

By: Menendez, Larson

H.B. No. 648

Substitute the following for H.B. No. 648:

By: Martinez Fischer

C.S.H.B. No. 648

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the appointment of a conservator for and authorizing  
3 the dissolution of the Bexar Metropolitan Water District; providing  
4 a penalty.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 ARTICLE 1. CONSERVATORSHIP ESTABLISHED

7 SECTION 1.01. Section 1, Chapter 306, Acts of the 49th  
8 Legislature, Regular Session, 1945, is amended to read as follows:

9 Sec. 1. In obedience to the provisions of Article 16,  
10 Section 59 of the Constitution of Texas, there is hereby created  
11 Bexar Metropolitan Water District. [~~hereinafter in this Act~~  
12 ~~sometimes called the "District."~~]

13 SECTION 1.02. Chapter 306, Acts of the 49th Legislature,  
14 Regular Session, 1945, is amended by adding Sections 1A, 34, 35, 36,  
15 37, 38, and 39 to read as follows:

16 Sec. 1A. In this Act:

17 (1) "Board" means the District's Board of Directors.

18 (2) "Commission" means the Texas Commission on  
19 Environmental Quality.

20 (3) "Committee" means the Bexar Metropolitan Water  
21 District Oversight Committee.

22 (4) "Director" means a Board member.

23 (5) "District" means the Bexar Metropolitan Water  
24 District.

1           (6) "System" means a water utility owned by a  
2 municipality with a population of more than one million in the area  
3 served by the District.

4           Sec. 34. (a) The Commission shall appoint as conservator  
5 for the District an individual who, at the time of the individual's  
6 appointment:

7           (1) has demonstrated a high level of expertise in  
8 water utility management;

9           (2) is not a Director; and

10           (3) has no financial interest in the District or any  
11 entity that has a contract with the District or that is likely to  
12 develop a contractual relationship with the District.

13           (b) The conservator's term expires on the date the  
14 Commission determines that the duties of the conservator under this  
15 Act have been discharged.

16           Sec. 35. (a) The conservator shall use District staff to  
17 carry out the duties assigned to the conservator. The conservator  
18 may hire up to three additional persons who will report to and  
19 assist the conservator if:

20           (1) assistance from District staff is not provided; or

21           (2) the conservator needs special expertise from one  
22 or more of the persons.

23           (b) A conservator appointed under Section 34 and any  
24 additional persons hired by the conservator under this section are  
25 entitled to receive a salary determined by the executive director  
26 of the Commission for performing those duties.

27           (c) The District shall pay the compensation of the

1 conservator and any additional persons hired by the conservator  
2 under this section.

3 (d) The executive director of the Commission shall set the  
4 compensation of the conservator after considering the  
5 conservator's:

6 (1) level of expertise in water utility management;  
7 and

8 (2) certifications and education.

9 Sec. 36. (a) A conservator appointed under Section 34 and  
10 the persons hired under Section 35 are entitled to reimbursement of  
11 the reasonable and necessary expenses incurred by the conservator  
12 or the persons hired under Section 35 in the course of performing  
13 duties under this Act.

14 (b) The District shall pay the expenses incurred by the  
15 conservator and the persons hired under Section 35. The executive  
16 director of the Commission shall determine if an expense is  
17 reasonable and necessary after considering whether the expense is:

18 (1) necessary to complete the duties of the  
19 conservator as assigned by law;

20 (2) at or below the cost of a similar expense incurred  
21 by other utilities;

22 (3) documented by an invoice, bill, or work order that  
23 includes details relating to the:

24 (A) time spent on services; or

25 (B) cost of supplies; and

26 (4) in accordance with procedures used to minimize  
27 expenses, including comparing vendor rates or competitive bidding.

1       Sec. 37. (a) The Board shall work cooperatively with the  
2 conservator to identify the policies, assets, liabilities, and  
3 resources of the District.

