

1-1 By: West S.B. No. 978  
1-2 (In the Senate - Filed February 19, 2009; March 19, 2009,  
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1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 978 By: West

1-8 A BILL TO BE ENTITLED  
1-9 AN ACT

1-10 relating to the creation and financing of public improvement  
1-11 districts.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Subchapter A, Chapter 372, Local Government  
1-14 Code, is amended to read as follows:

1-15 SUBCHAPTER A. PUBLIC IMPROVEMENT DISTRICTS

1-16 Sec. 372.001. SHORT TITLE. This subchapter may be cited as  
1-17 the Public Improvement District Assessment Act.

1-18 Sec. 372.0015. DEFINITIONS [~~DEFINITION~~]. In this  
1-19 subchapter:

1-20 (1) "Authorized instrumentality" means a public  
1-21 facility corporation created by the governing body of a  
1-22 municipality or county under Chapter 303 or a local government  
1-23 corporation created by the governing body of a municipality or  
1-24 county under Subchapter D, Chapter 431, Transportation Code.

1-25 (2) "Extraterritorial[~~,~~ "extraterritorial]  
1-26 jurisdiction" means extraterritorial jurisdiction of a  
1-27 municipality as determined under Chapter 42.

1-28 (3) "Public improvement district" or "district" means  
1-29 an area defined by the governing body of a municipality or county  
1-30 that:

1-31 (A) consists of one or more contiguous or  
1-32 noncontiguous tracts of land; and

1-33 (B) will be specially benefited as determined by  
1-34 the municipality or county by any or all of the public improvements  
1-35 or services.

1-36 (4) "Qualified costs" means the costs and expenses  
1-37 incurred in establishing, administering, managing, and operating a  
1-38 public improvement district, including:

1-39 (A) costs and expenses of or related to the  
1-40 construction of an improvement project;

1-41 (B) financing of an improvement project by a  
1-42 municipality, county, or authorized instrumentality, including the  
1-43 debt service requirements owed or to be owed under installment  
1-44 purchase or reimbursement contracts, temporary notes, time  
1-45 warrants, revenue bonds, special assessment bonds, or certificates  
1-46 of obligation, including reserve funds and capitalized interest;

1-47 (C) costs and expenses of or related to the  
1-48 negotiation, development, and execution of the obligations  
1-49 described by Paragraph (B);

1-50 (D) costs and expenses of or related to credit  
1-51 and interest rate management agreements entered into under Chapter  
1-52 1371, Government Code;

1-53 (E) costs of attorneys and other professional  
1-54 advisors, including consultants; and

1-55 (F) costs related to the administrative  
1-56 oversight of public improvements, services, and operations of the  
1-57 public improvement district.

1-58 (5) "Revenue bonds" means bonds, notes, or other  
1-59 securities issued by a municipality, county, or authorized  
1-60 instrumentality that are payable from and secured by liens on all or  
1-61 part, or a combination of, the revenue derived from installment  
1-62 payments of special assessments plus any other revenues, donations,  
1-63 grants, or income described by Section 372.026(e).

2-1 (6) "Special assessment bonds" means bonds, notes, or  
 2-2 other securities issued by a municipality, county, or authorized  
 2-3 instrumentality that are payable solely from and secured by special  
 2-4 assessments levied by the governing body of the municipality or  
 2-5 county in a public improvement district.

2-6 (7) "Special district" means a political subdivision  
 2-7 of this state with a limited geographic area created by local law or  
 2-8 under general law for a special purpose.

2-9 Sec. 372.002. EXERCISE OF POWERS. (a) A public  
 2-10 improvement district is not a separate body politic or corporate  
 2-11 from the municipality or county that created the district.

2-12 (b) Subject to Section 372.010(c), powers [~~Powers~~] granted  
 2-13 under this subchapter in an area comprising a public improvement  
 2-14 district may be exercised by a municipality or county on and after  
 2-15 the date [~~in which~~] the governing body of the municipality or county  
 2-16 [~~initiates or~~] receives a petition requesting the establishment of  
 2-17 a public improvement district that complies [~~. A petition must~~  
 2-18 ~~comply~~] with the requirements of Section 372.005.

2-19 (c) The powers granted under this subchapter may be  
 2-20 exercised by the governing body of any other political subdivision  
 2-21 if the law creating or governing the political subdivision grants  
 2-22 the political subdivision authority described by this subchapter.  
 2-23 The governing body of the political subdivision has the same powers  
 2-24 and is subject to the same limitations as are applicable to the  
 2-25 governing body of a municipality or a county under this subchapter  
 2-26 unless and except as modified by the law creating or governing the  
 2-27 political subdivision.

2-28 Sec. 372.003. AUTHORIZED IMPROVEMENTS AND SERVICES.

2-29 (a) If the governing body of a municipality or county finds that it  
 2-30 promotes the interests of the municipality or county, the governing  
 2-31 body may create one or more public improvement districts under this  
 2-32 subchapter and undertake one or more [~~an~~] improvement projects  
 2-33 [~~project~~] that confer [~~confers~~] a special benefit on the property  
 2-34 located in the public improvement district [~~a definable part of the~~  
 2-35 ~~municipality or county or the municipality's extraterritorial~~  
 2-36 ~~jurisdiction~~]. A project may be undertaken within or outside the  
 2-37 district in the municipality or county or in the municipality's  
 2-38 extraterritorial jurisdiction if the project benefits the  
 2-39 district.

2-40 (b) A public improvement project may include:

2-41 (1) landscaping;  
 2-42 (2) erection of fountains, distinctive lighting, and  
 2-43 signs;

2-44 (3) acquiring, constructing, improving, repairing,  
 2-45 widening, narrowing, closing, or rerouting of sidewalks or of  
 2-46 streets, roads, highways, bridges, culverts, water retention  
 2-47 walls, [~~any other roadways,~~] or related [~~their~~] rights-of-way owned  
 2-48 by or to be conveyed to the municipality, the county, the federal  
 2-49 government, or another political subdivision or entity exercising  
 2-50 powers granted under this subchapter;

2-51 (4) construction or improvement of pedestrian malls;

2-52 (5) acquisition and installation of pieces of art;

2-53 (6) acquisition, construction, or improvement of  
 2-54 [~~libraries,~~

2-55 [~~(7) acquisition, construction, or improvement of~~]  
 2-56 off-street parking facilities;

2-57 (7) [~~(8)~~] acquisition, construction, or improvement [~~,~~  
 2-58 ~~or rerouting~~] of mass transportation facilities, including light  
 2-59 rail mass transit, streetcar, or similar systems, and related  
 2-60 vehicle parking facilities;

2-61 (8) [~~(9)~~] acquisition, construction, or improvement  
 2-62 of water, wastewater, or drainage facilities or improvements;

2-63 (9) [~~(10)~~] the establishment or improvement of parks,  
 2-64 playgrounds, lakes, and open spaces, including paths, trails, boat  
 2-65 docks, and wharves;

2-66 (10) acquisition, construction, or improvement of  
 2-67 other public projects that are determined by the municipality or  
 2-68 county to promote the interests of the municipality or county and to  
 2-69 be of a special benefit to the public improvement district,

