

A BILL TO BE ENTITLED

AN ACT

relating to the creation of regional authorities for water infrastructure projects.

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

SECTION 1. The Water Code is amended by adding Title 6 to read as follows:

TITLE 6. WATER INFRASTRUCTURE

SUBTITLE A. GENERAL PROVISIONS

CHAPTER 201. GENERAL PROVISIONS

Sec. 201.001. DEFINITIONS. In this title:

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

(2) "Development board" means the Texas Water Development Board.

SUBTITLE B. WATER INFRASTRUCTURE PROJECTS

CHAPTER 251. REGIONAL WATER AUTHORITIES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 251.001. DEFINITIONS. In this chapter:

(1) "Authority" means a regional water authority organized under this chapter.

(2) "Board" means the board of directors of an authority.

(3) "Bond" includes a bond, certificate, note, or other obligation of an authority authorized by this chapter,

1 another statute, or the Texas Constitution.

2 (4) "Bond proceeding" includes a bond resolution and a
3 bond indenture authorized by the bond resolution, a credit
4 agreement, loan agreement, or other agreement entered into in
5 connection with the bond or the payments to be made under the
6 agreement, and any other agreement between an authority and another
7 person providing security for the payment of a bond.

8 (5) "Bond resolution" means an order or resolution of
9 a board authorizing the issuance of a bond.

10 (6) "Bondholder" means the owner of a bond and
11 includes a trustee acting on behalf of an owner of a bond under the
12 terms of a bond indenture.

13 (7) "Director" means a member of a board.

14 (8) "Governmental entity" means a political
15 subdivision of the state, including a municipality or a county, a
16 district organized or operating under Section 52, Article III, or
17 Section 59, Article XVI, Texas Constitution, a nonprofit
18 corporation, including a water supply or sewer service corporation
19 operating under Chapter 67, or any other public entity or
20 instrumentality.

21 (9) "Member entity" means a governmental entity that
22 is approved for inclusion in an authority.

23 (10) "Public utility facility" means:

24 (A) a water, wastewater, natural gas, or
25 petroleum pipeline or facility;

26 (B) an electric transmission or distribution
27 facility; or

1 (C) telecommunications infrastructure,
2 including fiber optic cable, conduit, and wireless communications
3 facilities.

4 (11) "Revenue" means fees, rents, and other money
5 received by an authority from the ownership or operation of a water
6 project.

7 (12) "Surplus revenue" means revenue that exceeds the
8 sum of:

9 (A) an authority's debt service requirements for
10 a water project;

11 (B) an authority's payment obligations under a
12 contract or agreement authorized by this chapter;

13 (C) coverage requirements of a bond indenture for
14 a water project;

15 (D) costs of operation and maintenance for a
16 water project;

17 (E) cost of repair, expansion, or improvement of
18 a water project;

19 (F) funds allocated for feasibility studies; and

20 (G) necessary reserves as determined by the
21 authority.

22 (13) "Water project" means a project approved for
23 inclusion in the state water plan, including:

24 (A) a conveyance facility for conveying water or
25 wastewater, including a canal or pipeline;

26 (B) a dam;

27 (C) a desalination facility;

- 1 (D) a drainage system;
- 2 (E) a dredging operation;
- 3 (F) a flood control system;
- 4 (G) an injection well;
- 5 (H) an irrigation system;
- 6 (I) a public utility facility;
- 7 (J) a surface water reservoir;
- 8 (K) an underground reservoir;
- 9 (L) a wastewater or water treatment facility,

10 including any:

- 11 (i) building or structure;
- 12 (ii) pumping equipment;
- 13 (iii) pipes; or
- 14 (iv) other operating equipment;
- 15 (M) other real or personal property associated
- 16 with a water project described by this subdivision; and
- 17 (N) any other project approved in the state water
- 18 plan for the area covered by the authority.

19 (14) "Water system" means a combination of water
20 projects.

