

SPECIAL DISTRICT LOCAL LAWS CODE
TITLE 6. WATER AND WASTEWATER
SUBTITLE X. DISTRICTS WITH COMBINED POWERS
CHAPTER 11005. MUENSTER WATER DISTRICT

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 11005.001. DEFINITIONS. In this chapter:

- (1) "Board" means the board of directors of the district.
- (2) "City" means the city of Muenster.
- (3) "City council" means the city council of the city.
- (4) "Director" means a member of the board appointed by the city council.
- (5) "District" means the Muenster Water District.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.002. NATURE OF DISTRICT. The district is a conservation and reclamation district created under Section [59](#), Article XVI, Texas Constitution.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.003. FINDINGS OF BENEFIT AND PUBLIC PURPOSE.

(a) All territory and taxable property in the city will benefit from the works and improvements of the district.

(b) The accomplishment of the purposes stated in this chapter will benefit the people of this state and improve their property and industries.

(c) The district, in carrying out the purposes of this chapter, will be performing an essential public function under the constitution.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

SUBCHAPTER B. DISTRICT TERRITORY; ANNEXATION

Sec. 11005.051. DISTRICT TERRITORY. (a) The boundaries of the district are coextensive with the boundaries of the city as those boundaries existed on January 1, 1973, and as the district territory may have been modified under:

(1) this subchapter or its predecessor statute, Section 7, Chapter 619, Acts of the 63rd Legislature, Regular Session, 1973;

(2) Subchapter J, Chapter 49, Water Code; or

(3) other law.

(b) An invalidity in the fixing of the boundaries of the city as they existed on January 1, 1973, does not affect the boundaries of the district.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.052. ANNEXATION OF CITY TERRITORY.

(a) Territory annexed to the city after January 1, 1973, may be annexed to the district as provided by this section.

(b) At any time after final passage of an ordinance or resolution annexing territory to the city, the board may give notice of a hearing on the question of annexing that territory to the district. The notice is sufficient if it:

(1) states the date and place of the hearing; and

(2) describes the territory proposed to be annexed or refers to the annexation ordinance or resolution of the city.

(c) At least 10 days before the date set for the hearing, the notice must be published one time in a newspaper of general circulation in the city.

(d) If, as a result of the hearing, the board finds that the territory will benefit from the present or contemplated improvements, works, or facilities of the district, the board shall adopt a resolution annexing the territory to the district.

(e) After the territory is annexed to the district, the board may hold an election in the entire district to determine whether:

(1) the entire district will assume any tax-supported bonds then outstanding and those bonds previously voted but not yet sold; and

(2) an ad valorem tax for the payment of the bonds will be imposed on all taxable property in the district.

(f) An election held under Subsection (e) must be held and notice must be given in the same manner as an election is held and notice is given under Section 11005.254 for the issuance of bonds. Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.053. ANNEXATION OF OTHER TERRITORY.

(a) Territory other than territory subject to Section 11005.052 may be annexed to the district as provided by this section.

(b) The board may annex territory or a municipality under this section only if a petition requesting annexation is signed by 50 registered voters of the territory or municipality to be annexed, or a majority of the registered voters of that territory or municipality, whichever is fewer, and is filed with the board. The petition must describe the territory to be annexed by metes and bounds, or otherwise. If the territory is the same as that contained in the boundaries of a municipality, the petition is sufficient if it states that the territory to be annexed is the territory contained in the municipal boundaries.

(c) If the board finds that the petition complies with Subsection (b), that the annexation would be in the best interest of the territory or municipality and the district, and that the district will be able to supply water to the territory or municipality, the board shall:

(1) adopt a resolution stating the conditions, if any, under which the territory or municipality may be annexed to the district; and

(2) set a time and place to hold a hearing on the question of whether the territory or municipality to be annexed will benefit from:

(A) the improvements, works, or facilities owned or operated or contemplated to be owned or operated by the district;

or

(B) the other functions of the district.