3-1 including:  
3-2 (A) community centers, recreation centers, and  
3-3 recreation facilities;  
3-4 (B) libraries;  
3-5 (C) facilities for police, sheriffs, or  
3-6 firefighters;  
3-7 (D) municipal or county administration centers;  
3-8 and  
3-9 (E) other governmental buildings for the  
3-10 provision of governmental services;  
3-11 (11) acquisition, construction, or improvement of  
3-12 other public projects, facilities, or services required by a  
3-13 development agreement, interlocal agreement, zoning regulation, or  
3-14 permit issued by a municipality or county having jurisdiction in  
3-15 the public improvement district;  
3-16 (12) acquisition, construction, maintenance, or  
3-17 improvement of buildings and other facilities commonly used for  
3-18 teaching, research, or the preservation of knowledge by an  
3-19 institution of higher education or for auxiliary purposes of the  
3-20 institution, including administration, student services and  
3-21 housing, athletics, performing arts, and alumni support;  
3-22 (13) ~~[(11) projects similar to those listed in~~  
3-23 ~~Subdivisions (1)-(10),~~  
3-24 ~~[(12)]~~ acquisition, by purchase or otherwise, of real  
3-25 property in connection with an authorized improvement; and  
3-26 (14) ~~[(13)]~~ special supplemental services for  
3-27 improvement and promotion of the district, including services  
3-28 relating to:  
3-29 (A) advertising;  
3-30 (B) [] promotion;  
3-31 (C) [] health and sanitation;  
3-32 (D) [] water and wastewater;  
3-33 (E) enhanced fire protection, police, sheriff,  
3-34 and other [] public safety and [] security;  
3-35 (F) [] business recruitment;  
3-36 (G) [] development;  
3-37 (H) [] recreation; [] and  
3-38 (I) cultural enhancement [] and  
3-39 ~~[(14) payment of expenses incurred in the~~  
3-40 ~~establishment, administration, and operation of the district].~~  
3-41 (c) A public improvement project may include or may be  
3-42 limited to the provision of all or any part of the services  
3-43 described by Subsection (b)(14) [~~(b)(13)~~].  
3-44 (d) A municipality that exercises powers under this  
3-45 subchapter may establish a public improvement district in the  
3-46 corporate limits or the extraterritorial jurisdiction of the  
3-47 municipality. A county or other political subdivision that  
3-48 exercises powers under this subchapter may establish a public  
3-49 improvement district in the county or the area of the political  
3-50 subdivision, including in the corporate limits or the  
3-51 extraterritorial jurisdiction of a municipality unless within 30  
3-52 days after the date notice is provided to the municipality of an [a  
3-53 county's] action to approve [such] a public improvement district,  
3-54 the [a home rule] municipality objects to the district's [its]  
3-55 establishment within the municipality's corporate limits or  
3-56 extraterritorial jurisdiction.  
3-57 Sec. 372.004. COMBINED IMPROVEMENTS. A public [A]  
3-58 improvement project may consist of an improvement on more than one  
3-59 street or of more than one type of improvement. An improvement [A]  
3-60 project described by this section may be included in one proceeding  
3-61 and financed as one improvement project.  
3-62 Sec. 372.0045. AUTHORIZED HIGHER EDUCATION FACILITIES;  
3-63 LEASE TO INSTITUTION OF HIGHER EDUCATION. (a) In this section,  
3-64 "institution of higher education" has the meaning assigned by  
3-65 Section 61.003, Education Code.  
3-66 (b) The governing body of a municipality or county that  
3-67 establishes a public improvement district to finance a public  
3-68 improvement project described by Section 372.003(b)(12) may enter  
3-69 into a memorandum of understanding with an institution of higher

4-1 education that provides educational services in the municipality or  
4-2 county under which the municipality or county leases the public  
4-3 improvement project to the institution, at a nominal rate, for use  
4-4 by the institution in providing teaching, research, public service,  
4-5 or auxiliary enterprise activities to students of the institution.

4-6 (c) A memorandum of understanding entered into by a  
4-7 municipality or county under this section must include adequate  
4-8 controls to ensure that the lease of the public improvement project  
4-9 promotes the municipality's or county's interests and provides a  
4-10 public benefit to the area served by the district.

4-11 Sec. 372.005. PETITION. (a) A petition for the  
4-12 establishment of a public improvement district must state:

4-13 (1) the general nature of the proposed improvements  
4-14 [~~improvement~~];

4-15 (2) the estimated qualified costs [~~cost~~] of the  
4-16 improvements [~~improvement~~];

4-17 (3) the boundaries of the proposed [~~assessment~~]  
4-18 district;

4-19 (4) the proposed method of assessment, which may  
4-20 specify included or excluded classes of assessable property;

4-21 (5) [~~the proposed apportionment of cost between the~~  
4-22 ~~public improvement district and the municipality or county as a~~  
4-23 ~~whole,~~

4-24 [~~6~~] whether the management of the district is to be  
4-25 by:

4-26 (A) the municipality;

4-27 (B) the [~~or~~] county;

4-28 (C) an authorized instrumentality;

4-29 (D) [~~7~~] the private sector; [~~7~~] or

4-30 (E) a partnership between the private sector and  
4-31 one of the entities described by Paragraphs (A)-(C) [~~municipality~~  
4-32 ~~or county and the private sector~~];

4-33 (6) [~~7~~] that the persons signing the petition  
4-34 request or concur with the establishment of the district; and

4-35 (7) [~~8~~] that an advisory body may be established or  
4-36 an authorized instrumentality may be incorporated to develop and  
4-37 recommend an improvement plan to the governing body of the  
4-38 municipality or county.

4-39 (b) The petition is sufficient if signed by:

4-40 (1) owners of taxable real property representing more  
4-41 than 50 percent of the appraised value of taxable real property  
4-42 liable for assessment under the proposal, as determined by the  
4-43 current roll of the appraisal district in which the property is  
4-44 located; and

4-45 (2) record owners of real property liable for  
4-46 assessment under the proposal who:

4-47 (A) constitute more than 50 percent of all record  
4-48 owners of property that is liable for assessment under the  
4-49 proposal; or

4-50 (B) own taxable real property that constitutes  
4-51 more than 50 percent of the area of all taxable real property that  
4-52 is liable for assessment under the proposal.

4-53 (c) A [~~The~~] petition filed with the municipality may be  
4-54 filed with the municipal secretary or other officer performing the  
4-55 functions of the municipal secretary. A petition filed with the  
4-56 county may be filed with the county clerk or other officer  
4-57 designated by the commissioners court. A petition filed with any  
4-58 other political subdivision exercising powers under this  
4-59 subchapter may be filed with the political subdivision's governing  
4-60 body.

4-61 Sec. 372.006. FINDINGS. (a) If a petition that complies  
4-62 with this subchapter is filed, the governing body of the  
4-63 municipality or county may make findings by resolution as to:

4-64 (1) the advisability of the proposed improvements;

4-65 (2) the [~~improvement, its~~] estimated qualified costs  
4-66 of the proposed improvements; and

4-67 (3) [~~cost,~~] the method of assessment [~~, and the~~  
4-68 ~~apportionment of cost between the proposed improvement district and~~  
4-69 ~~the municipality or county as a whole~~].

5-1 (b) The governing body's findings under this section are  
 5-2 conclusive.

5-3 Sec. 372.007. FEASIBILITY REPORT. (a) Before holding the  
 5-4 hearing required by Section 372.009, the governing body of the  
 5-5 municipality may use the services of municipal employees, the  
 5-6 governing body of the county may use the services of county  
 5-7 employees, or the governing body of the municipality or county may  
 5-8 employ consultants to prepare a report to determine whether  
 5-9 improvements [an improvement] should be made as proposed by  
 5-10 petition or otherwise or whether improvements [the improvement]  
 5-11 should be made in combination with other improvements authorized  
 5-12 under this subchapter. The governing body may also require that a  
 5-13 preliminary estimate of the qualified costs [cost] of improvements  
 5-14 [the improvement] or a combination of improvements be made.