21 Sec. 251.002. CONSTRUCTION COSTS DEFINED. (a) The cost of
22 the acquisition, construction, improvement, extension, or
23 expansion of a water project under this chapter includes the cost
24 of:

- 25 (1) the actual acquisition, construction,
- 26 improvement, extension, or expansion of the water project;
- 27 (2) the acquisition of real property, rights-of-way,

- 1 property rights, easements, and other interests in real property;
2 (3) machinery and equipment;
3 (4) interest payable before, during, and for not more
4 than three years after acquisition, construction, improvement,
5 extension, or expansion as provided in the bond proceedings;
6 (5) revenue estimates, engineering and legal
7 services, plans, specifications, surveys, appraisals, construction
8 cost estimates, and other expenses necessary or incidental to
9 determining the feasibility of the acquisition, construction,
10 improvement, extension, or expansion;
11 (6) necessary or incidental administrative, legal,
12 and other expenses;
13 (7) compliance with laws, regulations, and
14 administrative rulings, including any costs associated with
15 necessary environmental mitigation measures;
16 (8) financing; and
17 (9) expenses related to the initial operation of the
18 water project.

19 (b) Costs attributable to a water project and incurred
20 before the issuance of bonds to finance the water project may be
21 reimbursed from the proceeds of sale of the bonds.

22 Sec. 251.003. NATURE OF AUTHORITY. An authority is a
23 conservation and reclamation district created under and essential
24 to accomplish the purposes of Section 59, Article XVI, Texas
25 Constitution.

26 SUBCHAPTER B. CREATION OF AUTHORITY

27 Sec. 251.051. METHOD OF CREATING AUTHORITY. Two or more

1 governmental entities may submit a petition to the commission
2 requesting the creation of an authority. The petition must
3 include:

4 (1) the name of the proposed authority;

5 (2) the area and the boundaries of the proposed
6 authority, including a map generally outlining those boundaries;

7 (3) the purpose or purposes of the authority;

8 (4) a statement of the general nature of any water
9 projects proposed to be undertaken by the proposed authority, the
10 necessity and feasibility of the work, and the estimated costs of
11 those projects if those projects are to be funded by the sale of
12 bonds or notes;

13 (5) the names of at least five individuals qualified
14 to serve as temporary directors; and

15 (6) financial information, including a budget based on
16 projected expenses and revenue.

17 Sec. 251.052. NOTICE AND PUBLIC MEETING ON AUTHORITY
18 CREATION. If a petition is filed under Section 251.051, the
19 commission shall give notice of the application and shall conduct a
20 public meeting in a central location within the area of the proposed
21 authority on the application not later than the 60th day after the
22 date the commission issues notice. The notice must contain the
23 date, time, and location of the public meeting and must be published
24 in one or more newspapers of general circulation in the area of the
25 proposed authority.

26 Sec. 251.053. COMMISSION ORDER. (a) After a meeting
27 described by Section 251.052, if the commission determines that

1 creation of the authority satisfies the criteria adopted by the
2 commission under Section 251.054, the commission shall issue an
3 order creating the authority and notify the petitioners.

4 (b) An order issued under this section must include:

5 (1) the territory of the authority; and

6 (2) the names of the temporary directors.

7 Sec. 251.054. CRITERIA FOR CREATION OF AUTHORITY. The
8 commission shall adopt rules establishing the criteria to be used
9 to determine whether the creation of an authority would protect and
10 promote the health and safety of the public.

11 Sec. 251.055. ADDITION AND WITHDRAWAL OF GOVERNMENTAL
12 ENTITIES. (a) A governmental entity may petition the commission
13 for approval to become part of an existing authority. The
14 commission may approve the petition only if:

15 (1) the board has agreed to the petition; and

16 (2) the commission finds that the affected
17 governmental entities will be adequately represented on the board.

18 (b) A member entity may petition the commission for approval
19 to withdraw from an authority. The commission may approve the
20 petition only if:

21 (1) the authority has no bonded indebtedness; or

22 (2) the authority has debt other than bonded
23 indebtedness, but the board has agreed to the withdrawal.

24 (c) A governmental entity may not become part of an
25 authority or withdraw from an authority without the approval of the
26 commission.

27 Sec. 251.056. TERRITORY. An authority's territory is the

1 combined territory of its member entities.