4       (b) The conservator shall:

5           (1) complete an inventory of and evaluate each  
6 distinct water system in the District to determine:

7                   (A) the District's basis in or the intrinsic  
8 value of the infrastructure associated with that water system;

9                   (B) the District's bonded debt and commercial  
10 paper reasonably associated with or allocable to the infrastructure  
11 in that water system; and

12                   (C) the adequacy of the water supply sources,  
13 water storage facilities, and distribution systems located in that  
14 water system's service area to supply current and projected demands  
15 in that service area;

16           (2) identify any District assets whose transfer to  
17 another appropriate public water utility would be likely to  
18 improve:

19                   (A) service to the former customers of the  
20 District who would be served by that utility; or

21                   (B) the District's overall efficiency;

22           (3) compile a list and copies of existing contracts to  
23 which the District is a party, including for each contract:

24                   (A) effective and termination dates;

25                   (B) general scope of the property and services  
26 involved;

27                   (C) obligations of the District, including

1 financial obligations;  
2 (D) how the District benefits from the contract;  
3 and  
4 (E) whether the District has waived governmental  
5 immunity;  
6 (4) compile a list of the following in regard to the  
7 District:  
8 (A) property;  
9 (B) rights, including certificates of  
10 convenience and necessity, pumping rights, and any other rights;  
11 (C) staff; and  
12 (D) internal policies, including employment  
13 rules, benefits, and an evaluation of the usefulness and efficacy  
14 of each policy;  
15 (5) develop a comprehensive rehabilitation plan for  
16 the District that:  
17 (A) identifies strategies for restoring the  
18 District's financial integrity and developing a system of sound  
19 financial management;  
20 (B) describes a standard of ethics,  
21 professionalism, and openness expected of each Director and  
22 employee of the District;  
23 (C) provides a mechanism to enforce compliance  
24 with District policies, including procurement policies;  
25 (D) identifies ways to enhance the District's  
26 operational efficiency and improve the District's provision of  
27 redundancy in water services; and

1           (E) provides for educating the Board and  
2 management personnel on improving management practices and  
3 complying with District policy and state and federal laws and  
4 regulations; and

5           (6) assess the District's ability to provide reliable,  
6 cost-effective, quality service to customers, including an  
7 assessment of operations compared to the best management practices  
8 of modern utilities.

9           Sec. 38. The conservator shall report to the Commission and  
10 the Committee quarterly on the progress the conservator has made in  
11 carrying out the duties under Section 37.

12           Sec. 39. At the conservator's request, the state auditor's  
13 office may audit the District under Chapter 321, Government Code.  
14 The District shall reimburse the state auditor's office for the  
15 cost of the audit.

16           SECTION 1.03. Not later than the 60th day after the  
17 effective date of this Act, the Texas Commission on Environmental  
18 Quality shall appoint a conservator for the Bexar Metropolitan  
19 Water District as required by Section 34, Chapter 306, Acts of the  
20 49th Legislature, Regular Session, 1945, as added by this Act.

21           ARTICLE 2. ELECTION; EFFECTIVE DATE OF ARTICLES 3 AND 4

22           SECTION 2.01. (a) In this article:

23                   (1) "Commission" means the Texas Commission on  
24 Environmental Quality.

25                   (2) "District" means the Bexar Metropolitan Water  
26 District.

27           (b) On the next uniform election date following the date of

1 preclearance under Section 5 of the federal Voting Rights Act of  
2 1965 (42 U.S.C. Section 1973c) of all provisions of the Act enacting  
3 this section that are subject to that preclearance, the commission  
4 shall hold an election in the district on the question of dissolving  
5 the district and disposing of the district's assets and  
6 obligations. If the commission determines that preclearance under  
7 Section 5 of the federal Voting Rights Act of 1965 is not required,  
8 the commission shall hold the election on the next uniform election  
9 date after the date the commission makes that determination.

10 (c) The Commission may contract with another entity to  
11 conduct the election. The District shall pay any cost of conducting  
12 the election.

13 (d) The order calling the election must state:

14 (1) the nature of the election, including the  
15 proposition to appear on the ballot;

16 (2) the date of the election;

17 (3) the hours during which the polls will be open; and

18 (4) the location of the polling places.

19 (e) The Commission shall give notice of an election under  
20 this section by publishing once a week for two consecutive weeks a  
21 substantial copy of the election order in a newspaper with general  
22 circulation in the District. The first publication of the notice  
23 must appear not later than the 35th day before the date of the  
24 election.

25 (f) The ballot for an election under this section must be  
26 printed to permit voting for or against the proposition: "The  
27 dissolution of the Bexar Metropolitan Water District and the

1 transfer of all the District's assets, obligations, and duties to  
2 the water utility of the municipality with the largest population  
3 in the area served by the District."

