

# Municipal Utility Districts (MUD's)



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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.

## 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.

## 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.