

GOVERNMENT CODE

TITLE 9. PUBLIC SECURITIES

SUBTITLE J. SPECIFIC AUTHORITY FOR MUNICIPALITIES TO ISSUE
SECURITIES

CHAPTER 1501. OBLIGATIONS FOR MUNICIPAL UTILITIES

SUBCHAPTER A. REVENUE BONDS FOR CERTAIN SEWAGE DISPOSAL FACILITIES

Sec. 1501.001. APPLICABILITY OF SUBCHAPTER. This subchapter applies only to a municipality that owns a sewer system and disposal plant that serves:

- (1) other municipalities; and
- (2) territory and military establishments outside the municipal boundaries.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.002. AUTHORITY TO ISSUE BONDS. A municipality by ordinance may issue bonds to finance the purchase or construction of an additional sewage disposal facility.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.003. PLEDGE OF REVENUE. (a) A municipality may secure bonds issued under this subchapter by a pledge of the net revenue from sewer service provided outside the municipal boundaries.

(b) Bonds issued under this subchapter may be additionally secured by a pledge of all or part of the net revenue from sewer service provided inside the municipal boundaries.

(c) In the ordinance authorizing the issuance of bonds secured only by the net revenue from sewer service provided outside the municipal boundaries, the municipality may:

(1) specify each item of expense or portion of the item to be deducted to compute that net revenue; or

(2) prescribe another formula the governing body of the municipality considers appropriate to compute that net revenue.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.004. AUTHORITY TO ISSUE ADDITIONAL BONDS. In issuing bonds under this subchapter, the municipality may reserve the right to issue additional bonds to the extent and subject to any condition included in the ordinance authorizing the bonds.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.005. CONTRACTS. A municipality may contract with another municipality, a person or corporation, or the United States to provide sewer service.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.006. RATES FOR SERVICE. (a) The governing body of a municipality that issues bonds under this subchapter shall establish rates for sewer service in amounts sufficient to:

(1) pay:

(A) maintenance and operation expenses;

(B) the bonds as they are scheduled to mature;

and

(C) interest on the bonds as it accrues; and

(2) establish and maintain any fund provided in the ordinance authorizing the bonds.

(b) Notwithstanding Subsection (a), the municipality may not, during the term of a contract for sewer service, increase the amount of the consideration for that service specified in the contract except:

(1) as the contract provides; or

(2) as the parties to the contract agree.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.007. OTHER LAW APPLICABLE; ELECTION NOT REQUIRED. (a) Subtitles A and C and Subchapter B, Chapter 1502, apply to the issuance of bonds under this subchapter except as provided by this subchapter.

(b) An election is not required to authorize the issuance of bonds under this subchapter.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

SUBCHAPTER B. APPLICATION OF UTILITY SYSTEM REVENUE TO BONDED DEBT
ON SYSTEM

Sec. 1501.051. AUTHORITY TO USE UTILITY REVENUE FOR SINKING FUND OR INTEREST PAYMENTS. (a) The governing body of a municipality may appropriate the net revenue from any municipal public utility system, service, or enterprise, in the amount that the governing body determines is in the best interest of the municipality, to:

(1) the credit of the sinking fund for any bonded debt incurred because of the utility system, service, or enterprise; or

(2) the payment of any interest on the bonded debt incurred because of that utility system, service, or enterprise.

(b) A governing body that makes an appropriation under Subsection (a) must make the appropriation:

(1) at the end of the municipality's fiscal year; and

(2) before the governing body adopts a tax rate for that fiscal year.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.052. EFFECT ON TAXES. (a) If in any fiscal year the amount of revenue appropriated under Section 1501.051 is at least equal to the amount needed for the sinking fund and to pay interest on the bonded indebtedness in that fiscal year, the governing body of the municipality is not required to impose a tax for that purpose.

(b) If the amount of revenue appropriated under Section 1501.051 is less than the amount needed for the sinking fund and to pay interest in the fiscal year, the governing body shall adopt a tax rate for that year sufficient to generate the amount of taxes necessary to credit or pay the deficiency in that year.