(d) At least 10 days before the date of the hearing, notice of the adoption of the resolution stating the time and place of the hearing must be published one time in a newspaper of general circulation in the territory or municipality proposed to be annexed. The notice must describe the territory in the same manner in which Subsection (b) requires or permits the petition to describe the territory.

(e) Any interested person may appear at the hearing and offer evidence for or against the annexation.

(f) The hearing may proceed in the order and under the rules prescribed by the board. The hearing may be recessed from time to time.

(g) If, at the conclusion of the hearing, the board finds that the property in the territory or municipality will benefit from the present or contemplated improvements, works, or facilities of the district, the board shall adopt a resolution making a finding of the benefit and calling an election in the territory or municipality to be annexed.

(h) The resolution must state:

- (1) the date of the election;
- (2) each place where the election will be held; and
- (3) the proposition to be voted on.

(i) At least 10 days before the date set for the election, notice of the election must be given by publishing a substantial copy of the resolution calling the election one time in a newspaper of general circulation in the territory proposed to be annexed.

(j) In calling an election on the proposition for annexation of the territory or municipality, the board may include, as part of the same proposition or as a separate proposition, a proposition for:

(1) the territory to assume its part of the tax-supported bonds of the district then outstanding and those bonds previously voted but not yet sold; and

(2) an ad valorem tax to be imposed on taxable property in the territory along with the tax in the rest of the district for

the payment of the bonds.

(k) If a majority of the votes cast at the election are in favor of annexation, the board by resolution shall annex the territory to the district.

(l) An annexation under this section is incontestable except in the manner and within the time for contesting elections under the Election Code.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.054. DETACHMENT OF DISTRICT TERRITORY AFTER ISSUANCE OF BONDS. Territory may not be detached from the district after the issuance of bonds payable from revenue or taxes, or both revenue and taxes.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

SUBCHAPTER C. BOARD OF DIRECTORS

Sec. 11005.101. COMPOSITION OF BOARD; TERMS. (a) The district is governed by a board of five directors appointed by the city council. The directors occupy numbered places on the board.

(b) Directors serve staggered two-year terms, with the terms of the directors occupying Places 1, 2, and 3 expiring at midnight on March 1 of each odd-numbered year and the terms of the directors occupying Places 4 and 5 expiring at midnight on March 1 of each even-numbered year.

(c) The mayor of the city serves, ex officio, as an honorary board member. The mayor may attend all board meetings and participate in all board proceedings except that the mayor may not vote.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.102. COMPENSATION OF DIRECTORS. (a) A director may not receive any remuneration or emolument of office, but the director is entitled to reimbursement for the actual expenses

incurred in performing the director's duties, to the extent authorized and permitted by the board.

(b) In all areas of conflict with Subsection (a) of this section, Section 49.060, Water Code, takes precedence.

(c) A director's compensation may be increased as authorized by Section 49.060, Water Code, by resolution adopted by the board in accordance with Subsection (e) of that section on or after September 1, 1995.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.103. QUALIFICATIONS FOR OFFICE. (a) To be eligible to be appointed or to serve as a director, a person:

(1) must be a resident, qualified voter of the district;

(2) must not hold any other public office; and

(3) must not be an officer or employee of the city.

(b) A director is eligible for reappointment.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.104. VACANCIES. Any vacancy occurring on the board shall be filled for the unexpired term by appointment in the manner in which the vacating director was appointed.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.105. REMOVAL FROM OFFICE. (a) After reasonable notice and a public hearing, the board may remove a director from office for misfeasance, malfeasance, or wilful neglect of duty.

(b) Reasonable notice and a public hearing are not required if the notice and hearing are expressly waived in writing.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.106. BOARD RESOLUTIONS; QUORUM; VOTING REQUIREMENTS. (a) The district shall act through resolutions

adopted by the board.

(b) Three directors constitute a quorum.

(c) Each director has a vote.

(d) The affirmative vote of at least three directors is necessary to adopt any resolution.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.107. OFFICERS AND ASSISTANTS. (a) The board shall elect a president, vice president, secretary, and treasurer at the first meeting of the board in March of each year or at any time necessary to fill a vacancy.

