

1-1 By: Parker S.B. No. 1359  
1-2 (In the Senate - Filed February 18, 2025; March 6, 2025,  
1-3 read first time and referred to Committee on Water, Agriculture and  
1-4 Rural Affairs; April 23, 2025, reported adversely, with favorable  
1-5 Committee Substitute by the following vote: Yeas 9, Nays 0;  
1-6 April 23, 2025, sent to printer.)

1-7 COMMITTEE VOTE

1-8	Yea	Nay	Absent	PNV
1-9	Perry	X		
1-10	Hancock	X		
1-11	Birdwell	X		
1-12	Blanco	X		
1-13	Gutierrez	X		
1-14	Hinojosa of Nueces	X		
1-15	Johnson	X		
1-16	Kolkhorst	X		
1-17	Sparks	X		

1-18 COMMITTEE SUBSTITUTE FOR S.B. No. 1359 By: Birdwell

1-19 A BILL TO BE ENTITLED  
1-20 AN ACT

1-21 relating to the creation, powers, duties, and financing of the Wise  
1-22 Regional Water District; granting a limited power of eminent  
1-23 domain; providing authority to issue bonds; providing authority to  
1-24 impose fees; creating a criminal offense.

1-25 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-26 SECTION 1. Subtitle X, Title 6, Special District Local Laws  
1-27 Code, is amended by adding Chapter 11021 to read as follows:

1-28 CHAPTER 11021. WISE REGIONAL WATER DISTRICT

1-29 SUBCHAPTER A. GENERAL PROVISIONS

1-30 Sec. 11021.0101. DEFINITIONS. In this chapter:

1-31 (1) "Basic service area" means the geographic area  
1-32 inside the corporate limits or boundaries of all participants and  
1-33 all customers and the areas that are served by those members and  
1-34 customers.

1-35 (2) "Board" means the board of directors of the  
1-36 district.

1-37 (3) "Contract member" means a governmental entity that  
1-38 provides retail utility service in its boundaries, that contracts  
1-39 with the district not later than the end of the second year after  
1-40 the effective date of the Act enacting this chapter to preserve the  
1-41 option to become a participant in the 10-year period following the  
1-42 effective date of the Act enacting this chapter, and that agrees to  
1-43 pay an annual pro rata share of the administrative and planning  
1-44 costs of the district that are unrelated to capital projects to be  
1-45 financed by the district, provided that the share of administrative  
1-46 and planning costs may not exceed for a contract member 50 cents per  
1-47 capita unless otherwise agreed by at least 75 percent of the  
1-48 contract members having, collectively, at least 75 percent of the  
1-49 population represented by all the contract members.

1-50 (4) "County" means Wise County, Texas.

1-51 (5) "Customer" means a wholesale user of the water or  
1-52 wastewater services provided by the district that provides retail  
1-53 utility service in the boundaries of the user.

1-54 (6) "District" means the Wise Regional Water District.

1-55 (7) "Participant" means a governmental entity that  
1-56 provides retail utility service in the entity's boundaries and that  
1-57 contracts with the district for the construction of and payment for  
1-58 the water or wastewater projects to be financed by the district.

1-59 (8) "Service area" means that geographic area in the  
1-60 boundaries of the district.

(9) "Subdistrict" means a subdistrict authorized to be created under this chapter.

(10) "Water district" means a conservation and reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

Sec. 11021.0102. LEGISLATIVE FINDINGS. (a) The legislature finds that the creation and establishment of the district and the creation and establishment of subdistricts in the district are essential to the accomplishment of the purposes of Section 59, Article XVI, Texas Constitution.

(b) The legislature finds that all of the land and other property included in the boundaries of the district and in the boundaries of a subdistrict will be benefited by the improvements, works, and projects that are to be provided by the district and by subdistricts under the powers conferred on the district and subdistricts by this chapter, and that the district is created to serve a public use and benefit and any subdistrict created will serve a public use and will be for a public purpose.

Sec. 11021.0103. CREATION. (a) A conservation and reclamation district is created under Section 59, Article XVI, Texas Constitution. The district shall be known as the Wise Regional Water District.

(b) An election confirming the creation of the district is not required.

Sec. 11021.0104. TERRITORY. (a) Except as provided by Subsection (b) and Section 11021.0105, the territory of the district is coextensive with the territory of the county.

(b) The territory of the district also includes the entire area in the boundaries of any participant or contract member, a portion of whose incorporated limits or boundaries are partially inside the county as those boundaries existed on the effective date of the Act enacting this chapter.

