

BILL ANALYSIS

C.S.H.B. 648
By: Menendez
Natural Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Bexar Metropolitan Water District (BexarMet) was created over 60 years ago to serve certain areas in Bexar County. The district's service area has grown substantially, and now serves commercial and residential accounts throughout Bexar, Atascosa, Medina, and Comal Counties.

Continuing concerns about the ongoing problems the district has experienced regarding management and operations have caused many customers of the district to express repeated complaints and misgivings about the long term ability of the district to provide quality affordable water services into the future. The policies of the district have also caused the district's customers to pay higher water bills than other major local water providers for unreliable service. These continued failures of the district have led interested parties to call for a public referendum to dissolve the district.

C.S.H.B. 648 sets up a mechanism to put a conservator in place at BexarMet in an effort to gather information and help rehabilitate the district. The bill also provides for a public vote on the question of dissolution of the district, with a transition of services to a water utility system.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

Conservatorship Established

C.S.H.B. 648 amends Chapter 306, Acts of the 49th Legislature, Regular Session, 1945, to require the Texas Commission on Environmental Quality (TCEQ) to appoint a conservator for the Bexar Metropolitan Water District and sets out appointment qualifications. The bill sets the conservator's term to expire on the date TCEQ determines that the duties of the conservator have been discharged. The bill requires the conservator to use district staff to carry out duties assigned to the conservator and authorize the conservator to hire up to three additional persons who will report to and assist the conservator if assistance from district staff is not provided or the conservator needs special expertise from one or more of the persons. The bill sets out provisions relating to compensation and expense reimbursement for the conservator and any additional persons hired by the conservator.

C.S.H.B. 648 requires the district's board of directors to work cooperatively with the conservator to identify the policies, assets, liabilities and resources of the district. The bill requires the conservator to do the following:

- complete an inventory of and evaluate each distinct water system in the district to determine the district's basis in or the intrinsic value of the infrastructure associated with that water system; the district's bonded debt and commercial paper reasonably associated

with or allocable to the infrastructure in that water system; and the adequacy of the water supply sources, water storage facilities, and distribution systems located in the water system's service area to supply current and projected demands in that service area;

- identify any district assets whose transfer to another appropriate public water utility would be likely to improve service to the former customers of the district who would be served by that utility or the district's overall efficiency;
- compile a list and copies of existing contracts to which the district is a party, including, for each contract, effective and termination dates; general scope of the property and services involved; obligations of the district, including financial obligations; how the district benefits from the contract; and whether the district has waived governmental immunity;
- compile a list of the following in relation to the district: property; rights, including certificates of convenience and necessity, pumping rights, and any other rights; staff; and internal policies, including employment rules, benefits, and an evaluation of the usefulness and efficacy of each policy;
- develop a comprehensive rehabilitation plan for the district that meets specified requirements; and
- assess the district's ability to provide reliable, cost-effective, quality service to customers, including an assessment of operations compared to the best management practices of modern utilities.

C.S.H.B. 648 requires the conservator to report to TCEQ and to the Bexar Metropolitan Water District Oversight Committee quarterly on the progress the conservator has made in carrying out such duties. The bill authorizes the state auditor's office to audit the district at the conservator's request. The bill requires the district to reimburse the state auditor's office for the cost of the audit. The bill requires TCEQ to appoint a conservator for the district not later than the 60th day after the bill's provisions take effect.

Dissolution Election

C.S.H.B. 648 requires TCEQ to hold an election in the district on the question of dissolving the district and disposing of the district's assets and obligations and sets out provisions relating to the administration and date of the election, federal preclearance requirements, notice requirements, and ballot language. The bill requires TCEQ to certify that a majority of the voters voting in the district have voted in favor of dissolution or not in favor of dissolution. The bill requires TCEQ to certify the results of the dissolution to the secretary of state not later than the 20th day after the date the election results are officially declared.

