



# Issue: Special Purpose Districts MUDs, WCIDs & Hill Country Water Supply



*HCA is a passionate community caring for the unique features, spring-fed streams, heritage ranch lands, spectacular beauty and culture of the Texas Hill Country for the benefit of future generations.*

*The special districts covered by this issue paper are created legislatively or through a petition to the TCEQ, and have broad authority to collect taxes and incur debt with limited accountability. This paper is intended to broaden the knowledge of policy makers and the taxpayers who are affected by these districts.*

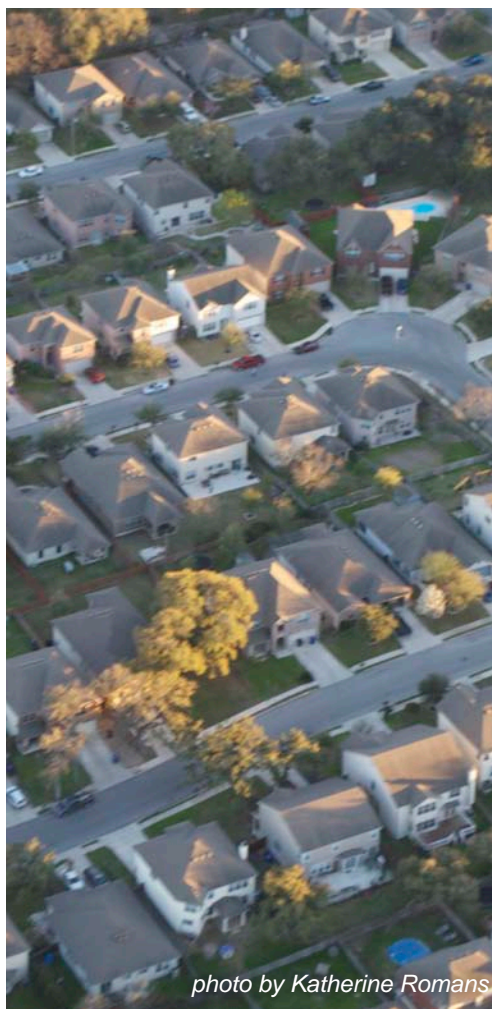


photo by Katherine Romans

## What is a special purpose district?

Special purpose districts are typically board-governed political subdivisions that are independent from general-purpose local governments. There are a wide range of special purpose districts in Texas, including independent school districts, hospital districts, river authorities, and water districts. The districts covered in this paper are water districts normally created to provide a specific service such as water, wastewater treatment, roads, or other infrastructure to a new development project.

The booming population growth of the Texas Hill Country frequently leads to development well outside of our region's cities. Often new developments are proposed in unincorporated areas of a county where there are few development restrictions, no land planning, and no implementable infrastructure plan in place. When cities are unable or unwilling to bear the financial burden of expanding infrastructure services to these areas, a

developer may propose a special district to meet demands created by the development.