2 SUBCHAPTER C. ADMINISTRATION

3 Sec. 251.101. BOARD OF DIRECTORS; TERMS. (a) The governing
4 body of an authority is the board, which shall consist of not fewer
5 than 5 and not more than 13 directors appointed by the member
6 entities that compose the authority.

7 (b) Directors serve staggered terms of four years.

8 Sec. 251.102. ELIGIBILITY. (a) To be eligible to serve as
9 a director, an individual:

10 (1) must reside in the territory of the authority; and

11 (2) may be a representative of the appointing member
12 entity.

13 (b) Notwithstanding any statutory or common law provision
14 that prohibits dual office holding, an individual may serve as a
15 director who is also an elected or appointed officer of a member
16 entity without forfeiting either office.

17 Sec. 251.103. APPOINTMENT OF DIRECTORS. The temporary
18 directors shall establish a method of appointing directors that
19 ensures equitable treatment of each member entity.

20 Sec. 251.104. MEETINGS. The board shall hold regular
21 meetings at a location inside the authority as agreed upon by the
22 board.

23 SUBCHAPTER D. POWERS AND DUTIES

24 Sec. 251.151. GENERAL POWERS. (a) An authority, through
25 its board, may:

26 (1) adopt rules for the regulation of its affairs and
27 the conduct of its business;

- 1 (2) adopt an official seal;
2 (3) study, evaluate, design, finance, acquire,
3 construct, maintain, repair, and operate water projects,
4 individually or as one or more water systems;
5 (4) acquire, hold, and dispose of property in the
6 exercise of its powers and the performance of its duties under this
7 chapter;
8 (5) enter into contracts or operating agreements with
9 a similar authority, another governmental entity, or an agency of
10 the United States, a state of the United States, the United Mexican
11 States, or a state of the United Mexican States;
12 (6) enter into contracts or agreements necessary or
13 incidental to its powers and duties under this chapter;
14 (7) employ and set the compensation and benefits of
15 administrators, consulting engineers, attorneys, accountants,
16 construction and financial experts, superintendents, managers,
17 full-time and part-time employees, agents, consultants, and other
18 persons as the authority considers necessary or useful;
19 (8) apply for, directly or indirectly receive, and
20 spend loans, gifts, grants, and other contributions for any purpose
21 of this chapter, including the construction of a water project, and
22 receive and spend contributions of money, property, labor, or other
23 things of value from any source, including the United States, a
24 state of the United States, the United Mexican States, a state of
25 the United Mexican States, the commission, a political subdivision
26 of this state, or a governmental entity or private entity, to be
27 used for the purposes for which the grants, loans, or contributions

1 are made, and enter into any agreement necessary for the grants,
2 loans, or contributions;

3 (9) relocate or remove or request the relocation or
4 removal of a public utility facility in, on, along, over, or under a
5 water project;

6 (10) enter into leases, operating agreements, service
7 agreements, licenses, franchises, and similar agreements with a
8 public or private party governing the party's use of all or any
9 portion of a water project and the rights and obligations of the
10 authority with respect to a water project;

11 (11) borrow money from or enter into a loan agreement
12 or other arrangement with the development board; and

13 (12) do all things necessary or appropriate to carry
14 out the powers and duties expressly granted or imposed by this
15 chapter.

16 (b) An authority may, if requested by the commission,
17 perform any function not specified by this chapter to promote or
18 develop a water project in this state.

19 (c) An authority may sue and be sued and plead and be
20 impleaded in its own name.

21 Sec. 251.152. PROJECTS ON BEHALF OF GOVERNMENTAL ENTITIES.

22 (a) An authority and a governmental entity may enter into a
23 contract, agreement, interlocal agreement, or other similar
24 arrangement under which the authority may plan, design, construct,
25 or operate a water project on behalf of the governmental entity. An
26 authority may enter into a contract with the commission under which
27 the authority will plan, develop, operate, or maintain a water

1 project on behalf of the commission.

2 (b) Payments to be made to an authority under a contract
3 described by this section constitute operating expenses of the
4 water project or system that is to be operated under the contract.
5 The contract may extend for the number of years as agreed to by the
6 parties.

