

By: Buckley, Hickland, Curry, Spiller

H.B. No. 2626

Substitute the following for H.B. No. 2626:

By: Martinez

C.S.H.B. No. 2626

A BILL TO BE ENTITLED

AN ACT

relating to creating the Central Texas Water Alliance; providing authority to issue bonds; granting the power of eminent domain; providing authority to impose fees.

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

SECTION 1. Subtitle X, Title 6, Special District Local Laws Code, is amended by adding Chapter 11020 to read as follows:

CHAPTER 11020. CENTRAL TEXAS WATER ALLIANCE

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 11020.0101. DEFINITIONS. In this chapter:

(1) "Alliance" means the Central Texas Water Alliance.

(2) "Board" means the board of directors of the alliance.

(3) "Director" means a member of the board.

(4) "District" means any district or authority created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, regardless of the manner of creation.

(5) "Local government" means:

(A) a municipality, county, district, or other political subdivision of this state;

(B) a local government corporation;

(C) a nonprofit corporation created to act on behalf of a local government; or

(D) a combination of two or more of the entities

described by this subdivision.

(6) "Private entity" includes an individual, corporation, organization, business trust, estate, trust, partnership, and association and any other legal entity that is not a governmental body or agency.

(7) "Sponsor" means:

(A) the initial sponsors of the alliance under Section 11020.0105; and

(B) a local government or private entity added to the alliance as a member under Section 11020.0106.

(8) "Water" includes:

(A) groundwater, percolating or otherwise, notwithstanding the quality of the groundwater;

(B) any surface water, naturally or artificially impounded or in a navigable or nonnavigable watercourse; and

(C) municipal wastewater or industrial wastewater, including municipal wastewater or industrial wastewater that has been treated to a quality suitable for reuse for a beneficial use.

Sec. 11020.0102. NATURE OF ALLIANCE. The alliance is a regional water authority created under and essential to accomplish the purposes of Section 59, Article XVI, Texas Constitution.

Sec. 11020.0103. FINDINGS OF PUBLIC PURPOSE AND BENEFIT.

(a) The alliance is created to serve a public use and benefit.

(b) All land and other property included in the territory of the alliance will benefit from the works and projects to be accomplished by the alliance under powers conferred by Section 59,

Article XVI, Texas Constitution, and powers granted under this chapter.

Sec. 11020.0104. ALLIANCE TERRITORY. The territory of the alliance is composed of the territory:

(1) of the sponsors, including territory within the municipal boundaries of a sponsor that is a municipality;

(2) if applicable, located in the service areas of the sponsors, including the territory within the sponsors' certificates of convenience and necessity; and

(3) added to and not excluded from the alliance in accordance with applicable law.

Sec. 11020.0105. INITIAL SPONSORS. The initial sponsors of the alliance are:

(1) Bell County;

(2) Bell County Water Control and Improvement District No. 1;

(3) Clearwater Underground Water Conservation District; and

(4) McLennan County.

Sec. 11020.0106. METHOD OF ADDING SPONSORS. (a) A local government or a private entity may petition the board to add that local government or private entity as a sponsor.

(b) A petition under Subsection (a) must be submitted in the manner and form required by board rule.

(c) On receipt of a petition under Subsection (a), the board shall set a hearing on the petition and provide notice of the date, time, place, and purpose of the hearing to:

1 (1) the sponsors of the alliance; and
2 (2) the petitioning local government or private
3 entity.

4 (d) At the hearing, the board shall determine whether:

5 (1) the local government or private entity will
6 benefit from being added to the alliance as a sponsor; and

7 (2) it is in the best interest of the alliance to add
8 the local government or private entity to the alliance as a sponsor.

9 (e) If, after a hearing on the petition, the board
10 determines that the local government or private entity should be
11 added to the alliance as a sponsor, the board shall issue an order:

12 (1) adding the local government or private entity to
13 the alliance;

14 (2) adding the local government's or private entity's
15 territory or service area to the territory of the alliance;

16 (3) making the local government's or private entity's
17 territory or service area subject to the privileges, duties,
18 assets, and financial obligations of the alliance to the same
19 degree as other sponsors already included in the alliance; and

20 (4) stating the effective date of the order.

