

House Bill 621
Senate Amendments
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SECTION 1. Section 372.017(b), Local Government Code, is amended to read as follows:

(b) After all objections have been heard and the governing body has passed on the objections, the governing body by ordinance or order shall levy the assessment as a special assessment on the property. The governing body by ordinance or order shall specify the method of payment of the assessment. The governing body may provide that assessments be paid in periodic installments, at an interest rate and for a period approved by the governing body. The provision that assessments be paid in periodic installments may, but is not required to, result in level annual installment payments. The installments must be in amounts necessary to meet annual costs for improvements and must continue for:

(1) the [a] period necessary to retire the indebtedness on the improvements; or

(2) the period approved by the governing body for the payment of the installments.

SECTION 2. Section 372.018, Local Government Code, is amended to read as follows:

Sec. 372.018. INTEREST ON ASSESSMENT; LIEN.

(a) An assessment bears interest at the rate specified by the governing body of the municipality or county beginning at the time or times or on the occurrence of one or more events specified by the governing body. If general obligation bonds, revenue bonds, time warrants,

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or temporary notes are issued to finance the improvement for which the assessment is assessed, the interest rate for that assessment ~~[, but]~~ may not exceed a rate that is one-half of one percent higher than the actual interest rate paid on the ~~[public] debt [used to finance the improvement]~~. Interest on the assessment between the effective date of the ordinance or order levying the assessment and the date the first installment is payable shall be added to the first installment. The interest on any delinquent installment shall be added to each subsequent installment until all delinquent installments are paid.

(b) An assessment or reassessment, with interest, the expense of collection, and reasonable attorney's fees, if incurred, is:

(1) a first and prior lien against the property assessed;

(2)~~;~~ superior to all other liens and claims except liens or claims for state, county, school district, or municipality ad valorem taxes;~~;~~ and

(3) ~~is~~ a personal liability of and charge against the owners of the property regardless of whether the owners are named.

(c) The lien is effective from the date of the ordinance or order levying the assessment until the assessment is paid.

(d) The lien runs with the land and that portion of an assessment payment that has not yet come due is not eliminated by foreclosure of an ad valorem tax lien.

(e) The assessment lien ~~and~~ may be enforced by the governing body in the same manner that an ad valorem

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tax lien against real property may be enforced by the governing body. Foreclosure of accrued installments does not eliminate the outstanding principal balance of the assessment. Any purchaser of the property in foreclosure takes the property subject to the assessment lien and any associated obligations.

(f) Delinquent installments of the assessment shall incur interest, penalties, and attorney's fees in the same manner as delinquent ad valorem taxes. The owner of assessed property may pay at any time all or any part of the ~~[entire]~~ assessment, with interest that has accrued on the assessment, on any lot or parcel.

SECTION 3. Section 372.022, Local Government Code, is amended to read as follows:

Sec. 372.022. SEPARATE FUNDS.

A separate public improvement district fund may ~~[shall]~~ be created in the municipal or county treasury for each district. Proceeds from the sale of bonds, temporary notes, and time warrants, and other sums appropriated to the fund by the governing body of the municipality or county shall be credited to the fund. The fund may be used solely to pay costs incurred in making an improvement. When an improvement is completed, the balance of the part of the assessment that is for improvements shall be transferred to the fund established for the retirement of bonds.

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SECTION 3. Section 372.022, Local Government Code, is amended to read as follows:

Sec. 372.022. SEPARATE FUNDS.

If bonds are issued,

a ~~[A]~~ separate public improvement district fund shall be created in the municipal or county treasury for each district. Proceeds from the sale of bonds, temporary notes, and time warrants, and other sums appropriated to the fund by the governing body of the municipality or county shall be credited to the fund. The fund may be used solely to pay costs incurred in making an improvement. When an improvement is completed, the balance of the part of the assessment that is for improvements shall be transferred to the fund established for the retirement of bonds.

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SECTION 4. Section 372.023, Local Government Code, is amended by amending Subsections (d), (e), (f), and (g) and adding Subsection (h) to read as follows:

(d) A cost payable from a special assessment that is to be paid in installments and a cost payable by the municipality or county as a whole but not payable from available general funds or other available general improvement funds shall be paid;

(1) under an installment sale contract or a reimbursement agreement with the person who contracts to install or construct the improvement for which the costs apply;

(2) as provided by a temporary note or time warrant issued by the municipality or county to reimburse a person for money advanced or work performed in connection with an improvement; or

(3) by the issuance and sale of revenue or general obligation bonds.

(e) The net effective interest rate, as computed for a public security under Section 1204.005, Government Code, on money owed or paid under Subsection (d) may not exceed one-half of one percent above the highest average interest rate reported by a newspaper in a weekly bond index in the month before the date of the contract or agreement or the issuance of the bond, temporary note, or time warrant. The newspaper must specialize in bonds and be acceptable as a reliable source for bond

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interest rates to the governing body of the municipality or county that enters into the contract or agreement or that issues the bond, temporary note, or time warrant.