4 (g) The Commission shall certify that a majority of the  
5 voters voting in the District have voted:

6 (1) in favor of dissolution; or

7 (2) not in favor of dissolution.

8 SECTION 2.02. (a) Not later than the 20th day after the  
9 date on which the election results are officially declared, the  
10 commission shall certify that result to the secretary of state.

11 (b) If the proposition is approved by a majority of the  
12 voters voting in the election:

13 (1) Article 3 of this Act does not take effect; and

14 (2) Article 4 of this Act takes effect on the date the  
15 results are officially declared.

16 (c) If a majority of the voters voting in the election do not  
17 approve the proposition:

18 (1) Article 3 of this Act takes effect on the date the  
19 results are officially declared; and

20 (2) Article 4 of this Act does not take effect.

21 ARTICLE 3. CHANGES TO THE BEXAR METROPOLITAN WATER DISTRICT IF  
22 VOTERS DO NOT DISSOLVE THE DISTRICT UNDER ARTICLE 2

23 SECTION 3.01. Section 8, Chapter 306, Acts of the 49th  
24 Legislature, Regular Session, 1945, is amended to read as follows:

25 Sec. 8. (a) ~~[-]~~ The seven ~~[five (5)]~~ members of the Board of  
26 Directors are ~~[shall hereafter be]~~ elected to staggered two-year  
27 terms in an election held on the uniform election date in November.



1 Directors are elected from numbered single-member districts  
 2 established by the Board. The Board shall revise each  
 3 single-member district after each decennial census to reflect  
 4 population changes and to conform with state law, the federal  
 5 Voting Rights Act of 1965 (42 U.S.C. Section 1973 et seq.), and any  
 6 applicable court order [~~for a term of six (6) years each, provided~~  
 7 ~~that an election for two (2) Directors for a term of six (6) years~~  
 8 ~~shall be held on the first Tuesday in April, 1954; the terms of~~  
 9 ~~three (3) members of the present Board shall be, and are, hereby,~~  
 10 ~~extended to the first Tuesday in April, 1957; and the present~~  
 11 ~~Directors shall determine such three (3) by lot. Three (3)~~  
 12 ~~Directors shall be elected on the first Tuesday in April, 1957, and~~  
 13 ~~two (2) Directors and three (3) Directors, alternately, shall be~~  
 14 ~~elected each three (3) years thereafter on the first Tuesday in~~  
 15 ~~April as the six-year terms expire]. At an election of Directors,~~

16 the candidate from each single-member district who receives [~~The~~  
 17 ~~two (2) or three (3) persons, respectively, receiving]~~ the greatest  
 18 number of votes is [~~shall be declared]~~ elected to represent that  
 19 single-member district. Each Director shall hold office until his  
 20 successor is [~~shall have been]~~ elected or appointed and has [~~shall~~  
 21 ~~have]~~ qualified.

22 (a-1) A person is not eligible to serve as a Director for  
 23 more than three terms or for more than a total of seven years of  
 24 service. [↗]

25 (b) Such [~~such~~] elections shall be called, conducted and  
 26 canvassed in the manner provided by the Election Code. [~~Chapter 25,~~  
 27 ~~General Laws of the Thirty-ninth Legislature, Regular Session,~~

1 ~~1925, and any amendments thereto,~~

2 (c) The ~~[the]~~ Board of Directors shall fill all vacancies on  
3 the Board by appointment and such appointees shall hold office  
4 until a successor elected at the next scheduled election date has  
5 qualified. ~~[for the unexpired term for which they were appointed,~~

6 (d) Any four ~~[any three]~~ members of the Board are ~~[shall~~  
7 ~~constitute]~~ a quorum for the adoption or ~~[of]~~ passage of any  
8 resolution or order or the transaction of any business of the  
9 District. ~~[+]~~

10 (e) A Director must ~~[Directors succeeding the first Board,~~  
11 ~~whether now or hereafter elected, shall]~~ be a qualified voter of the  
12 single-member district from which the Director is elected ~~[resident~~  
13 ~~electors of Bexar County, Texas, and owners of taxable property~~  
14 ~~within the area comprising said District, and shall organize in~~  
15 ~~like manner].~~

16 (f) A payment to a Director for fees of office under Section  
17 49.060, Water Code, may not be made for a meeting that occurs in a  
18 different fiscal year from the one in which the payment is made.

