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January 26, 2021

VIA FEDERAL EXPRESS

Aron Kulhavy
City Manager, City of Huntsville
1212 Avenue M
Huntsville, Texas 77340

Re: Legislation Creating Huntsville Municipal Utility District No. 1

Dear Mr. Kulhavy:

Enclosed is a copy of the draft legislation, together with notice of intent to introduce the referenced legislation, proposing to create Huntsville Municipal Utility District No. 1 (the "District"). As you know, the proposed District is currently located partially within the corporate limits and the extraterritorial jurisdiction of the City of Huntsville, Texas (the "City"). As Mr. Valeriano and Mr. Wren expressed to you, it is our intention to annex all of the land located within the proposed District into the corporate boundaries of the City after the terms of the development agreement are established. We believe the proposed acreage of the District would be approximately 350 acres, however, we are using 360 acres as an estimate until we have a metes and bounds. We are optimistic that we can structure this District to be beneficial to the City.

By this correspondence, we formally give you notice of our intent to offer the referenced legislation in the form of a bill to be filed in the 87th Legislature of the State of Texas. Please note that the District is subject to all applicable rules and regulations promulgated by the City relating to municipal utility districts located within the corporate limits of the City.

Please feel free to contact the undersigned should you have any questions or comments. I look forward to discussing the project further with City representatives.

Very truly yours,

Julianne B. Kugle

Enclosures

cc: Leonard Schneider

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AN ACT

relating to the creation of the Huntsville Municipal Utility District No. 1 of Walker County, Texas; granting a limited power of eminent domain; providing authority to issue bonds; providing authority to impose assessments, fees, and taxes.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle F, Title 6, Special District Local Laws Code, is amended by adding Chapter _____ to read as follows:

CHAPTER _____ . HUNTSVILLE MUNICIPAL UTILITY DISTRICT NO. 1 OF
WALKER COUNTY, TEXAS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. _____ .0101. DEFINITIONS. In this chapter:

- (1) "Board" means the district's board of directors.
- (2) "Commission" means the Texas Commission on Environmental Quality.
- (3) "Director" means a board member.
- (4) "District" means the Huntsville Municipal Utility District No. 1 of Walker County, Texas.

Sec. _____ .0102. NATURE OF DISTRICT. The district is a

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municipal utility district created under Section 59, Article XVI,
Texas Constitution.

Sec. .0103. CONFIRMATION AND DIRECTOR ELECTION
REQUIRED. The temporary directors shall hold an election to
confirm the creation of the district and to elect five permanent
directors as provided by Section 49.102, Water Code.

Sec. .0104. CONSENT OF MUNICIPALITY REQUIRED. The
temporary directors may not hold an election under Section
.0103 until each municipality in whose corporate limits or
extraterritorial jurisdiction the district is located has
consented by ordinance or resolution to the creation of the
district and to the inclusion of land in the district.

Sec. .0105. FINDINGS OF PUBLIC PURPOSE AND BENEFIT.
(a) The district is created to serve a public purpose and benefit.

(b) The district is created to accomplish the purposes of:
(1) a municipal utility district as provided by general
law and Section 59, Article XVI, Texas Constitution; and

(2) Section 52, Article III, Texas Constitution, that
relate to the construction, acquisition, improvement, operation,
or maintenance of macadamized, graveled, or paved roads, or
improvements, including storm drainage, in aid of those roads.

Sec. .0106. INITIAL DISTRICT TERRITORY. (a) The
district is initially composed of the territory described by

Section 2 of the Act enacting this chapter.

(b) The boundaries and field notes contained in Section 2 of the Act enacting this chapter form a closure. A mistake made in the field notes or in copying the field notes in the legislative process does not affect the district's:

(1) organization, existence, or validity;

(2) right to issue any type of bond for the purposes for which the district is created or to pay the principal of and interest on a bond;

(3) right to impose a tax; or

(4) legality or operation.

SUBCHAPTER B. BOARD OF DIRECTORS

Sec. .0201. GOVERNING BODY; TERMS. (a) The district is governed by a board of five elected directors.

