



AWBD New
Director Workshop:
DIRECTORS - 101

ASSOCIATION OF WATER BOARD DIRECTORS - TX: **WATER DISTRICT FINANCE & TAXATION 101**



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DAVID PATTERSON, RTA – ASSESSMENTS OF THE SOUTHWEST

AGENDA



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- WHO'S INVOLVED: OPERATOR, BOOKKEEPER/ACCOUNTANT, FINANCIAL ADVISOR, TAX COLLECTOR/ASSESSOR, AND AUDITOR
- TAX RATE, TYPES, CALENDARS, AND EXEMPTIONS
- BILLING, SERVICE, AND SUSPENSION OF SERVICE
- ACCOUNTING STANDARDS & AUDITS
- LUNCH BREAK

Financial Advisor:

- LICENSED MUNICIPAL ADVISOR. WE ARE A FIDUCIARY TO THE DISTRICT.
- ASSIST IN IMPLEMENTING A LONG-TERM FINANCING PLAN – FROM CREATION, TO ELECTIONS, TO BOND ISSUANCE AND REFINANCING
- RECOMMENDS TAX RATES ANNUALLY SUFFICIENT TO MAKE SEMI-ANNUAL DEBT SERVICE PAYMENTS
- ASSIST IN THE PREPARATION OF ANNEXATION
- PREPARES EXEMPTION ANALYSIS (RESIDENTIAL) HOMESTEAD AND OVER 65 OR DISABLED
- MONITORS FINANCIAL CONDITION AND ASSIST DISTRICTS WITH ANNUAL DISCLOSURE REQUIREMENTS, RATING REVIEW, AND OPERATING BUDGET REVIEW
- FEASIBILITY STUDIES AS NECESSARY REGARDING NEW DEVELOPMENT WITHIN THE DISTRICT

The Bond Issuance Process- The Directors' Role

How Much Can We Afford?

- Authorize Filing of Bond Application
- Approve Preliminary Official Statement and Notice of Sale
- Review Bids and Award Sale of Bonds
- Authorize Disbursement of Proceeds Upon Closing

Bid Results

Harris Co MUD #504 \$15,000,000 Unlimited Tax Bonds, Series 2021

The following bids were submitted using **PARITY**[®] and displayed ranked by lowest NIC.
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	NIC
<input type="checkbox"/>	Robert W. Baird & Co., Inc.	2.358485
<input type="checkbox"/>	BofA Securities	2.373883
<input type="checkbox"/>	HilltopSecurities	2.379860
<input type="checkbox"/>	SAMCO Capital Markets	2.382493
<input type="checkbox"/>	UMB Bank, N.A.	2.395525

*Awarding the Bonds to a specific bidder will provide you with the Reoffering Prices and Yields.

Tax Assessor / Collector:

- Send Tax Statements to District Taxpayers
- Collect Tax Levy from District Taxpayers and Transfer Funds to District Bookkeeper
- Pay Bills from Tax Fund for Tax Related Items
(Tax A/C Billing, CAD Billing, Value Reduction Refunds, etc.)
- Provide Monthly Reports on Tax Fund Activity
- Provide Delinquent Taxpayer Reports
- Provide information to Delinquent Tax Attorney and work with them on collection of delinquent taxes
- Work with other consultants on bond issues or other district needs
(budgets, etc.)

Transparency Requirements

- **Tax Code Section 26.16:** Provide TNT worksheet and 5 years of tax information to County Tax Office
- **Tax Code Section 26.17:** Provide contact email, phone number, and tax rate hearing publication to CAD
- **Tax Code Section 26.18:** Provide director names, budgets, tax rate history, audits on a website

Senate Bill 2 from 86th Session

DEVELOPED DISTRICT



Can raise average tax bill
3.5% over previous year

If greater than 3.5% then...

Rollback Election **MUST** be
called prior to levying the
tax



DEVELOPING DISTRICT

Can raise average tax bill 8%
over previous year

If greater than 8% then...