(c) This section does not authorize a municipality to exceed a limitation on taxes.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

SUBCHAPTER C. REVENUE BONDS TO FINANCE CERTAIN TEXAS-NEW MEXICO
ELECTRIC PROPERTIES

Sec. 1501.101. AUTHORITY TO ACQUIRE AND OPERATE TEXAS-NEW MEXICO ELECTRIC PLANT AND SYSTEM. A municipality that receives electricity from a privately owned electric plant and system, part of which is located in New Mexico, including a facility for the generation or transmission of electricity distributed in part to residents of the municipality, may acquire, own, and operate all or any part of that electric plant and system.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.102. AUTHORITY TO ISSUE REVENUE BONDS. A municipality may issue revenue bonds in the manner provided by general law to finance the acquisition of any part of the electric plant and system under Section 1501.101.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.103. AUTHORITY TO SELL ELECTRICITY OF PLANT AND SYSTEM. A municipality that acquires an electric plant and system under Section 1501.101 may:

(1) sell electricity either at retail or wholesale for distribution in New Mexico; and

(2) enter into a sales agreement for the electricity as the governing body of the municipality provides.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

SUBCHAPTER D. CERTIFICATES OF INDEBTEDNESS TO FINANCE JUDGMENTS OR SETTLEMENTS RELATED TO MUNICIPAL NATURAL GAS SYSTEM

Sec. 1501.151. AUTHORITY TO ISSUE CERTIFICATES OF INDEBTEDNESS. The governing body of a general-law municipality may authorize the issuance of certificates of indebtedness to pay:

(1) a final judgment of a court in a lawsuit arising from the municipality's operation of a natural gas system the municipality owns; or

(2) a settlement of such a lawsuit.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.152. NOTICE OF INTENTION TO ISSUE CERTIFICATES OF INDEBTEDNESS. (a) The governing body of the municipality may not authorize the issuance of certificates of indebtedness under this subchapter until the municipality gives notice of the municipality's intention to issue the certificates.

(b) The notice must:

(1) be published in a newspaper of general circulation in the municipality once each week for two consecutive weeks, with the first publication being before the 14th day before the date the governing body proposes to adopt the ordinance authorizing the issuance of the certificates of indebtedness; and

(2) state:

(A) the time and place the governing body of the municipality proposes to authorize the issuance;

(B) the maximum amount of the certificates to be issued; and

(C) the purpose for which the certificates are to be issued.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.153. PETITION; ELECTION. (a) If, before the certificates of indebtedness are authorized, a petition is filed with the secretary or clerk of the municipality protesting the issuance of the certificates that is signed by at least five percent of the registered voters of the municipality, the municipality may not issue the certificates unless a proposition for the issuance of the certificates is approved at an election held for that purpose.

(b) The governing body shall hold the election in the manner provided by Chapter [1251](#) for a bond election.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.154. MATURITY. A certificate of indebtedness issued under this subchapter must mature not later than 20 years after its date.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.155. SIGNATURES; SEAL. A certificate of

indebtedness issued under this subchapter must:

- (1) be signed by the mayor and the secretary or clerk of the municipality; and
- (2) bear the seal of the municipality.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.156. SALE OF CERTIFICATES. (a) A municipality may sell certificates of indebtedness issued under this subchapter:

- (1) at a public or private sale;
- (2) on terms the governing body of the municipality determines; and
- (3) with an option to prepay principal as the governing body of the municipality considers advisable.

(b) A municipality shall sell the certificates for cash.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.157. USE OF PROCEEDS. A municipality shall use the proceeds from the sale of certificates of indebtedness issued under this subchapter for a purpose authorized by this subchapter.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.158. IMPOSITION OF AD VALOREM TAX. The governing body of the municipality shall impose an annual ad valorem tax sufficient to pay when due the principal of and interest on each certificate of indebtedness issued under this subchapter.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

SUBCHAPTER E. BONDS FOR IMPROVEMENT OF WATER AND SEWER SYSTEMS IN MUNICIPALITIES WITH POPULATION OF MORE THAN 275,000

Sec. 1501.201. APPLICABILITY OF SUBCHAPTER. This subchapter applies only to:

- (1) a municipality that has:
 - (A) a population of more than 275,000; and
 - (B) a municipal water and sewer system operated by a water board; and
- (2) a water control and improvement district that:

(A) is located in whole or in part within the boundaries of a municipality described by Subdivision (1); and

(B) owns district property that is operated, under a contract between a municipality described by Subdivision (1) and the district, by a water board established by the charter of the municipality or by ordinance.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.202. DEFINITIONS. In this subchapter:

(1) "District property" means water or sewer property owned by a water control and improvement district that a municipality can use as, or use as an improvement or extension of, the water and sewer system of the municipality.

(2) "Water board" means a board of trustees or public service board.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.203. AUTHORITY TO ISSUE BONDS. A municipality may issue bonds to pay for the purchase of district property to improve or extend the municipal water and sewer system.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.204. PLEDGE OF REVENUE. Bonds issued under this subchapter must be secured by a pledge of and be payable from the net revenue of the municipal water and sewer system, including any district property purchased with the bond proceeds.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.205. NOTICE OF INTENTION TO ISSUE BONDS. (a) A municipality may not issue bonds under this subchapter until the mayor of the municipality gives notice of the municipality's intention to issue the bonds.