(b) The board shall elect the president and vice president from among the directors.

(c) The president shall serve for a term of one year.

(d) The offices of secretary and treasurer:

(1) may be held by one person; and

(2) are not required to be held by a director.

(e) The board may appoint as assistant board secretary one or more persons who are not directors.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.108. DUTIES OF OFFICERS AND ASSISTANTS.

(a) The board president shall preside at board meetings and perform other duties prescribed by the board.

(b) The board secretary is the official custodian of the minutes, books, records, and seal of the board and shall perform other duties and functions prescribed by the board. An assistant board secretary may perform any duty or function of the board secretary.

(c) The board treasurer shall perform duties and functions prescribed by the board.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.109. MEETINGS. The board shall have regular

meetings at times specified by board resolution and shall have special meetings when called by the board president or by any three directors.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.110. PERSONAL LIABILITY OF DIRECTORS. A director is not personally liable for any bond issued or contract executed by the district.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

SUBCHAPTER D. POWERS AND DUTIES

Sec. 11005.151. DISTRICT POWERS. The district may exercise any power necessary or appropriate to achieve the purposes of this chapter, including the power to:

- (1) sue and be sued, and plead and be impleaded, in its own name;
- (2) adopt an official seal;
- (3) adopt and enforce bylaws and rules for the conduct of its affairs;
- (4) acquire, hold, use, and dispose of its receipts and money from any source;
- (5) select a depository or depositories;
- (6) acquire, own, rent, lease, accept, hold, or dispose of property, or an interest in property, including a right or easement, by purchase, exchange, gift, assignment, condemnation, sale, lease, or otherwise, in performing district duties or exercising district powers under this chapter;
- (7) hold, manage, operate, or improve property;
- (8) lease or rent any land, building, structure, or facility from or to any person;
- (9) sell, assign, lease, encumber, mortgage, or otherwise dispose of property, or an interest in property, and release or relinquish a right, title, claim, lien, interest, easement, or demand, regardless of the manner in which acquired,

and conduct a transaction authorized by this subdivision by public or private sale, with or without public bidding;

(10) issue bonds, provide for and secure the payment of the bonds, and provide for the rights of the holders of the bonds in the manner and to the extent authorized by this chapter;

(11) request and accept any appropriation, grant, allocation, subsidy, guaranty, aid, service, material, or gift from any source, including the federal government, the state, a public agency, or a political subdivision;

(12) operate and maintain an office;

(13) appoint and determine the duties, tenure, qualifications, and compensation of officers, employees, agents, professional advisors, and counselors considered necessary or advisable by the board, including financial consultants, accountants, attorneys, architects, engineers, appraisers, and financing experts; and

(14) exercise any power granted by Chapter 30, Water Code, to districts created under Section 59, Article XVI, Texas Constitution.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.152. PERMITS. (a) The district may obtain through appropriate proceedings an appropriation permit or a diversion permit from the Texas Commission on Environmental Quality.

(b) The district may acquire a water appropriation permit from a permit owner by contract or otherwise.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. 1162), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.153. GENERAL AUTHORITY OF PUBLIC AGENCIES AND POLITICAL SUBDIVISIONS TO CONTRACT WITH DISTRICT. A public agency or political subdivision of this state, including the city, may enter into a contract or agreement with the district, on terms agreed to by the parties, for any purpose relating to the district's powers or functions, including a contract or agreement for a water

supply. Approval, notice, consent, or an election is not required in connection with the contract or agreement.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.154. DISTRICT AUTHORITY TO CONTRACT TO SUPPLY WATER. (a) The district may contract with municipalities and others, including the city, to supply water to them. The district may sell water inside or outside the boundaries of the district.

(b) The district may contract with a public agency or political subdivision for the rental or leasing of or for the operation of the water production, water supply, water filtration or purification, and water supply facilities of the entity on the consideration agreed to by the district and the entity.

