

BILL ANALYSIS

C.S.S.B. 341
By: Uresti
Natural Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Bexar Metropolitan Water District was created by the legislature several decades ago to serve Bexar County. From a small initial account base of primarily residential accounts, the district has grown to serve tens of thousands of residential and commercial accounts. Interested parties contend that repeated and numerous customer complaints regarding inadequate service, unsafe water conditions, and excessive rates led to certain legislative intervention resulting in the creation of the Joint Committee on Oversight of Bexar Metropolitan Water District to monitor operations, management, and governance of the district. The interested parties contend that legislatively mandated operational and financial audits of the district found a number of serious problems with the district, including financial improprieties, weak management, and a pattern of unethical conduct and unprofessional management practices by certain district officials. The interested parties further contend that recent attempts to put legislative remedies in place were unsuccessful and that the oversight committee has concluded that the district's board of directors is incapable of functioning as a policymaking body.

C.S.S.B. 341 seeks to address these issues by establishing provisions relating to authorizing the dissolution of the district, or perhaps rehabilitation, establishing various management and board reforms, and provides certain penalties.

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

Financial and Operational Audits

C.S.S.B. 341 amends Chapter 306, Acts of the 49th Legislature, Regular Session, 1945, to require the Texas Commission on Environmental Quality (TCEQ), not later than the 30th day after the bill's effective date, to begin an on-site evaluation of the Bexar Metropolitan Water District. The bill requires the evaluation to include the following:

- a complete inventory and evaluation of 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 that water system's service area to supply current and projected demands in that service area;
- a list of 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;
- a list and copies of existing contracts to which the district is a party, including for each contract: effective and termination dates; the 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;
- a list of the following in regard 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;

- a comprehensive rehabilitation plan for the district that meets specified requirements;
- an assessment of 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;
- a study of the district's current infrastructure improvements, including personnel for the improvements, including staffing levels of engineers, capital improvement program personnel, and mains and services personnel, and contracts related to any capital improvements; and
- a financial audit of the district.

C.S.S.B. 341 requires TCEQ, on commencement of the evaluation, to notify the district in writing that TCEQ has begun the evaluation and to specify a time period for completion of the evaluation. The bill authorizes TCEQ to extend the specified time period for good cause. The bill requires the district to cooperate and provide assistance and access to all necessary records, confidential or not, to TCEQ. The bill authorizes TCEQ to contract with utility management consultants, accountants, and other persons as necessary to conduct the evaluation. The bill authorizes TCEQ to require the district to reimburse TCEQ for the reasonable cost of conducting the evaluation. The bill requires TCEQ to file copies of the completed evaluation with the Bexar Metropolitan Water District Oversight Committee, the district's board of directors, and the lieutenant governor, the speaker of the house of representatives, and the chairs of the house and senate committees with primary oversight over the district. The bill authorizes the state auditor's office to audit the district at TCEQ's request and requires the district to reimburse the state auditor's office for the cost of the audit.

C.S.S.B. 341 authorizes TCEQ to employ or contract with a person to carry out the duties relating to the on-site evaluation of the district who, at the time of the person's hire, has demonstrated a high level of expertise in utility management, is not a director, and has no financial interest in the district or any entity that has a contract with the district or that is likely to develop a contractual relationship with the district. The bill authorizes TCEQ to employ or contract with additional persons who will report to and assist TCEQ if assistance from district staff is not provided or TCEQ needs special expertise from one or more of the persons. The bill sets out provisions relating to compensation and expense reimbursement for a person employed or contracted with under these provisions.

C.S.S.B. 341 authorizes the executive director of TCEQ to employ or contract with a person to carry out any purpose described by the bill's provisions and requires the district to reimburse TCEQ for all related expenses.

C.S.S.B. 341 requires TCEQ to evaluate the condition of the district and determine whether the district has been sufficiently rehabilitated to enable the district to provide reliable, cost-effective, quality service to its customers. The bill authorizes TCEQ to order the district to implement any part of the rehabilitation plan if TCEQ finds that the district has not been rehabilitated and to assess an administrative penalty against the district if the district fails to comply with a TCEQ order.

