Varner Creek Utility District
Letter to Columbia Lakes Residents Regarding Road Bonds

Dear Columbia Lakes Residents,

The Varner Creek Utility District (the "District") is providing this letter to help residents better understand the history of the District's prior road bond, the condition and expected scope of a future bond, and the legal restrictions that apply to the use of bond funds. We recognize that roads are one of the most visible and important public improvements in Columbia Lakes, and we want residents to have a clear explanation of how prior bond funds were used and how any future bond program would be structured.

Background on the Prior Road Bond

The last road bond approved for Columbia Lakes in 2008 was intended to address the aging roadway system serving the community. That bond funded work entailed surface level work related to enhancing the drainage of the district and was issued as a "drainage project" under the District Drainage Powers and Authority.

As with any large civil construction project, the prior bond was limited to the projects and purposes presented, approved, engineered, and financed through the bond process. The bond did not create a general pool of money for unrelated improvements, routine maintenance, or future projects outside the approved bond authorization. Its purpose was to replace the roads covered by that program and to pay eligible costs directly associated with that approved work.

Scope Being Considered for the Next Bond

The District has developed the scope for a future bond program to begin in 2028 to rebuild and replace roads that have reached, or are approaching, the end of their useful service life. The proposed scope would be focused on road reconstruction (16 miles), water line mains (80,000 L.F.), sewer line laterals, electrical upgrades at the water plant and related eligible infrastructure improvements within the District. Road reconstruction will include pavement removal and replacement, road base reconstruction, subgrade stabilization where needed, curb or shoulder repairs where applicable, drainage-related adjustments connected to roadway work, engineering, inspection, testing, construction management, and other costs that are legally eligible and necessary to deliver the road improvements.

Before any bond is issued, the District must define the project scope (completed), develop cost estimates (completed), obtain required professional and regulatory review (in progress), and follow the applicable election and approval process (planned Nov 2027). Final project details, costs, timing, and financing would be based on engineering evaluation, Board action, voter authorization where required, and applicable state oversight.

How Bond Funds Are Restricted

Bond funds are restricted public funds. They must be used only for the purposes authorized in the bond election, bond order, engineering report, and related regulatory approvals. In practical terms, funds approved for road reconstruction cannot simply be redirected to unrelated projects, general operating expenses, amenities, or routine maintenance unless such use is specifically authorized and legally permitted.

Texas law provides municipal utility districts with authority, under certain circumstances, to issue bonds for street repair or maintenance when approved by the required vote of resident electors. State rules also restrict the use of surplus bond funds, interest earned on bond proceeds, and other bond-related funds without required approvals. These requirements are intended to ensure transparency, accountability, and that funds are used for the specific public improvements residents were asked to consider.

For that reason, the District cannot treat bond proceeds as unrestricted cash. The District must account for bond proceeds separately, spend them only on eligible project costs, and maintain documentation showing that expenditures are tied to the approved bond purpose. Any future road bond would be subject to these same restrictions.

Commitment to Residents

The District understands that road conditions affect daily travel, property access, emergency response, drainage performance, and the overall quality of life in Columbia Lakes. The District's goal is to plan responsibly, communicate clearly, and ensure that any future bond proposal is based on sound engineering, realistic costs, and lawful use of public funds.

As the next bond program is developed, the District will continue to provide residents with information regarding the proposed project scope, estimated costs, anticipated schedule, and election or approval requirements. We encourage residents to review District communications, attend public meetings, and ask questions as this process moves forward.

Sincerely,

Varner Creek Utility District Board of Directors