21 (f) If the subject of the order is a local government, the
22 effective date of the order must allow enough time for the local
23 government to comply with Subsection (g).

24 (g) A local government that is the subject of an order
25 issued under Subsection (e) shall publish notice of the alliance's
26 proposal to add the local government to the alliance as a sponsor.

27 The notice must:

1 (1) be published in a newspaper of general circulation
2 in the county in which the local government is located;

3 (2) be published at least once per week for two
4 consecutive weeks and with the first publication appearing on or
5 before the 14th day before the effective date of the order; and

6 (3) state the effective date of the order.

7 Sec. 11020.0107. METHOD OF REMOVING SPONSORS. (a) The
8 governing body of a sponsor may petition the board to remove the
9 entity from the alliance as a sponsor.

10 (b) A petition must be submitted in the manner and form
11 required by board rule.

12 (c) After receiving a petition under Subsection (a), the
13 board shall:

14 (1) decide whether the petitioning sponsor should be
15 removed from the alliance as a sponsor; and

16 (2) by order approve, conditionally approve, or
17 disapprove the petition.

18 (d) The board may not approve a petition submitted under
19 this section if that action would impair or violate or conflict with
20 the terms of any outstanding bonds, notes, or other obligations of
21 the alliance.

22 (e) An order issued under Subsection (c) that approves or
23 conditionally approves a sponsor's petition to be removed from the
24 alliance as a sponsor must address:

25 (1) all matters related to the removal as determined
26 by the board, including the removal of the territory of the sponsor
27 and, if applicable, territory located in the service area of the

1 sponsor as provided by the sponsor's certificate of convenience and
2 necessity; and

3 (2) if applicable, any conditions imposed by the board
4 that the petitioning sponsor must satisfy before the board approves
5 the petition, which may include:

6 (A) payment by the petitioning sponsor of all
7 bonds, notes, or other obligations issued by the alliance on behalf
8 of the sponsor;

9 (B) payment by the petitioning sponsor of the
10 sponsor's pro rata share of any bond, note, or other obligation
11 issued by the alliance, other than the bonds, notes, or other
12 obligations described by Paragraph (A), if the payment is allowed
13 under the terms of the bond, note, or other obligation;

14 (C) conditions related to the ownership or
15 transfer of ownership of real property, facilities, equipment,
16 personnel, and supplies; and

17 (D) conditions the alliance considers necessary
18 for the winding up of activities in connection with the removal of
19 the petitioning sponsor as a sponsor from the alliance.

20 (f) If the board by order issued under Subsection (c)
21 conditionally approves a sponsor's petition, the petitioning
22 sponsor remains a sponsor and shall make all payments owed to the
23 alliance when due and shall satisfy all conditions included in the
24 order. The board shall approve the petition immediately after all
25 required payments to the alliance are received and all conditions
26 included in the order are satisfied as determined by the board.

27 (g) The removal of a sponsor from the alliance under this

1 section does not prohibit the former sponsor from contracting with
2 the alliance for the provision of water supply, wastewater
3 treatment, or other services provided by the alliance.

4 Sec. 11020.0108. REAPPORTIONMENT OF DIRECTORS. After the
5 addition or removal of a sponsor under this subchapter, the board by
6 rule shall reapportion the directors of the alliance among the
7 sponsors in accordance with Section 11020.0201(c)(2). The board
8 may increase or decrease the number of directors on the board in
9 accordance with Section 11020.0201(a).

10 Sec. 11020.0109. LIBERAL CONSTRUCTION OF CHAPTER. This
11 chapter shall be liberally construed to effect its purposes.

12 SUBCHAPTER B. BOARD OF DIRECTORS

13 Sec. 11020.0201. DIRECTORS. (a) Except for the initial
14 board of directors, the alliance is governed by a board of directors
15 consisting of at least 5 and not more than 18 members.

16 (b) The board is responsible for the management, operation,
17 and control of the alliance.