19 SECTION 3.02. Section 33A, Chapter 306, Acts of the 49th  
20 Legislature, Regular Session, 1945, is amended by amending  
21 Subsection (c) and adding Subsection (g) to read as follows:

22 (c) The oversight committee is comprised of seven ~~[5]~~  
23 members appointed as follows ~~[to represent the following members]:~~

24 (1) two Senators who represent Senate districts that  
25 include territory within the Bexar Metropolitan Water District,  
26 ~~[the Senator sponsor of this Act, or, in the event this Senator~~  
27 ~~cannot serve, a Senator]~~ appointed by the Lieutenant Governor;

1           (2) two Representatives who represent [the] House  
2 districts that include territory within the District, [author of  
3 this Act, or, in the event this Representative cannot serve, a  
4 Representative] appointed by the Speaker of the Texas House of  
5 Representatives;

6           (3) one member with special expertise in the operation  
7 of public water utilities appointed by the Governor;

8           (4) one member appointed by the Governor to represent  
9 the public; and

10          (5) one [a] member of the Bexar County Commissioners  
11 Court who represents a precinct in which customers of the District  
12 reside.

13          (g) On or before December 31, 2012, the oversight committee  
14 shall provide a report under Subsection (e) of this section to the  
15 legislature. The committee is abolished and this section expires  
16 January 1, 2013.

17          SECTION 3.03. Chapter 306, Acts of the 49th Legislature,  
18 Regular Session, 1945, is amended by adding Sections 8A, 8B, 8C,  
19 10A, and 10B to read as follows:

20          Sec. 8A. (a) To be eligible to be a candidate for or to be  
21 elected or appointed as a Director, a person must have:

22                 (1) resided continuously in the single-member  
23 district that the person seeks to represent for 12 months  
24 immediately preceding the date of the regular filing deadline for  
25 the candidate's application for a place on the ballot;

26                 (2) viewed the open government training video provided  
27 by the attorney general and provided to the Board a signed affidavit

1 stating that the candidate viewed the video;

2 (3) obtained 200 signatures from individuals living in  
3 the District; and

4 (4) paid a filing fee of \$250 or filed a petition in  
5 lieu of the filing fee that satisfies the requirements prescribed  
6 by Section 141.062, Election Code.

7 (b) In this subsection, "political contribution" and  
8 "specific-purpose committee" have the meanings assigned by Section  
9 251.001, Election Code. A Director or a candidate for the office of  
10 Director may not knowingly accept political contributions from a  
11 person that in the aggregate exceed \$500 in connection with each  
12 election in which the person is involved. For purposes of this  
13 subsection, a contribution to a specific-purpose committee for the  
14 purpose of supporting a candidate for the office of Director,  
15 opposing the candidate's opponent, or assisting the candidate as an  
16 officeholder is considered to be a contribution to the candidate.

17 Sec. 8B. (a) A person who is elected or appointed to and  
18 qualifies for office as a Director on or after the effective date of  
19 this section may not vote, deliberate, or be counted as a member in  
20 attendance at a meeting of the Board until the person completes a  
21 training program on District management issues. The training  
22 program must provide information to the person regarding:

23 (1) the enabling legislation that created the  
24 District;

25 (2) the operation of the District;

26 (3) the role and functions of the Board;

27 (4) the rules of the Board;

- 1           (5) the current budget for the Board;  
2           (6) the results of the most recent formal audit of the  
3 Board;  
4           (7) the requirements of the:  
5                 (A) open meetings law, Chapter 551, Government  
6 Code;  
7                 (B) open records law, Chapter 552, Government  
8 Code; and  
9                 (C) administrative procedure law, Chapter 2001,  
10 Government Code;  
11           (8) the requirements of the conflict of interest laws  
12 and other laws relating to public officials; and  
13           (9) any applicable ethics policies adopted by the  
14 Board or the Texas Ethics Commission.  
15           (b) The Texas Commission on Environmental Quality may  
16 create an advanced training program designed for a person who has  
17 previously completed a training program described by Subsection (a)  
18 of this section. If the commission creates an advanced training  
19 program under this subsection, a person who completes that advanced  
20 training program is considered to have met the person's obligation  
21 under Subsection (a) of this section.  
22           (c) Each Director who is elected or appointed on or after  
23 the effective date of this section shall complete a training  
24 program described by Subsection (a) or (b) of this section at least  
25 once in each term the Director serves.  
26           (d) The Board shall adopt rules regarding the completion of  
27 the training program described by Subsection (a) or (b) of this

1 section by a person who is elected or appointed to and qualifies for  
2 office as a Director before the effective date of this section. A  
3 Director described by this subsection who does not comply with  
4 Board rules is considered incompetent as to the performance of the  
5 duties of a Director in any action to remove the Director from  
6 office.

