

BILL ANALYSIS

Senate Research Center
87R20859 SMT-F

H.B. 4659
By: Bonnen (Taylor)
Local Government
5/19/2021
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The City of Kemah Municipal Management District No. 1 (district) was created in 2019 by the Texas Legislature. At the time of creation, the district did not seek the authority to provide retail water and sewer service. However, based on current development plans for the property within the district, interested parties agree that the district should provide retail service.

H.B. 4659 enables the district to provide retail service and conforms the district's enabling legislation to management district template language.

The bill authorizes the district, subject to certain requirements, to issue bonds and other obligations and impose property taxes.

H.B. 4659 amends current law relating to the authority of the City of Kemah Municipal Management District No. 1 to provide water and sewer service, exercise certain powers, issue bonds, and impose fees, taxes, and assessments and to the validation of certain acts and proceedings of the district.

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 Section 3976.0105(b), Special District Local Laws Code, to delete existing text providing that a mistake in the field notes or in copying the field notes in the legislative process does not affect the authority of the City of Kemah Municipal Management District No. 1 (district) to borrow money or issue bonds or other obligations described by Section 3976.0501 (Bonds and Other Obligations).

SECTION 2. Amends Subchapter E, Chapter 3976, Special District Local Laws Code, by adding Sections 3976.0503, 3976.0504, 3976.0505, 3976.0506, and 3976.0507, as follows:

Sec. 3976.0503. TAX ELECTION REQUIRED. Requires the district to hold an election in the manner provided by Chapter 49 (Provisions Applicable to All Districts), Water Code, or, if applicable, Chapter 375 (Municipal Management Districts in General), Local Government Code, to obtain voter approval before the district is authorized to impose an ad valorem tax.

Sec. 3976.0504. OPERATION AND MAINTENANCE TAX. (a) Authorizes the district, if authorized by a majority of the district voters voting at an election under Section 3976.0503, to impose an operation and maintenance tax on taxable property in the district in the manner provided by Section 49.107 (Operation and Maintenance Tax), Water Code, for any district purpose, including to:

- (1) maintain and operate the district;
- (2) construct or acquire improvements; or

(3) provide a service.

(b) Requires the district's board of directors (board) to determine the operation and maintenance tax rate. Prohibits the rate from exceeding the rate approved at the election.

Sec. 3976.0505. **AUTHORITY TO BORROW MONEY AND TO ISSUE BONDS AND OTHER OBLIGATIONS.** (a) Authorizes the district to borrow money on terms determined by the board.

(b) Authorizes the district to issue bonds, notes, or other obligations payable wholly or partly from ad valorem taxes, assessments, impact fees, revenue, contract payments, grants, or other district money, or any combination of those sources of money, to pay for any authorized district purpose.

Sec. 3976.0506. **BONDS SECURED BY REVENUE OR CONTRACT PAYMENTS.** Authorizes the district to issue, without an election, bonds secured by:

(1) revenue other than ad valorem taxes, including contract revenues; or

(2) contract payments, provided that the requirements of Section 49.108 (Contract Elections), Water Code, have been met.

Sec. 3976.0507. **BONDS SECURED BY AD VALOREM TAXES; ELECTIONS.** (a) Authorizes the district, if authorized at an election under Section 3976.0503, to issue bonds payable from ad valorem taxes.

(b) Provides that Section 375.243 (Petition Required for Bond Election), Local Government Code, does not apply to the district.

(c) 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 annual ad valorem tax, without limit as to rate or amount, for each year that 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.

(d) Authorizes all or any part of any facilities or improvements that may be acquired by a district by the issuance of its bonds to be submitted as a single proposition or as several propositions to be voted on at the election.

SECTION 3. Repealers: Sections 3976.0205 (Director's Oath or Affirmation) and 3976.0206 (Officers), Special District Local Laws Code.

Repealers: Sections 3976.0304 (Ownership of Improvement Projects) and 3976.0305 (Retail Water and Sewer Services Prohibited), Special District Local Laws Code.

Repealers: Sections 3976.0501 and 3976.0502 (Taxes for Water, Wastewater, and Drainage Purposes), Special District Local Laws Code.

Repealers: Sections 3976.0208(c) (relating to the requirement that the initial directors determine the expiration dates of certain positions by lot) and (d) (relating to the expiration date of Section 3976.0208 (Initial Directors)), Special District Local Laws Code.

SECTION 4. (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 5. Provides that all requirements of the constitution and the 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 6. Effective date: upon passage or September 1, 2021.