(b) The notice must:

(1) be published in a newspaper of general circulation in the municipality once each week for two consecutive weeks, with the first publication being before the 14th day before the date the governing body of the municipality proposes to adopt an ordinance

authorizing the issuance of the bonds; and

- (2) state the maximum:
 - (A) amount of bonds to be issued;
 - (B) interest rate of the bonds; and
 - (C) maturity of the bonds.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.206. PETITION; ELECTION. (a) If, before the date the governing body of the municipality proposes to adopt the ordinance authorizing the issuance of the bonds, a petition is filed with the secretary or clerk of the municipality requesting an election on the issuance of the bonds that is signed by at least 10 percent of the registered voters of the municipality, the municipality may not issue the bonds unless a proposition for the issuance of the bonds is approved by a majority of the qualified voters of the municipality voting at an election held for that purpose.

(b) The governing body shall hold the election in the manner provided by Chapter [1251](#).

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.207. SALE OF DISTRICT PROPERTY. A district may sell to a municipality, and the municipality may buy, district property only if the purchase price paid, when added to other applicable money of the district, is sufficient to provide for the payment of:

- (1) all outstanding district bonds, including interest on the bonds to:
 - (A) the maturity dates of the bonds; or
 - (B) the dates the district sets for redemption of the bonds;
- (2) any required redemption premium; and
- (3) any applicable fee of the bank of payment.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.208. INTEREST AND SINKING FUND OF DISTRICT. (a) The interest and sinking fund of a district must be permanently

maintained in the bank where bonds of the district are payable.

(b) A district to which money is paid under Section 1501.207 shall promptly deposit that money, as well as other applicable money and investments of the district, to the credit of the interest and sinking fund of the district.

(c) A bank of payment that receives a deposit of money or an investment shall hold that money or investment in trust for the benefit of the holders of outstanding bonds of the district.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.209. INVESTMENT OF MONEY IN INTEREST AND SINKING FUND. (a) The district's interest and sinking fund must be:

(1) immediately invested in direct obligations of the United States;

(2) deposited in a bank or savings and loan association, to the extent that the deposit is insured by an agency of the United States; or

(3) placed in a combination of investments described by Subdivision (1) and deposits described by Subdivision (2).

(b) An investment of the district's interest and sinking fund must mature and produce income, without reinvestment, at times and in amounts sufficient to pay:

(1) the principal of the district's bonds as it becomes due;

(2) interest on the district's bonds as it becomes due;

(3) any redemption premium on the redemption date; and

(4) any applicable fee of the bank of payment.

(c) The district shall apply money that exceeds the amount needed under Subsection (b) to the payment of other debts of the district.

(d) On request of the water board that operates property purchased under this subchapter, the bank in which the interest and sinking fund of the district is maintained shall pay to the water board any money or investment in that fund that exceeds the amount needed under Subsection (b).

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.210. PAYMENT OF OUTSTANDING BONDS. After money has been deposited with the bank where the outstanding district bonds are payable, the district or the municipality may pay off any outstanding district bonds if the money and investments that would remain to the credit of the interest and sinking fund are sufficient to provide for the payment of:

(1) all of the remaining outstanding bonds of the district;

(2) the interest on the remaining outstanding bonds of the district to:

(A) the maturity dates of the bonds; or

(B) the date set by the district for redemption of its bonds; and

(3) any required redemption premium.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.211. ORDINANCE SPECIFYING DATE OF PASSAGE OF TITLE; ABOLITION OF DISTRICT. (a) After a municipality pays the purchase money for district property and that money is invested in compliance with Section 1501.209, the governing body of the municipality by ordinance shall specify the date on which title to that property passed or will pass to the municipality. The date specified may be the first day of the fiscal year in which the municipality purchases the district property.

(b) Title to the district property vests in the municipality for all purposes on the date specified in the ordinance.

(c) The governing body of the municipality shall abolish the district by the ordinance required by Subsection (a) or a subsequent ordinance.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.212. OPERATION AND MANAGEMENT OF PROPERTIES. After the governing body of a municipality abolishes a district under Section 1501.211, the water board that manages the other water and sewer properties of the municipality:

(1) shall operate and manage the district property

purchased under this subchapter; and

(2) may integrate that property into the municipal water and sewer system to any extent.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.213. SEGREGATION OF PROPERTIES. (a) Notwithstanding Section 1501.212(2), the payment or security of the district's outstanding bonds may not be impaired.

