

Municipal Utility Districts (MUD)

What is a MUD?

A Municipal Utility District, or "MUD", is a political subdivision of the State of Texas operated by a publicly elected Board of Directors, which is created to provide infrastructure and services such as water, sewer, stormwater drainage in areas where city services are not available. MUDs are becoming more common.

- *Parker County: Morningstar*
- *Tarrant County: Viridian & Live Oak Creek & and new one coming soon...*
- *Harris County (Houston): Over 400 MUDs!*

How are the fees calculated?

MUDs are typically financed through the sale of revenue bonds, which are paid off by the taxes and user fees which are levied on residential and commercial property located in the MUD.

Does the MUD tax include my monthly water and sewer fees?

No, the MUD tax only pays for the cost of installing and operating the infrastructure, such as providing clean water and disposing of wastewater. Your monthly usage fee is billed just like any other utility bill.

How much is the MUD tax?

The tax rate varies by each MUD. For example, the Morningstar MUD tax rate for 2020 is \$1.00 per \$100 property valuation. For a \$300,000 home, that comes to \$3,000 per year. In comparison, the City of Fort Worth tax rate is \$0.7475 per \$100 property valuation. For the same \$300,000 home, that comes to \$2242 per year.

Are MUDs permanent?

As a community grows, MUD tax rates typically decline, as operating and debt service costs are shared by more homeowners. In some cases, such as when an area is annexed by a surrounding municipality, the MUD is dissolved. This most likely will not be considered by the municipality until all bonds are paid in full.

Why a MUD vs. City annexation?

It's easier and cost effective for cities to allow a MUD to carry the burden of financing and building the infrastructure that will most likely be incorporated into their city once the MUD bonds are paid off. Also, most cities do not provide city police and fire for MUD districts in their ETJ until they are annexed. This saves the city money. The MUD district residents typically rely on the Sherriff's Department and Emergency Service Districts for police and fire.

CITY OF FORT WORTH

The City of Fort Worth has a MUD policy for their ETJ.

The City of Fort Worth (the "City") wishes to allow the prudent use of political subdivisions that are created pursuant to Article III, Section 52, and/or Article XVI, Section 59, of the Texas Constitution and that are authorized by law to provide water, wastewater, drainage and other services ("districts"), in order to facilitate development within the City's corporate boundaries and extraterritorial jurisdiction that is generally consistent with the City's Comprehensive Plan. This policy is intended to be equitably applied to the creation of, inclusion of land within, and operation of all proposed districts, while allowing flexibility necessary to address unique factors that may arise with respect to each proposed district. Prior to considering whether to consent to or support the creation of a district, the City will consider whether the City is able to provide water and wastewater service to the area proposed to be included in the district and whether the City wishes to annex such area in the foreseeable future.

COFW MUD Policy: <https://www.fortworthtexas.gov/files/assets/public/water/documents/mudpolicy.pdf>

Title companies should notify residents at closing that they are in a MUD.