



**Harris County MUD 188** (the “District”) is a Municipal Utility District (a “MUD”), created by the Texas Legislature on March 11, 1980. The District is a special purpose district, which is managed by an elected five-member Board of Directors (the “Board”). The Board holds public meetings once a month to manage and conduct the business of the District.

The District is responsible for providing water, sanitary sewer, and drainage infrastructure, as well as parks, to serve property within its boundaries. To maintain the quality of our water and sewer service and infrastructure, the District is hosting a bond election this May to provide funding for critical rehabilitation and replacement in the coming years.

## **Critical Repairs Needed:**

The proposed water, wastewater, storm sewer and drainage bonds in the amount of \$41,880,000 are intended to finance the construction costs and engineering fees required for rehabilitation and replacement of the public utilities that serve the residential and commercial properties within the District. This includes improvements to the water plants, wastewater treatment plant, water and sewer lines, lift stations, and detention pond.

## **The Process: Authorizing and Issuing Bonds**

### **Step 1: Authorize the Bonds**

Bond Authorization = The legal permission from the voters to borrow from a “credit line” over time, up to the limit set by a bond election.

Before issuing bonds, a MUD must get authorization from the voters within the District by holding a bond election (i.e. a bond authorization).

A bond authorization approves the sale of bonds to fund District projects, similar to a line of credit that a business might use to fund its projects. A bond authorization is not immediate funding, nor is it a “blank check” to fund the entire amount of the authorization.

While the sum of a bond authorization may be larger than what is immediately necessary, bonds may only be sold (i.e. issued as described in Step 2 below) once necessary rehabilitation projects are ready to begin or as needed for facility replacement.

### **Step 2: Issue the Bonds**

Bond Issuance = a portion of the authorized funds are “borrowed” by the District, as needed, to fund specific projects, which must be approved by the State.

Voter approval by way of a bond election grants the District the option, but not the obligation, to issue tax-supported bonds. No additional taxes are levied from authorization alone; the bonds must be issued following state review and authorization based on necessity before taxes must be levied to support the bonds.

Take a Closer Look at Funding Options:

Tax Supported Bonds vs Water & Sewer Rates	
Spread costs over the largest base and longest time period, resulting in lower immediate costs.	Generally requires significantly higher rates due to immediate need for funds.

EXAMPLE: \$5.0MM PROJECT Funding Options			
Tax Supported Bonds		Water & Sewer Rates Only (No Bonds)	
Capital Funding Method:	Bond Sales	Capital Funding Method:	Monthly water & sewer bills
Property Tax Impact:	Remains at current rate	Property Tax Impact:	Remains at current rate
Average cost per home:	\$250/year No change from current rate	Average cost per home:	\$6,250
Repaid by:	Current & future residents share the cost and reduce its impact	Repaid by:	Current residents only
Repayment Timeline:	30 years	Repayment Timeline:	Immediate