7 Sec. 251.153. PROCUREMENT. An authority shall adopt rules
8 governing its procurement of goods and services that are consistent
9 with general laws applicable to the authority.

10 Sec. 251.154. PROVISION OF RETAIL PUBLIC UTILITY SERVICES
11 PROHIBITED. An authority may not operate a public utility facility
12 that provides retail public utility service.

13 Sec. 251.155. EMINENT DOMAIN. An authority may exercise
14 the power of eminent domain in accordance with Section 49.222.

15 SUBCHAPTER E. OPERATION OF WATER PROJECTS

16 Sec. 251.201. OPERATION OF WATER PROJECT. (a) An authority
17 shall operate a water project with employees of the authority or by
18 using services contracted under Subsection (b).

19 (b) An authority may enter into an agreement with one or
20 more persons to provide, on terms and conditions approved by the
21 authority, personnel and services to design, construct, operate,
22 maintain, expand, enlarge, or extend the water project of the
23 authority.

24 Sec. 251.202. AUDIT. (a) An authority shall have a
25 certified public accountant audit the authority's books and
26 accounts at least annually. The cost of the audit may be treated as
27 part of the cost of construction or operation of a water project.

1 (b) The commission may initiate an independent audit of the
2 authority or any of its activities at any time the commission
3 considers appropriate. An audit under this subsection shall be
4 conducted at the expense of the commission.

5 Sec. 251.203. TRANSFER OF WATER PROJECTS OR SYSTEMS. An
6 authority, acting through its board, may agree with another entity
7 to acquire a water project or system from that entity and to assume
8 any debts, obligations, and liabilities of the entity relating to a
9 water project or system transferred to the authority.

10 Sec. 251.204. AD VALOREM TAX. (a) If authorized at an
11 election held for that purpose, an authority may impose an
12 operation and maintenance tax on taxable property in the authority
13 in accordance with Section 49.107.

14 (b) The board shall determine the tax rate. The rate may not
15 exceed the rate approved at the election.

16 (c) An authority may not impose an ad valorem tax for the
17 payment of bonds or other obligations.

18 SUBCHAPTER F. WATER PROJECT FINANCING

19 Sec. 251.251. REVENUE BONDS. (a) An authority, by bond
20 resolution, may authorize the issuance of bonds to pay all or part
21 of the cost of a water project, to refund any bonds previously
22 issued for the water project, or to pay for all or part of the cost
23 of a water project that will become a part of another water system.

24 (b) As determined in the bond resolution, the bonds of each
25 issue shall:

26 (1) be dated;

27 (2) bear interest at the rate or rates provided by the

1 bond resolution and beginning on the dates provided by the bond
2 resolution and as authorized by law, or bear no interest;

3 (3) mature at the time or times provided by the bond
4 resolution, not exceeding 40 years from their date or dates; and

5 (4) be made redeemable before maturity at the price or
6 prices and under the terms provided by the bond resolution.

7 (c) An authority may sell the bonds at public or private
8 sale in the manner and for the price it determines to be in the best
9 interest of the authority.

10 (d) The proceeds of each bond issue shall be disbursed in
11 the manner and under any restrictions provided in the bond
12 resolution.

13 (e) Additional bonds may be issued in the same manner to pay
14 the costs of a water project. Unless otherwise provided in the bond
15 resolution, the additional bonds shall be on a parity, without
16 preference or priority, with bonds previously issued and payable
17 from the revenue of the water project. In addition, an authority
18 may issue bonds for a water project secured by a lien on the revenue
19 of the water project subordinate to the lien on the revenue securing
20 other bonds issued for the water project.

21 (f) If the proceeds of a bond issue exceed the cost of the
22 water project for which the bonds were issued, the surplus shall be
23 segregated from the other money of the authority and used only for
24 the purposes specified in the bond resolution.

25 (g) Bonds issued and delivered under this chapter and
26 interest coupons on the bonds are a security under Chapter 8,
27 Business & Commerce Code.

1 (h) Bonds issued under this chapter and income from the
2 bonds, including any profit made on the sale or transfer of the
3 bonds, are exempt from taxation in this state.