(f) [(e)] While an improvement is in progress, the governing body of the municipality or county, to pay the costs of the improvement, may issue temporary notes for money advanced or time warrants to pay for work performed in connection with [the costs of] the improvement and, on completion of the improvement, issue revenue or general obligation bonds. The bond proceeds may be used to repay the obligations incurred under this subsection.

(g) [(f)] The cost of more than one improvement may be paid:

(1) from a single issue and sale of bonds without other consolidation proceedings before the bond issue; or

(2) under an agreement with a person who contracts to install or construct the improvement and who sells the improvement to the municipality or county.

(h) [(g)] The costs of any improvement include interest payable on a temporary note or time warrant and all costs incurred in connection with the issuance of bonds under Section 372.024 and may be included in the assessments against the property in the improvement district as provided by this subchapter.

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SECTION 5. Section 372.026, Local Government Code, is amended to read as follows:

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Sec. 372.026. PLEDGES. (a) In this section, "obligation" means bonds, temporary notes, time warrants, or an obligation under an installment sale contract or reimbursement agreement.

(b) For the payment of obligations [~~bonds~~] issued or agreed to under this subchapter and the payment of principal, interest, and any other amounts required or permitted in connection with the obligations [~~bonds~~], the governing body of the municipality or county may pledge all or part of the income from improvements financed under this subchapter, including income received in installment payments under Section 372.023.

(c) [~~(b)~~] Pledged income must be fixed and collected in amounts sufficient, with other pledged resources, to pay principal, interest, and other expenses related to the obligations [~~bonds~~], and to the extent required by the ordinance, [~~or~~] order, or agreement authorizing the obligations [~~bonds~~], to pay for the operation, maintenance, and other expenses related to improvements authorized by this subchapter.

(d) [~~(c)~~] The obligations [~~bonds~~] may also be secured by mortgages or deeds of trust on any real property related to the facilities authorized under this subchapter that are owned or are to be acquired by the municipality or county and by chattel mortgages, liens, or security interests on any personal property appurtenant to that real property. The governing body may authorize the execution of trust indentures, mortgages, deeds of trust, or other forms of encumbrance [~~encumbrances~~] as

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evidence of the indebtedness.

(e) ~~[(d)]~~ The governing body may pledge to the payment of obligations ~~[bonds]~~ all or part of a grant, donation, revenue, or income received or to be received from the government of the United States or any other public or private source, whether or not it is received pursuant to an agreement or otherwise.

(f) The governing body may enter into an agreement with a corporation created by the municipality or county under the Texas Constitution or other law that provides for payment of amounts pledged under this section to the corporation to secure indebtedness issued by the corporation to finance an improvement project, including indebtedness to pay capitalized interest and a reserve fund permitted by this subchapter for revenue or general obligation bonds issued under this subchapter and indebtedness issued to pay the corporation's costs of issuance. In addition, the agreement may provide that:

(1) the corporation is responsible for managing the district; or

(2) title to one or more improvements will be held by the corporation.

SECTION 6. (a) All acts and proceedings related to the authorization of any taxes or bonds, including acts and proceedings related to an election, by a district created under **Subchapter C**, Chapter 372, Local Government Code, before the effective date of this Act are validated,

SECTION 6. (a) All acts and proceedings related to the authorization of any taxes or bonds, including acts and proceedings related to an election, by a district created under **Subchapter A**, Chapter 372, Local Government Code, before the effective date of this Act are validated,

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ratified, and confirmed in all respects as if the acts and proceedings occurred as authorized by law.

(b) This section does not apply to any matter that on the effective date of this Act:

(1) is involved in litigation if the litigation ultimately results in the matter being held invalid by a final court judgment; or

(2) has been held invalid by a final court judgment.

SECTION 7. (a) An installment sales contract made or attempted to be made by a county or municipality with the party constructing an improvement relating to an improvement district is validated as of the date the contract was made or attempted to be made if the contract:

(1) was made or attempted to be made before the effective date of this Act; and

(2) complies with Section 372.023, Local Government Code, as amended by this Act.

(b) This section does not apply to any matter that on the effective date of this Act:

(1) is involved in litigation if the litigation ultimately results in the matter being held invalid by a final court judgment; or

(2) has been held invalid by a final court judgment.

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ratified, and confirmed in all respects as if the acts and proceedings occurred as authorized by law.

(b) This section does not apply to any matter that on the effective date of this Act:

(1) is involved in litigation if the litigation ultimately results in the matter being held invalid by a final court judgment; or

(2) has been held invalid by a final court judgment.

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