

## **BILL ANALYSIS**

Senate Research Center  
86R10385 BRG-F

H.B. 3374  
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Intergovernmental Relations  
5/15/2019  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

There have been calls to codify and amend the powers and duties of the Cleveland Municipal Utility District No. 1 of Montgomery County, Texas to help the district better serve the local community. H.B. 3374 seeks to achieve this goal.

H.B. 3374 amends current law relating to the powers and duties of the Cleveland Municipal Utility District No. 1 of Montgomery County, Texas; provides authority to issue bonds; and provides authority to impose a tax.

### **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. Amends Subtitle F, Title 6, Special District Local Laws Code, by adding Chapter 8073, as follows:

#### CHAPTER 8073. CLEVELAND MUNICIPAL UTILITY DISTRICT NO. 1 OF MONTGOMERY COUNTY, TEXAS

##### SUBCHAPTER A. GENERAL PROVISIONS

Sec. 8073.0101. DEFINITIONS. Defines "board" as the district's board of directors and defines "district" as the Cleveland Municipal Utility District No. 1 of Cleveland County, Texas, for purposes of this chapter.

Sec. 8073.0102. NATURE AND PURPOSES OF DISTRICT. (a) Provides that the district is a municipal utility district created under Section 59, Article XVI, Texas Constitution.

(b) Provides that the district is created to accomplish the purposes of:

(1) a municipal utility district as provided by general law and Section 59, Article XVI, Texas Constitution; and

(2) Section 52, Article III, Texas Constitution, that relate to the construction, acquisition, improvement, operation, or maintenance of macadamized, graveled, or paved roads, or improvements, including storm drainage, in aid of those roads.

Sec. 8073.0103. ELIGIBILITY FOR INCLUSION IN TAX INCREMENT REINVESTMENT ZONE. (a) Provides that all or part of the district is eligible to be included in a tax increment reinvestment zone created under Chapter 311 (Tax Increment Financing Act), Tax Code.

(b) Authorizes the City of Cleveland and the board of directors of the zone, by contract with the district, if the City of Cleveland has created or creates a tax increment reinvestment zone described by Subsection (a) that includes all or part of the territory of the district, 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.

#### SUBCHAPTER B. POWERS AND DUTIES

Sec. 8073.0201. GENERAL POWERS AND DUTIES. Provides that the district has the powers and duties necessary to accomplish the purposes for which the district is created.

Sec. 8073.0202. MUNICIPAL UTILITY DISTRICT POWERS AND DUTIES. Provides that the district has the powers and duties provided by the general law of this state, including Chapters 49 (Provisions Applicable To All Districts) and 54 (Municipal Utility Districts), Water Code, applicable to municipal utility districts created under Section 59, Article XVI, Texas Constitution.

Sec. 8073.0203. AUTHORITY FOR ROAD PROJECTS. Authorizes the district, under Section 52, Article III, Texas Constitution, to design, acquire, construct, finance, issue bonds for, improve, operate, maintain, and convey to this state, a county, or a municipality for operation and maintenance macadamized, graveled, or paved roads, or improvements, including storm drainage, in aid of those roads.

Sec. 8073.0204. ROAD STANDARDS AND REQUIREMENTS. (a) Requires a road project to meet all applicable construction standards, zoning and subdivision requirements, and regulations of each municipality in whose corporate limits or extraterritorial jurisdiction the road project is located.

(b) Requires the road project, if a road project is not located in the corporate limits or extraterritorial jurisdiction of a municipality, to meet all applicable construction standards, subdivision requirements, and regulations of each county in which the road project is located.

(c) Requires the Texas Transportation Commission, if the state will maintain and operate the road, to approve the plans and specifications of the road project.

Sec. 8073.0205. DIVISION OF DISTRICT. (a) Authorizes the district to be divided into two or more new districts only if the district:

(1) has no outstanding bonded debt; and

(2) is not imposing ad valorem taxes.

(b) Provides that this chapter applies to any new district created by the division of the district, and a new district has all the powers and duties of the district.

(c) Authorizes any new district created by the division of the district to, at the time the new district is created, contain only:

(1) land within the initial boundaries of the district; or

(2) land adjacent to the initial boundaries of the district if that adjacent land is:

(A) not within the extraterritorial jurisdiction of a city;

(B) within the extraterritorial jurisdiction of a city and that adjacent land has been approved for inclusion in the district under a consent ordinance or resolution adopted by the city.

(d) Authorizes the board, on its own motion or on receipt of a petition signed by the owner or owners of a majority of the assessed value of the real property in the district, to adopt an order dividing the district.

(e) Requires an order dividing the district to:

(1) name each new district;

(2) include the metes and bounds description of the territory of each new district;

(3) appoint temporary directors for each new district; and

(4) provide for the division of assets and liabilities between or among the new districts.

(f) Requires the district, on or before the 30th day after the date of adoption of an order dividing the district, to file the order with the Texas Commission on Environmental Quality and record the order in the real property records of each county in which the district is located.

(g) Requires any new district created by the division of the district to hold a confirmation and directors' election as required by Section 49.102 (Confirmation and Director Election), Water Code.

(h) Provides that, except as provided by Subsection (c), municipal consent by a city is not required for the creation of any new district created under this section.

(i) Requires any new district created by the division of the district to hold an election as required by this chapter to obtain voter approval before the district is authorized to impose a maintenance tax or issue bonds payable wholly or partly from ad valorem taxes.

(j) Provides that, if the voters of a new district do not confirm the creation of the new district, the assets, obligations, territory, and governance of the new district revert to that of the original district.

#### SUBCHAPTER C. BONDS AND OTHER OBLIGATIONS

Sec. 8073.0301. AUTHORITY TO ISSUE BONDS AND OTHER OBLIGATIONS FOR ROAD PROJECTS. (a) Authorizes the district to issue bonds or other obligations payable wholly or partly from ad valorem taxes, impact fees, revenue, contract payments, grants, revenue from a tax increment reinvestment zone created under Chapter 311, Tax Code, other district money, or any combination of those sources to pay for a road project authorized by Section 8073.0203.

(b) Prohibits the district from issuing bonds payable from ad valorem taxes to finance a road project unless the issuance is approved by a vote of a two-thirds majority of the district voters voting at an election held for that purpose.

(c) Prohibits the total principal amount of bonds or other obligations issued or incurred to finance road projects and payable from ad valorem taxes, at the time of issuance, from exceeding one-fourth of the assessed value of the real property in the district.

Sec. 8073.0302. TAXES FOR OTHER BONDS. Requires the board, at the time the district issues bonds payable wholly or partly from ad valorem taxes, to provide for the annual imposition of a continuing direct ad valorem tax, without limit as to rate or amount, while all or part of the bonds are outstanding as required and in the manner provided by Sections 54.601 (Tax Levy For Bonds) and 54.602 (Establishment of Tax Rate in Each Year), Water Code.

SECTION 2. Provides that the district retains all the rights, powers, privileges, authority, duties, and functions that it had before the effective date of this Act.

SECTION 3. (a) Provides that the legislature validates and confirms all governmental acts and proceedings of the district that were taken before the effective date of this Act.

(b) Provides that 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 4. Provides that all requirements of the constitution and laws of this state and the rules and procedures of the legislature with respect to the notice, introduction, and passage of this Act are fulfilled and accomplished.

SECTION 5. Effective date: upon passage or September 1, 2019.