

**NOTICE OF MEMBERS MEETING FOR
WEST LEONARD WATER SUPPLY CORPORATION**

1. There will be a Members Meeting of the West Leonard Water Supply Corporation (WSC) to be held at the West Leonard Water Supply Corporation Office, located at 108 West Collin St., Leonard, TX 75452. The meeting will begin at 6:30 p.m. on the 8th day of April, 2025.
2. The West Leonard WSC has provided information to the membership regarding the advantages of the conversion of the corporation to a special utility district. The purpose of the Called Members meeting is to consider the following matters related to the conversion to a Special Utility District:
 - a. To authorize the Board of Directors to file an application with the Texas Commission on Environmental Quality and take such actions as may be necessary for the conversion of West Leonard Water Supply Corporation to a Special Utility District;
 - b. Upon the successful conversion to a Special Utility District, the water Certificate of Convenience and Necessity (CCN), assets and liabilities of the West Leonard Water Supply Corporation will be transferred to the newly created Special Utility District and the West Leonard Water Supply Corporation will be dissolved.
4. Members may cast their vote on the attached ballot and submit the ballot in the envelope provided. Those Members voting at the meeting will be provided a ballot.
5. Members who want to address the board or the membership must sign-in on a separate sheet provided by the presiding director indicating the topic they wish to discuss. Members will be given three minutes each to speak.
6. No motions may be accepted or action taken on issues brought up at the meeting from the floor. All action items must have been included on the posted agenda. Members can request that items be placed on the agenda for future meetings of the Members or the Board of Directors. This limitation is required by the public notice requirements of the Texas Open Meetings Act and is not an attempt to limit any member's access to the Board of Directors or the membership.

AGENDA FOR THE WEST LEONARD WSC MEMBERS MEETING

1. Call to order.
2. Opening remarks.
3. Last call for submission of ballots.
4. Announce number of Members present and number of ballots received prior to meeting.
5. Read and approve the minutes of the previous Annual Members Meeting.
6. Presentation of Financial Report.
6. Public forum (comments from members who signed up to speak - limit of three minutes per member).
7. Election results.
8. Closing comments.
9. Adjourn.

West Leonard Water Supply Corporation
108 West Collin Street
Leonard, Texas 75452

DATE: April 4, 2025
TO: Members of West Leonard Water Supply Corporation
FROM: Board of Directors
SUBJECT: Members Meeting

There will be a Members Meeting to vote for the proposed conversion of West Leonard WSC to a Special Utility District on Tuesday, April 8, 2025. The meeting will be held at 6:30 pm at the West Leonard WSC Office. A Notice/Agenda, Ballot and SUD Summary Sheet have been enclosed. Members are encouraged to participate by attending the meeting or by returning the voted ballot.

The West Leonard WSC has provided information to the members regarding the advantages of the conversion to a district through informational mailings and public meetings. The response from those attending the public meetings has been overwhelmingly positive and the Board of Directors and staff strongly recommend the members vote "**FOR**" for the conversion.

A Special Utility District (SUD) is a non-taxing entity and may not levy taxes on your property. The SUD is exempt from paying taxes such as sales tax, vehicle registration, and other license fees and permits which can save money. A SUD also has better access to financing for future water system upgrades at much lower interest rates than the current WSC can. A SUD does not govern individual concerns such as privately owned wells, ponds or lakes. The current WSC's Board of Directors would continue as the initial Directors for the district. The SUD's purpose would be to continue to provide water service to its customers.

Following approval by the membership, an application and engineering report will be filed with the Texas Commission on Environmental Quality (TCEQ). Upon approval of the application by the TCEQ, a public election will be called to allow the residents within the boundaries of the district to vote on the conversion. Upon successful conversion, the existing Certificate of Convenience and Necessity (CCN) service area and the assets and liabilities of the Corporation will be transferred from the WSC to the newly created SUD and the Corporation will be dissolved.

Sincerely,
Justin Minchey, President
WEST LEONARD WSC

West Leonard Water Supply Corporation
108 West Collin Street
Leonard, Texas 75452

Member Name: _____

Member Address: _____

Member Account No. _____

Three (3) Options to Cast Your Vote:

1. Mail

- Mark your selection by placing an "x" inside the appropriate box.
- Detach ballot and place in the enclosed envelope.
- Sign the outside of the envelope and mail to West Leonard WSC, PO Box 179, Leonard, TX 75452.
- The signed envelope will be used to validate your membership and establish a quorum and must be completed for your ballot to be counted.
- Mailed ballots must be received by Tuesday, April 8, 2025 in order to be counted.

