

- SUBJECT:** Allow strategic partnerships between cities and fresh water supply districts
- COMMITTEE:** Natural Resources — favorable, without amendment
- VOTE:** 11 ayes — Ritter, T. King, Beck, Creighton, Hopson, Keffer, Larson, Lucio, Martinez Fischer, D. Miller, Price
- 0 nays
- WITNESSES:** For — Val Perkins, Buffelo Creek, Ltd.
- Against — None
- BACKGROUND:** Texas Constitution, art. 16, sec. 59 authorizes the formation of special districts to provide for the conservation and reclamation of water, including fresh water supply districts.
- Local Government Code, sec. 43.0751 allows the governing bodies of a municipality and a municipal utility district (MUD) or other improvement district to enter into a strategic partnership agreement. Such an agreement may allow for limited-purpose annexation of the district on mutually favorable terms and payments by the district to the municipality for services provided by the municipality, among other arrangements.
- DIGEST:** HB 1979 would amend Local Government Code, sec. 43.0751(a)(1) to delete references to water control and improvement districts and MUDs and add conservation and reclamation districts operating under Water Code, ch. 49, including fresh water supply districts. The change would not apply to groundwater conservation districts or special utility districts, governed by Water Code, ch. 36 and ch. 65, respectively.
- The bill also would permit a district or area of a district to be annexed for limited purposes if it was in the city's extraterritorial jurisdiction and contiguous to the city limits or another area annexed for limited purposes. However, the district could consent to noncontiguous annexation under a strategic partnership agreement with the city.

HB 1979 would apply to any limited-purpose annexation or strategic partnership agreements made on or after the bill took effect on September 1, 2011.

**SUPPORTERS  
SAY:**

HB 1979 would end the discrepancy in state law that permits MUDs and water control and improvement districts — but not longstanding fresh water supply districts — to reach strategic partnership agreements with cities as part of a limited-purpose annexation. Authorization for fresh water supply districts long predates the enabling statutes creating these other districts, and the bill would correct this oversight by granting fresh water supply districts the same authority.

Typically, strategic partnership agreements have been a “win-win” situation for both cities and MUDs. Such agreements allow these districts to continue while allowing the provision of municipal services such as police and fire protection. The district agrees to remand a payment equivalent to property taxes and a share of sales tax revenue. These agreements have to be made on a mutual basis. In 2010, Houston collected more than \$58 million from more than 140 water districts. The success of the Houston-area agreements has encouraged other municipalities that border a fresh water supply district to consider entering into similar contracts. Mesquite would be one city that would seek a strategic partnership agreement with an adjacent fresh water supply district if permitted.

Allowing for noncontiguous annexation would permit both the city and water district to select commercial areas for the limited-purpose annexation. It would provide sufficient revenue from the negotiated fees and share of sales taxes and would not burden residential property owners.

HB 1979 properly would exclude groundwater conservation districts and special utility districts that already are restricted by state law from limited-purpose annexation. These districts do not supply or sell water to cities and do not enter strategic partnership agreements with municipalities.

**OPPONENTS  
SAY:**

No apparent opposition

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NOTES: The companion bill, SB 1082 by Hegar, passed the Senate by 31-0 on the Local and Uncontested Calendar on April 14.