(c) A contract under Subsection (a) or (b) may:

(1) be on terms and for the time agreed to by the parties; and

(2) provide that it will continue in effect until bonds specified in it and refunding bonds issued in lieu of the bonds are paid.

(d) The district may contract with the city for the operation of the district's water facilities by the city. An election is not required in connection with the contract.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.155. SOURCES FOR WATER; ACQUISITION OF LAND; STORAGE CAPACITY. (a) The district may acquire or construct, inside or outside the district, a reservoir or any work, plant, transmission line, or other facility necessary or useful to divert, impound, store, treat, or transport to the city and others water for municipal, domestic, industrial, mining, oil flooding, or any other useful purpose.

(b) The district may develop or otherwise acquire underground sources of water.

(c) The district may acquire land, or an interest in land, inside or outside the district, for any work, plant, or other

facility necessary or useful to divert, impound, store, treat, or transport to the city and others water for municipal, domestic, industrial, mining, oil flooding, or any other useful purpose.

(d) The district may lease, purchase, or otherwise acquire rights in and to storage and storage capacity in any reservoir constructed or to be constructed by any person or from the United States.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.156. CONSTRUCTION CONTRACTS. (a) The district may award a construction contract that requires an expenditure of more than \$5,000 only after publication of notice to bidders once each week for two weeks in a newspaper of general circulation in the district.

(b) The notice is sufficient if it states:

(1) the time and place for opening the bids;

(2) the general nature of the work to be done or the material, equipment, or supplies to be purchased; and

(3) where the terms of bidding and copies of the plans and specifications may be obtained.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.157. CONVEYANCE OF LAND TO DISTRICT. A public agency or political subdivision of this state, including the city, may lease, sell, or otherwise convey its land or an interest in its land to the district for consideration that the parties agree is adequate. Approval, notice, consent, or an election is not required in connection with the conveyance.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.158. SURPLUS PROPERTY. Subject to the terms of a resolution or deed of trust authorizing or securing bonds issued by the district, the district may sell, lease, rent, trade, or otherwise dispose of property that the board considers is not

needed for a district purpose.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.159. EMINENT DOMAIN. (a) To carry out a power conferred by this chapter, the district may exercise the power of eminent domain to acquire the fee simple title to land, or any other interest in land, and other property and easements, inside or outside the district, including land or an interest in land needed for a reservoir, dam, or flood easement above the probable high-water line around a reservoir.

(b) The district must exercise the power of eminent domain in the manner provided by Chapter [21](#), Property Code.

(c) The district is a municipal corporation for the purposes of Chapter [21](#), Property Code.

(d) The board shall determine the amount and the type of interest in land, other property, or easements to be acquired under this section.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.160. COST OF RELOCATING OR ALTERING PROPERTY; RIGHTS-OF-WAY AND EASEMENTS. (a) If the district's exercise of its eminent domain, police, or other power requires relocating, raising, lowering, rerouting, or changing the grade of or altering the construction of any railroad, electric transmission, telegraph, or telephone line, conduit, pole, property, or facility or pipeline, the action shall be accomplished at the sole expense of the district. The term "sole expense" means the actual cost of the lowering, rerouting, or change in grade or alteration of construction to provide a comparable replacement without enhancing the facility, after deducting from the cost the net salvage value derived from the old facility.

(b) The district has all necessary or useful rights-of-way and easements along, over, under, and across all public, state, municipal, and county roads, highways, and places for any of its purposes. The district shall restore a used facility to its

previous condition as nearly as possible at the sole expense of the district.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.161. OTHER DISTRICT POWERS. The district has the same power as is conferred by general law on municipal utility districts or on water control and improvement districts, with reference to entering land and making surveys and attending to other business of the district.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

SUBCHAPTER E. GENERAL FINANCIAL PROVISIONS

Sec. 11005.201. DEPOSITORY. (a) The board shall designate one or more banks inside or outside the district to serve as the depository for the district's money.