Changes to the Bexar Metropolitan Water District If Voters Do Not Dissolve the District in the Dissolution Election

C.S.H.B. 648 increases from five to seven the number of members of the board of directors of the district and changes the length of the terms to which board members are elected from a term of six years each to staggered two-year terms in an election held on the uniform election date in November. The bill establishes that directors are elected from numbered single-member districts established by the board. The bill requires the board to revise each single-member district after each decennial census to reflect population changes and to conform with state and federal law and any applicable court order. The bill establishes that, at an election of directors, the candidate from each single-member district who receives the greatest number of votes is elected to represent that single-member district. The bill establishes that a person is not eligible to serve as a director for more than three terms or for more than a total of seven years of service. The bill requires such elections to be called, conducted, and canvassed in the manner provided by the Election Code, rather than by Chapter 25, General Laws of the Thirty-ninth Legislature, Regular Session, 1925, and any amendments thereto. The bill requires the board of directors to fill all vacancies on the board by appointment and requires such appointees to hold office until a

successor elected at the next scheduled election date has qualified, rather than for the unexpired term for which they were appointed. The bill changes from any three members of the board to any four members of the board the number of members required for a quorum for the adoption or passage of any resolution or order or the transaction of any business of the district. The bill requires a director to be a qualified voter of the single-member district from which the director is elected, rather than a qualified resident elector of Bexar County, Texas, and owner of taxable property within the area comprising said district. The bill eliminates a provision requiring the board to organize. The bill prohibits a payment to a director for fees of office from being made for a meeting that occurs in a different fiscal year from the one in which the payment is made. The bill provides transition provisions regarding the application of the above provisions to members of the board depending on whether they were elected before or after the bill's effective date.

C.S.H.B. 648 increases from five to seven the number of members of the Bexar Metropolitan Water District Oversight Committee to include two senators and two representatives who represent districts that include territory within the Bexar Metropolitan Water District respectively appointed by the lieutenant governor and speaker of the house of representatives, rather than the senator sponsor of the district's enabling legislation, or an appointed senator, as applicable, and the author of such legislation, or appointed representative, as applicable. The bill requires the oversight committee, on or before December 31, 2012, to provide a comprehensive report to the legislature on the committee's findings and recommendations concerning the district's ability to meet service and financial standards and any legislative changes needed in the district's authority or governance. The bill abolishes the oversight committee and sets related provisions to expire on January 1, 2013.

C.S.H.B. 648 requires a person, in order to be eligible to be a candidate for or to be elected or appointed as a member of the Bexar Metropolitan Water District board of directors, to have resided continuously in the single-member district that the person seeks to represent for 12 months immediately preceding the date of the regular filing deadline for the candidate's application for a place on the ballot; viewed the open government training video provided by the attorney general and provided to the board a signed affidavit stating that the candidate viewed the video; obtained 200 signatures from individuals living in the district; and paid a filing fee of \$250 or filed a petition in lieu of the filing fee that satisfies the requirements prescribed by certain Election Code provisions. The bill prohibits a director or a candidate for the office of director from knowingly accepting political contributions from a person that in the aggregate exceed \$500 in connection with each election in which the person is involved, and establishes that a contribution to a specific-purpose committee for the purpose of supporting a candidate for the office of director, opposing the candidate's opponent, or assisting the candidate as an officeholder is considered to be a contribution to the candidate. The bill provides transition provisions regarding the application of the above provisions to members of the board depending on whether they were elected before or after the bill's effective date.

C.S.H.B. 648 prohibits a person who is elected or appointed to and qualifies for office as a director on or after the bill's effective date from voting, deliberating, or being counted as a member in attendance at a meeting of the board until the person completes a training program on district management issues. The bill requires the training program to provide information to the person regarding the enabling legislation that created the district; the operation of the district; the role and functions of the board; the rules of the board; the current budget for the board; the results of the most recent formal audit of the board; the requirements of the open meetings law, open records law, and administrative procedure law; the requirements of the conflict of interest laws and other laws relating to public officials; and any applicable ethics policies adopted by the board or the Texas Ethics Commission.

C.S.H.B. 648 authorizes TCEQ to create an advanced training program designed for a person who has previously completed such a training program, and establishes that, if TCEQ creates the advanced training program, a person who completes the advanced training program is considered

to have met the person's training obligations. The bill requires each director who is elected or appointed on or after the effective date of these provisions to complete one of the training programs at least once in each term the director serves. The bill requires the board to adopt rules regarding the completion of a training program by a person who is elected or appointed to and qualifies for office as a director before the effective date of the bill, and establishes that such a director who does not comply with board rules is considered incompetent as to the performance of the duties of a director in any action to remove the director from office.