5-15 (b) For the purpose of determining the feasibility and  
 5-16 desirability of a public [~~an~~] improvement district, the governing  
 5-17 body may take other preliminary steps before the hearing required  
 5-18 by Section 372.009 and~~[,]~~ before establishing a public improvement  
 5-19 district~~[, or before entering into a contract].~~

5-20 Sec. 372.008. ADVISORY BODY. (a) ~~The [After receiving a~~  
 5-21 ~~petition that complies with Section 372.005, the]~~ governing body of  
 5-22 the municipality or county, on the governing body's own initiative  
 5-23 or after receiving a petition that complies with Section 372.005,  
 5-24 may appoint an advisory body with the responsibility of developing  
 5-25 and recommending an improvement plan to the governing body.

5-26 (b) The composition of an [the] advisory body, if  
 5-27 established, must include:

5-28 (1) owners of taxable real property representing more  
 5-29 than 50 percent of the appraised value of taxable real property  
 5-30 liable for assessment under the proposal, as determined by the  
 5-31 current roll of the appraisal district in which the property is  
 5-32 located; and

5-33 (2) record owners of real property liable for  
 5-34 assessment under the proposal who:

5-35 (A) constitute more than 50 percent of all record  
 5-36 owners of property that is liable for assessment under the  
 5-37 proposal; or

5-38 (B) own taxable real property that constitutes  
 5-39 more than 50 percent of the area of all taxable real property that  
 5-40 is liable for assessment under the proposal.

5-41 (c) The members of the advisory body serve at the will of the  
 5-42 governing body of the municipality or county creating the public  
 5-43 improvement district and may be removed at any time.

5-44 Sec. 372.009. HEARING. (a) A public improvement district  
 5-45 may be established and improvements provided by the district may be  
 5-46 financed under this subchapter only after the governing body of the  
 5-47 municipality or county holds a public hearing on the advisability  
 5-48 of the improvements [improvement].

5-49 (b) The hearing may be adjourned from time to time until the  
 5-50 governing body makes findings by resolution as to:

5-51 (1) the advisability of each [the] improvement;

5-52 (2) the nature of each [the] improvement;

5-53 (3) the estimated qualified costs [cost] of each [the]  
 5-54 improvement;

5-55 (4) the boundaries of the [public improvement]  
 5-56 district; and

5-57 (5) the method of assessment~~[, and~~

5-58 ~~[(6) the apportionment of costs between the district~~  
 5-59 ~~and the municipality or county as a whole].~~

5-60 (c) Notice of the hearing must be given in a newspaper of  
 5-61 general circulation in the municipality or county. If any part of  
 5-62 the public improvement district is to be located in the  
 5-63 municipality's extraterritorial jurisdiction or if any part of the  
 5-64 improvements is to be undertaken in the municipality's  
 5-65 extraterritorial jurisdiction, the notice must also be filed with  
 5-66 the municipal secretary or other officer performing the duties of  
 5-67 the municipal secretary and published [given] in a newspaper of  
 5-68 general circulation in the part of the extraterritorial  
 5-69 jurisdiction in which the district is to be located or in which the

6-1 improvements are to be undertaken. The final publication of notice  
6-2 must be made before the 15th day before the date of the hearing. The  
6-3 notice must state:

6-4 (1) the time and place of the hearing;

6-5 (2) the general nature of the proposed improvements  
6-6 [~~improvement~~];

6-7 (3) the estimated qualified costs [~~cost~~] of the  
6-8 proposed improvements [~~improvement~~];

6-9 (4) the boundaries of the proposed public improvement  
6-10 [~~assessment~~] district; and

6-11 (5) the proposed method of assessment [~~and~~

6-12 [~~(6) the proposed apportionment of cost between the~~  
6-13 ~~improvement district and the municipality or county as a whole~~].

6-14 (d) Written notice containing the information required by  
6-15 Subsection (c) must be mailed before the 15th day before the date of  
6-16 the hearing. The notice must be addressed to "Property Owner" and  
6-17 mailed to the current address of the owner, as reflected on tax  
6-18 rolls, of property subject to assessment under the proposed public  
6-19 improvement district.

6-20 Sec. 372.010. IMPROVEMENT ORDER. (a) During the six-month  
6-21 period after the date of the final adjournment of the hearing under  
6-22 Section 372.009, the governing body of the municipality or county  
6-23 may authorize the creation of a public [~~an~~] improvement district  
6-24 subject to Section 372.012 if, by majority vote of all members of  
6-25 the governing body, the governing body adopts [~~members adopt~~] a  
6-26 resolution authorizing the district in accordance with its finding  
6-27 as to the advisability of the improvements [~~improvement~~].

6-28 (b) An authorization takes effect when it has been published  
6-29 one time in a newspaper of general circulation in the municipality  
6-30 or county. If any part of the [~~improvement~~] district is located in  
6-31 the municipality's extraterritorial jurisdiction or if any part of  
6-32 the improvements is to be undertaken in the municipality's  
6-33 extraterritorial jurisdiction, the authorization does not take  
6-34 effect until the notice is also given one time in a newspaper of  
6-35 general circulation in the part of the extraterritorial  
6-36 jurisdiction in which the district is located or in which the  
6-37 improvements are to be undertaken.

6-38 (c) Actual construction of improvements [~~an improvement~~]  
6-39 may not begin, and acquisition of existing improvements may not  
6-40 occur, until after the 20th day after the date the authorization  
6-41 takes effect and may not begin if during that 20-day period written  
6-42 protests signed by at least two-thirds of the owners of record of  
6-43 property within the [~~improvement~~] district or by the owners of  
6-44 record of property comprising at least two-thirds of the total area  
6-45 of the district are filed with the municipal [~~or county~~] secretary  
6-46 or other officer performing the duties of the municipal [~~or county~~]  
6-47 secretary or the county clerk or other officer designated by the  
6-48 commissioners court. A person whose name appears on a protest may  
6-49 withdraw the name from the protest at any time before the governing  
6-50 body of the municipality or county convenes to determine the  
6-51 sufficiency of the protest.

6-52 (d) Before the levy of assessments under Section 372.017,  
6-53 the property owners in the district who signed the original  
6-54 petition may petition the governing body to amend the resolution  
6-55 creating the district adopted under Subsection (a) to amend the  
6-56 estimated qualified costs of the improvements, including adding or  
6-57 deleting improvement projects. The governing body shall provide  
6-58 notice of the owners' petition and hold a public hearing as provided  
6-59 by Section 372.009 to make findings, by amended resolution, of the  
6-60 nature and estimated qualified costs of each improvement. A county  
6-61 or other entity that proposes to amend a resolution under this  
6-62 subsection in the corporate boundaries or extraterritorial  
6-63 jurisdiction of a municipality shall provide notice to the  
6-64 municipality on or before the 30th day before the date the entity  
6-65 amends the resolution.

6-66 Sec. 372.011. DISSOLUTION. (a) A public hearing may be  
6-67 [~~called and~~] held after giving notice in the same manner as a  
6-68 hearing under Section 372.009 for the purpose of dissolving a  
6-69 district if a petition requesting dissolution is filed and the

7-1 petition contains the signatures of at least enough property owners  
 7-2 in the district to make a petition sufficient under Section  
 7-3 372.005(b). If the district is dissolved, the district nonetheless  
 7-4 shall remain in effect for the purpose of meeting obligations of  
 7-5 indebtedness for improvements.

7-6 (b) A district may be dissolved at the discretion of the  
 7-7 governing body without a petition only if no assessments have been  
 7-8 levied on property in the district or if assessments previously  
 7-9 levied have been paid in full and the district has no other  
 7-10 outstanding obligations. A dissolution under this subsection may  
 7-11 not occur until after the governing body holds a hearing and gives  
 7-12 notice in the manner required by Section 372.009.

