



Special Purpose District (MUDs, MMDs) Master Policy

COUNCIL POLICY AND VALUATION COMMITTEE: APRIL 23, 2025

Background

- On January 22, 2025, the Council Policy and Valuation Committee received a briefing on a proposed Special Purpose District (SPD) master policy for Municipal Utility Districts (MUDs) and Municipal Management Districts (MMDs).
- At the conclusion of the briefing, the Committee directed staff to revise the proposed master policy to include additional information about a Strategic Partnership Agreement (SPA).
- The purpose of this presentation is to review and discuss staff revisions to the SPD master policy.

Purpose

- Staff's general approach with this effort was to develop policies that recognize that Special Purpose Districts are unique and should be considered on a case-by-case basis; and
- Provide the Council a menu of considerations (when petitions are received), while allowing the flexibility of operating outside of a strict policy framework.

MUDS AND MMDs Recap

- MUDs are created to finance, build and maintain infrastructure and services related to water, sewer, and drainage in areas that are otherwise unmanaged by local governments.
- MUDs do not last in perpetuity and are typically dissolved once the bond debt has been paid off.
- MMDS may issue bonds to promote, encourage and maintain economic development, employment, commerce, transportation, housing, tourism, recreation, arts, safety and public welfare within the MMD boundary.
- MMDs can last indefinitely as long as the property owners within the district continue to vote to maintain it.

SPD Master Policy

- Staff has prepared a draft Special Purpose District master policy for MUDs and MMDs.
- The master policy provides a general framework that establishes expectations of the Developer and City Council.
- The master policy has three broad sections: Conditions for City Consent; Voluntary Annexation and Strategic Partnership Agreement; and CCN procedures.

Strategic Partnership Agreement (SPA)

- Staff has included new text regarding a SPA:
 - SPAs for these annexations must include the district's boundaries, functions, name, and, if the annexation will later become full-purpose, the procedure for ending the district.
 - The SPA is contractual and shall detail the terms and conditions of the annexation of the SPD by the City in accordance with Section 43.0751 of the Local Government Code.
 - At a minimum, the SPA will detail responsibilities relating to municipal services, capital improvements, SPD tax and utility rates, water and wastewater facilities.
 - Any limited purpose annexation, as established with a SPA, will detail the city's authority relating to land use, regulatory authority and the application of City codes and ordinances.



Questions/ Comments

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