



MUDS Municipal Utility District



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What is a MUD and why do we have them?

A Municipal Utility District (MUD) is a political subdivision of the State of Texas authorized by the Texas Water Code (TWC) to provide water, sewage, drainage, and other services within the MUD boundaries.

During the 1970s, Austin voters defeated several bond issues intended to finance the extension of city services to new subdivisions. Without MUDs people would have to depend on wells and septic systems.

How is a MUD created?

A majority of property owners in a proposed district petition the Texas Water Commission to create a MUD. The TWC evaluates the petition, holds a public hearing, and grants or denies the petition. After approval, the TWC appoints five temporary members to the MUD's Board of Directors, until an election is called to elect permanent Board members, who then confirm the MUD's creation, and authorize bonds and taxing authority for bond repayment.

How does a MUD work?

The publicly elected Board of Directors manages and controls all of the affairs of the MUD, subject to the continuing supervision of the Texas Water Commission. 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.

Will my taxes be higher in a MUD?

Some older established MUDs around Austin have tax rates more than 22 percent lower than those of the City. MUD tax rates, like all property tax rates, vary according to property values and debt requirements. MUD rates generally decline over time as the MUD is built out and operating and debt service costs are shared by more homeowners.

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 Water Commission 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 percent 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 percent 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.

MUD Advantages?

- MUDs match those who benefit with those who pay.
- MUDs allow desirable land closer in to a city to be developed without having to depend on wells and septic tanks. They help safeguard the environment by maintaining environmental standards prescribed by the city and by the Texas Water Development Board.
- MUD Districts have greater flexibility than a city because residents have a more narrowly defined sense of neighborhood, a more common democracy of purpose and interest in their community, and the right to expand MUD services.

Servicing Travis, Williamson, Bastrop and Hays Counties

(Sample Mud Disclosure Form)

Notice to purchasers of real property

The real property, described below, which you are about to purchase, is located in the _____. The District has taxing authority separate from any other taxing authority, and may, subject to voter approval, issue an unlimited amount of bonds and levy an unlimited rate of tax in payment of such bonds. As of this date, the rate of taxes levied by the District on real property located in the District is \$_____ on each \$100 of assessed valuation. If the District has not levied taxes, the most recent projected rate of debt service tax, as of this date, is \$_____ on each \$100 of assessed valuation. The total amount of bonds which has been approved by the voters and which have been or may, at this date, be issued is \$_____, and the aggregate initial principal amounts of all bonds issued for one or more of the specified facilities of the District and payable in whole or in part from property taxes is \$_____.

The District has the authority to adopt and impose a standby fee on property in the District that has water, sewer, sanitary, or drainage facilities, or other services available but not connected and which does not have a house, building, or other improvement located thereon and does not substantially utilize the utility capacity available to the property. The District may exercise the authority without holding an election on the matter. As of this date, the amount of the standby fee is \$_____. An unpaid standby fee is a personal obligation of the person that owned the property at the time of imposition and is secured by a lien on the property. Any person may request a certificate from the District stating the amount, if any, of unpaid standby fees on a tract of property in the District.

The purpose of this District is to provide water, sewer, drainage, or flood control facilities and services within the District through the issuance of bonds payable in whole or in part from property taxes. The cost of these utility facilities is not included in the purchase price of your property, and these utility facilities are owned or to be owned by the district. The legal description of the property which you are acquiring is as follows:

Date: _____

Signature of Seller (s): _____

PURCHASER IS ADVISED THAT THE INFORMATION SHOWN ON THIS FORM IS SUBJECT TO CHANGE BY THE DISTRICT AT ANY TIME. THE DISTRICT ROUTINELY ESTABLISHES TAX RATES DURING THE MONTHS OF SEPTEMBER THROUGH DECEMBER OF EACH YEAR. EFFECTIVE FOR THE YEAR IN WHICH THE TAX RATES ARE APPROVED BY THE DISTRICT. PURCHASER IS ADVISED TO CONTACT THE DISTRICT TO DETERMINE THE STATUS OF ANY CURRENT OR PROPOSED CHANGES TO THE INFORMATION SHOWN ON THIS FORM.

The undersigned purchaser hereby acknowledges receipt of the foregoing notice at or prior to execution of a binding contract for the purchase of the real property described in such notice or at closing of the purchase of the real property.

Date: _____

Signature of Buyer (s): _____

State of Texas
County of Travis

This instrument was acknowledged before me on the ____ day of ____ 20____ by _____ and _____.

Notary Public, State of Texas