

WATER CODE

TITLE 4. GENERAL LAW DISTRICTS

CHAPTER 65. SPECIAL UTILITY DISTRICTS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 65.001. DEFINITIONS. In this chapter:

(1) "District" means a special utility district operating under this chapter.

(2) "Board" means the board of directors of a district.

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

(4) "Commission" means the Texas Natural Resource Conservation Commission.

(5) "Executive director" means the executive director of the Texas Natural Resource Conservation Commission.

(6) "Public agency" means any city, the United States and its agencies, the State of Texas and its agencies, and any district or authority created under Article XVI, Section 59, or Article III, Sections 52(b)(1) and (2), of the Texas Constitution.

(7) "City" means any incorporated city or town.

(8) "Extraterritorial jurisdiction" means the extraterritorial jurisdiction of a city as determined under Chapter 42, Local Government Code.

(9) "Sole expense" means the actual cost of relocating, raising, lowering, rerouting, changing grade, or altering the construction to provide comparable replacement without enhancing the facility, after deducting the net salvage value derived from the old facility.

(10) "Water supply or sewer service corporation" means any member-owned, member-controlled, nonprofit water supply or sewer service corporation created and operating under Chapter 67, that:

(A) provides water supply services to noncontiguous subdivisions in two or more counties, at least one of which counties has a population greater than 3.3 million; or

(B) is providing the services of a water supply or sewer service corporation under a certificate of convenience and necessity issued by the commission or a predecessor agency.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985; Acts 1985, 69th Leg., ch. 795, Sec. 1.153, eff. Sept. 1, 1985; Acts 1987, 70th Leg., ch. 149, Sec. 47, eff. Sept. 1, 1987; Acts 1991, 72nd Leg., 1st C.S., ch. 3, Sec. 1.082, eff. Aug. 12, 1991; Acts 1997, 75th Leg., ch. 474, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 18.67, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 320, Sec. 1, eff. Aug. 30, 1999; Acts 2001, 77th Leg., ch. 669, Sec. 150, eff. Sept. 1, 2001.

SUBCHAPTER B. CREATION OF DISTRICT; CONVERSION OF DISTRICT

Sec. 65.011. CREATION OF DISTRICT. A special utility district may be created under and subject to the authority, conditions, and restrictions of, and is considered a conservation and reclamation district under Article XVI, Section 59, of the Texas Constitution.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.012. PURPOSES OF DISTRICT. A district may be created:

(1) to purchase, own, hold, lease, and otherwise acquire sources of water supply; to build, operate, and maintain facilities for the transportation of water; and to sell water to towns, cities, and other political subdivisions of this state, to private business entities, and to individuals;

(2) for the establishment, operation, and maintenance of fire-fighting facilities to perform all fire-fighting activities within the district; or

(3) for the protection, preservation, and restoration of the purity and sanitary condition of water within the district.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug.

29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985; Acts 2003, 78th Leg., ch. 494, Sec. 1, eff. June 20, 2003.

Sec. 65.013. COMPOSITION OF DISTRICT. (a) A district may include the area in all or part of any one or more counties including all or part of any cities and other public agencies.

(b) The land composing a district is not required to be contiguous, but may consist of separate bodies of land separated by land that is not included in the district.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.014. CERTIFIED RESOLUTION SEEKING CREATION OF DISTRICT. (a) If creation of a district is proposed by a water supply or sewer service corporation, a certified copy of a resolution requesting creation must be filed with the commission.

(b) The resolution shall be signed by the president and secretary of the board of directors of a water supply or sewer service corporation and shall state that the water supply or sewer service corporation, acting through its board of directors, has found that it is necessary and desirable for the water supply or sewer service corporation to be converted into a district.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985; Acts 1999, 76th Leg., ch. 320, Sec. 2, eff. Aug. 30, 1999.

