

Harris-Fort Bend Counties Municipal Utility District No. 3 Election FAQ

As many residents may already know, the Board of Directors (the "Board") of Harris-Fort Bend Counties Municipal Utility District No. 3 (the "District" or "Harris-Fort Bend Counties MUD 3") has called for a bond authorization proposition to be on the election ballot for **Tuesday, November 4, 2025**. To ensure that residents and other constituents of the District have accurate information regarding the proposed authorization, we have put together answers for common questions. This page will be updated to address additional questions and provide additional information prior to the election.

What is Harris-Fort Bend Counties Municipal Utility District No. 3?

Harris-Fort Bend Counties Municipal Utility District No. 3 is a municipal utility district and political subdivision of the State of Texas that provides water, sanitary sewer and drainage infrastructure to serve the land contained within its boundaries. The District serves over 6,500 residents in approximately 597 homes and 9 apartment complexes located in the Lakes at Grand Harbor and Estates at Grand Harbor, and Towns at Seville subdivisions within the approximately 530 acres of land within the District.



Harris-Fort Bend Counties MUD 3 currently owns, operates and maintains two water plants, two lift stations, one wastewater treatment plant, over 14 miles of water lines, and over 11 miles of sanitary sewer lines. Additionally, Harris-Fort Bend Counties MUD 3 maintains four storm water detention basins and a drainage outfall channel.

What is the election?

The District is seeking approval of the bond authorization amount below, so that the District can finance various projects related to rehabilitation and maintenance of the District's aging water, sanitary sewer, and drainage infrastructure.

The language below will be on the ballot for residents of the District when they go to the polls or vote by mail for the November 4, 2025 election, asking voters to select one (1) option of either **FOR** or **AGAINST** the following proposition:

THIS IS A TAX INCREASE

The issuance of up to \$48,300,000 in total principal amount of bonds for water, sanitary sewer and drainage facilities and the imposition of taxes, without limit as to rate or amount, sufficient to pay the principal of and interest on the bonds

* Starting with the November 4th election, the District must, by law, include the phrase **"THIS IS A TAX INCREASE"** on ballot measures like the one above. It's important to note that this wording is required by law and does not always mean that a bond measure will result in an increase of the total tax rate.*

What is a bond authorization?

*A bond authorization is an authorization to sell bonds in the future, to fund district projects. It is similar to a line of credit that a business might use to fund its operations. An authorization is **not** immediate funding, nor is it a "blank check" to fund the entire amount of the authorization without meeting strict regulatory requirements. While an authorization may be for a large amount, bonds may only be sold once necessary projects are ready to begin or as needed for repairs and maintenance or replacement, and*

must first be approved by the Texas Commission of Environmental Quality.

The District currently has \$6,510,000 in bonding authority for water, sanitary sewer, and drainage infrastructure. The first bond authorization election was held in the District on May 6, 2000 and voters authorized the issuance of \$37,000,000 in unlimited tax bonds for water, sanitary sewer, and drainage facilities. The second bond authorization election was held in the District on February 7, 2004, and voters authorized \$25,000,000 in unlimited tax bonds for water, sanitary sewer, and drainage facilities. The third bond authorization election was held in the District on November 8, 2005, and voters authorized \$5,450,000 in unlimited tax bonds for water, sanitary sewer, and drainage facilities. The District has issued eight (8) series of bonds totaling \$60,940,000 for the purpose of funding water, sanitary sewer, and drainage facilities to serve the District. The authorized bond amounts were issued periodically, as needed, to fund necessary water, sanitary sewer and drainage infrastructure projects to serve land within the District. According to the District's Engineer, the remaining \$6,510,000 bond authorization will not be sufficient to address the District's anticipated infrastructure improvement projects over the next twenty (20) years, in addition to development of the existing property within the District.

What will bond authorization be used for?

