

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 537
1980 Post Oak Boulevard, Suite 1380
Houston, Texas 77056

September 30, 2024

Resident
Harris County MUD No. 537
Houston, Texas 77055

WHAT IS THE RESPONSIBILITY OF YOUR MUD?

Dear Resident:

First, let us review some basics about what a Municipal Utility District (MUD) is and does.

- A MUD is a special district that functions as an independent limited government. The **purpose** of the MUD is to provide a developer with an alternative way to finance infrastructure, such as **water, sewer, drainage, and road facilities**.
- A MUD is managed by a Board of Directors (Board) **elected** by registered voters within the MUD.
- A MUD may issue bonds to **reimburse** a developer for authorized improvements and future maintenance of these improvements.
- A MUD may **collect** property taxes and user fees received from the water and sewer services operated by the MUD to repay the debt and perform operations and maintenance.
- A MUD may provide enhanced services for their residents such as parks and **solid waste service**.
- An intercity MUD relies on a City (such as the City of Houston (COH)) to provide police, fire and emergency services.
- A MUD may be created by an adoption of a district creation bill by the Texas Legislature and approval by a City.
- A MUD may hire **professional staff** to manage, maintain and oversee operations.

Let us describe the highlighted words noted in the previous paragraph.

- Purpose – MUD 537 was developed by Hines, Inc. in accordance with Texas Commission on Environmental Quality (TCEQ) and State and City rules and regulations.
- Water and sewer – MUD 537 is an independent authorized water supplier. Since the MUD is within the COH boundaries, the MUD purchases all water from the COH. The

MUD discharges all the sanitary sewer waste to the COH. The waterline and sewer lines are owned by the MUD and managed by a professional water operation company.

- Drainage – The MUD owns and maintains the above and below ground drainage system which includes the canals and detention (amenity) pond. These structures were designed to prevent flooding in accordance with current design standards at the time the MUD was created.
- Roads – The MUD is managing the bonds sold to reimburse the developer for improvements to Old Katy Road. Since the community is gated, the internal roads are considered private, and the ownership and maintenance of such roads are the responsibility of Somerset Green HOA.
- Elected – MUD 537 has five Board members. Members are elected on four-year rotating cycles by the registered voters in MUD 537. An election was recently held in May 2024 to elect two new Board members. The next election is in May 2026.
- Reimbursement – MUD 537 sold \$19,670,000 in road, water, sewer, drainage, and park bonds to reimburse Hines, Inc. for all eligible development costs. The reimbursement was in accordance with TCEQ’s development rules. The latest bonds were approved in November 2023 and were sold for park improvements constructed by Hines, Inc.
- Collect – All bond debt becomes the responsibility of the property owners in MUD 537. The Board oversees the collection of ad valorem taxes and payment of bond indebtedness. The taxes are collected yearly, along with other taxing authorities in Harris County.
- Solid waste services – MUD 537 outsources and manages the collection of trash and recycling to GFL.
- MUD 37 was created by the Texas Legislature pursuant to an Act of June 14, 2013, 83rd Leg., R.S., H.B. 3943 (codified in Special Districts Local Laws Code Ann. Chapter 8488)
- Professional staff – MUD 537 is a small utility district. It does not have the usual professional staff needed to operate and maintain water and sewer plants. Therefore, the MUD hires consultants to provide legal, engineering, tax collection, and other management services. The MUD hires a water operator to manage and maintain the water and sewer systems. The water operator also invoices and collects the water bills each month.
- The responsibility of the other infrastructure in the community was transferred to the Somerset Green HOA (HOA). Accordingly, the HOA performs the operations and maintenance of this infrastructure.

Harris County Municipal Utility District No. 537, your MUD, is a unique entity serving the residents of Somerset Green. The Board, elected by Somerset Green registered voters, oversees many important roles.

1. Bond debt and ad valorem taxes.

The MUD Board sets its budget in April of each year. The fiscal year begins June 1. The budget includes debt payments, maintenance and operation expenses, and other material costs. Subsequently, in October, the Board sets the ad valorem tax rate (or levy). The ad valorem tax is a tax based on the assessed value of your property. The Harris Central Appraisal District (HCAD) calculates the assessed value of property for the MUD.

The tax levy is set at a level to cover the approved budget, which includes the bond debt and maintenance and operation expenses. When the MUD was created, Hines, Inc. and the Board set the tax rate at \$0.50 per \$100 of the assessed property value. The Board has been committed, and remains committed, to minimizing the extra cost of living in a MUD and still cover the necessary costs to build an outstanding subdivision inside the COH.

The Board recently approved the 2024-25 budget, and the ongoing buildout of the subdivision will allow the Board to maintain the \$0.50 per \$100 tax rate this coming year. The Board continually works to keep your taxes at the lowest rate possible.

