

BILL ANALYSIS

Senate Research Center
82R5409 SGA-F

S.B. 978
By: Hinojosa
Intergovernmental Relations
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The proposed legislation is a local bill and only applies to Hidalgo County Water Improvement District No. 3 (district) and is bracketed only to apply to the City of McAllen.

The district pumps more than 80 percent of its water supply directly to the City of McAllen for municipal purposes. The district serves very few agricultural users and the City of McAllen is positioned to continue to serve those few agricultural customers without any disruption of services.

Furthermore, the bill contains several safeguards including the requirement for a two-thirds vote of the city commission to adopt an ordinance dissolving the district, the ability for citizens to petition to place the issue on the ballot for an election, and the requirement that certain findings be made to ensure that no one receiving service from the district is left without service.

As proposed, S.B. 978 amends current law relating to procedures for the dissolution of the Hidalgo County Water Improvement District No. 3.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. DEFINITIONS. Defines, in this act, "city," "city council," "district," and "district board."

SECTION 2. DISTRICT AND MUNICIPALITY TO WHICH ACT IS APPLICABLE. Provides that this Act applies only to the Hidalgo County Water Improvement District No. 3 (district), and a municipality, that has a population greater than 100,000, and contains within its corporate boundaries or extraterritorial jurisdiction more than half of the district's territory.

SECTION 3. FINDINGS PREREQUISITE TO MOTION TO DISSOLVE. Authorizes a city, at a regularly scheduled meeting of the city council, to dissolve the district if the city council finds that as of the date of the meeting:

- (1) at least 80 percent of the raw water diverted by the district in the preceding 12 months was diverted for use by the city;
- (2) the city is capable of assuming all rights and obligations of the district;
- (3) the city is capable of assuming responsibility for operating the district's facilities to benefit the district's existing customers and performing the services and functions performed by the district;
- (4) dissolution of the district will result in an overall cost savings to city residents; and

(5) dissolution of the district will result in a more stable water supply for residents of the city and surrounding communities.

SECTION 4. HEARING REQUIRED. (a) Requires the city, before the city proposes an ordinance to dissolve the district, to conduct a public hearing on the issue.

(b) Requires that notice of the public hearing be posted in accordance with the laws that apply to regular meetings of the city council, and provided in writing to each district board member.

SECTION 5. DISSOLUTION BY ORDINANCE. (a) Authorizes the city council, after a city council has made the findings required by Section 3 and has conducted a public hearing as required by Section 4, to dissolve the district by ordinance.

(b) Provides that the ordinance takes effect only if two-thirds of the city council votes in favor of the ordinance.

SECTION 6. CITY CONSENT; DISTRICT DUTIES. (a) Requires the district board of directors, on or before the effective date of the dissolution ordinance, to provide the district's management and operational records to the city that passed the ordinance to ensure the orderly transfer of management and operational responsibility to the city.

(b) Prohibits the district, without the consent of a majority of the members of a city council that publishes notice under Section 4(b), from:

- (1) selling, transferring, or encumbering any district asset;
- (2) issue debt or acquire additional obligations; or
- (3) default on or fail to honor financial, legal, or other obligations of the district.

(c) Requires the district, unless a majority of the members of a city council that publishes notice under Section 4(b) agree otherwise, to:

- (1) maintain assets of the district in an appropriate condition reflective of good stewardship and proper repair; and
- (2) preserve district records, including information maintained by the district in electronic format.

(d) Provides that any action undertaken by the district that does not comply with Subsection (b) of this section is void.

(e) Provides that this section expires on the date a city that has published notice under Section 4(b) repeals the city's ordinance to dissolve the district.

SECTION 7. PETITION BY VOTERS; SUSPENSION OR REPEAL OF ORDINANCE; ELECTION. (a) Authorizes the voters of a city that enacts a dissolution ordinance under this Act to object to the ordinance by filing a petition with the secretary of the city. Requires that the petition be signed by at least five percent of the city's registered voters. Requires that the petition be filed not later than the 30th day after the date the city enacts the ordinance.

(b) Requires the city secretary to verify the signatures on the petition and to present the verified petition to the city council at the council's next scheduled meeting.

(c) Requires the city council, on receipt of the petition, to suspend the effectiveness of the ordinance, and prohibits the city from taking action under the ordinance unless the ordinance is approved by voters under Subsection (d) of this section.

(d) Requires the city council to reconsider the suspended ordinance at the next schedule meeting of the council. Requires the city council, if the city council does not repeal the ordinance, to submit a proposition for or against enactment of the ordinance to the voters at the next municipal election. Provides that the dissolution ordinance takes effect if a majority of the voters voting in that election vote in favor of dissolution.

SECTION 8. EFFECTIVE DATE OF DISSOLUTION. Provides that a dissolution ordinance under this Act takes effect on the date:

- (1) the period for filing a voter petition expires under Section 7(a), if a voter petition is not filed under that section; or
- (2) the voters approve the dissolution ordinance under Section 7(d).

SECTION 9. TRANSFER OF ASSETS. (a) Requires the district, on or before the effective date of a dissolution ordinance under Section 8, to:

- (1) transfer to the city the ownership of any water rights and certificates of adjudication;
- (2) transfer the assets, debts, and contractual rights and obligations of the district to the city; and
- (3) provide notice and make recordings of the transfers under this section as required by the Water Code and other law.

(b) Requires the Texas Commission on Environmental Quality (TCEQ), on receipt of notice of the transfer of a district certificate or adjudication, to note in its records that the certificate of adjudication is owned and held by the city. Requires TCEQ to transfer the district's certificate to the city as a ministerial act without further application, notice, or hearing. Provides that a person or other legal entity does not have a right to object to or to request an administrative review of a transfer made in accordance with this Act.

(c) Provides that the transfer of the district's water rights and any certificate of adjudication to the city does not affect or impair the priority, extent, validity, or purpose of the water rights or certificate.

SECTION 10. EXPIRATION. Provides that this Act expires January 1, 2016.

SECTION 11. EFFECTIVE DATE. Effective date: upon passage or September 1, 2011.