

**STAFF BACKGROUND MEMO
FOR
BOND ELECTION, NOVEMBER 2, 2021**

Overview

Mason Creek Utility District has called a November 2, 2021 election for \$50,900,000 of tax bonds to provide funds over the next 15-20 years to repair, replace and renovate the District's aging water/sewer System. Because the System is more than 50 years old, failures and unscheduled repairs are becoming larger and more frequent. Replacements and renovation are needed. See further discussion of the state of the District's water/sewer System, with photos, below.

Sources of Funds

The plan is to sell the Bonds in increments over the next 15-20 years, in phase with projects for repairs, replacements and renovations and subject to approval by regulatory authorities. There would not be any monetary liability until Bonds are sold. After Bonds are sold, they would be paid by annual ad valorem taxes (water district taxes) assessed against all (residential and commercial) taxable property within the District.

Another possible source for the necessary funds would be issuance of revenue bonds (no election required). However, revenue bonds would require higher interest rates, because they cannot be backed by taxes--they can only be backed by revenues from water and sewer payments. Also, using revenue bonds instead of tax bonds would shift a disproportionate part of the costs onto single-family homes (single-family homes bear an estimated 85% of water/sewer revenues vs. an estimated 70% of taxes). Increased water/sewer rates, to pay for revenue bonds, could range from \$20 to \$120 per month.

The Election

Harris County is conducting the election jointly for statewide voting on constitutional amendments and for local officers and measures, including the Bonds. Voters can use any of the Harris County polling locations. For locations, polling hours, voting by mail and other County voting information, visit <https://harrisvotes.com/VotingInfo?lang=en-US>. For early voting (October 18 through October 29), the closest County polling location to the District is:

Hampton Inn and Suites Houston Katy – Empire Room
22055 Katy Fwy
Katy, TX 77450.

On election day (November 2), the closest County polling locations are:

Saint Peters United Methodist Church – Fellowship Hall
20775 Kingsland Boulevard
Katy, TX 77450; and

Kingsland Baptist Church – Chapel
20555 Kingsland Boulevard
Houston, TX 77450

HCPL Maud Smith Marks Branch Library – Meeting Room
1815 Westgreen Boulevard
Katy, TX 77450

History of Bonds

Voters within the District have authorized \$21,999,000 bonds at four separate elections since 1972, the most recent being the \$7,500,000 authorized in 1993. Since the 1993 election, the District's taxable values have increased from \$255 million to \$705 million while the tax rate dropped from 60.275 cents to 33.6 cents (proposed rate for 2021).

Board of Directors

The Board of Directors, elected every other year with staggered terms, has as its primary responsibility, the maintenance and operation of the System. Each Director must reside within the District and/or own property within the District. Therefore, all Directors are keenly aware of the effects of tax rates and water-sewer rates. They have to pay them like everyone else.

Effect of Bond Issuance

As repairs, replacements and rehabilitation projects are required, portions of the voted Bonds would be issued. Over the last decade, the growth in the District's taxable values has been sufficient to offset any significant change in tax rates after issuance of additional debt. Since 1999, the tax rate has ranged from 32.3 cents to 33.6 cents (proposed rate for 2021). Future tax rate levels are dependent on the amount and timing of any bond sales and future taxable values, but as homeowners within the District, the Board members are sensitive to the impact of tax rates.

State of the District's Water/Sewer System

The District's water/sewer System is getting older, exceeding its expected useful life, and it needs repairs, replacements and rehabilitation. Although Harris County owns and maintains the storm sewer system within the District, some drainage work may also be necessary, as determined on a project-by-project basis.

Figures, 1, 2 and 3, below, are photos taken from video recordings made inside sanitary sewer lines. and they show existing conditions that can cause sewer lines to fail. If planned repairs, replacements and rehabilitation are not done, more failures in water distribution and sewer lines could occur (and disrupt service). The areas of the District in need of repairs, replacements, and rehabilitation are located in Nottingham Country, Section 1, Section 2, Section 3, Section 4, Section 6, Section 7, Section 8 and Section 9.



Figure 1. Photo of the interior of sanitary line displaying exposed aggregate.



Figure 2. Photo of the interior of sanitary line displaying service line connection with roots and infiltration.



Figure 3. Photo of the interior of sanitary sewer pipe showing degradation down the line and gasket failure.