A Handbook for Board Members of Water Districts in Texas

Fourth Edition
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Preface

Texas has approximately 1,300 water districts generally governed by a board of five or more directors. Most districts cover a small geographic area, provide a narrow spectrum of services, and operate without a general manager or other full-time professional staff. Most district board members, therefore, have a major responsibility regarding operations and policy decisions in areas such as levying taxes, issuing bonds, and awarding construction and other contracts.

A Handbook for Board Members of Water Districts in Texas, Fourth Edition (Handbook) offers basic, practical information to guide board members in managing the many facets of their district's affairs. Although at times it focuses on municipal utility districts, the Handbook will be applicable to all districts, especially those with a "development" history.

The Commission has received the cooperation of the Association of Water Board Directors and the Central Texas Association of Utility Districts in revising this Fourth Edition of the Handbook. The Third Edition of the Handbook was dated July 1992 and was co-sponsored by the Commission and the Association of Water Board Directors. The now defunct Texas Advisory Commission on Intergovernmental Relations produced the previous editions. The Commission expresses its appreciation to the many individuals who reviewed and commented on this revision of the Handbook.

This Handbook is intended to provide guidance only and should not be construed as an authoritative reference. Each district is responsible for maintaining a current knowledge of applicable statutes, rules, and regulations. The Texas Natural Resource Conservation Commission (Commission) encourages all board members to consult with professionals who have knowledge of the individual circumstances of their particular district.
STATUTORY POWERS AND DUTIES

A water district is a political subdivision endowed with the functions, powers, authority, rights, and duties that will permit it to accomplish the purposes for which it was created. The legislature recodified the statutory provisions governing most types of districts into Chapter 49, Texas Water Code, the primary reference used in the Handbook. Chapter 293, 30 Texas Administrative Code, is the primary reference used for Commission Rules governing most types of districts. A district's statutory purposes may include water supply, wastewater treatment, storm water control, irrigation, navigation, fire fighting, and development of parks and recreational facilities. Municipal utility districts are given additional powers in solid waste management. The board of directors manages and controls these district affairs including financial management, employment, and purchasing. The board establishes policies, in the interests of the district’s residents and customers, to aid in this process.

General Responsibilities and Authority

Since a district is a political subdivision, most of the responsibility for defining objectives, setting policy and providing management oversight is under local governmental control. These broad responsibilities are in the hands of the board of directors and cannot be delegated to employees, contractors and consultants.

Board Election

Excepting provisions of the Texas Water Code, the Texas Election Code establishes most of the procedures for electing district directors. Special law districts should refer to their enabling legislation for provisions relating to elections. On uniform election dates in either January or May of each even-numbered year, voters elect the appropriate number of directors. In all areas of conflict, these provisions of the Texas Water Code take precedence over prior statutory enactments. Voters elect all directors, with the exception of temporary directors, for four-year terms.

Candidates seeking election to the board must file an application with the district at least 45 days before the election. The board of directors fills vacancies by appointment. In addition, if the number of qualified directors falls below a quorum, the Commission or the County Commissioners Court (if the district was created by the court) appoints the vacancies. A district has 30 days to inform the Commission of a change in its board's membership.

Officers, Meetings, and Bylaws

The district board must elect a president, vice-president, secretary, and other officers it considers necessary. The president, as the chief executive officer of the district, presides at all board meetings and executes all documents for the district. The vice-president acts as president in his absence or disability. The secretary keeps all records and books for the district. The board will hold regular and special meetings according to the Open Meetings Act, Chapter 551, Texas Government Code. The board of directors may adopt bylaws to aid in governing the district affairs.
**District Rules and Regulations**

A district may adopt and enforce a variety of reasonable rules and regulations. Rules may address the safety and sanitation of the sewer system, water distribution, and water conservation. The district must keep its rules on file at its principal office. A violator of district rules is subject to reasonable penalties, besides any other state penalties. A district may employ its own peace officers who may make arrests to stop violations of district rules that occur on land owned or controlled by the district and violations of state laws.

**Real Property Restrictions**

A district may enforce real property restrictions within its boundaries when the board determines that enforcement is necessary to sustain taxable property values. If the district is successful in litigation to enforce these restrictions, it is entitled to recover costs including attorneys’ fees.

**Contracts**

A district has broad authority to contract for joint construction, financing, ownership, and operation of permitted projects, and for partial interests in the same. A district may also enter contracts with terms and conditions the board may consider desirable, fair, and advantageous, for specified purposes. Contracts are limited to a definite term. These purposes are for water purchase and sale; waste collection, treatment, and disposal; storm water control; the development of property such that it can receive district services; maintenance and operation; solid waste collection, treatment, and disposal; and other functional services. A contract may specify the revenue source, or the combination of revenue sources, from which it is payable. If payments are to be made from taxes other than operations and maintenance taxes, a majority of voters must approve the contract in an election.

**Construction Work Contracts**

Construction work contracts must conform to the provisions of the Texas Water Code. The board should advertise the solicitation of contract bids for more than $25,000 in one or more newspapers circulated in each county in which the district is found. The board should solicit written competitive bids from at least three bidders for contracts more than $15,000 but less than $25,000, but requirements do not call for advertising. For contracts less than $15,000, requirements do not call for the solicitation of bids. The competitive bidding requirements are waived for specified emergencies. The bid provisions do not apply to contracts for personal or professional services or for a service operator.

The district awards the construction contract to the most economical and qualified bidder. The law also specifies some contract provisions. These provisions cover contract records, performance and payment bonds, inspections and progress reports, progress payments, and retainage.
Solid Waste System
A municipal utility district is authorized by Chapter 54, Texas Water Code to acquire, operate and maintain a solid waste (garbage) collection and disposal system inside and outside the district boundaries. The solid waste system may include recycling. The district may require the use of the service as a condition to receiving other district services. It may also provide the service through a private entity.

Area-wide Waste Treatment
The legislature grants a district’s powers and duties subject to the policy of the state to encourage development and use of integrated area-wide waste collection, treatment, and disposal systems. An area-wide system should offer benefits that are financial and environmental compared with the construction and operation of many small waste facilities.

Service to Areas Outside the District
A district may provide water and sewer services to areas contiguous to or in its vicinity, provided another public entity does not duplicate the services. Specific statutory provisions cover city consent, securing money through bond sales, certificates of convenience and necessity, comparative rates and charges, and operating expenses.

Recreational and Fire Fighting Facilities
The statutes specifically authorize municipal utility districts to develop, maintain, or acquire parks or recreational facilities. They are prohibited from issuing bonds to pay for such facilities, but user fees may be charged. A district that provides potable water or sewer service to household users may establish, operate, and maintain a fire department or contract with others to provide fire fighting service within the district. Fire fighting plans must be approved by the Commission and by a vote of district residents.

Road District Powers
The legislature added a provision to state law allowing municipal utility districts, with the approval of the Commission, to petition the Department of Transportation for powers granted to road districts.

Property Transactions
A district has broad rights to acquire land and other real or personal property to accomplish its purposes. A district may acquire property through gift, grant or purchase, and may lease property whenever advantageous. The district may also use condemnation to acquire land or other property inside or outside the district for necessary water, sanitary sewer, storm drainage, and flood drainage and control purposes. Generally, a district must exercise its right of condemnation as provided under eminent domain law, Chapter 21, Texas Property Code. The board may sell or exchange, publicly or privately, any surplus property or land according to the provisions of the Texas Water Code. Subject to federal tax law restrictions, a district may lease any of its property to any person under whatever terms the board considers advantageous.
With notice, the district’s agents may enter any property to inspect, survey or evaluate the condition, value and usability of the property. The district, however, must pay to restore any damages caused by such entry.

**Annexing Land**

In a petition to the board, a landowner(s) may request that land be added to the district. The landowner(s) must sign and execute the petition as a conveyance of real estate. After a hearing, the board may add the land if certain conditions are met. The addition must be advantageous to the district without injuring land already serviced by the district. The board may require the petitioner(s) to assume their share of outstanding bonds, notes, or other obligations. If the petitioner(s) agrees, the board may also issue that portion of the tax bonds that remain unissued since the bond election. The board may issue these bonds even though the district boundaries have changed since the date of the bond election.

Land may also be added upon a petition by the owners of a majority in value of the land to be annexed or by 50 landowners, if the number of landowners is more than 50. At the hearing, if the proposed annexation is found feasible, practical, and beneficial to the area and the district, the board may add the land to the district. The annexed area will bear its share of district debt and taxes before the annexation if an election covering the district as enlarged by the annexation is successful.

A district has the same right and duty to furnish service to the annexed land as to other land. The board must try to serve all land without discrimination. Within 30 days, or when practical, the board must furnish the executive director of the Commission with a detailed description of any land annexed to the district. The district must also file the annexation proceedings and an amendment to the district’s information form in the deed records of each county in which it is found. Specific procedures for annexation may vary with the type of water district involved.

**Excluding Land**

Before the board calls an election to authorize bonds, the board on its own motion may exclude land from the district if the exclusion is practical, just, or desirable. Under certain circumstances, before the board calls a bond election, it may exclude land upon the petition of the owner of the land after a hearing held for such a purpose. An order excluding land is subject to judicial review. The board must furnish the Executive Director of the Commission with a description of the land excluded. The board must also file the exclusion order and an amendment to the district information form in the deed records of each county in which the district is found.
Financial Responsibilities and Authority

The board of directors is responsible for the public funds in their care. State law governs this fiscal responsibility which good management practices aid.

Budget
The board of directors will adopt an annual budget covering the adopted fiscal year.

Depository
By order or resolution, the board must designate one or more banks or savings associations within the state to serve as the depository for district funds. To the extent that the Federal Deposit Insurance Corporation (FDIC) does not insure depository funds, they must be secured according to Chapter 2257, Texas Government Code, known as the Public Funds Collateral Act. To ensure FDIC coverage, they should establish special fund custodian arrangements according to FDIC laws and rules. A depository contract should be written to ensure bank or association compliance with the Public Funds Collateral Act.

Expenditures
A district may disburse money only by check, draft, order, or other instrument signed by at least a majority of the directors. By board resolution, however, the treasurer, general manager, bookkeeper, or other employees of the district may sign instruments to disburse funds. By board resolution, disbursements may also be transferred by the federal reserve wire system. Frequently, authorization to sign instruments by other than a majority of directors places a limit on the amount of disbursement that may be made without specific board approval.

Investments
A district's board or authorized representative may invest district funds in the manner and type prescribed by the Public Funds Investment Act. The governing body will adopt a written investment policy by rule, order, ordinance or resolution. It will primarily emphasize safety of principal and liquidity, and address investment diversification, yield and maturity, and the quality and capability of investment management. The body will adopt a separate written investment strategy for each fund. The body will review the investment policies and strategies annually.

The act also requires that each district must designate one or more officers or employees, by rule, order, ordinance, or resolution, as investment officer that will invest consistently with the investment policy. A written copy of the investment policy will be presented to any person seeking to sell authorized investments to the entity. That person will in turn certify that he has received and reviewed the policy and acknowledges that reasonable controls are in place.

The treasurer, or the chief financial officer, and the investment officer of the entity will attend at least one training session relating to responsibilities under this act within 12 months of assuming duty. The training will include education in investment controls, security risks, strategy risks, market risks, and compliance with the act.
Debt
A district may borrow for any corporate purpose. Without an election or a Commission order, the board may borrow money on negotiable notes of the district with terms not longer than three years. The district pays these revenue notes solely from operating revenues and must never use taxes to pay this type of debt. With an election, a district may issue bonds or other obligations secured in whole or part by taxes. Emergencies may call for the issuance of tax and bond anticipation notes with maturities of not longer than a year. Districts required to have Commission approval of bonds must have an application on file before bond anticipation notes are issued.

