

FAQs regarding WOWSC 2020 Rate Increase

On February 12 the Windermere Oaks Water Supply Corporation announced a rate change for water utility service. Here are responses to questions we've been asked.

Why are the rates increasing?

The amount of increase was determined after analysis performed in consultation with Texas Rural Water Association (TRWA) staff of the WSC's 2019 operating expenses, which included \$169,000 in legal fees, and of the FY 2020 budget for WOWSC. The analysis considered all expenses, specifically taking into account unprecedented legal expenses facing WOWSC. These historically high legal fees have and will be incurred in large part due to two lawsuits brought against WOWSC by TOMA Integrity, Inc., and by Rene Ffrench, John Richard Dial, and Stuart Bruce Sorgen.

What were the legal fees in 2018?

The Board paid \$38,000 in legal and appraisal fees in 2018. In late 2018, it budgeted the same amount for 2019. The Board did not anticipate that Dial, Ffrench, and Sorgen would file another suit in 2019.

What is the status of the lawsuits?

There are two suits.

The 2017 lawsuit brought against WOWSC by TOMA Integrity Inc. asked for a 2016 real estate transaction to be voided, and that relief was denied by a district court judge in **July 2018**. The litigants did not stop, but continued filing *multiple* appeals all the way up to the Texas Supreme Court. Upon denial of review of their appeal by the Texas Supreme Court, the litigants appealed *yet again* by requesting a rehearing of the denial of review of their appeal. On February 14, 2020, the Texas Supreme Court denied this rehearing request, and the suit by TOMA Integrity against WOWSC is *finally* over after 2 years. The trial and appellate court judges concluded that the 2015 WOWSC Board omitted a necessary item from a meeting agenda regarding this transaction, but they *all* upheld the trial court's denial of the remedy sought by TOMA Integrity and held the land transaction was *not* void.

The 2019 lawsuit is much broader. It alleges all sorts of false and misleading charges against both WOWSC and its current and former directors, seeks to void the 2016 land transaction (again), and seeks money damages against ten current and former directors out of their own pockets. We believe the claims are completely without merit. As of this writing, many of the matters are pending before a judge.

In the first lawsuit, why did the Board not want the land sale to be voided?

Three different attorneys/law firms have advised three different sets of Board members that unilaterally breaking the underlying real estate contract could have been financially disastrous for the water corporation. Attempting to undo the contract, through lawsuits, would have cost

the corporations additional hundreds of thousands of dollars in legal fees and the outcome (of actually undoing the contract) would have been uncertain. Those litigation costs would have been passed to ratepayers, and would possibly have had further negative outcomes. Therefore, the Boards did not want to be forced by the plaintiffs into an expensive legal action with such a questionable outcome.

What can I do about these higher rates?

We have a small system of only about 254 paying members. Because the corporation has been forced to fend off lawsuits that would cause great damage to it financially, the legal fees have become our largest operating expense.

To date, the plaintiffs have been unsuccessful with their allegations and complaints. We believe they will continue to be similarly unsuccessful with this second lawsuit. But defending ourselves against them means that the high legal fees (an expense of the WSC) have to be recovered from our rate payers.

Consider asking the plaintiffs why they are pursuing these claims that are costing you so much. They do not improve our water system. Their pursuit of 10 former board members' money demonstrates that they are pursuing personal vendettas through the court system. It should not be this way.

What are the new rates?

The water service availability charge increases to \$90.39, up from \$50.95, per month.

The sewer service availability charge increases to \$66.41, up from \$40.12, per month.

The total increase per month is \$65.73.

When do the rates go into effect?

The water company sent 30-day notice on February 14 to members. The rates go into effect when meters are read in April, for service between March 23 and the April meter reading. The bill you receive at the end of April, due May 15, will reflect the increase.

The Board has committed to revisiting these increased rates no later than September 2020 for further evaluation and possible alteration. It is our hope that once the legal expenses subside, we can lower these rates to a level reflective of those costs *without* ongoing litigation and we can get back to the business of running your water supply corporation.