(b) Except as provided by Section .0202, directors serve staggered four-year terms.

Sec. .0202. TEMPORARY DIRECTORS. (a) The temporary board consists of:

(1) _____ ;

(2) _____ ;

(3) _____ ;

(4) _____ ; and

(5) _____ .

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(b) Temporary directors serve until the earlier of:

(1) the date permanent directors are elected under
Section .0103; or

(2) the fourth anniversary of the effective date of the
Act enacting this chapter.

(c) If permanent directors have not been elected under
Section .0103 and the terms of the temporary directors have
expired, successor temporary directors shall be appointed or
reappointed as provided by Subsection (d) to serve terms that
expire on the earlier of:

(1) the date permanent directors are elected under
Section .0103; or

(2) the fourth anniversary of the date of the
appointment or reappointment.

(d) If Subsection (c) applies, the owner or owners of a
majority of the assessed value of the real property in the district
may submit a petition to the commission requesting that the
commission appoint as successor temporary directors the five
persons named in the petition. The commission shall appoint as
successor temporary directors the five persons named in the
petition.

SUBCHAPTER C. POWERS AND DUTIES

Sec. .0301. GENERAL POWERS AND DUTIES. The district

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has the powers and duties necessary to accomplish the purposes for
which the district is created.

Sec. .0302. MUNICIPAL UTILITY DISTRICT POWERS AND
DUTIES. The district has the powers and duties provided by the
general law of this state, including Chapters 49 and 54, Water
Code, applicable to municipal utility districts created under
Section 59, Article XVI, Texas Constitution.

Sec. .0303. AUTHORITY FOR ROAD PROJECTS. Under Section
52, Article III, Texas Constitution, the district may design,
acquire, construct, finance, issue bonds for, improve, operate,
maintain, and convey to this state, a county, or a municipality
for operation and maintenance macadamized, graveled, or paved
roads, or improvements, including storm drainage, in aid of those
roads.

Sec. .0304. ROAD STANDARDS AND REQUIREMENTS. (a) A
road project must meet all applicable construction standards,
zoning and subdivision requirements, and regulations of each
municipality in whose corporate limits or extraterritorial
jurisdiction the road project is located.

(b) If a road project is not located in the corporate limits
or extraterritorial jurisdiction of a municipality, the road
project must meet all applicable construction standards,
subdivision requirements, and regulations of each county in which

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the road project is located.

(c) If the state will maintain and operate the road, the Texas Transportation Commission must approve the plans and specifications of the road project.

Sec. .0305. COMPLIANCE WITH MUNICIPAL CONSENT ORDINANCE OR RESOLUTION. The district shall comply with all applicable requirements of any ordinance or resolution that is adopted under Section 54.016 or 54.0165, Water Code, and that consents to the creation of the district or to the inclusion of land in the district.

Sec. .0306. EFFECT OF ANNEXATION. (a) A municipality within whose extraterritorial jurisdiction the land in the district lies may annex all of the district into its corporate limits under the terms of an agreement entered into before the effective date of the Act creating this chapter between the municipality and the owners of the land being annexed, and, in that instance, the district may not be dissolved, except as provided by Subsection (b).

(b) The district may be dissolved and its debts and obligations assumed by the municipality in accordance with Chapter 43, Local Government Code, including Sections 43.075 and 43.0715, on:

(1) annexation of all of the territory of the district by

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the municipality; and

(2) completion of the construction of the water, sanitary sewer, and drainage improvements and roads required to serve at least 95 percent of the land in the district.

(c) Notwithstanding Section 54.016(f)(2), Water Code, a contract between the municipality and the district that provides for the allocation of the taxes or revenues between the district and the municipality following the date of inclusion of all the district's territory in the corporate limits of the municipality may provide that the total annual ad valorem taxes collected by the municipality and the district from taxable property in the district may exceed the municipality's ad valorem tax on the property.

Sec. _____ .0307. LIMITATION ON USE OF EMINENT DOMAIN. The district may not exercise the power of eminent domain outside the district boundaries to acquire a site or easement for:

(1) a recreational facility, as defined by Section 49.462, Water Code; or

(2) a road project authorized by Section _____ .0303.

