

BILL ANALYSIS

C.S.H.B. 4061
By: Parker
Natural Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The purpose of the bill is to create the Denton County Municipal Utility District No. 7, and to enumerate its powers, duties and obligations.

In 1925, the Legislature enacted its first law to authorize the creation of water control and improvement districts. Article 16, Section 59, of the Texas Constitution authorized such entities to have unlimited property taxing authority and to issue debt backed by such taxes in order to construct public infrastructure to control and use water beneficially. The Water Code now authorizes approximately 13 different types of water districts to deal with surface water usage.

In general, water districts can be created by three methods: by the county commissioner's court, by the TCEQ or successor agencies, and by the Legislature. Each methodology has advantages and disadvantages.

CSHB 4061 proposes the legislative creation of a municipal utility district ("MUD") to be located entirely in Denton County. Denton County is a rapidly growing county adjacent to urban cities in need of master-planned suburban housing. Legislative creation is proposed because it offers the most flexibility, is the quickest method, and allows "custom" authorizations of powers and duties.

CSHB 4061 proposes to combine the traditional powers and duties of a MUD governed by Chapter 49 and 54, Water Code, and to authorize the issuance of tax-exempt bonds to pay all or part of the costs of roads inside and outside the boundaries of the District, if approved and built to the standards established by Denton County.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

This Act adds Chapter 8190 to the Special District Local Laws Code, which shall be titled the Denton County Municipal Utility District No. 7.

SUBCHAPTER A defines the GENERAL PROVISIONS that will apply to the new district. Definitions are provided. The nature of the District, being authorized by certain constitutional provisions, is set forth. The District is created to serve a public use and benefit.

A requirement that a confirmation election is provided. If the District does not hold a confirmation election before September 1, 2011, under certain circumstances, the District may be dissolved.

The land to be included in the District is described in the bill itself, the field notes shall be deemed to form a closure, and a mistake in the field notes shall not affect the validity of the District.

Subchapter A1 sets forth temporary provisions that will authorize and regulate the activities of the District until the District is confirmed by the voters. On or after September 1, 2007, a landowner in the District may petition the TCEQ to appoint the five persons named in the

petition as temporary directors of the District. The TCEQ shall appoint those persons named in the petition. If a director fails to qualify or a vacancy occurs, the vacancy shall be filled as provided under Section 49.105, Water Code. Temporary directors shall serve until the earlier of the date of elections under Section 8190.023 or the date the Chapter expires under Section 8190.004.

The organizational meeting of the board of directors is authorized and the location of the meeting place is provided for. The temporary directors are required to hold a confirmation and initial directors election. A mechanism to determine which directors shall serve two year terms to create the staggering effect required for the four-year terms water district directors are to serve is provided.

Subchapter A1 expires September 1, 2014.

SUBCHAPTER B sets forth provisions relating to the BOARD OF DIRECTORS. There shall be five directors who serve four-year terms.

SUBCHAPTER C sets forth the district's POWERS AND DUTIES that are bestowed in addition to the powers and duties the District shall acquire by virtue of creation as a municipal utility district under Chapters 49 and 54 of the Water Code.

The District may construct, acquire, improve, maintain, operate streets and roads, or improvements in aid of such, inside or outside the District. The construction standards of the county in which the District is located shall be applied to such projects of the District.

SUBCHAPTER D provides for GENERAL FINANCIAL PROVISIONS. The District may impose a tax for any District operation and maintenance purpose as provided in Section 49.107, Water Code. The District may impose a tax to pay debt service on bonds it issues under 8190.201.

The District is prohibited from imposing impact fees or assessments on utilities within the District.

SUBCHAPTER E sets forth provisions related to BONDS. The District is authorized to issue bonds or other obligations under Chapters 49 and 54, Water Code, and to finance road projects.

The District may not issue bonds or other obligations secured in whole or in part by ad valorem taxes to finance road projects unless the issuance is approved by a vote of a two-thirds majority of the voters in the district. Bonds for such purposes may not exceed one fourth of the assessed value of the property in the District due to a constitutional prohibition in Article 3, Section 52.

SECTION 2. Sets forth the metes and bounds of the land initially to be within the District, encompassing a 1027 acre tract.

SECTION 3. Provisions relating to Notice required by the Constitution for Local Laws; confirming all such acts fulfilled.

SECTION 4. Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

In Section 8190.151, subsection (b) is deleted and the prior subsection is renumbered appropriately.

In Section 8190.201, subsection (e) is deleted.

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In SECTION 2 of the bill, corrections were made to the metes and bounds.