4 (i) Bonds issued under this chapter shall be considered
5 authorized investments under Chapter 2256, Government Code, for
6 this state, any governmental entity, and any other public entity
7 proposing to invest in the bonds.

8 Sec. 251.252. INTERIM BONDS. (a) An authority may, before
9 issuing definitive bonds, issue interim bonds, with or without
10 coupons, exchangeable for definitive bonds.

11 (b) The interim bonds may be authorized and issued in
12 accordance with this chapter, without regard to a requirement,
13 restriction, or procedural provision in any other law.

14 (c) A bond resolution authorizing interim bonds may provide
15 that the interim bonds recite that the bonds are issued under this
16 chapter. The recital is conclusive evidence of the validity and the
17 regularity of the bonds' issuance.

18 Sec. 251.253. PAYMENT OF BONDS; STATE AND COUNTY CREDIT.

19 (a) The principal of, interest on, and any redemption premium on
20 bonds issued by an authority are payable solely from:

21 (1) the revenue of the water project for which the
22 bonds are issued;

23 (2) payments made under an agreement with the
24 commission or another governmental entity;

25 (3) money derived from any other source available to
26 the authority, other than money derived from a water project that is
27 not part of the same water system or money derived from a different

1 system, except to the extent that the surplus revenue of a water
2 project or system has been pledged for that purpose; and

3 (4) amounts received under a credit agreement relating
4 to the water project for which the bonds are issued.

5 (b) Bonds issued under this chapter do not constitute a debt
6 of this state or of a governmental entity, or a pledge of the faith
7 and credit of this state or of a governmental entity. Each bond
8 must contain on its face a statement to the effect that:

9 (1) the state, the authority, or any governmental
10 entity is not obligated to pay the bond or the interest on the bond
11 from a source other than the amount pledged to pay the bond and the
12 interest on the bond; and

13 (2) the faith and credit and taxing power of this state
14 or of any governmental entity are not pledged to the payment of the
15 principal of or interest on the bond.

16 (c) An authority may not incur a financial obligation that
17 cannot be paid from revenue derived from owning or operating the
18 authority's water projects or from other revenue provided by law.

19 Sec. 251.254. EFFECT OF LIEN. (a) A lien on or a pledge of
20 revenue from a water project or a reserve, replacement, or other
21 fund established in connection with a bond issued under this
22 chapter:

23 (1) is enforceable at the time of payment for and
24 delivery of the bond;

25 (2) applies to each item on hand or subsequently
26 received;

27 (3) applies without physical delivery of an item or

1 other act; and

2 (4) is enforceable against any person having a claim,
3 in tort, contract, or other remedy, against the applicable
4 authority without regard to whether the person has notice of the
5 lien or pledge.

6 (b) A bond resolution is not required to be recorded except
7 in the regular records of the authority.

8 Sec. 251.255. BOND INDENTURE. (a) Bonds issued by an
9 authority under this chapter may be secured by a bond indenture
10 between the authority and a corporate trustee that is a trust
11 company or a bank that has the powers of a trust company.

12 (b) A bond indenture may pledge or assign the revenues to be
13 received but may not convey or mortgage any part of a water project.

14 (c) A bond indenture may:

15 (1) set forth the rights and remedies of the
16 bondholders and the trustee;

17 (2) restrict the individual right of action by
18 bondholders as is customary in trust agreements or indentures of
19 trust securing corporate bonds and debentures; and

20 (3) contain provisions the authority determines
21 reasonable and proper for the security of the bondholders,
22 including covenants:

23 (A) establishing the authority's duties relating
24 to:

25 (i) the acquisition of property;

26 (ii) the construction, maintenance,
27 operation, and repair of and insurance for a water project; and

1 (iii) custody, safeguarding, and
2 application of money;

3 (B) prescribing events that constitute default;

4 (C) prescribing terms on which any or all of the
5 bonds become or may be declared due before maturity; and

6 (D) relating to the rights, powers, liabilities,
7 or duties that arise on the breach of a duty of the authority.

8 (d) An expense incurred in carrying out a trust agreement
9 may be treated as part of the cost of operating the water project.