Sec. 65.015. CONTENTS OF RESOLUTION. In addition to the requirements stated in Section [65.014](#), the resolution shall:

(1) describe the boundaries of the proposed district by metes and bounds or by lot and block number, if there is a recorded map or plat and survey of the area, or by any other commonly recognized means in a certificate attached to the resolution executed by a registered professional engineer;

(2) state the general nature of the services presently

performed by the water supply or sewer service corporation, the general nature of the services proposed to be provided by the district, and the necessity for the services provided by the district;

(3) include a name of the district that is generally descriptive of the location of the district followed by the words special utility district, but may not be the same name as any other district in the same county;

(4) include the names of not less than five and not more than 11 qualified persons to serve as the initial board of directors of the district; and

(5) specify each purpose for which the district is being established.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985; Acts 1999, 76th Leg., ch. 320, Sec. 2, eff. Aug. 30, 1999; Acts 2003, 78th Leg., ch. 494, Sec. 2, eff. June 20, 2003.

Sec. 65.016. CONSENT OF CITY. A district may operate within the corporate limits of a city or within the extraterritorial jurisdiction of a city, provided that a city may require that the district construct all facilities to serve the land in accordance with plans and specifications that are approved by the city. The city may also require that the city be entitled to inspect facilities being constructed by a district within the corporate limits or extraterritorial jurisdiction of the city.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.018. NOTICE AND HEARING ON DISTRICT CREATION. If a resolution is filed under Section 65.014, the commission shall give notice of an application as required by Section 49.011 and may conduct a hearing on the application if the commission determines that a hearing is necessary under Section 49.011.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff.

Nov. 15, 1985; Acts 1997, 75th Leg., ch. 1070, Sec. 40, eff. Sept. 1, 1997.

Sec. 65.020. HEARING. (a) If the commission determines that a hearing is necessary under Section 49.011, the commission shall conduct a hearing and accept evidence on the sufficiency of the resolution and whether or not the request for conversion for each purpose specified in the resolution, as required by Section 65.015, is feasible and practicable and is necessary and would be a benefit to all or any part of the land proposed to be included in the district. The commission may only consider a purpose for which the district is being created that is specified in the resolution.

(b) The commission has jurisdiction to determine all issues on the sufficiency of the resolution and the creation of the district.

(c) The hearing may be adjourned from day to day, and the commission may make all incidental orders necessary with respect to the matters before it.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985; Acts 1997, 75th Leg., ch. 1070, Sec. 41, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. 1244 (H.B. 1673), Sec. 1, eff. September 1, 2005.

Sec. 65.021. GRANTING OR REFUSING CREATION OF DISTRICT.

(a) If the commission finds that the resolution conforms to the requirements of Section 65.015, the request for conversion is feasible and practicable, and each purpose for which the district is created is necessary and would be a benefit to the land proposed to be included in the district, the commission shall make these findings in an order and shall authorize the creation of the district for the purpose or purposes specified in the resolution, as required by Section 65.015, on approval at the confirmation and directors' election called and held under this subchapter.

(b) In determining if the request for conversion is feasible

and practicable and if each purpose for which the district is created is necessary and would be a benefit to the land included in the district, the commission shall consider:

(1) the availability of comparable service from other systems, including water districts, municipalities, and regional authorities;

(2) the reasonableness of projected construction costs, if any, tax rates, and water and sewer rates; and

(3) whether or not the district and its system and subsequent development within the district will have an unreasonable effect on the following:

(A) land elevation;

(B) subsidence;

(C) groundwater level within the region;

(D) recharge capability of a groundwater source;

(E) natural runoff rates and drainage; and

(F) water quality.

(c) If the commission finds that not all of the land proposed to be included in the district will be benefited by the creation of the district, the commission shall formally make this finding and shall exclude all land that is not benefited from the proposed district and shall redefine the proposed district's boundaries accordingly.

(d) If the commission finds that the resolution does not conform to the requirements of Section 65.015 of this code, the request for conversion is not feasible or practicable, or a purpose for which the district is created is not necessary or a benefit to the land in the district, the commission shall make this finding in its order and shall deny the creation of the district.

(e) A copy of the order of the commission granting or denying the request for conversion stated in the resolution must be mailed to each city that has extraterritorial jurisdiction in a county in which the proposed district is located and that requested notice of hearing as provided by Section 65.019 of this code.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985; Acts 1997, 75th Leg., ch. 1070, Sec. 42, eff. Sept.

1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. 1244 (H.B. 1673), Sec. 2, eff. September 1, 2005.

