

1-1 By: Kolkhorst S.B. No. 2035
 1-2 (In the Senate - Filed April 7, 2015; April 7, 2015, read
 1-3 first time and referred to Committee on Intergovernmental
 1-4 Relations; May 6, 2015, reported favorably by the following vote:
 1-5 Yeas 5, Nays 0; May 6, 2015, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7 Lucio	X			
1-8 Bettencourt			X	
1-9 Campbell	X			
1-10 Garcia	X			
1-11 Menéndez	X			
1-12 Nichols	X			
1-13 Taylor of Galveston			X	

1-15 A BILL TO BE ENTITLED
 1-16 AN ACT

1-17 relating to the conversion of the Harris-Fort Bend Counties
 1-18 Municipal Utility District No. 4 to the Katy Management District
 1-19 No. 1; providing authority to issue bonds; providing authority to
 1-20 impose assessments, fees, or taxes.

1-21 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-22 SECTION 1. The Harris-Fort Bend Counties Municipal Utility
 1-23 District No. 4 is converted to the Katy Management District No. 1
 1-24 and is governed by Chapter 3935, Special District Local Laws Code,
 1-25 as added by this Act.

1-26 SECTION 2. Subtitle C, Title 4, Special District Local Laws
 1-27 Code, is amended by adding Chapter 3935 to read as follows:

1-28 CHAPTER 3935. KATY MANAGEMENT DISTRICT NO. 1

1-29 SUBCHAPTER A. GENERAL PROVISIONS

1-30 Sec. 3935.001. DEFINITIONS. In this chapter:

- 1-31 (1) "Board" means the district's board of directors.
- 1-32 (2) "City" means the City of Katy.
- 1-33 (3) "County" means Harris County or Fort Bend County.
- 1-34 (4) "Director" means a board member.
- 1-35 (5) "District" means the Katy Management District No.

1-36 1.

1-37 Sec. 3935.002. NATURE OF DISTRICT; CONVERSION. The Katy
 1-38 Management District No. 1 is a special district created under
 1-39 Section 59, Article XVI, Texas Constitution, as the Harris-Fort
 1-40 Bend Counties Municipal Utility District No. 4. The district is
 1-41 converted to a municipal management district known as the Katy
 1-42 Management District No. 1 under the same constitutional authority.

1-43 Sec. 3935.003. PURPOSE; DECLARATION OF INTENT. (a) The
 1-44 conversion and operation of the district are essential to
 1-45 accomplish the purposes of Sections 52 and 52-a, Article III, and
 1-46 Section 59, Article XVI, Texas Constitution, and other public
 1-47 purposes stated in this chapter. By converting the district to a
 1-48 municipal management district and in authorizing the city, the
 1-49 county, and other political subdivisions to contract with the
 1-50 district, the legislature has established a program to accomplish
 1-51 the public purposes set out in Section 52-a, Article III, Texas
 1-52 Constitution.

1-53 (b) The conversion and operation of the district are
 1-54 necessary to promote, develop, encourage, and maintain employment,
 1-55 commerce, transportation, housing, tourism, recreation, the arts,
 1-56 entertainment, economic development, safety, and the public
 1-57 welfare in the district.

1-58 (c) This chapter and the conversion or operation of the
 1-59 district may not be interpreted to relieve the city or the county
 1-60 from providing the level of services provided as of the effective
 1-61 date of the Act enacting this chapter to the area in the district.

2-1 The district is created to supplement and not to supplant city or
2-2 county services provided in the district.

2-3 Sec. 3935.004. FINDINGS OF BENEFIT AND PUBLIC PURPOSE.

2-4 (a) The district is converted to a municipal management district
2-5 to serve a public use and benefit.

2-6 (b) All land and other property included in the district
2-7 will benefit from the improvements and services to be provided by
2-8 the district under powers conferred by Sections 52 and 52-a,
2-9 Article III, and Section 59, Article XVI, Texas Constitution, and
2-10 other powers granted under this chapter.