10 (e) In addition to all other rights by mandamus or other
11 court proceeding, an owner or trustee of a bond issued under this
12 chapter may enforce the owner's rights against an issuing
13 authority, the authority's employees, the authority's board, or an
14 agent or employee of the authority's board and is entitled to:

15 (1) require the authority or the board to impose and
16 collect fees, charges, and other revenue sufficient to carry out
17 any agreement contained in the bond proceedings; and

18 (2) apply for and obtain the appointment of a receiver
19 for the water project or system.

20 Sec. 251.256. APPROVAL OF BONDS BY ATTORNEY GENERAL. (a)
21 An authority shall submit to the attorney general for examination
22 the record of proceedings relating to bonds authorized under this
23 chapter. The record shall include the bond proceedings and any
24 contract securing or providing revenue for the payment of the
25 bonds.

26 (b) If the attorney general determines that the bonds, the
27 bond proceedings, and any supporting contract are authorized by

1 law, the attorney general shall approve the bonds and deliver to the
2 comptroller:

3 (1) a copy of the legal opinion of the attorney general
4 stating the approval; and

5 (2) the record of proceedings relating to the
6 authorization of the bonds.

7 (c) On receipt of the legal opinion of the attorney general
8 and the record of proceedings relating to the authorization of the
9 bonds, the comptroller shall register the record of proceedings.

10 (d) After approval by the attorney general, the bonds, the
11 bond proceedings, and any supporting contract are valid,
12 enforceable, and incontestable in any court or other forum for any
13 reason and are binding obligations according to their terms for all
14 purposes.

15 Sec. 251.257. FURNISHING OF INDEMNIFYING BONDS OR PLEDGES
16 OF SECURITIES. (a) A bank or trust company incorporated under the
17 laws of this state that acts as depository of the proceeds of bonds
18 or of revenue may furnish indemnifying bonds or pledge securities
19 that an authority requires.

20 (b) Bonds of an authority may secure the deposit of public
21 money of this state or a political subdivision of this state to the
22 extent of the lesser of the face value of the bonds or their market
23 value.

24 Sec. 251.258. APPLICABILITY OF OTHER LAW; CONFLICTS. All
25 laws affecting the issuance of bonds by local governmental
26 entities, including Chapters 1201, 1202, 1204, and 1371, Government
27 Code, apply to bonds issued under this chapter. To the extent of a

1 conflict between those laws and this chapter, the provisions of
2 this chapter prevail.

3 Sec. 251.259. REVENUE; SINKING FUND. (a) An authority may
4 impose fees or other charges related to each of its water projects.

5 (b) Revenue derived from a water project for which bonds are
6 issued, other than any part necessary to pay the cost of
7 maintenance, repair, and operation and to provide reserves for
8 those costs as provided in the bond proceedings, shall be set aside
9 at regular intervals as provided in the bond resolution or trust
10 agreement in a sinking fund that is pledged to and charged with the
11 payment of:

12 (1) interest on the bonds as it becomes due;

13 (2) principal of the bonds as it becomes due;

14 (3) necessary charges of paying agents for paying
15 principal and interest;

16 (4) the redemption price or the purchase price of
17 bonds retired by call or purchase as provided in the bond
18 proceedings; and

19 (5) any amounts due under credit agreements.

20 (c) Use and disposition of money deposited to the credit of
21 the sinking fund is subject to the bond proceedings.

22 (d) To the extent permitted under the applicable bond
23 proceedings, revenue from one water project of an authority may be
24 used to pay the cost of another water project of the authority.

25 (e) An authority may not use revenue from a water project in
26 a manner not authorized by this chapter. Except as provided by this
27 chapter, revenue derived from a water project may not be applied for

1 a purpose or to pay a cost other than a purpose or cost that is
2 reasonably related to or anticipated to be for the benefit of a
3 water project.

4 Sec. 251.260. AUTHORITY REVOLVING FUND. (a) An authority
5 may maintain a revolving fund to be held in trust by a banking
6 institution chosen by the authority separate from any other funds
7 and administered by the authority's board.