Bond Issues
A water district may issue long-term bonds to acquire or construct the infrastructure of the district. These bonds are usually tax-exempt and are sold as registered securities to investors. Bonds are usually secured by a pledge of ad valorem taxes and/or the general revenues of the district. Each year that the debt is outstanding, the board of directors is obligated to levy a tax or set rates sufficient to pay the interest and principal on the bonds.

Refunding bonds do not provide additional capital to the district as they only replace existing debt. A refunding issue is feasible only under certain conditions. Its purpose is to reduce the district’s tax burden. City ordinances may limit the ability of a district to refund its bond issues. Refunding issues do not require approval by the Commission but do require review and approval by the Attorney General’s Office.

Service Charges and Fees
A board may adopt and enforce all necessary charges, fees, and rentals to provide district facilities and services. A board may also require deposits and is not required to pay interest on them. Rates and policies may be adopted by the board on any reasonable basis that is nondiscriminatory within a particular class of user. Notice of changes must be provided to customers who reside outside the district. Rate changes may be appealed by petitioning the Commission within ninety days of the effective date of the rate change. The petition must be signed by 10,000 or 10 percent, whichever is less, of the ratepayers whose rates will change.

To prevent abuses and to enforce payments, a district may stop a service to a customer for not paying a charge, fee, rental or taxes that have been delinquent for at least six months. The board must ensure that the policy regarding termination of service is clear. The policy must include adequate notice of a pending termination and an opportunity to arrange for payment. Accounts receivable is a personal debt of the customer, and unrelated third parties cannot be held responsible for them.

Standby Fees
A district that proposes to or actually provides retail water, sewer or drainage service is authorized by the Texas Water Code to levy standby fees subject to approval by the Commission. Standby fees are levied against undeveloped property for the availability of water, sanitary sewer, or drainage facilities or services financed by the district. They may be levied in
different amounts to fairly reflect the level of services available to different property. The intent of the standby fee is to distribute the costs of an infrastructure and operations to all property rather than just to the current customers of services. They may be imposed for debt service and/or operating purposes.

The Commission will approve an application for standby fees only if the fee is necessary to maintain the financial integrity and stability of the district and fairly allocates the costs of district facilities and services among the property owners of the district. Once approved by the Commission, standby fees levied carry a lien having the same priority as a tax lien. The district may charge reasonable costs incurred to enforce the lien not to exceed 20 percent of the delinquent fee and interest. Commission approval of standby fees is valid for periods not to exceed three years.

If an owner of undeveloped property protests the standby fee application, a hearing may be necessary requiring the district to present evidence to support the adoption of the requested fee.

**Impact Fees**

An impact fee is a charge against development used to fund or recover capital costs of constructing water, wastewater and drainage facilities for such development. Chapter 395, Subchapter C, Texas Local Government Code, describes a hearing process that must be held before adoption of an impact fee. Water districts required to seek Commission approval to issue bonds may seek Commission approval of the impact fee instead of using the hearing process. If a district levies an impact fee against another district, and both are required to seek Commission approval to issue bonds, then the hearing process is not necessary.

Tap or connection fees charged to taxable entities which exceed three times the actual and reasonable costs to the district for such work may be considered as impact fees. Those tap or connection fees charged to nontaxable entities which exceed the actual and reasonable costs of servicing the entity by any amount may also be considered as impact fees.

**Regulatory Assessment Fees**

In 1993, the legislature authorized certain water and wastewater providers including water districts, to collect a regulatory assessment fee from their retail customers to finance state programs. Districts collect one half of 1 percent of the retail water and wastewater receipts from their customers and submit that amount to the Commission. These districts may include the assessment as a separate amount on the customer’s bill. Some districts pay the assessment from general revenues, but this practice is not recommended if the district has wholesale customers not subject to the assessment.

If a water district makes timely, quarterly payments, it may retain 10 percent of the regulatory assessment as an administrative fee. The district may also submit the full amount of the assessment annually.
**Consolidation or Dissolution**

The board of directors may be involved in changing the organizational or physical structure of the district. This could arise to improve efficiency or economy of operations or for convenience or other reasons.

**Consolidation**

Two or more districts may consolidate into one. Consolidation may occur only if favored by the electors in each district. Special provisions address the terms and conditions of consolidation. Additional statutory provisions discuss the governing of consolidated districts. The law protects the debts of the original districts.

**Dissolution**

If the district's board considers it advisable before the issuance of any bonds, notes, or other indebtedness, the board may dissolve and liquidate the affairs of the district. The board must follow certain notice requirements and hear all interested persons and consider their evidence. From the evidence, the board makes a decision that will serve the best interests of the persons and property in the district. The board's decree to dissolve the district may be judicially reviewed.

The board, a major landowner in the district, or other interested party may petition the Commission for dissolution also. After notice and hearing, the Commission may dissolve a district which is inactive for a specific number of consecutive years and has no outstanding bonded indebtedness.

Special legislation may also dissolve a district. Inactive districts which have not complied with certain reporting requirements may be recommended for legislative dissolutions.
LAWS AFFECTING INDIVIDUAL BOARD MEMBERS

A district board member should be aware of certain state laws that affect an individual director in the role of a public servant. Public officials serve under a variety of statutes intended to protect the public interest. These laws require disclosure of information or prohibit certain types of conduct. In addition, a director may face potential liability for actions taken as a public official.

Qualifications

A board of five or more directors governs most districts. Chapter 54, Texas Water Code, requires municipal utility district directors to be at least 21 years old, a resident of Texas, and either a qualified voter in the district or an owner of taxable land. Qualifications for other districts may vary.

A director must qualify with a bond and an oath. The bond must be executed for $10,000 payable to the district and conditioned on the faithful performance of duties. All of the director’s bonds must be approved by the board and paid by the district. Each director must also take the oath of office prescribed by the constitution for public officers. A director, whether appointed or elected, must file a sworn statement with the Texas Secretary of State concerning the director’s election or appointment.

A district is subject to Texas Local Government Code, Chapter 171 which regulates conflicts of interest on the board. Certain persons are disqualified from serving as a district director. "A developer of property in the district" is disqualified. Certain relatives, employees, consultants, and parties to specified contracts also may not serve on the board. Additionally, the board may remove directors for excessive absences. The board must replace a disqualified member within 60 days. A willful violator of these disqualification standards commits a misdemeanor and faces a fine. The statute specifically protects the rights of innocent third parties in their dealings with a district board that includes a disqualified member.

Ethics and Financial Disclosure

Most often, common sense and good judgment will ensure that district board members maintain high standards of public service. By accepting public office, a board member assumes many duties and responsibilities. To a certain extent, a holder of a public office has agreed to circumscribe the scope of some of his business and other activities.

Nepotism

Nepotism involves favoritism shown toward a relative. Usually, a director commits official misconduct if he approves or votes for the appointment of any relative of any board member to position paid for with public funds. Among other limited exceptions, this prohibition does not apply to relatives continuously employed in the job or position for at least one year before the related board member began serving. Chapter 573, Texas Government Code, addresses nepotism and defines the degrees of relationship involved in these issues.
Bribery and Gifts to Public Officials

Chapter 36, Texas Penal Code prohibits bribery. A director would commit bribery by asking for, accepting, or even agreeing to accept, something of value as consideration for some decision or exercise (whether past, present, or future) of discretion as a public servant. This statute also prohibits the acceptance of a gift by a public official. Certain exceptions are stated, such as the acceptance of food, lodging, transportation, or entertainment accepted as a guest.

Criminal Abuse of Office

The Texas Penal Code prohibits a public servant from committing various abuses of office. A public servant commits official misconduct if, with intent to get a personal benefit, he exercises his official powers without authority, fails to perform a required duty, or improperly takes or uses any government property. In addition, a public servant commits official oppression if he unlawfully takes advantage of his official capacity either to mistreat someone or to impede someone's rights.

A public servant also abuses his office if he misuses information that he received, ahead of the public, because of his official capacity. Misuse includes reliance on that information to speculate or acquire an economic advantage, whether for himself or another.

Conflict of Interest

A director must reject any benefit for his past official actions in favor of another person. A director must also reject any job, favor, or other benefit that might tend, or is intended, to impair or influence his official conduct or independence. In addition, a board member must not engage in any business activity that might lead him to reveal confidential information he received through his official position. Overall, a board member should avoid personal investments that are likely to create a substantial conflict between private and public interests. Chapter 171, Texas Local Government Code governs conflicts of interest.

Public Financial Disclosure

Chapter 171, Texas Local Government Code states that if a director has a substantial interest in a business entity that any action taken by the board would peculiarly affect, the director should file, before any vote or decision in the matter, an affidavit stating the nature and extent of the interest. An interested director may not discuss or vote on that matter. A violation will render the action voidable if the measure that was the subject of the action would not have passed without the vote of the director with the interest. In addition, the Texas Penal Code requires certain public servants to file affidavits about any interest they may have in any property that they know is being acquired with public funds.

Code of Ethics

The board of directors of a district is required to adopt a code of ethics addressing standards of conduct for directors, officers and employees of the district.
**Liability for Torts**

Overall, most torts involve a noncriminal and noncontractual violation of another's rights. Tortious behavior covers a wide range of damaging conduct including slander, civil rights violation, fraud, and negligence. Historically, public officials have not been held personally liable for good faith acts done within the scope of their public duties. However, officials acting beyond their authority, particularly if in bad faith or with malice, are liable to anyone damaged by such acts.

Depending on the history of the particular district and the nature of its facilities and operations, the board should consider purchasing liability insurance. Information on this insurance and coverage may be obtained through local brokers or associations of agents.

**Compensation**

Directors of water districts, except special water authorities, are entitled to a fee of not more than $100 for each day of necessary service, with a maximum of $6,000 for the year. A director may also receive reimbursement for travel and other expenses incurred for the district. To receive these fees and reimbursements, each director must file a verified statement showing the number of days spent in the service of the district and a general description of the duties performed for each day.
MEETINGS AND RECORDS

Based on fundamental democratic principles, the Open Meetings Act and the Open Records Act have been enacted to guarantee citizen access to most public meetings and records. This philosophical and legal commitment translates into obligations and responsibilities for both public officials and governmental entities. Certain other statutory provisions regarding procedures for conducting meetings and maintaining records are outlined in the Texas Water Code.

Open Meetings Act

The district board has the authority to establish regular meetings to conduct district business. The board may also hold special meetings. Every meeting will be conducted according to Open Meetings Act, Chapter 551, Texas Government Code, excepting committee meetings where less than a quorum is present. All districts, except river authorities, may solicit opinions on the act from the Attorney General through the county or district attorney. A river authority may solicit opinions directly.

Notice

Except for emergency meetings, a water district must post written notice stating the date, hour, place and agenda of the board meeting at least 72 hours before the scheduled time of the meeting. The Open Meetings Act requires posting in the administrative office of a district at "a place readily accessible to the general public at all times." If the district does not have a meeting place in the district, they must post the notice at a place convenient to the public within the district. In addition, they must furnish a copy of the notice to the county clerk of the county in which the district is found. The county clerk must then post the notice on a conveniently located bulletin board, used for that purpose, in the county courthouse.

Failure to post notice does not affect the validity of any action taken at a regular board meeting. Failure to post notice may affect the validity of actions taken at a special meeting. A meeting may be held by telephone conference call only if an emergency or public necessity exists and the convening at one location of a quorum of the board is difficult or impossible. Each part of the telephone conference call meeting that is required to be open to the public should be audible to the public at the location specified in the notice of the meeting and should be tape-recorded.

