MUDs IN BLANCO COUNTY

COMMUNITY MEETING

TUESDAY, APRIL 6, 6-7PM
FREE - JOIN BY ZOOM OR IN PERSON

With growth, Blanco County is starting to see something new – Municipal Utility Districts (“MUDs”). MUDs can foster rapid subdivision development with severe impacts on our community’s finances, natural resources, and quality of life. Join us to learn more about this pressing matter from a panel of experts.

To attend via Zoom, go here:
https://tinyurl.com/BlancoMUD
Passcode: BlancoMUD

Or attend in person at the Gem of the Hills
2233 US-281, Blanco, TX
Tonight’s objective is to get more informed:
• What is a MUD, WCID, other Special Districts
• Why do they matter?
• What can we do to accentuate the positives and minimize the negatives?
Agenda:
• Milan Michalec – Intro to MUDs and WCIDs
• Council Member Deda Divine – Blanco MUD No. 1 update
• Lauren Ice – Best Practices for Communities
• Judge Kirsten Cohoon – Experience from Boerne
• Q&A
• Wrap up
MUDs and WCIDs

An Introduction

April 6, 2021
Introduction

Milan is:

- Logistics Analyst
- Cow Creek GCD
- Bay and Basin Committee
- Citizen
  - Public Information sources
  - Personal views
Overview

• Areas to cover
  – What’s a MUD/WCID
  – How they’re created
  – Public Notice
  – A Kendall County Experience
  – Water concerns
MUDs and WCIDs are...

• A category of special purpose government, includes
  – Independent School Districts
  – Emergency Services Districts
  – Groundwater Conservation Districts

• Reference paper: “Invisible Government: Special Purpose Districts in Texas” online at https://senate.texas.gov/_assets/srcpub/Spotlight_Special_Purpose_Districts.pdf
Invisible Government?

• Water Districts are the least visible
  – Typically, developers have drawn district boundaries to exclude all existing residents of an area, then moved the only voters into rent-free mobile homes shortly before elections. The newcomers sometimes move on soon after approving huge sales of government bonds for roads, water lines and sewer systems - which future homeowners are expected to pay for in taxes.

  – The state Natural Resource Conservation Commission is supposed to oversee the operation of all sorts of water districts, though its blessing wasn't needed for the North Texas ones to form. The agency, by its own account, does little with these districts beyond making sure required paperwork is filed and reviewing their finances before all proposed bond sales. The attorney general's office performs a similar evaluation.

  – Source: (Dallas Morning News, Government by developer, 06/10/2001)
What is a MUD?

• Municipal Utility District (MUD)
• Purpose: Provide services such as sewer, water and drainage to areas where city and county services are not available
  – Can also fund parks, street lighting, some roads and fire prevention facilities
• Infrastructure: Built in phases. Each phase funded by the developer
  – Developer reimbursed from the sale of tax-exempt bonds
  – Bonds paid by a property tax on property owners
  – Phases are built out, more bonds are sold. Cycle continues until full build out
• Example: Blanco County MUD No. 1
What is a WCID?

- **Water Control and Improvement District (WCID)**
- **Purpose:** Comparable to MUD, limited to water control and improvement
- **Infrastructure:** Built in phases. Each phase funded by the developer
  - Developer reimbursed from the sale of tax-exempt bonds
  - Bonds paid by a property tax on property owners
  - Phases are built out, more bonds are sold. Cycle continues until full build out

- **Example:** Kendall County WCID No. 1
  - Provides water and wastewater to Comfort
    - Created in 1946
    - Unincorporated area. No city government
Who Creates MUDs and WCIDs?

• Created three ways
  – County Commissioners Court
    • By petition of majority of landowners
  – Special Law at Legislature
    • Requires public notification
    • Requires “consent” of city
  – Texas Commission on Environmental Quality (TCEQ)
    • By petition of majority of landowners
    • May be created anyway if consent of city is denied
Steps of MUD Creation

A developer, a deal, a debt

Here's how a 519-acre retirement community near Richmond came into existence thanks to two temporary residents in a mobile home; millions in dollars from millions of dollars in special district bond sales and a Houston-area law firm.

