



IO # 15982
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State of Texas
House of Representatives

RON LEWIS
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COMMITTEES:
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April 30, 1992

RECEIVED
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Opinion Committee

The Honorable Dan Morales
Attorney General of Texas
P.O. Box 12548, Capitol Station
Austin, Texas 78711

RE: Attorney General's Opinion Request - Municipal Annexation of
Municipal Utility District

Dear General Morales:

I seek your opinion concerning the legal ramifications of annexation of a portion of a municipal utility district by a municipality. The issue stems from an attempt by a municipality to annex a non-contiguous portion of a municipal utility district under Texas Local Government Code, S 43.075(f). The municipal utility district lies within the extra-territorial jurisdiction of two municipalities.

The municipal utility district has issued bonds and has entered several utility development agreements (UDAs) with the developers of the district wherein the district has promised to reimburse the developers for design and construction of certain utility facilities. The UDAs cover facilities located in an area in the district which is not being considered for annexation. The district's bonds are secured by and payable from a tax upon all taxable property in the district. The parties presently contemplate a restructuring of the district's debt pursuant to a refunding.

Under the circumstances, is the non-contiguous portion of the municipal utility district subject to annexation under 43.075(f)? More specifically, upon annexation by the city, does the district continue to exist, subjecting the citizens to taxation by the municipality and district? Assuming that annexation of a portion of the district would result in a decrease in the tax base of the district and would have adverse affect on its ability to issue bonds, what is the district's liability to the developers, if any, under section 43.0715 of the Texas Local Government Code? Finally, would the municipality's refusal to reimburse the developers, under this section, prevent partial annexation?

Thank you for your attention to this matter.

Sincerely,
Ron Lewis
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