

# MUDs spur new development

State law provides for the establishment of Municipal Utility Districts (MUDs). If the city cannot reasonably offer to extend utilities within a 6 month period of time, then the city is required to allow the developer to form a MUD. The city is given 120 days in which to negotiate a MUD contract with the developer, although Austin and the developer typically agree to a 30 day extension.

If the City Council refuses to grant a MUD, then the developer can appeal to the Texas Board of Water Resources, where the application for a MUD is typically granted. Under these circumstances, it is in the city's best interest to negotiate as many agreements with the developer as possible. Since the MUD is a quasi-governmental body, it does not have to abide by ordinances passed by the city, but the City of Austin asks developers to agree by contract to be governed by Austin laws. If they are within 5 miles of Austin's city limits, the city can negotiate with MUDs over density, land use and amenities for MUD residents. Recent contracts negotiated by the city require builders to meet city building codes and to agree to city building inspections.

## Competitive advantage

Once a MUD is established, a developer can sell tax-exempt bonds to pay for lawyers, engineers, utility construction, administration, etc. The homebuyer in a MUD pays a monthly surcharge to pay for utility construction and operating costs of the MUD. The 120 day review time and the cheaper money give MUD developers significant competitive advantages over developers who go through the standard approach main and subdivision process.

## Extra cost

While MUDs can be a financial boon for

developers, they can cost the city millions of extra dollars, according to a study completed in July by the city Budget and Management Department. The study warned that if the city approved the South Central, Maple Run and South Austin MUDs (then pending), it could cost Austin ratepayers as much as \$100 million more than the cost of annexation. In addition, the City of Austin could lose more than \$35 million in property taxes over a 6-year period by its failure to annex the property.

Half of the new connections to Austin's water and sewer lines in the next 5 years will be inside MUDs, according to city budget director Frank Rodriguez, thus eroding Austin's tax base.

When the city is required to extend its utility lines out to a MUD, the city may choose to enlarge the lines so land around the MUD can be served, as well. Thus the city enters into a joint venture with the developer to pay a share of the costs. Under this arrangement, the developer hires the attorneys, the engineers, etc. and the city must pay a portion of their fees. These fees are generally much more costly than work done by staff engineers and attorneys.

Rather than build a 24-inch diameter water line to serve NPC's 640-acre MUD, the city water staff proposed enlarging the size, adding a 20-million gallon water reservoir to the project, plus improvements to a pump station. The cost jumped from \$4.2 million to \$25.3 million.

City finance director Phil Scheps negotiated lower fees for NPC's lawyers, saving

the city \$1.7 million. But the fees Austin agreed to pay NPC's attorneys will still cost 10 times what the work would have cost if the city's own experts had done it, according to figures from Scheps' office.

## Duplication of services

An additional set of financial advisors and bond counselors are required when MUD bonds are to be sold. Austin's advisors are still required to assure that the public's interests are fully protected. And the MUD is required to retain financial counselors. If Austin had extended utilities to the North Central Austin MUD through revenue bonds rather than through MUD bonds, "administrative fees alone would have been \$55,000 rather than \$412,000," according to the budget department study. "Rate payers would have saved over \$350,000."

MUDs require a duplication of services for residents: fire and police protection, administrative costs, etc. In addition, MUD-issued bonds carry a higher interest rate than city-sold bonds, usually from one-fourth to three-quarter of a percent higher. And under the joint venture arrangement, the city is obligated to pay the higher interest rate for its share of utility costs.

The city budget study recounts numerous "negative cash flow" scenarios created by the onset of MUDs. Ironically, the high cost of MUDs will leave Austin in a weak position to extend services through annexation, when the city is already financially strained to provide adequate service to those presently inside the city limits.

## 'Eternal vigilance' (from Page 1)

expansion of Travis Country (east of Oak Hill) would comply with the Barton Creek Watershed Ordinance. (Thus far achieved.)

- Resisted the formation of three Municipal Utility Districts in Southwest Austin. NPC's South Central Austin Growth Corridor MUD #1 (327 acres) and Milburn's Maple Run at Austin MUD (600 acres), have been approved by City Council. NPC's South Austin MUD #1 (600 acres) has just received Planning Commission approval and appears to be headed for Council approval.

- Worked to establish a photographic and educational exhibit on Barton Springs and the Edwards Aquifer in the old glassed-in ticket office at Barton Springs. Tentative plans call for the exhibit to include information on the history, geology, hydrology, archeology, biota and fauna of the area. (This project is currently on hold.)

- Worked to strengthen the environmental controls in the Williamson Creek Watershed Ordinance and the Slaughter, Bear, Little Bear, and Onion Creek watershed ordinances. These ordinances are not as environmentally protective as the Barton Creek

ordinance. (Ongoing project)


- Resisted a proposal to put two more bridges across Barton Creek above the Lost Creek subdivision. That proposal was a part of the preliminary Barton Diamond Roadway Study, which focused on the area between U.S. 290, Bee Caves Road and State Highway 71. (A continuing project)

In addition to these and many other projects in which Save Barton Creek Association was active during the past year, the group saw many other projects come to fruition due to activities in prior years. Among these were the following:

- ✓ The city located several leaking sewer lines near Barton Springs pool. The repair of these lines eliminated the need for closing the pool after heavy rains due to high fecal bacteria levels.

- ✓ The City Council passed a Site Development Ordinance for development in Barton Creek. This ordinance is similar to the Barton Creek Watershed Ordinance but contains control provisions for the construction phase of commercial projects.

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