Emergency Meetings

The board should have a policy of calling an emergency meeting only when imminent threats to public health and safety or unforeseeable situations requiring immediate action exist. The statutes waive notice requirements for meetings that involve an emergency or urgent public necessity. This provision requires that notice of an emergency meeting be posted at least two hours before the meeting is convened. The law also provides that notice should be posted with the same information and in the same manner as notices for regular meetings. This law further requires the notice to state the reason for the emergency or urgent public necessity, and gives the news media the right to request special notification at their own expense.
Revisions and Cancellations
An emergency addition to a meeting agenda may be made by providing two hours supplemental notice following the same filing procedure as for emergency meetings. When they must cancel a meeting, the board should notify the county clerk by telephone. Although not required by the Open Meetings Act, they should remove the notice from all posting locations if time permits.

Meeting Location
After at least 25 qualified electors reside in the district, the board must establish an office within the district. The board may also maintain another office outside the district. The meeting place may be a private home or office if the board's order declares that place public and invites the public to attend board meetings. The board may meet outside the district at an officially designated meeting place even after an office is established within the district.

If at least five of 25 qualified resident electors make a written request, the board must designate a meeting place within the district. If the board fails to do so, these electors may petition the Commission to make the designation. After the next board election, the board can change the meeting place selected by the Commission. If the board establishes or changes a meeting place outside the district, the board must give notice by having its resolution changing the meeting place filed with the Commission and published in an appropriate newspaper.

Agenda and Subjects Considered
A final action taken on any item not listed in the meeting agenda may be declared invalid in a court of law. Therefore, the board should only consider subjects listed in the meeting notice. They may provide information on other subjects in response to inquiries made by a board member or a member of the general public. Deliberation on these subjects, however, is limited to placing the subject on the agenda for a subsequent meeting.

Executive Session
A meeting may be closed to the public under certain limited circumstances. Generally, these circumstances include certain contract negotiations, consultations with the board's attorney about litigation, and consideration of personnel matters, real property transactions, and security deployment. Even if they hold a closed or executive session, they must meet the following obligations:

! The board must first convene in an open session.
! The presiding officer must announce that an executive session is to be held and identify the section of the Open Meetings Act that authorizes the executive session.
! They may take no final action during the executive session.
At the conclusion of an executive session, the board may reconvene in an open session. The board must be in an open session before taking any final action, decision, or vote on matters considered in a closed meeting.

The district must either keep a certified agenda of the meeting, or tape record the proceedings, except in the case of consultations with its attorney.

**Penalties**
A board member is guilty of a misdemeanor and subject to a fine and imprisonment for the following actions:

- Knowingly calling or aiding the calling of a closed meeting without following the prescribed procedures.
- Knowingly closing or aiding the closing of a regular meeting without following the prescribed procedures.
- Knowingly participating in an unlawfully closed meeting.
- Knowingly conspiring to bypass the Open Meetings Act by meeting in numbers less than a quorum.

**Miscellaneous**
A person attending a public meeting of any governmental body may record all or any part of that meeting. Any interested person may sue to stop a current or threatened violation of the Open Meetings Act. This law does not give persons the right to discuss matters at the board meeting but the right to observe action. The board may establish policies which govern public interaction with the board.

**Open Records Act**
District records are to be maintained according to the Open Records Act, Chapter 552, Texas Government Code and the Local Government Records Act, Chapters 201 to 205, Texas Local Government Code. The Texas State Library offers assistance in maintaining the required information and will provide, on request, the maintenance schedules from the Local Government Records Act that are applicable to districts.

A district must keep, in a safe place in the district, all minutes, contracts, records, and other materials containing public information. The district must permit public inspection and access to all information collected, assembled, or maintained concerning the transaction of official public business.

Under the Open Records Act, public information encompasses a broad and liberally construed variety of material, such as reports, publicly paid salaries, voting records, tax records, procedural rules, and audits. The exceptions include trade secrets, student records, peace officers' home
addresses and telephone numbers, elected officeholders' private communications, and other confidential, in legal terms, matters. Unless prohibited by law, excepted information may nevertheless be made public. In addition, the law prohibits any distribution of confidential information.

The Attorney General issues decisions, upon request, in cases where the status of certain records may be in doubt under the Open Records Act. The preservation, microfilming, destruction or other disposition of the information is subject to the requirements of Chapter 201, Texas Government Code.
CONSULTANTS AND OPERATIONAL ISSUES

A district's board of directors has broad powers and extensive responsibilities. Board members, however, receive only nominal compensation from the district and generally serve part-time. In addition, board members may not possess the training and experience to perform the professional services that a district requires. The board must guard against conflicts of interest that might arise if the district professionally employs a board member.

Although districts often have no employees, most districts contract with a variety of consultants. Each consultant has technical expertise in one or more facets of a district's operations. Most consultants have contractual relationships with several districts.

**Engaging a Consultant**

The Professional Services Procurement Act, Chapter 2254, Subchapter A, Texas Government Code, states that no political subdivision will engage certain professional services based on competitive bids. Services covered by the Act include those performed by Certified Public Accountants, Professional Engineers, and others. The Texas Water Code makes the Act applicable to attorneys, financial advisors and other professional consultants selected by a district. The selection of all professional services should be based primarily on considerations of qualifications and experience. The following are suggested steps for engaging a consultant:

1. Send Requests for Proposals (RFP) to selected consulting firms.

2. When the proposals are received, evaluate and rank them according to qualifications. Compare estimated costs based on hours, experience level of staff, and total cost.

3. Negotiate costs and other terms with the chosen qualified firm. If one cannot agree on terms, discuss engagement with another firm which is qualified.

4. Make sure that the consultant’s engagement letter or contract confirms the terms agreed on and provides the required information.

The contract or engagement letter is the consultant’s understanding of what he is asked to perform. The engagement letter or contract should include information on the basis for the fee. The client may request and receive a detailed billing of any work performed.

**Guidelines for Requests for Proposals**

The following is offered as a guide in preparing an RFP. Many items listed should also be included in a contract or engagement letter. It is not an exhaustive list and should be tailored to the district’s needs.
**General Information**
1. Name and address of entity issuing the RFP.
2. Name, address, title and phone number of a contact person.
3. Response deadline and the consequences of late responses.
4. Number of copies of response to be submitted.
5. The specific contract period of work to be performed.
6. Exact location and method of delivery of the response.
7. Other stipulations and clarifications as required.
8. Name, title and signature of entity official who transmits the proposal.

**Description of Entity and Work to be Performed**
1. General information on the district, such as budget size and type/number of connections.
2. Magnitude of the activity to be performed by the consultant.
3. Systems, records, and procedures, the individuals responsible for each, and who supervises those individuals.
4. Availability of copies of pertinent records.

**Suggested Minimum Qualifications of the Consultant**
1. An affirmation that the proposer is properly licensed and/or certified in his field of expertise.
2. An affirmation that the proposer does not have a record of substandard work/complaints filed against him.
3. References from recent clients.

**Terms of the Engagement or Contract**
If the board wishes to consider engaging the consultant for more than one year, annual review of the consultant’s performance is required by the Texas Water Code. Many districts engage consultants for no set time but with a 30-day no-cause termination clause. The RFP should specify the reports required to be submitted to the board, state agencies or other entities. It should also request a description of the professional level of the staff who will be working on the project, and the basis for their fee.

**Right of Rejection**
The board of directors may reject any proposal received or may negotiate with the potential consultant to adjust the terms of the engagement.

Typically, a consultant devotes a flexible amount of time to a district's affairs. Several consultants play their most critical role during the phase when a district is being created. Others find their duties increasing as the district develops and has a growing resident population. The following list identifies the primary consultants and summarizes their functions.
Consultants to the Board

Many boards will require the services of a variety of professional and technical consultants to aid in their responsibilities.

General Manager

A general manager provides professional administration for the residents of a growing district community. The general manager coordinates the work of the district's consultants, carries out the board's plans, and monitors the many details of the district's development.

When a district's growth requires a full-time operator for its water and sewer plants, the general manager will supervise the water operator. The general manager also supervises all other necessary personnel. The general manager will also manage the district's budget and seek competitive prices for materials and equipment.

Service Operator

An operator functions, by analogy, like a city's water department functions. A water service operator answers the everyday questions that residents have about their water services and bills. In a developing district, the operator often provides more services than typical. The operator deals with engineers, developers, and builders, and with residents. In a single day, an operator may set taps, clean lines, and repair damaged facilities. The operator is required to hold certain levels of state certification relative to the population and type of water operation served. The Occupational Certification Section of the Commission’s Compliance Support Division provides testing and issues certificates of competency to qualified operators.

Bookkeeper

The bookkeeper is responsible for cash receipts and disbursements, including bond payments, authorized by the board. The bookkeeper maintains detailed cash and accrual records and a variety of separate bank accounts for this purpose according to statutory and regulatory requirements. The bookkeeper also monitors investments, collateral coverage, tax collections, and other financial matters as directed by the board or other consultants.

Engineer

The engineer prepares the final design and specifications for the development project. The engineer makes sure that the developers, builders, contractors, and subcontractors follow the development plans. In particular, the engineer oversees underground sewer and water line testing, builder and other permits, and conformance with the Commission's basic guidelines on water and sewer taps.

The engineer also helps determine when facilities need expansion, and helps the attorney and the financial advisor in determining when additional bond sales are needed. The engineer also provides consultation about regulations, annexation, outside services, estimated costs, and dealings with contractors and others. The engineer's involvement in board activities will vary with the level of district development.
Financial Advisor

The financial advisor, often a municipal bond dealer, helps a district structure and market its bonds and prepares the bond sale documents. The financial advisor also helps a district in managing its every day financial operations by providing yearly tax rate and reserve recommendations, reviewing water service rates, preparing informational reports, and other services.

Attorney

The attorney serves the district as its general legal counsel, and as such, is directed by the board to perform necessary legal services. The attorney handles the legal work associated with the creation and ongoing operations of the district, elections, notices and filing requirements, and bond issuance. The attorney may help in obtaining necessary permits, drawing up contracts, and handling annexation procedures. They also may serve as a negotiator or litigator. Attorneys prepare board resolutions, agendas and minutes, and often, keep the official records of the district. They will keep the board informed of all statutes, rules and regulations affecting district operations.

Auditor

The auditor, a state-licensed public accountant, conducts the district's annual audit according to Commission rules and professional guidelines. The auditor also advises the district on improvements to be made in its accounting system and areas of the noncompliance with statutes, regulations and contractual obligations.

Tax Assessor-Collector

The board appoints a tax assessor-collector, and necessary deputies, to manage the assessment and collection of taxes in the district. The tax assessor-collector coordinates his work with the chief appraiser of the central appraisal district for the county in which the district is found. Districts are authorized to contract with other taxing jurisdictions for assessment and collection services.

Other Personnel

Depending on the scope of the district’s activities, the district may engage people to develop and manage the parks and recreational facilities of the district and to maintain the district’s drainage ways.

Administrative Operational Issues

In managing a district, the board will face a variety of operational decisions, some planned and some unexpected. A director's awareness of key operational areas and issues should promote more informed management. The following discussion highlights several aspects of a district's operations.
**Bookkeeping and Investments**

Under state law, a director or employee must be selected as the investment officer to oversee investment of district funds. The investment officer and authorized agents have the responsibility to invest funds according to the state laws governing public fund investment while obtaining the highest available interest rates.