Sec. 65.022. TEMPORARY DIRECTORS. If the commission authorizes the creation of the district, it shall appoint those persons whose names are listed in the resolution filed with the commission by the water supply or sewer service corporation to serve as temporary directors until initial directors are elected as provided by this subchapter.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985; Acts 1999, 76th Leg., ch. 320, Sec. 2, eff. Aug. 30, 1999.

Sec. 65.023. APPEAL FROM ORDER OF COMMISSION. A city or a person who appeared in person or by attorney and offered testimony for or against the creation of the district, may appeal from the order of the commission authorizing or refusing the creation of the district. The appeal must be made within 30 days after the entry of the order.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

SUBCHAPTER C. ADMINISTRATIVE PROVISIONS

Sec. 65.101. BOARD OF DIRECTORS. A district is governed by a board of not less than five and not more than 11 directors.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.102. QUALIFICATIONS FOR DIRECTORS. To be qualified to serve as a director, a person must be:

- (1) at least 18 years old;

(2) a resident citizen of this state; and

(3) either own land subject to taxation in the district, be a user of the facilities of the district, or be a qualified voter of the district.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.103. ELECTION OF DIRECTORS; TERMS OF OFFICE. (a) The persons receiving the highest number of votes at each election shall serve as directors of the district.

(b) The terms of the directors may run concurrently, or may be staggered, but in any event, the term of office of a director may not exceed three years.

(c) The method for determining the initial terms for each of the directors constituting the initial board shall be determined by the temporary directors, and the terms must be clearly stated on the ballot for the confirmation and directors' election.

(d) Notwithstanding Sections [41.001](#) and 41.003, Election Code, the board may hold an election to elect directors on any date determined by the board. The terms of directors must be stated on the ballot.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985; Acts 1995, 74th Leg., ch. 715, Sec. 35, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1070, Sec. 43, eff. Sept. 1, 1997.

SUBCHAPTER D. GENERAL POWERS AND DUTIES

Sec. 65.201. POWERS. (a) A district has the functions, powers, authority, and rights that will permit accomplishment of the purposes for which it is created.

(b) A district may purchase, construct, acquire, own, operate, maintain, repair, improve, or extend inside and outside its boundaries any works, improvements, facilities, plants, equipment, and appliances necessary to accomplish the purposes for which it was created, including works, improvements, facilities,

plants, equipment, and appliances incident, helpful, or necessary to:

(1) supply water for municipal uses, domestic uses, power and commercial purposes, and other beneficial uses or controls;

(2) collect, transport, process, dispose of, store, and control domestic, industrial, or communal wastes whether in fluid, solid, or composite state;

(3) gather, conduct, divert, and control local storm water or other local harmful excesses of water in the district;

(4) irrigate the land in a district;

(5) alter land elevation in a district where it is needed; and

(6) provide fire-fighting services for the inhabitants of the district.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.203. SOLID WASTE. A district may collect solid waste and may purchase, construct, acquire, own, operate, maintain, repair, improve, and extend a solid waste collection and disposal system inside and outside the district and may make proper charges for its facilities or services provided by the system.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.205. ADOPTING RULES. A district may adopt and enforce reasonable rules to:

(1) secure and maintain safe, sanitary, and adequate plumbing installations, connections, and appurtenances as subsidiary parts of its sanitary sewer system;

(2) preserve the purity and the sanitary condition of all water controlled by the district;

(3) prevent waste or the unauthorized use of water controlled by the district;

(4) regulate privileges on any land or easement owned or controlled by the district;

(5) provide and regulate a safe and adequate freshwater distribution system; and

(6) ensure adequate safeguards in the performance of the district's fire-fighting activities.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.206. EFFECT OF RULES. After the required publication, rules adopted by the district under Section 65.205 of this code shall be recognized by the courts as if they were penal ordinances of a city.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.207. PUBLICATION OF RULES. (a) The board shall publish a substantive statement of each rule and the penalty for its violation once a week for two consecutive weeks in one or more newspapers with general circulation in the area in which the district is located.

(b) The substantive statement shall be condensed as far as possible to intelligently explain the purpose to be accomplished or the act forbidden by each rule.