(b) District money shall be deposited in the depository designated by the board, except that:

(1) bond proceeds and money pledged to pay bonds, to the extent provided in a resolution or trust indenture authorizing or securing district bonds, may be deposited with another bank or trustee named in the bond resolution or trust indenture; and

(2) money shall be remitted to each paying agent for the payment of principal of and interest on the bonds.

(c) To the extent that money in a depository bank or trustee bank is not insured by the Federal Deposit Insurance Corporation, the money must be secured in the manner provided by law for the security of municipal money.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.202. INVESTMENT OF DISTRICT MONEY. The board may invest district money in obligations and make time deposits of district money in the manner determined by the board or in the manner permitted or required in a resolution or trust indenture

authorizing or securing district bonds.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.203. DISTRICT FACILITIES EXEMPT FROM TAXATION AND ASSESSMENT. The district is not required to pay a tax or assessment on its facilities or any part of its facilities.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

SUBCHAPTER F. BONDS

Sec. 11005.251. AUTHORITY TO ISSUE BONDS. (a) The district may issue bonds payable from and secured by revenue or ad valorem taxes, or both revenue and ad valorem taxes, of the district to carry out any power conferred by this chapter. The bonds must be authorized by a board resolution.

(b) The bonds must be issued in the manner and under the terms of the resolution authorizing the issuance of the bonds.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.252. FORM OF BONDS. District bonds must be:

- (1) issued in the district's name;
- (2) signed by the president or vice president; and
- (3) attested by the secretary.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.253. MATURITY. District bonds must mature not later than 40 years after the date of their issuance.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.254. ELECTION FOR BONDS PAYABLE FROM AD VALOREM TAXES. (a) Bonds, other than refunding bonds, payable wholly or partly from ad valorem taxes may not be issued unless authorized by

a majority of the district voters voting at an election held for that purpose.

(b) The board may call an election under this section without a petition. The resolution calling the election must specify:

(1) the time and place at which the election will be held;

(2) the purpose for which the bonds will be issued;

(3) the amount of the bonds;

(4) the form of the ballot; and

(5) other matters the board considers necessary or advisable.

(c) Notice of the election must be given by publishing a substantial copy of the resolution calling the election in a newspaper of general circulation in the district. The notice must be published once each week for two consecutive weeks. The first publication must be not later than the 14th day before the date of the election.

(d) The district may issue bonds not payable wholly or partly from ad valorem taxes without an election.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.255. BONDS SECURED BY REVENUE; ADDITIONAL BONDS.

(a) District bonds issued may be secured by a pledge of all or part of the district's revenue, or by all or part of the revenue of one or more contracts previously or subsequently made or other revenue or income specified by board resolution or a trust indenture securing the bonds. The pledge may reserve the right, under conditions specified by the pledge, to issue additional bonds that will be on a parity with or subordinate to the bonds then being issued.

(b) The district may issue bonds secured by both taxes and revenue of the district described by Subsection (a).

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.256. BONDS PAYABLE FROM AD VALOREM TAXES.

(a) If bonds are issued payable wholly or partly from ad valorem taxes, the board shall annually impose a tax on the taxable property in the district in an amount sufficient to pay the principal of and interest on the bonds when due.

(b) The district may adopt the rate of a tax imposed under Subsection (a) for any year after giving consideration to the money received from the pledged revenue that may be available for payment of principal and interest, to the extent and in the manner permitted by the resolution authorizing the issuance of the bonds.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.257. ADDITIONAL SECURITY. (a) District bonds, including refunding bonds, that are not payable wholly from ad valorem taxes may be additionally secured, at the discretion of the board, by a deed of trust or mortgage lien on physical property of the district and all franchises, easements, water rights and appropriation permits, leases, and contracts and all rights appurtenant to the property, vesting in the trustee power to:

- (1) sell the property for the payment of the debt;
- (2) operate the property; and
- (3) take other action to further secure the bonds.

(b) A purchaser under a sale under the deed of trust lien, if one is given:

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

(2) is entitled to maintain and operate the property, facilities, and rights.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.258. TRUST INDENTURE. (a) District bonds, including refunding bonds, that are not payable wholly from ad valorem taxes may be additionally secured by a trust indenture. The trustee may be a bank with trust powers located inside or outside the state.

