



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 10/2/2018

District B, District E, District F, District K, ETJ

Item Creation Date:

PLN - SPAs Fall 2018 - Ordinance Calling Public Hearings

Agenda Item#: 24.

Background:

In 2017, The State Legislature changed the annexation laws in Texas. The changes significantly limited a municipality's options for conducting full purpose (also called general purpose) annexations while they have had no effect on a municipality's ability to annex for limited purposes through a Strategic Partnership Agreement (SPA) with utility districts. Such agreements allow the City to annex all or part of a district for limited purposes. The City can then charge a sales tax and provide specified, limited services to the area. The City cannot levy a property tax in areas annexed for limited purposes.

Since the inception of the Strategic Partnership Agreements in 2000, the City of Houston has executed agreements with 240 utility districts. Without exception, these agreements have been the result of a request by the district itself, and state law requires that the district approve the agreement prior to Council's consideration of it. At the beginning of a new "round" of annexations, the City will send a general announcement to area districts, and those that are interested respond. When a district enters into an agreement with the City for the first time, a new Strategic Partnership Agreement is created by Ordinance. Subsequent Ordinances between the same district and the City to add territory or to change boundaries are approved as amendments to existing Agreements.

These agreements have created net revenue of approximately \$58.9 million to the City in FY 2018 and, because the split is usually 50/50, these agreements have led to around \$58.9 million being redistributed back to the community through the utility districts. While the City does not monitor the expenditures of each district we are aware that most districts use their funds to supplement existing district services, which effectively lowers utility and tax rates. In some instances, districts have used the proceeds to fund regional parks and other public amenities. Through these agreements, the City has maintained a good working relationship with the utility districts in the Houston area.

The City is required to hold two public hearings in accordance with Section 43.075 of the Texas Local Government Code, which states: *Before the governing body of a municipality or a district adopts a Strategic Partnership Agreement, it shall conduct two public hearings at which members of the public who wish to present testimony or evidence regarding the proposed agreement shall be given the opportunity to do so.*

The hearings called by this ordinance are for agreements, or amendments to existing agreements, with the following Utility Districts:

New Agreement:

Fort Bend Fresh Water Supply District No. 1

Amendments to existing Agreements:

Baybrook MUD No. 1

El Dorado Utility District

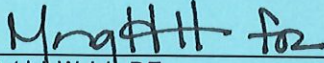
Harris Fort Bend Counties Municipal Utility District No. 5

Southern Montgomery County Municipal Utility District

Fort Bend County MUD No. 133

For each of these new agreements or amendments, with the exception of Fort Bend MUD No. 133, commercial property and undeveloped land intended for commercial use will be added to the SPA. In addition, the City will levy a 1% sales tax and the taxes collected will be divided evenly between the City and the District. For Fort Bend County MUD No. 133, the amendment will correct an error in the property description to allow the exclusion of certain non-commercial proposed residential territory in Ordinance No. 2012-0965.

The Planning and Development Department's recommendation is to have the public hearings on November 7, 2018 and November 14, 2018 in City Council chambers. The recommended date for passing the SPA and the limited purpose annexation Ordinances is December 5, 2018.



Patrick Walsh, P.E.
Director
Planning and Development Department

Prior Council Action:

N.A.

Contact Information:

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ATTACHMENTS:

Description

SPA Location Map

Type

Backup Material