C.S.S.B. 341 prohibits the attorney general, from the bill's effective date enacting these provisions until the date election results 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 at least three percent compared to refunded debt service.

C.S.S.B. 341 requires a contract or other agreement entered into, amended, or renewed during a period from the bill's effective date enacting these provisions until the date election results 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 or entity 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 disposing of, selling, transferring, assigning, impairing, or restricting any of the district's rights or assets outside the normal and customary course of business from the bill's effective date enacting these provisions until the date the election results are certified to the secretary of state.

Dissolution Election

C.S.S.B. 341 requires the district's board of directors, after consultation with the secretary of state and on the next uniform election date, to hold an election in the district on the question of dissolving the district and disposing of the district's assets and obligations, requires the board to call the election not later than the 90th day before the date the election is to be held, and sets out provisions relating to the order calling the election, notice requirements, and ballot language. The bill requires the board 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 or its executive director, if the board fails to call an election on or before the 90th day before the date the election is to be held, to file a writ of mandamus and pursue all other legal and equitable remedies available to compel the board to call the election. The bill, not later than the 20th day after the date on which the election results are officially declared, requires the board to certify that result to the secretary of state.

Alternate Election Procedures if the Dissolution Election is in Violation

C.S.S.B. 341 establishes that it is the intent of the legislature that the preferred method of election be the method described by the bill's provisions relating to the dissolution election. The bill sets out provisions for an alternate means of conducting the dissolution election if the preferred election method cannot be used due to a final, unappealable administrative or judicial decision. The bill establishes that it is the intent of the legislature to comply fully with the requirements of the federal Voting Rights Act of 1965 and that it is not the intent of the legislature to influence any preclearance decision made by the U.S. Department of Justice relating to the bill's provisions.

C.S.S.B. 341 requires the board, after consultation with the secretary of state and on the next uniform election date following the date of a final, unappealable administrative or judicial decision that any portion of the bill's provisions is in violation of the federal Voting Rights Act of 1965 or United States Constitution, to hold an election in the district on the question of dissolving the district and disposing of the district's assets and obligations. The bill requires the board to call the election not later than the 90th day before the date the election is to be held and sets out provisions relating to the order calling the election, notice requirements, and ballot language. The bill requires the election to be held in numbered voting districts established by the board and requires the board to draw each voting district to reflect population changes from the latest decennial census to conform with state law, the federal Voting Rights Act of 1965, and any applicable court order. The bill requires the board to certify the election results for each voting district and then certify that a majority of the voting districts have voted in favor of dissolution or not in favor of dissolution. The bill requires TCEQ or its executive director, if the board fails to call an election on or before the 90th day before the date the election is to be held, to file a writ of mandamus and pursue all other legal and equitable remedies available to compel the board to call the election. The bill requires the board, not later than the 20th day after the date on which the election results are officially declared, to certify that result to the secretary of state.

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

C.S.S.B. 341 statutorily increases from five to seven the number of members of the board of directors of the district and changes the length of the terms in statute 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 statutorily 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.S.B. 341 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 lieutenant governor to designate one of the senators as co-chair and requires the speaker of the house of representatives to designate one of the representatives as co-chair. 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.S.B. 341 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 or organization that in the aggregate exceed \$500 in connection with each election in which the candidate 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.S.B. 341 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, public information 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.S.B. 341 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 section, 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.S.B. 341 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.S.B. 341 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.S.B. 341 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.S.B. 341 requires the district, for two of the numbered single-member district 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 a Dissolution Election

C.S.S.B. 341 establishes that the term of each person who is serving as a director of the district

on the date the election results are certified to the secretary of state expires on that date. The bill establishes that the system assumes control of the operation and management of the district on the date the election results are certified to the secretary of state. The bill requires TCEQ, in consultation with the Bexar Metropolitan Water District Oversight Committee and not later than the 90th day after the date the election results are certified to the secretary of state, to transfer or assign all rights and duties of the district, including existing contracts, duties, 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 TCEQ to enter an order dissolving the district after TCEQ has transferred the property, assets, and liabilities. The bill establishes that its provisions do not enhance or harm the position of a contracting party. The bill prohibits a law or charter provision from being construed to limit the system's performance of an obligation under a contract transferred or assigned to the system as a result of the dissolution of the district, if revenue from the contract was pledged wholly or partly to pay debt service on revenue bonds approved by the attorney general.

