

Proposed Amendments to Kaufman County Municipal Utility Districts

**City Council Economic Development
and Housing Committee**

November 6, 2006

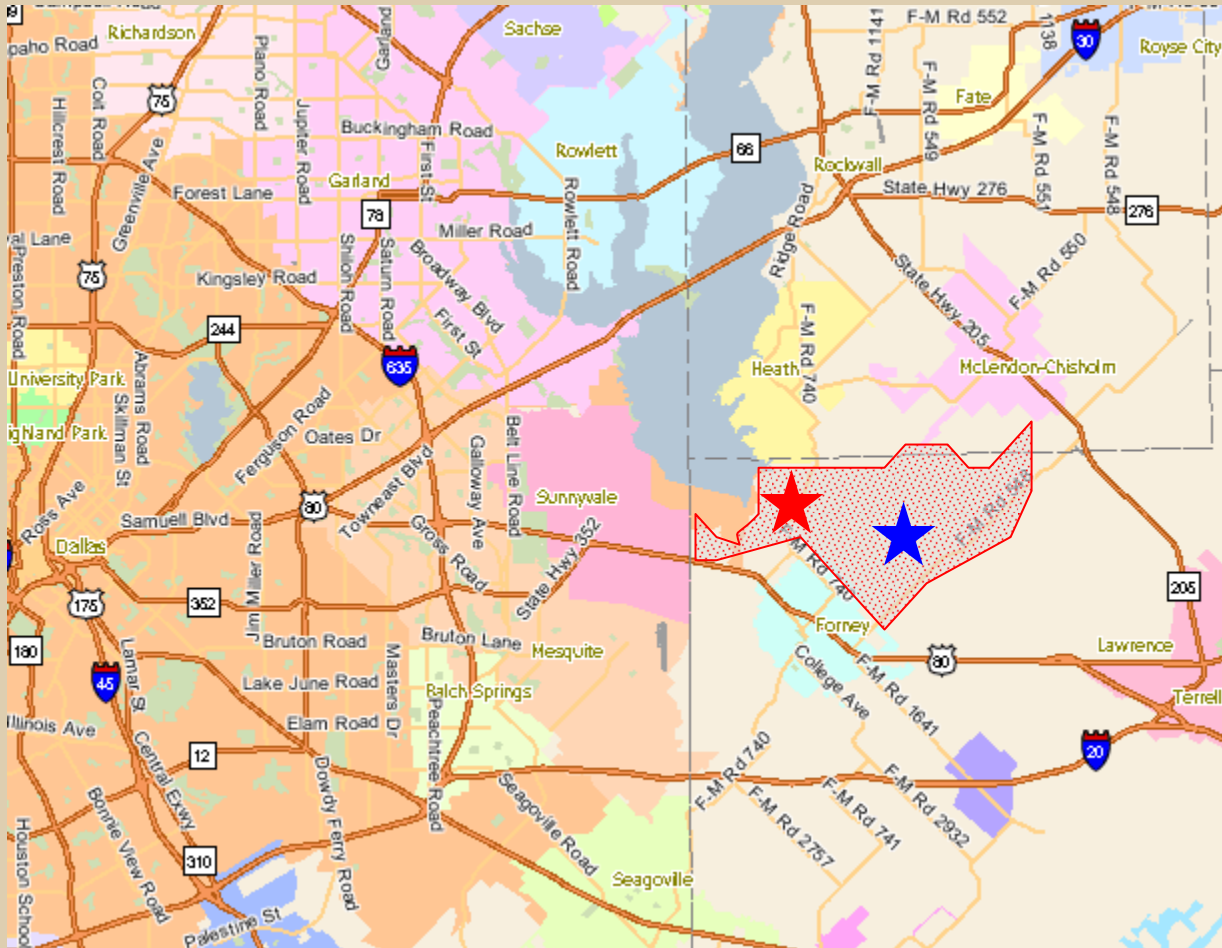





Request

Consent to amending six Municipal Utility Districts (MUDs) in the city's extra territorial jurisdiction (ETJ) in Kaufman County to allow for the financing of road construction and maintenance through bonds issued by the districts. Currently the districts are generally limited to issuing debt for the construction and maintenance of utilities such as fresh water, waste water, and storm water facilities.



