

Municipal Utility Districts (MUD)



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*Attorney/Client Privilege/Work
Product*

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Overview

- ▶ What is the difference between a PID and a MUD?
- ▶ MUD Creation
- ▶ MUD Powers
- ▶ In City v. ETJ

What is a PID?

- ▶ A PID is a special purpose district created under Chapter 372, Tex.Loc.Gov't Code.
- ▶ Contiguous area of land created by Petition of land owner to a City or County.
- ▶ Within the area of land, property owners pay a special assessment for improvements in the area.
- ▶ A PID is not a political subdivision

MUDs

- ▶ If in ETJ or City Limits of a City, must have consent
- ▶ Political Subdivision
- ▶ May issue debt for water, sewer, drainage, or roads
- ▶ May levy a maintenance and unlimited debt tax
- ▶ MUD may issue bonds backed by revenues or ad valorem taxes
- ▶ Must receive approval from TCEQ to sell debt; bonds sold at competitive sale; voted by residents of MUD; sold as property develops (first issue once value created)

Chart

	PID	MUD
Creation	Landowner Petition Public Hearing, Council Creation Ordinance	Legislative Or TCEQ Petition
Source of funding	Assessments	Taxes
Oversight	City Council	TCEQ
Governing Body		Elected Board
Public Improvements	Water, Sewer, Flood Control, Streets, Right of Ways Sidewalks, Mass Transit, Libraries, Street Lights, Off Street Parking, Pedestrian Malls, Affordable Housing, Recreational Facilities, Formation Expenses	Water, Sewer, and Flood Control Roads if granted Road District powers, Recreation, Formation Expenses
Cost Recovery of Public Improvements	Advance of Construction and/or Reimbursement	Reimbursement Only
Public bidding required?	No	Yes

Chart

	PID	MUD
Security	Land and Improvements	Land and Improvements; unlimited tax obligations
Taxpayer default	Lien on property/Foreclosure	Other taxpayers in district
Pre-payment options	PID assessments may be pre-paid without penalty at any time	MUD taxes may not be pre-paid
Cost of Improvements	PID assessments are fixed for life of district	MUD taxes fluctuate with assessed value of real estate
Tax Status of Debt	Tax-Exempt	Tax-Exempt
Location	In City/ In ETJ	In City or ETJ with Consent
Annexation	Annexation as a requirement of PID creation or may occur after PID assessments are paid off	MUD in ETJ -Negotiate Strategic Partnership Agreement - must assume debt obligations

MUD Organization

- ▶ Board of Directors/Political Subdivision
- ▶ Created by TCEQ (with consent of City) or by the Texas Legislature
- ▶ MUD provides petition to the City and the City has consent or deny
- ▶ City then negotiates or have predevelopment meetings prior to petition

MUD Powers

- ▶ Water and wastewater infrastructure
- ▶ Roads
- ▶ Parks (with voter authorization)
- ▶ Issue bonds and set tax rates

MUD Consent: Possible City Conditions

- ▶ All bonds approved by City, may refuse or limit amount if MUD not in compliance with Consent Resolution
- ▶ Debt does not exceed _____years – ex. 20 or 25
- ▶ Limit purpose of MUD (water, sewer, wastewater, drainage)
Allow parks or roads only if complies with City master plans
- ▶ Bonds- TCEQ feasibility guidelines
- ▶ Owner of property in proposed MUD must contract with the City for Water, Wastewater; pay all connection fees, design utilities in conformance with City master plans

MUD Consent: Possible City Conditions

- ▶ Infrastructure must meet city design standards; city inspect all facilities and charge fee for inspection
- ▶ City approval for any wells, potable and non-potable water use – comply with Water Pollution control ordinances
- ▶ MUD cannot annex land without city consent
- ▶ Send ad valorem tax adoption and audits to City annually
- ▶ Send copies of any material notices to City
- ▶ MUD cannot own any facilities – no contracts without City approval ex. Adm expenses
- ▶ **Cannot require annexation for consent**

MUD in ETJ

- ▶ Could request city services
- ▶ **City would not get property taxes**
- ▶ **City would only be able to annex if it could assume all leftover debt of the MUD**
- ▶ City would still get platting and sign fees and be able to regulate what we can regulate in the ETJ
- ▶ City could still require building to city standards
- ▶ Would include a consent agreement with authority to review bonds and other items-but pretty ministerial

MUD in City

- ▶ MUD still has to get consent
- ▶ **Residents would pay both our property tax rate and the MUD taxes**
- ▶ **Would already be annexed (no issue with trying to annex later)**
- ▶ Would be subject to all regulations of the City
- ▶ Same consent to bonds, etc.
- ▶ City would have more obligations to provide services to the MUD

More Conditions-In City

- ▶ Developer agrees to annex _____ acres with a new MUD
- ▶ -Maximum Amount of Bonds to be issued

- ▶ -Maximum Bond Maturity (ex. 25 years)
- ▶ -Bond Issuance Period (ex. 10 years)
- ▶ -District Only Tax Rate (Maximum)

MUD Policy and Question

Would the City benefit more from a MUD than its standard development process?

Draft MUD Policy

- ▶ Services advance or exceed City's Code of Ordinances, enhances parks and open space, improves drainage, improve roadways, improve utility infrastructure
- ▶ Infrastructure design approved by Cities
- ▶ Debt protection for City
- ▶ Cannot expand MUD without asking City
- ▶ Protections for MUD debt
- ▶ Have to demonstrate why MUD is better than PID
- ▶ Petition requirements

Questions