C.S.H.B. 648 prohibits a director from accepting or soliciting a gift, favor, or service, the value of which exceeds \$50 per gift, favor, or service, that might reasonably influence the director in the discharge of an official duty or that the director knows or should know is being offered with the intent to influence the director's official conduct. The bill prohibits a director from the following: accepting other employment or engaging in a business or professional activity that the director might reasonably expect would require or induce the director to disclose confidential information acquired by reason of the official position; accepting other employment or compensation that could reasonably be expected to impair the director's independence of judgment in the performance of the director's official duties; making personal investments that could reasonably be expected to create a substantial conflict between the director's private interest and the interest of the district; intentionally or knowingly soliciting, accepting, or agreeing to accept any benefit for having exercised the director's official powers or performed the director's official duties in favor of another; or having a personal interest in an agreement executed by the district.

C.S.H.B. 648 requires a director, not later than April 30 each year, to file with the Bexar County clerk a verified financial statement complying with certain Government Code provisions relating to personal financial statements and requires the district to keep a copy of such a financial statement in the main office of the district. The bill authorizes a director to be recalled for incompetency or official misconduct as defined by the Local Government Code, conviction of a felony, incapacity, failure to file the required financial statement, failure to complete a training program, or failure to maintain residency in the district.

C.S.H.B. 648 requires the board, if at least 10 percent of the voters in a single-member voting district of the district submit a petition to the board requesting the recall of a director who serves the voting district and not later than the 10th day after the date the petition is submitted, to mail a written notice of the petition and the date of its submission to each registered voter in the single-member voting district. The bill requires the board, not later than the 30th day after the date a petition requesting the recall of a director is submitted, to order an election on the question of recalling the director. The bill authorizes such a recall election to be held on any uniform election date and establishes that, if a majority of the single-member district voters voting at the election favor the recall of the director, the director is recalled and ceases to be a director. The bill requires all board reimbursements and expenditures to be approved by the board in a regularly scheduled meeting and prohibits the board from selecting the same auditor to conduct a required audit for more than three consecutive annual audits.

C.S.H.B. 648 requires TCEQ, if the conservator reports to TCEQ that the district has been sufficiently rehabilitated to provide reliable, cost-effective, quality service to its customers, to evaluate the condition of the district and to determine whether the district has been sufficiently rehabilitated to enable the district to provide reliable, cost-effective, quality service to its customers and whether the conservatorship is no longer necessary. The bill requires TCEQ to issue an order dissolving the conservatorship, if TCEQ determines the conservatorship is no longer necessary, not later than the 60th day after the date TCEQ receives the conservator's report. The bill establishes that the conservator appointed under the bill's provisions continues to serve until the conservatorship is dissolved. The bill authorizes TCEQ to order the district to implement any part of the rehabilitation plan and assess an administrative penalty against the district if the district fails to comply with a TCEQ order.

C.S.H.B. 648 requires the district, for two of the numbered single-member districts director's positions that expire in 2012, to call and hold an election on a uniform date in that year to elect the directors for those positions for terms that expire on the uniform election date in November 2013. The bill requires the district, for the other two director's positions that expire in 2012, to call and hold an election on the same uniform election date in that year to elect the directors for those positions for terms that expire on the uniform election date in November 2014. The bill requires the district to determine by lot which single-member districts are required to elect directors to serve one-year terms and which are required to elect directors to serve two-year terms.

Transfer of District Assets and Liabilities If Voters Dissolve the Bexar Metropolitan Water District in the Dissolution Election

C.S.H.B. 648 establishes that the term of each person who is serving as a director of the district on the date of the canvass of the election regarding dissolution of the district expires on that date if voters dissolve the district. The bill requires the conservator, under the oversight of TCEQ and the Bexar Metropolitan Water District Oversight Committee, to transfer or assign to a water utility owned by a municipality with a population of more than one million in the area served by the district, subsequently referred to as the system, beginning not later than the 60th day after the date the election results are certified, the rights and duties of the district associated with the provision of water services, including existing water contracts, assets, and obligations of the district; files, records, and accounts of the district, including those that pertain to the control, finances, management, and operation of the district; and permits, approvals, and certificates necessary to provide water services. The bill requires a state agency, to the extent that the transfer of such an item requires the approval of the state agency, to grant approval without additional notice or hearing. The bill requires the conservator, after the conservator has transferred the property, assets, and liabilities, to file a written report with TCEQ and the committee summarizing the conservator's actions in dissolving the district. The bill requires TCEQ to enter an order dissolving the district and releasing the conservator from any further duty or obligation not later than the 60th day after the date TCEQ receives the report and determines that the requirements of these provisions have been fulfilled. The bill makes a provision expire on the fifth anniversary of the date TCEQ enters an order dissolving the district.

