

LOCAL GOVERNMENT CODE

TITLE 13. WATER AND UTILITIES

SUBTITLE B. COUNTY WATER

CHAPTER 563. WATER, WASTEWATER, OR SOLID WASTE SYSTEMS IN COUNTIES
WITH POPULATION OF 10,000 OR LESS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 563.001. APPLICABILITY OF CHAPTER. This chapter applies only to a county that:

- (1) adopts an order under Section 563.052; and
- (2) has a population of 10,000 or less, according to the most recent federal census, on the date on which the order is adopted.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.001 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.77(16), eff. April 1, 2009.

Sec. 563.002. COUNTY FINANCING OF WATER OR WASTEWATER SYSTEM. The commissioners court of a county may spend money in the general fund of the county or issue and sell bonds to finance the county's:

- (1) wastewater collection and treatment system; or
- (2) water supply and distribution system.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.002 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

SUBCHAPTER B. COUNTY UTILITY SYSTEM BOARD FOR WATER, WASTEWATER, OR
SOLID WASTE SYSTEM

Sec. 563.051. DEFINITION. In this subchapter, "board"

means a county utility system board established under Section 563.052.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.051 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.77(17), eff. April 1, 2009.

Sec. 563.052. AUTHORITY TO ESTABLISH BOARD. (a) The commissioners court of a county by order adopted at a regular meeting of the court may establish a county utility system board to operate and manage the county's:

- (1) wastewater collection and treatment system;
- (2) water supply and distribution system; or
- (3) solid waste collection and disposal system.

(b) The board is responsible for the operation and management of each utility system that is:

- (1) owned or being acquired by the county; and
- (2) placed under its control under Subsection (a).

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.052 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.053. BOARD COMPOSITION. (a) The board is composed of five directors.

(b) One director must be a member of the commissioners court appointed by the court at its first meeting of each county fiscal year.

(c) Four directors are elected by voters in the county. The elected positions are designated as positions 1, 2, 3, and 4. Elected directors serve two-year terms with the terms of positions 1 and 3 beginning October 1 of each odd-numbered year and the terms of positions 2 and 4 beginning October 1 of each even-numbered year. A candidate must be a qualified voter of the county.

(d) An election shall be held on the second Saturday of each September to fill the appropriate director positions.

(e) The commissioners court shall appoint temporary directors to serve until the initially elected directors take office.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.053 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.054. BOARD OFFICERS. (a) The directors shall select a president, vice president, secretary, and treasurer to serve one-year terms.

(b) The president and vice president must be members of the board. The secretary and treasurer are not required to be board members.

(c) The offices of secretary and treasurer may be combined.

(d) The president is the board's chief executive officer and budget officer and shall preside at the meetings of the board.

(e) The vice president shall act as president if the president is incapacitated or absent from a meeting.

(f) The secretary shall keep the records and the minutes of the meetings of the board.

(g) The board shall require the treasurer to give a bond in the amount equal to the estimated amount to be held, at any time, by the treasurer. The board shall pay the bond premium.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.054 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.055. COMPENSATION OF DIRECTORS. A director is entitled to receive:

(1) reimbursement for actual expenses incurred in conducting the business of the board; and

(2) a fee in the amount set by the commissioners court for each meeting attended.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.055 by Acts
2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff.
April 1, 2009.

Sec. 563.056. APPLICABILITY OF OTHER LAW TO BOARD AND
COUNTY. (a) The board is subject to:

- (1) Subchapter C, Chapter 262;
- (2) the open meetings law, Chapter 551, Government
Code;
- (3) the public information law, Chapter 552,
Government Code; and
- (4) Chapter 2256, Government Code.

(b) The board is a governmental unit for purposes of Chapter
101, Civil Practice and Remedies Code, and all of its activities are
essential governmental functions.

(c) The board and the county when operating under this
subchapter are subject to:

- (1) Chapter 271;
- (2) Chapter 1371, Government Code; and
- (3) Subchapters C and D.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.056 by Acts
2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff.
April 1, 2009.

Sec. 563.057. BYLAWS. (a) The board may adopt bylaws to
regulate its affairs and establish the area in the county in which
it has responsibility for providing utility service.

(b) The bylaws may provide for a seal for the board.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.057 by Acts
2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff.
April 1, 2009.

Sec. 563.058. UTILITY SYSTEM'S BUDGET. (a) The president
of the board, with the assistance of the business manager, shall

propose a budget for each utility system under the board's control that includes for the next fiscal year of the county:

(1) the anticipated revenue of that utility system by each source; and

(2) the expenses of that utility system and the board.

(b) The president shall submit the budget to the board not later than June 1 of each year.

