

- SUBJECT:** Creation of the Fairfield Municipal Utility District of Kaufman County
- COMMITTEE:** Natural Resources — committee substitute recommended
- VOTE:** 8 ayes — Puente, Hamilton, Creighton, Gallego, Guillen, Hilderbran, Laubenberg, O'Day
- 0 nays
- 1 absent — Gattis
- WITNESSES:** For — (*Registered, but did not testify:* Angela Stepherson, Hunt Realty Corporation)
- Against — None
- BACKGROUND:** Texas Constitution, Art. 16, sec. 59 authorizes the creation of municipal utility districts or MUDs. Such districts may levy property taxes and issue debt backed by these taxes to construct public infrastructure. These districts may be created by a county commissioners court, the Texas Commission on Environmental Quality (TCEQ), or the Legislature.
- A district may issue bonds, lend its credit, levy taxes and collect taxes for certain purposes, upon the approval of two-thirds majority of voters. The purposes may include the construction, maintenance and operation of roads and turnpikes. Such provisions are stipulated by Texas Constitution, Art. 3, sec. 52.
- Water Code, chs. 49 and 54 outline the general powers and duties granted to districts in Texas, including a MUD.
- DIGEST:** CSHB 599 would establish the Fairfield Municipal Utility District of Kaufman County. The district would use powers and duties assigned to districts under Water Code, ch. 49 and ch. 54. The district would include a territory encompassing 2,650 acres. A mistake in the outlined boundaries would not affect the board's legality or the district's existence or right to impose taxes.

The district could construct, acquire, improve, maintain, or operate roads. A road project would require the consent of the municipality or county where the district was located, and it would have to meet applicable construction standards, zoning and subdivision requirements, and municipal or county regulations where the district was located. A road project contract would be created according to provisions on bids, contracts, payment, and reports for certain construction contracts.

The district could impose a tax for district operations, district maintenance, and the principal and interest on relevant bonds. Rules outlined in Water Code, ch. 49 would govern these actions. The district would not have to obtain the executive director's approval before reimbursing property developers.

As provided by Water Code, ch. 49 and ch. 54, the district could issue bonds or other obligations to finance the construction, maintenance or operation of road projects. Bonds from ad valorem taxes, impact fees, revenue, grants or other district money would be available for the district's use. Bonds secured through ad valorem taxes would require a two-thirds majority of district voters. The bonds would not exceed one-fourth of the district's assessed property value. Provisions governing the TCEQ's authority over bond issuance and project supervision would not apply to such a road project.

The district could not impose an impact fee or assessment on the following:

- electric utility or power generation company;
- gas utility;
- telecommunications provider;
- cable operator; or
- public provider of advanced telecommunications services

The district board would be subject to confirmation in a general election. Temporary directors would be appointed to govern the district. They would convene as soon as possible and hold an election to confirm the district's creation and elect five directors. The elected directors would serve staggered four-year terms.

If not confirmed by election, the district would be dissolved September 1, 2009. The district would pay any debts incurred and transfer remaining assets to Kaufman County.

The district could divide itself into multiple new districts. A division would result from a motion by the board or a petition from a district landowner. Each district would have to be at least 100 acres and not include land outside the area established by CSHB 599.

The terms and measurements for each proposed district would be prepared by the board. Thereafter, voters would receive notice of an election regarding the district's division. If the majority of votes favor the division, the board would provide notice to certain state officials and any municipality within the new district. The original board would appoint itself as board of directors of one of the new districts and would appoint five directors for each of the other new districts. An election would be held later to elect directors.

Each new district would be allowed to incur and pay debts in the manner authorized by the bill. Debts would be paid by revenue or taxes on district's real property as if the subdivisions had not occurred. Districts would be permitted to contract with one another for water and wastewater services and other appropriate matters, approved by each board.

This 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, 2007.

NOTES:

HB 599 was withdrawn from the May 2 Local, Consent, and Resolutions Calendar and transferred to the Calendars Committee.

The companion bill, SB 323 by Deuell, passed the Senate on the Local and Uncontested Calendar on April 19 and was reported favorably, as substituted, by the House Natural Resources Committee on May 2, making it eligible to be considered in lieu of HB 599.