By obtaining an optimum yield on district funds, a district can develop a cushion to meet unexpected contingencies. Additional income may also permit lower tax rates. Accurate accounting records will simplify and reduce the costs of the yearly audit conducted by the district's auditors. The bookkeeper ensures that all deposits and withdrawals are made to the proper accounts and at the appropriate times.

A bookkeeper usually prepares all checks for approval and signature by the board of directors. The district may grant a bookkeeper authority to transfer funds between accounts. The bookkeeper also may track bond payments, advise the board about financial problems, develop an annual operating budget, maintain investment schedules and submit periodic financial reports. The Commission has prepared a manual entitled *Water District Accounting Manual* (WDAM) that provides minimum standards for maintaining an accounting system.

**Annual Audit**

The *Texas Water Code* requires each district to file an independent annual audit with the TNRCC. The audit must be performed by a certified public accountant (CPA) or a public accountant, licensed by the Texas State Board of Public Accountancy, according to generally accepted accounting principles adopted and promulgated by the American Institute of Certified Public Accountants. The Commission has prepared a manual entitled *Annual Audit Report Requirements for Texas Water Districts and Authorities* (AARR) prescribing the audit report format, including schedules, and other information. The auditor is required to follow the manual in preparing the annual audit report.

The audit is an intensive review of the accounting records, systems, and controls which tests a district's compliance with statutory law and bond resolutions. The audit involves the review of files, contracts, and board meeting minutes. The auditor must exercise judgment in determining the appropriate audit procedure to apply, and will likely perform the following procedures.

- Test customer billings for compliance with the district's rate order.
- Check whether service billings comply with intergovernmental contracts.
- Review construction disbursements to decide whether the developer and others have appropriately shared costs.
- Test the collection of interest earned on investments.
- Determine whether the district is receiving all appropriate revenues.
The auditor prepares an annual audit report which is the responsibility of the board to review. In the audit report, the auditor reports all questionable transactions to the board of directors. The annual report may form part of the "official statement" used in bond rating applications and for bond sale material. The district might also distribute its annual report to other parties.

Audit reports are submitted to the Commission within 135 days after the end of the district's fiscal year. A district not collecting taxes, having no outstanding long-term indebtedness, less than $100,000 in specified gross receipts, and less than $100,000 in cash and temporary investments anytime during the period, may only need to submit an annual financial report.

In conducting the audit, the auditor represents different interests with varied needs or perspectives. Among the auditor's tasks are reviews of records and accounting systems, suggestion of improvements to the board, examination of compliance with bond resolutions, and preparation of the required report. The auditor also makes representations to the public by reporting on the finances and operations. The auditor must maintain his professional independence from the district to meet these multiple objectives and best serve his public function.

Assessing the Need for a General Manager
Most districts, particularly in their early stages of development, do not need day-to-day coordination or guidance between the monthly board meetings. No board member is required to work in or near the district. At some point as a district grows, its everyday affairs may require a full-time general manager.

For a large district, a general manager may often be vital to promote continuity, efficiency, and coordinated development. A general manager may shoulder many responsibilities that would otherwise rest with the board of directors. This allows the board to concentrate on policy making and broad administrative requirements.

A successful general manager will have extensive experience in the basic functions of a district. He should be familiar with water and sewer service, with the functions each consultant should perform, with legal requirements, and with the operations of all levels of government. A general manager should also be familiar with various state and federal agencies that carry out utility-related responsibilities.

Evaluating your Service Operator
The district's residents will probably deal with the operator more than with any other district consultant or employee. Satisfactory performance by the operator, therefore, is essential to developing and maintaining a positive reputation for the district. The board must carefully monitor and regularly evaluate the operator's performance.
Since each water system is designed differently, a successful operator needs broad and extremely flexible skills. To prevent problems and anticipate difficulties, the operator must know the system and facilities. If the operator believes that a change in the system would be beneficial, he consults with the district's engineer.

In an active district, the operator or his crew will be accessible and working in the district every day. Most operators will remain on call 24 hours a day. The operator should attend every board meeting to offer information about the maintenance of the system.

**Physical Operational Issues**

The board of directors will also face specific operational decisions regarding the physical development of the district.

**Package Plants**

In their early stages of development, many districts may use "package plants" to provide immediate wastewater treatment. A district often leases these portable or self-contained plants that last only about ten years. A package plant is labor intensive with many moving parts that deteriorate. More permanent treatment plants cost far less to operate but more to build. The economic incentive to build a permanent plant depends on many factors. The likelihood of city annexation means the municipality will generally take over wastewater treatment responsibilities.

**Sludge**

As part of its disposal, sludge is first "dewatered." When fully dewatered, sludge becomes caked clumps of solid waste. The least expensive, most common method for dewatering sludge is the use of drying beds which relies on natural drainage and evaporation. In many areas of Texas, however, high humidity and poor natural drainage make the use of drying beds impracticable. In these areas, mobile mechanical units meet short-term, non-daily sludge dewatering needs, unless the district is too large for this to be practical. Sludge dewatering and disposal cost several hundred dollars per dry ton. On average, one dry ton of sludge solids builds up for every million gallons of wastewater flow. Even after dewatering, sludge still contains a high percentage of water.

Disposal of dewatered sludge presents even more intractable problems. Since sludge may contain metals and toxic chemicals, it cannot be spread on agricultural land. In some areas, legislatively-created regional waste disposal authorities aid districts in disposal of sludge. Other districts independently dispose of their sludge in landfills. The handling of sludge, its storage, transportation, disposal, and use are regulated by Chapter 312 of the Commission rules.
TAXATION

Background

Property taxes are a primary source of revenue for Texas cities, counties, school districts, and water districts. The Texas Constitution and legislative enactments guarantee the protection of taxpayers' rights in the property taxation process and grant the taxpayer certain remedies where such rights are violated. The Texas Property Tax Code provides procedures for property appraisal and equalization and for tax rate calculation, adoption, and collection intended to save costs for districts and their residents. It promotes efficiency and administrative uniformity through central appraisal districts (CAD).

Central Appraisal District

The Texas Property Tax Code requires a single consolidated tax office to appraise all properties within a county. Each governmental entity that levies taxes, such as a district, the county, and independent school districts, bases its assessments on the same appraisal for each piece of property. Each CAD appraises property at 100 percent of its market value as of January 1.

Each county-wide CAD is governed by a separate board of five, not to exceed 13, directors unless the participating taxing units vote to change the number of directors. This board selects a chief appraiser as the chief administrator for the CAD. The board also selects an appraisal review board (ARB) to equalize all appraised values within the county. Taxpayers may protest increases in valuation of their property with the ARB and the courts.

The CAD establishes the tax rolls for districts and other political subdivisions in the county. In setting the tax rates, each political subdivision must use the CAD's certified rolls. Appraisals are required at least every three years. At its own expense, an individual taxing unit may update the appraisals anytime, but they need not include such updates in a CAD's certified rolls.

Setting a district's tax rate is the responsibility of the district's directors. In setting tax rates, directors should be aware that tax rate increases may require notice and a hearing. In certain limited instances, taxpayers may use referenda to repeal increases.

Appraisal

A taxpayer may submit a rendition of the estimated value of his property to the CAD. A rendition is required on all business personal property. The rendition is a signed and sworn statement of value that also includes a property’s correct ownership, address, and legal description. The assessor prepares assessment rolls that include, for each property, the estimated value, a brief description, an account number, and the name and address of the owner.

By May 15, and at least 20 days before the ARB begins considering appraisal protests, a CAD's chief appraiser sends a written notice of property value to each owner of property that: (1) was appraised for more than $1,000 more than in the last year, (2) was appraised for more
than the value rendered by the owner, or (3) was not on last year's appraisal roll. This notice must identify the property, estimate new taxes, list all applicable taxing jurisdictions, and briefly explain the time, place, and procedure for protesting the proposed valuation. The chief appraiser then submits the appraisal roll to the ARB for equalization.

**Appraisal Review and Equalization**

Taxes must be equal and uniform. If the chief appraiser has delivered all required notices to taxing units and taxpayers, the ARB may convene as early as May 15. The ARB reviews the assessment rolls, corrects mistaken property value assessments, and holds public hearings for taxpayers to challenge the value placed on their property by the chief appraiser. The ARB may have from three to 45 members, depending on the size of the county. Although the entire ARB must determine an appraisal protest, panels of three or more members may conduct the hearings.

As a quasi-judicial body, the ARB has the power of a subpoena. It may call witnesses, take sworn testimony, and question taxpayers and the assessor. The chief appraiser defends his assessment before the ARB. Sessions are open to the public and must comply with notice requirements for public meetings. Only an appropriate court may overturn an ARB decision. After the ARB concludes its hearings and determinations, it makes the necessary appraisal adjustments and approves the appraisal roll, as revised.

**Certification**

By July 25, the chief appraiser should certify the appraisal roll and submit the appropriate portion of the roll to the tax assessor of each participating district and all other taxing units. The appraisal roll lists all the taxable property in that taxing unit. By August 1, the chief appraiser should submit the appropriate portion of the appraisal roll to the district's board of directors. The appraisal roll must show the appraised, assessed, and taxable values of all property in the district.

**Calculation of Effective Tax Rate**

The board must designate an agent, usually the district's financial advisor, to calculate the current year's effective tax rate and the rollback tax rate based on the statutory formulas and procedures. By August 7, the tax assessor should publicize the effective, rollback and last year's tax rates, a debt service schedule, and unencumbered fund balances at the close of the current fiscal year.

**Tax Rate Adoption**

By September 1, the district's board should adopt a tax rate for the current year. They must calculate separate rates for debt service, general fund, and contract obligations, and they must be approved separately. They must also make the board’s vote on the tax rates separately from the vote on the district's budget.

The board must hold a truth-in-taxation hearing if the proposed tax rate exceeds the lower of 1.03 times the effective tax rate or the rollback rate. When a hearing is necessary, notice of the public hearing must precede it by at least seven days and must be either delivered by mail to each property owner or published in a newspaper. The notice must show how each board member
voted on the tax increase proposal. The board must set the date during the week (not a public holiday), time, and place for the hearing, and must hold the hearing within the district's boundaries. The board must have a quorum and announce when and where it will vote on the proposed tax increase. After the hearing, the board must give notice when and where it will vote on the tax rate.

**Statements and Billings**

The assessor applies the tax rate to the appraisal roll to figure out the tax amount. After entering this amount on the appraisal roll, the assessor submits it to the district for approval. After approval, the appraisal roll becomes the current year's tax roll. Typically, they send the certified assessment roll for data processing. Data processing personnel generally print the tax roll and send out a tax bill, starting October 1, to each property owner. This current billing includes a statement of delinquent taxes which are re-billed periodically throughout the year. The board should regularly review the delinquent tax rolls.

**Collections and Receipts**

Taxes are due beginning October 1, or as soon after that as practical, and current tax bills are sent to the property owners, their agents, or their mortgage companies. Beginning February 1, all taxes become delinquent and subject to interest and penalty unless the tax bill was mailed after January 10.

Since most payments are mailed, a district's tax assessor collector should process the mail every day. After the payment is verified with the billing, a validated receipt is returned to the taxpayer with a copy for the auditor. Although with different forms, delinquent taxes receive similar processing. Payments are heaviest in December and January. As provided by the Texas Property Tax Code and the Interlocal Cooperation Act, the board may contract with another governmental unit to perform tax assessment or collection duties.

**Exemption**

An exemption removes part of the value of property from taxation and lowers taxes. Usually, exemptions apply only for a homestead with disabled veterans or survivors as an exception. All exemption forms are available in the district’s jurisdiction and can be obtained by contacting the tax office. These forms must be filed after January 1 and before April 30. Making false statements on the exemption applications is a criminal offense.