The Bond Election Report submitted by the District's consulting engineer identifies the projects the Board anticipates will be necessary over the next 20 years to expand, maintain, replace, or upgrade the aging water, sanitary sewer and drainage infrastructure owned and operated by the District. As a proactive measure, the Bond Election Report outlines the potential cost for those projects (and required bond issuance costs), considering all information available today, to be approximately \$54,810,000. Because the District has \$6,510,000 in existing bond authorization, the bond proposition to be submitted to voters is for the remaining \$48,300,000 required to finance said projects.

Why is it necessary to do these projects?

As the District's infrastructure ages, it requires maintenance, rehabilitation, and, sometimes, replacement as part of its lifecycle. On average, infrastructure lasts about 30-40 years with optimal maintenance and operations.

The District intends to issue bonds only as necessary over the next 20 years pursuant to the Bond Election Report in order to proactively maintain, and, if necessary, implement repairs or replacement of its facilities. This will enable the District to ensure reliable and continuous utility service by maximizing the life of its water, sanitary sewer and drainage infrastructure. This will also allow the District to purchase, construct, acquire, own, maintain, operate, repair, improve, extend, and pay for the water, sanitary sewer, and drainage facilities.

Municipal utility districts ("MUDs") were originally created throughout the State with the expectation they would eventually be annexed by neighboring cities, which would then pay for the costs of operating, maintaining, and repairing such utility facilities. Under current law and political circumstances, annexation of the District by the City of Houston in the future appears unlikely, so the District must prepare to fund all necessary costs of maintaining, replacing, rehabilitating, and/or expanding the water, sanitary sewer and drainage facilities required to serve its residents and customers

Can't the District just pay for projects without issuing bonds?

The primary alternative to authorizing the bonds is to fund all necessary projects on a "pay as you go" basis, likely requiring substantial increases in the District's maintenance tax rate and/or water and sanitary sewer rates. The law requires the District to have the necessary funds in hand before it can proceed with a qualified project. Funding projects with maintenance taxes or water and sewer rates would likely require a significant increase in rates in the short-term in order to collect the required funds. The "pay as you go" method places the financial burden for long term projects on current residents, creates significant delays while waiting for the required funds to accumulate prior to construction, and increases costs for the completion of projects. Much like a home equity loan for a major roof repair, when the District issues bonds, it spreads the costs of the necessary projects over numerous years and avoids increases to its maintenance tax rate and/or water and sanitary sewer rates typically required by a "pay as you go" approach. Moreover, the interest rates the District pays on its municipal bonds are typically lower than the comparable rates for traditional construction loans. Selling bonds spreads the costs of these projects among both current and future residents and businesses in



the District, and enables the District to complete the necessary projects quickly and efficiently.

How are my taxes determined?

Each year, the Harris Central Appraisal District and/or Fort Bend Central Appraisal District determine the value of your property. The District then levies a total tax rate per \$100 of assessed value that has two components:

1. The debt service tax rate, the proceeds of which can only be used to make payments on the District's outstanding bonds; and
2. The operations and maintenance tax rate (often referred to as O&M), the proceeds of which are deposited to the District's General Fund and used, together with water and sewer revenue, to pay operating and maintenance expenses of the District.