Location of MUDs



 Dallas ETJ  Travis Ranch (3 MUDs)  Devonshire (3 MUDs)



Municipal Utility Districts

- Municipal Utility Districts (MUDs) are taxing entities whose creation is authorized by the State
- MUDs are authorized to finance the construction of water, waste water, and storm water infrastructure through the issuance of debt.
- There are approximately 973 active MUDs in Texas
- When located in the extra territorial jurisdiction (ETJ) of a municipality, the municipality's consent must be requested



Background

- February 13, 2002 – City Council consents to the creation of three Municipal Utility Districts in the city's ETJ southeast of Lake Ray Hubbard (Travis Ranch)
- October 8, 2003 – City Council consents to the creation of three Municipal Utility Districts in the city's ETJ north of Forney (Devonshire)



Current Requirements

- Development in the city's ETJ must be platted in accordance with city requirements.
- All infrastructure must meet city standards and is subject to city inspection.



Concerns

- Historically, the performance of MUDs have been inconsistent within Texas.
- Within the city, costs of local streets, as well as supporting infrastructure, are absorbed by developer into lot costs.
- Concerns with encouraging sprawl and effecting regional compliance with air quality standards.
- Concerns with the impact of future tax burdens on residents within MUDs.



Applicant's Response

- Without ability to finance roads through MUDs, costs of maintenance would fall to homeowners associations.
- Development will occur in ETJ. Ability to finance infrastructure through MUDs improves overall quality of development.
- Without such ability, developments in Dallas' ETJ will be at competitive disadvantage with similar developments.
- The State limits the amount of debt that can be issued by a MUD.



Next Step

Council consideration of a
resolution on December 13, 2006
City Council Agenda



Appendix I

General Questions on MUDs

- **What is a MUD?**

A Municipal Utility District (MUD) is a political subdivision of the State of Texas authorized by the Texas Commission of Environmental Quality (TCEQ) to provide water, sewage, drainage and other services within the MUD boundaries.
- **How is a MUD created?**

A majority of property owners in the proposed district petitions the Texas Commission of Environmental Quality to create a MUD. The TCEQ evaluates the petition, holds a public hearing, and grants or denies the petition. After approval, the TCEQ appoints five temporary members to the MUD's Board of Directors, until an election is called to elect permanent Board members, to confirm the MUD's creation, and to authorize bonds and taxing authority for bond repayment.
- **How does a MUD work?**

The publically elected Board of Directors manages and controls all of the affairs of the MUD subject to the continuing supervision of the Texas Commission of Environmental Quality. The Board establishes policies in the interest of its residents and utility customers. A MUD may adopt and enforce all necessary charges, fees and taxes in order to provide district facilities and service.
- **How do MUDs provide for parks, pools and recreation facilities?**

In addition to their common functions of water and wastewater service, MUDs are legally empowered to engage in conservation, irrigation, electrical generation, firefighting, solid waste collection and disposal, and recreational activities (such as parks, swimming pools, and sports courts). A MUD can provide for itself the recreational amenities that are approved by the Board of Directors and funded by the District.
- **What is a developer's responsibility to MUDs?**

Developers must petition the Texas Commission of Environmental Quality to create a MUD. Developers are prohibited from serving or placing employees, business associates, or family members on the MUD Board of Directors. Developers must pay for or put up a letter of credit equal to 30% of the cost of subdivision utilities. This requirement ensures against "fly-by-night operators" who are not committed to the success of the MUD. The "30% rule" also offers protection to MUD residents in the event that a subdivision is not built according to schedule. Unless they are voting residents within a MUD, developers have no authority or control over the MUD's Board of Directors. If they are voting members of a district, they have the same power to vote and attend Board meetings as any other resident.