**Abatement**

The governing body of a district eligible to enter tax abatement agreements under the Texas Property Tax Code may agree, in writing, with the owner of taxable real property in a reinvestment zone to exempt the property. This exemption may not exceed 10 years, subject to the rights of district bondholders and if the owner makes specific improvements or repairs to the property.

**Deferment**
Market value is deferred on property used for agricultural purposes. Agricultural designation lowers the value of land to those who qualify for the deferment. The landowner must have devoted the land to agricultural and/or timber production for at least five of the last seven years. Change in the use of the land can result in taxes being due for the difference between the taxes paid on the land’s agricultural value and the taxes that would have been paid on the land’s higher market value. In addition, interest of 7 percent is due for each year of the period of the tax difference.

**Delinquency**

On February 1, all unpaid taxes become delinquent and automatically subject to penalties and interest charges. *Texas Property Tax Code, Subchapter A*, addresses these matters. A delinquent tax automatically incurs a 6 percent penalty during the first calendar month of delinquency. For each additional month until July 1, another 1 percent penalty applies. On July 1, the maximum penalty of 12 percent for the tax year becomes effective. The delinquent tax also accrues 1 percent interest each month.

To defray collection costs, the board may seek to apply additional penalties to taxes delinquent on July 1. They may only impose this 15 percent penalty if the district has contracted with a delinquent tax attorney. This additional penalty may not exceed a certain percent of the total taxes plus penalties and accrued interest and is generally paid to the delinquent tax attorney for collection of delinquent taxes.

**Delinquent Tax Management and Collection**

By the end of April, the tax office should have mailed a notice to each delinquent taxpayer. By the end of June, less than 5 percent of all taxes should remain uncollected. The tax collector, on request, will recommend ways to obtain delinquent payments. Each year, the tax collector prepares a current and cumulative delinquent tax roll, or a composite delinquent list, that compiles the taxes owed on each delinquent property. After authorization by the board, the tax assessor collector sends out delinquent tax statements.

If necessary, the board will retain a delinquent tax attorney who will pursue collection of every delinquency on the tax roll. Practically, collection of small delinquencies is difficult because of judicial reluctance to enforce tax liens by foreclosure on the subject property. The attorney usually sends a letter to the delinquent taxpayer informing the taxpayer that the district is about to seek judicial remedies, including foreclosure on the subject property, if the delinquent tax is not paid. Simultaneously, the attorney is conducting title searches and determining correct ownership and legal descriptions. While the owner of the property is liable for the taxes, a tax lien remains with the property even when sold. The only exception is related to tax certificates.
**Delinquent Tax Litigation**

If the delinquency persists, the attorney files suit in the appropriate court. As a political subdivision of the state, a district need not pay any court costs or filing fees for litigation. The subsequent notice of filing to the taxpayer frequently produces immediate payment of the amount owed. Unless a case involves a grossly excessive assessment, a taxpayer generally has lost his rights to protest his taxes if he remains silent until sued. A taxpayer seeking the best way to reduce his tax assessment should render his property or at least appeal to the ARB.

Assuming the district wins, the judgment becomes final unless the taxpayer appeals within thirty days to a higher court. If the judgment allows enforcement of the statutory tax lien in favor of the district, the delinquent tax attorney may begin foreclosure procedures. The district's tax lien is its ultimate enforcement mechanism and supersedes all nongovernmental liens and encumbrances, including mortgages. To execute the tax lien, the district posts notice of the tax sale in the correct county courthouse, in the district, and in an appropriate newspaper. They may then sell the property on the courthouse steps and pay the taxes out of the sale price.

Under state law, the district must give notice to all other affected taxing units giving them an opportunity to join in the tax suit and claim their share of proceeds from the foreclosure sale. Participating taxing units may also share the litigation and foreclosure costs.

**Ownership Redemption**

A property owner who claims property as his homestead has 24 months to redeem his property from the purchaser. The tax or sheriff's deed provides for complete ownership redemption. To regain his property, however, the foreclosed former owner must pay the deed recording fee and reimburse the purchaser for his bid price, taxes, penalties, interest, and costs.
Sample Tax Calendar

January 1*: Date used to set property value, ownership, and taxable status. A tax lien attaches to taxable property. Property owners and others may begin filing renditions, exemption applications, and applications for productivity valuation with the CAD.

January 31: Last day to pay the prior year's taxes without a penalty.

February 1*: Date the prior year's taxes become delinquent. Unpaid tax bills increase with penalty and interest; delinquency is deferred if an individual tax bill was mailed after January 10.

March 31: Last day for taxing units' second quarterly payment for their share of current CAD budget. Last day of the rendition period.

April 15*: Final day for taxing units to adopt local option percentage homestead exemption.

April 30*: Last day to file for exemption or productivity valuation applications and rendition forms.

May 15: Approximate date, at least 20 days before the ARB begins considering protests, that notices of appraised value are mailed by chief appraiser.

May 15*: Last day for chief appraiser to submit completed appraisal records to ARB for review and determination of protests. CAD submits a certified estimate of the total appraised value of all taxable property to each district.

May 19*: Last day for voting tax units to file resolutions to change method of CAD finance.

May 27: Approximate date county clerk notifies all participating units of changes in CAD finance method.

June 1: The deadline for taxing units to file a challenge petition and for taxpayers to file a protest with the ARB. Last day taxing units may mail notice to delinquent taxpayers of additional penalty for attorney's fees.

June 7: First day ARB begins considering protests after a three-day open meetings notice.

June 30: The deadline for taxing units' third quarterly payment for their share of current CAD budget.

July 20*: Last day of ARB hearings; final appraisal records are handed over to the CAD.

July 25*: Date the chief appraiser certifies an appraisal roll to each district.
August 6: Approximate date the districts’ tax assessor or a designated employee calculates the effective tax rate.

August 7: Approximate date the districts’ tax assessor or a designated employee publishes the effective tax rate, the rollback tax rate, the debt schedule, and the unencumbered fund balances at the end of the fiscal year.

August 9: Approximate date the districts’ board of directors meets to discuss proposed tax increases, to arrange for public hearing on tax increases, and to take a record vote; a three-day open meetings notice is given.

August 11: Required "Notice of Public Hearing on Tax Increase" publication date, at least seven days before public hearing.

August 19: Public hearing date for a tax increase; a three-day open meetings notice is given; at conclusion of the hearing, arrangements are announced for holding a public meeting, within three to fourteen days, to adopt a tax rate.

August 23: Required "Notice of Vote on Tax Rate" publication date during period between public hearing and date set for meeting to vote on tax rates.

August 26: Approximate date of the public meeting of the district's board to vote on the tax rate, held at least three, but not more than fourteen, days after the public hearing.

September 1*: Date the board of directors will have adopted the tax rate (or as soon after that as practicable).

September 30: Last day for taxing units' fourth quarterly payment of their share of the current CAD budget.

October 1: Day, or soon after that, that the districts’ tax assessor mails tax bills to property owners.

October 2: Last date on which taxing unit in more than one county may choose to participate in a single or new CAD.

December 31: Last day for taxing units' first quarterly payment of their share of the CAD's upcoming fiscal year budget.

*Dates prescribed by statute. The other dates are illustrative or advisory, alterable as local conditions require.
DISTRICT CREATION

A variety of state constitutional, statutory, and regulatory provisions control the formation and operation of water districts in Texas. The creation and organization of different types of districts may vary, but most of these processes are similar. Several crucial stages in the creation of a typical municipal utility district are presented.

**Preliminary Planning**

Creation usually starts when a developer finds a potentially suitable tract of land, which may vary in size depending on the type of development projected. The developer hires an engineer to study the feasibility of development, including the formation of a district. The engineer also surveys the boundaries, researches metes and bounds, and checks a variety of existing recorded information about the land. If the project is feasible, the engineer proceeds to make a map that he will certify as required by law. The engineer and the developer prepare a preliminary plan showing intended land uses within the development.

The preliminary plan grows into the preliminary engineering report. This report describes the tract, shows proposed uses, details the water needed, and contains preliminary cost estimates. These cost estimates are then translated into anticipated debt financing requirements and an approximated tax rate sufficient to retire the debt. The report also projects debt amortization, growth, and total assessed property values. Although not an environmental impact statement, the report discusses land elevation, subsidence, groundwater level and characteristics, runoff and drainage, and water quality.

**The Role of the Developer**

The developer is the major force behind the creation and development of a district. A developer initiates and coordinates the district's development. He may obtain a financial commitment from a loan institution, hire engineers to draw plans, employ attorneys to create the district, nominate the initial board of directors, and oversee construction within the district.

**Petitioning the City**

Most proposed district developments fall within a city's extraterritorial jurisdiction (ETJ), defined as the area outside the city boundaries, but subject to certain city controls. In these cases, or if the district is to be created within the corporate limits of a city, the city must be petitioned to consent to the district's formation. The consent process is governed by Chapter 42, Section 42, Texas Local Government Code. Among other things, the petition describes the district's intended boundaries, explains the proposed work, and provides other information.

If the city consents, the petition may be filed immediately with the Commission. If after 90 days the city fails to grant permission, the district proponents may petition the city to provide water and sanitary sewer services to the development area. The city and the district proponents then have 120 days to execute a mutually agreeable contract for providing the desired services. Failure to agree is the same as authorization to petition the Commission to form the district.
The city and the proposed district negotiate the terms of the city's written consent which may be in the form of a resolution or ordinance. The consent is usually a city ordinance that sets forth certain requirements with which the district must comply. The ordinance may cover construction standards and require compatibility with the area's existing water and sewer systems. It may also address terms under which the city may annex the district in the future.

**County Review**

If all or part of a proposed district falls outside a city's extraterritorial jurisdiction, that county's commissioners' court may review the creation petition. After reviewing the petition, the county must submit to the Commission a written opinion for or against creation, including findings and conclusions. In its creation decision, the Commission must consider the county's submission. This method of creation allows a developer to create a district in an area with few or no current residents.

**Filing and Hearing**

Either owners of a majority in value of property or, if more than 50, at least 50 property owners in the proposed district can petition the Commission to create a district. The petition, among other things, must: (1) describe the legal boundaries of the district; (2) summarize the proposed work, why it is needed, and its estimated cost; and (3) select a name that generally describes the district's locale without duplicating any other district in the same county.

The executive director's office of the Commission receives the petition in the form of an application. The application includes supporting documents including the preliminary engineering report, plats, and market study as described in Commission rules. The Commission grants the petition if it finds that the project is feasible, practicable, necessary, and a benefit to the land to be included in the district. Appeals, generally limited to participants, must be made within 30 days of the order.

During the approval process, the Commission appoints members to the district's board of directors. Each director must own land or be a qualified voter in the district at the time of creation. Each of these individuals files a "Request for Consideration of Appointment as a Temporary Director" and executes a bond payable to the district and conditioned on the faithful performance of his duties. Those individuals who may not serve as temporary directors are addressed in the **Texas Water Code**. If the creation is approved, the district's temporary board of directors sets the date for the confirmation and directors’ election. A confirmation election may be held any day at the discretion of the board of directors.

**Confirmation and Director Election**

Even after approval, the district must still be confirmed by qualified voters within the boundaries of the proposed district. The temporary board meets to qualify the directors, employ the district's consultants and call an election. Specific notice requirements apply to this election. Although only the names of the temporary directors appointed by the Commission appear on the ballot as candidates, write-in votes are allowed.
This first election usually provides for: (1) confirmation of the district's creation, (2) election of permanent members to the board of directors, (3) authorization of bonded indebtedness including the authority to levy debt service taxes, and (4) authorization of a maintenance tax limit. Voters in the election are limited to those who are qualified residents of the land to be included in the district and are often limited in number.

