

Amend CSHB 725 (senate committee printing) by adding the following appropriately numbered SECTION to the bill and renumbering the remaining SECTIONS of the bill accordingly:

SECTION _____. Chapter 49, Water Code, is amended by adding Subchapter K-1 to read as follows:

SUBCHAPTER K-1. DISSOLUTION OF CERTAIN DISTRICTS

Sec. 49.335. DEFINITIONS. In this subchapter:

(1) "City" means a municipality described by Section 49.336.

(2) "City council" means the governing body of a city.

(3) "District" means a district named in an ordinance adopted under Section 49.339.

(4) "District board" means the district's board of directors.

Sec. 49.336. APPLICABILITY. This subchapter applies only to:

(1) the district; and

(2) a municipality:

(A) with a population greater than 100,000;

(B) located in a county that is within 25,000 feet of the Rio Grande;

(C) that is not a county seat; and

(D) that contains within its corporate boundaries or extraterritorial jurisdiction more than half of the district's territory.

Sec. 49.337. DISSOLUTION OF DISTRICT; FINDINGS PREREQUISITE TO MOTION TO TRANSFER. (a) The district is dissolved on the later of:

(1) September 1, 2011; or

(2) the date a transfer ordinance adopted under Section 49.339 takes effect under Section 49.342.

(b) At a regularly scheduled meeting of the city council, a city may propose an ordinance to allow the city to accept a transfer of the obligations, liabilities, and assets of the district if the city council finds that as of the date of the meeting:

(1) at least 80 percent of the raw water diverted by the district in the preceding 12 months was diverted for use by the

city;

(2) the city is capable of assuming all rights and obligations of the district;

(3) the city is capable of assuming responsibility for operating the district's facilities to benefit the district's existing customers and performing the services and functions performed by the district;

(4) dissolution of the district will result in an overall cost savings to city residents; and

(5) dissolution of the district will result in a more stable water supply for residents of the city and surrounding communities.

Sec. 49.338. HEARING REQUIRED. (a) Before a city may propose an ordinance described by Section 49.339, the city must conduct a public hearing on the issue.

(b) Notice of the public hearing must be:

(1) posted in accordance with the laws that apply to regular meetings of the city council; and

(2) mailed to each district board member.

Sec. 49.339. TRANSFER ORDINANCE. (a) After a city council has made the findings required by Section 49.337(b) and has conducted a public hearing as required by Section 49.338, the city council may adopt an ordinance allowing the city to accept a transfer of the district's obligations, liabilities, and assets.

(b) The ordinance must contain provisions that:

(1) eliminate the required payment of any flat tax or assessments paid to the district by landowners in the district;

(2) ensure that all water rights are held in trust by the city for the uses previously adjudicated;

(3) ensure that all individual water users are entitled to continue to use or have access to the same amount of water they were entitled to before the dissolution of the district;

(4) require the city to perform all the functions of the district, including the provision of services; and

(5) ensure delivery of water to landowners at or below the lowest comparable delivery charge imposed by any other irrigation district wholly located in the county in which the city

is located.

(c) The ordinance takes effect only if two-thirds of the city council votes in favor of the ordinance.

Sec. 49.340. CITY CONSENT; DISTRICT DUTIES. (a) On or before the effective date of the ordinance described by Section 49.339, the district board shall provide the district's management and operational records to the city that passed the ordinance to ensure the orderly transfer of management and operational responsibility to the city.

(b) Without the consent of a majority of the members of a city council that publishes notice under Section 49.338(b), the district may not:

- (1) sell, transfer, or encumber any district asset;
- (2) issue debt or acquire additional obligations; or
- (3) default on or fail to honor financial, legal, or other obligations of the district.

(c) Unless a majority of the members of a city council that publishes notice under Section 49.338(b) agree otherwise, the district shall:

- (1) maintain assets of the district in an appropriate condition reflective of good stewardship and proper repair; and
- (2) preserve district records, including information maintained by the district in electronic format.

(d) Any action undertaken by the district that does not comply with Subsection (b) is void.

(e) This section expires on the date a city that has published notice under Section 49.338(b) repeals the city's ordinance described by Section 49.339.

Sec. 49.341. PETITION BY VOTERS; SUSPENSION OR REPEAL OF ORDINANCE; ELECTION. (a) The voters of the district and of a city that enacts a transfer ordinance under this subchapter may object to the ordinance by filing a petition with the secretary of the city.

(b) The petition must be signed by at least five percent of the combined total of registered voters who reside in the city or any part of the district outside the city.

(c) The petition must be filed not later than the 30th day

after the date the city council votes in favor of the transfer ordinance under Section 49.339(c).

(d) The city secretary shall verify the signatures on the petition and shall present the verified petition to the city council at the council's next scheduled meeting.

(e) On receipt of the petition, the city council shall suspend the effectiveness of the ordinance, and the city may not take action under the ordinance unless the ordinance is approved by the voters under Subsection (f).

(f) The city council shall reconsider the suspended ordinance at the next scheduled meeting of the council. If the city council does not repeal the transfer ordinance, the city council shall submit a proposition for or against enactment of the ordinance to the voters of the city and the district at an election held jointly by the city and the district on the next uniform election date. The transfer ordinance takes effect if a majority of the voters voting in that election vote in favor of the transfer.

Sec. 49.342. EFFECTIVE DATE OF TRANSFER. A transfer ordinance under this subchapter takes effect on the date:

(1) the period for filing a voter petition expires under Section 49.341(c), if a voter petition is not filed under that section; or

(2) the voters approve the transfer ordinance under Section 49.341(f).

Sec. 49.343. TRANSFER OF ASSETS. (a) On or before the effective date of a transfer ordinance under Section 49.342, the district shall:

(1) transfer to the city the ownership of any water rights and certificates of adjudication;

(2) transfer the assets, debts, and contractual rights and obligations of the district to the city; and

(3) provide notice and make recordings of the transfers under this section as required by the Water Code and other law.

(b) On receipt of notice of the transfer of a district certificate of adjudication, the Texas Commission on Environmental Quality shall note in its records that the certificate of

adjudication is owned and held by the city. The Texas Commission on Environmental Quality shall transfer the district's certificate to the city as a ministerial act without further application, notice, or hearing. A person or other legal entity does not have a right to object to or to request an administrative review of a transfer made in accordance with this subchapter.

(c) The transfer of the district's water rights and any certificate of adjudication to the city does not affect or impair the priority, extent, validity, or purpose of the water rights or certificate.

Sec. 49.344. EXPIRATION. This subchapter expires January 1, 2016.