(c) The notice must advise that breach of a rule will subject the violator to a penalty and that the full text of each rule is on file in the principal office of the district at which it may be read by any interested person.

(d) Any number of rules may be included in one notice.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.208. EFFECTIVE DATE OF RULES. The penalty for violation of a rule is not effective and enforceable until five days

after the last publication of the notice. Five days after the last publication, the published rule takes effect and ignorance of the rule is not a defense to a prosecution for the enforcement of the penalty.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.235. PROHIBITION ON ASSESSMENT OR COLLECTION OF TAXES. Section 49.107 does not apply to a district created under this chapter.

Added by Acts 1995, 74th Leg., ch. 715, Sec. 36, eff. Sept. 1, 1995.

SUBCHAPTER G. ISSUANCE OF BONDS AND NOTES

Sec. 65.501. ISSUANCE OF BONDS AND NOTES. The district may issue its bonds or notes for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending any district works, improvements, facilities, plants, equipment, and appliances needed to accomplish the purposes listed in Section 65.012 of this code, including works, improvements, facilities, plants, equipment, and appliances needed to provide a waterworks system, sanitary sewer system, storm sewer system, solid waste disposal system, or to provide for solid waste collection or fire-fighting services and facilities.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.502. FORM OF BONDS AND NOTES. (a) A district may issue its bonds or notes in various series or issues.

(b) Bonds or notes shall mature serially or otherwise not more than 40 years from their date and shall bear interest at any rate permitted by the constitution and laws of this state. The board shall determine the maturity and the interest rate of the bonds and notes.

(c) A district's bonds, notes, and interest coupons, if any,

are investment securities under Chapter 8, Business & Commerce Code, and may be issued registrable as to principal or as to both principal and interest. The board may make the bonds redeemable before maturity, at the option of the district, or may include in the bonds a mandatory redemption provision.

(d) A district's bonds or notes may be issued in the form, denominations, and manner and under the terms, conditions, and details, and must be signed and executed, as provided by the board in the resolution or order authorizing the issuance of the bonds or notes.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.503. MANNER OF REPAYMENT OF BONDS OR NOTES. The board may provide for the payment of principal of and interest and redemption price, if any, on the bonds or notes by pledging all or any part of the designated revenues to result from the ownership or operation of the district's works, improvements, facilities, plants, equipment, and appliances or under specific contracts for the period of time the board determines.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.504. ADDITIONAL SECURITY FOR BONDS OR NOTES. (a) The bonds or notes, within the discretion of the board, may be additionally secured by a deed of trust or mortgage lien on all or part of the physical properties of the district, and franchises, easements, water rights, and appropriation permits, leases, and contracts and all rights appurtenant to those properties, vesting in the trustee power to sell the property for payment of the indebtedness, power to operate the property, and all other authority necessary for the further security of the bonds or notes.

(b) The trust indenture, regardless of the existence of the deed of trust or mortgage lien on any property, may:

(1) include provisions prescribed by the board for the

security of the bonds or notes and the preservation of the trust estate;

(2) make provision for amendment or modification;

(3) condition the right to spend district money or sell district property on approval of a registered professional engineer selected as provided in the trust indenture; and

(4) make provision for investment of funds of the district.

(c) Any purchaser under a sale under the deed of trust or mortgage lien, if one is given, is absolute owner of the property, facilities, and rights purchased and is entitled to maintain and operate them.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.505. METHOD FOR ISSUANCE OF BONDS AND NOTES. Bonds or notes may be issued by resolution or order of the board.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.506. PROVISIONS OF BONDS OR NOTES. (a) In an order or resolution authorizing the issuance of bonds or notes, including refunding bonds, the board may provide for the flow of funds, the establishment and maintenance of the interest and sinking fund, the reserve fund, and other funds, and may enter into additional covenants relating to the bonds or notes and the pledged revenues and to the operation and maintenance of those works, improvements, facilities, plants, equipment, and appliances the revenues of which are pledged, including provision for the operation or for the leasing of all or any part of the improvements and the use or pledge of money derived from the operation contracts and leases, as the board considers appropriate.