Rollback Election **MUST** be
called IF the voters petition



Tax Bill increase Calculation is based on TOTAL Tax Rate
Only Maintenance Tax Rate is subject to rollback

Tax Rate Types

- Debt Service (I&S) – Used to pay bond payments on outstanding bonds
- Maintenance/ Operating (M&O) – Used to help fund District operations
- Contract – Used to pay debts funded by contract between the District and other parties
- Road – Used to pay bond payments for road bonds
- Park – Used to pay bond payments on park bonds

Tax Rates – Managing Cash Flow and Determining Rates

Maintenance Tax Rate Analysis

General Fund Balance as of 7/20/21	\$	2,773,393
Annual Expenses from Current Budget	\$	1,166,175
Operating Fund Coverage		238%
Budgeted Surplus	\$	170,325
FY 8/31/22 Budgeted Maintenance Tax Revenue	\$	625,000
2021 Projected Maintenance Tax Revenue (@99% collections)		

<u>2021 Certified Value</u>		<u>Maintenance Tax Rate</u>		Surplus
\$ 192,748,622	X	\$0.350	\$667,874	\$213,199

Tax Rates – Managing Cash Flow and Determining Rates

Effect of Total Tax Rate

2021 AVG Home Value

\$ 319,236.00

2021 AVG Bill @\$0.99

\$ 3,160.44

2022 AVG Home Value

\$ 324,162.00

2022 AVG Bill @\$0.97

\$ 3,144.37

-\$16.07

Percentage of Tax Bill Change

-0.51%

Tax Calendar

- **January 1** - CAD appraises property
- **April/May** - District receives preliminary roll
- **May 31** - Last day for Value Challenges
- **June 30** - Last day to set Exemptions
- **July 25** - CAD certifies roll to District
- **Aug/Sept** - District publishes tax rate
- **Sept/Oct** - District sets tax rate
- **Oct/Nov** - District mails tax bills
- **January 31** - Taxes due
- **February 1** - Taxes become delinquent

Appraisal Calendar

- **January 1** - CAD appraises property
- **May 15**
 - CAD sends appraisal notices
 - CAD provides preliminary roll to tax unit
 - CAD submits records to ARB
- **May 31** - Last day for taxpayer protest
(or 30 days after receiving notice)
- **July 25** - CAD certifies roll to District
(exception: HCAD which is August)

Types of Exemptions

- Residential Homestead (Opt) – up to 20% with \$5,000 minimum
- Over 65 (Opt) – minimum \$3,000, no maximum
- Disabled Person (Opt) – minimum \$3,000, no maximum
- Disabled Veteran (Mandatory) – based on percentage of disability.
100% disability results in total exemption of property
- Fully Exempt Property – owned by tax exempt entities
- < \$2500 Value – property valued at less than \$2500



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AUDITOR RESPONSIBILITIES

- Conduct audit of financial statements
- Conduct agreed-upon procedures engagements

Audit

TCEQ Rules govern when, and if, an audit is required

What does your auditor do during the audit?

- Evaluation of internal controls
- Audit procedures on material account balances
- Assist in the preparation of your financial statements
- Required internal review of work papers
- Issue audit opinion on financial statements
- Issue Management Letter

Accounting Rules

- Generally Accepted Accounting Principles (GAAP)
- Government Accounting Standards Board (GASB)
- Texas Commission on Environmental Quality (TCEQ)
- Modified Accrual Method

Agreed-upon Procedures

Required by the TCEQ when reimbursing developers

Procedures include:

- Review of supporting documentation (invoices and proof of payment)
- Review of TCEQ approval letter
- Recalculation of interest owed to the developers

Preparation of reimbursement report

Required internal review of agreed-upon procedures workpapers

Ongoing Activities

Compliance and Growth

- Continuing Disclosure
- Annual Audit Review
- Capital Improvement Plans
- New Development and Annexation Feasibility Studies
- Elections
- Property Tax Exemption Analysis

Management of Debt: Information for You

A Financially Strong District – The Vitals

- Assessed Valuation
- Debt Burden
- Reserve Balances in Debt Service Fund and General Fund
- Tax Rate and Collection History