C.S.H.B. 648 requires the system to integrate the services and infrastructure of the district into the system in a reasonable and orderly manner, not later than five years after the date the election results were certified in favor of dissolution, based on the consideration of relevant information, including the location and condition of the infrastructure, debt obligations, costs and revenue, and potential impacts on the customers of the district and the system. The bill requires the system to provide an annual report on the progress of integration to TCEQ. The bill authorizes TCEQ for good cause to grant an extension to complete integration. The bill authorizes TCEQ to assess an administrative penalty against the system if the system fails to comply with the requirements of the bill's provisions. The bill authorizes the system to operate the former district as a special project under the system's existing senior lien revenue bond ordinances until not later than five years after the date the election results were certified. The bill requires the system to provide affordable and reliable water services to all of the former ratepayers of the district once the conservator has transferred the assets, obligations, and duties to the system, and at least until not later than five years after the date the election results were certified.

C.S.H.B. 648 prohibits the system, for a 24-month period following the transfer of the employment of any employee of the former district, from terminating that employee, except for cause, if the employee is vested in the retirement program of the district on the bill's effective date and earns an annual base salary of less than \$50,000 on the bill's effective date enacting provisions relating to the transfer of district employees to the system. The bill establishes that such an employee who is terminated by the system has the same opportunity for appeal as a person employed by the system who is not an employee of the former district. The bill establishes that the system is not required to employ an employee of the district if that person

was formerly terminated from, or resigned in lieu of termination from the system.

C.S.H.B. 648 prohibits the attorney general, from the bill's effective date enacting these provisions until the date election results dissolving the district are certified to the secretary of state, from approving any public security of the district, unless TCEQ consents in writing before approval or the district provides written evidence that issuing the public security represents a refunding of outstanding debt for the purpose of realizing debt service savings in each year that outstanding obligations are refunded and that results in a cumulative net present value savings of three percent compared to refunded debt service. The bill requires a contract or other agreement entered into during a period from the bill's effective date enacting these provisions until the date election results dissolving the district are certified to the secretary of state, to which the district is a party, to include a provision that the contract or other agreement is subject to review by the system and termination by the system at the system's sole discretion, including the termination of all rights, duties, obligations, and liabilities of the district or the system under the contract or other agreement, if the contract or other agreement is assumed by the system. The bill establishes that a person is not entitled to compensation for loss or other damages resulting from the termination of such a contract or other agreement. The bill prohibits the district, from the bill's effective date enacting these provisions until the date election results dissolving the district are certified to the secretary of state, from disposing of, selling, transferring, assigning, impairing, or restricting any of the district's rights or assets outside the normal and customary course of business. The bill requires a state agency at which an administrative or enforcement action is pending to grant the district special consideration and reasonable extensions to identify and resolve the action in a manner satisfactory to the agency.

Notice and Effective Dates of Certain Provisions

C.S.H.B. 648 establishes that the legal notice of the intention to introduce the bill, setting forth the general substance of the bill, has been published as provided by law, and the notice and a copy of the bill have been furnished to all persons, agencies, officials, or entities to which they are required to be furnished under certain provisions of the Government Code and Texas Constitution. The bill establishes that the governor, one of the required recipients, has submitted the notice and the bill to TCEQ. The bill establishes that TCEQ has filed its recommendations relating to the bill with the governor, the lieutenant governor, and the speaker of the house of representatives within the required time. The bill establishes that 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 the bill are fulfilled and accomplished.

C.S.H.B. 648, if voters dissolve the Bexar Metropolitan Water District, makes provisions relating to changes to the district inapplicable and makes provisions relating to the transfer of district assets and liabilities take effect on the date the results of the election are officially declared. The bill, if voters do not approve the dissolution of the district, makes provisions relating to changes to the district take effect on the date the results of the election are officially declared and makes provisions relating to the transfer of district assets and liabilities inapplicable.