C.S.S.B. 341 requires the system, not later than five years after the date the election results were certified in favor of dissolution, to integrate the services and infrastructure of the district into the system in a reasonable and orderly manner. The bill authorizes TCEQ for good cause to grant an extension to complete integration of not more than three additional years. The bill requires the system to base the integration on the consideration of relevant information, including the location and condition of the infrastructure, debt obligations, prudent utility practices and fiscal policies, costs and revenue, and potential impacts on the customers of the district and the system. The bill requires the system, during such integration period, to provide an annual report on the progress of integration to TCEQ, including the status of any relevant contract provision. The bill authorizes the system, until the specified date, to operate the former district as a special project under the system's existing senior lien revenue bond ordinances. The bill requires the system to provide affordable and reliable water services to all of the former ratepayers of the district under the system's certificate of convenience and necessity once TCEQ has transferred the assets, obligations, and duties to the system. The bill requires the system, after the integration is complete, to provide water service to former ratepayers of the district in the same manner the system provides water service to other ratepayers of the system. The bill establishes that the integration is considered complete if the areas of service located in the former district are no longer operated as a special project within the system; the ratepayers of the former district pay the same rates for services provided by the system as other similarly situated ratepayers of the system; and the ratepayers of the former district receive water service that meets TCEQ requirements. The bill authorizes TCEQ, if the system fails to integrate the services and infrastructure of the district into the system, to find the system in violation of the obligation under the system's certificate of convenience and necessity to provide continuous and adequate service. The bill authorizes TCEQ to bring an enforcement action against the system, including the imposition of an administrative penalty.

C.S.S.B. 341 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, as defined by the system's standards of conduct for all employees, 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 these provisions. The bill prohibits the system, for a five-year period following the transfer of the employment of any employee of the former district, from terminating that employee, except for cause, as defined by the system's standards of conduct for all employees, if the employee meets the above requirements and the sum of the years of service of the employee and the employee's age is equal to or greater than 80. The bill establishes that a qualified 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.S.B. 341 requires a state agency at which an administrative or enforcement action is pending against the district to grant the system special consideration and reasonable extensions to identify and resolve the action in a manner satisfactory to the agency.

C.S.S.B. 341 requires the system, not later than the 60th day after the date the district is dissolved, to work cooperatively with the commissioners court of each county in which the former district was wholly or partly located to establish an advisory committee to advise the system regarding the integration of the services and infrastructure of the former district, including service integration issues and the delivery of water services by the system, in specific areas or water systems located in the area outside the corporate boundaries of the largest municipality served by the system. The bill requires the advisory committee to include at least one representative from each county served by the system who resides in the boundaries of the former district or the owner or operator of a business located in the boundaries of the former district. The bill requires the board of directors of the system, until the integration is complete, to consult with the advisory committee about specified matters at least quarterly, during a regularly scheduled or specially called board meeting of the system, and, on request by the advisory committee chair, to provide members of the advisory committee an opportunity to address the system's board of trustees on matters relating to the duties of the advisory committee.

Deadlines, Notice, and Effective Dates of Certain Provisions

C.S.S.B. 341 establishes that if a deadline established by the bill's provisions cannot be met because of a requirement imposed by the federal Voting Rights Act of 1965, the deadline is the next available date after the requirement is met. The bill 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.S.B. 341 makes conforming and nonsubstantive changes.

Definitions

C.S.S.B. 341 defines "board," "commission," "committee," "director," "district," "system," "voting district," and "advisory committee." 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 TO SUBSTITUTE

Article 1

C.S.S.B. 341 differs from the original by authorizing the Texas Commission on Environmental Quality (TCEQ) to employ or contract with a person to carry out duties relating to an on-site evaluation of the Bexar Metropolitan Water District who has demonstrated a high level of expertise in utility management, whereas the original requires TCEQ to appoint a conservator for the district within a certain time period who has demonstrated a high level of expertise in water utility management. The substitute omits a provision included in the original establishing that the conservator's term expires on the date TCEQ determines that the duties of the conservator have been discharged.