7 (e) A Director may not:

8 (1) accept or solicit a gift, favor, or service, the  
9 value of which exceeds \$50 per gift, favor, or service, that:

10 (A) might reasonably influence the Director in  
11 the discharge of an official duty; or

12 (B) the Director knows or should know is being  
13 offered with the intent to influence the Director's official  
14 conduct;

15 (2) accept other employment or engage in a business or  
16 professional activity that the Director might reasonably expect  
17 would require or induce the Director to disclose confidential  
18 information acquired by reason of the official position;

19 (3) accept other employment or compensation that could  
20 reasonably be expected to impair the Director's independence of  
21 judgment in the performance of the Director's official duties;

22 (4) make personal investments that could reasonably be  
23 expected to create a substantial conflict between the Director's  
24 private interest and the interest of the District;

25 (5) intentionally or knowingly solicit, accept, or  
26 agree to accept any benefit for having exercised the Director's  
27 official powers or performed the Director's official duties in

1 favor of another; or

2 (6) have a personal interest in an agreement executed  
3 by the District.

4 (f) Not later than April 30 each year, a Director shall file  
5 with the Bexar County clerk a verified financial statement  
6 complying with Sections 572.022, 572.023, 572.024, and 572.0252,  
7 Government Code. The District shall keep a copy of a financial  
8 statement filed under this section in the main office of the  
9 District.

10 Sec. 8C. (a) A Director may be recalled for:

11 (1) incompetency or official misconduct as defined by  
12 Section 21.022, Local Government Code;

13 (2) conviction of a felony;

14 (3) incapacity;

15 (4) failure to file a financial statement as required  
16 by Section 8B(f) of this Act;

17 (5) failure to complete a training program described  
18 by Section 8B(a) or (b) of this Act; or

19 (6) failure to maintain residency in the District.

20 (b) If at least 10 percent of the registered voters in a  
21 single-member voting district of the District submit a petition to  
22 the Board requesting the recall of the Director who serves that  
23 single-member voting district, the Board, not later than the 10th  
24 day after the date the petition is submitted, shall mail a written  
25 notice of the petition and the date of its submission to each  
26 registered voter in the single-member voting district.

27 (c) Not later than the 30th day after the date a petition

1 requesting the recall of a Director is submitted, the Board shall  
2 order an election on the question of recalling the Director.

3 (d) A recall election under this section may be held on any  
4 uniform election date.

5 (e) If a majority of the voters of a single-member voting  
6 district voting at an election held under this section favor the  
7 recall of the Director who serves that single-member voting  
8 district, the Director is recalled and ceases to be a Director.

9 Sec. 10A. All Board reimbursements and expenditures must be  
10 approved by the Board in a regularly scheduled meeting.

11 Sec. 10B. The Board may not select the same auditor to  
12 conduct an audit required by Section 49.191, Water Code, for more  
13 than three consecutive annual audits.

14 SECTION 3.04. Chapter 306, Acts of the 49th Legislature,  
15 Regular Session, 1945, is amended by adding Sections 40 and 41 to  
16 read as follows:

17 Sec. 40. (a) If the conservator reports to the Commission  
18 that the District has been sufficiently rehabilitated to provide  
19 reliable, cost-effective, quality service to its customers, the  
20 Commission shall evaluate the condition of the District and  
21 determine whether:

22 (1) the District has been sufficiently rehabilitated  
23 to enable the District to provide reliable, cost-effective, quality  
24 service to its customers; and

25 (2) the conservatorship is no longer necessary.

26 (b) Not later than the 60th day after the date the  
27 Commission receives a report under this section, the Commission



1 shall issue an order dissolving the conservatorship if the  
2 Commission determines the conservatorship is no longer necessary.