**Organizational Meeting**

After the election, the permanent board of directors holds an organizational meeting. In a report to the board, the engineer outlines preliminary plans and the progress of construction. Other consultants are hired and present reports. Each member qualifies by executing a bond and taking an oath, and the members then organize by electing a president, a vice president, a secretary, and any other officer they consider necessary.

**Conversion into a Municipal Utility District**

Other types of districts, such as water improvement districts, water control and improvement districts, fresh water supply districts, levee improvement districts, irrigation districts, or other conservation and reclamation districts created under article XVI, Section 59 of the Texas Constitution, may be converted into a municipal utility district. To accomplish the conversion, the governing body of the district must adopt and enter a resolution declaring that conversion would serve the best interests of the district and benefit its land and property. They must send the resolution to the Commission, accompanied by a deposit and a filing fee, and request a hearing on the conversion.
THE BOND PROCESS

A primary purpose for creating a district is to secure funding to construct eligible water, sewer, and drainage facilities at favorable interest rates by issuing tax-exempt bonds. After the Commission grants the creation petition, and the confirmation and bond elections succeed, one of the district's goals is to secure financing through a bond sale. This process is fairly complicated. The board must work closely with the district's consultants in dealing with several state agencies and the investment community.

Bond Application

After a successful confirmation election, the district is operational. An election to authorize bond issuance and the tax levy to pay principal and interest on the bonds may be held simultaneously with the confirmation election. The sale of the bonds must be timed correctly as to development progress and market interest rates. The process of bond rating and sale encourages developers to construct facilities necessary to supply water, sewer, and drainage services to the district before the first sale of bonds. The developer will seek reimbursement of a portion of the cost of such facilities from bond sale proceeds. The developer must be careful to comply with the rules of the Commission to assure his rights to such reimbursement.

With board approval and subject to the Commission rules, construction of the district's facilities generally moves forward after the election. As a prerequisite to issuing bonds to finance such facilities, the board must have a bond application prepared and submitted to the Commission. The bond application process is repeated for each return to the bond market.

The consultants, headed by the engineer, attorney, and financial advisor, prepare detailed supporting documentation, including engineering plans and cost estimates. Commission rules governing the bond application process are extensive. The staff reviews the engineering and financial feasibility of the documentation submitted and prepares a written report. The Commission will issue an order approving the issuance of bonds and recommend a minimum tax rate for tax bonds. The Commission monitors the construction of and payment for facilities financed with bond proceeds.

Bond Rating

A bond rating is the designation of the quality of the district's bonds as compared with other municipal bonds sold and traded in the market. The designations rank the bonds according to what the rating organizations believe is their credit worthiness. Because of the lack of operating and credit history during their early stages, districts are usually not able to obtain investment grade ratings.
Although a district must pay a fee to be rated, a bond rating of sufficient quality translates into lower interest costs for the district. The financial advisor, therefore, will decide whether a particular bond issue merits a rating application. When justified, the financial advisor will prepare all required information and submit it to the rating agencies.

**Issuing and Marketing Bonds**

In the past, developers frequently found it advantageous to purchase their own bonds. Today, commonly, brokerage houses form underwriting syndicates to purchase the bonds, and then sell the bonds to their customers.

The attorney and the financial advisor prepare a preliminary official statement which provides information about the terms, features, and characteristics of the bonds, the legal authority for the bonds, the use of proceeds of the bonds, and the financial health of the district. If the bonds are to be sold pursuant to a competitive sale, they also prepare an official notice of sale which gives prospective bond underwriters details of the bond sale. The district advertises the sale in a local newspaper and a statewide or nationwide financial publication. Prospective purchasers of the bonds are invited to submit sealed bids on or before the sale date and time set by the district.

The financial advisor will coordinate, and submit to the district board, the official notice of sale, the preliminary official statement, and a uniform bid form acceptable to the municipal securities industry. The financial advisor will distribute these documents to a list of potential bidders. The financial advisor will often have direct contact, including inspection tours, with such bidders.

In consultation with the financial advisor, the board reviews all bids and accepts the best one, based on market conditions. The board adopts a resolution that authorizes issuance of the bonds and sets forth detailed procedures and requirements relating thereto. The resolution directs the district's officers to issue bonds in a certain form and with certain terms and provides instruction on the redemption, payment, execution, delivery, and dating of the bonds. It levies taxes and pledges them to the payment of principal and interest on the bonds and establishes procedures for the administration of the issue while it is outstanding.

The attorney arranges for the bonds to be printed and prepares a detailed "transcript." It contains the board's bond resolution and virtually every other document that relates to the district, starting with the petition for creation and ending with bond sale information. The attorney submits the transcript and the bonds to the Attorney General of Texas for an intensive review. When the Attorney General's Office issues a favorable legal opinion about the bonds, the Comptroller of Public Accounts registers the bonds.
**Bond Closing and Delivery**

The final step is the bond closing where the successful bidder pays the purchase price of the bonds plus the accrued interest to the date the bonds are delivered to the successful bidder. At the closing, the attorney formally issues a legal opinion, often called the bond or market opinion, affirming that the bonds are valid and legal obligations of the district. The attorney’s opinion that the interest paid on the bonds is exempt from federal income taxation is also presented and may be part of the legal opinion. The opinions are printed on the back of each bond. At the closing, the buyers receive the bonds and the market and tax opinions. Few attorneys have the expertise to give market and tax opinions that the securities market readily accepts. Without appropriate market and tax opinions, a district cannot simply sell its bonds in such a market.

After the closing, the district puts the bond proceeds in specific funds established with the depository bank. The district uses these proceeds to pay the consultants who worked on the bonds. The engineer receives his fees for past services. The developer is also reimbursed for part of the construction cost of certain facilities and certain other expenses he has incurred after such reimbursements have been reviewed and verified by an independent auditor.

The attorney and financial advisor help prepare and verify final closing figures. The financial advisor coordinates the delivery of the bonds. After the bonds and funds exchange hands, the financial advisor gives the district and its paying agents definite debt requirements, including a debt service schedule.

**Commission Oversight of Bonds**

The Commission has the continuing responsibility to create and supervise most districts, including their issuance and use of the proceeds of the sale of bonds. All bonds issued to and approved by the U. S. Department of Agriculture/Rural Economic and Community Development (formerly FHA) or the Texas Water Development Board, however, are exempt from this oversight. Specific reports and applications must be submitted at the appropriate times, as described in the rules, regarding bond issues subject to Commission approval.

The Commission must approve substantial alterations in plans and specifications for construction projects for which it has approved the bonds. It may inspect projects, and upon finding the project not being constructed according to plans, will require the district to correct the problem. He may then ask the Attorney General to seek injunctive relief if the district does not act to correct the problem within the required ten days.

**The 30 Percent Rule**

In 1974, the Commission promulgated regulations that required developers to assume 30 percent of certain construction costs for water, sewer, and drainage facilities for the district.
The 30 percent rule applies to districts that have a ratio of debt, including proposed debt, to certified assessed valuation of more than 10 percent. Districts that have an acceptable bond rating from one of the two major rating firms are exempt from the 30 percent rule. A district may be exempt with a rating of "BAA" or higher from Moody's Investors' Service, "BBB" or higher from Standard and Poor's Corporation or one credit-enhanced. The Commission must also find it to be feasible and justified without developer contribution. A credit-enhanced rating is at least "A" from Moody's or Standard and Poor's and is obtained by municipal bond guarantee insurance, guarantee, endorsement, assurance, letter of credit, or other enhancement.

Under the 30 percent rule, a developer cannot be reimbursed from bond proceeds for more than 70 percent of certain construction and engineering costs. The rule also applies to interest reimbursement. Subject to specified exemptions, reductions, and adjustments, the rule applies to all water, sewer, and drainage facilities. The exemptions include certain wastewater treatment and water supply, treatment, and storage facilities.

Other Reimbursement
The Commission rules establish certain requirements for the sharing of the cost of joint facilities. Such cost is to be shared based on benefits received which are to be measured by design capacity of the joint facilities. A district is prohibited from financing more than the pro-rata share of oversized facilities unless they meet certain requirements.

Continuing Disclosure Following Bond Sale
The Securities and Exchange Commission has recently promulgated amendments to its Rule 12c2-12 (Rule), which requires issuers of municipal bonds to provide certain updated financial information and operating data annually and to provide timely notice of certain specified material events. Under the Rule, with some exceptions regarding size and maturity, the district agrees to provide updated financial information and operating data such as that included in its Official Statement. Such updated information, with the annual audited financial statements, is to be filed within six months of the close of the district’s fiscal year. The district also agrees to notify the securities market, through certain designated information repositories, of material events, such as a default or a defeasance. In Texas, the Municipal Advisory Council has been designated as the information repository. The Rule requires a district to continue this disclosure as long as it remains obligated to pay debt service on the bonds.
Appendix A: THE FIRST YEAR’S TO-DO LIST

1. The board of directors will meet, elect a president, vice-president, secretary, and any other officers or assistant officers the board deems necessary. The board must file a district registration form with the Commission within 30 days after election or appointment. Texas Water Code §49.054.

2. Before beginning to perform the duties of office, each director will execute a $10,000 bond payable to the district and conditioned on the faithful performance of that director’s duties (not applicable to special water authorities). Each director will also file copies of their oaths with the Secretary of State within 10 days. Texas Water Code §49.055.

3. The board will set goals that are short-term (one year) and long-term (five years), in writing and measurable.

4. The board may employ or contract with a general manager (GM). Texas Water Code §49.056:
   ! The board may delegate to the GM full authority to manage and operate the affairs of the district, subject only to orders of the board.
   ! The board may delegate to the GM the authority to employ all persons necessary for the proper handling of the business and operation of the district and to set the compensation to be paid all employees other than the GM.
   ! The board should develop the job description of the GM.
   ! The board should develop the performance standards of the GM.
   ! The board should evaluate the performance of the GM annually.

5. The board will do the following. Texas Water Code §49.057:
   ! Adopt an annual budget.
   ! Set the compensation and terms for consultants.
   ! Require an officer, employee, or consultant who collects, pays, or handles any funds of the district to furnish a sufficient bond, payable to the district, in an amount determined by the board conditioned on the faithful performance of that person’s duties and on accounting for all funds and property of the district.
   ! Follow the procedures provided in Chapter 2254, Subchapter A, Texas Government Code, the Professional Services Procurement Act, for hiring professional consultants.