18 (c) The board by rule shall:

19 (1) establish the number of directors of the alliance;
20 and

21 (2) apportion the directors for each sponsor based on
22 the amount of water contracted to be supplied to the sponsor under
23 the terms of the alliance's water supply contract with the sponsor,
24 subject to Section 11020.0203(a).

25 Sec. 11020.0202. ELIGIBILITY TO SERVE AS DIRECTOR. (a) To
26 be eligible to serve as a director, a person must be:

27 (1) at least 18 years of age; and

1 (2) a resident of the territory located in the
2 alliance or an employee of a sponsor.

3 (b) A director who also serves on the governing body of a
4 sponsor is not a dual officeholder and is not prohibited by the
5 common law doctrine of incompatibility from serving on both the
6 board and the governing body.

7 (c) Service on the board by a public officeholder is an
8 additional duty of that person's office.

9 Sec. 11020.0203. APPOINTMENT OF DIRECTORS. (a) Each
10 sponsor is entitled to appoint at least one director.

11 (b) Each director must be appointed by the governing body of
12 a sponsor in accordance with the rules adopted under Section
13 11020.0201 that govern the apportionment of directors among the
14 sponsors.

15 (c) Each sponsor shall appoint the appropriate number of
16 directors not earlier than January 1 and not later than February 28
17 of each year.

18 Sec. 11020.0204. TERMS OF OFFICE. (a) Directors serve
19 staggered three-year terms, with one-third or as near as possible
20 to one-third of the members' terms expiring February 28 of each
21 year.

22 (b) A director's term begins on March 1 of the year the
23 director is appointed.

24 (c) A director may not serve more than five consecutive
25 terms as a director.

26 Sec. 11020.0205. REMOVAL OF DIRECTOR. A sponsor that
27 appoints a director may remove the director from office at any time,

1 with or without cause.

2 Sec. 11020.0206. BOARD VACANCY. If there is a vacancy on
3 the board, the governing body of the sponsor that appointed the
4 director who vacated the office shall appoint a director to serve
5 the remainder of the term.

6 Sec. 11020.0207. VOTING AUTHORITY. (a) Except as provided
7 by Subsection (b), each director is entitled to one vote on any
8 issue before the board.

9 (b) The board may establish a graduated voting procedure
10 after each sponsor has appointed a director to the board.

11 Sec. 11020.0208. OFFICERS. At the first meeting of the
12 board after March 1 of each year, the board shall elect officers for
13 the alliance, including a chair, vice chair, secretary, and
14 treasurer.

15 Sec. 11020.0209. MEETINGS AND ACTIONS OF BOARD; QUORUM.
16 (a) The board may meet as many times each year as the board
17 considers appropriate.

18 (b) A concurrence of a majority of the directors present and
19 voting is sufficient for transacting any business of the alliance
20 unless other applicable law, or the alliance by rule, requires a
21 concurrence of a greater number of directors for a specific type of
22 decision.

23 (c) Directors of the alliance are public officials and are
24 entitled to governmental immunity for their actions in their
25 capacity as directors and officers of the alliance.

26 Sec. 11020.0210. CONFLICTS OF INTEREST. (a) A director
27 appointed by a sponsor that has regulatory authority over an issue

before the board shall:

(1) before a vote or decision on the issue, file an affidavit stating the nature and extent of the regulatory authority; and

(2) abstain from any further participation on the issue.

(b) A director required to file an affidavit related to an issue before the board under Subsection (a) may not:

(1) attend a closed meeting related to the issue; and

(2) vote on a matter related to the issue unless a majority of the directors are required to file an affidavit under Subsection (a) related to that issue.

