

- SUBJECT:** Creating the Chambers County Municipal Utility District No. 2
- COMMITTEE:** Land and Resource Management — favorable, without amendment
- VOTE:** 7 ayes — Craddick, Muñoz, C. Bell, Biedermann, Leman, Minjarez, Thierry
- 0 nays
- 2 absent — Canales, Stickland
- WITNESSES:** For — (*Registered, but did not testify:* Michael Plank, Ameriport, LLC; Howard Cohen, Schwartz, Page and Harding, LLP)
- Against — None
- BACKGROUND:** Water Code ch. 49 governs certain special purpose districts that engage in certain water, sewer, drainage, or flood control activities. A district under this chapter has eminent domain authority.
- Water Code ch. 54 governs municipal utility districts that may be created for several purposes, including flood control, irrigation, and water conservation.
- Interested parties have suggested creating a special purpose district to benefit undeveloped land in Chambers County.
- DIGEST:** HB 4674 would create the Chambers County Municipal Utility District No. 2. The bill would outline the governing body, election process, and powers of the district and would describe the initial district territory.
- Governing body.** The district would be governed by a board of five elected directors who would serve staggered four-year terms.
- On or after the effective date of this bill, the owners of a majority of the assessed value of the property in the district could submit a petition to the

Texas Commission on Environmental Quality (TCEQ) requesting five temporary directors. TCEQ would have to appoint the individuals named by the petition to serve until permanent directors were elected or for four years after the bill's effective date. If permanent directors were not elected during that time, successor temporary directors would be appointed or reappointed in the same manner.

Temporary directors would be required to hold an election to confirm the creation of the district and to elect five permanent members. An election could not be held without the consent of each municipality in whose corporate limits or extraterritorial jurisdiction the district was located.

General powers. The district would be a municipal utility district with the powers and duties provided under Water Code chs. 49 and 54.

The bill would allow the district to design, acquire, construct, finance, issue bonds for, improve, operate, maintain, and convey certain roads or road improvements. Road projects would have to meet all applicable construction standards, zoning and subdivision requirements, and regulations of each municipality or county in which they were located.

If the state would maintain and operate the road, the Texas Transportation Commission would have to approve project plans and specifications.

Bond authority. HB 4674 would allow the district to issue bonds or other obligations payable wholly or partly from property taxes, impact fees, revenue, contract payments, grants, other money, or any combination of those sources. The district could issue bonds or obligations secured by contract payments or revenue other than property taxes without an election.

Property tax. The district would have to hold an election to obtain voter approval before imposing a property tax or issuing bonds payable from a property tax.

When the district issued bonds payable wholly or partly from property

taxes, the board would have to provide for the annual imposition of a continuing direct property tax, without limit as to the rate or amount, while all or part of the bonds were outstanding.

Bonds payable from a property tax could not be issued to finance a road project unless it was approved by a vote of two-thirds majority of the district voters. The total principal amount of bonds or obligations issued to finance road projects could not exceed one-fourth of the assessed value of real property in the district.

Operation and maintenance tax. If approved by district voters, the district could impose an operation and maintenance tax on taxable property in the district. The district board would have to determine the tax rate, which could not exceed the rate approved at the election.

Contract tax. HB 4674 would allow the district to impose a tax other than an operation and maintenance tax and use the tax revenue to make payments under a contract that had been approved by district voters. A contract could contain a provision allowing the contract to be modified or amended by the board without further voter approval.

Eminent domain. If the bill did not receive a two-thirds vote of the membership of each house, the district would be prohibited from exercising the power of eminent domain. The bill would specify that this provision was not intended to be an expression of legislative interpretation of certain constitutional requirements.

Notice requirements. HB 4674 would specify that the legal notice of the intention to introduce this bill was published as required by law.

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, 2019.