C.S.S.B. 341 differs from the original by authorizing TCEQ to employ or contract with additional persons who will report to and assist TCEQ under certain conditions, whereas the original requires the conservator to use district staff to carry out the duties assigned to the

conservator and authorizes the conservator to hire up to three additional persons who will report to and assist the conservator under similar conditions. The substitute contains a provision not included in the original authorizing the executive director of TCEQ to employ or contract with a person to carry out any purposes described by the bill and requiring the district to reimburse TCEQ for all related expenses.

C.S.S.B. 341 differs from the original by requiring TCEQ to begin an on-site evaluation of the district and requiring the evaluation to include certain items, whereas the original requires the district's board of directors to work cooperatively with the conservator to identify the policies, assets, liabilities, and resources of the district and requires the conservator to perform certain duties related to such items. The substitute differs from the original by including in the evaluation a study of the district's current infrastructure improvements and a financial audit of the district.

C.S.S.B. 341 contains provisions not included in the original requiring TCEQ, on commencement of the evaluation, to provide certain notification to the district and to specify a time period for completion, authorizing TCEQ to extend the time period, and requiring the district to cooperate and provide assistance and access to records. The substitute contains provisions not included in the original authorizing TCEQ to contract with certain entities to conduct the evaluation, authorizing TCEQ to require the district to reimburse TCEQ for the reasonable cost of conducting the evaluation, and requiring TCEQ to file copies of the completed evaluation with certain entities. The substitute omits a provision included in the original requiring the conservator to report to TCEQ and the Bexar Metropolitan Water District Oversight Committee quarterly, or as requested by TCEQ or the committee, on the progress the conservator has made in carrying out certain duties.

C.S.S.B. 341 differs from the original by authorizing the state auditor's office to audit the district at TCEQ's request, whereas the original provides such authorization at the conservator's request.

Article 2

C.S.S.B. 341 contains a provision not included in the original defining "board" to mean the board of directors of the district. The substitute differs from the original by requiring the board to hold an election in the district on the question of dissolving the district and disposing of the district's assets and obligations, whereas the original requires TCEQ to hold such an election. The substitute contains provisions not included in the original requiring the board to call the election not later than the 90th day before the election is to be held and requiring TCEQ or its executive director to file a writ of mandamus and pursue all other legal and equitable remedies available to compel the board to call the election if the board fails to call an election on or before the 90th day before the date the election is to be held. The substitute omits provisions included in the original authorizing TCEQ to contract with one or more entities to conduct the election and requiring the district to pay any cost of conducting the election.

Article 2A

C.S.S.B. 341 contains provisions not included in the original providing for Article 2A relating to alternate election procedures if the dissolution election in Article 2 is in violation and cannot be used due to a final, unappealable administrative or judicial decision, and establishing legislative intent. The substitute contains provisions not included in the original defining applicable terms; requiring the board to hold a dissolution election on the next uniform election date following the date of a final, unappealable administrative or judicial decision that any portion of the bill is in violation of the federal Voting Rights Act of 1965 or United States Constitution; providing for the order calling the election, notice requirements, and ballot language; requiring the election to be held in numbered voting districts; requiring the board to certify the election results; and requiring TCEQ or its executive director to file a writ of mandamus and pursue all other legal equitable remedies available to compel the board to call the election if the board fails to call an election within a certain time period. The substitute contains a provision not included in the original requiring the board to certify the election result to the secretary of state and providing for the effect of certain articles contingent on the result.

Article 3

C.S.S.B. 341 differs from the original, in a bill provision providing that two senators and two representatives who represent respective districts that include territory within the Bexar Metropolitan Water District serve on the Bexar Metropolitan Water District Oversight Committee, by requiring the lieutenant governor to designate one of the senators as a co-chair and requiring the speaker of the house of representatives to designate one of the representatives as co-chair.