Sec. 11021.0105. EXPANSION OF DISTRICT. (a) The territory of the district may be expanded to include the area within the boundaries of a municipality or water district outside the county, if the district and the municipality or water district execute a contract member's contract or a participating member's contract not later than the second anniversary of the effective date of the Act enacting this chapter.

(b) Approval of a contract member's contract between the district and the municipality or water district requires a three-quarters majority vote of the district's board of directors. Approval of a participating member's contract between the district and the municipality or water district requires a three-quarters majority vote of the weighted vote of all directors eligible to vote.

#### SUBCHAPTER B. ADMINISTRATIVE PROVISIONS

Sec. 11021.0201. BOARD OF DIRECTORS. (a) The district is governed by a board of directors. A director may not be an elected official of any governmental entity that has the authority to appoint a member of the board.

(b) Directors shall be appointed by the commissioners court of the county and the governing bodies of the participants and contract members in the manner provided by Section 11021.0202.

(c) A director is subject to removal with or without cause by action of the governing body of the entity that originally appointed that member.

(d) The board has exclusive authority to manage the district under this chapter.

Sec. 11021.02015. INITIAL BOARD. (a) The initial board shall be appointed as follows:

(1) the commissioners court of the county shall appoint one director; and

(2) each of the following entities shall appoint one director:

- (A) the City of Alvord;
- (B) the City of Aurora;
- (C) the City of Boyd;
- (D) the City of Bridgeport;

(E) the City of Decatur;  
 (F) the City of Newark;  
 (G) the City of New Fairview;  
 (H) the City of Paradise;  
 (I) the City of Rhome;  
 (J) the Walnut Creek Special Utility District;  
 and  
 (K) the West Wise Special Utility District.

(b) The initial directors serve until the date the directors are appointed under Section 11021.0202.

(c) This section expires on the second anniversary of the effective date of the Act enacting this chapter.

Sec. 11021.0202. COMPOSITION OF BOARD. (a) Each participant or contract member shall appoint one member to the board and the Commissioners Court of Wise County shall appoint one member to the board.

(b) An entity that contracts with the district more than five years after the effective date of the Act enacting this chapter is entitled to representation on the board only under the rules established by the board for the admission of board members and member entities. For a contract member to which this section applies, the board may establish rules regarding:

(1) appointing members to the board by the contract member;

(2) voting authority of a board member appointed by the contract member; and

(3) for a member appointed by the contract member, voting weight for that board member appointed by the contract member.

Sec. 11021.0203. VOTES OF DIRECTORS. (a) Directors who are appointed by the participants are entitled to vote on all matters before the board, including all projects to be considered by the board in all service areas of the district, regardless of whether the participant is participating in the project.

(b) A board vote concerning the authorization of and financial commitments for capital projects must be determined as provided by this section.

(c) Each participant that is receiving or that has contracted to receive service or capacity, including that service or capacity to be received as a result of the capital project then under consideration, has one vote for each four million gallons per day, or portion of that amount, of service or capacity for which the participant has contracted with the district. The amount for which the participant has contracted shall be determined by taking into account the amount of service or capacity the participant receives from a water treatment plant, a wastewater treatment plant, or a raw water supply, or any combination of the preceding.

(d) Each participant with a population of 50,000 or more is entitled to one extra vote that may be cast on those matters requiring a weighted vote.

(e) Participation in capital projects financed by the district through the issuance of special facility bonds entitles that entity to be classified as a participant, but does not entitle that entity to receive any credit toward the four million gallons per day of service or capacity standard established in Subsection (c).

(f) A director who is appointed by a contract member that is not a participant is entitled to one vote on all matters before the board except those matters that require a weighted vote.

(g) Regardless of the date on which an entity became a member, the entity is not entitled to a number of weighted votes that exceeds 25 percent of the weighted votes of all directors eligible to vote for a capital project.

Sec. 11021.0204. TERMS OF OFFICE. (a) Except as otherwise provided by this chapter, directors serve staggered four-year terms in accordance with the procedures to be adopted by the initial board.

(b) A director may serve consecutive terms.  
Sec. 11021.0205. DIRECTOR QUALIFICATIONS AND COMPENSATION.

(a) Subject to Subsection (b), a director must be a qualified voter who resides in the district and must qualify to serve by taking the oath of office and furnishing evidence of the person's qualifications to serve on the board consistent with the requirements of this chapter.