(b) An order or resolution of the board authorizing the issuance of bonds or notes also may prohibit the further issuance of bonds, notes, or other obligations payable from the pledged revenue

or may reserve the right to issue additional bonds to be secured by a pledge of and payable from the revenue on a parity with or subordinate to the lien and pledge in support of the bonds being issued, subject to the conditions that may be set forth in the order or resolution.

(c) An order or resolution of the board issuing bonds or notes may include other provisions and covenants determined by the board that are not prohibited by the constitution or by this chapter.

(d) The board may adopt and have executed any other proceedings or instruments necessary and convenient in the issuance of bonds or notes.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.507. USE OF BOND OR NOTE PROCEEDS. The district may use bond or note proceeds to pay interest, administrative, and operating expenses expected to accrue during the period of construction. The period of construction under this section may not exceed three years as provided by the bond order or resolution. The district also may use bond or note proceeds to pay expenses incurred and to be incurred in the issuance, sale, and delivery of the bonds or notes.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.508. SALE OR EXCHANGE OF BONDS. (a) The board shall sell the bonds on the best terms and for the best possible price, but the bonds may not be sold for less than 95 percent of their face value.

(b) The district may exchange bonds for property acquired by purchase or in payment of the contract price of work done or services performed for the use and benefit of the district.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff.

Nov. 15, 1985.

Sec. 65.510. REFUNDING BONDS. (a) A district may issue bonds to refund all or any part of its outstanding bonds, notes, or other obligations, including matured but unpaid interest coupons.

(b) Refunding bonds shall mature serially or otherwise not more than 40 years from their date and shall bear interest at any rate or rates permitted by the constitution and laws of this state.

(c) Refunding bonds may be payable from the same source as the bonds, notes, or other obligations being refunded or from other additional sources.

(d) The refunding bonds shall be approved by the attorney general and shall be registered by the comptroller on the surrender and cancellation of the bonds being refunded as provided by Section 65.509 of this code.

(e) An order or resolution authorizing the issuance of refunding bonds may provide that the refunding bonds will be sold and the proceeds deposited in the place or places at which the bonds being refunded are payable, and the refunding bonds may be issued before the cancellation of the bonds being refunded provided an amount sufficient to pay the principal of and interest on the bonds being refunded to their maturity dates, or to their option dates if the bonds have been duly called for payment prior to maturity according to their terms, is deposited in the place or places at which the bonds being refunded are payable. The comptroller shall register the refunding bonds without the surrender and cancellation of bonds being refunded.

(f) A refunding may be accomplished in one or in several installment deliveries. Refunding bonds and their interest coupons are investment securities under Chapter 8, Business & Commerce Code.

(g) In lieu of the method set forth in this section, a district may refund bonds, notes, or other obligations as provided by the general laws of this state.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.511. OBLIGATIONS; LEGAL INVESTMENT; SECURITY FOR FUNDS. (a) Bonds, notes, and other obligations issued by a district are legal and authorized investments for all banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, and trustees, guardians, and for interest and sinking funds and other public funds of the state and its agencies, including the permanent school fund, and counties, cities, school districts, and other political subdivisions of the state.

(b) A district's bonds, notes, and other obligations are eligible to secure deposits of public funds of the state and its agencies and counties, cities, school districts, and other political subdivisions of the state. The bonds, notes, and other obligations are lawful and sufficient security to the extent of their market value if accompanied by all unmatured interest coupons attached to them.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.513. MANDAMUS BY BONDHOLDERS. In addition to other rights and remedies provided by the law of this state, if a district defaults in the payment of principal of, interest on, or redemption price on its bonds when due, or if the district fails to make payments into any fund created in the order or resolution authorizing the issuance of the bonds, or defaults in the observation or performance of any other covenants, conditions, or obligations stated in the resolution or order authorizing the issuance of its bonds, the owners of any of the bonds are entitled to a writ of mandamus issued by a court of competent jurisdiction compelling the district and its officials to observe and perform the covenants, the obligations, or conditions prescribed in the order or resolution authorizing the issuance of the district's bonds.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff.

Nov. 15, 1985.

Sec. 65.515. CANCELLATION OF UNSOLD BONDS. (a) The board, by order or resolution, may provide for the cancellation of all or any part of any bonds that have been submitted to and approved by the attorney general and registered by the comptroller, but not yet sold, and may provide for the issuance of new bonds in lieu of the old bonds in the manner provided by this chapter for the issuance of the original bonds including their approval by the attorney general and their registration by the comptroller.