2-11 (c) The operation of the district is in the public interest
2-12 and is essential to further the public purposes of:

2-13 (1) developing and diversifying the economy of the
2-14 state;

2-15 (2) eliminating unemployment and underemployment; and

2-16 (3) developing or expanding transportation and
2-17 commerce.

2-18 (d) The district will:

2-19 (1) promote the health, safety, and general welfare of
2-20 residents, employers, potential employees, employees, visitors,
2-21 and consumers in the district, and of the public;

2-22 (2) provide needed funding for the district to
2-23 preserve, maintain, and enhance the economic health and vitality of
2-24 the district territory as a community and business center;

2-25 (3) promote the health, safety, welfare, and enjoyment
2-26 of the public by providing pedestrian ways and by landscaping and
2-27 developing certain areas in the district, which are necessary for
2-28 the restoration, preservation, and enhancement of scenic beauty;
2-29 and

2-30 (4) provide for water, wastewater, drainage, road, and
2-31 recreational facilities for the district.

2-32 (e) Pedestrian ways along or across a street, whether at
2-33 grade or above or below the surface, and street lighting, street
2-34 landscaping, parking, and street art objects are parts of and
2-35 necessary components of a street and are considered to be a street
2-36 or road improvement.

2-37 (f) The district will not act as the agent or
2-38 instrumentality of any private interest even though the district
2-39 will benefit many private interests as well as the public.

2-40 Sec. 3935.005. INITIAL DISTRICT TERRITORY. The district is
2-41 initially composed of the territory of the former Harris-Fort Bend
2-42 Counties Municipal Utility District No. 4 as that territory existed
2-43 on March 1, 2015.

2-44 Sec. 3935.006. APPLICABILITY OF MUNICIPAL MANAGEMENT
2-45 DISTRICTS LAW. Except as otherwise provided by this chapter,
2-46 Chapter 375, Local Government Code, applies to the district.

2-47 Sec. 3935.007. CONSTRUCTION OF CHAPTER. This chapter shall
2-48 be liberally construed in conformity with the findings and purposes
2-49 stated in this chapter.

2-50 SUBCHAPTER B. BOARD OF DIRECTORS

2-51 Sec. 3935.051. GOVERNING BODY; TERMS. (a) The district is
2-52 governed by a board of five voting directors who serve staggered
2-53 terms of four years, with two or three directors' terms expiring May
2-54 1 of each even-numbered year.

2-55 (b) The board by resolution may change the number of voting
2-56 directors on the board if the board determines that the change is in
2-57 the best interest of the district. The board may not consist of
2-58 fewer than 5 or more than 11 voting directors.

2-59 Sec. 3935.052. APPOINTMENT OF VOTING DIRECTORS. (a) The
2-60 mayor and members of the governing body of the city shall appoint
2-61 voting directors from persons recommended by the board. A person is
2-62 appointed if a majority of the members of the governing body,
2-63 including the mayor, vote to appoint that person.

2-64 (b) Section 375.063, Local Government Code, does not apply
2-65 to the district.

2-66 Sec. 3935.053. NONVOTING DIRECTORS. The board may appoint
2-67 nonvoting directors to serve at the pleasure of the voting
2-68 directors.

2-69 Sec. 3935.054. QUORUM. For purposes of determining the

3-1 requirements for a quorum of the board, the following are not
3-2 counted:

3-3 (1) a board position vacant for any reason, including
3-4 death, resignation, or disqualification;

3-5 (2) a director who is abstaining from participation in
3-6 a vote because of a conflict of interest; or

3-7 (3) a nonvoting director.

3-8 Sec. 3935.055. COMPENSATION. A director is entitled to
3-9 receive fees of office and reimbursement for actual expenses as
3-10 provided by Section 49.060, Water Code. Sections 375.069 and
3-11 375.070, Local Government Code, do not apply to the board.

