

1-1 By: Flores S.B. No. 1194
1-2 (In the Senate - Filed February 10, 2025; February 28, 2025,
1-3 read first time and referred to Committee on Water, Agriculture and
1-4 Rural Affairs; March 17, 2025, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 6, Nays 0;
1-6 March 17, 2025, sent to printer.)

1-7 COMMITTEE VOTE

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

1-18 COMMITTEE SUBSTITUTE FOR S.B. No. 1194 By: Hinojosa of Nueces

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

1-21 relating to creating the Central Texas Water Alliance; providing
1-22 authority to issue bonds; granting the power of eminent domain;
1-23 providing authority to impose fees.

1-24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
1-25 SECTION 1. Subtitle X, Title 6, Special District Local Laws
1-26 Code, is amended by adding Chapter 11020 to read as follows:

1-27 CHAPTER 11020. CENTRAL TEXAS WATER ALLIANCE

1-28 SUBCHAPTER A. GENERAL PROVISIONS

1-29 Sec. 11020.0101. DEFINITIONS. In this chapter:

1-30 (1) "Alliance" means the Central Texas Water Alliance.
1-31 (2) "Board" means the board of directors of the

1-32 alliance.

1-33 (3) "Director" means a member of the board.

1-34 (4) "District" means any district or authority created

1-35 under Section 52, Article III, or Section 59, Article XVI, Texas

1-36 Constitution, regardless of the manner of creation.

1-37 (5) "Local government" means:

1-38 (A) a municipality, county, district, or other

1-39 political subdivision of this state;

1-40 (B) a local government corporation;

1-41 (C) a nonprofit corporation created to act on

1-42 behalf of a local government; or

1-43 (D) a combination of two or more of the entities

1-44 described by this subdivision.

1-45 (6) "Private entity" includes an individual,

1-46 corporation, organization, business trust, estate, trust,

1-47 partnership, and association and any other legal entity that is not

1-48 a governmental body or agency.

1-49 (7) "Sponsor" means:

1-50 (A) the initial sponsors of the alliance under

1-51 Section 11020.0105; and

1-52 (B) a local government or private entity added to

1-53 the alliance as a member under Section 11020.0106.

1-54 (8) "Water" includes:

1-55 (A) groundwater, percolating or otherwise,

1-56 notwithstanding the quality of the groundwater;

1-57 (B) any surface water, naturally or artificially

1-58 impounded or in a navigable or nonnavigable watercourse; and

1-59 (C) municipal wastewater or industrial
1-60 wastewater, including municipal wastewater or industrial

wastewater that has been treated to a quality suitable for reuse for a beneficial use.

Sec. 11020.0102. NATURE OF ALLIANCE. The alliance is a regional water authority created under and essential to accomplish the purposes of Section 59, Article XVI, Texas Constitution.

Sec. 11020.0103. FINDINGS OF PUBLIC PURPOSE AND BENEFIT. (a) The alliance is created to serve a public use and benefit.

(b) All land and other property included in the territory of the alliance will benefit from the works and projects to be accomplished by the alliance under powers conferred by Section 59, Article XVI, Texas Constitution, and powers granted under this chapter.

Sec. 11020.0104. ALLIANCE TERRITORY. The territory of the alliance is composed of the territory:

(1) of the sponsors, including territory within the municipal boundaries of a sponsor that is a municipality;

(2) if applicable, located in the service areas of the sponsors, including the territory within the sponsors' certificates of convenience and necessity; and

(3) added to and not excluded from the alliance in accordance with applicable law.

Sec. 11020.0105. INITIAL SPONSORS. The initial sponsors of the alliance are:

(1) Bell County;

(2) Bell County Water Control and Improvement District No. 1;

(3) Clearwater Underground Water Conservation District; and

(4) McLennan County.

Sec. 11020.0106. METHOD OF ADDING SPONSORS. (a) A local government or a private entity may petition the board to add that local government or private entity as a sponsor.

(b) A petition under Subsection (a) must be submitted in the manner and form required by board rule.

(c) On receipt of a petition under Subsection (a), the board shall set a hearing on the petition and provide notice of the date, time, place, and purpose of the hearing to:

(1) the sponsors of the alliance; and

(2) the petitioning local government or private entity.

(d) At the hearing, the board shall determine whether:

(1) the local government or private entity will benefit from being added to the alliance as a sponsor; and

(2) it is in the best interest of the alliance to add the local government or private entity to the alliance as a sponsor.