(b) A director appointed by the commissioners court of the county under Section 11021.02015 or 11021.0202 must be a qualified voter who resides in an unincorporated area of the county.

(c) A director is not entitled to receive compensation for serving as a director, but may be reimbursed for actual reasonable expenses necessarily incurred on behalf of the district or in the discharge of official duties.

Sec. 11021.0206. EX OFFICIO BOARD MEMBERS. The board may establish a category of ex officio directors and may provide for the duties and responsibilities of the ex officio members in bylaws or rules to be adopted by the board.

Sec. 11021.0207. BOARD PROCEDURES. (a) The board shall prepare and adopt bylaws for the district, and shall hold regular, special, or emergency meetings at times and on days or dates as specified in those bylaws.

(b) A majority of the directors constitutes a quorum for the transaction of district business, and approval of at least a majority of the directors present at a meeting is necessary for approval of any matter coming before the board, except in a situation in which a weighted vote is required. If a weighted vote is required, a majority of the weighted vote of all directors eligible to vote is necessary for approval of any matter coming before the board.

(c) The board shall provide in its bylaws for the method of execution for all contracts, the signing of checks, and the handling of any other matters approved by the board. The board shall elect new officers annually.

(d) The board shall designate in the bylaws a regular place for board meetings.

Sec. 11021.0208. BOARD OFFICERS. (a) The officers of the board include the president, one or more vice presidents, a secretary, and a treasurer.

(b) The board shall elect a president and any vice president from among its members.

(c) The board may appoint a secretary, one or more assistant secretaries, a treasurer, an assistant treasurer, and other officers that are necessary. The secretary, assistant secretaries, treasurer, and assistant treasurer are not required to be members of the board.

(d) The president is the chief executive officer of the district and shall preside over the meetings of the board. A vice president may perform any duty and exercise any power of the president when the president is absent or fails, refuses, or is unable to act.

(e) The secretary or one of the assistant secretaries is responsible for keeping the minutes of the meetings of the board and all official records of the board and may certify the accuracy or authenticity of any actions, proceedings, minutes, or records of the board or of the district.

(f) The duties of the other officers may be prescribed by the bylaws of the district.

Sec. 11021.0209. EMPLOYEES. The board may appoint and employ any person, firm, corporation, partnership, and other entity considered necessary to conduct the affairs of the district, including engineers, attorneys, financial advisors, accountants, a general manager, and other employees or consultants.

Sec. 11021.0210. CUSTOMER ADVISORY COUNCIL. (a) The board shall establish a customer advisory council composed of one representative from each customer receiving service from the district.

(b) The members of the customer advisory council may act as provided in the bylaws of the district or rules of the board, but the customer advisory council may not vote on matters coming before the board.

5-1       Sec. 11021.0211. CONFLICT OF INTEREST. The members of the  
 5-2 board and all other officers of the district are subject to the  
 5-3 conflict of interest provisions of Chapter 572, Government Code, in  
 5-4 the same manner as an elected or appointed officer expressly  
 5-5 subject to that chapter.

5-6               SUBCHAPTER C. POWERS AND DUTIES

5-7       Sec. 11021.0301. GENERAL POWERS AND DUTIES. (a) Subject to  
 5-8 specific provisions of this chapter, the district and the board  
 5-9 have the rights, powers, privileges, authority, and functions  
 5-10 granted by Section 59, Article XVI, Texas Constitution, including  
 5-11 the rights, powers, privileges, authority, and functions conferred  
 5-12 by Chapters 49 and 54, Water Code, relating to municipal utility  
 5-13 districts, together with the additional rights, powers,  
 5-14 privileges, authority, and functions authorized by this chapter.

5-15       (b) The district may not levy or collect ad valorem taxes.

5-16       (c) If any general law is in conflict or inconsistent with  
 5-17 this chapter, this chapter prevails.