7-13 Sec. 372.012. AREA OF DISTRICT. The area of a public  
 7-14 improvement district to be assessed according to the findings of  
 7-15 the governing body of the municipality or county establishing the  
 7-16 boundaries may include contiguous and noncontiguous tracts of land  
 7-17 and may be less than the area described in the proposed boundaries  
 7-18 stated by the notice under Section 372.009. The area to be assessed  
 7-19 may not include property not described by the notice as being within  
 7-20 the proposed boundaries of the district unless a hearing is held to  
 7-21 include the property and notice for the hearing is given in the same  
 7-22 manner as notice under Section 372.009.

7-23 Sec. 372.013. SERVICE PLAN. (a) The advisory body shall  
 7-24 prepare an ongoing service plan and present the plan to the  
 7-25 governing body of the municipality or county for review and  
 7-26 approval. The governing body may assign responsibility for the  
 7-27 plan to the employees of the governing body or an authorized  
 7-28 instrumentality or to another entity instead [~~in the absence~~] of an  
 7-29 advisory body.

7-30 (b) The plan must cover a period of at least five years and  
 7-31 must also define the annual indebtedness and the projected  
 7-32 qualified costs for improvements.

7-33 (c) The plan shall be reviewed and updated annually for the  
 7-34 purpose of determining the annual budget for improvements. As part  
 7-35 of the annual update, a revised assessment roll must be prepared to  
 7-36 reflect any division of parcels and any reallocation of assessments  
 7-37 based on the division.

7-38 Sec. 372.014. ASSESSMENT PLAN; PAYMENT BY EXEMPT  
 7-39 JURISDICTIONS. (a) An assessment plan must be included in the  
 7-40 annual service plan prepared under Section 372.013.

7-41 (b) The municipality or county is responsible for payment of  
 7-42 assessments against exempt municipal or county property in the  
 7-43 district if any assessments are levied. Payment of assessments by  
 7-44 other exempt jurisdictions must be established by contract.

7-45 (c) The assessment plan may require the district to be  
 7-46 divided into development phases and, subject to Sections 372.016  
 7-47 and 372.017, may levy assessments periodically in separate  
 7-48 development phases or may stagger the collection of assessments,  
 7-49 with different development phases in the district assigned  
 7-50 different payment and collection dates. The development phases and  
 7-51 staggered collection dates may be coordinated with the installation  
 7-52 of the improvements or with the maturity dates of installation  
 7-53 purchase or reimbursement contract obligations or with temporary  
 7-54 notes, time warrants, or bonds [~~An assessment paid by the~~  
 7-55 municipality or county under this subsection is considered to have  
 7-56 been paid by special assessment for the purposes of Subsection  
 7-57 (a)].

7-58 Sec. 372.015. DETERMINATION OF ASSESSMENT. (a) The  
 7-59 governing body of the municipality or county shall apportion the  
 7-60 qualified costs [~~cost~~] of an improvement to be assessed against  
 7-61 property in a public [~~an~~] improvement district. The apportionment  
 7-62 shall be made on the basis of special benefits accruing to the  
 7-63 property because of the improvement.

7-64 (b) The qualified costs [~~Cost~~] of an improvement may be  
 7-65 assessed:

7-66 (1) equally per front foot or square foot;

7-67 (2) according to the value of the property as  
 7-68 determined by the governing body, with or without regard to  
 7-69 improvements on the property; or

8-1 (3) in any other manner that results in imposing equal  
 8-2 shares of the qualified costs [~~cost~~] on property similarly  
 8-3 benefitted.

8-4 (c) The governing body may establish by ordinance or order:  
 8-5 (1) reasonable classifications and formulas for the  
 8-6 apportionment of the qualified costs [~~cost~~] between the  
 8-7 municipality or county and the area to be assessed; and  
 8-8 (2) the methods of assessing the special benefits for  
 8-9 various classes of improvements.

8-10 (d) The amount of assessment for each property owner may be:  
 8-11 (1) adjusted following the annual review of the  
 8-12 service plan; and  
 8-13 (2) reallocated, but not increased, if an assessed  
 8-14 parcel has been divided.

8-15 (e) Notice of any reallocation of assessments shall be given  
 8-16 to the property owner of the divided parcel.

8-17 (f) The findings, determinations, and assessments made by  
 8-18 the governing body under this section are conclusive.

8-19 Sec. 372.016. ASSESSMENT ROLL. (a) ~~The [After the total~~  
 8-20 ~~cost of an improvement is determined, the governing body of the]~~  
 8-21 municipality or county shall prepare a proposed assessment roll  
 8-22 based on the estimated qualified costs of the improvements. The  
 8-23 roll must state the assessment against each parcel of land in the  
 8-24 district and[, as determined by] the method of assessment [chosen  
 8-25 by the municipality or county under this subchapter].

8-26 (b) ~~The [governing body shall file the]~~ proposed assessment  
 8-27 roll must be filed with the municipal secretary or other officer  
 8-28 performing the functions of the municipal secretary or in a  
 8-29 district formed by a county, the county tax assessor-collector.  
 8-30 The proposed assessment roll is subject to public inspection. When  
 8-31 the assessment roll is filed, the appropriate designated officer  
 8-32 described by this subsection shall [The governing body shall  
 8-33 require the municipal secretary or other officer or county tax  
 8-34 assessor-collector to] publish notice of the governing body's  
 8-35 intention to consider the proposed assessments at a public hearing.  
 8-36 The notice must be published in a newspaper of general circulation  
 8-37 in the municipality or county before the 10th day before the date of  
 8-38 the hearing. If any part of the public improvement district is  
 8-39 located in the municipality's extraterritorial jurisdiction or if  
 8-40 any part of the improvements is to be undertaken in the  
 8-41 municipality's extraterritorial jurisdiction, the notice must also  
 8-42 be published, before the 10th day before the date of the hearing, in  
 8-43 a newspaper of general circulation in the part of the  
 8-44 extraterritorial jurisdiction in which the district is located or  
 8-45 in which the improvements are to be undertaken. The notice must  
 8-46 state:

- 8-47 (1) the date, time, and place of the hearing;
- 8-48 (2) the general nature of the improvements
- 8-49 [improvement];
- 8-50 (3) the qualified costs [~~cost~~] of the improvements
- 8-51 [improvement];
- 8-52 (4) the boundaries of the [~~assessment~~] district; and
- 8-53 (5) that written or oral objections will be considered
- 8-54 at the hearing.

8-55 (c) When the assessment roll is filed under Subsection (b),  
 8-56 the appropriate designated [municipal secretary or other] officer  
 8-57 shall mail to the owners of property liable for assessment a notice  
 8-58 of the hearing. The notice must contain the information required by  
 8-59 Subsection (b) and the appropriate designated [secretary or other]  
 8-60 officer shall mail the notice to the last known address of the  
 8-61 property owner. The failure of a property owner to receive notice  
 8-62 does not invalidate the proceeding.

8-63 Sec. 372.017. LEVY OF ASSESSMENTS [~~ASSESSMENT~~]. (a) At or  
 8-64 on the adjournment of the hearing referred to by Section 372.016 on  
 8-65 proposed assessments, the governing body of the municipality or  
 8-66 county must hear and pass on any objection to a proposed assessment.  
 8-67 The governing body may:

- 8-68 (1) amend a proposed assessment on any parcel; and
- 8-69 (2) initially or by amendment, provide for reductions



9-1 of the amount of the annual assessment installments if and to the  
 9-2 extent other revenues of the municipality or county of any of the  
 9-3 types described by Section 372.026(e) are pledged or become  
 9-4 available to pay all or part of installment purchase or  
 9-5 reimbursement contract obligations or temporary notes, time  
 9-6 warrants, revenue bonds, special assessment bonds, or certificates  
 9-7 of obligation that are payable in whole or in part from the  
 9-8 assessment installments.