SUBCHAPTER C. POWERS AND DUTIES

Sec. 11020.0301. GENERAL POWERS AND DUTIES. (a) The alliance may:

(1) acquire, purchase, own, hold, lease, construct, improve, and maintain a reservoir, groundwater well, or other source of water supply, including:

(A) groundwater, surface water, and wastewater reused directly or indirectly; and

(B) aquifer storage and recovery facilities;

(2) acquire, own, construct, operate, repair, improve, maintain, or extend, inside or outside the alliance's boundaries, water and wastewater works, improvements, facilities, plants, pipelines, equipment, and appliances for:

(A) the treatment and transportation of water and wastewater;

1 (B) the direct or indirect reuse of wastewater;
2 (C) aquifer storage and recovery projects; and
3 (D) the provision of wholesale water and
4 wastewater services to alliance customers, municipalities,
5 districts, water supply corporations, and other persons in this
6 state;

7 (3) acquire, purchase, own, hold, lease, and maintain
8 interests, including capacity rights and other contractual rights,
9 in sources of water supply, reservoirs, groundwater wells, water
10 and wastewater systems, treatment works, improvements, facilities,
11 plants, equipment, appliances, aquifer storage and recovery
12 projects, and the direct or indirect reuse of wastewater;

13 (4) finance any purchase or acquisition through a
14 bond, note, or other obligation under Subchapter E, or through a
15 lease-purchase agreement; and

16 (5) sell, lease, convey, or otherwise dispose of any
17 right, interest, or property the alliance considers to be
18 unnecessary for the efficient operation or maintenance of the
19 alliance's facilities.

20 (b) In addition to the powers specifically provided by this
21 chapter, the alliance may exercise the powers provided by Section
22 [65.201](#), Water Code.

23 Sec. 11020.0302. ALLIANCE POLICIES, RULES, AND BYLAWS. The
24 alliance may adopt and enforce policies, rules, and bylaws
25 reasonably required to implement this chapter, including rules
26 governing procedures before the board and rules regarding
27 implementation, enforcement, and any other matters related to the

1 exercise of the rights, powers, privileges, and functions conferred
2 on the alliance by this chapter for the provision of water and
3 wastewater service.

4 Sec. 11020.0303. WATER CONSERVATION OR DROUGHT CONTINGENCY
5 PLANS. The alliance by rule may develop, prepare, revise, adopt,
6 implement, enforce, and manage water conservation or drought
7 contingency plans for the alliance or any portion of the alliance.

8 Sec. 11020.0304. SPONSOR CONVEYANCES AND ACQUISITIONS. (a)
9 In this section, "utility system" has the meaning assigned by
10 Section [1502.001](#), Government Code.

11 (b) A sponsor may convey a utility system facility or asset
12 or the sponsor's interest in a utility system facility or asset to
13 the alliance without holding an election to approve the conveyance.

14 (c) A sponsor is exempt from the provisions of Chapter [1502](#),
15 Government Code, regarding the conveyance, sale, or acquisition of
16 a utility system, or any related works, improvements, facilities,
17 plants, equipment, or appliances.

18 Sec. 11020.0305. CONTRACTS. (a) The alliance may contract
19 with any person to carry out a power authorized by this chapter.

20 (b) A person who enters into a contract with the alliance
21 may pledge to the payment of the contract any source of revenue that
22 may be available to the person, including ad valorem taxes, if the
23 person has the authority to impose those taxes.

24 (c) Payments made under a contract with the alliance
25 constitute an operating expense of the person served under the
26 contract, unless otherwise prohibited by a previously outstanding
27 obligation of the person. To the extent a person pledges funds to

1 the payment of the contract that are to be derived from the person's
2 own water system, the payments constitute an operating expense of
3 that system.

4 Sec. 11020.0306. COOPERATIVE CONTRACTS. The alliance may
5 enter into an interlocal contract with a local government under
6 Chapter 791, Government Code, to carry out a power of the alliance.

7 Sec. 11020.0307. RATES AND FEES. (a) The alliance shall
8 establish rates and fees to be assessed against sponsors and
9 customers of the alliance. The rates and fees may be established by
10 classes of customers, by project, or by area of service.

11 (b) A sponsor, local government, water supply corporation,
12 private entity, or other person that contracts with the alliance
13 shall establish, charge, and collect fees, rates, charges, rentals,
14 and other amounts for any service or facility provided under or in
15 connection with a contract with the alliance and shall pledge
16 sufficient amounts to make all payments required under the
17 contract.