Customer Service & Billing

- 24-hour Dispatch and Repairs
- Meter reading
- Water Bill Generation
- Provide Various Payment Options to Customers
- Water Service Termination
- Process service transfers, service agreements and returned checks



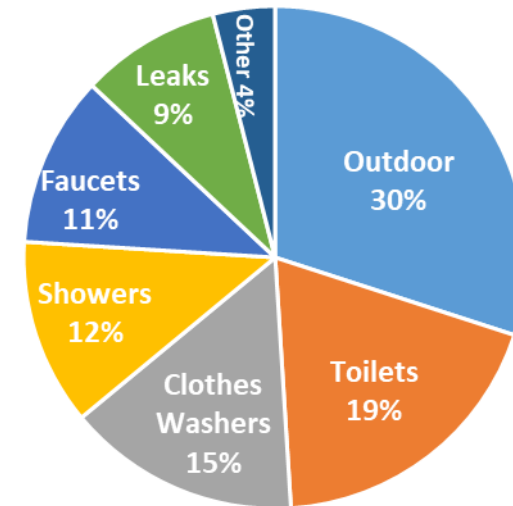
1 MAKE CHECK PAYABLE TO: FORT BEND MUD 2 PO BOX 3150 DEPT 30445 HOUSTON TX 77253-3150	SERVICE ADDRESS 12345 STREET		2 ACCOUNT NUMBER 30445-0490123400
	SERVICE PERIOD FROM 09/04/18 TO 10/03/18	BILLING DATE 10/11/18	
3 READ DATE(W) 10/03/18 METER NUM. 12345678 PRES. READ 772.0 PREV. READ 769.0 3 TOTAL GALLONS 3.0	4 TOTAL GALLONS 		DESCRIPTION AMOUNT BALANCE FORWARD 60.99 PAYMENT 10/02 -60.99 WATER 25.50 SEWER 30.45 NFBWA 12.54 THIS MONTH 68.49
			8 68.49
PENALTY AMOUNT 6.84		PAY THIS AMOUNT AFTER 11/04/2018 9 75.33	
1 LAST NAME, FIRST NAME			
11 24-Hr Repair 281-290-6503 Billing Questions 281-290-6507 Toll Free 1-855-290-6371 Pay-By-Phone 1-855-337-5419 For more information visit: mdswater.com WCA Waste Corp 281-368-8397		10 Unlike the sewer system, which carries water from your indoor drains to wastewater treatment plants, the storm drain system releases untreated water into channels, streams and rivers. Everyone's help is needed to keep the storm drains free of harmful pollutants such as grass clippings, motor oil, paint and chemicals. FINES will be imposed upon anyone dumping into the storm system. Garbage update: Please remove trash cans and bins out of the street by the end of each collection day. Thank you for keeping our streets safer! BOARD MEETINGS: 4th Tuesday of each month at 8:30AM at the HOA Recreation Center Club House, 10322 Old Towne. Visit us at www.fortbendmud2.org SECURITY PATROL 713-504-1978 EMERGENCIES call 911	
12 IF YOUR MAILING ADDRESS HAS CHANGED PLEASE CORRECT PLEASE RETURN BOTTOM PORTION WITH PAYMENT			
FORT BEND MUD 2 P O BOX 1827 CYPRESS TX 77410 PHONE NO. (281) 290-6507		MDS Account Number 30445-0490123400 Service Address 12345 STREET 3150 CheckFreePay Agent: Central MUD is biller	
8 68.49 ON OR BEFORE DUE DATE	11/04/2018 DUE DATE	13 75.33 AFTER DUE DATE	9 AMOUNT PAID
LAST NAME, FIRST NAME 12345 STREET SUGAR LAND TX 77498-1234		P O BOX 3150 DEPT 30445 HOUSTON TX 77253-3150	
30445049011400000000684900000753300000684904			

