

Briefing on Proposed Municipal Utility District (MUD) Policy

February 10, 2011

Late Backup

Purpose of Briefing

- Three district applications have been filed with the City since last fall
- Statutory changes have occurred since adoption of the last MUD policy in 1984
- Council adopted a PID policy as a preferred developer-financing option
 - But 2009 legislation limiting PID interest rates potentially affected PID bond marketability
 - So MUD financing may be more attractive for some developers
 - Council priorities expressed in the PID policy may be able to be imported to a MUD policy, but with different requirements relating to governance issues

Major Differences between PID and MUD

PID

- Geographical Area
- City Council issues bonds
- Cannot be created without City consent

MUD

- Governmental Entity
- MUD board issues bonds
- Can be created without City consent, through either special legislation or application to TCEQ

Council MUD Policy

- 1981 Ordinance
 - Provides mostly technical (non-policy) requirements related to District applications
- 1984 Resolution
 - Council will deny consent if City can provide service
 - City will take necessary action to oppose MUD if developer continues to seek MUD after Council's denial of consent to MUD creation

Drivers for Considering an Updated MUD Policy

- Statutes have significantly changed since 1984 MUD policy in favor of powers and authority of MUDs
 - MUDs now have ability to bond for parks and roads, enforce deed restrictions, dispose of solid waste, contract for law enforcement
 - TCEQ is required by law to approve creation of MUD, if certain findings are made, such as:
 - City did not enter contract to provide utility service
 - City placed unreasonable conditions or costs on utility service
 - City was unable or otherwise unwilling provide timely utility service

Drivers for Considering an Updated MUD Policy (cont'd)

- City recently received three applications for districts in its ETJ (2 MUDs, 1 MMD (Municipal Management District))

Components of Proposed MUD Policy

- Under certain conditions, MUDs may be able to provide extraordinary benefits to City similar to PIDs, such as:
 - Land use controls
 - Extension of City infrastructure; allowing City CIP funds to be used on other projects
 - Affordable housing
 - Environmental improvement
 - Improved public transportation facilities
 - Additional open space
 - Additional amenities

Components of Proposed MUD Policy (cont'd)

- Council would consider policy and procedure restrictions on MUD (via special legislation) such as:
 - Board organizational structure
 - Limit MUD board to issuing bonds and requiring homeowners association to contract for operation and maintenance of services and activities
 - Limitation of board member terms and per diems
 - Council-appointed representative on board
 - MUD could not operate until Council approved consent agreement
 - Comparable tax rate to City

Components of Proposed MUD Policy (cont'd)

- Case-by-case review
- City would take action to oppose MUD if developer continued to seek MUD after Council's denial of consent (continued from 1984 MUD policy)

Recommended Next Step

- Council considers proposed MUD policy resolution (February 17, 2011)