9-9 (b) After all objections have been heard and the governing  
 9-10 body has passed on the objections, the governing body by ordinance  
 9-11 or order shall levy the assessment in the amount required to pay  
 9-12 qualified costs as a special assessment on the property. The  
 9-13 governing body by ordinance or order shall specify the method of  
 9-14 payment of the assessment. The governing body may provide that  
 9-15 assessments be paid in periodic installments. The installments may  
 9-16 be in equal or different annual amounts, but must be in amounts each  
 9-17 year necessary to meet annual qualified costs. The installments  
 9-18 [for improvements and] must continue for a period and be in amounts  
 9-19 necessary to retire any [the] indebtedness or obligation to pay or  
 9-20 reimburse for the qualified costs, including the proper  
 9-21 administration of the district [on the improvements]. The  
 9-22 obligation to pay installments may be conditioned on the occurrence  
 9-23 of a future event or condition if the first periodic installment  
 9-24 payment of the assessment occurs on a date not later than the fifth  
 9-25 anniversary of the date the assessment was levied.

9-26 (c) The governing body may:

9-27 (1) levy multiple assessments on property in the  
 9-28 district to finance all or part of public improvements and must  
 9-29 comply with Section 372.016 for each assessment;

9-30 (2) execute and deliver installment purchase or  
 9-31 reimbursement contracts or temporary notes or time warrants or  
 9-32 issue revenue bonds, special assessment bonds, or certificates of  
 9-33 obligation to pay the qualified costs or to refund previously  
 9-34 executed installment purchase or reimbursement contracts or  
 9-35 temporary notes or time warrants; and

9-36 (3) secure the obligations described by Subdivision  
 9-37 (2) by pledging one or more of the assessments levied under this  
 9-38 subchapter.

9-39 Sec. 372.018. INTEREST ON ASSESSMENT; LIEN. (a) An  
 9-40 assessment bears interest at the rate and for the period specified  
 9-41 by the governing body of the municipality or county, but may not  
 9-42 exceed a rate that is [one-half of] one percent higher than the  
 9-43 actual interest rate paid on any installment purchase or  
 9-44 reimbursement contract obligation or temporary note or time warrant  
 9-45 [the public debt] used to finance or to evidence an obligation to  
 9-46 pay for the improvement. If revenue bonds, special assessment  
 9-47 bonds, or certificates of obligation are issued to pay or refund any  
 9-48 of the obligations described by this subsection, the annual  
 9-49 interest rate is adjusted to a rate not to exceed one percent higher  
 9-50 than the actual rate paid on the bonds or certificates, if the rate  
 9-51 is lower than the rate on the obligations. Interest on the  
 9-52 assessment between the effective date of the ordinance or order  
 9-53 levying the assessment and the date the first installment is  
 9-54 payable shall be added to the first installment. The interest on  
 9-55 any delinquent installment shall be added to each subsequent  
 9-56 installment until all delinquent installments are paid. The added  
 9-57 interest payable on an installment purchase or reimbursement  
 9-58 contract or a temporary note, time warrant, or bond under this  
 9-59 subsection may be used by a municipality or county to pay qualified  
 9-60 costs of improvements or the costs of administration of the  
 9-61 district, including the enforcement of assessments or the payment  
 9-62 or prepayment of obligations.

9-63 (b) An assessment or reassessment, with interest, the  
 9-64 expense of collection, and reasonable attorney's fees, if incurred,  
 9-65 is a first and prior lien against the property assessed, superior to  
 9-66 all other liens and claims except liens or claims for [state,]  
 9-67 county, special [school] district, or municipality ad valorem  
 9-68 taxes, and is a personal liability of and charge against the owners  
 9-69 of the property regardless of whether the owners are named. The

10-1 lien is effective from the date of the ordinance or order levying  
 10-2 the assessment until the assessment is paid in full and may be  
 10-3 enforced by the governing body in the same manner that an ad valorem  
 10-4 tax lien against real property may be enforced by the governing  
 10-5 body. On the sale of assessed property, any installment or portion  
 10-6 of an assessment that is or will be payable for the property during  
 10-7 the year of the sale shall be prorated between the buyer and the  
 10-8 seller in the same manner as ad valorem taxes are prorated between a  
 10-9 buyer and seller. Delinquent installments of the assessment shall  
 10-10 incur interest, penalties, and ~~[attorney's]~~ fees in the same manner  
 10-11 as delinquent ad valorem taxes.

10-12 (c) A district assessment on property under this subchapter  
 10-13 runs with the land. Any portion of an assessment payment obligation  
 10-14 that is not yet due is not eliminated by the foreclosure of an ad  
 10-15 valorem tax lien. Any purchaser of property at a foreclosure sale  
 10-16 under an ad valorem tax lien takes the property subject to any  
 10-17 assessment payment obligation that is not yet due and to the terms  
 10-18 of payment under the applicable assessment ordinance or order.

10-19 (d) The owner of assessed property may pay at any time on any  
 10-20 parcel or lot the entire assessment, with interest that:

10-21 (1) has accrued on the assessment; and

10-22 (2) will accrue on the assessment until the next  
 10-23 scheduled prepayment or redemption date on the installment purchase  
 10-24 or reimbursement contract or temporary note, time warrant, revenue  
 10-25 bond, special assessment bond, or certificate of obligation that  
 10-26 secured the assessment~~[, on any lot or parcel].~~

10-27 Sec. 372.019. SUPPLEMENTAL ASSESSMENTS. After notice and a  
 10-28 hearing, the governing body of the municipality or county may make  
 10-29 supplemental assessments to correct omissions or mistakes in the  
 10-30 assessment relating to the qualified costs ~~[total cost]~~ of the  
 10-31 improvement. Notice must be given and the hearing held under this  
 10-32 section in the same manner as required by Sections 372.016 and  
 10-33 372.017.

10-34 Sec. 372.020. REASSESSMENT. The governing body of the  
 10-35 municipality or county may make a reassessment or new assessment of  
 10-36 a parcel of land if:

10-37 (1) a court ~~[of competent jurisdiction]~~ sets aside an  
 10-38 assessment against the parcel;

10-39 (2) the governing body determines that the original  
 10-40 assessment is excessive; or

10-41 (3) on the written advice of counsel, the governing  
 10-42 body determines that the original assessment is invalid.

10-43 Sec. 372.021. SPECIAL IMPROVEMENT DISTRICT FUND. (a) A  
 10-44 municipality or county that intends to create a public improvement  
 10-45 district may by ordinance or order establish a special improvement  
 10-46 district fund in the municipal or county treasury or in a bank  
 10-47 designated by the municipality or county to serve as a depository  
 10-48 bank for the district's funds.

10-49 (b) The municipality or county annually may levy a tax to  
 10-50 support the fund established under this section.

