

## **BILL ANALYSIS**

Senate Research Center

S.B. 727  
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As Filed

### **DIGEST**

Currently, the Municipal Annexation Act authorizes in-lieu contracts between cities and industrial districts located in extraterritorial jurisdiction (ETJ) areas. Pursuant to the provision, a city and the owner of a refinery or other industrial use in an ETJ area can enter into a contract under which the owner makes negotiated payments to the city, the city provides stipulated services to the owner, and the district is immunized from annexation. In-lieu contracts may be for a term of up to 15 years, and are subject to renewal. However, the Annexation Act does not contain a corresponding in-lieu provision for residential Municipal Utility Districts (MUDs) located in ETJ areas. Under current law, the only choice for cities and MUD residents is between annexation and no annexation.

S.B. 727 would extend the industrial district concept to MUDs. It would create a mechanism by which the mayor of a city with a population over 1.6 million and the board of a MUD located in the city's ETJ can negotiate in-lieu contracts. Negotiations would be initiated by either the mayor or the MUD board, who would then begin good-faith discussions toward execution of a mutually-beneficial contract. Contracts may be for a term of up to 15 years, and are subject to renewal. The goal of S.B. 727 is to encourage agreements under which MUDs make voluntary payments to offset the cost of municipal streets, water systems, and other facilities and services that benefit the region.

### **PURPOSE**

As proposed, S.B. 727 outlines provisions regarding contracts between municipal utility districts located in extraterritorial areas and municipalities.

### **RULEMAKING AUTHORITY**

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 42C, Local Government Code, by adding Section 42.0441, as follows:

Sec. 42.0441. JOINT AGREEMENTS BETWEEN MUNICIPAL UTILITY DISTRICTS IN EXTRATERRITORIAL AREAS AND MUNICIPALITIES. (a) Provides that it is the intent of the legislature to enable municipal utility districts in extraterritorial areas and municipalities to negotiate mutually-agreeable alternatives to annexation. Provides that in furtherance of that goal, this section authorizes municipal utility districts and municipalities to execute mutually-agreeable contracts providing for the joint funding of services in lieu of annexation.

(b) Defines "district," "municipality," and "services."

(c) Authorizes the mayor of a municipality to enter into negotiations with the board of directors of one or more districts located in the municipality's extraterritorial jurisdiction. Requires notice of the mayor's request to initiate negotiations to be submitted to the board of the district. Authorizes a district, in its discretion, to agree to enter into negotiations with the mayor.

(d) Requires the board of directors to appoint a designee from the board to negotiate with the mayor upon electing to enter into negotiations with the mayor.

(e) Requires the mayor of a municipality to enter into negotiations with the board of a district located in the municipality's extraterritorial jurisdiction upon submission of a petition approved by a majority of the members of the board. Requires the mayor to enter into negotiations with the board not later than 30 days after a valid petition is filed with the mayor.

(f) Requires the mayor and the board's designee to negotiate in good faith upon initiation of negotiations. Sets forth options for which the mayor and the board's designee are authorized to, in their discretion, agree to a written contract.

(g) Authorizes the governing body of the municipality and the board of a district to renew or extend a contract for successive periods not to exceed 15 years.

(h) Requires a contract agreed to by the mayor of a municipality and the board of a district to be submitted to the governing body of the municipality and the board of the district for final approval. Requires the contract to be deemed finally approved and binding on both parties upon approval by the governing body of the municipality and a majority of members of the board of the district.

SECTION 2. Amends Chapter 321.102, Tax Code, by adding Subsection (c-1), as follows:

(c-1) Requires the municipal secretary to send by United States registered or certified mail to the controller a certified copy of the ordinance that changes the municipality's boundaries and shows the effective date of the boundary change if the boundaries of a municipality in which the tax imposed under this chapter are changed pursuant to Chapter 42C, Section 42.0441(e)(2), Local Government Code. Requires the ordinance to be accompanied by a map clearly showing the added territory. Provides that the tax takes effect in the added territory on the first day of the first calendar quarter after the comptroller receives the ordinance and map.

SECTION 3. Emergency clause.

Effective date: 90 days after adjournment.