The board may do the following:
   ! Pay the premium on surety bonds required of officials, employees, or consultants out of any available district funds (including proceeds from the sale of bonds).
   ! Adopt bylaws to govern the affairs of the district to perform its purposes.
   ! By resolution, authorize its general manager or other employee to execute documents for the district.
   ! Purchase all materials, supplies, equipment, vehicles, and machinery needed by the district to perform its purposes.
6. The board will adopt a seal and establish the district’s office location, hours, and meeting place. **Texas Water Code §49.061 and §49.062.**

7. The board will adopt, in writing, the following policies. **Texas Water Code §49.199:**
   - a code of ethics for district directors, officers, employees, and persons who are engaged in handling the district’s investments;
   - a travel expenditure policy;
   - an investment policy that ensures (also refer to **Texas Water Code §49.157**):
     - purchases/sales of investments are initiated by authorized individuals, conform to investment objectives and regulations, and are properly documented and approved, and
     - periodic reviews to evaluate investment performance and security;
   - policies and procedures for selection, monitoring, or review and evaluation of professional services;
   - a uniform method of accounting and reporting for industrial development bonds and pollution control bonds that complies with Commission requirements;
   - policies that ensure a better use of management information including:
     - budgets for use in planning and controlling cost,
     - an audit committee of the board, and
     - uniform reporting requirements that use **Audits of State and Local Governmental Units** as a guide on audit working papers and that use **Governmental Accounting and Financial Reporting Standards.**

8. The board will set fees and charges for all services. **Texas Water Code §49.212 and §59.02.**

9. The board of directors will post signs at district entrances (if a district meets qualifications of providing or proposing to provide as the district’s principal function water, sanitary sewer, drainage, and flood control or protection facilities or services, or districts subject to the notice to purchaser requirements of **Texas Water Code §49.452**) within 30 days of district creation. **Texas Water Code §49.451.**

10. The board will file information regarding the district’s Agent for Notice, the person responsible for issuing forms to comply with the Notice to Purchaser requirements. The board of directors will file a District Information Form and map with the County Clerk and the Commission. **Texas Water Code §49.453 and §49.455.**

11. Appoint a record management officer and develop a record retention schedule. **Local Government Records Act, Texas Local Government Code §201 et. seq.**

12. The board must establish rules for its water and sanitary sewer systems, including rules prohibiting lead in pipes or cross-connections or direct-connections that might contaminate the water system. **30 Texas Administrative Code §290.**
13. Each board member has the civic responsibility to:
   ! attend board meetings
   ! be informed on the issues
   ! vote in board meetings
   ! always act in the best interest of the district/its residents
   ! have an overall view of the system
   ! make timely decisions at board meetings
   ! provide friendly advice/counsel to residents, etc.
   ! review consultant performance annually
Established rules and procedures will help board meetings function properly, fairly, and orderly. *Robert’s Rules of Order*, by Henry M. Robert, is the source of reference for the following information and may be helpful to use, although the Texas Water Code does not require it. The president, a board member elected by the board of directors as the district’s chief executive officer, presides over all board meetings.

**Role of the Board President**

The president provides leadership to the group. The president ensures that members act in accordance with the board’s established rules and that meetings flow effectively in adherence to an agenda. After a debate, the president should summarize the major points. In general, the president should maintain order and try to help the group reach conclusions on matters before it.

A written agenda, for every meeting, should be prepared ahead of time by the president, another designated board member, or an employee. Each board member and all concerned parties should receive a copy before the meeting. Often, the first agenda item is the reading, correcting, and approval of the last meeting’s minutes. This is usually followed by reports from consultants, unfinished business, and any new business. The items discussed at the meeting should only include those listed in the publicized notice.

**General Suggestions**

- Limit discussion to only one topic at a time.
- The president may recognize persons who wish to speak, and only they should be allowed to speak. Others should hold their comments until they have the floor.
- If the meeting is a public hearing, board members should hear the public and save discussion until the president allows questions.
- If many people want to speak on a topic, set some time limit on how long each may speak.

**Procedural Rules**

- **Making a Motion.** Begin the discussion by having a member make a motion in the proper form ("Mr. President, I move the following. . . "). The motion should be made and seconded. After this, debate may follow.

- **Amending a Motion.** Any motion may be amended as follows: "Mr. President, I move that we amend the motion by (adding, striking out, etc.) the words. . . ". If there is a second, an amendment can be discussed. When discussion ends, first vote on whether to accept the motion to amend. Then if the amendment passes or fails, the original motion is subject to further debate and then a vote.
Making a Substitute Motion. Another way to change an original motion is by using a substitute motion. A substitute motion is just an amendment that changes an entire sentence or paragraph. It can be discussed only after being seconded. It differs from an amendment only in that, if the substitute motion passes, it entirely replaces the original motion. A substitute motion may be amended.

Postponing a Motion. Sometimes the board may wish to defer action on a motion. Simply make a motion to postpone consideration of the motion until a definite future date. When seconded, the motion to postpone is open for discussion. Following discussion, the board votes. If the motion to postpone fails, discussion on the main motion continues.

Laying a Motion on the Table. When discussion on the main motion has ended, a member may move that a main motion is laid on the table to delay a decision. For something to be laid on the table, it must be seconded. A vote, without discussion, is taken immediately. If the board brings a motion from the table, they may discuss and vote on this main motion. Although a tabled motion may be brought from the table during the same meeting, this usually occurs at a later meeting on consideration of unfinished business. It is often better to postpone a motion to a certain time as this makes it unnecessary to recall the motion.

Making a Motion to Refer. After the motion to refer is made and seconded, it is open to discussion and to motions to amend that specify where the main motion should be referred. The motion to refer, as amended, is then voted on. If it passes, the main motion is referred; if it fails, discussion on the main motion begins.

Point of Order. Complicated procedural questions should be researched in Robert's Rules of Order, Revised. Whenever a member believes an incorrect procedure is being used, he can interrupt with a point of order to require the president to decide the correct procedure.

Making a Motion to Suspend the Rules. Occasionally, board members may want to discuss an item of business without the constraints of any rules. The members must move and second a motion to suspend the rules. Unless the bylaws require otherwise, two-thirds of the members present must vote on this motion which is not debatable and must be voted upon once seconded.

Minutes

There are no specific legal requirements concerning the form and content of the minutes. Generally, the minutes should provide a concise summary of the business conducted at the meeting. Meetings considering particularly important or controversial matters may merit more detailed information or transcripts. When completed, the minutes should be signed by the president or presiding officer. In addition, a district must permanently maintain its minutes and certain other records in a safe place. For most board meetings, the minutes should contain the following:
! Date, time, and location of the meeting.

! Names of the presiding officer and other members present.

! Names of visitors and guests present.

! A brief summary of all business discussed or considered.

! A record of all motions and their disposition, including the person making and seconding the motion, and the outcome of the vote.

! Copies of orders or other evidence of official action, attached to the minutes unless indexed records are kept by the district of such actions.
Appendix C: RESOURCES AND REFERENCES

Consultants

The district consultants should generally be the first place to go for help. Many of these consultants have considerable expertise about how districts work. They often have dealt with the same types of issues before. Being informed of your needs and concerns, they will also have a better opportunity to deal effectively with matters that affect the district, both currently and in the future.

Generally, your level of effectiveness will directly reflect how well you understand your district's operations and the functions of each consultant. A large and long-established district may have a designated person to handle board administrative matters. Some of the basic information that the consultants can provide for you is listed below. Familiarization with these items may particularly help new board members.

♦ Relevant state and federal laws.
♦ Creation documents and supporting materials.
♦ Current operations budget.
♦ Current appraisal rolls and other taxation information.
♦ Meeting schedule and annual calendar.
♦ Rules of procedure.
♦ Annual financial report.
♦ Organization chart and list of key consultants.
♦ Minutes of previous meetings.

State Agencies
Texas Natural Resource Conservation Commission (TNRCC)

Physical Address:  
12100 Park 35 Circle  
Austin, Texas

Mailing Address:  
P.O. Box 13087  
Austin, Texas 78711-3087

512/239-1000
The TNRCC has the primary responsibility for implementing the water laws of Texas. Even though the Texas Water Code may require compliance with other state laws, the TNRCC does not enforce those laws. The Water Utilities Division performs a variety of functions for districts, including the creation and supervision of districts throughout the state. The Districts Administration Section is responsible for most of the staff work associated with district creation, bond application, and financial reporting. The Public Drinking Water Section checks for compliance with the rules and regulations for public water systems. Other areas conduct annual sanitary surveys and evaluate monthly operating reports submitted by districts. The Commission also issues certificates of competency for water and wastewater operators through the Compliance Support Division.

Texas Water Development Board (TWDB)

Physical Address:  
1700 North Congress, Suite 513  
Austin, Texas

Mailing Address:  
P.O. Box 13231  
Austin, Texas 78711-3231

512/463-7847

The TWDB is another state agency that has responsibility for implementing the water laws of Texas. It has financial assistance programs that provide financing to local governments for water supply and quality projects, agricultural water conservation projects, and flood control projects. It also provides funding for water-related research and planning, and for the water and wastewater needs of economically distressed areas. The TWDB maintains a centralized data bank of the natural resources information of the state called the Texas Natural Resources Information System (TNRIS).

Office of the Attorney General

Physical Address:  
209 West 14th and Colorado Streets  
Austin, Texas

Mailing Address:  
P.O. Box 12548  
Austin, Texas 78711-2548

512/463-2100, 800/252-8011, 512/478-OPEN or 6736 (Open Meetings/Open Records)

As the state’s chief lawyer, the attorney general may represent the state, individual agencies, and state officials in various legal actions. The attorney general may also issue opinions at the request of state executives and legislative officers. For example, opinions on the Open Meetings Act may be issued at the request of county and district attorneys for water districts in their jurisdiction. The office rules on written requests for documents under the Open Records Act, too. It approves bond issues of state and local governmental entities and has numerous divisions, including Natural Resources and Public Finance, that relate to other district concerns.

For copies of handbooks, published by the Office of the Attorney General, on the Open Meetings/Open Records Acts, please call 512/462-0011.
### Comptroller of Public Accounts

**Physical Address:**
111 East 17th Street  
Austin, Texas

**Mailing Address:**
P.O. Box 13528  
Austin, Texas 78711-3528

512/463-4600, 800/252-5555, 800/252-9121 (Property Tax)

The Comptroller's Office performs a broad range of tax, accounting, and other financial functions. The comptroller signs and registers bonds issued by water districts and other local governments.

### Secretary of State

**Physical Address:**
State Capitol Building, 1E.8  
Austin, Texas

**Mailing Address:**
P.O. Box 12697  
Austin, Texas 78711

512/463-5701, 800/252-8683 (Elections)

The Office of the Secretary of State has many official responsibilities concerning business, elections, and public officials. The Elections Division offers guidance on election law requirements and interpretations. The Texas Register Section publishes the biweekly Texas Register, (an official compilation of new state regulations, gubernatorial appointments, and other current state government information) and the Texas Administrative Code, or TAC (a reference document containing official state agency rules and regulations).

### Texas Ethics Commission

**Physical Address:**
1101 Camino La Costa  
Austin, Texas

**Mailing Address:**
P.O. Box 12070  
Austin, Texas 78711-2070

512/463-5800, 800/625-8506

The Ethics Commission is subject to the Texas Sunset Act and will be reviewed in 2001 and every twelve years thereafter. It can provide help in evaluating the more difficult ethical questions that may need to be answered by a board of directors.
Other Sources
The Association of Water Board Directors (AWBD)
8558 Katy Freeway, Suite 119
Houston, Texas  77024

713/932-0122, 800/597-0122

The nonprofit AWBD seeks to improve district operation and management through education and verification. It publishes an informative newsletter and holds conferences that include seminars of current interest to districts.

Texas Water Conservation Association (TWCA)
221 East 9th, Suite 206
Austin, Texas  78701

512/472-7216

The TWCA is a voluntary statewide organization composed of individuals, firms, cooperatives, cities, districts and authorities, associations, and public and private agencies and groups. It is dedicated to the task of conserving, developing, protecting, and utilizing the water resources of Texas for all beneficial purposes. The TWCA is composed of seven panels, representing the different categories of membership, which meet on a quarterly basis. Monthly newsletters and an end of the year report are published by the TWCA.

The Municipal Advisory Council of Texas (MAC)
P.O. Box 2177
Austin, Texas  78768-2177

512/476-6947

The MAC, a nonprofit trade association of dealers in Texas municipal securities, maintains comprehensive and current records on the Texas tax-exempt bond market. The MAC also studies and publishes analytical reports on the finances and debt positions of state and local governmental agencies including districts.