5-18       Sec. 11021.0302. PLANNING AND ACQUISITION OF WORKS AND  
 5-19 FACILITIES. The district may plan, lay out, purchase, construct,  
 5-20 acquire, own, operate, maintain, repair, and improve, inside or  
 5-21 outside the territory of the district, any works, improvements,  
 5-22 facilities, plants, equipment, and appliances, including:

5-23               (1) any administrative properties and facilities;

5-24               (2) any permits, franchises, licenses, or contract or  
 5-25 property rights; and

5-26               (3) any levees, drains, waterways, lakes, reservoirs,  
 5-27 channels, conduits, sewers, dams, stormwater detention facilities,  
 5-28 or other similar facilities and improvements, whether for  
 5-29 municipal, industrial, agricultural, flood control, or related  
 5-30 purposes, that are necessary, helpful, or incidental to the  
 5-31 exercise of any right, power, privilege, authority, or function  
 5-32 provided by this chapter, including:

5-33               (A) supplying water for municipal, domestic, and  
 5-34 industrial uses, and all other beneficial uses or controls;

5-35               (B) collecting, treating, processing, disposing  
 5-36 of, and controlling all domestic or industrial wastes, whether in  
 5-37 fluid, solid, or composite state;

5-38               (C) gathering, conducting, diverting,  
 5-39 controlling, and treating local stormwater or local harmful  
 5-40 excesses of water in the territory of the district; and

5-41               (D) irrigating and altering land elevations in  
 5-42 the territory of the district where needed.

5-43       Sec. 11021.0303. ACQUISITION OF PROPERTY; EMINENT DOMAIN.  
 5-44 (a) The district may acquire, by purchase or by exercise of the  
 5-45 power of eminent domain, any land, easements, rights-of-way, or  
 5-46 other property or improvements inside or outside the territory of  
 5-47 the district, including land above the probable high water line  
 5-48 around any reservoirs in which the district has an ownership or  
 5-49 operational interest, that are needed or are appropriate to carry  
 5-50 out the powers and functions of the district.

5-51       (b) The district may exercise the power of eminent domain in  
 5-52 the manner and with the privileges, rights, and immunities  
 5-53 available under the laws of this state, including Chapter 21,  
 5-54 Property Code.

5-55       (c) The district may not exercise the power of eminent  
 5-56 domain to acquire:

5-57               (1) any property located in a municipality or water  
 5-58 district located wholly or partly in the county without first  
 5-59 notifying the governing body of the municipality or water district  
 5-60 in whose jurisdiction the subject property is located;

5-61               (2) any property located outside the county to be used  
 5-62 as a water supply reservoir without first notifying the county or  
 5-63 counties in which the reservoir is to be located;

5-64               (3) any property owned by the county, any  
 5-65 municipality, any water district, or any agency or instrumentality  
 5-66 of the county, municipality, or water district; or

5-67               (4) a waterworks system or a wastewater system that is  
 5-68 owned by a municipality, a political subdivision of the state,  
 5-69 private persons, or a nonprofit corporation.



Sec. 11021.0304. ADDITIONAL GENERAL AUTHORITY. The district may:

(1) acquire, construct, improve, maintain, and operate wholesale water and wastewater systems and treatment works necessary to provide service to district customers; and

(2) acquire, construct, improve, and maintain any water supply, reservoir, or interest in any water supply or reservoir necessary to fully implement the powers and duties of the district as provided by this chapter.

Sec. 11021.0305. PROVIDING SERVICES OUTSIDE DISTRICT. On approval of the board of directors, the district may elect to provide water, wastewater, solid waste, or nonhazardous liquid waste services outside its service area, but the district may not be compelled to supply those services for use outside its service area except by order of the state agency that has jurisdiction over those matters.

Sec. 11021.0306. RIGHTS OF BASIC SERVICE AREA. The basic service area has the primary right to water or wastewater treatment capacity and to water supply in each classification that the district secures under permit from the state agency that has jurisdiction.

Sec. 11021.0307. RIGHTS PROTECTED. (a) This chapter does not compel any customer or prospective customer to secure water or wastewater service from the district, except under contracts voluntarily executed.

(b) This chapter does not alter any outstanding permit, contract, or other obligation, nor does this chapter in any manner impair the rights of any entity to own, operate, maintain, or otherwise use or control any water, wastewater, solid waste, or liquid waste system in accordance with the law applicable to that entity.

Sec. 11021.0308. DISPOSAL SYSTEMS. (a) The district may exercise the powers needed to establish, acquire, operate, and maintain a regional solid waste disposal system and a nonhazardous liquid waste disposal system.

(b) The district shall provide the services afforded by a disposal system to:

(1) any user as determined by the board if the services are to be rendered in the basic service area of the district; and

(2) any customer if the services are to be rendered outside the basic service area.

Sec. 11021.0309. WATER QUALITY RULES. (a) The district may adopt and enforce rules to protect water quality in and flowing to or from the areas in or surrounding the lakes, reservoirs, and other sources of water supply owned, operated, or controlled by the district.