SUBCHAPTER D. GENERAL FINANCIAL PROVISIONS

Sec. _____ .0401. ELECTIONS REGARDING TAXES OR BONDS. (a) The district may issue, without an election, bonds and other obligations secured by:

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(1) revenue other than ad valorem taxes; or

(2) contract payments described by Section .0403.

(b) The district must hold an election in the manner provided by Chapters 49 and 54, Water Code, to obtain voter approval before the district may impose an ad valorem tax or issue bonds payable from ad valorem taxes.

(c) The district may not issue bonds payable from ad valorem taxes to finance a road project unless the issuance is approved by a vote of a two-thirds majority of the district voters voting at an election held for that purpose.

Sec. .0402. OPERATION AND MAINTENANCE TAX. (a) If authorized at an election held under Section .0401, the district may impose an operation and maintenance tax on taxable property in the district in accordance with Section 49.107, Water Code.

(b) The board shall determine the tax rate. The rate may not exceed the rate approved at the election.

Sec. .0403. CONTRACT TAXES. (a) In accordance with Section 49.108, Water Code, the district may impose a tax other than an operation and maintenance tax and use the revenue derived from the tax to make payments under a contract after the provisions of the contract have been approved by a majority of the district voters voting at an election held for that purpose.

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(b) A contract approved by the district voters may contain a provision stating that the contract may be modified or amended by the board without further voter approval.

SUBCHAPTER E. BONDS AND OTHER OBLIGATIONS

Sec. .0501. AUTHORITY TO ISSUE BONDS AND OTHER OBLIGATIONS. The district may issue bonds or other obligations payable wholly or partly from ad valorem taxes, impact fees, revenue, contract payments, grants, or other district money, or any combination of those sources, to pay for any authorized district purpose.

Sec. .0502. TAXES FOR BONDS. At the time the district issues bonds payable wholly or partly from ad valorem taxes, the board shall provide for the annual imposition of a continuing direct ad valorem tax, without limit as to rate or amount, while all or part of the bonds are outstanding as required and in the manner provided by Sections 54.601 and 54.602, Water Code.

Sec. .0503. BONDS FOR ROAD PROJECTS. At the time of issuance, the total principal amount of bonds or other obligations issued or incurred to finance road projects and payable from ad valorem taxes may not exceed one-fourth of the assessed value of the real property in the district.

SECTION 2. The Huntsville Municipal Utility District No. 1 of Walker County, Texas initially includes all the territory

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contained in the following area:

SECTION 3. (a) The legal notice of the intention to introduce this Act, setting forth the general substance of this Act, has been published as provided by law, and the notice and a copy of this Act have been furnished to all persons, agencies, officials, or entities to which they are required to be furnished under Section 59, Article XVI, Texas Constitution, and Chapter 313, Government Code.

(b) The governor, one of the required recipients, has submitted the notice and Act to the Texas Commission on Environmental Quality.

(c) The Texas Commission on Environmental Quality has filed its recommendations relating to this Act with the governor, the lieutenant governor, and the speaker of the house of representatives within the required time.

(d) All requirements of the constitution and laws of this state and the rules and procedures of the legislature with respect to the notice, introduction, and passage of this Act are fulfilled and accomplished.

SECTION 4. (a) Section _____.0307, Special District Local Laws Code, as added by Section 1 of this Act, takes effect only if this Act receives a two-thirds vote of all the members elected to

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each house.

(b) If this Act does not receive a two-thirds vote of all the members elected to each house, Subchapter C, Chapter _____, Special District Local Laws Code, as added by Section 1 of this Act, is amended by adding Section _____.0307 to read as follows:

Sec. _____.0307. NO EMINENT DOMAIN POWER. The district may not exercise the power of eminent domain.

(c) This section is not intended to be an expression of a legislative interpretation of the requirements of Section 17(c), Article I, Texas Constitution.

SECTION 5. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2021.

H.B. No. _____

President of the Senate

Speaker of the House