C.S.H.B. 648 makes conforming and nonsubstantive changes.

Definitions

C.S.H.B. 648 defines "board," "commission," "committee," "director," "district," and "system." The bill provides for the meaning of "political contribution" and "specific-purpose committee" by reference to the Election Code.

EFFECTIVE DATE

Except as otherwise provided, on passage, or, if the bill does not receive the necessary vote,

September 1, 2011.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 648 differs from the original by establishing a conservatorship for the Bexar Metropolitan Water District, providing for an election for the dissolution of the district, and providing for the continuance of the district, whereas the original establishes a conservatorship and provides for an election for the district's dissolution.

Conservatorship Established

C.S.H.B 648 contains provisions not included in the original defining "system" as a water utility owned by a municipality with a population of more than one million in the area served by the Bexar Metropolitan Water District and providing for the meaning of "political contribution" and "specific-purpose committee" by reference to the Election Code. The substitute differs from the original, in the provision establishing as a qualification for appointment as conservator the absence of a financial interest or likelihood of developing a financial interest in an entity that has a contract with the district or is likely to have such a contract, by omitting the specification that the entity to which the provision applies is a non-governmental entity. The substitute differs from the original by setting the expiration date for the conservator's term as the date the Texas Commission on Environmental Quality (TCEQ) determines that the duties of the conservator have been discharged, rather than the earlier of the date the conservatorship for which the conservator is appointed dissolves or the date on which TCEQ appoints a receiver following an election regarding dissolution of the district in which a majority of the votes favor dissolution, as in the original.

C.S.H.B 648 contains a provision not included in the original requiring the conservator to use district staff to carry out the duties assigned to the conservator and authorizing the conservator to hire up to three additional persons who will report to and assist the conservator if assistance from district staff is not provided or the conservator needs special expertise from one or more of the persons. The substitute contains provisions not included in the original entitling any additional persons hired by the conservator to receive a salary determined by the executive director of TCEQ for performing those duties and requiring the district to pay their compensation. The substitute contains a provision not included in the original specifying that the salary a conservator is entitled to receive is to be determined by the executive director of TCEQ. The substitute contains a provision not included in the original requiring the executive director of TCEQ to set the compensation of the conservator after considering the conservator's level of expertise in water utility management and certifications and education.

C.S.H.B 648 contains a provision not included in the original entitling the additional persons hired by the conservator to reimbursement of the reasonable and necessary expenses incurred in the course of performing duties under the bill's provisions. The substitute contains a provision not in the original requiring the district to pay the expenses incurred by the additional persons hired by the conservator. The substitute differs from the original by omitting a specification that the requirement for the district to pay expenses incurred by the conservator applies to reasonable and necessary expenses, as specified in the original, and instead contains a provision not included in the original requiring the executive director of TCEQ to determine if an expense is reasonable and necessary after consideration of certain specified factors.

C.S.H.B. 648 differs from the original by requiring the district's board of directors to work cooperatively with the conservator to identify the policies, assets, liabilities, and resources of the district, rather than to improve the board's ability to oversee the management and operation of the district in a professional manner, as in the original. The substitute omits a provision included in the original requiring the conservator to advise the district's board of directors on matters relating to the district's rehabilitation. The substitute omits a provision included in the original requiring the conservator's inventory and evaluation of each distinct water system in the district

to include a determination of the adequacy of infrastructure related to water supply sources, water storage facilities, and distribution systems. The substitute differs from the original by specifying that the water supply sources, water storage facilities, and distribution systems to which the conservator's inventory and evaluation of each distinct water system in the district applies are those located in that water system's service area.

C.S.H.B. 648 differs from the original by requiring the conservator to identify any district assets whose transfer to another appropriate public water utility would be likely to improve service to the former customers of the district who would be served by that utility or to improve the district's overall efficiency, whereas the original requires the conservator to identify any district assets whose sale would be likely to improve the district's ability to serve its remaining customers. The substitute contains provisions not included in the original requiring the conservator to compile a list and copies of existing contracts to which the district is a party and to compile a list of certain specified information regarding the district relating to property, rights, staff, and internal policies.