(e) If, after a hearing on the petition, the board determines that the local government or private entity should be added to the alliance as a sponsor, the board shall issue an order:

(1) adding the local government or private entity to the alliance;

(2) adding the local government's or private entity's territory or service area to the territory of the alliance;

(3) making the local government's or private entity's territory or service area subject to the privileges, duties, assets, and financial obligations of the alliance to the same degree as other sponsors already included in the alliance; and

(4) stating the effective date of the order.

(f) If the subject of the order is a local government, the effective date of the order must allow enough time for the local government to comply with Subsection (g).

(g) A local government that is the subject of an order issued under Subsection (e) shall publish notice of the alliance's proposal to add the local government to the alliance as a sponsor. The notice must:

(1) be published in a newspaper of general circulation in the county in which the local government is located;

(2) be published at least once per week for two consecutive weeks and with the first publication appearing on or before the 14th day before the effective date of the order; and

(3) state the effective date of the order.
Sec. 11020.0107. METHOD OF REMOVING SPONSORS. (a) The governing body of a sponsor may petition the board to remove the entity from the alliance as a sponsor.

(b) A petition must be submitted in the manner and form required by board rule.

(c) After receiving a petition under Subsection (a), the board shall:

(1) decide whether the petitioning sponsor should be removed from the alliance as a sponsor; and

(2) by order approve, conditionally approve, or disapprove the petition.

(d) The board may not approve a petition submitted under this section if that action would impair or violate or conflict with the terms of any outstanding bonds, notes, or other obligations of the alliance.

(e) An order issued under Subsection (c) that approves or conditionally approves a sponsor's petition to be removed from the alliance as a sponsor must address:

(1) all matters related to the removal as determined by the board, including the removal of the territory of the sponsor and, if applicable, territory located in the service area of the sponsor as provided by the sponsor's certificate of convenience and necessity; and

(2) if applicable, any conditions imposed by the board that the petitioning sponsor must satisfy before the board approves the petition, which may include:

(A) payment by the petitioning sponsor of all bonds, notes, or other obligations issued by the alliance on behalf of the sponsor;

(B) payment by the petitioning sponsor of the sponsor's pro rata share of any bond, note, or other obligation issued by the alliance, other than the bonds, notes, or other obligations described by Paragraph (A), if the payment is allowed under the terms of the bond, note, or other obligation;

(C) conditions related to the ownership or transfer of ownership of real property, facilities, equipment, personnel, and supplies; and

(D) conditions the alliance considers necessary for the winding up of activities in connection with the removal of the petitioning sponsor as a sponsor from the alliance.

(f) If the board by order issued under Subsection (c) conditionally approves a sponsor's petition, the petitioning sponsor remains a sponsor and shall make all payments owed to the alliance when due and shall satisfy all conditions included in the order. The board shall approve the petition immediately after all required payments to the alliance are received and all conditions included in the order are satisfied as determined by the board.

(g) The removal of a sponsor from the alliance under this section does not prohibit the former sponsor from contracting with the alliance for the provision of water supply, wastewater treatment, or other services provided by the alliance.

Sec. 11020.0108. REAPPORTIONMENT OF DIRECTORS. After the addition or removal of a sponsor under this subchapter, the board by rule shall reapportion the directors of the alliance among the sponsors in accordance with Section 11020.0201(c)(2). The board may increase or decrease the number of directors on the board in accordance with Section 11020.0201(a).

Sec. 11020.0109. LIBERAL CONSTRUCTION OF CHAPTER. This chapter shall be liberally construed to effect its purposes.

SUBCHAPTER B. BOARD OF DIRECTORS

Sec. 11020.0201. DIRECTORS. (a) Except for the initial board of directors, the alliance is governed by a board of directors consisting of at least 5 and not more than 18 members.

(b) The board is responsible for the management, operation, and control of the alliance.

(c) The board by rule shall:

(1) establish the number of directors of the alliance;
 and

(2) apportion the directors for each sponsor based on the amount of water contracted to be supplied to the sponsor under the terms of the alliance's water supply contract with the sponsor, subject to Section 11020.0203(a).

Sec. 11020.0202. ELIGIBILITY TO SERVE AS DIRECTOR. (a) To be eligible to serve as a director, a person must be:

(1) at least 18 years of age; and
(2) a resident of the territory located in the alliance or an employee of a sponsor.