8 (b) An authority may transfer into its revolving fund money
9 from any permissible source, including:

10 (1) money from a water project if the transfer does not
11 diminish the money available for the project to less than any amount
12 required to be retained by the bond proceedings pertaining to the
13 project;

14 (2) money received by the authority from any source
15 and not otherwise committed, including money from the transfer of a
16 water project or system or sale of authority assets; and

17 (3) contributions, loans, grants, or assistance from
18 the United States, another state, another political subdivision of
19 this state, a foreign governmental entity, including the United
20 Mexican States or a state of the United Mexican States, a local
21 government, any private enterprise, or any person.

22 (c) The authority may use money in the revolving fund to:

23 (1) finance the acquisition, construction,
24 maintenance, or operation of a water project, including the
25 extension, expansion, or improvement of a water project;

26 (2) provide matching money required in connection with
27 any federal, state, local, or private aid, grant, or other funding,

1 including aid or funding by or with public-private partnerships;

2 (3) provide credit enhancement either directly or
3 indirectly for bonds issued to acquire, construct, extend, expand,
4 or improve a water project;

5 (4) provide security for or payment of future or
6 existing debt for the design, acquisition, construction,
7 operation, maintenance, extension, expansion, or improvement of a
8 water project or system;

9 (5) borrow money and issue promissory notes or other
10 indebtedness payable out of the revolving fund for any purpose
11 authorized by this chapter; and

12 (6) provide for any other reasonable purpose that
13 assists in the financing of an authority as authorized by this
14 chapter.

15 (d) Money spent or advanced from the revolving fund for a
16 water project must be reimbursed from the money of that water
17 project. There must be a reasonable expectation of repayment at the
18 time the expenditure or advancement is authorized.

19 Sec. 251.261. EXEMPTION FROM TAXATION OR ASSESSMENT. (a)
20 An authority is exempt from taxation of or assessments on:

21 (1) a water project or system;

22 (2) property the authority acquires or uses under this
23 chapter for a water project or system; or

24 (3) income from property described by Subdivision (1)
25 or (2).

26 (b) An authority is exempt from payment of development fees,
27 utility connection fees, assessments, and service fees imposed or

1 assessed by any governmental entity or any property owners' or
2 homeowners' association. This subsection does not apply to fees or
3 assessments charged under approved rate schedules or line extension
4 policies of a municipally owned electric or gas utility.

5 Sec. 251.262. PERFORMANCE AND PAYMENT BONDS AND SECURITY.

6 Notwithstanding Chapter 2253, Government Code, an authority shall
7 require any party to an agreement to operate or maintain a water
8 project to provide performance and payment bonds or other forms of
9 security, including a corporate guarantee, in amounts considered by
10 the authority to be adequate to protect the authority and to assure
11 performance of all obligations to the authority and to
12 subcontractors providing materials or labor for a water project.

13 SUBCHAPTER G. DISSOLUTION OF AUTHORITY

14 Sec. 251.301. VOLUNTARY DISSOLUTION. (a) An authority may
15 not be dissolved unless the dissolution is approved by the
16 commission.

17 (b) A board may submit a request to the commission for
18 approval to dissolve.

19 (c) The commission may approve a request to dissolve only
20 if:

21 (1) all debts, obligations, and liabilities of the
22 authority have been paid and discharged or adequate provision has
23 been made for the payment of all debts, obligations, and
24 liabilities; and

25 (2) there are no suits pending against the authority,
26 or adequate provision has been made for the satisfaction of any
27 judgment, order, or decree that may be entered against it in any

1 pending suit.

2 Sec. 251.302. INVOLUNTARY DISSOLUTION. (a) The commission
3 by order may require an authority to dissolve if the commission
4 determines that the authority has not substantially complied with
5 the requirements of a commission rule.

6 (b) The commission may not require dissolution unless:

7 (1) the conditions described in Section 251.301(c)
8 have been met; and

9 (2) the holders of any indebtedness have evidenced
10 their agreement to the dissolution.

11 SECTION 2. The Texas Commission on Environmental Quality
12 shall adopt rules necessary to implement Chapter 251, Water Code,
13 as added by this Act, not later than March 1, 2014.

14 SECTION 3. This Act takes effect September 1, 2013.