2. Deliver to the Corporation's Office

- Follow the instructions in #1 above for mailing, but deliver the ballot and envelope West Leonard WSC, 108 West Collin St., Leonard, TX 75452 no later than April 8, 2025 in order to be counted.

3. In Person at the Members Meeting

- The Members Meeting will be held on April 8, 2025 at the West Leonard WSC Office located at 108 West Collin St., Leonard, TX 75452.
- This mailed ballot will not be valid for voting in-person at the Called Members Meeting. "In-Person" ballots will be provided during registration.

Detach Ballot along Dashed Line

West Leonard Water Supply Corporation
Member Meeting – April 8, 2025
Official Election Ballot

Consider the following matters related to the conversion of West Leonard Water Supply Corporation to a Special Utility District:

- a. To authorize the Board of Directors to file an application with the Texas Commission on Environmental Quality and take such actions as may be necessary for the conversion of West Leonard Water Supply Corporation to a Special Utility District;
- b. Upon the successful conversion to a Special Utility District, the water Certificate of Convenience and Necessity (CCN), assets and liabilities of the West Leonard Water Supply Corporation will be transferred to the newly created Special Utility District and the West Leonard Water Supply Corporation will be dissolved.

FOR

AGAINST

SUMMARY OF SUD CREATION ISSUES

Introduction

A Special Utility District ("SUD") is a political subdivision of the State of Texas, specifically a conservation and reclamation district pursuant to Article XVI, Section 59 of the State Constitution. Historically most SUD's have been created by the "conversion" of an existing WSC into a SUD, following approval by the TCEQ.

Method of SUD Creation/Governing Statutes

- Creation by Legislature as a "Local Bill" passed during a regular session
- Creation application to the Texas Commission on Environmental Quality (Ch. 293)
- Governed by Water District Statutes: Texas Water Code - Chapters 49 and 65

Steps To Creation/Conversion

- WSC Board Approval
- Public Meeting(s) to Inform Membership
- WSC Membership Approval
- Application/Engineering Report Filed at TCEQ
- Application Approval by TCEQ
- SUD Confirmed at Public Election
- Transfer of Assets, Debts, Contracts etc. from WSC to SUD
- Dissolution of Corporation
- Transfer of CCN from WSC to SUD

Advantages

- Better Insurance Rates for SUD
- Certain Tort Claims Protections and Governmental Immunity Applies to a SUD
- SUD May Issue Tax-exempt Bonds for Financing Debt
- SUD Can Take Advantage Of State Purchasing Co-Op
- SUD is Tax Exempt (Property & Sales)
- Bulk Fuel is Partially Tax Exempt for SUD
- No Yearly Registration for SUD Vehicles and Equipment
- SUD has Access to More Employee Benefits Options (Retirement & Insurance)
- Conflict of Interest Applies to SUD Directors - No Developers Can Serve on The Board
- Annual Membership Meetings No Longer Required as a SUD
- SUD May Serve Customers Outside District and CCN boundary
- SUD is "on par" with Municipalities and Other Districts
- SUD Can Participate with Regional Tax-Exempt Entities and/or Projects
- SUD Does Not Have Control over Private Water Wells or Stock Tanks

No Change Between a SUD and WSC

- SUD and WSC are Controlled by a Locally Elected Board
- Neither SUD nor WSC Have Tax Bond Authority
- SUD and WSC are Revenue-Based Entities
- SUD and WSC have Municipal Encroachment Protection (1926(b) & 13.255)
- SUD and WSC Both Comply With Rules & Regulations Of TCEQ For Operation Of System
- SUD and WSC Both Have Eminent Domain Authority

Disadvantages

- Impact Fees (if charged by SUD) May be Subject to TCEQ Approval
- Non-Water Users Eligible to Vote in SUD Director's Elections
- Non-Water Users Eligible to Serve on the SUD's Board
- Name Change Required from WSC to SUD

Procedural Changes

- Must Follow Texas Election Code for SUD Director's Elections
- SUD Officers/Directors Must Be Bonded
- SUD Subject to the Public Funds Investment Act
- SUD Must Follow Competitive Bidding Requirements
- SUD Must File Annual Audit with TCEQ
- SUD Bond Issues are Subject to TCEQ Approval
- WSC Membership Fees Convert to SUD Deposit