18 Sec. 11020.0308. EMINENT DOMAIN. (a) The alliance may
19 exercise the power of eminent domain to acquire a fee simple or
20 other interest in property if the interest is necessary for the
21 alliance to exercise the rights or authority conferred by this
22 chapter.

23 (b) The alliance shall exercise the right of eminent domain
24 in the manner provided by Chapter 21, Property Code. The alliance
25 is not required to give bond for appeal or bond for costs in a
26 condemnation suit or other suit to which it is a party.

27 (c) The alliance may not use the power of eminent domain for

the condemnation of land for the purpose of acquiring rights to groundwater or for the purpose of acquiring water or water rights.

SUBCHAPTER D. GENERAL FINANCIAL PROVISIONS

Sec. 11020.0401. AD VALOREM TAXES PROHIBITED. The alliance may not impose an ad valorem tax.

Sec. 11020.0402. GIFTS, GRANTS, LOANS, AND OTHER MONEY. The alliance may apply for, accept, receive, and administer gifts, grants, loans, and other money available from any source.

SUBCHAPTER E. BONDS, NOTES, AND OTHER OBLIGATIONS

Sec. 11020.0501. REVENUE BONDS, NOTES, AND OTHER OBLIGATIONS. (a) In addition to bonds, notes, and other obligations that the alliance is authorized to issue under other law, to accomplish the purposes of the alliance, the alliance may issue bonds, notes, or other obligations payable solely from and secured by all or part of any funds or any revenue from any source or sources, including:

(1) fees, rates, and other charges the alliance imposes or collects;

(2) the sale of:

(A) water;

(B) water or wastewater services;

(C) water rights or capacity;

(D) water transmission rights, capacity, or services;

(E) water pumping;

(F) wastewater reused directly or indirectly;

(G) aquifer storage and recovery services;

1 (H) sewer services; or

2 (I) any other service or product of the alliance
3 provided inside or outside the boundaries of the alliance;

4 (3) grants or gifts;

5 (4) the ownership or operation of all or a designated
6 part of the alliance's works, improvements, facilities, plants, or
7 equipment; and

8 (5) the proceeds of contracts.

9 (b) Bonds, notes, or other obligations issued by the
10 alliance may be first or subordinate lien obligations at the
11 board's discretion.

12 (c) In connection with any bonds, notes, or other
13 obligations of the alliance, the alliance may exercise any power of
14 an issuer under Chapter 1371, Government Code.

15 (d) The alliance may conduct a public, private, or
16 negotiated sale of the bonds, notes, or other obligations.

17 (e) The alliance may enter into one or more indentures of
18 trust to further secure its bonds, notes, or other obligations.

19 (f) The alliance may issue bonds, notes, or other
20 obligations in more than one series as necessary to carry out the
21 purposes of this chapter. In issuing bonds, notes, or other
22 obligations secured by revenue of the alliance, the alliance may
23 reserve the right to issue additional bonds, notes, or other
24 obligations secured by the alliance's revenue that are on parity
25 with or are senior or subordinate to the bonds, notes, or other
26 obligations issued earlier.

27 (g) A resolution of the board or a trust indenture securing

1 the bonds, notes, or other obligations may specify additional
2 provisions that constitute a contract between the alliance and the
3 alliance's bondholders, noteholders, or other obligation holders.

4 (h) Bonds, notes, or other obligations may be additionally
5 secured by deed of trust or mortgage on any or all of the alliance's
6 facilities.

7 (i) The authority provided by this chapter for the
8 authorization and issuance of bonds, notes, and other obligations
9 is in addition to, and not in lieu of, the authority otherwise
10 established under general law and may not be construed as a
11 limitation on, or a modification of, general law providing for
12 authorization and issuance of bonds, notes, and other forms of
13 obligations. Nothing in this chapter may be construed as affecting
14 any existing contract, bond, note, or other obligation of the
15 alliance or any indenture, covenant, mortgage, or other agreement
16 relating to them.

17 Sec. 11020.0502. ELECTION NOT REQUIRED. The alliance is
18 not required to hold an election to approve the issuance of revenue
19 bonds or notes or of other obligations under this subchapter.