C.S.S.B. 341 differs from the original, in a bill provision prohibiting 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, by specifying each election in which the candidate is involved, whereas the original specifies each election in which the person is involved, and by including in the prohibition political contributions from an organization.

C.S.S.B. 341 differs from the original by moving a provision requiring TCEQ 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 to Article 1 of the bill; removing language making such requirement contingent on the conservator reporting to TCEQ that the district has been sufficiently rehabilitated to provide reliable, cost-effective, quality service to its customers; and removing the conditional requirement that TCEQ evaluate the condition of the district and determine whether the conservatorship is no longer necessary. The substitute omits a provision included in the original requiring TCEQ, not later than the 60th day after the date TCEQ receives such a report, to issue an order dissolving the conservatorship if TCEQ determines the conservatorship is no longer necessary and establishing that the appointed conservator continues to serve until the conservatorship is dissolved as such.

C.S.S.B. 341 differs from the original by moving a provision authorizing TCEQ to order the district to implement any part of an applicable rehabilitation plan to Article 1; adding language making such authority contingent on TCEQ finding that the district has not been rehabilitated; and moving a provision authorizing TCEQ to assess an administrative penalty against the district if the district fails to comply with a TCEQ order to Article 1.

Article 4

C.S.S.B. 341 differs from the original by requiring TCEQ, in consultation with the Bexar Metropolitan Water District Oversight Committee, not later than the 90th day after the date the election results are certified to the secretary of state, to transfer or assign prescribed property, assets, and liabilities, whereas the original requires the conservator, under the oversight of TCEQ and the committee, to transfer or assign such property, assets, and liabilities.

C.S.S.B. 341 differs from the original by requiring TCEQ to enter an order dissolving the district after TCEQ has transferred the prescribed property, assets, and liabilities, whereas the original requires the conservator, after the conservator has transferred the prescribed property, assets, and liabilities, to file a written report with TCEQ and the committee summarizing the conservator's actions in dissolving the district, and 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 applicable requirements have been fulfilled. The substitute omits a provision included in the original setting a certain provision to expire on the fifth anniversary of the date TCEQ enters an order dissolving the district.

C.S.S.B. 341 contains provisions not included in the original establishing that the bill's provisions do not enhance or harm the position of a contracting party and prohibiting a law or charter from being construed to limit the system's performance of an obligation under a contract transferred or assigned to the system as a result of the dissolution of the district if revenue from the contract was pledged wholly or partly to pay debt service on revenue bonds approved by the attorney general.

C.S.S.B. 341 differs from the original, in a bill provision requiring the system, during the integration period, to provide an annual report on the progress of integration to TCEQ, by including in the report the status of any relevant contract provision, whereas the original does not specify such an inclusion.

C.S.S.B. 341 differs from the original by moving to Article 1 a provision that prohibits the attorney general, from the effective date of the bill until the date election results are certified to the secretary of state, from approving any public security 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 a certain percentage compared to refunded debt service; omitting language specifying such election results as election results dissolving the district; and adding language that specifies such percentage as at least three percent, whereas the original specifies such percentage as three percent.

C.S.S.B. 341 differs from the original by moving to Article 1 a provision that requires a contract or other agreement entered into, amended, or renewed from the effective date of the bill until the date election results 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 certain review and termination, and omitting language specifying such election results as election results dissolving the district.

C.S.S.B. 341 differs from the original by moving to Article 1 a provision that prohibits the district, from the effective date of the bill until the date election results 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, and omitting language specifying such election results as election results dissolving the district.

C.S.S.B. 341 differs from the original by requiring the advisory committee that is established to advise the system regarding the integration of the services and infrastructure of the former district to include at least one representative from each county served by the system who resides in the boundaries of the former district, as an alternative to the owner or operator of a business located in the boundaries of the former district, whereas the original provides for the inclusion of one such representative as such an alternative.

C.S.S.B. 341 differs from the original by making conforming changes and in nonsubstantive ways by conforming to certain bill drafting conventions.