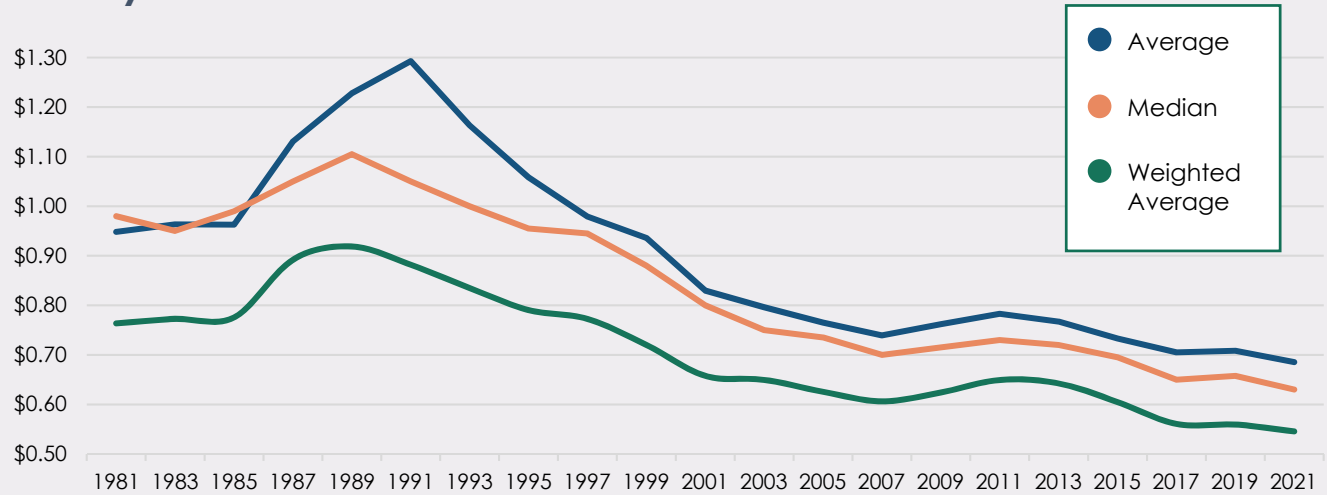


The Truth About MUD Taxes

History of Tax Rates: Houston Area MUDs 1981-2021



Key Highlights

MUD tax rates start at the highest rate & decline dramatically over time resulting in declining tax bills to homeowners

Why? As MUD bonds are paid off & infrastructure, homes and businesses are built on what was undeveloped land, tax rates and bills decline.

The data proves that MUD tax rates go down significantly over time. **This is NOT true of most other forms of government.**

The weighted average of MUD and other Water District tax rates in the Greater Houston Area has declined significantly over the last three decades.

Why use weighted average?

The weighted average tax rate is weighted by the taxable values in each of the districts for each tax year. The weighted average is the most meaningful of the averages because it accounts for varying property values among districts. A weighted average is correct when analyzing a mixture of MUDs with high tax rates but low property values, and MUDs with low tax rates but high property values.

1988
\$0.9608

2015
\$0.6047

2018
\$0.5595

2021
\$0.5456



The 2021 MUD weighted average tax rate of \$0.5456 is a historic low

The 2021 historic low tax rate was achieved even after the region suffered from the Covid-19 Pandemic, weathered historic flooding from Hurricane Harvey & Tropical Storm Imelda and the uncharacteristic freeze from Winter Storm Uri in February 2021.



The Truth About MUD Taxes

Tax Rate

City of Houston

2021: \$0.55083

Tax Rate

MUDs in Houston's Extraterritorial Jurisdiction

2021: \$0.54560



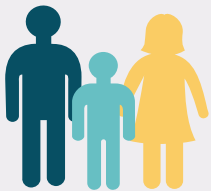
504

The approximate number of active MUDs either in Houston or within its ETJ.

238

The approximate number of those MUDs that have 2021 tax rates lower than Houston's 2021 tax rate.

As of 2021, 47.22% of the Active MUDs in Houston's ETJ have a lower tax rate than Houston.



2,258,624

The estimated population in the 504 MUDs in Houston's ETJ

1,228,616

The estimated population in the 238 MUDs with lower tax rates



If Houston annexed all of the overlapping MUDs, almost 1.23 Million people would immediately pay higher property taxes.

Key Points

1. MUD tax rates & tax bills decline over time. This is not true of most other forms of government.
2. The majority of MUD taxes are used to pay debt; only a small amount are used to for operation & maintenance. This is not true of most other forms of government.
3. As MUD debt is retired, tax rates go down. This is not true of governments that spend more of their tax proceeds on services and maintenance & operations, which tend to increase to keep pace with inflation and growth, but oftentimes more.
4. The typical MUD has no, or very few, employees which contributes to the low administration costs of MUDs. Nearly all services are provided by consultants working under contract with the MUD.
5. As a result, MUDs do not incur the costs associated with employees: compensation, benefits, office space and overhead, rising costs of health care and demands of pensions and retirement benefits. Some other forms of government leave behind "Legacy Liabilities" in the form of unfunded pensions and retirement benefits.

Alternatively, MUDs leave behind "Legacy Infrastructure" to serve communities for decades to come.