

ASSOCIATION OF WATER BOARD DIRECTORS - TEXAS

"Dedicated to the betterment of Texas water district operation and management through education and unification."

October 13, 2016

Dear AWBD Members and Friends,

Once again, the Houston Chronicle is falsely attacking MUDs and water districts. Wednesday's article, "Conservatives authorize huge debt while no one is looking," by Chris Tomlinson is largely a retread of Sunday's article by Drew and Harden... with one notable exception... a correction?

Growth Pays for Itself in MUDs

The Chronicle continues to assert that cities and counties should issue the bonds necessary to construct infrastructure and utilities for new growth and development. The Chronicle wants existing residents to foot the bill for new residents. Cities and counties with high rates of growth would be required to take on large amounts of debt and tax all of their taxpayers. This is not sound public policy.

MUDs allow growth to pay for itself. Only the residents in new subdivisions pay for the utility infrastructure they need. This allows the region to grow at no expense to existing taxpayers. The legislators in Austin who create and support MUDs understand this key concept. For your information we are providing you with "**Growth Pays for Itself in MUDs.**"

Businesses in MUDs

Wednesday's Chronicle article somehow concludes that MUDs are bad for businesses. This is not true. The Texas Association of Business (TAB), the state's largest and oldest business trade association, knows that MUDs are good for Texas and supports MUDs. TAB wrote a letter to the editor in response to the Chronicle's recent articles. A letter from TAB to AWBD is attached.

Both business owners and homeowners make informed decisions to buy property in MUDs. Tomlinson writes that "since Texas businesses pay 63 percent of the taxes in this state, they end up paying the most" [in MUD taxes]. This analysis is incorrect. Property taxes are paid by value. Commercial property in MUDs in the Houston Area is approximately 11.50% of the total property value in those MUDs. Growth pays for

itself in MUDs; therefore, all property owners, both commercial and residential, pay their share of the facilities that are built to serve their property.

MUD Residents are Knowledgeable and Informed

Without source or attribution, the *Chronicle* asserts: “Most Greater-Houston Region residents don’t know they live in a municipal utility district.” Once again, this is incorrect. The truth is in the attachment to this email, “**MUD Residents are Knowledgeable and Informed.**” Thankfully, state legislators believe in the ability of individual homeowners to be knowledgeable and informed consumers.

A (slight) correction?

On Monday, AWBD pointed out that the *Chronicle's* numbers about MUD bonds were wrong. Sunday’s headline was “Districts exercise sweeping powers: Backed by key GOP lawmakers, unchecked **MUDS have \$60B in debt.**” (Emphasis added.) Drew and Harden went on to write: “MUDs and other water districts **have to date issued** more than \$60 billion in outstanding...” (Emphasis added.)

This is entirely incorrect. The amount of bonds outstanding for Houston Area MUDs is \$9.4 billion. A statewide estimate of MUD bonds outstanding is approximately \$15 billion.

Today’s article appears to slightly correct Drew and Harden, but confuses the role of MUD and developer. Chris Tomlinson writes: “Yet these same lawmakers have quietly **granted** private real estate developers **legal authority to borrow more than \$60 billion** over the last 15 years...”

We guess the *Chronicle* is now saying that \$60 billion of bonds have been authorized by voters, not that \$60 billion of bonds have been issued and are outstanding. It’s hard to tell since they don’t explain. Regardless, it’s clear that the *Chronicle* doesn’t understand the difference between bonds that have been authorized and bonds that have been issued. The difference is critically important.

Furthermore, we know the truth that legislators are not granting authority to issue debt to developers. Legislators grant authority to issue bonds to MUDs, which are highly regulated local governments. Duly elected MUD boards of directors make the decisions to issue bonds that have been authorized by the voters. MUD boards determine the amount of the bonds and the timing of the issuance. MUD directors are elected by the voters and are accountable to their neighbors.

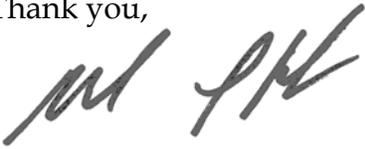
MUD bonds comprise only a small part of Texas local government debt. According to state data, local governments have approximately \$212.4 billion in outstanding debt.

MUD bonds outstanding of \$15 billion are only 7% of the total. To the extent people have issues with the amount of local government debt in Texas, those issues are not driven by MUDs.

If Texas is to continue to grow, utilities and roads must be added to the state in order to accommodate this growth. Using the MUD model, in which growth pays for itself, is the best way for the state to provide public infrastructure and grow.

Please share this information with your friends and neighbors. MUDs are good for Texas.

Thank you,

A handwritten signature in black ink, appearing to read "M Parks". The signature is written in a cursive, fluid style.

Michael Parks
President, AWBD