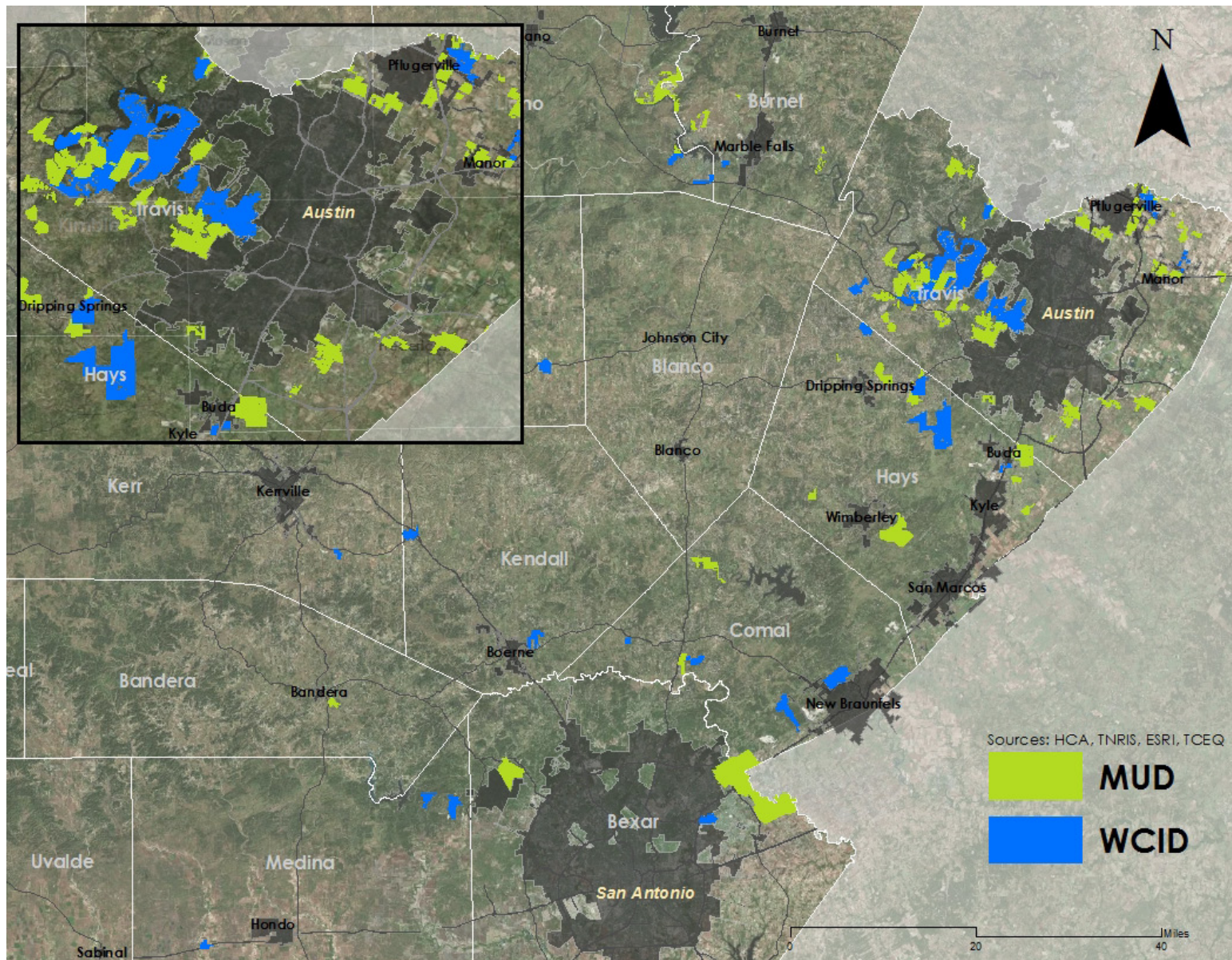
The most common special purpose water districts in the Hill Country are [Municipal Utility Districts \(MUDs\)](#) and [Water Control & Improvement Districts \(WCIDs\)](#). These districts typically have few limitations on tax and debt and may be granted a variety of powers— from the authority to issue bonds and levy taxes on incoming residents, to the power to condemn land and annex adjacent properties. Because these districts are created in areas with limited local governmental land use authority and no existing infrastructure, the high-density development enabled by the district may have significant impacts on water quantity and quality.



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# Special Purpose Districts of the Texas Hill Country: MUDs and WCIDs



Data regarding the size and number of special districts in Texas is difficult to find. According to the TCEQ, there are more than 140 MUDs and WCIDs in the Hill Country, covering more than 128,000 acres. Of those 140 special districts, 112 are located within 15 miles of Austin.

## PAIR OF VOTERS FORM MUD

In an example reported on in 2010 by the Dallas Morning News, a pair of voters— 18 and 24 years old, living in a mobile home on an undeveloped subdivision— voted to form a MUD and encumber future residents with **\$292.5 million** in bonds. Those same two voters named five men to be the first board of directors of the MUD.

A special provision in state law allowed the developer to canvas the election themselves, without local election officials.

## Special purpose water districts: How are they created?

There are two types of special purpose districts, “general law” districts and “special law districts.” MUDs and WCIDs in the Hill Country are typically special law districts created by the Texas Legislature. The legislation used to create each special law district defines what other laws and statutes apply. District creation bills are typically offered in the form of “local bills” that are seen as the concern of the local representative and rarely challenged at the legislature. These districts are often touted as providing huge economic benefits to host communities as job creators and tax

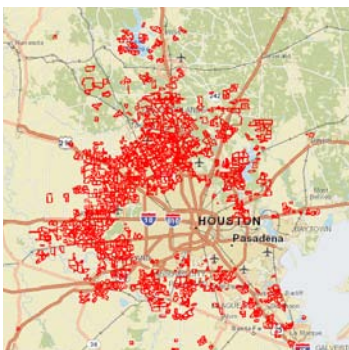
revenue generators. The reality is often much different.

In some instances, MUDs are approved in the legislature even when there is overwhelming local opposition. In 2013, the single owner of the 5,000 acre Needmore Ranch in Hays County was able to successfully lobby the passage of his MUD bill in the face of opposition by residents, city council members, and county commissioners. There are ongoing concerns about the potential for the MUD to drawdown the Trinity Aquifer, lowering the water table for everyone in the area.