10-51 (c) The fund may be used to:

10-52 (1) pay the qualified costs of improvements ~~[planning,~~  
 10-53 ~~administration, and an improvement authorized by this subchapter];~~

10-54 (2) prepare preliminary plans, studies, and  
 10-55 engineering reports to determine the feasibility of improvements  
 10-56 [an improvement]; and

10-57 (3) if ordered by the governing body of the  
 10-58 municipality or county, pay the initial qualified costs of  
 10-59 improvements ~~[cost of the improvement]~~ until installment purchase  
 10-60 contracts or reimbursement contracts are entered into or temporary  
 10-61 notes or~~[ ]~~ time warrants are issued or revenue bonds, special  
 10-62 assessment bonds, or certificates of obligation are~~[, or~~  
 10-63 ~~improvement bonds have been]~~ issued and sold.

10-64 (d) The fund is not required to be budgeted for expenditure  
 10-65 during any year, but the amount of the fund must be stated in the  
 10-66 municipality's or county's annual budget. The amount of the fund  
 10-67 must be based on an annual service plan that describes the public  
 10-68 improvements for the fiscal year.

10-69 ~~[(c) A grant-in-aid or contribution made to the~~

11-1 ~~municipality or county for the planning and preparation of plans~~  
 11-2 ~~for an improvement authorized under this subchapter may be credited~~  
 11-3 ~~to the special improvement district fund.]~~

11-4 Sec. 372.022. SEPARATE FUNDS. (a) A separate public  
 11-5 improvement district fund shall be created in the municipal or  
 11-6 county treasury or in a designated depository bank as provided by  
 11-7 Section 372.021 for each district.

11-8 (b) The following revenues shall be deposited to the fund:

11-9 (1) special assessments;  
 11-10 (2) money, if any, contributed by the municipality or  
 11-11 county to pay qualified costs;

11-12 (3) proceeds [Proceeds] from the sale of revenue  
 11-13 bonds, if payable in part from special assessments;

11-14 (4) proceeds from the sale of special assessment bonds  
 11-15 or certificates of obligation; [~~temporary notes, and time~~  
 11-16 warrants,] and

11-17 (5) any other sums appropriated to the fund by the  
 11-18 governing body of the municipality or county for the district  
 11-19 [~~shall be credited to the fund~~].

11-20 (c) The fund may be used solely to pay:

11-21 (1) qualified costs of improvement;

11-22 (2) amounts due on an installment purchase contract or  
 11-23 reimbursement amounts owed under a reimbursement contract,  
 11-24 temporary note, or time warrant; or

11-25 (3) any revenue bonds, special assessment bonds, or  
 11-26 certificates of obligation that are payable in whole or in part from  
 11-27 special assessments levied under this subchapter [~~incurred in~~  
 11-28 making an improvement].

11-29 (d) When an improvement is completed and all of the  
 11-30 obligations are paid in full, the balance on deposit in the special  
 11-31 improvement district fund that was derived from special  
 11-32 assessments, if any, [~~of the part of the assessment that is for~~  
 11-33 improvements] shall be transferred to a [~~the~~] fund established for  
 11-34 the retirement of bonds that are payable in whole or in part from  
 11-35 assessments.

11-36 Sec. 372.023. PAYMENT OF QUALIFIED COSTS. (a) The  
 11-37 qualified costs [~~cost~~] of an improvement made under this subchapter  
 11-38 may [~~must~~] be paid by a method or by a combination of methods  
 11-39 described by [~~in accordance with~~] this section and Section 372.024.

11-40 (b) The [~~A cost payable by the~~] municipality or county [~~as a~~  
 11-41 whole] may, on its own or under an installment purchase,  
 11-42 reimbursement, or other contract with a third party:

11-43 (1) erect, acquire, construct, improve, repair,  
 11-44 establish, install, or equip improvements; and

11-45 (2) pay all or part of the qualified costs of the  
 11-46 improvements [~~be paid~~] from:

11-47 (A) general funds or other revenues available for  
 11-48 that [~~the~~] purpose;

11-49 (B) special assessments; or

11-50 (C) the issuance and sale of general obligation  
 11-51 bonds, certificates of obligation, revenue bonds, or special  
 11-52 assessment bonds [~~other available general funds~~].

11-53 (c) The municipality or county may enter into and execute an  
 11-54 installment purchase or reimbursement contract with or may deliver  
 11-55 a nonnegotiable but transferable temporary note or time warrant to  
 11-56 a third party under which:

11-57 (1) the third party agrees to:

11-58 (A) erect, acquire, construct, improve, repair,  
 11-59 establish, install, or equip public improvements; and

11-60 (B) dedicate or sell the improvements to the  
 11-61 municipality, county, or authorized instrumentality; and

11-62 (2) the municipality, county, or authorized  
 11-63 instrumentality agrees to pay or reimburse the third party for the  
 11-64 qualified costs by paying accumulated amounts due under the  
 11-65 installment purchase or reimbursement contract, temporary note, or  
 11-66 time warrant from any and all of the sources described by Subsection

11-67 (b)(2) [~~A cost payable from a special assessment that has been~~  
 11-68 paid in full shall be paid from that assessment].

11-69 (d) Subject to Section 372.018, an installment purchase or

12-1 reimbursement contract, temporary note, or time warrant may bear  
 12-2 interest at a rate and for a period determined by the governing body  
 12-3 of the municipality or county ~~[A cost payable from a special~~  
 12-4 ~~assessment that is to be paid in installments and a cost payable by~~  
 12-5 ~~the municipality or county as a whole but not payable from available~~  
 12-6 ~~general funds or other available general improvement funds shall be~~  
 12-7 ~~paid by the issuance and sale of revenue or general obligation~~  
 12-8 ~~bonds].~~

12-9 (e) An installment purchase or reimbursement contract,  
 12-10 temporary note, or time warrant that is payable from installments  
 12-11 of assessments is subject to prepayment and redemption at any time  
 12-12 from the proceeds of prepayment of assessments made by a property  
 12-13 owner under Section 372.018(d) ~~[While an improvement is in~~  
 12-14 progress, the governing body of the municipality or county may  
 12-15 issue temporary notes or time warrants to pay for the costs of the  
 12-16 improvement and, on completion of the improvement, issue revenue or  
 12-17 general obligation bonds.

12-18 ~~[(f) The cost of more than one improvement may be paid from a~~  
 12-19 ~~single issue and sale of bonds without other consolidation~~  
 12-20 ~~proceedings before the bond issue.~~

12-21 ~~[(g) The costs of any improvement include all costs incurred~~  
 12-22 ~~in connection with the issuance of bonds under Section 372.024 and~~  
 12-23 ~~may be included in the assessments against the property in the~~  
 12-24 ~~improvement district as provided by this subchapter].~~

12-25 Sec. 372.024. GENERAL OBLIGATION BONDS, ~~[AND] REVENUE AND~~  
 12-26 SPECIAL ASSESSMENT BONDS, CERTIFICATES OF OBLIGATION, AND BONDS  
 12-27 ISSUED BY AUTHORIZED INSTRUMENTALITY. (a) The governing body of a  
 12-28 municipality or county may issue:

12-29 (1) general ~~[General]~~ obligation bonds ~~[issued to pay~~  
 12-30 costs under Section 372.023(d) must be issued] under ~~[the~~  
 12-31 provisions of] Subtitles A and C, Title 9, Government Code;

12-32 (2) revenue bonds or special assessment bonds in one  
 12-33 or more series; and

12-34 (3) certificates of obligation under Subchapter C,  
 12-35 Chapter 271.

12-36 (b) A bond or obligation described by Subsection (a) may be  
 12-37 issued to:

12-38 (1) pay qualified costs under Section 372.023(b),  
 12-39 including the costs of issuing bonds; and

12-40 (2) pay or refund obligations executed or issued under  
 12-41 Section 372.023(c).

12-42 (c) Certificates of obligation may be payable from and  
 12-43 secured by installment payments of special assessments levied under  
 12-44 this subchapter.