(b) A director who also serves on the governing body of a sponsor is not a dual officeholder and is not prohibited by the common law doctrine of incompatibility from serving on both the board and the governing body.

(c) Service on the board by a public officeholder is an additional duty of that person's office.

Sec. 11020.0203. APPOINTMENT OF DIRECTORS. (a) Each sponsor is entitled to appoint at least one director.

(b) Each director must be appointed by the governing body of a sponsor in accordance with the rules adopted under Section 11020.0201 that govern the apportionment of directors among the sponsors.

(c) Each sponsor shall appoint the appropriate number of directors not earlier than January 1 and not later than February 28 of each year.

Sec. 11020.0204. TERMS OF OFFICE. (a) Directors serve staggered three-year terms, with one-third or as near as possible to one-third of the members' terms expiring February 28 of each year.

(b) A director's term begins on March 1 of the year the director is appointed.

(c) A director may not serve more than five consecutive terms as a director.

Sec. 11020.0205. REMOVAL OF DIRECTOR. A sponsor that appoints a director may remove the director from office at any time, with or without cause.

Sec. 11020.0206. BOARD VACANCY. If there is a vacancy on the board, the governing body of the sponsor that appointed the director who vacated the office shall appoint a director to serve the remainder of the term.

Sec. 11020.0207. VOTING AUTHORITY. (a) Except as provided by Subsection (b), each director is entitled to one vote on any issue before the board.

(b) The board may establish a graduated voting procedure after each sponsor has appointed a director to the board.

Sec. 11020.0208. OFFICERS. At the first meeting of the board after March 1 of each year, the board shall elect officers for the alliance, including a chair, vice chair, secretary, and treasurer.

Sec. 11020.0209. MEETINGS AND ACTIONS OF BOARD; QUORUM. (a) The board may meet as many times each year as the board considers appropriate.

(b) A concurrence of a majority of the directors present and voting is sufficient for transacting any business of the alliance unless other applicable law, or the alliance by rule, requires a concurrence of a greater number of directors for a specific type of decision.

(c) Directors of the alliance are public officials and are entitled to governmental immunity for their actions in their capacity as directors and officers of the alliance.

Sec. 11020.0210. CONFLICTS OF INTEREST. (a) A director appointed by a sponsor that has regulatory authority over an issue before the board shall:

(1) before a vote or decision on the issue, file an affidavit stating the nature and extent of the regulatory authority; and

(2) abstain from any further participation on the issue.

(b) A director required to file an affidavit related to an issue before the board under Subsection (a) may not:

(1) attend a closed meeting related to the issue; and
 (2) vote on a matter related to the issue unless a majority of the directors are required to file an affidavit under Subsection (a) related to that issue.

SUBCHAPTER C. POWERS AND DUTIES

Sec. 11020.0301. GENERAL POWERS AND DUTIES. (a) The alliance may:

(1) acquire, purchase, own, hold, lease, construct, improve, and maintain a reservoir, groundwater well, or other source of water supply, including:

(A) groundwater, surface water, and wastewater reused directly or indirectly; and

(B) aquifer storage and recovery facilities;

(2) acquire, own, construct, operate, repair, improve, maintain, or extend, inside or outside the alliance's boundaries, water and wastewater works, improvements, facilities, plants, pipelines, equipment, and appliances for:

(A) the treatment and transportation of water and wastewater;

(B) the direct or indirect reuse of wastewater;

(C) aquifer storage and recovery projects; and

(D) the provision of wholesale water and wastewater services to alliance customers, municipalities, districts, water supply corporations, and other persons in this state;

(3) acquire, purchase, own, hold, lease, and maintain interests, including capacity rights and other contractual rights, in sources of water supply, reservoirs, groundwater wells, water and wastewater systems, treatment works, improvements, facilities, plants, equipment, appliances, aquifer storage and recovery projects, and the direct or indirect reuse of wastewater;

(4) finance any purchase or acquisition through a bond, note, or other obligation under Subchapter E, or through a lease-purchase agreement; and

(5) sell, lease, convey, or otherwise dispose of any right, interest, or property the alliance considers to be unnecessary for the efficient operation or maintenance of the alliance's facilities.

(b) In addition to the powers specifically provided by this chapter, the alliance may exercise the powers provided by Section 65.201, Water Code.