C.S.H.B. 648 differs from the original by omitting the specification that the comprehensive rehabilitation plan required to be developed by the conservator that identifies ways to enhance the district's operational efficiency to improve the district's provision of redundancy in water service applies to water services to its ratepayer. The substitute differs from the original by omitting the distinction between education for new board members and continuing education for existing board members in the requirement that the comprehensive rehabilitation plan provide for education relating to management policies and compliance with district policy and state and federal laws and regulations.

C.S.H.B. 648 contains a provision not included in the original requiring the comprehensive rehabilitation plan to assess the district's ability to provide reliable, cost-effective, quality service to customers, including an assessment of operations compared to the best management practices of modern utilities. The substitute differs from the original by requiring the conservator to report to TCEQ and the Bexar Metropolitan Water District Oversight Committee quarterly on the progress the conservator has made in carrying out the duties under the bill's provisions, whereas the original requires the conservator to report to TCEQ and the legislative oversight committee regularly on that progress. The substitute contains a provision not included in original authorizing the state auditor's office to audit the district at the conservator's request and requiring the district to reimburse the state auditor's office for the cost of the audit. The substitute requires TCEQ to appoint a conservator for the district not later than the 60th day after the bill's effective date, whereas the original requires TCEQ to appoint a receiver not later than the 60th day after the date of the canvass of an election in which the majority of the votes favor dissolution of the district.

Dissolution Election; Effective Date of Certain Bill Provisions

C.S.H.B. 648 differs from the original by combining into a single bill provision separate provisions of the original bill relating to the election date on the question of dissolving the district and disposing of the district's assets and obligations contingent on preclearance under the federal Voting Rights Act of 1965. The substitute differs substantively in these provisions from the original in that it authorizes the commission to make a determination on whether preclearance is required.

C.S.H.B. 648 contains a provision not in the original authorizing TCEQ to contract with another entity to conduct an election on the question of dissolving the district and disposing of the district's assets and obligations. The substitute omits a provision included in the original requiring the election to be conducted by each county in which the district has territory. The substitute differs from the original by requiring the district to pay any cost of conducting the election, whereas the original requires the district to reimburse each county for the reasonable and customary costs of holding the elections. The substitute omits a provision included in the

original requiring Bexar, Medina, and Atascosa Counties to be responsible for coordinating the election and to issue the order calling the election in their respective counties.

C.S.H.B. 648 omits a provision included in the original exempting the election for dissolution of the district from application of provisions of the Election Code relating to uniform election dates. The substitute requires TCEQ to give notice of the election by publishing the election order in a newspaper with general circulation in the district, where as the original requires Bexar, Medina, and Atascosa Counties to give notice of the election in that manner. The substitute differs from the original by including ballot language to reflect the transfer under the bill's provisions of all the district's assets, obligations, and duties to the water utility of the municipality with the largest population in the area served by the district. The substitute differs from the original by requiring TCEQ to certify the results of the election to the secretary of state not later than the 20th day after the date on which the election results are officially declared, whereas the original requires the results of the election to be certified by the secretary of state no later than ten days after the canvass of the results of the election, if a majority of the votes in the election favor dissolution.

C.S.H.B. 648 contains provisions not included in the original relating to the effective dates for certain of the bill's provisions based on the results of the dissolution election.

Changes to the Bexar Metropolitan Water District If Voters Do Not Dissolve the District in the Dissolution Election

C.S.H.B. 648 contains provisions not included in the original relating to the governance, administration, and operation of the Bexar Metropolitan Water District if the district is not dissolved by the election held for that purpose. The substitute, regarding such circumstances, contains provisions not included in the original relating to district board composition, vacancies, election, and eligibility to serve; the appointment of an oversight committee; eligibility for election or appointment as director; development of a director training program; requirements for and prohibited behavior of a director; filing of financial statements by a director; recall of a director; board reimbursement and expenditures; board meetings; and audits conducted at the request of the board.

C.S.H.B. 648 omits provisions included in the original making a determination on the district's rehabilitation as an alternative to continued conservatorship contingent on the dissolution election resulting in a majority of votes not in favor of dissolution. The substitute differs from the original by requiring those determinations to be made if the conservator reports to TCEQ that the district has been sufficiently rehabilitated. The substitute differs from the original by requiring TCEQ, not later than the 60th day after receiving the report, to issue an order dissolving the conservatorship if TCEQ determines the conservatorship is no longer necessary, whereas the original authorizes TCEQ to issue an order dissolving the conservatorship after determining the district can be sufficiently rehabilitated and that the conservator is no longer necessary. The substitute differs from the original by omitting a provision making the conservator's continued service contingent on the results of the election for dissolution of the district. The substitute omits a provision included in the original providing for the expiration of the original bill's provisions on the date TCEQ enters an order dissolving the district if the majority of votes in a dissolution election favor dissolution.