1. In 2008, developer CW Richmond owns 519 acres of empty fields in rural Fort Bend County.
2. The developer hires a law firm to help set up a municipal utility district, or MUD.
3. Creation of a MUD requires a favorable vote by residents. The law firm recruits two new residents.
4. Joe and Clarie Williams are moved onto the property so they can vote for the MUD.
5. The Williamses' vote is successful, and MUD 187 is created.
6. The law firm is hired to represent the MUD.
7. The MUD sells $24 million in bonds to pay for roads, water, sewer lines, and other improvements.
8. As a result, the owner of a $130,000 home in Del Webb Sweetgrass now pays $1,260 in property taxes annually for debt service on the bonds.
9. The law firm is hired to represent a separate Levee Improvement District as well.
10. The LID sells $10.8 million in bonds, raising property taxes another $650 per year.
Mathews Ranch WCID No.1
Public Notification

NOTICE OF INTENT TO INTRODUCE LEGISLATION

This is to give notice of intent to introduce in the 87th Legislature, Regular Session, a bill to be entitled an Act relating to the creation of the Matthews Ranch Water Control and Improvement District No. 1 of Blanco County, a special district operating under Section 52, Article III, and Section 59, Article XVI, Texas Constitution and Chapters 49, 51 and 54, Texas Water Code, providing authority for the District to impose assessments, fees or taxes and issue bonds and granting a limited authority of eminent domain, affecting lands in Blanco County, Texas, being generally located within the Wm. Herwig Survey No. 50, Abstract No. 1391; Waco Manufacturing Company Survey No. 49, Abstract No. 739; Thomas Morgan Survey No. 200, Abstract No. 1062; Joe Casey Survey No. 413, Abstract 106; H Kelly Survey No. 33 and Thomas Morgan Survey No. 200, Abstract No. 1062; and Joel Casey Survey No. 413, Abstract No. 106, all in Blanco County. The costs for the publication of this notice were paid by Ross Martin, Winstead PC.

FEBRUARY 10, 2021
BLANCO COUNTY NEWS
Matthews Ranch WCID #1 of Blanco County

Source: Rough take from Blanco CAD
October 7, 2020

VIA EMAIL AND OVERNIGHT DELIVERY

City of Blanco
Attn: Ms. Laurie A. Cassidy
300 Pecan St.
Blanco, TX 78606

Re: Petition for Consent to the Creation of Blanco County Municipal Utility District No. 1

Dear Ms. Cassidy:

Enclosed for review by the City of Blanco please find the Original Petition for Consent to the Creation of a Municipal Utility District, with metes and bounds description of the property (the “Petition”).

If you have any questions regarding the enclosed Petition or if you need additional information, please call Ryan Harper at (512) 518-2431. Please let me know when this creation application will be processed and presented to City Council for approval.

Sincerely,

[Signature]

Linda F. Sotirakas
Legal Assistant

Enclosure
Blanco County MUD No.1

Infrastructure Cost
Waterworks/ Wastewater: $34,750,000
Roads:
$14,450,850
Total:
$49,450,850
Source: Petition, October 7, 2020

Density
Acres: 385+/-
Residential Lots: 1,094
Commercial Lots: 8
Parking Lots: 3
Total Lots: 1,105
Source: Memo, Mark Sparrow, July 17, 2020
The Development Agreement  
City of Boerne and WCID No. 3

