A Trip to the MUD SPA:

Limitations and Additions to MUD Funding Sources Under Strategic Partnership Agreements

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Compared to cities, MUD powers are relatively constrained:

Sec. 54.201. POWERS. (a) A district shall have the functions, powers, authority, rights, and duties which will permit accomplishment of the purposes for which it was created.

(b) A district is authorized to purchase, construct, acquire, own, operate, maintain, repair, improve, or extend inside and outside its boundaries any and all works, improvements, facilities, plants, equipment, and appliances necessary to accomplish the purposes of the district authorized by the constitution, this code, or other law, including all works, improvements, facilities, plants, equipment, and appliances incident, helpful, or necessary to:

(1) supply water for municipal uses, domestic uses, power, and commercial purposes and all other beneficial uses or controls;

(2) collect, transport, process, dispose of, and control all domestic, industrial, or communal wastes whether in fluid, solid, or composite state;

(3) gather, conduct, divert, and control local storm water or other local harmful excesses of water in a district;

(4) irrigate the land in a district;

(5) alter land elevation in a district where it is needed;

(6) navigate coastal and inland waters of the district; and

(7) provide parks and recreational facilities for the inhabitants in the district, subject to the provisions of Chapter 49.

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Funding sources are correspondingly small:

- Bonds issued under 54.501, et seq. must be secured by levying "…a continuing direct annual ad valorem tax for each year while all or part of the bonds are outstanding on all taxable property within the district in sufficient amount to pay the interest on the bonds … and to pay the expenses of assessing and collecting the taxes." Water Code § 54.601.
- Ad valorem taxes can include amounts for M&O, *if authorized:*

  (b) In determining the actual rate to be levied in each year, the board shall consider among other things:

  (1) the amount which should be levied for maintenance and operation purposes, if a maintenance tax has been authorized;

  (2) the amount which should be levied for the payment of principal, interest, and redemption price of each series of bonds or notes payable in whole or in part from taxes;

  (3) the amount which should be levied for the purpose of paying all other contractual obligations of the district payable in whole or in part from taxes; and

  (4) the percentage of anticipated tax collections and the cost of collecting the taxes.

  Water Code § 54.602.

MUDs don't receive sales tax revenue, because, historically, they have not had any commercial activity on which to collect sales taxes.

… until they entered the SPA(s).

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