(b) If money is not available at the bank of payment for the district's bonds to pay the principal of or the interest on the bonds as it becomes due, the water board shall segregate from the municipal water and sewer system all district property purchased under this subchapter, including any replacement, renewal, or improvements of that property.

(c) The segregation of property must be accomplished so that the district property:

(1) is a complete and operating system; and

(2) serves substantially the same area as the district property served when title to the property vested in the municipality.

(d) After segregation, the water board:

(1) shall maintain and operate the district system separately;

(2) shall comply with the resolutions authorizing the district's outstanding bonds; and

(3) has each power, duty, and obligation previously held by the district's board of directors regarding the:

(A) maintenance and operation of the system;

(B) handling of the district's funds; and

(C) payment of the district's outstanding bonds.

(e) For purposes of Subsection (d), the water board is a body corporate and occupies the same position as the district's board of directors.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

SUBCHAPTER F. ALTERNATIVE WATER SUPPLY FINANCING PROCEDURE FOR
MUNICIPALITIES WITH POPULATION OF MORE THAN 275,000

Sec. 1501.251. APPLICABILITY OF SUBCHAPTER. This subchapter applies only to a municipality:

- (1) that has a population of more than 275,000;
- (2) in which a majority of the qualified voters voting in an election have voted to authorize the municipality to contract with a river authority created under Section 59, Article XVI, Texas Constitution, to acquire a water supply project from that authority; and
- (3) that holds a permit issued by the Texas Natural Resource Conservation Commission for the municipality to use the water supply.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.252. ALTERNATIVE FINANCING PROCEDURE. (a) This subchapter does not affect the right of a municipality or a river authority to finance all of the cost of a water supply project, or any part of the cost of the project that is not payable by the municipality, by revenue bonds issued by the river authority and based on the contract described by Section 1501.251(2).

(b) The municipality and river authority may amend the contract described by Section 1501.251(2) to implement the financing procedure provided by this subchapter, including amending the contract to:

- (1) define the extent of the municipality's rights in the water supply project;
- (2) prescribe arrangements for auditing the funds and accounts used in the construction program; and
- (3) provide procedures under which the municipality will make available to the river authority proceeds from revenue bonds issued under this subchapter, as necessary to pay construction costs, including:
 - (A) the cost of the municipality's intake structures and pumping and filtration equipment; and
 - (B) the portion of costs that, under the contract, the river authority is not required to pay by the proceeds of the authority's revenue bonds.

(c) The municipality may:

(1) issue its revenue bonds, payable from the revenues of the municipality's:

(A) waterworks system; or

(B) waterworks and sanitary sewer system, if the systems are combined in the municipality; and

(2) use the proceeds of the bonds as provided by this subchapter.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.253. WATER SUPPLY PROJECT OWNERSHIP AND RESPONSIBILITIES. (a) The water supply project of the river authority may consist of:

(1) a dam;

(2) a reservoir;

(3) related outlet facilities; and

(4) land, easements, or flowage rights.

(b) The river authority shall construct and operate the water supply project.

(c) The river authority shall own the property and each facility of the water supply project except for any part of the water supply project property that the municipality owns under the contract between the municipality and the river authority.

(d) Except for the water supply project and any facility the contract between the municipality and the river authority specifies, the municipality shall own, construct, and operate any other facility needed to deliver to the municipality treated water from the water supply project, including:

(1) the intake structure;

(2) pumping stations, pipelines, and equipment;

(3) treatment and filtration plants;

(4) all intermediate and terminal reservoirs, including intermediate reservoirs used to store water from the water supply project; and

(5) pumping and pipeline facilities to convey water to and from intermediate reservoirs.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.254. ORDINANCE AUTHORIZING AND ISSUANCE OF BONDS.

(a) When the designs, plans, and specifications of the water supply project of the river authority are complete to the extent that they have been approved by the governing bodies of the authority and the municipality, the governing body of the municipality by ordinance may authorize the issuance of revenue bonds in the amount estimated to be sufficient to pay:

(1) the entire cost of the water supply project to be incurred by the river authority, including interest during construction; or

(2) the portion of the cost of the water supply project the municipality has contracted to pay.

(b) The governing body of the municipality may issue the bonds in an amount sufficient to pay:

(1) the cost of providing the facilities described by Section 1501.253(d), including any land, easement, or right-of-way needed for a facility; and

(2) interest during construction.

(c) The ordinance may reserve the right, and specify the conditions under which the right may be exercised, to issue additional revenue bonds on a parity with or subordinate to the original bonds.