(b) The rules shall be adopted for the purpose of the prevention of waste or unauthorized use of water controlled by the district and of the regulation of privileges on any land, reservoir, or easement owned or controlled by the district.

(c) The rules shall be adopted and enforced in accordance with Subchapter D, Chapter 54, Water Code, and must be consistent with the applicable rules of any state agency that has jurisdiction over those sources of water supply.

(d) Under a contract with a county, municipality, or water district, the district may adopt and enforce rules applicable in the boundaries of the county, municipality, or water district and in other areas under the jurisdiction of the county, municipality, or water district to:

(1) preserve and protect the quality and sanitary condition of all water, sanitary sewage, and stormwater that may affect a water supply of the county, municipality, or water district or the district or the waters of the state;

(2) prevent waste or unauthorized use of water, sanitary sewage, or stormwater under the jurisdiction of a county, municipality, or water district or the district; or

(3) implement water conservation measures and programs in the district.

(e) Rules adopted under Subsection (d):

(1) may not exceed the authority of the county, municipality, or water district;

(2) must be consistent with and no more stringent than state or federal requirements;

(3) must conform to the terms of the contract; and

(4) are not applicable within a municipality or water district that is not a party to the contract or does not consent to the rules applying within the municipality or water district.

(f) The district shall publish once a week for two consecutive weeks in one or more newspapers with general circulation in the district a notice of the substance of rules adopted under Subsection (d) and of any penalties for a violation of the rules.

(g) A person may not be charged with an offense under this section before the fifth day after the date of the second publication of the notice.

(h) A person who violates a rule or order adopted by the board under this section commits an offense. An offense under this section is a Class C misdemeanor.

Sec. 11021.0310. GENERAL CONTRACT AUTHORITY. (a) The district may enter into contracts with the United States, an agency of the United States, a municipality, a water district, or another public or private person considered necessary in the exercise of the powers and purposes of the district.

(b) The district may enter into contracts to acquire, purchase, rent, lease, or operate the water production, water supply, water filtration or purification, water supply facilities, or other water or wastewater facilities that are owned or operated by the contracting person.

(c) The district may acquire water appropriation permits and other necessary permits directly from the appropriate agency of the state or from owners of permits.

(d) Contracts that require a payment of money by the district may be made payable from any general or specific source of funds as determined by the board.

Sec. 11021.0311. CONTRACTS WITH WATER SUPPLY ENTITIES. (a) A municipality, water district, public agency, political subdivision, or any nonprofit water supply corporation doing business wholly or partly in the district or a subdistrict may enter into any contract with the district that is considered appropriate by its governing body.

(b) The governing body of an entity listed in Subsection (a) may pledge to the payment of a contract any source of revenue that may be available to the governing body, including the levy and collection of ad valorem taxes, if that entity has the authority to levy and collect those taxes.

(c) To the extent a governing body pledges to the payment of the contract money to be derived from its own water system, its wastewater system, or its combined system, the payments constitute an operating expense of that system.

Sec. 11021.0312. REGULATORY POWER OF MUNICIPALITIES. This chapter does not exempt the district or a subdistrict or land located in the district from the terms and provisions of an applicable ordinance, code, resolution, platting and zoning requirement, rule, or regulation of a municipality.

Sec. 11021.0313. CREATION EXPENSES. The district is authorized to pay all costs and expenses incurred in the creation and organization of the district.

#### SUBCHAPTER D. FINANCIAL PROVISIONS

Sec. 11021.0401. RATES AND CHARGES. (a) The district may establish rates and charges to be assessed against customers of the district for each service rendered to those customers. The rates and charges may be established by classes of customers, by project, or by area of service.

(b) If revenue bonds or other obligations payable wholly from revenue are issued, the board shall establish and revise rates of compensation for water sold and for wastewater or other services rendered by the district that will be sufficient to pay the expense of operating and maintaining the facilities of the district, to pay

those bonds and obligations as they mature and the interest as it accrues, and to maintain the reserve and other funds as provided by the resolution or order authorizing those bonds or obligations.

Sec. 11021.0402. CHARGES, FEES, AND RENTALS. (a) The district may adopt, enforce, and collect all necessary charges, fees, or rentals for providing district facilities or services and may require a deposit for any service or facilities furnished. The district may provide that the deposit bear interest.

(b) The district may discontinue a facility or service to prevent an abuse or enforce payment of an unpaid charge, fee, or rental due the district.

