

By: Watson

S.B. No. 2023

A BILL TO BE ENTITLED

AN ACT

relating to the dissolution of certain municipal utility districts that are located in more than one municipality.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter D, Chapter 43, Local Government Code, is amended by adding Section 43.0741 to read as follows:

Sec. 43.0741. ABOLITION AND ASSUMPTION OF FUNCTIONS OF MUNICIPAL UTILITY DISTRICT LOCATED IN MORE THAN ONE MUNICIPALITY.

(a) This section applies only to a home-rule municipality with a population of less than 20,000:

(1) in which is located part of a municipal utility district organized for the primary purpose of providing municipal functions such as supplying fresh water for domestic or commercial uses or furnishing sanitary sewer service; and

(2) the governing body of which adopts, by a majority vote of its entire membership, an ordinance under Subsection (e).

(b) This section applies only if:

(1) the municipal utility district described by Subsection (a)(1) has territory located in more than one municipality;

(2) at least 80 percent of the territory of the municipal utility district is located in the corporate limits and extraterritorial jurisdiction of a municipality described by Subsection (a); and

1 (3) no more than 100 retail customers of the municipal
2 utility district are located outside the corporate limits of the
3 municipality described by Subsection (a).

4 (c) The governing body of a municipality may not adopt an
5 ordinance described by Subsection (e) until the municipality:

6 (1) prepares a report estimating the cost to provide
7 water and wastewater service to the municipal utility district's
8 customers, including an analysis of:

9 (A) the effect the elimination of the municipal
10 utility district tax would have on the revenues required to operate
11 and maintain the water and wastewater system and services;

12 (B) the manner in which the municipal utility
13 district's tax revenue would be replaced;

14 (C) whether tax revenue is required for the
15 provision of service; and

16 (D) the effect the elimination of the municipal
17 utility district tax would have on the fees and charges paid by the
18 water and sewer customers of the district;

19 (2) on completion of the report described by
20 Subdivision (1), posts the report on the municipality's Internet
21 website; and

22 (3) on or before the 15th day before the date the
23 governing body considers an ordinance described by Subsection (e),
24 holds a public hearing regarding the report described by
25 Subdivision (1) at which any member of the public is allowed to
26 appear to present evidence or comments regarding the report.

27 (d) On or before the 10th day before the date of the public

1 hearing under Subsection (c)(3), the governing body of the
2 municipality must publish notice of the hearing, including the
3 date, time, and location of the hearing, in a newspaper of general
4 circulation in the municipality and mail notice of the hearing to
5 the president or general manager of the municipal utility district.

6 (e) The governing body of a municipality may adopt an
7 ordinance that provides a date on which the municipality will:

8 (1) take over all the property and other assets of the
9 municipal utility district described by Subsection (a)(1);

10 (2) assume all the debts, liabilities, and obligations
11 of the municipal utility district described by Subsection (a)(1);
12 and

13 (3) perform all the functions of the municipal utility
14 district described by Subsection (a)(1), including the provision of
15 services.

16 (f) After the adoption of an ordinance described by
17 Subsection (e) and on the date provided in the ordinance, the
18 municipal utility district is abolished and the municipality
19 succeeds to the powers, duties, assets, and obligations of the
20 municipal utility district as provided by this section.

21 (g) Nothing in this section requires a municipality to annex
22 any territory of the municipal utility district that is located
23 outside the corporate limits of the municipality for the
24 municipality to assume the responsibilities, obligations, and
25 assets of the municipal utility district as provided by this
26 section. If the municipality proposes to annex any of the municipal
27 utility district territory outside the corporate limits of the

1 municipality:

2 (1) the annexation provisions of Subchapter C apply;

3 and

4 (2) the municipality shall provide notice in the
5 manner provided by Section 43.052(f) to each affected customer that
6 includes a cost-of-service analysis and discloses any potential
7 rate and tax implications that would result from the annexation.

8 (h) For the areas in the municipal utility district that are
9 located outside the corporate limits or extraterritorial
10 jurisdiction of a municipality and in which the district has
11 facilities or customers, the municipality, on the date it assumes
12 the functions of the municipal utility district, shall continue to
13 provide services to those customers at the same level of service
14 provided to the customers located inside the corporate limits of
15 the municipality. The municipality may enter into an interlocal
16 agreement with another political subdivision for the other
17 political subdivision to provide services to customers and to
18 maintain facilities not located inside the corporate limits or
19 extraterritorial jurisdiction of the municipality.

20 (i) If the municipal utility district has outstanding
21 bonds, warrants, or other obligations, the municipality shall
22 assume those liabilities in accordance with this subsection. The
23 governing body of the municipality may issue refunding bonds or
24 warrants in its own name to refund the municipal utility district's
25 outstanding bonds, warrants, or other obligations, including
26 unpaid earned interest on the obligation, that are assumed by the
27 municipality. The municipality may pledge the net revenues or

1 property of the utility system or municipal property taxes to the
2 payment of the outstanding bonds, warrants, or other obligations
3 and refunding bonds or warrants as the governing body considers
4 proper.

5 SECTION 2. This Act takes effect immediately if it receives
6 a vote of two-thirds of all the members elected to each house, as
7 provided by Section 39, Article III, Texas Constitution. If this
8 Act does not receive the vote necessary for immediate effect, this
9 Act takes effect September 1, 2009.