3-12 Sec. 3935.056. INITIAL VOTING DIRECTORS ON CONVERSION TO
3-13 MANAGEMENT DISTRICT. (a) On the conversion of the district to a
3-14 management district, the initial board consists of the following
3-15 directors:

Pos. No.	Name of Director
1.	Kenneth Berger
2.	Orville Wient
3.	Robert C. Hargarther
4.	Donald P. Cox
5.	Nick Alexander Jr.

3-22 (b) Of the initial directors, the terms of directors
3-23 appointed for positions one through three expire May 14, 2016, and
3-24 the terms of directors appointed for positions four and five expire
3-25 May 12, 2018.

3-26 (c) Sections 3935.051 and 3935.052 do not apply to the
3-27 appointment or terms of directors appointed under Subsection (a).
3-28 A director appointed to succeed a director appointed under
3-29 Subsection (a) serves until May 1 of the appropriate year.

3-30 SUBCHAPTER C. POWERS AND DUTIES

3-31 Sec. 3935.101. GENERAL POWERS AND DUTIES. The district has
3-32 the powers and duties necessary to accomplish the purposes
3-33 described by this chapter.

3-34 Sec. 3935.102. IMPROVEMENT PROJECTS AND SERVICES. The
3-35 district may provide, design, construct, acquire, improve,
3-36 relocate, operate, maintain, or finance an improvement project or
3-37 service using any money available to the district, or contract with
3-38 a governmental or private entity to provide, design, construct,
3-39 acquire, improve, relocate, operate, maintain, or finance an
3-40 improvement project or service authorized under this chapter or
3-41 Chapter 375, Local Government Code.

3-42 Sec. 3935.103. MUNICIPAL UTILITY DISTRICT POWERS AND
3-43 DUTIES. The district has the powers and duties provided by the
3-44 general law of this state, including Chapters 49 and 54, Water Code,
3-45 applicable to municipal utility districts created under Section 59,
3-46 Article XVI, Texas Constitution.

3-47 Sec. 3935.104. DEVELOPMENT CORPORATION POWERS. The
3-48 district, using money available to the district, may exercise the
3-49 powers given to a development corporation under Chapter 505, Local
3-50 Government Code, including the power to own, operate, acquire,
3-51 construct, lease, improve, or maintain a project under that
3-52 chapter.

3-53 Sec. 3935.105. NONPROFIT CORPORATION. (a) The board by
3-54 resolution may authorize the creation of a nonprofit corporation to
3-55 assist and act for the district in implementing a project or
3-56 providing a service authorized by this chapter.

3-57 (b) The nonprofit corporation:

3-58 (1) has each power of and is considered to be a local
3-59 government corporation created under Subchapter D, Chapter 431,
3-60 Transportation Code; and

3-61 (2) may implement any project and provide any service
3-62 authorized by this chapter.

3-63 (c) The board shall appoint the board of directors of the
3-64 nonprofit corporation. The board of directors of the nonprofit
3-65 corporation shall serve in the same manner as the board of directors
3-66 of a local government corporation created under Subchapter D,
3-67 Chapter 431, Transportation Code, except that a board member is not
3-68 required to reside in the district.

3-69 Sec. 3935.106. AGREEMENTS; GRANTS. (a) As provided by

4-1 Chapter 375, Local Government Code, the district may make an
4-2 agreement with or accept a gift, grant, or loan from any person.

4-3 (b) The implementation of a project is a governmental
4-4 function or service for the purposes of Chapter 791, Government
4-5 Code.

4-6 Sec. 3935.107. LAW ENFORCEMENT SERVICES. To protect the
4-7 public interest, the district may contract with a qualified party,
4-8 including the county or the city, to provide law enforcement
4-9 services in the district for a fee.

4-10 Sec. 3935.108. MEMBERSHIP IN CHARITABLE ORGANIZATIONS. The
4-11 district may join and pay dues to a charitable or nonprofit
4-12 organization that performs a service or provides an activity
4-13 consistent with the furtherance of a district purpose.