20 Sec. 11020.0503. USE OF REVENUE AND GROWTH PROJECTIONS.
21 For the purposes of attorney general review and approval and in lieu
22 of any other manner of demonstrating the ability to pay debt service
23 and satisfy any other pecuniary obligations relating to bonds,
24 notes, or other obligations, the alliance may demonstrate the
25 alliance's ability to satisfy the debt service and those
26 obligations using accumulated funds of the alliance and revenue and
27 growth projections prepared by a professional utility rate

1 consultant at the direction of the alliance. If the resolution
2 authorizing the issuance of the bonds, notes, or other obligations
3 provides that the alliance intends to increase rates to the extent
4 necessary to pay debt service and satisfy any other pecuniary
5 obligations arising under the bonds, notes, or other obligations,
6 the revenue projections prepared by a professional utility rate
7 consultant may include forecast rate increases and accumulated and
8 available fund balances as determined by the alliance.

9 Sec. 11020.0504. REFUNDING BONDS. The alliance may issue
10 refunding bonds, notes, and other obligations to refund any of its
11 bonds, notes, or other obligations in any manner provided by law,
12 including Chapter 1207, Government Code.

13 Sec. 11020.0505. BONDS, NOTES, AND OTHER OBLIGATIONS EXEMPT
14 FROM TAXATION. A bond, note, or other obligation issued under this
15 chapter, a transaction related to the bond, note, or other
16 obligation, the interest on the bond, note, or other obligation,
17 and the profit from the sale of the bond, note, or other obligation
18 are exempt from taxation by this state or a political subdivision of
19 this state.

20 SECTION 2. (a) The sponsors of the Central Texas Water
21 Alliance shall appoint the initial directors under Section
22 11020.0203, Special District Local Laws Code, as added by this Act,
23 not earlier than 30 days and not later than 90 days after the
24 effective date of this Act.

25 (b) As soon as practicable after the initial directors have
26 been appointed under Section 11020.0203, Special District Local
27 Laws Code, as added by this Act, the initial directors shall draw

1 lots to determine which directors serve a one-year term expiring
2 February 28, 2027, which directors serve a two-year term expiring
3 February 28, 2028, and which directors serve a three-year term
4 expiring February 28, 2029. The lots must be split into thirds or
5 as near to thirds as possible.

6 SECTION 3. (a) The legal notice of the intention to
7 introduce this Act, setting forth the general substance of this
8 Act, has been published as provided by law, and the notice and a
9 copy of this Act have been furnished to all persons, agencies,
10 officials, or entities to which they are required to be furnished
11 under Section 59, Article XVI, Texas Constitution, and Chapter 313,
12 Government Code.

13 (b) The governor, one of the required recipients, has
14 submitted the notice and Act to the Texas Commission on
15 Environmental Quality.

16 (c) The Texas Commission on Environmental Quality has filed
17 its recommendations relating to this Act with the governor, the
18 lieutenant governor, and the speaker of the house of
19 representatives within the required time.

20 (d) All requirements of the constitution and laws of this
21 state and the rules and procedures of the legislature with respect
22 to the notice, introduction, and passage of this Act are fulfilled
23 and accomplished.

24 SECTION 4. (a) If this Act does not receive a two-thirds
25 vote of all the members elected to each house, Subchapter C, Chapter
26 11020, Special District Local Laws Code, as added by Section 1 of
27 this Act, is amended by striking Section 11020.0308 and

1 substituting Section 11020.0308 to read as follows:

2 Sec. 11020.0308. NO EMINENT DOMAIN POWER. The district may
3 not exercise the power of eminent domain.

4 (b) This section is not intended to be an expression of a
5 legislative interpretation of the requirements of Section 17(c),
6 Article I, Texas Constitution.

7 SECTION 5. This Act takes effect immediately if it receives
8 a vote of two-thirds of all the members elected to each house, as
9 provided by Section 39, Article III, Texas Constitution. If this
10 Act does not receive the vote necessary for immediate effect, this
11 Act takes effect September 1, 2025.