(c) A municipality, water district, public agency, political subdivision, or any other entity that contracts with the district may establish, charge, and collect fees, rates, charges, rentals, and other amounts for any service or facility provided under or in connection with a contract with the district, and to pledge sufficient amounts to make all payments required under the contract.

Sec. 11021.0403. DISTRICT AUDIT. The district shall have the funds and accounts of the district audited by an independent auditor. The district shall maintain a copy of any audit performed under this section in the official records of the district.

Sec. 11021.0404. BONDS, NOTES, AND OTHER OBLIGATIONS. (a) The district may issue its revenue bonds, notes, revenue anticipation notes, bond anticipation notes, short-term obligations, refunding bonds, or other obligations for any of its purposes without an election and on those terms the board determines to be appropriate.

(b) Obligations issued by the district may be made payable from all or part of the revenues of the district derived from any lawful source, including a contract with a customer or user of the facilities owned or operated by the district under this chapter or from the ownership and operation of any waterworks system, wastewater system, sewer system, solid waste disposal system, or nonhazardous liquid waste system, or any combination of those systems. Additionally, those obligations may be paid from and secured by liens on and pledges of all or part of any of the revenue, income, or receipts derived by the district from its ownership, operation, lease, or sale of the property, buildings, structures, or facilities, including the proceeds or revenues from contracts with a person, firm, corporation, municipality, water district, public agency, or other political subdivision or entity.

Sec. 11021.0405. BOND PROCEDURES. (a) The district's bonds or other obligations may be issued to mature serially or otherwise not later than 40 years from their date of issuance, and provision may be made for the subsequent issuance of additional parity obligations, or subordinate lien obligations, under terms or conditions in the resolution authorizing the issuance of the obligations.

(b) The obligations are negotiable instruments within the meaning of Chapter 8, Business & Commerce Code.

(c) The district's bonds or other obligations shall be executed and may be made redeemable before maturity, issued in the form, denominations, and manner, and under the terms, conditions, and details, and sold in the manner, at the price, and under the terms provided by the bond resolution.

(d) The district's bonds and obligations shall bear interest at rates provided in the resolution authorizing the issuance of the bonds or other obligations.

(e) If provided in the authorizing resolution, the proceeds from the sale of the bonds or other obligations may be used to pay interest on those bonds or other obligations during the period of the acquisition or construction of any facilities to be provided through the issuance of the bonds or other obligations, to pay expenses of operation and maintenance of facilities, to create a reserve fund for the payment of the principal of and interest on the bonds or other obligations, and to create any other funds.

(f) The proceeds from the sale of bonds or other obligations may be placed on time deposit or invested to the extent and in the



manner provided by the authorizing resolution.

(g) The district may pledge all or any part of its revenue, income, or receipts from fees, rentals, rates, charges, or contract proceeds or payments to the payment of the district's bonds or other obligations, including the payment of principal, interest, and any other amounts required or permitted in connection with the bonds or other obligations. The pledged fees, rentals, rates, charges, proceeds, or payments shall be established and collected in amounts that will be at least sufficient, together with any other pledged resources, to provide for the payment of expenses in connection with the bonds or other obligations, and for operation, maintenance, and other expenses in connection with the facilities for which the bonds or other obligations were issued.

(h) The district's bonds and other obligations may be additionally secured by mortgages or deeds of trust on real property owned or to be acquired by the district, and by chattel mortgages or liens on any personal property appurtenant to that real property. The board may authorize the execution of trust indentures, mortgages, deeds of trust, or other forms of encumbrances. Also, the district may pledge to the payment of the obligations all or any part of any grant, donation, revenue, or income received or to be received from the United States government or any other public or private source.

(i) The district shall issue its bonds and other obligations in accordance with Chapters 1201 and 1371, Government Code, as applicable.

Sec. 11021.0406. DEPOSITORY. (a) The board, by order or resolution, shall designate one or more banks inside or outside the district to serve as depository for the district's money.

(b) Except as specifically provided by this chapter, the district's money shall be deposited in the depository bank or banks.

(c) The district's money may be invested as provided by law for the investment of county funds and may be invested in accordance with Chapter 2256, Government Code.

(d) The district's money shall be secured in the manner provided by law for investment of public funds.

#### SUBCHAPTER E. SUBDISTRICTS

Sec. 11021.0501. CREATION OF SUBDISTRICTS. To provide for the orderly development of water, wastewater, and other services of the district in the territory of the district and to prevent unnecessary duplication of facilities, the district may create subdistricts.