4-14 Sec. 3935.109. ECONOMIC DEVELOPMENT. (a) The district may
4-15 engage in activities that accomplish the economic development
4-16 purposes of the district.

4-17 (b) The district may establish and provide for the
4-18 administration of one or more programs to promote state or local
4-19 economic development and to stimulate business and commercial
4-20 activity in the district, including programs to:

4-21 (1) make loans and grants of public money; and

4-22 (2) provide district personnel and services.

4-23 (c) The district may create economic development programs
4-24 and exercise the economic development powers provided to
4-25 municipalities by:

4-26 (1) Chapter 380, Local Government Code; and

4-27 (2) Subchapter A, Chapter 1509, Government Code.

4-28 Sec. 3935.110. PARKING FACILITIES. (a) The district may
4-29 acquire, lease as lessor or lessee, construct, develop, own,
4-30 operate, and maintain parking facilities or a system of parking
4-31 facilities, including lots, garages, parking terminals, or other
4-32 structures or accommodations for parking motor vehicles off the
4-33 streets and related appurtenances.

4-34 (b) The district's parking facilities serve the public
4-35 purposes of the district and are owned, used, and held for a public
4-36 purpose even if leased or operated by a private entity for a term of
4-37 years.

4-38 (c) The district's parking facilities are parts of and
4-39 necessary components of a street and are considered to be a street
4-40 or road improvement.

4-41 (d) The development and operation of the district's parking
4-42 facilities may be considered an economic development program.

4-43 Sec. 3935.111. ANNEXATION OF LAND. The district may annex
4-44 land as provided by Subchapter J, Chapter 49, Water Code.

4-45 Sec. 3935.112. APPROVAL BY CITY. (a) Except as provided
4-46 by Subsection (c), the district must obtain the approval of the city
4-47 for:

4-48 (1) the issuance of bonds;

4-49 (2) the plans and specifications of an improvement
4-50 project financed by bonds; and

4-51 (3) the plans and specifications of an improvement
4-52 project related to the use of land owned by the city, an easement
4-53 granted by the city, or a right-of-way of a street, road, or
4-54 highway.

4-55 (b) The district may not issue bonds until the governing
4-56 body of the city adopts a resolution or ordinance authorizing the
4-57 issuance of the bonds.

4-58 (c) If the district obtains the approval of the city's
4-59 governing body of a capital improvements budget for a period not to
4-60 exceed 10 years, the district may finance the capital improvements
4-61 and issue bonds specified in the budget without further approval
4-62 from the city.

4-63 (d) The governing body of the city:

4-64 (1) is not required to adopt a resolution or ordinance
4-65 to approve plans and specifications described by Subsection (a);
4-66 and

4-67 (2) may establish an administrative process to approve
4-68 plans and specifications described by Subsection (a) without the
4-69 involvement of the governing body.

5-1 SUBCHAPTER D. GENERAL FINANCIAL PROVISIONS; ASSESSMENTS

5-2 Sec. 3935.151. DISBURSEMENTS AND TRANSFERS OF MONEY. The
 5-3 board by resolution shall establish the number of directors'
 5-4 signatures and the procedure required for a disbursement or
 5-5 transfer of district money.

5-6 Sec. 3935.152. MONEY USED FOR IMPROVEMENTS OR SERVICES.
 5-7 The district may acquire, construct, finance, operate, or maintain
 5-8 any improvement or service authorized under this chapter or Chapter
 5-9 375, Local Government Code, using any money available to the
 5-10 district.

5-11 Sec. 3935.153. PETITION REQUIRED FOR FINANCING SERVICES AND
 5-12 IMPROVEMENTS WITH ASSESSMENTS. (a) The board may not finance a
 5-13 service or improvement project with assessments under this chapter
 5-14 unless a written petition requesting that service or improvement
 5-15 has been filed with the board.

