

The background image is a soft-focus photograph of a suburban residential area. It features several houses with brown roofs and light-colored siding. In the middle ground, there is a wooden gazebo with a blue roof. The foreground is filled with various green plants and colorful flowers, including purple and yellow blooms. A paved path or driveway is visible, leading towards the buildings. The overall scene is bright and sunny, with a clear blue sky.

Overview of Municipal Utility Districts in Texas



What is a Municipal Utility District (MUD)?

- A political subdivision of the State of Texas, like a County or School District, created by the Texas Legislature or the Texas Commission on Environmental Quality (TCEQ)
- Created by the State over a limited area to provide water, sewer, drainage, parks & recreational facilities, and roads

What MUDs do?

- MUDs provide municipal services:
 - in areas not in a city
 - where a city cannot afford to extend these services itself
 - where the city wants the new development to bear the costs of the new infrastructure



General Information on MUDs in Texas

- Texas has more than 1,200 active special districts and more than 1,700 total special districts, the majority of which were created over land outside of city limits
- More than 1 million Texans live in special districts like MUDs
- MUDs have been used to develop Houston's finest master-planned communities, including the following: The Woodlands, Clear Lake City/NASA, First Colony, Sienna Plantation, Cinco Ranch, Shadow Creek Ranch, Bridgeland, Cypress Creek Lakes, Fairfield, Copperfield and your community, Towne Lake



What laws govern the operation of the MUD?

- MUDs in Texas are heavily regulated political subdivisions
- Unlike Home Rule Cities which have all powers unless expressly taken away, MUDs can **only** exercise those powers expressly granted in the Texas Water Code or other specific law
- MUDs derive their authority and power from the Texas Constitution
- Regulated by the Texas Commission on Environmental Quality (TCEQ), the Texas Attorney General (Public Finance Division), Cities, Counties, and the EPA
- MUDs are subject to the Texas Open Meetings Act and Public Information Act
- Board members are subject to conflicts of interest, nepotism, penal code provisions, ethics guidelines, gift laws, etc.

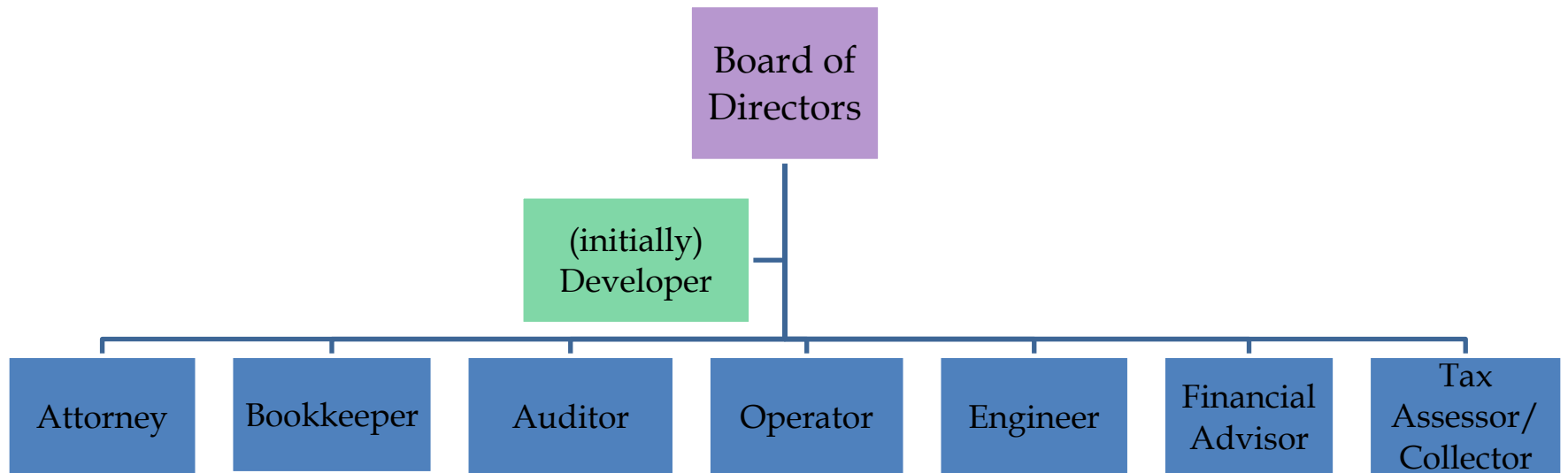



How does a MUD operate?

- The MUD is governed by a five-member Board that is initially appointed by the TCEQ and later elected by residents in the District
 - Elections are held in May of even-numbered years (HC MUD 501 – next election in 2018)
 - Like all state wide elections, only registered voters may vote
- The MUD hires professional consultants to advise the Board, much like City staff



MUD Organizational Chart





What is the role of the Developer in the MUD?

- Requests the creation of the MUD by the Texas Legislature or the TCEQ
- Drives the need for water, sewer, and drainage facilities based on its land plan and development schedule
- “Partners” with the Board to facilitate development of the property in the District
- Funds and constructs private infrastructure necessary for the development (internal streets, signage)
- “Loans” the District all the funds it needs to construct the District’s facilities



General Information About Issuing Bonds

- At the direction of the Board, and with the assistance of the Engineer, Attorney and Financial Advisor, the MUD submits a bond application to the TCEQ
- The TCEQ approves the projects for reimbursement to the developer and the amount that the MUD can reimburse the developer for those projects
- The Texas Attorney General reviews the bonds to ensure compliance with Texas law
- This is a highly regulated process (streets must be completed, sufficient water, sewer, and drainage capacity for all the growth projected, enough value on the ground to support the bonds)

Taxation of the MUD

- A MUD in the beginning levies an Operation and Maintenance Tax on all of the property in the boundaries of the MUD
- After a MUD has issued bonds payable in whole or in part from taxes, it has the authority to levy an ad valorem tax for each year that any of the bonds are outstanding in an amount sufficient to pay the interest and principal of the bonds
- Some MUDs located within a master district system, like Harris County MUD 501, levy a contract tax to pay for their pro rata share of master district bonds issued to fund regional facilities

Revenue for a MUD

MUD Taxes

- Collected from all taxable property in the MUD
- Usually capped at \$1.50 per \$100 of assessed value
- Based on the value on the ground on January 1 of the taxing year
- Tax Assessor/Collector collects the revenue and remits to the MUD bookkeeper

Water and Sewer Revenue

- Rate Order dictates costs
- Water/Sewer Rates include cost for buying or producing the water and collecting revenue
- Operator collects the revenue and remits to the MUD bookkeeper