12-45 (d) The governing body of the municipality or county or the  
 12-46 authorized instrumentality may include any term or provision  
 12-47 consistent with this subchapter in a revenue bond or a special  
 12-48 assessment bond issued under this section.

12-49 (e) The governing body of a municipality or county may  
 12-50 incorporate an authorized instrumentality to act on its behalf to  
 12-51 issue revenue bonds or special assessment bonds under this section.  
 12-52 The governing body may enter into agreements and contracts with the  
 12-53 authorized instrumentality to transfer pledged revenues, funds,  
 12-54 and special assessments to or for the account of the authorized  
 12-55 instrumentality at the times and as required by the terms of the  
 12-56 resolution authorizing the issuance of the revenue bonds or special  
 12-57 assessment bonds. Any bonds issued by an authorized  
 12-58 instrumentality must be approved by the governing body of the  
 12-59 municipality or county before issuance and delivery to the  
 12-60 purchaser.

12-61 (f) To the extent consistent with this subchapter, an  
 12-62 authorized instrumentality shall issue revenue bonds or special  
 12-63 assessment bonds under:

12-64 (1) Chapter 303, if the authorized instrumentality is  
 12-65 a public facility corporation; or

12-66 (2) Subchapter D, Chapter 431, Transportation Code, if  
 12-67 the authorized instrumentality is a local government corporation  
 12-68 ~~[Revenue bonds issued to pay costs under that subsection may be~~  
 12-69 ~~issued from time to time in one or more series and are to be payable~~

13-1 ~~from and secured by liens on all or part of the revenue derived from~~  
 13-2 ~~improvements authorized under this subchapter, including revenue~~  
 13-3 ~~derived from installment payments of special assessments].~~

13-4 Sec. 372.0241. SPECIAL ASSESSMENT PUBLIC IMPROVEMENT  
 13-5 DISTRICT MANAGEMENT POLICY. (a) The governing body of a  
 13-6 municipality or county may develop, adopt, and amend a special  
 13-7 assessment public improvement district management policy.

13-8 (b) The policy may establish the general requirements and  
 13-9 standards for and the preconditions to:

13-10 (1) the creation of a public improvement district  
 13-11 under this subchapter;

13-12 (2) the execution and issuance of installment purchase  
 13-13 or reimbursement contracts or temporary notes or time warrants; and

13-14 (3) the issuance of any bonds or certificates of  
 13-15 obligation payable in whole or in part from special assessments.

13-16 (c) If a management policy is adopted, compliance with the  
 13-17 terms of the policy, including any amendments to the policy, is  
 13-18 required for:

13-19 (1) the execution of any installment purchase or  
 13-20 reimbursement contracts or temporary notes or time warrants;

13-21 (2) the issuance of any revenue bonds or special  
 13-22 assessment bonds by the municipality or county or by an authorized  
 13-23 instrumentality; and

13-24 (3) the issuance of any certificates of obligation by  
 13-25 a municipality or county.

13-26 Sec. 372.025. TERMS AND CONDITIONS OF BONDS. (a) Revenue  
 13-27 bonds and special assessment bonds issued under Section 372.024  
 13-28 must be authorized by:

13-29 (1) ordinance, if issued by a municipality;

13-30 (2) order, if issued by a county; and

13-31 (3) resolution, if issued by an authorized  
 13-32 instrumentality.

13-33 (b) Revenue bonds and special assessment bonds may be issued  
 13-34 to mature serially or in any other manner but must mature not later  
 13-35 than 40 years after their date. A provision may be made for the  
 13-36 subsequent issuance of additional parity bonds or subordinate lien  
 13-37 bonds secured in whole or in part by any assessments or any other  
 13-38 revenues authorized by this subchapter under terms and conditions  
 13-39 specified in the ordinance, ~~or~~ order, or resolution authorizing  
 13-40 the issuance of the bonds.

13-41 (c) Revenue bonds, special assessment bonds, and  
 13-42 certificates of obligation may be subject to redemption before  
 13-43 maturity at the option of the issuer and at the times and in the  
 13-44 manner provided by the ordinance, order, or resolution authorizing  
 13-45 the issuance. Revenue bonds and certificates of obligation that  
 13-46 are secured in part by a pledge of special assessments and all  
 13-47 special assessment bonds are subject to mandatory redemption at  
 13-48 least semiannually from funds provided by assessed parties, if any,  
 13-49 as prepayment of installments of special assessments under Section  
 13-50 372.018(d).

13-51 (d) Revenue bonds and special assessment bonds shall be  
 13-52 executed in the manner and by the persons required by the ordinance,  
 13-53 order, or resolution authorizing the issuance.

13-54 (e) Revenue bonds and special assessment ~~[(b) The]~~ bonds  
 13-55 ~~[shall be executed and the bonds]~~ and any interest coupons  
 13-56 appertaining to the bonds ~~[them]~~ are negotiable instruments within  
 13-57 the meaning and for all purposes of the Uniform Commercial Code  
 13-58 (Section 1.101 et seq., Business & Commerce Code).

13-59 (f) The ordinance, ~~or~~ order, or resolution authorizing  
 13-60 the issuance of the revenue bonds or special assessment bonds must  
 13-61 specify:

13-62 (1) whether the bonds may be registered ~~[are issued~~  
 13-63 ~~registrable]~~ as to principal alone or as to both principal and  
 13-64 interest;

13-65 (2) whether the bonds are redeemable before maturity;

13-66 (3) the form, denomination, and manner of issuance;

13-67 (4) the terms, conditions, and other details applying  
 13-68 to the bonds including the price, terms, and interest rates on the  
 13-69 bonds; and

14-1 (5) the manner of sale of the bonds.  
 14-2 (g) [~~(e)~~] The ordinance, [~~or~~] order, or resolution  
 14-3 authorizing the issuance of the bonds may specify that the proceeds  
 14-4 from the sale of the bonds:

14-5 (1) be used to pay interest on the bonds during and  
 14-6 after the period of acquisition or construction of an improvement  
 14-7 financed through the sale of the bonds;

14-8 (2) be used for creating a reserve fund for payment of  
 14-9 the principal of and interest on the bonds and for creating other  
 14-10 funds; [~~and~~]

14-11 (3) be used for the payment of any other qualified  
 14-12 costs as determined by the governing body of the municipality or  
 14-13 county or by the authorized instrumentality; and

14-14 (4) may be placed in time deposit or invested, until  
 14-15 needed.

14-16 Sec. 372.026. PLEDGES. (a) For the payment of [~~bonds~~  
 14-17 ~~issued under this subchapter and the payment of~~] principal,  
 14-18 interest, and any other amounts payable on or with respect to any  
 14-19 bonds issued by a municipality or county under this subchapter  
 14-20 [~~required or permitted in connection with the bonds~~], the governing  
 14-21 body of the municipality or county may pledge:

14-22 (1) all or part of the income from improvements  
 14-23 financed under this subchapter, including income received in  
 14-24 installment payments from special assessments; and

14-25 (2) if the payment is for the payment of revenue bonds,  
 14-26 any other revenue described by Subsection (e) [~~under Section~~  
 14-27 ~~372.023~~].

14-28 (b) For the payment of principal, interest, and any other  
 14-29 amounts payable on or with respect to bonds issued by an authorized  
 14-30 instrumentality under this subchapter, the authorized  
 14-31 instrumentality may pledge all or part of the assessments or other  
 14-32 revenues, if any, that are to be transferred and paid to the  
 14-33 authorized instrumentality by the municipality or county under an  
 14-34 agreement entered into between the parties under Section  
 14-35 372.024(e).