(b) A trust indenture, regardless of the existence of a deed

of trust or mortgage lien on property, may:

- (1) provide for the security of the bonds and the preservation of the trust estate as prescribed by the board;
- (2) provide for amendment or modification of the trust indenture;
- (3) provide for the issuance of bonds to replace lost or mutilated bonds;
- (4) condition the right to spend district money or sell district property on the approval of a licensed engineer selected as provided by the trust indenture; and
- (5) provide for the investment of district money.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.259. RATES FOR SERVICES; PAYMENT OF REVENUE BONDS. (a) If district bonds payable wholly from revenue are issued, the board shall set the rates of compensation for water sold and services provided by the district. The rates must be sufficient to:

- (1) pay the expense of operating and maintaining district facilities;
- (2) pay the principal of and interest on the bonds when due; and
- (3) maintain the reserve fund and other funds as provided in the resolution authorizing the bonds.

(b) If bonds payable partly from revenue are issued, the board shall set the rate of compensation for water sold and any other services provided by the district. The rate must be sufficient to ensure compliance with the resolution authorizing the bonds or the trust indenture securing the bonds.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.260. USE OF BOND PROCEEDS. (a) The district may set aside an amount of proceeds from the sale of district bonds for:

- (1) the payment of interest expected to accrue during construction not to exceed three years;

(2) a reserve interest and sinking fund; and

(3) other funds as may be provided in the resolution authorizing the bonds or in the trust indenture.

(b) The district may use proceeds from the sale of the bonds to pay any expense necessarily incurred in accomplishing the purpose of the district, including any expense of issuing and selling the bonds.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.261. APPOINTMENT OF RECEIVER. (a) On default or threatened default in the payment of the principal of or interest on district bonds that are payable wholly or partly from revenue, a court may, on petition of the holders of outstanding bonds, appoint a receiver for the district.

(b) The receiver may collect and receive all district income, except taxes, employ and discharge district agents and employees, take charge of money on hand, except money received from taxes, unless commingled, and manage the proprietary affairs of the district without consent or hindrance by the board.

(c) The receiver may be authorized to sell or contract for the sale of water or to renew those contracts with the approval of the court that appointed the receiver.

(d) The court may vest the receiver with any other power or duty the court finds necessary to protect the bondholders.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.262. REFUNDING BONDS. (a) The district may issue refunding bonds to refund outstanding district bonds and interest on those bonds.

(b) Refunding bonds may:

(1) be issued to refund bonds of more than one series;

(2) combine the pledges for the outstanding bonds for the security of the refunding bonds; or

(3) be secured by a pledge of other or additional revenue or mortgage liens.

(c) The provisions of this subchapter regarding the issuance of other bonds, their security, and the remedies of the holders apply to refunding bonds.

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

(e) Instead of issuing bonds to be registered on the surrender and cancellation of the bonds to be refunded, the district, in the resolution 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 principal of and interest and any required redemption premium on the bonds to be refunded to any redemption date or to their maturity date, and the comptroller shall register the refunding bonds without the surrender and cancellation of the bonds to be refunded.

(f) An election is not required to authorize the issuance of refunding bonds.

(g) The district may also issue refunding bonds under any other applicable law.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.263. LIMITATION ON RIGHTS OF BONDHOLDERS. The resolution authorizing the bonds or the trust indenture securing the bonds may limit or qualify the rights of the holders of less than all of the outstanding bonds payable from the same source to institute or prosecute litigation affecting the district's property or income.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07, eff. April 1, 2017.

Sec. 11005.264. BONDS EXEMPT FROM TAXATION. A district bond, the transfer of the bond, and the income from the bond, including profits made on the sale of the bond, are exempt from taxation in this state.

Added by Acts 2015, 84th Leg., R.S., Ch. 855 (S.B. [1162](#)), Sec. 1.07,

eff. April 1, 2017.