

BILL ANALYSIS

H.B. 3803
By: Phillips
Natural Resources
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The proposed Cottonwood Municipal Utility District No. 2 will encompass an area of land outside the corporate limits of any city and within the extraterritorial jurisdiction of the City of Dorchester, Grayson County, Texas. The land to be located within the district may be developed into single-family residential and commercial development and may require water, sewer, drainage, and road services. H.B. 3803 seeks to create the district so that the district can purchase, acquire, or construct facilities for such services to serve the future occupants.

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

H.B. 3803 amends the Special District Local Laws Code to create the Cottonwood Municipal Utility District No. 2 of Grayson County. The bill sets out provisions relating to the nature of the district; an election to confirm the district and to elect a permanent board of directors; municipal consent to the creation of the district and to the inclusion of land in the district; the district's public purpose and benefit; and the initial district territory including provisions for the effect of certain mistakes in the description of the boundaries.

H.B. 3803 makes the district eligible to be included in a tax increment reinvestment zone created under the Tax Increment Financing Act. The bill, if the City of Dorchester creates such a tax increment reinvestment zone that includes all or part of the territory of the district, authorizes the city and the board of directors of the zone, by contract with the district, to grant money to the district from the tax increment fund to be used for a permissible purpose of the district, including the right to pledge the money as security for a bond or other obligation issued by the district and for any permissible purpose of a corporation under a certain Local Government Code provision relating to economic development grants by certain municipalities.

H.B. 3803 sets out provisions relating to the members of the district board of directors, including provisions for temporary directors, and the powers and duties of the district, including the authority to undertake certain road projects and the applicable road standards and requirements. The bill requires the district to bear the cost of maintaining, improving, operating, and repairing an authorized road located in the district in accordance with all applicable ordinances and rules of the political subdivision authorized to exercise jurisdiction over the road, regardless of whether the district conveys the road to the state, a county, or a municipality.

H.B. 3803 requires the district to comply with all applicable requirements of any ordinance or resolution adopted under certain Water Code provisions and that consents to the creation of the district or to the inclusion of land in the district. The bill, if the district violates the terms of such an ordinance or resolution, entitles the municipality, in addition to all the rights and remedies provided by other law, to injunctive relief or a writ of mandamus issued by a court requiring the

district and the district's officials to observe and comply with the terms of the ordinance or resolution. The bill establishes that municipal consent to the creation of the district and to the inclusion of land in the district acts as municipal consent to the creation of any new district created by the division of the district and to the inclusion of land in the new district.

H.B. 3803 authorizes an allocation agreement between the city and the district that provides for the allocation of the taxes or revenues of the district and the city following the date of inclusion of all the district's territory in the corporate limits of the city to provide that the total annual property taxes collected by the city and the district from taxable property in the district may exceed the city's property tax on that property.

H.B. 3803, if it receives a two-thirds vote of all the members elected to each house, authorizes eminent domain power for the district, but prohibits the district from exercising the power of eminent domain outside the district to acquire a site or easement for an authorized road project or a recreational facility. The bill, if it does not receive such a vote, prohibits the district from exercising the power of eminent domain.

H.B. 3803 sets out provisions relating to the division of the district and applicable prerequisites, law applicable to a new district, a limitation on the area of a new district, division procedures, and a confirmation and directors' election for a new district. The bill authorizes a new district created by the division of the Cottonwood Municipal Utility District No. 2 of Grayson County, subject to voter approval, to impose a maintenance tax or issue bonds payable from property taxes. The bill sets out provisions relating to the new district's tax and bond authority.

H.B. 3803 sets out provisions authorizing the district to issue, without an election, bonds and other obligations secured by revenue other than property taxes or by certain contract payments. The bill authorizes the district, subject to the approval of district voters, to impose a property tax and issue bonds payable from property taxes, but the district is prohibited from issuing bonds payable from property taxes to finance a road project unless the issuance is approved by a two-thirds majority of district voters. The bill authorizes the district to impose an operation and maintenance tax if it is authorized at an election and to impose a tax other than an operation and maintenance tax and use the revenue derived from the tax to make payments under a voter-approved contract. The bill sets out requirements for the contract. The bill authorizes the district to issue bonds or other obligations payable wholly or partly from property taxes, impact fees, revenue, contract payments, grants, or other district money, or any combination of those sources, and requires the board, on bonds payable wholly or partly from property taxes, to provide for the annual imposition of a continuing direct property tax, without limit as to rate or amount, while all or part of the bonds are outstanding. The bill prohibits the total principal amount of bonds or other obligations issued or incurred to finance road projects and payable from property taxes from exceeding one-fourth of the assessed value of the real property in the district at the time of issuance.

H.B. 3803 sets out in detail the initial boundaries of the district. The bill defines "board," "commission," "director," and "district."

EFFECTIVE DATE

Except as otherwise provided, on passage, or, if the bill does not receive the necessary vote, September 1, 2011.