A Water Control and Improvement District (WCID) is a political subdivision of the State of Texas, and is empowered to purchase, construct, operate, and maintain necessary improvements to provide water, wastewater, drainage and other services and improvements, such as roadways, not typically served by a municipality. Preliminary discussions between the City of Boerne and a potential developer of the Sandhill property, Boerne Park LLC, began in 2016, but were put on hold pending resolution of a viable water supply by the development. The Texas Legislature approved SB 1314 in 2017 creating Kendall County WCID No. 3 encompassing over 1,000 acres (the Boerne Park tract). On March 26th, 2019, an agreement was reached between the San Antonio Water System (SAWS) and WCID No. 3 to serve a 2,524 acre tract of the Boerne Park property. WCID No. 3 also reached an agreement with the Guadalupe-Blanco River Authority (GBRA) to serve the 3,594 acre tract beginning in 2018 when the GBRA's agreement expires. The City of Boerne granted consent to creation of WCID No. 3 on only 576.88 acres out of the 2,524 acre tract, and the City of Boerne consent must be requested in the future to create the District over the remainder of the property. In the 2019 Texas Legislative session, House Bill 2590 (or “WCID SB”) was modified to allow water control and improvement districts created by statute, such as Kendall County WCID No. 3, to use the Texas Local Government Code, Chapter 42 process through the Texas Commission on Environmental Quality (TCEQ) to create or form a WCID without consent from the local government. Once a viable water supply was secured by BoernePark, discussions between the City of Boerne and the developer started anew. At the same time, City staff, the Mayor and others reached out to our community partners, including Kendall County, the Boerne ISD and Cow Creek Groundwater Conservation District to gain their perspective as discussions continued. The stated goal of all involved, including representatives of BoernePark, has been to create a development agreement that achieves the best result for the Boerne community.

<table>
<thead>
<tr>
<th>Category</th>
<th>Development Agreement Major Points</th>
<th>Benefit</th>
</tr>
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<tbody>
<tr>
<td>Roadway and Mobility</td>
<td>Improvement to Vista Lane, Caney Road and Sand Loop Road based on updated Traffic Impact Analysis. City staff and County Engineer’s department inspections</td>
<td>Yes, developer will be required to make improvements based on Traffic Impact Analysis and new Proportionality Ordinance plus have agreed to additional improvements requested by the City Engineer’s office.</td>
</tr>
<tr>
<td>Water/Environmental</td>
<td>Will not access local groundwater supplies and agree to convey Cow Creek groundwater rights to the property to City of Boerne</td>
<td>Yes, potential new Sales Tax to City based on development on this site; 90% of development must be single-family housing.</td>
</tr>
<tr>
<td>Voluntary Annihilation after 15 years at City option</td>
<td>Yes, voluntary annihilation after 15 years at City option</td>
<td>Yes, potential new Sales Tax to City based on development on this site; 90% of development must be single-family housing.</td>
</tr>
<tr>
<td>Limited Purpose Acquisition of 42 acre commercial and multifamily area proposed by WCID No. 3 to allow collection of sales tax</td>
<td>Yes, limited purpose acquisition of 42 acre commercial and multifamily area proposed by WCID No. 3 to allow collection of sales tax.</td>
<td></td>
</tr>
<tr>
<td>Annexation</td>
<td>Expansion of CTI to include 100% of WCID No. 3</td>
<td>Yes, approx. 51,200,000 in additional annual revenue over 20 year period. This will equate to approximately $517,500 per year which can be utilized to other costs for Parks, Library, Streets, Police and Fire</td>
</tr>
<tr>
<td>School Outside City Limits</td>
<td>Designate a 12.4 acre site to be allocated for a school site.</td>
<td>Yes, City must purchase site at cost but a location has been reserved.</td>
</tr>
<tr>
<td>Development Incentives</td>
<td>For a 75% development incentive fee per house sold payable to City of Boerne.</td>
<td>Yes, approximately $5,190,000 in additional revenue over 20 year period. This will equate to approximately $517,500 per year which can be utilized to other costs for Parks, Library, Streets, Police and Fire</td>
</tr>
<tr>
<td>Natural Gas Service</td>
<td>City of Boerne will have exclusivity to serve gas to development—Approximately 1,200 residential customers plus 400 commercial and multifamily units.</td>
<td>Yes, City of Boerne will have exclusivity to serve gas to development. Approximately 1,200 residential customers plus 400 commercial and multifamily units.</td>
</tr>
<tr>
<td>Wastewater Treatment Service</td>
<td>City of Boerne to provide permanent wholesale service to the WCID No. 3.</td>
<td>Yes, developer to make payments in lieu of impact fees over accelerated 8 year period following execution of the development agreement. The City will receive $6.00/pal in first 5 years, City of Boerne joins development utilizing a new Wholesale Sewer Rate that applies to the revenue value of 1,600 UESI plus 25% of available city limits premium. City to construct add planned improvements from point of connection to wastewater treatment facility and expand the facility as needed to provide timely service to WCID No. 3. Accruement payments reduce current sewer customers. New development payments are collected as they enter the system. License to operate wastewater treatment facilities in City of Boerne are temporary or package treatment plant is planted discharging to Balcones Creek. Treatment Effluent from the Wastewater Treatment and Recycling Center can be used to offset usable water uses.</td>
</tr>
</tbody>
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<thead>
<tr>
<th>Development Distribution</th>
<th>Acreage</th>
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</thead>
<tbody>
<tr>
<td>Residential</td>
<td>11.95</td>
</tr>
<tr>
<td>Potential school site</td>
<td>5.90</td>
</tr>
<tr>
<td>Commercial/Multi Family</td>
<td>41.52</td>
</tr>
<tr>
<td>Total WCID No. 3</td>
<td>374.00</td>
</tr>
<tr>
<td>Density Projection</td>
<td>4.6</td>
</tr>
<tr>
<td>WCID No. 3 Original Acreage</td>
<td>1634.00</td>
</tr>
</tbody>
</table>
Evaluating Special Districts: Disadvantages