2. Flood control and mitigation.

The storm sewer system, canals, and detention pond were designed to minimize, if not eliminate, the risk of flooding within Somerset Green. The system is working as designed. Somerset Green has experienced several serious flooding events, including hurricanes, tropical storms, and heavy thunderstorms, without any flooding. **Note:** ponding on the street and below the curb is part of the flood mitigation system and should not be confused with actual flooding that may occur over the curb and onto yards.

The flood control system works in the following way:

- Flood water collects in the streets and drains into the inlets.
- The inlets drain into the storm sewers.
- The storm sewers drain into the canals and detention pond.
- The detention pond's two discharge pumps discharge water into the drainage ditch south of the district and east of the car dealership.

- The detention's emergency discharge pipe discharges additional water into the ditch (mentioned above). The ditch discharges into TxDOT's I-10 drainage system south of Katy Road.

3. Administration.

The Board oversees an outstanding group of consultants. These consultants provide legal, bookkeeping, tax collection, engineering, and other crucial services. As an independent governmental agency, the MUD is required to comply with State, TCEQ, and COH, laws, rules, and regulations. All meetings must be open to the public. Notices of the meetings are sent out a minimum of 72 hours before any meeting. The Board cannot meet in private, except to discuss pending litigation, security, and personnel matters. The Board cannot meet and make decisions without a quorum of three (3) Directors.

The meetings are held within two miles of the subdivision, and the MUD's legal representative produces meeting minutes and maintains all records. In the absence of direct hire personnel, the legal representative manages and directs the actions of the Board.

The Board approves all the expenses of the MUD. A professional bookkeeping firm receives and reconciles expenses and accounts. The firm prepares checks for all approved expenses. These checks are signed personally by a minimum of three Directors. The process ensures all expenses are thoroughly reviewed by the Board. Additional oversight comes in the form of a formal audit each year by an independent auditing company. The final audit is submitted to the TCEQ and Texas State Comptroller.

The MUD does not have regulatory or policing powers. The HOA has regulatory powers prescribed in its bylaws.

4. Other Board duties.

The most significant financial benefit the Board manages are the two well permits that Hines, Inc. secured during the development of the subdivision. These two wells provide all the HOA's landscaping water supply. The Board submits a yearly report to the Houston-Galveston Subsidence District. The significance of these wells is the savings of hundreds of thousands of dollars each year. If not for the wells, all the landscape water, over five million gallons, would come from the COH at a large cost to the residents. The MUD pays a yearly fee of \$250 to maintain the permits.

The MUD contracts with a trash hauler to pick up trash and recycling twice a week, which is twice what the COH provides to its residents.

SiEnvironmental, LLC is the most outwardly visible consultant. SiEnvironmental is the MUD's water and wastewater operator. SiEnvironmental staff read the meters, send and collect water bills, repair water lines and meters, and maintain the two water meters that record the amount of water received from the COH.

SiEnvironmental also administers the MUD's storm water pollution prevention plan (SW3P) and other duties as directed by the Board. SiEnvironmental is essential to the operation and maintenance of the MUD.

What has the MUD accomplished?

The MUD was created in 2013. Since its inception the MUD has:

- Maintained the same low tax rate (\$0.50 per \$100 value).
- Paid \$4,675,000 of the bond debt from the creation and infrastructure construction of the MUD. The current outstanding bond debt of \$18,450,000 is scheduled to be fully paid by April 1, 2049.
- Maintained a modest budget.
- Saved approximately \$100,000 by enforcing the conditions of the interlocal water supply agreement with the COH.
- Negotiated the removal of the back flow preventors on the COH meters to minimize the number of boil water notices within the MUD.

MUD 537 is one of two groups making Somerset Green the best subdivision in Houston. The MUD coordinates closely with the HOA to make living in Somerset Green an excellent choice. As originally conceived, the MUD takes a subsidiary role to the HOA on most resident matters. The HOA is better suited to responding to the immediate needs of the residents. In the end, all costs to keep Somerset Green beautiful and functioning at the highest level come directly from the residents in the form of MUD taxes and HOA fees.

Future Projects

The Board is coordinating with the COH in multiple ways to minimize low water pressure and boil water notices inside the MUD. The Board constantly monitors the water pressure provided by the COH. The MUD notifies the COH to increase the water pressure if pressure drops below a minimum level. The Board is considering designing and constructing a water pressurization system to reduce low water pressure when the COH is unable to provide acceptable pressure levels. The estimated cost to install this system would exceed two

million dollars (\$2,000,000). Before committing to this project, the Board is considering several other options.

The Board of Directors takes considerable pride in making Somerset Green one of the best subdivisions in Houston. Keeping taxes low, picking up trash twice as often as the COH, decreasing debt quickly, and providing water service at the lowest possible cost are our priorities.

Thank you for your confidence and support.

Regards,

Allen Watson

Jim Balock

Tony Sartori

Nancy Tuner

Francine Stefan

Board of Directors

Harris County Municipal Utility District No. 537