

SUBJECT: Repealing mandatory terms in agreements between cities and MUDs

COMMITTEE: Natural Resources — favorable, without amendment

VOTE: 9 ayes — Puente, Callegari, Bonnen, Campbell, Geren, Hardcastle, Hilderbran, Hope, Laney
0 nays

WITNESSES: For — Joe B. Allen, Association of Water Board Directors
Against — None

BACKGROUND: Water Code, sec. 54.016(a) requires that no land within a city's corporate limits or extraterritorial jurisdiction can be included in a municipal utility district (MUD) unless the city grants its written consent. Subsec. 54.016(f) authorizes a city to include an "allocation agreement" in its written consent for the inclusion of land in a MUD. This agreement must include:

- the method by which the MUD will exist following its annexation;
- a tax allocation assuring that the total annual ad valorem taxes collected by the city and the MUD on a property do not exceed the city's ad valorem tax on the property;
- a services allocation specifying the governmental services to be provided by the city and the MUD; and
- other appropriate terms.

Water Code, ch. 59 authorizes the creation and operation of regional districts for water, sewer, drainage, and municipal solid waste disposal in Harris and surrounding counties.

DIGEST: HB 2241 would eliminate Water Code, sec. 54.016(f), which governs allocation agreements between cities and MUDs.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2005.

**SUPPORTERS
SAY:**

HB 2241 would clear up an ambiguity in current law that allows a city to enter into an allocation agreement with a MUD but mandates the terms of such an agreement. Allocation agreements are meant to foster cooperation between cities and MUDs, encouraging these entities to cooperate when establishing annexation terms, taxation of residents, and provision of service. However, because the section of code governing these agreements specifies that they must include specific terms, many cities and MUDs have been reluctant to enter into these contracts. HB 2241 would clarify that cities and MUDs are free to enter into agreement on their own terms, encouraging collaboration that would benefit MUD residents.

HB 2241 would not prohibit mutually consented agreements between municipalities and MUDs. It simply would clarify the law governing these agreements. Other provisions in state law allow for collaboration, specifically Local Government Code, sec. 43.0751, which governs mutually agreed upon strategic partnerships between municipalities and MUDs.

**OPPONENTS
SAY:**

No apparent opposition.