3 Sec. 41. (a) The conservator appointed under Section 34  
4 continues to serve until the conservatorship is dissolved under  
5 Section 40.

6 (b) The Commission may order the District to implement any  
7 part of the rehabilitation plan developed under Section 37.

8 (c) If the District fails to comply with a Commission order,  
9 the Commission may assess a penalty against the District in the  
10 manner provided by Section 13.4151, Water Code.

11 SECTION 3.05. (a) Section 8, Chapter 306, Acts of the 49th  
12 Legislature, Regular Session, 1945, as amended by this Act, applies  
13 only to a member of the board of directors of the Bexar Metropolitan  
14 Water District who is elected to the board on or after the effective  
15 date of this Act.

16 (b) Section 8A, Chapter 306, Acts of the 49th Legislature,  
17 Regular Session, 1945, as added by this Act, applies only to a  
18 member of the board of directors of the Bexar Metropolitan Water  
19 District who is elected to the board on or after the effective date  
20 of this Act. A director who is elected before the effective date of  
21 this Act is governed by the law in effect when the director was  
22 elected, and the former law is continued in effect for that purpose.

23 (c) For two of the numbered single-member district  
24 director's positions that expire in 2012, the district shall call  
25 and hold an election on a uniform election date in that year to  
26 elect the directors for those positions for terms that expire on the  
27 uniform election date in November 2013. For the other two

1 director's positions that expire in 2012, the district shall call  
2 and hold an election on the same uniform election date in that year  
3 to elect the directors for those positions for terms that expire on  
4 the uniform election date in November 2014. The district shall  
5 determine by lot which single-member districts shall elect  
6 directors to serve one-year terms and which shall elect directors  
7 to serve two-year terms.

8 ARTICLE 4. TRANSFER OF DISTRICT ASSETS AND LIABILITIES IF VOTERS

9 DISSOLVE THE BEXAR METROPOLITAN WATER DISTRICT UNDER ARTICLE 2

10 SECTION 4.01. Chapter 306, Acts of the 49th Legislature,  
11 Regular Session, 1945, is amended by adding Sections 50, 51, 52, 53,  
12 54, 55, 56, and 57 to read as follows:

13 Sec. 50. (a) The term of each person who is serving as a  
14 Director of the District on the date of the canvass of the election  
15 authorized by Article 2 of the Act enacting this section expires on  
16 that date.

17 (b) Under the Commission's and Committee's oversight, the  
18 conservator shall transfer or assign to the System, beginning not  
19 later than the 60th day after the date the election results are  
20 certified the:

21 (1) rights and duties of the District associated with  
22 the provision of water services, including existing contracts,  
23 assets, and obligations of the District;

24 (2) files, records, and accounts of the District,  
25 including those that pertain to the control, finances, management,  
26 and operation of the District; and

27 (3) permits, approvals, and certificates necessary to

1 provide water services.

2 (c) To the extent that the transfer of an item listed in  
3 Subsection (b) requires the approval of a state agency, the state  
4 agency shall grant approval without additional notice or hearing.

5 (d) After the conservator has transferred the property,  
6 assets, and liabilities as prescribed by this section, the  
7 conservator shall file a written report with the Commission and the  
8 Committee summarizing the conservator's actions in dissolving the  
9 District.

10 (e) Not later than the 60th day after the date the  
11 Commission receives the report and determines that the requirements  
12 of this section have been fulfilled, the Commission shall enter an  
13 order dissolving the District and releasing the conservator from  
14 any further duty or obligation.

15 Sec. 51. This section expires on the fifth anniversary of  
16 the date the Commission enters an order dissolving the District.

17 Sec. 52. (a) Not later than five years after the date the  
18 election results were certified in favor of dissolution under  
19 Article 2 of the Act enacting this section, the System shall  
20 integrate the services and infrastructure of the District into the  
21 System in a reasonable and orderly manner based on the  
22 consideration of relevant information, including:

23 (1) the location and condition of the infrastructure;

24 (2) debt obligations;

25 (3) costs and revenue; and

26 (4) potential impacts on the customers of the District

27 and the System.

1       (b) The System shall provide an annual report on the  
2 progress of integration to the Commission. The Commission for good  
3 cause may grant an extension to complete integration. If the System  
4 fails to comply with the requirements of this section, the  
5 Commission may assess a penalty against the System in the manner  
6 provided by Section 13.4151, Water Code.

