

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|------|-------------|
| 2008 | \$2,020,000 |
| 2009 | \$2,365,000 |
| 2011 | \$2,370,000 |
| 2013 | \$4,070,000 |
| 2015 | \$3,530,000 |

23. What is the maximum amount of bonds that may be issued in the Defined Area?

The maximum principal amount of defined area bonds that may be issued is \$24,500,000.

24. Did purchasers of property in the defined area receive notice of the defined area taxes?

Yes. Every purchaser of property in a water district receives a “Notice to Purchaser” at the time property is purchased. The notice explains that the property is in a water district, and provides information about the bonds and taxes. The Notice to Purchaser for a defined area provides additional information about defined area bonds and taxes. The Notice to Purchaser is executed by the seller and buyer at the time of closing.

25. How can I get more information about the Defined Area?

Please feel free to call the District’s General Manager, if you have any questions. Also, the public is always welcome to attend meetings of the Board of Directors. They are held the second and fourth Thursday of each month.