5-16 (b) A petition filed under Subsection (a) must be signed by
 5-17 the owners of a majority of the assessed value of real property in
 5-18 the district subject to assessment according to the most recent
 5-19 certified tax appraisal roll for the county.

5-20 Sec. 3935.154. ASSESSMENTS; LIENS FOR ASSESSMENTS.
 5-21 (a) The board by resolution may impose and collect an assessment
 5-22 for any purpose authorized by this chapter in all or any part of the
 5-23 district.

5-24 (b) An assessment, a reassessment, or an assessment
 5-25 resulting from an addition to or correction of the assessment roll
 5-26 by the district, penalties and interest on an assessment or
 5-27 reassessment, an expense of collection, and reasonable attorney's
 5-28 fees incurred by the district:

5-29 (1) are a first and prior lien against the property
 5-30 assessed;

5-31 (2) are superior to any other lien or claim other than
 5-32 a lien or claim for county, school district, or municipal ad valorem
 5-33 taxes; and

5-34 (3) are the personal liability of and a charge against
 5-35 the owners of the property even if the owners are not named in the
 5-36 assessment proceedings.

5-37 (c) The lien is effective from the date of the board's
 5-38 resolution imposing the assessment until the date the assessment is
 5-39 paid. The board may enforce the lien in the same manner that the
 5-40 board may enforce an ad valorem tax lien against real property.

5-41 (d) The board may make a correction to or deletion from the
 5-42 assessment roll that does not increase the amount of assessment of
 5-43 any parcel of land without providing notice and holding a hearing in
 5-44 the manner required for additional assessments.

5-45 Sec. 3935.155. TAX AND ASSESSMENT ABATEMENT. The district
 5-46 may designate reinvestment zones and may grant abatements of
 5-47 district taxes or assessments on property in the zones.

5-48 SUBCHAPTER E. TAXES AND BONDS

5-49 Sec. 3935.201. ELECTIONS REGARDING TAXES AND BONDS.
 5-50 (a) The district may issue, without an election, bonds, notes, and
 5-51 other obligations secured by:

5-52 (1) revenue other than ad valorem taxes; or

5-53 (2) contract payments described by Section 3935.203.

5-54 (b) The district must hold an election in the manner
 5-55 provided by Chapters 49 and 54, Water Code, to obtain voter approval
 5-56 before the district may impose an ad valorem tax or issue bonds
 5-57 payable from ad valorem taxes.

5-58 (c) All or any part of any facilities or improvements that
 5-59 may be acquired by a district by the issuance of its bonds may be
 5-60 submitted as a single proposition or as several propositions to be
 5-61 voted on at the election.

5-62 Sec. 3935.202. OPERATION AND MAINTENANCE TAX. (a) If
 5-63 authorized by a majority of the district voters voting at an
 5-64 election held in accordance with Section 49.107, Water Code, the
 5-65 district may impose an operation and maintenance tax on taxable
 5-66 property in the district in accordance with that section for any
 5-67 district purpose, including to:

5-68 (1) maintain and operate the district;

5-69 (2) construct or acquire improvements; or

6-1 (3) provide a service.

6-2 (b) The board shall determine the tax rate. The rate may not
6-3 exceed the rate approved at the election.

6-4 (c) Section 49.107(h), Water Code, does not apply to the
6-5 district.

6-6 Sec. 3935.203. CONTRACT TAXES. (a) In accordance with
6-7 Section 49.108, Water Code, the district may impose a tax other than
6-8 an operation and maintenance tax and use the revenue derived from
6-9 the tax to make payments under a contract after the provisions of
6-10 the contract have been approved by a majority of the district voters
6-11 voting at an election held for that purpose.

6-12 (b) A contract approved by the district voters may contain a
6-13 provision stating that the contract may be modified or amended by
6-14 the board without further voter approval.