# Challenges of these districts in the Hill Country?

- MUDs and WCIDs are often created in spite of clear and [overwhelming local opposition](#).
- MUDs and WCIDs are commonly requested only after a developer will [not accept reasonable limitations](#) placed on the development by city or county governments.
- MUDs and WCIDs are not obligated to participate in county planning or produce development plans for public review.
- Often the initial district board members are chosen by the developer. A handful, or even one single voter, could obligate all future residents to [significant local utility debt and taxes](#) for decades.
- In fact, no one in the general public really knows how much debt has been accumulated by these districts. The Texas Comptroller has called for common sense changes to increase the transparency of [rapidly mounting public debt](#).
- Infrastructure construction for these districts is designed to produce the most profit possible for the developer. Very often, these districts must be rescued with taxpayer money from their own [failing infrastructure](#) when municipal expansion reaches the district.
- The [fragmentation and development of rural areas](#) on a piecemeal basis can lead to haphazard and sub-standard infrastructure, leaving local residents to foot the bill long after the developer's profits have been banked.
- Unless the development has a substantial commercial component, the cost to area community's schools, roads, and emergency services can end up higher than these new property taxes will generate.
- Many MUDs and WCIDs have the [power of imminent domain](#) to condemn land both inside and outside their district boundaries for utilities, roads, and drainage ways— and can use their [annexation powers](#) with or without the blessings of the county.
- Finally, in many situations developers overestimate the acceptable development density rates and incorrectly [presume that water is plentiful and cheap](#). Very often, these districts are created and watered at the expense of rivers, springs, and longtime property owners' wells.



There are more than **2,100 special purpose water districts** around the state. The highest concentration of special districts is in the Houston metropolitan area, where there are more than 700. A screen shot from the TCEQ water districts map viewer shows the density of MUDs around the city's boundaries. Creating consensus on long-term mobility and infrastructure planning among such a diversity of governmental interests is difficult, at best.



photo by Milan J. Michalec

## As clear as MUD

Most specialty districts must follow state law- the Texas Open Meetings Act (OMA)— when it comes to when and how the board of directors meet. The OMA requires that significant actions of the district must result from the vote of a quorum of the district's directors in a properly posted meeting. That means directors must post a meeting notice in a place that is continually accessible to the public for at least 72 hours before the meeting, and the notice must state the date, hour, place and agenda of the board meeting.

Unfortunately, as the photos here demonstrate, some special districts are not particularly transparent in their posting of public meetings.

If you believe your district has violated the Open Meetings Act, contact your local county or district attorney.



photo by Milan J. Michalec

Special purpose water districts are required to comply with certain signage and posting rules. In some instances, signs are difficult to read or poorly placed.

# Know Your District: The Powers of MUDs and WCIDs

**Municipal Utility District.** MUDs engage in the supply of water, roads, irrigation, drainage, fire fighting, solid waste (garbage) collection and disposal, wastewater (sewage) treatment, and recreational facilities.

A MUD can require that its customers use its solid waste services as a condition for receiving other MUD services.

Some MUDs have the power of eminent domain and may condemn properties for the construction of roads, pipelines and other infrastructure, both inside and outside district boundaries. They may also levy operations and maintenance taxes, and may issue revenue bonds to pay for infrastructure.

**Water Control and Improvement District.** WCIDs have broad authority to supply and store water for domestic, commercial and industrial use; to operate sanitary wastewater systems; and to provide irrigation, drainage and water quality services.

Some WCIDs have the power of eminent domain and can condemn lands inside and outside their boundaries. WCIDs, like MUDs, may levy operation and maintenance taxes, charge service fees, own land, pass ordinances and operate facilities. WCIDs may also issue revenue bonds. They are typically created by the local county commissioner's court if they are contained in one county, or by the TCEQ if they cross county lines.

## Improvements to the special district approach

Growth is coming to the Hill Country and many other parts of the state, so finding a way to provide critical infrastructure and community services while maintaining transparency and limiting public debt is critical.

- **Oversight:** The right to apply for the creation of a special water district does not equal the right to receive one. Enhance participation and give a voice to those who are affected by proposed special districts, particularly neighboring municipalities and county officials.
- **Transparency of process:** Hold special districts to a higher standard of transparency and participation, and require all special law districts to present documentation identical to that required for general law districts.
- **Accountability:** enhance requirements for a full accounting of the debt taken on by special districts.
- **Record Keeping:** Improve our knowledge of the number, size, location, and powers of special districts throughout the Hill Country and the State.
- **Sustainability:** New special purpose districts, in order to be approved, should be required to demonstrate an ongoing and reliable water source far into the future of the development. Currently these districts can be approved with contracts for water supply for only 10-15 years, after which there is no guarantee of continued supply for residents.
- **Legislation:** Study mechanisms to curb the excessive use of MUDs and WCIDs in the Hill Country.

## What is HCA?

*The Hill Country Alliance is a nonprofit organization whose purpose is to raise public awareness and build community support around the need to preserve the natural resources and heritage of the Central Texas Hill Country. We create resources, conversations and forums for landowners, neighbors, elected officials and all concerned citizens.*



*Interested in staying connected to this and other land, water and scenic beauty issues in the Hill Country? Visit [www.hillcountryalliance.org](http://www.hillcountryalliance.org) and click "subscribe" to receive our weekly newsletter.*

*"As Texas becomes more urbanized, with real concerns about long-term water supply, waste disposal, and transportation, proposed special districts should be examined carefully before approval. Without integrated local planning among local governments, delivery of critical services may become more fractured, expensive and uncoordinated— with serious consequences for existing taxpayers, natural resources, and the quality of future growth."*

*— James McMeans, Citizens Alliance for Responsible Development, Hays County (HaysCARD)*



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