(b) The order or resolution of the board shall describe the bonds to be canceled, and also shall describe the new bonds to be issued in lieu of the old bonds.

(c) A certified copy of the order or resolution of the board providing for the cancellation of the old bonds, together with the old bonds, shall be delivered to the comptroller, who shall cancel and destroy the old bonds and make a record of the cancellation.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

SUBCHAPTER H. ADDING AND EXCLUDING TERRITORY; CONSOLIDATING AND DISSOLVING DISTRICTS

Sec. 65.723. CONSOLIDATION OF DISTRICTS. Two or more districts governed by this chapter may consolidate into one district as provided by this subchapter.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.724. ELECTIONS TO APPROVE CONSOLIDATION. (a) After the board of each district has agreed on the terms and conditions of consolidation, which may include the assumption by each district of the other district's bonds, notes, or other obligations and adoption of a name for the consolidated district, the board of each district shall order an election in each of their

respective districts to determine whether the districts should be consolidated.

(b) The board of each district shall order the election to be held on the same day in each district and shall give notice of the election for the time and in the manner provided by law for bond elections under this chapter.

(c) The districts may be consolidated only if the qualified voters in each district voting at the election vote in favor of the consolidation.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.725. GOVERNING CONSOLIDATED DISTRICTS. (a) After two or more districts are consolidated, they become one district and are governed as one district.

(b) During a period of 90 days after the date of the election to approve consolidation, the officers of each district shall continue to act jointly as officers of the original districts to settle the affairs of their respective districts.

(c) The consolidation agreement may provide that the officers of the original districts shall continue to act jointly as officers of the consolidated district or name persons to serve as officers of the consolidated district until their successors assume office under Subsection (e) of this section.

(d) On the next available uniform election date, an election shall be called and held, and directors will be elected for the consolidated district in the same manner and for the same term as directors elected under Section [65.103](#) of this code.

(e) New officers of the consolidated district must qualify as officers of the district within the period of 90 days after the election and shall assume their offices at the expiration of the 90-day period.

(f) The current board shall approve the bond of each new officer.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff.

Nov. 15, 1985.

Sec. 65.726. DEBTS OF ORIGINAL DISTRICTS. After two or more districts are consolidated, the debts of the original districts shall be protected and may not be impaired.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.727. DISSOLUTION OF DISTRICT PRIOR TO ISSUANCE OF BONDS. (a) If the board considers it advisable before the issuance of any bonds, notes, or other indebtedness, the board may dissolve a district and liquidate the affairs of the district as provided by this subchapter.

(b) If a majority of the board finds at any time before the issuance of bonds, notes, or other obligations or the final lending of its credit in another form that the proposed undertaking for any reason is impracticable or apparently cannot be successfully and beneficially accomplished, the board may issue notice of a hearing on a proposal to dissolve the district.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.728. NOTICE OF HEARING. The board shall post notice of the hearing on the bulletin board at the courthouse door of each county in which the district is located and at three or more other public places within the boundaries of the district and shall publish notice of the hearing two times in a newspaper with general circulation in the district. The notice must be posted and published at least one time no later than the 14th day before the date set for the hearing on the proposed dissolution of the district.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.729. HEARING. The board shall hear all interested persons and shall consider their evidence at the time and place stated in the notice.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.730. BOARD'S ORDER TO DISSOLVE DISTRICT. If the board unanimously determines from the evidence that the best interests of the persons and property in the district will be served by dissolving the district, the board shall enter the appropriate findings and order in its records dissolving the district. Otherwise the board shall enter its order providing that the district has not been dissolved.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.

Sec. 65.731. JUDICIAL REVIEW OF BOARD'S ORDER. The board's decree to dissolve the district may be appealed in the manner provided by Sections 65.708-65.710 of this code for the review of an order excluding land from the district.

Added by Acts 1983, 68th Leg., p. 2448, ch. 435, Sec. 4, eff. Aug. 29, 1983. Amended by Acts 1985, 69th Leg., ch. 447, Sec. 1, eff. Nov. 15, 1985.