

AN ACT

relating to election procedures and qualifications of members of boards of directors for water supply or sewer service corporations.

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

SECTION 1. Subchapter A, Chapter 67, Water Code, is amended by adding Sections 67.0051, 67.0052, 67.0053, and 67.0054 to read as follows:

Sec. 67.0051. QUALIFICATIONS FOR ELECTION OR APPOINTMENT AS DIRECTOR. (a) To be qualified for election or appointment as a director, a person must be:

(1) 18 years of age or older on the first day of the term to be filled at the election or on the date of appointment, as applicable; and

(2) a member or shareholder of the corporation.

(b) In addition to the qualifications prescribed by Subsection (a), a person is not qualified to serve as a director if the person:

(1) has been determined by a final judgment of a court exercising probate jurisdiction to be:

(A) totally mentally incapacitated; or

(B) partially mentally incapacitated without the right to vote; or

(2) has been finally convicted of a felony from which the person has not been pardoned or otherwise released from the

1 resulting disabilities.

2 (c) If the board determines that a person serving as a
3 director does not have the qualifications prescribed by Subsections
4 (a) and (b), the board shall, not later than the 60th day after the
5 date the board makes that determination, remove the director and
6 fill the vacancy by appointing a person who has the qualifications
7 prescribed by those subsections.

8 Sec. 67.0052. BALLOT APPLICATION. (a) To be listed on the
9 ballot as a candidate for a director's position, a person must file
10 an application with the corporation that includes:

11 (1) the director's position sought, including any
12 position number or other distinguishing number;

13 (2) a petition, signed by the lesser of 20 members or
14 shareholders or five percent of the members or shareholders,
15 requesting that the person's name be placed on the ballot as a
16 candidate for that position;

17 (3) the person's written consent to serve, if elected;

18 (4) biographical information about the person; and

19 (5) a statement of the person's qualifications,
20 including a statement that the person has the qualifications
21 prescribed by Section 67.0051.

22 (b) The application must be filed with the corporation not
23 later than the 45th day before the date of the annual meeting.

24 (c) The corporation shall make available director candidate
25 application forms at the corporation's main office and shall
26 provide application forms by mail or electronically on request.

27 Sec. 67.0053. BALLOT. (a) Not later than the 30th day

1 before the date of an annual meeting, the corporation shall mail to
2 each member or shareholder of record:

- 3 (1) written notice of the meeting;
4 (2) the election ballot; and
5 (3) a statement of each candidate's qualifications,
6 including biographical information as provided in each candidate's
7 application.

8 (b) The election ballot must include:

- 9 (1) the number of directors to be elected; and
10 (2) the names of the candidates for each position.

11 Sec. 67.0054. ELECTION PROCEDURES. (a) A member or
12 shareholder may vote:

- 13 (1) in person at the annual meeting;
14 (2) by mailing a completed ballot to the office of the
15 independent election auditor selected under Section 67.007(d) or to
16 the corporation's main office, which ballot must be received by the
17 corporation not later than noon on the business day before the date
18 of the annual meeting; or

19 (3) by delivering a completed ballot to the office of
20 the independent election auditor or to the corporation's main
21 office not later than noon on the business day before the date of
22 the annual meeting.

23 (b) The independent election auditor shall receive and
24 count the ballots before the annual meeting is adjourned.

25 (c) For each director's position, the candidate who
26 receives the highest number of votes is elected.

27 (d) If two or more candidates for the same position tie for

1 the highest number of votes for that position, those candidates
2 shall draw lots to determine who is elected.

3 (e) The independent election auditor shall provide the
4 board with a written report of the election results.

5 (f) The board may adopt necessary rules or bylaws to
6 implement this section, including rules or bylaws to ensure the
7 fairness, integrity, and openness of the voting process.

8 SECTION 2. Section 67.007, Water Code, is amended by adding
9 Subsections (a-1) and (d) and amending Subsections (b) and (c) to
10 read as follows:

11 (a-1) A quorum for the transaction of business at a meeting
12 of the members or shareholders is a majority of the members and
13 shareholders present. In determining whether a quorum is present,
14 all members and shareholders who mailed or delivered ballots to the
15 independent election auditor or the corporation on a matter
16 submitted to a vote at the meeting are counted as present.

17 (b) The board shall adopt written procedures for conducting
18 an annual or special meeting of the members or shareholders in
19 accordance with this section and Sections 67.0052, 67.0053, and
20 67.0054. The procedures~~[, which]~~ shall include the following:

21 (1) notification to eligible members or shareholders
22 of the proposed agenda, location, and date of the meeting;

23 (2) director ~~[establishment of a quorum consisting of~~
24 ~~proxies and the votes of members or shareholders present,~~

25 ~~[(3) nomination and]~~ election procedures, including
26 candidate application procedures;

27 (3) ~~[(4)]~~ approval of the ~~[proxy and]~~ ballot form to

1 be used; and

2 (4) ~~[(5)]~~ validation of eligible voters, ~~[proxies,~~
3 ballots, and election results.

4 (c) The board shall adopt an official ~~[proxy and]~~ ballot
5 form to be used in conducting the business of the corporation at any
6 annual or special meeting. No other ~~[proxy or]~~ ballot form will be
7 valid. Ballots ~~[Proxies and ballots]~~ from members or shareholders
8 are confidential and are exempted from disclosure by the
9 corporation until after the date of the relevant election.

10 (d) The board shall select an independent election auditor
11 not later than the 30th day before the scheduled date of the annual
12 meeting. The independent election auditor is not required to be an
13 experienced election judge or auditor and may serve as an unpaid
14 volunteer. At the time of selection and while serving in the
15 capacity of an independent election auditor, the independent
16 election auditor may not be associated with the corporation as:

- 17 (1) an employee;
18 (2) a director or candidate for director; or
19 (3) an independent contractor engaged by the
20 corporation as part of the corporation's regular course of
21 business.

22 SECTION 3. The changes in law made by this Act in the
23 qualifications of directors of a water supply or sewer service
24 corporation do not affect the entitlement of a director serving on
25 the board of directors immediately before the effective date of
26 this Act to continue to carry out the board's functions for the
27 remainder of the director's term. The changes in law apply only to

1 a director elected or appointed on or after the effective date of
2 this Act. This Act does not prohibit a person who is a member of the
3 board of directors on the effective date of this Act from being
4 reelected or reappointed to the board of directors if the person has
5 the qualifications required for a director under Section 67.0051,
6 Water Code, as added by this Act.

7 SECTION 4. This Act takes effect September 1, 2011.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 333 passed the Senate on March 24, 2011, by the following vote: Yeas 31, Nays 0; and that the Senate concurred in House amendment on April 19, 2011, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 333 passed the House, with amendment, on April 13, 2011, by the following vote: Yeas 146, Nays 0, one present not voting.

Chief Clerk of the House

Approved:

Date

Governor