Sec. 11020.0302. ALLIANCE POLICIES, RULES, AND BYLAWS. The alliance may adopt and enforce policies, rules, and bylaws reasonably required to implement this chapter, including rules governing procedures before the board and rules regarding implementation, enforcement, and any other matters related to the exercise of the rights, powers, privileges, and functions conferred on the alliance by this chapter for the provision of water and wastewater service.

Sec. 11020.0303. WATER CONSERVATION OR DROUGHT CONTINGENCY PLANS. The alliance by rule may develop, prepare, revise, adopt, implement, enforce, and manage water conservation or drought contingency plans for the alliance or any portion of the alliance.

Sec. 11020.0304. SPONSOR CONVEYANCES AND ACQUISITIONS. (a) In this section, "utility system" has the meaning assigned by Section 1502.001, Government Code.

(b) A sponsor may convey a utility system facility or asset or the sponsor's interest in a utility system facility or asset to the alliance without holding an election to approve the conveyance.

(c) A sponsor is exempt from the provisions of Chapter 1502, Government Code, regarding the conveyance, sale, or acquisition of a utility system, or any related works, improvements, facilities, plants, equipment, or appliances.

Sec. 11020.0305. CONTRACTS. (a) The alliance may contract with any person to carry out a power authorized by this chapter.

(b) A person who enters into a contract with the alliance may pledge to the payment of the contract any source of revenue that may be available to the person, including ad valorem taxes, if the person has the authority to impose those taxes.

(c) Payments made under a contract with the alliance constitute an operating expense of the person served under the contract, unless otherwise prohibited by a previously outstanding obligation of the person. To the extent a person pledges funds to the payment of the contract that are to be derived from the person's own water system, the payments constitute an operating expense of that system.

Sec. 11020.0306. COOPERATIVE CONTRACTS. The alliance may enter into an interlocal contract with a local government under Chapter 791, Government Code, to carry out a power of the alliance.

Sec. 11020.0307. RATES AND FEES. (a) The alliance shall establish rates and fees to be assessed against sponsors and customers of the alliance. The rates and fees may be established by classes of customers, by project, or by area of service.

(b) A sponsor, local government, water supply corporation, private entity, or other person that contracts with the alliance shall establish, charge, and collect fees, rates, charges, rentals, and other amounts for any service or facility provided under or in connection with a contract with the alliance and shall pledge sufficient amounts to make all payments required under the contract.

Sec. 11020.0308. EMINENT DOMAIN. (a) The alliance may exercise the power of eminent domain to acquire a fee simple or other interest in property if the interest is necessary for the alliance to exercise the rights or authority conferred by this chapter.

(b) The alliance shall exercise the right of eminent domain in the manner provided by Chapter 21, Property Code. The alliance is not required to give bond for appeal or bond for costs in a condemnation suit or other suit to which it is a party.

(c) The alliance may not use the power of eminent domain for the condemnation of land for the purpose of acquiring rights to groundwater or for the purpose of acquiring water or water rights.

SUBCHAPTER D. GENERAL FINANCIAL PROVISIONS

Sec. 11020.0401. AD VALOREM TAXES PROHIBITED. The alliance may not impose an ad valorem tax.

Sec. 11020.0402. GIFTS, GRANTS, LOANS, AND OTHER MONEY. The alliance may apply for, accept, receive, and administer gifts, grants, loans, and other money available from any source.

SUBCHAPTER E. BONDS, NOTES, AND OTHER OBLIGATIONS

Sec. 11020.0501. REVENUE BONDS, NOTES, AND OTHER OBLIGATIONS. (a) In addition to bonds, notes, and other obligations that the alliance is authorized to issue under other law, to accomplish the purposes of the alliance, the alliance may issue bonds, notes, or other obligations payable solely from and secured by all or part of any funds or any revenue from any source or sources, including:

(1) fees, rates, and other charges the alliance imposes or collects;

(2) the sale of:

(A) water;

(B) water or wastewater services;

(C) water rights or capacity;

(D) water transmission rights, capacity, or services;

(E) water pumping;

(F) wastewater reused directly or indirectly;

(G) aquifer storage and recovery services;

(H) sewer services; or

(I) any other service or product of the alliance provided inside or outside the boundaries of the alliance;

(3) grants or gifts;

(4) the ownership or operation of all or a designated part of the alliance's works, improvements, facilities, plants, or equipment; and

(5) the proceeds of contracts.

(b) Bonds, notes, or other obligations issued by the alliance may be first or subordinate lien obligations at the board's discretion.