14-36 (c) Pledged income must be [~~fixed and collected in amounts~~]  
 14-37 sufficient, with other pledged resources, if any, to pay principal,  
 14-38 interest, and other expenses related to the bonds, and to the extent  
 14-39 required by the ordinance, [~~or~~] order, or resolution authorizing  
 14-40 the bonds, to pay for the operation, maintenance, and other  
 14-41 expenses related to improvements authorized by this subchapter.

14-42 (d) Bonds issued by a municipality or county [~~(c) The~~  
 14-43 ~~bonds~~] may also be secured by mortgages or deeds of trust on any  
 14-44 real property related to the facilities authorized under this  
 14-45 subchapter that are owned or are to be acquired by the municipality  
 14-46 or county and by chattel mortgages, liens, or security interests on  
 14-47 any personal property appurtenant to that real property. The  
 14-48 governing body may authorize the execution of trust indentures,  
 14-49 mortgages, deeds of trust, or other forms of encumbrances as  
 14-50 evidence of the security interest of the holders of the bonds in the  
 14-51 related property [~~indebtedness~~].

14-52 (e) [~~(d)~~] The governing body may pledge to the payment of  
 14-53 certificates of obligation issued by the governing body or to the  
 14-54 payment of revenue bonds issued by the governing body or by an  
 14-55 authorized instrumentality all or part of a grant, donation,  
 14-56 revenue, or income received or to be received from the government of  
 14-57 the United States or any other public or private source, whether or  
 14-58 not it is received pursuant to an agreement or otherwise, including  
 14-59 impact fees and incremental ad valorem tax revenues collected by a  
 14-60 municipality or by another taxing unit and municipal sales tax  
 14-61 collected by a municipality from all or part of a tax increment  
 14-62 reinvestment zone created under Chapter 311, Tax Code.

14-63 Sec. 372.027. REFUNDING BONDS. (a) Revenue bonds and  
 14-64 special assessment bonds issued under this subchapter and  
 14-65 certificates of obligation payable solely from special assessments  
 14-66 may be refunded or refinanced by the issuance of refunding bonds,  
 14-67 under terms or conditions provided [~~set forth~~] in the ordinance,  
 14-68 order, or resolution authorizing the issuance [~~ordinances or~~  
 14-69 ~~orders~~] of the [~~municipality or county issuing the~~] bonds. The

15-1 provisions of this subchapter applying generally to revenue bonds  
 15-2 and special assessment bonds, including provisions related to the  
 15-3 issuance of those bonds, apply to refunding bonds of like kind  
 15-4 authorized by this section. The refunding bonds may be sold and  
 15-5 delivered in amounts necessary to pay ~~[for]~~ the principal,  
 15-6 interest, and any redemption premium of the bonds ~~[to be refunded]~~,  
 15-7 on the date of the maturity of the bonds ~~[bond]~~ or any redemption  
 15-8 date of the bonds ~~[bond]~~.

15-9 (b) Refunding bonds may be issued for exchange with the  
 15-10 bonds they are refunding. The comptroller of public accounts shall  
 15-11 register refunding bonds described by this subsection and deliver  
 15-12 the bonds to holders of bonds being refunded in accordance with the  
 15-13 ordinance, ~~[or]~~ order, or resolution authorizing the issuance of  
 15-14 refunding bonds. The exchange may be made in one delivery or  
 15-15 several installment deliveries.

15-16 (c) General obligation bonds and certificates of obligation  
 15-17 issued under this subchapter may be refunded in the manner provided  
 15-18 by law.

15-19 Sec. 372.028. APPROVAL AND REGISTRATION. (a) Revenue  
 15-20 bonds and special assessment bonds issued under this subchapter and  
 15-21 a record of the proceedings authorizing their issuance must be  
 15-22 submitted to the attorney general for examination. If revenue  
 15-23 bonds state that they are secured by a pledge of revenue or rentals  
 15-24 from a contract or lease, a copy of the contract or lease and a  
 15-25 description of the proceedings authorizing the contract or lease  
 15-26 must also be submitted to the attorney general.

15-27 (b) If the attorney general determines that the bonds were  
 15-28 authorized and the contracts or leases related to the bonds were  
 15-29 made in accordance with the law, the attorney general shall approve  
 15-30 the bonds and the contract or lease. After ~~[On the approval of]~~ the  
 15-31 attorney general approves the bonds and the contract or lease, the  
 15-32 comptroller of public accounts shall register the bonds.

15-33 (c) Bonds and contracts or leases approved and registered  
 15-34 under this section are:

15-35 (1) valid and binding obligations for all purposes in  
 15-36 accordance with their terms; and

15-37 (2) ~~[are]~~ incontestable in any court or other forum.

15-38 (d) General obligation bonds and certificates of obligation  
 15-39 issued under this subchapter shall be approved and registered as  
 15-40 provided by law.

15-41 Sec. 372.029. AUTHORIZED INVESTMENTS; SECURITY.

15-42 (a) Bonds issued under this subchapter are legal and authorized  
 15-43 investments for:

15-44 (1) banks, trust companies, and savings and loan  
 15-45 associations;

15-46 (2) all insurance companies;

15-47 (3) fiduciaries, trustees, and guardians; and

15-48 (4) interest funds, sinking funds, and other public  
 15-49 funds of the state or of an agency, subdivision, or instrumentality  
 15-50 of the state, including a county, municipality, school district, or  
 15-51 other district, public agency, or body politic.

15-52 (b) Bonds issued under this subchapter may be security for  
 15-53 deposits of public funds of the state or of an agency, subdivision,  
 15-54 or instrumentality of the state, including a county, municipality,  
 15-55 school district, or other district, public agency, or body politic,  
 15-56 to the extent of the market value of the bonds, if accompanied by  
 15-57 any appurtenant ~~[unmatured]~~ interest coupons that have not matured.

15-58 Sec. 372.030. SUBCHAPTER NOT EXCLUSIVE. This subchapter is  
 15-59 an alternative to other methods by which a municipality may finance  
 15-60 public improvements under applicable law ~~[by assessing property~~  
 15-61 ~~owners]~~.

15-62 SECTION 2. Section 61.0572, Education Code, is amended by  
 15-63 adding Subsection (f) to read as follows:

15-64 (f) Approval of the board is not required for buildings or  
 15-65 other facilities financed by a public improvement district under  
 15-66 Subchapter A, Chapter 372, Local Government Code.

15-67 SECTION 3. Section 61.058, Education Code, is amended by  
 15-68 adding Subsection (c) to read as follows:

15-69 (c) This section does not apply to construction, repair, or

16-1 rehabilitation of buildings or other facilities financed by a  
16-2 public improvement district under Subchapter A, Chapter 372, Local  
16-3 Government Code.

16-4 SECTION 4. All governmental acts and proceedings of a  
16-5 governmental body of a municipality or county under Subchapter A,  
16-6 Chapter 372, Local Government Code, as that subchapter existed  
16-7 before the effective date of this Act, to establish a public  
16-8 improvement district, designate improvements, levy assessments,  
16-9 and finance costs of improvements in response to a petition filed  
16-10 with the governing body that conformed to the requirements of  
16-11 Section 372.005, Local Government Code, as that section existed  
16-12 before the effective date of this Act, are validated and confirmed  
16-13 in all respects.

16-14 SECTION 5. This Act takes effect immediately if it receives  
16-15 a vote of two-thirds of all the members elected to each house, as  
16-16 provided by Section 39, Article III, Texas Constitution. If this  
16-17 Act does not receive the vote necessary for immediate effect, this  
16-18 Act takes effect September 1, 2009.

16-19

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