

Valley Municipal Utility District No. 2

Notice of Tax Increase

On August 8, 2025, the Board of Directors of Valley Municipal Utility District No. 2 (VMUD) voted to increase the tax rate from \$0.35/\$100.00 of valuation to \$0.4385/\$100.00 of valuation.

The VMUD tax rate consists of two components. One is a maintenance and operations tax that is not authorized to exceed \$0.10/\$100.00 of valuation, and the other is a debt service tax that has a variable amount depending on the amount of debt that VMUD assumes.

On August 8, 2025, the Board voted to maintain the O&M rate at \$0.10, and raise the Debt rate from \$0.25 to \$0.338. **The purpose for this increase is to fund a new wastewater treatment plant.**

Currently, the Town of Rancho Viejo and the Veteran's High School area (north of US 281) are served by the Rancho Viejo Wastewater Treatment Plant which has with a capacity of 400,000 gallons per day, while the River Bend Subdivision (south of US 281) is served by a pair of "package" wastewater treatment plants with a combined capacity of 42,500 gallons per day.

Both of the above mentioned plants have almost reached their rated capacities. The Texas Commission on Environmental Quality requires that design work is initiated to expand or replace a wastewater treatment plant when it hits 75% of its rated capacity.

The geographic circumstances of both wastewater treatment plants prevent them from being expanded. The Rancho Viejo Plant has condos or businesses on three sides, and Hidalgo Avenue on the fourth side. The River Bend Plants are located between fairways on their golf course. Both of these plants are located in prominent areas that are affected by the odors coming from the plants.

Back in November of 2022, the Board of VMUD anticipated that our wastewater treatment plants were running out of capacity and a request for proposals to evaluate and make recommendations for the expansion of wastewater treatment was issued.

Garver, USA of Harlingen was selected to evaluate and make recommendations for a path forward. Based on Garver's study and recommendations, the Board voted to have Garver design a new 1.5 million gallons per day wastewater treatment plan which is to be located on FM 1732, away from both the Town of Rancho Viejo, and the River Bend Subdivision. The approach for the construction of this new plant will be broken into phases, with the first phase having a capacity of 700,000 gallons per day. This amount of capacity will be sufficient to replace the capacities of both existing plants, while allowing for the development of the remainder of the District.

It is important to note that the design of the new plant has not been finalized and bids for the construction of the proposed plant have not been received. The proposed strategy for funding this new wastewater treatment plant is to raise taxes incrementally. The increase being proposed this year will generate approximately \$20 million. It is likely that the new plant will cost more than \$20 million, and another increase could be necessary next year.