(c) The board shall:

(1) schedule a public hearing to consider the budget not later than July 1 of each year;

(2) adopt a final budget not later than July 15 of each year; and

(3) submit the final budget to the commissioners court for consideration as a part of the county budget.

(d) Until the county budget is adopted, the budget for each utility system is the same as the budget for that system in the preceding fiscal year. If a system's preceding budget was for a period shorter than a complete fiscal year, the budget for that system is increased proportionally to cover a fiscal year.

(e) The board and the commissioners court shall include in the budget an amount sufficient to pay and secure any outstanding obligation under this chapter to the extent the obligation is payable from the revenue of a utility system.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.058 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. [2278](#)), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.059. DEPOSIT OF REVENUE. (a) Except as provided by Subsection (b), the treasurer of the board shall deposit all revenue from a system operated and managed by the board to the credit of one or more separate accounts in the county depository.

(b) The treasurer may deposit amounts set aside for the payment or security of obligations issued on behalf of the board with the paying agent as provided by the order authorizing the issuance of the obligations.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.

Renumbered from Local Government Code, Section 413.059 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.060. DISBURSEMENT OF UTILITY SYSTEM'S MONEY. (a) The board in its bylaws shall provide procedures under which money the board deposits in the county depository may be spent only after the board has determined that the money for payment was properly budgeted. Approval of the board is not required for the transfer of money to a paying agent to pay and secure an outstanding obligation.

(b) A check issued by the board must be signed by at least two persons, at least one of whom is an officer of the board.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999. Renumbered from Local Government Code, Section 413.060 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.061. RATES AND CHARGES. The board may establish rates and charges for services, fees for connections, security deposits, and other charges required for efficient operation of each utility system for which it has responsibility.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999. Renumbered from Local Government Code, Section 413.061 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.062. USE OF EMINENT DOMAIN PROHIBITED. The board may not exercise the power of eminent domain.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999. Renumbered from Local Government Code, Section 413.062 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.063. EXTENSION OR IMPROVEMENT OF SYSTEM. (a) The board may provide for an extension or improvement to a utility system.

(b) The board may not provide for the extension of service

to an area within the boundaries or extraterritorial jurisdiction of a municipality or within a conservation and reclamation district created under Section 59, Article XVI, Texas Constitution, without the consent of the governing body of the municipality or district.

(c) The service area of the board may not include territory that on June 6, 1993, was served by another utility under a certificate of public convenience and necessity unless the certificate ceases to be effective.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.063 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.064. PURCHASE OF WATER OR WASTEWATER SYSTEM. With the approval of the commissioners court, the board may purchase an existing privately owned wastewater collection and treatment system or water supply and distribution system that supplies retail utility service in the county.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.064 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.065. ABOLITION OF CONSERVATION AND RECLAMATION DISTRICT. (a) With the consent of the directors of a conservation and reclamation district located in a county, the commissioners court of the county may assume the outstanding obligations of the district and provide for the abolition of the district.

(b) The territory of the former district remains secondarily liable for the payment of any taxes pledged to the payment of an outstanding debt of the former district until the debt is paid or payment has been provided for, including refunding by the county. The commissioners court as the successor to the district shall impose those taxes in the territory of the former district.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.065 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff.

April 1, 2009.

Sec. 563.066. AUTHORITY TO ISSUE AD VALOREM TAX OBLIGATIONS. (a) The board may not incur or issue an obligation that is payable, in whole or in part, from ad valorem taxes.

(b) The commissioners court of the county by order may authorize on behalf of the board the issuance of obligations payable in whole or in part from ad valorem taxes to acquire, improve, repair, or extend the county's wastewater collection system, treatment system, water supply and distribution system, or solid waste collection and disposal system.

(c) An order under Subsection (b) must be adopted at a regular meeting of the commissioners court.

(d) If the obligations authorized under this section are payable from ad valorem taxes and revenue, the board must also approve the issuance of the obligations.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.066 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.067. AUTHORITY TO ISSUE REVENUE OBLIGATIONS. The board by resolution may authorize the issuance of obligations for one or more of the purposes described by Section 563.066(b) that are payable solely from the revenue of one or more systems.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.067 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.77(18), eff. April 1, 2009.

Sec. 563.068. MATURITY. An obligation issued under this subchapter must mature not later than 40 years after its date.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.068 by Acts

2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

SUBCHAPTER C. BONDS FOR WATER OR WASTEWATER SYSTEM

Sec. 563.101. PLEDGE FOR PAYMENT OF BONDS. The commissioners court of a county may provide for the payment of the principal of and interest on bonds issued under this chapter:

(1) by pledging all or part of the county's revenue from its wastewater collection and treatment system or water supply and distribution system; or

(2) from other sources.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999. Renumbered from Local Government Code, Section 413.101 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.102. ADDITIONAL BOND SECURITY. (a) Bonds issued under this chapter may be secured additionally by an encumbrance on part or all of the physical property of the wastewater collection and treatment system or water supply and distribution system and each right relating to that property, vesting in the trustee the power to:

(1) operate the property;

(2) sell the property to pay the debt; or

(3) take any other action to secure the bonds.