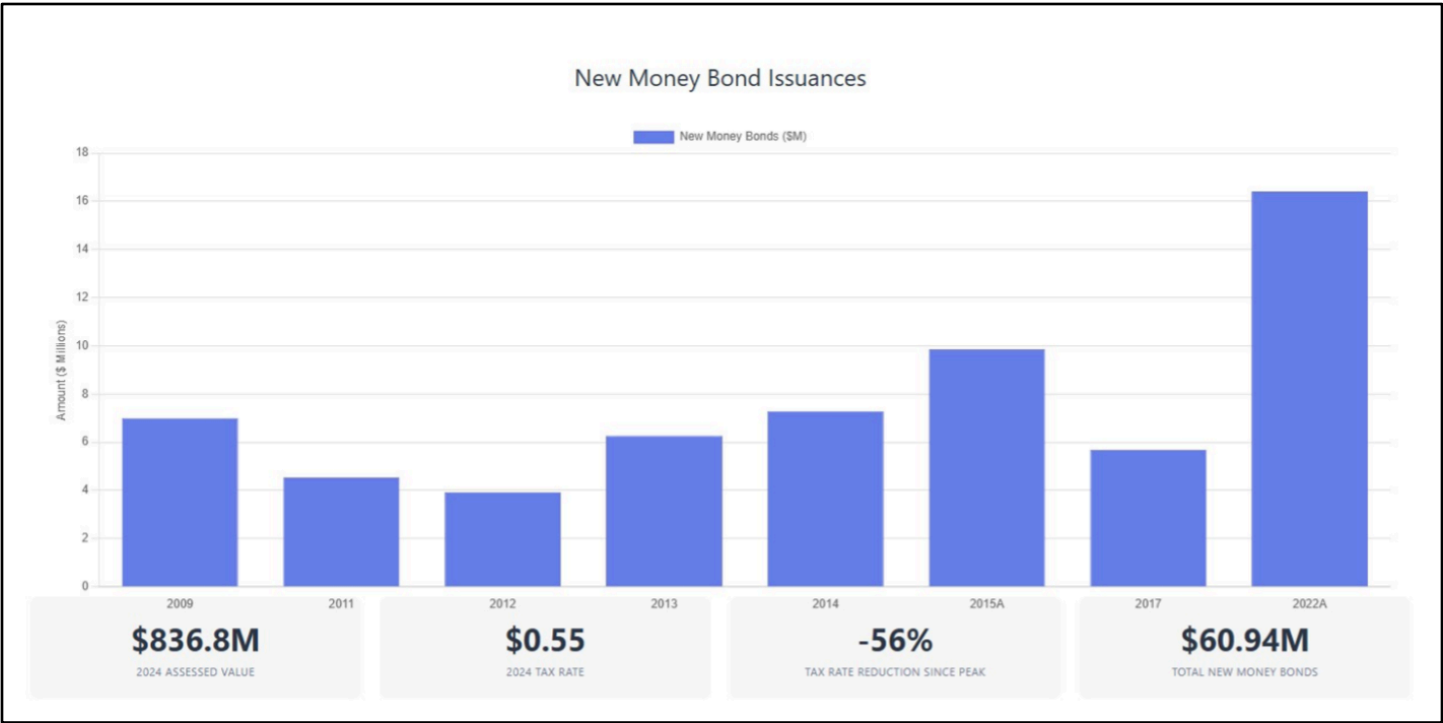
The tax rate levied by the District each year is based on the estimated cost to fund its debt service and to operate and maintain the District's existing and future infrastructure (such as water plants, wastewater treatment plants, lift stations, etc.) and operational costs. The debt service portion

of the tax rate is recommended by the District's Financial Advisor and is set at a rate sufficient to pay the District's debt service. For the operations and maintenance portion of the tax rate, the Board reviews the operational, maintenance, and overall infrastructure needs of the District for the next year and determines a rate that will produce sufficient funds along with other available funds of the District to operate the system.

These two components of the tax rate have changed over the years as the District's debt service and operating expenses have changed.

How does the District manage taxpayer dollars?

The Board has been able to lower the District's total tax rate since 2003 from the rate of \$1.25 per \$100 of assessed valuation to \$0.545 in 2024. For more details regarding tax rates, click [here](#). As a result of prudent financial management, the District currently has earned an underlying rating of "A" from Standard & Poor's.



At this time, with all the information on hand, given the plan outlined in the Bond Election Report and development planned in the District, the Board of Directors of the District does not anticipate a tax rate increase as a result of bond issuance for water, sanitary sewer, and drainage projects over the next 5-10 years.

I have more questions...

Good! The goal is for the residents to have all the information at their disposal when voting approaches. Additional questions can be fielded through the [Contacts Us](#) form on the [District Website](#)