7       (c) Until the date specified in Subsection (a), the System  
8 may operate the former District as a special project under the  
9 System's existing senior lien revenue bond ordinances.

10       (d) Once the conservator has transferred the assets,  
11 obligations, and duties to the System, and at least until the date  
12 specified in Subsection (a), the System shall provide affordable  
13 and reliable water services to all of the former ratepayers of the  
14 District.

15       Sec. 53. (a) For a 24-month period following the transfer  
16 of the employment of any employee of the former District, the System  
17 may not terminate that employee, except for cause, if the employee:

18               (1) is vested in the retirement program of the  
19 District on the effective date of this Act; and

20               (2) earns an annual base salary of less than \$50,000 on  
21 the effective date of the Act enacting this section.

22       (b) An employee who qualifies under Subsection (a) and who  
23 is terminated by the System has the same opportunity for appeal as a  
24 person employed by the System who is not an employee of the former  
25 District.

26       (c) The System is not required to employ an employee of the  
27 District if that person was formerly terminated from, or resigned

1 in lieu of termination from the System.

2 Sec. 54. From the effective date of the Act enacting this  
3 section until the date election results dissolving the District are  
4 certified to the Secretary of State, the attorney general may not  
5 approve any public security, as defined by Chapter 1201, Government  
6 Code, of the District unless:

7 (1) the Commission consents in writing before  
8 approval; or

9 (2) the District provides written evidence that  
10 issuing the public security represents a refunding of outstanding  
11 debt for the purpose of realizing debt service savings in each year  
12 that outstanding obligations are refunded and that results in a  
13 cumulative net present value savings of three percent compared to  
14 refunded debt service.

15 Sec. 55. (a) From the effective date of the Act enacting  
16 this section until the date election results dissolving the  
17 District are certified to the Secretary of State, a contract or  
18 other agreement entered into during that period to which the  
19 District is a party must include a provision that the contract or  
20 other agreement is subject to:

21 (1) review by the System; and

22 (2) termination by the System at the System's sole  
23 discretion, including the termination of all rights, duties,  
24 obligations, and liabilities of the District or the System under  
25 the contract or other agreement, if the contract or other agreement  
26 is assumed by the System.

27 (b) A person is not entitled to compensation for loss or

1 other damages resulting from the termination of the contract or  
2 other agreement under Subsection (a)(2).

3 Sec. 56. From the effective date of the Act enacting this  
4 section until the date the election results dissolving the District  
5 are certified to the Secretary of State, the District may not  
6 dispose of, sell, transfer, assign, impair, or restrict any of the  
7 District's rights or assets outside the normal and customary course  
8 of business.

9 Sec. 57. A state agency at which an administrative or  
10 enforcement action is pending shall grant the District special  
11 consideration and reasonable extensions to identify and resolve the  
12 action in a manner satisfactory to the agency.

13 ARTICLE 5. NOTICE; EFFECTIVE DATE OF ACT

14 SECTION 5.01. (a) The legal notice of the intention to  
15 introduce this Act, setting forth the general substance of this  
16 Act, has been published as provided by law, and the notice and a  
17 copy of this Act have been furnished to all persons, agencies,  
18 officials, or entities to which they are required to be furnished  
19 under Section 59, Article XVI, Texas Constitution, and Chapter 313,  
20 Government Code.

21 (b) The governor, one of the required recipients, has  
22 submitted the notice and Act to the Texas Commission on  
23 Environmental Quality.

24 (c) The Texas Commission on Environmental Quality has filed  
25 its recommendations relating to this Act with the governor, the  
26 lieutenant governor, and the speaker of the house of  
27 representatives within the required time.

1           (d) All requirements of the constitution and laws of this  
2 state and the rules and procedures of the legislature with respect  
3 to the notice, introduction, and passage of this Act are fulfilled  
4 and accomplished.

5           SECTION 5.02. Except as otherwise provided by Article 2,  
6 this Act takes effect immediately if it receives a vote of  
7 two-thirds of all the members elected to each house, as provided by  
8 Section 39, Article III, Texas Constitution. If this Act does not  
9 receive the vote necessary for immediate effect, this Act takes  
10 effect September 1, 2011.