C.S.H.B. 648 differs from the original by authorizing TCEQ to order the district to implement any part of the rehabilitation plan, whereas the original authorizes TCEQ to order the district to implement any part of the rehabilitation plan and certain other recommendations in the event that the election results are not in favor of dissolution of the district. The substitute differs from the original by omitting the specification that the authorization for TCEQ to assess an administrative penalty against the district for a failure to comply with an order applies to an order relating to implementation of the rehabilitation plan.

C.S.H.B. 648 contains a provision not included in the original providing for the election of

members to the board of directors of the district after the bill takes effect on expiration of certain director's positions and for the expiration and terms of service for those directors. The substitute contains a provision not included in the original providing for the application of certain provisions of law as amended by the bill for such elected directors.

Transfer of District Assets and Liabilities If Voters Dissolve the Bexar Metropolitan Water District in the Dissolution Election

C.S.H.B. 648 differs from the original by requiring the transfer or assignment by the conservator to the system, beginning not later than the 60th day after the date the election results are certified, of certain specified rights, duties, files, records, accounts, permits, approvals, and certificates of the district associated with the provision of water services if the voters elect to dissolve the district, whereas the original requires the transfer or assignment of existing contracts, assets, and liabilities to be made by the receiver to one or more appropriate entities in such a manner that the service to the existing customers of the district is not interrupted.

C.S.H.B. 648 omits a provision included in the original requiring the receiver to issue a rebate to the ratepayers in the district in an amount sufficient to deplete any funds remaining after the payment of all debts of the district. The substitute contains a provision not included in the original requiring a state agency, to the extent that the transfer of a specified item requires the approval of the state agency, to grant approval without additional notice or hearing. The substitute differs from the original by requiring the conservator, after the conservator has transferred the property, assets, and liabilities, to file a written report with TCEQ and the committee summarizing the conservator's actions in dissolving the district, whereas the original requires the receiver to file such a report after the district has paid all its debts and has disposed all its money and other assets. The substitute contains a provision not included in the original providing for the expiration of specified provisions of the bill on the fifth anniversary of the date TCEQ enters an order dissolving the district.

C.S.H.B. 648 contains a provision not included in the original requiring the system to integrate the services and infrastructure of the district into the system not later than five years after the date the election results in favor of dissolution were certified, based on the consideration of certain specified information. The substitute includes provisions not contained in the original requiring the system to provide an annual report on the progress of integration to TCEQ, authorizing TCEQ for good cause to grant an extension to complete integration, and authorizing TCEQ to assess an administrative penalty against the system for failing to comply with the requirements of the bill's provisions. The substitute includes provisions not contained in the original authorizing the system to operate the former district as a special project and requiring the system to provide affordable and reliable water services to all of the former ratepayers of the district with certain conditions.

C.S.H.B. 648 contains provisions not included in the original relating to the hiring and termination by the system of employees of the former district and to a prohibition against the attorney general approving any public security of the district from the bill's effective date until the date election results dissolving the district are certified, except under certain circumstances. The substitute contains a provision not included in the original relating to the requirement that a contract or other agreement to which the district is a party that is entered into during a period from the bill's effective date until the date election results dissolving the district are certified include a provision that the contract or other agreement is subject to review and termination by the system and establishing that a person is not entitled to compensation for loss or other damages resulting from the termination of such a contract or other agreement.

C.S.H.B. 648 contains a provision not included in the original relating to a prohibition against the district disposing of, selling, transferring, assigning, impairing, or restricting any of the district's rights or assets outside the normal and customary course of business during a period from the bill's effective date until the date election results dissolving the district are certified.

The substitute contains a provision not included in the original requiring a state agency at which an administrative or enforcement action is pending to grant the district special consideration and reasonable extensions to identify and resolve the action in a manner satisfactory to the agency.

C.S.H.B. 648 contains nonsubstantive and conforming changes not included in the original.