Payment Coupon

Builder Services & Inspections

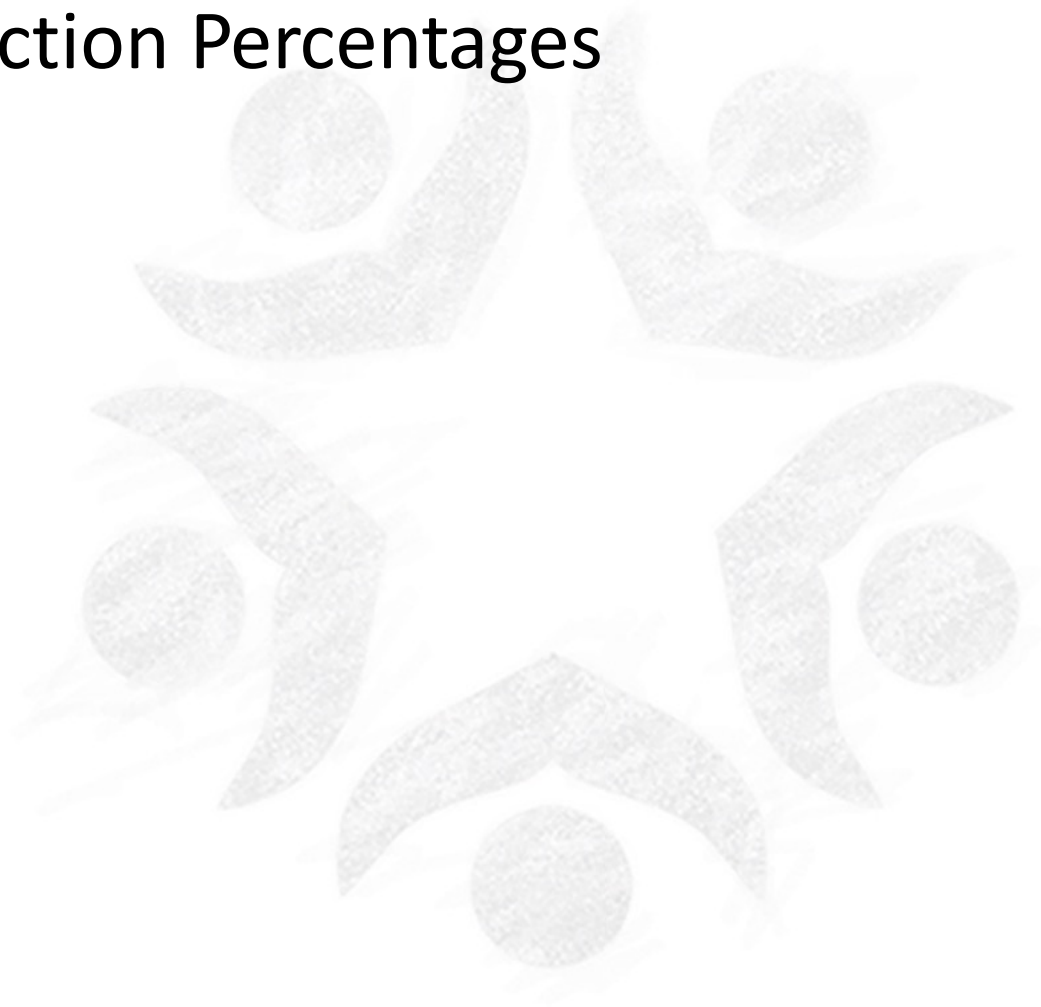
- Tap installations
 - Residential
 - Commercial
 - Plan Review
- Inspections
 - Sanitary Sewer Inspections
 - Customer Service Inspections
 - Backflow Prevention Device Inspection
 - Grease-trap Inspections
 - Facility Inspections
 - Swimming Pool Inspections
 - Storm Sewer Inspections

Water Use



Take Aways ...

Tax - Watch Collection Percentages





AGENDA: NEXT UP

1. WELCOME
2. WATER DISTRICT CREATION
3. COFFEE BREAK
4. WATER DISTRICT OPERATION & ADMINISTRATION
5. COFFEE BREAK
6. WATER DISTRICT FINANCE & TAXATION
7. LUNCH SERVICE
8. WATER DISTRICT ETHICS
9. WATER DISTRICT MEETINGS & COMMUNICATIONS
10. TEA BREAK
11. WATER DISTRICT INNOVATION

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