(b) Regardless of an encumbrance on the property, a trust indenture on the property may:

(1) contain any provision that the commissioners court prescribes for the security of the bonds and the preservation of the trust estate;

(2) provide for amendment or modification of the trust indenture; and

(3) provide for investment of money from the wastewater collection and treatment system or water supply and distribution system.

(c) A purchaser under a sale under the encumbrance on the

physical property:

(1) is the absolute owner of the property and the rights purchased; and

(2) may maintain and operate the property.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.102 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.103. CONTENTS OF ORDER OR RESOLUTION AUTHORIZING ISSUANCE OF BONDS. (a) An order or resolution of the commissioners court authorizing the issuance of bonds, including refunding bonds, under this chapter may:

(1) provide for the flow of funds and the establishment and maintenance of an interest and sinking fund, a reserve fund, or another fund;

(2) prohibit the further issuance of obligations payable from the pledged revenues or reserve the right to issue additional bonds that are on a parity with, or subordinate to, the lien and pledge on the revenue being used to support the bonds being issued; and

(3) contain any other provision determined by the commissioners court.

(b) The commissioners court may make covenants with respect to the bonds, the pledged revenues, and the operation and maintenance of any facilities the revenue of which is pledged.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.103 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.104. ADOPTION AND EXECUTION OF DOCUMENTS. The commissioners court may adopt and have executed any other proceeding or instrument necessary and convenient in the issuance of bonds under this chapter.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.104 by Acts

2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.105. MATURITY. A bond issued under this chapter other than a bond issued under Subchapter B must mature not later than 25 years after its date of issuance.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999. Renumbered from Local Government Code, Section 413.105 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.106. AUTHORIZED INVESTMENT FOR SAVINGS AND LOAN ASSOCIATION. A bond issued under this chapter is an authorized investment for a savings and loan association.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999. Renumbered from Local Government Code, Section 413.106 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.107. EXEMPTION FROM TAXATION. A bond issued under this chapter, any transaction relating to the bond, and profits made in the sale of the bond are exempt from taxation by this state or by a municipality or other political subdivision of the state.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999. Renumbered from Local Government Code, Section 413.107 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

SUBCHAPTER D. REFUNDING BONDS

Sec. 563.151. AUTHORITY TO ISSUE REFUNDING BONDS. A county may issue bonds under this subchapter to refund all or part of its outstanding bonds issued under this chapter, including matured but unpaid interest coupons.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999. Renumbered from Local Government Code, Section 413.151 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff.

April 1, 2009.

Sec. 563.152. SOURCES AVAILABLE FOR PAYMENT. Refunding bonds issued under this subchapter may be payable from any source, including the source from which the bonds to be refunded are payable.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999. Renumbered from Local Government Code, Section 413.152 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.153. REGISTRATION. The comptroller shall register refunding bonds issued under this subchapter on surrender and cancellation of the bonds to be refunded.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999. Renumbered from Local Government Code, Section 413.153 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.154. AUTHORITY TO DEPOSIT WITH PAYING AGENT. (a) In an order or resolution authorizing the issuance of refunding bonds, the commissioners court may provide that proceeds from the sale of the bonds are to be deposited with the person at whose location the bonds to be refunded are payable.

(b) If the authorization includes a provision authorized by Subsection (a), the commissioners court may issue the refunding bonds before the cancellation of the bonds to be refunded. The commissioners court shall deposit with the person at whose location the bonds to be refunded are payable an amount sufficient to pay the principal of those bonds and interest on those bonds accruing to the maturity date or to the option date if the bonds have been called for payment before maturity according to their terms.

(c) The comptroller shall register refunding bonds issued under this section without the surrender and cancellation of the bonds to be refunded.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999. Renumbered from Local Government Code, Section 413.154 by Acts

2007, 80th Leg., R.S., Ch. 885 (H.B. [2278](#)), Sec. 3.76(b)(3), eff. April 1, 2009.

Sec. 563.155. MANNER OF REFUNDING. The refunding may take place in one delivery or in installment deliveries.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 15, eff. Sept. 1, 1999.
Renumbered from Local Government Code, Section 413.155 by Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. [2278](#)), Sec. 3.76(b)(3), eff. April 1, 2009.