(d) The ordinance must provide that all deposits to the credit of the interest and sinking fund, the reserve fund, or another fund must be made from the revenue from the waterworks system of the municipality, or the waterworks and sanitary sewer system of the municipality if those systems are combined.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.255. NOTICE OF INTENTION TO ISSUE BONDS.

(a) The governing body of the municipality may not adopt an ordinance authorizing the issuance of bonds under this subchapter until the governing body gives notice of the time it proposes to adopt the ordinance.

(b) The notice must be published in at least two issues of a newspaper of general circulation in the municipality, with the

first publication being not less than 14 days before the date the governing body proposes to adopt the ordinance.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Amended by Acts 2001, 77th Leg., ch. 1420, Sec. 8.022, eff. Sept. 1, 2001.

Sec. 1501.256. PETITION; ELECTION. (a) If, before the governing body of the municipality is scheduled to adopt the ordinance authorizing the bonds, a petition is filed with the secretary of the municipality requesting an election on the issuance of the bonds that is signed by at least 10 percent of the registered voters who are resident owners of taxable property in the municipality, the municipality may not issue the bonds unless a proposition for the issuance of the bonds is approved by a majority of the qualified voters of the municipality voting at an election held for that purpose.

(b) The governing body may hold an election on the issuance of the bonds regardless of whether a petition is filed.

(c) The governing body shall hold the election in the manner provided by Chapter [1251](#).

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.257. MATURITY. Bonds issued under this subchapter must mature within 40 years, as provided by the ordinance authorizing the issuance of the bonds.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.258. SIGNATURES. A bond issued under this subchapter must be signed by:

(1) the mayor; and

(2) another designated officer of the municipality.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.259. SALE OF BONDS. A municipality may sell bonds issued under this subchapter under terms the governing body of the municipality determines to be the most advantageous and reasonably obtainable.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.260. INTERIM BONDS. Pending the issuance of definitive bonds under this subchapter, the municipality may authorize the delivery of negotiable interim bonds exchangeable for definitive bonds.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.261. RATES, TOLLS, AND CHARGES. After bonds are issued under this subchapter, the governing body of the municipality shall establish the rates, tolls, and charges for service provided by the municipality's waterworks system, or combined waterworks and sanitary sewer system if appropriate, in amounts sufficient to:

- (1) pay the cost of operating and maintaining the system;
- (2) pay when due the principal of and interest on the bonds; and
- (3) establish and maintain the reserve fund and other funds prescribed by the ordinance authorizing the bonds.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.262. DEPOSIT AND USE OF BOND PROCEEDS. (a) The governing body of the municipality:

- (1) shall provide for the deposit of money to the credit of the interest and sinking fund, the reserve fund, and other funds as prescribed by the ordinance authorizing the bonds; and
- (2) may provide for all or part of the bond proceeds to be deposited to the credit of those funds as necessary to pay interest during construction and for an additional period not to exceed two years.

(b) The municipality shall deposit the bond proceeds to the credit of a fund to be used solely to pay:

- (1) the cost of issuing and selling the bonds;
- (2) the construction cost of any part of the water supply project that the contract between the municipality and the river authority obligates the municipality to provide; and

(3) the construction cost of any part of the facilities to be constructed, owned, and operated by the municipality as provided by Section 1501.253.

(c) Before the use of the bond proceeds for construction or during the period of construction, the municipality may:

(1) invest the proceeds in bonds or other direct obligations of the United States; and

(2) sell the investments as directed by the governing body for construction purposes when necessary.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.263. REFUNDING BONDS. (a) A municipality may issue refunding bonds to refund outstanding bonds issued under this subchapter and interest on the outstanding bonds. The municipality may issue refunding bonds without holding an election to approve the issuance.

(b) The municipality may provide additional security for the refunding bonds.

(c) The comptroller shall register the refunding bonds on the surrender and cancellation of the bonds to be refunded.

(d) In lieu of issuing bonds to be registered on the surrender and cancellation of the bonds to be refunded, the municipality, in the ordinance authorizing the issuance of the refunding bonds, may provide for the sale of the refunding bonds and the deposit of the proceeds in a bank at which the bonds to be refunded are payable. In that case, the refunding bonds may be issued in an amount sufficient to pay the interest on the bonds to be refunded to their maturity date or redemption date and the amount of any call premium, and the comptroller shall register the refunding bonds without the surrender and cancellation of the bonds to be refunded.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1501.264. CONFLICT WITH OTHER LAW. To the extent of a conflict or inconsistency between this subchapter and another law or a special or home-rule charter, this subchapter controls.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.