6-15 Sec. 3935.204. AUTHORITY TO BORROW MONEY AND TO ISSUE BONDS
6-16 AND OTHER OBLIGATIONS. (a) The district may borrow money on terms
6-17 determined by the board. Section 375.205, Local Government Code,
6-18 does not apply to a loan, line of credit, or other borrowing from a
6-19 bank or financial institution secured by revenue other than ad
6-20 valorem taxes.

6-21 (b) The district may issue bonds, notes, or other
6-22 obligations payable wholly or partly from ad valorem taxes,
6-23 assessments, impact fees, revenue, contract payments, grants, or
6-24 other district money, or any combination of those sources of money,
6-25 to pay for any authorized district purpose.

6-26 (c) The limitation on the outstanding principal amount of
6-27 bonds, notes, and other obligations provided by Section 49.4645,
6-28 Water Code, does not apply to the district.

6-29 Sec. 3935.205. TAXES FOR BONDS. At the time the district
6-30 issues bonds payable wholly or partly from ad valorem taxes, the
6-31 board shall provide for the annual imposition of a continuing
6-32 direct annual ad valorem tax, without limit as to rate or amount,
6-33 for each year that all or part of the bonds are outstanding as
6-34 required and in the manner provided by Sections 54.601 and 54.602,
6-35 Water Code.

6-36 Sec. 3935.206. CITY NOT REQUIRED TO PAY DISTRICT
6-37 OBLIGATIONS. Except as provided by Section 375.263, Local
6-38 Government Code, the city is not required to pay a bond, note, or
6-39 other obligation of the district.

6-40 SECTION 3. The Katy Management District No. 1 retains all
6-41 rights, powers, privileges, authority, duties, and functions that
6-42 the Harris-Fort Bend Counties Municipal Utility District No. 4 had
6-43 before the effective date of this Act, except as otherwise
6-44 expressly provided by Chapter 3935, Special District Local Laws
6-45 Code, as added by this Act.

6-46 SECTION 4. (a) The legislature validates and confirms all
6-47 governmental acts and proceedings of the Harris-Fort Bend Counties
6-48 Municipal Utility District No. 4 that were taken before the
6-49 effective date of this Act.

6-50 (b) This section does not apply to any matter that on the
6-51 effective date of this Act:

6-52 (1) is involved in litigation if the litigation
6-53 ultimately results in the matter being held invalid by a final court
6-54 judgment; or

6-55 (2) has been held invalid by a final court judgment.

6-56 SECTION 5. (a) The legal notice of the intention to
6-57 introduce this Act, setting forth the general substance of this
6-58 Act, has been published as provided by law, and the notice and a
6-59 copy of this Act have been furnished to all persons, agencies,
6-60 officials, or entities to which they are required to be furnished
6-61 under Section 59, Article XVI, Texas Constitution, and Chapter 313,
6-62 Government Code.

6-63 (b) The governor, one of the required recipients, has
6-64 submitted the notice and Act to the Texas Commission on
6-65 Environmental Quality.

6-66 (c) The Texas Commission on Environmental Quality has filed
6-67 its recommendations relating to this Act with the governor,
6-68 lieutenant governor, and speaker of the house of representatives
6-69 within the required time.

7-1 (d) The general law relating to consent by political
7-2 subdivisions to the creation of districts with conservation,
7-3 reclamation, and road powers and the inclusion of land in those
7-4 districts has been complied with.

7-5 (e) All requirements of the constitution and laws of this
7-6 state and the rules and procedures of the legislature with respect
7-7 to the notice, introduction, and passage of this Act have been
7-8 fulfilled and accomplished.

7-9 SECTION 6. This Act takes effect immediately if it receives
7-10 a vote of two-thirds of all the members elected to each house, as
7-11 provided by Section 39, Article III, Texas Constitution. If this
7-12 Act does not receive the vote necessary for immediate effect, this
7-13 Act takes effect September 1, 2015.

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