Sec. 11021.0502. PETITION. (a) A petition requesting the creation of a subdistrict in the district may be presented to the board of the district.

(b) The petition must be signed by at least 25 persons who own property in the boundaries of the proposed subdistrict, or the petition may be submitted by the governing body of a municipality or water district if accompanied by a resolution of the governing body authorizing the submission of the petition.

(c) A petition must specify:

(1) the boundaries of the proposed subdistrict as required by the board;

(2) the general nature of the improvements to be acquired, constructed, or otherwise implemented in the subdistrict;

(3) the necessity and feasibility of those improvements; and

(4) the proposed method for funding those improvements.

(d) If a subdistrict is proposed in the corporate limits or extraterritorial jurisdiction of a municipality, the petition requesting the creation of the subdistrict must be accompanied by an official action of the governing body of the municipality in whose jurisdiction the subdistrict is proposed approving the creation of the subdistrict. If the governing body of the municipality in whose jurisdiction the subdistrict is proposed objects to the creation of the subdistrict, the subdistrict may not

be created in the incorporated limits or the extraterritorial jurisdiction of that municipality.

Sec. 11021.0503. NOTICE AND HEARING. (a) The board shall set a date for a hearing on a petition not earlier than the 30th day and not later than the 90th day after the date the petition is presented to the district.

(b) Notice of the hearing shall be given to each municipality in whose boundaries or extraterritorial jurisdiction the proposed subdistrict is to be located.

(c) A copy of the notice of the hearing also shall be posted in three public places located in the proposed subdistrict and at the county courthouse not later than the 14th day before the date set for the hearing.

(d) Notice of the hearing shall be published at least one time in a newspaper of general circulation in the county not later than the 10th day before the date of the hearing.

Sec. 11021.0504. APPEARANCE AT AND PROCEDURES FOR HEARING. An interested person may appear at the hearing for the purpose of supporting or opposing the creation of the subdistrict. The hearing shall be conducted in accordance with the procedures established by the board.

Sec. 11021.0505. BOARD ORDER. (a) After the public hearing, the board shall enter an order in the official records of the district making its findings.

(b) If the board considers the creation of a subdistrict to be feasible and practical and finds that the creation of the proposed subdistrict will be beneficial to the public, will benefit the residents of and the land included in the proposed subdistrict, and will contribute to the orderly growth and development of the regional water and wastewater systems within the district, the board shall enter an order granting the petition and ordering the creation of the subdistrict under Section 11021.0506.

(c) The board shall include its findings in the order and shall file the order in the official records of the district.

(d) The order shall define the boundaries of the subdistrict, but the board is not required to include in the subdistrict all of the land described in the petition if the board in its judgment determines that a modification or change in the subdistrict is necessary or beneficial to the public.

(e) If the board finds the subdistrict not to be feasible, practical, or beneficial, the board shall enter an order dismissing the petition and the proposed subdistrict may not be created. The dismissal order does not affect the ability to petition for the creation of a subdistrict covering the same territory at a later time.

Sec. 11021.0506. CONFIRMATION ELECTION REQUIREMENT. If the board orders the creation of a subdistrict, the subdistrict shall be created and in existence from and after the date stated in the order of the district, without the necessity of a confirmation election in the boundaries of the subdistrict. The subdistrict does not have the authority to levy or collect ad valorem taxes.

Sec. 11021.0507. STATUS OF SUBDISTRICTS. (a) A subdistrict is a conservation and reclamation district under Section 59, Article XVI, Texas Constitution, with the powers granted in that section.

(b) Except as otherwise provided by this chapter, a subdistrict has the powers specified in this chapter and the same powers as the district, including the power of eminent domain, and is subject to the same limitations.

(c) A subdistrict may not provide services outside its boundaries, except that it may provide retail water and sewer services in its customer service area as certificated by a state regulatory agency.

Sec. 11021.0508. SUBDISTRICT GOVERNING BOARD. (a) A subdistrict is governed by a board of supervisors consisting of at least five members, as determined by the district's board at the time the creation petition is granted.

(b) The initial board of supervisors shall be appointed by the district from among the residents of the subdistrict.

(c) The district shall make the appointments for terms specified in the order creating the subdistrict but not to exceed four years.

(d) The initial supervisors are subject to removal, with or without cause, by action of the district's board.