- Limited groundwater availability once was a barrier to high density development. Special districts have become problematic in trying to manage local development consistent with the characteristic low density and the corresponding low impact to natural resources. They can pose a significant negative environmental impact.

- The proposal to create a water district most often occurs after local government declines to alter subdivision development rules to accommodate the developer.

- Districts bypass and undermine these rules, rules used to limit density to protect natural resources, specifically intended to ensure sustained groundwater availability and protection of recharge from being degraded.

Source: Local Government in Texas: Special Districts Part I, Amy Glenn
Kendall County Wells

Registered: 395

Source: Works Public Administration, 1940

Registered: 8,507

Source: Cow Creek Groundwater Conservation District, 2020
Summary

• **Areas we covered**
  – What’s a MUD/WCID
  – How they’re created
  – Public Notice
  – A Kendall County Experience
  – Water concerns

• **What we learned**
  – Number one issue is lack of transparency
THANK YOU!

For more information visit
www.ccgcd.org
• BACK-UP SLIDES
Blanco County MUD No. 1

Source: Memo, Mark Sparrow, July 17, 2020
Blanco County MUD No.1

Source: Memo, Mark Sparrow, July 17, 2020
Aquifers Of Texas
Trinity Aquifer Rocks

Source: Al Broun, P.G., Hayes-Trinity GCD
Groundwater: Yours, Mine, Ours
Edwards-Trinity Aquifer System
Groundwater And Surface Water Connection (R. Green, Ph.D, P.G)

Other localities with river loss in the Edwards Aquifer Contributing Zone

Slade et al., 2002
The Trinity Aquifer

(Click image to play)
Groundwater Management Area 9
Relationships Along The Cibolo Impact to Our Desired Future

• Edwards-Plateau springs
• Boerne City Lake water
• Local Wells
• Boerne Wastewater Treatment Plants
• Recharge Features
• Density
• Future Water Demand and Availability
Cow Creek GCD History

• 1990 – The Texas Hill Country was designated as a Priority Groundwater Management Area (PGMA). This designation meant that within 25 years, the area would experience critical groundwater problems related to quantity and quality.

• 1999 – The Cow Creek GCD was created as a temporary District.

• 2001 – The Cow Creek GCD was ratified as a permanent District by the Texas Legislature, subject to voter approval.

• 2002 – In a confirmation election held on November 5, 2002, Kendall County voters approved the creation of the District and elected five Directors to the Board of Directors.
Rule of Capture Modified