

BILL ANALYSIS

Senate Research Center

S.B. 1535
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Intergovernmental Relations
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current law authorizes a municipality to annex and abolish a municipal utility district and authorizes the municipality to issue municipal bonds in an amount authorized and approved, but not issued, by the district. However, current statutes do not address the specific situation of annexation and abolition of a municipal utility district authorized to issue bonds payable from the proceeds of a tax levied on only a part of the district.

S.B. 1535 authorizes a municipality that annexes and abolishes a municipal utility district which has authorized and approved but not issued bonds payable from ad valorem taxes on a part of the district to issue municipal bonds in the amount voted but not issued by the district with the municipal bonds payable from the proceeds of an ad valorem tax levied on only the part of the district where the original tax was authorized.

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 A, Title 4, Local Government Code, by adding Chapter 108, as follows:

CHAPTER 108. MUNICIPAL BONDS FOR CERTAIN DEFINED AREAS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 108.001. DEFINITION. Defines "defined area."

Sec. 108.002. APPLICATION OF CHAPTER. Provides that this chapter applies only to a municipality that under Section 43.075 (Abolition of, or Division of Functions of, Water-Related Special District That Becomes Part of Not More Than One Municipality) or any other law abolishes a municipal utility district (district) created under Section 59 (Conservation and Development of Natural Resources and Parks and Recreational Facilities; Conservation and Reclamation Districts), Article XVI, Texas Constitution, that contains a defined area.

Sec. 108.003. CONFLICT WITH OTHER LAWS. Provides that this chapter controls in a conflict between this chapter and any other law, including Subchapter A (Public Improvement Districts), Chapter 372.

[Reserves Sections 108.004-108.050 for expansion.]

SUBCHAPTER B. BONDS USED TO CARRY OUT PURPOSES OF DEFINED AREA IN ABOLISHED MUNICIPAL UTILITY DISTRICT

Sec. 108.051. BONDS ORIGINALLY AUTHORIZED IN ABOLISHED MUNICIPAL UTILITY DISTRICT; PROPERTY TAXES. (a) Authorizes the governing body of a municipality that abolishes a district, if, before its abolition, the district voted to issue bonds for the defined area under Section 54.806 (Procedure for Election), Water Code,

and if some or all of the bonds were not issued, sold, and delivered before the abolition, to issue and sell municipal bonds in an amount not to exceed the amount of the unissued district bonds approved by voters and for the purpose of carrying out the purposes for which the district bonds were voted.

(b) Provides that the bonds are issued under the authority under which they were voted, particularly Section 59, Article XVI, Texas Constitution. Requires the bonds to be secured by a tax under the authority under which they were voted, particularly a tax on the property in the defined area of the abolished district.

(c) Requires the bonds to be authorized by ordinance of the governing body of the municipality. Requires the ordinance to provide for the levy of taxes on all taxable property in the defined area of the abolished district to pay the principal of and interest on the bonds when due.

Sec. 108.052. **BONDS AUTHORIZED UNDER PUBLIC IMPROVEMENT DISTRICT; ASSESSMENTS.** (a) Authorizes the governing body of a municipality that abolishes a district, if, before its abolition, a district voted to issue bonds secured by property taxes for a defined area under Section 54.806 (Procedure for Election), Water Code, and if some or all of the bonds were not issued, sold, and delivered before the abolition, to, on its motion, establish a public improvement district under Subchapter A, Chapter 372, for the purpose of issuing and selling municipal bonds in a certain amount and for certain purposes.

(b) Sets forth certain actions and duties that a municipality that establishes a public improvement district under this section is authorized to perform.

(c) Authorizes certain information to be included in an assessment under this section.

(d) Requires any bonds issued by the municipality under this section to be authorized by ordinance of the governing body of the municipality and requires such bonds to provide for the collection of the assessments as authorized by Subchapter A, Chapter 372, and this chapter.

(e) Authorizes the bonds to be payable in installments, as determined by the governing body of the municipality, against the property in the defined area.

(f) Authorizes the municipality to use the bonds for certain purposes.

Sec. 108.053. **PLEDGES TO SECURE BONDS.** Authorizes the municipality to further pledge any available funds to secure the bonds, including taxes or other revenue.

Sec. 108.054. **CHOICE OF LAWS.** (a) Authorizes a municipality to exercise powers under Section 108.051 or 108.052, but prohibits a municipality from exercising powers under both sections for the same defined area.

(b) Prohibits a municipality that exercises powers under Section 108.051 or 108.052 to reimburse a developer's infrastructure costs in a defined area from being required to provide payment to the developer under Section 43.0715 (Annexation of Water-Related Special District; Reimbursement of Landowner or Developer; Continuation of District and Taxing Authority).

Sec. 108.055. **CONFLICT WITH MUNICIPAL CHARTER.** Provides that this subchapter prevails over a municipal charter provision to the extent of a conflict with this subchapter.

Sec. 108.056. **EFFECT ON OTHER MUNICIPAL BONDS.** Provides that this subchapter does not affect the authority of a municipality to issue bonds for other purposes.

SECTION 2. Makes application of Chapter 108, Local Government Code, as added by this Act, prospective.

SECTION 3. Effective date: upon passage or September 1, 2007.