(e) Vacancies on the board of supervisors shall be filled by the district's board for the unexpired term.

(f) Except for the initial supervisors and before the issuance of bonds, notes, or other obligations of the subdistrict, members of the board of supervisors shall be elected in the manner provided by Chapter 49, Water Code. The election shall be held on the first Saturday in May. At the initial election of supervisors, the supervisors' positions shall be divided by the district's board into two groups as nearly equal as possible for the purpose of electing initial supervisors for two-year terms and four-year terms. Successor supervisors serve four-year terms.

Sec. 11021.0509. GENERAL POWERS OF SUBDISTRICTS. (a) A subdistrict may exercise the powers provided by this chapter and shall own and manage the affairs, works, and projects of the subdistrict subject to any contracts with the district.

(b) The issuance of bonds by the subdistrict is not effective until the issuance is approved by official action of the district's board.

Sec. 11021.0510. SUPERVISORS' COMPENSATION. The members of the board of supervisors are not entitled to receive compensation for serving as supervisors but may be reimbursed for actual reasonable expenses necessarily incurred on behalf of the subdistrict or in the discharge of their official duties.

Sec. 11021.0511. STATUS OF SUBDISTRICT. A subdistrict may only become a participant of the district.

Sec. 11021.0512. CONVERSION OF WATER SUPPLY CORPORATION TO A SUBDISTRICT. (a) On the adoption of a conversion resolution by the board of directors of any nonprofit water supply corporation doing business wholly or partly in the territory of the district, the board may consider the question of converting the nonprofit water supply corporation to a subdistrict by following the procedures provided by this subchapter for creation of subdistricts.

(b) The resolution required by Subsection (a) shall include, in addition to the information required by Section 11021.0502, a plan of conversion, including the proposed method for the transfer of assets and the assumption of debts to the subdistrict.

Sec. 11021.0513. MEETINGS OF BOARD OF SUPERVISORS. The board of supervisors of a subdistrict shall hold regular, special, or emergency meetings at the times and on the dates the board determines.

Sec. 11021.0514. SUBDISTRICT OFFICE; MEETING PLACE. The board of supervisors of each subdistrict shall designate a meeting place in the subdistrict as the regular office and meeting place, but the regular meeting place may be at the regular meeting place of the district if approved by order of the district.

Sec. 11021.0515. TAX EXEMPTION. (a) All property owned, operated, leased, or controlled by the district or a subdistrict is exempt from taxation.

(b) District or subdistrict bonds, transactions relating to the bonds, and profits made in the sale of the bonds are exempt from state taxation or taxation by a municipality, county, special district, or other political subdivision of the state.

SECTION 2. (a) The legal notice of the intention to introduce this Act, setting forth the general substance of this Act, has been published as provided by law, and the notice and a copy of this Act have been furnished to all persons, agencies, officials, or entities to which they are required to be furnished under Section 59, Article XVI, Texas Constitution, and Chapter 313, Government Code.

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

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

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

SECTION 3. Each entity that enters into a contract with the Wise Regional Water District before the second anniversary of the effective date of this Act and qualifies to be a participant or contract member shall appoint one member to the board of directors of the Wise Regional Water District before the second anniversary of the effective date of this Act.

SECTION 4. (a) Sections 11021.0303 and 11021.0507(b), Special District Local Laws Code, as added by Section 1 of this Act, take effect only if this Act receives a two-thirds vote of all the members elected to each house.

(b) If this Act does not receive a two-thirds vote of all the members elected to each house, Subchapter C, Chapter 11021, Special District Local Laws Code, as added by Section 1 of this Act, is amended by adding Section 11021.0303 to read as follows:

Sec. 11021.0303. ACQUISITION OF PROPERTY; NO POWER OF EMINENT DOMAIN. (a) The district may acquire by purchase any land, easements, rights-of-way, or other property or improvements inside or outside the boundaries of the district, including land above the probable high water line around any reservoirs in which the district has an ownership or operational interest, that are needed or are appropriate to carry out the powers and functions of the district.

(b) The district may not exercise the power of eminent domain.

(c) If this Act does not receive a two-thirds vote of all the members elected to each house, Section 11021.0507, Special District Local Laws Code, as added by Section 1 of this Act, is amended by adding Subsection (b) to read as follows:

(b) Except as otherwise provided by this chapter, a subdistrict has the powers specified in this chapter and the same powers as the district and is subject to the same limitations. The subdistrict may not exercise the power of eminent domain.

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

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

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