(c) In connection with any bonds, notes, or other obligations of the alliance, the alliance may exercise any power of an issuer under Chapter 1371, Government Code.

(d) The alliance may conduct a public, private, or negotiated sale of the bonds, notes, or other obligations.

(e) The alliance may enter into one or more indentures of trust to further secure its bonds, notes, or other obligations.

(f) The alliance may issue bonds, notes, or other obligations in more than one series as necessary to carry out the purposes of this chapter. In issuing bonds, notes, or other obligations secured by revenue of the alliance, the alliance may reserve the right to issue additional bonds, notes, or other obligations secured by the alliance's revenue that are on parity with or are senior or subordinate to the bonds, notes, or other obligations issued earlier.

(g) A resolution of the board or a trust indenture securing the bonds, notes, or other obligations may specify additional provisions that constitute a contract between the alliance and the alliance's bondholders, noteholders, or other obligation holders.

(h) Bonds, notes, or other obligations may be additionally secured by deed of trust or mortgage on any or all of the alliance's facilities.

(i) The authority provided by this chapter for the authorization and issuance of bonds, notes, and other obligations is in addition to, and not in lieu of, the authority otherwise established under general law and may not be construed as a limitation on, or a modification of, general law providing for authorization and issuance of bonds, notes, and other forms of obligations. Nothing in this chapter may be construed as affecting any existing contract, bond, note, or other obligation of the alliance or any indenture, covenant, mortgage, or other agreement relating to them.

Sec. 11020.0502. ELECTION NOT REQUIRED. The alliance is not required to hold an election to approve the issuance of revenue bonds or notes or of other obligations under this subchapter.

Sec. 11020.0503. USE OF REVENUE AND GROWTH PROJECTIONS. For the purposes of attorney general review and approval and in lieu of any other manner of demonstrating the ability to pay debt service and satisfy any other pecuniary obligations relating to bonds, notes, or other obligations, the alliance may demonstrate the alliance's ability to satisfy the debt service and those obligations using accumulated funds of the alliance and revenue and growth projections prepared by a professional utility rate consultant at the direction of the alliance. If the resolution authorizing the issuance of the bonds, notes, or other obligations provides that the alliance intends to increase rates to the extent necessary to pay debt service and satisfy any other pecuniary obligations arising under the bonds, notes, or other obligations, the revenue projections prepared by a professional utility rate consultant may include forecast rate increases and accumulated and available fund balances as determined by the alliance.

Sec. 11020.0504. REFUNDING BONDS. The alliance may issue refunding bonds, notes, and other obligations to refund any of its bonds, notes, or other obligations in any manner provided by law, including Chapter 1207, Government Code.

Sec. 11020.0505. BONDS, NOTES, AND OTHER OBLIGATIONS EXEMPT FROM TAXATION. A bond, note, or other obligation issued under this chapter, a transaction related to the bond, note, or other obligation, the interest on the bond, note, or other obligation, and the profit from the sale of the bond, note, or other obligation are exempt from taxation by this state or a political subdivision of this state.

SECTION 2. (a) The sponsors of the Central Texas Water Alliance shall appoint the initial directors under Section 11020.0203, Special District Local Laws Code, as added by this Act, not earlier than 30 days and not later than 90 days after the effective date of this Act.

(b) As soon as practicable after the initial directors have been appointed under Section 11020.0203, Special District Local

Laws Code, as added by this Act, the initial directors shall draw lots to determine which directors serve a one-year term expiring February 28, 2027, which directors serve a two-year term expiring February 28, 2028, and which directors serve a three-year term expiring February 28, 2029. The lots must be split into thirds or as near to thirds as possible.

SECTION 3. (a) The legal notice of the intention to introduce this Act, setting forth the general substance of this Act, has been published as provided by law, and the notice and a copy of this Act have been furnished to all persons, agencies, officials, or entities to which they are required to be furnished under Section 59, Article XVI, Texas Constitution, and Chapter 313, Government Code.

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

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

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

SECTION 4. (a) If this Act does not receive a two-thirds vote of all the members elected to each house, Subchapter C, Chapter 11020, Special District Local Laws Code, as added by Section 1 of this Act, is amended by striking Section 11020.0308 and substituting Section 11020.0308 to read as follows:

Sec. 11020.0308. NO EMINENT DOMAIN POWER. The district may not exercise the power of eminent domain.

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

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

* * * * *