Texas Register
P.O. Box 13824
Austin, Texas 78711-3824

512/463-5561

The Texas Register is a weekly publication, approved by the Secretary of State, that contains government documents from all state agencies, in chronological order. It is a current source of rules in progress, and also sells copies of TAC, Title 30, Chapters 290, 330, 334, and 335.
Gulf Coast Waste Disposal Authority
910 Bay Area Boulevard
Houston, Texas 77058

713/488-4115

The Gulf Coast Waste Disposal Authority is an authority which operates facilities for the joint treatment of industrial and municipal waste, and programs for water pollution abatement in Harris, Galveston, and Chambers counties. The Authority contracts with numerous districts in Harris County to treat and dispose of sewerage.

Harris-Galveston Coastal Subsidence District
1660 West Bay Area Boulevard
Friendswood, Texas 77546

713/486-1105

The Harris-Galveston Coastal Subsidence District is empowered to regulate the withdrawal of groundwater to reduce subsidence in Harris and Galveston counties. It can be expanded by the legislature.
## Funding Sources

<table>
<thead>
<tr>
<th>PROGRAM/AGENCY/CONTACT</th>
<th>DESCRIPTION/ACTIVITIES</th>
<th>TYPE OF PREFERENCE</th>
<th>PROGRAM AMOUNT</th>
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<tr>
<td><strong>Infrastructure</strong></td>
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<tr>
<td>RECD Water and Waste Disposal Loan and Grant funds are used to develop water and waste disposal (including solid waste disposal and storm drainage) systems in rural areas and towns with a population not in excess of 10,000. Grants may be made up to 75 percent of eligible project costs in some cases. The funds are available to public entities such as municipalities, counties, special purpose districts, Indian tribes, and corporations not operated for profit (WSC’s).</td>
<td>Incorporated municipalities, water districts, Water Supply Corporations (WSC’s).</td>
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<tr>
<td><strong>Texas Water Development Board</strong></td>
<td>TWDB provides financing to local governments for water and wastewater projects through state-backed bonds or a combination of state bond proceeds and federal grant funds. Administers State Revolving Fund (SRF) for wastewater projects, and Economically Distressed Area Program (EDAP) for financial assistance to economically distressed areas of 27 designated counties.</td>
<td>Water supply projects; water quality projects including wastewater treatment; non-point source pollution control; flood control.</td>
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<tr>
<td><strong>Texas Department of Housing and Community Affairs</strong></td>
<td>TDHCA administers the Community Development Block Grant program. Projects are funded on a ranking basis from a priority list, with a deadline for applications. Limited emergency/urgent need funds are available. Applicants should coordinate through local or regional planning agencies.</td>
<td>Water and wastewater, other community facility needs.</td>
<td>Available funds based on State and Federal appropriations.</td>
</tr>
<tr>
<td><strong>Texas Small Towns Environment Program (Texas STEP)</strong></td>
<td>Texas STEP uses community self-help resources (people power and affordable budgets) to cut costs on water and wastewater projects. Loan funds are available for projects which have significant component of self-help. Works with local “sparkplugs” to accomplish projects.</td>
<td>Water and wastewater projects for small communities, towns, subdivisions.</td>
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Appendix D: DISTRICT ORGANIZATION

General-Law Districts

A general-law district conforms to, and is established under, a particular enabling statute in the Texas Water Code. The two types of general-law districts are general-purpose and limited-purpose. General-purpose districts are further subdivided into water control and improvement districts, municipal utility districts, regional plan implementation agencies, and special districts. Limited-purpose districts are subdivided into fresh water supply, water improvement, irrigation, drainage, levee improvement, navigation, regional for water, sanitary, sewer, and wastewater drainage, and storm water control districts. Although they are not districts under the above definitions, soil and water conservation districts have some water-related functions.

Special-Law Districts

The legislature has passed numerous separate statutes creating special-law districts which may perform one function or a limited purpose. However, special-law districts often combine several of the functions performed by some of the limited-purpose, general-law districts. They may include geographical areas that differ from district areas defined in the various general laws or emphasize a different function. Although special-law districts bear names such as water district, water supply district, and conservation and reclamation district, it should be noted that a district's name does not necessarily reveal its legal origin or the scope of its activities.

Some special-law districts encompass a natural area such as a watershed or river basin. Others may be organized in accordance with economic or political considerations. These districts may exercise eminent domain and enter property for district business purposes. Most special-law districts begin with a petition by a specific number of landowners in the proposed district. The petition is presented before a county commissioners’ court or the Commission. If approved at that level, its creation is determined by a vote in the proposed district. Additional elections are usually necessary to elect the board of directors, approve the issuance of bonds, and levy taxes. Taxing and bonding authority varies among the different districts.

Types of Districts

Municipal Utility District (MUD)

A MUD, the most numerous and varied of all districts, may engage in water supply, conservation, irrigation, drainage, fire fighting, solid waste collection and disposal, wastewater treatment, and recreational activities. It may also purchase, control, and maintain all facilities and equipment necessary for such activities. The statutes pertaining to the creation of these districts may be found in Texas Water Code, Chapter 54.

Water Control and Improvement District (WCID)

Most of these districts are created by petition and election, or by an act of the legislature. The statutes pertaining to the creation of these districts may be found in Texas Water Code, Chapter 51. A WCID may encompass all or part of one or more counties, including incorporated areas, or any defined district or other political subdivision of the state. It has broad authority for the supply and storage of water for domestic, commercial, and industrial use; for the operation of sanitary wastewater systems; and for irrigation, drainage, and water quality. A WCID may improve rivers, creeks, and streams to prevent overflow, permit navigation and irrigation, and may construct and maintain pools, lakes, reservoirs, dams, canals, and waterways. In addition, a WCID may contract with the federal government for any federal reclamation projects.
Groundwater Conservation District (GCD)
A GCD is a district, including one or more counties, that provides planning and advice about a groundwater management area that has been designated by the Commission. The Commission, on its own motion or by petition of a majority of landowners in the proposed district, may create a GCD coterminous with a groundwater management area. However, the district must receive voter support in a subsequent election. A GCD may make and enforce regulations for conservation and recharge of groundwater, conserve groundwater, and acquire land for recharge purposes. It may also build dams, install equipment for recharging the groundwater reservoir, and survey, plan, and perform research about groundwater. Chapters 35 and 36, Texas Water Code, govern the creation and operation of these types of districts.

Fresh Water Supply District (FWSD)
A FWSD obtains, transports, and distributes fresh water for domestic and commercial purposes. A FWSD may also assume responsibility for facilities to accomplish these purposes. It may collect revenues from the operation of water and sewer systems and may issue bonds for construction and repair. Chapter 53, Texas Water Code, governs the creation of these types of districts.

Water Improvement District (WID)
A WID, usually organized on a county basis, primarily furnishes water for irrigation. A WID may furnish water for commercial and domestic use and protect land through levees and drainage facilities. The statutes pertaining to the creation of these districts may be found in Texas Water Code, Chapter 55.

Irrigation District (ID)
Chapter 58, Texas Water Code, governs the creation of these types of districts. An ID is supervised by the TWBD and delivers untreated water for irrigation. Although an ID may provide drainage, it may not treat or deliver water for domestic use or operate wastewater facilities. An ID may cooperate with the federal government under federal reclamation law. It may also contract to deliver untreated water to political subdivisions and water supply corporations. An ID has the authority to issue bonds and levy taxes. In addition, it may tax all the property owners in the district to pay for part of the costs of the district and charge the remaining costs against water users.

Drainage District (DD)
A DD is organized to construct canals, drains, ditches, and levees in counties threatened by frequent overflow of water. It may enter into contracts with federal agencies to construct improvements. The creation of a DD is governed by Chapter 56, Texas Water Code.

Levee Improvement District (LID)
A LID is organized to use a system of levees and drainage facilities to reclaim lands contiguous to rivers, streams, and creeks. However, counties have statutory authority to construct and maintain drainage facilities, as well as levees, without creating a separate district to perform these functions. Upon a petition of the owners of the majority of land in a proposed district, a commissioners’ court in a particular county may be designated to establish a LID. The statutes pertaining to its creation may be found in Chapter 57, Texas Water Code. The TWDB determines the maintenance and construction needs of the district, and under the agency’s supervision, the district may, with voter approval, issue bonds and levy taxes. If a LID wishes to carry out a plan of reclamation without using bonds, its board of directors may arrange for contributions from landowners or other sources.
**Navigation District (ND)**

These districts can be created under two provisions of the Texas Constitution (either art. III, sec. 52 or art. XVI, sec. 59) for the development of deep water navigation, both inland and coastal. **Chapters 60 through 63, Texas Water Code**, govern the operations of these districts. The powers and duties of the ND, its jurisdiction, bonding and taxing authority, depend on the authority under which it was created. Most of these districts lie within the eastern coastal counties.

**Special Utility District (SUD)**

A SUD is a district converted from a water supply corporation, an entity controlled and owned by members, that was providing service prior to 1985. **Chapter 65, Texas Water Code**, governs the conversion. After conversion, the SUD has all the advantages of being a political subdivision except that it cannot levy taxes. These districts have the power to provide water and fire fighting services and to protect the sanitary condition of water within the district.

**Municipal Management District (MMD)**

**Chapter 375, Texas Local Government Code**, provides for the general law creation of the MMD. These districts may be located within a commercial area of a city or in its ETJ. The purpose of the MMD is to promote economic development in commercial areas. It may provide for transportation facilities, landscaping, recreation, security, parking, and other facilities and services that contribute to the development of a commercial area. The MMD may issue bonds and levy special assessments to finance facilities.

**Stormwater Control District**

A district may be created to control stormwater and floodwater and to control and abate harmful excesses of water in order to prevent area and downstream flooding in a watershed. **Chapter 66, Texas Water Code**, provides for the creation of such a district.

**Regional District**

**Chapter 59, Texas Water Code**, authorizes the creation and operation of a regional district for water, wastewater, drainage, and municipal solid waste disposal.

**River Authority (RA)**

These districts function with varying authority having been created by separate acts of the legislature. The RA encompasses entire river basins and reaches into many counties. The geography of a specific river basin usually determines the shape of each authority. They also sell water, allocate water resources, and have the responsibility for flood control, soil conservation, and water quality. River authorities may develop navigation, generate hydroelectric power, and develop recreational facilities.

River authorities generally lack the power to tax, but may issue revenue bonds based on the sale of water or electric power. They may receive loans and grants from the federal government and rely upon counties for planning funds. River authorities may contract to supply local governments with technical assistance in water resource development, flood control, and water quality.

**Soil and Water Conservation Districts**

The Texas State Soil and Water Conservation Board may establish a soil and water conservation district. A majority of landowners in the proposed district may also petition for its creation. The petition must specify the proposed area to be covered by the district and precede an election. A conservation district carries out erosion prevention and control measures; surveys and investigates flood damage; and assists landowners in erosion
control, flood prevention, and water management. These districts may also furnish equipment for preventing soil erosion, undertake construction to control flooding, and cooperate with federal and state agencies to control and prevent erosion. A conservation district has no taxing or bonding authority, but it may require financial contributions from landowners and counties benefiting from district operations. It may also accept federal and state grants to carry out assistance programs.
<table>
<thead>
<tr>
<th><strong>GLOSSARY</strong></th>
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<tbody>
<tr>
<td><strong>Ad valorem tax:</strong> A tax based on the value of the property being taxed.</td>
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<td><strong>Amortization:</strong> A method for gradually retiring a debt principal through periodic installment payments or a sinking fund.</td>
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<tr>
<td><strong>Appraisal roll:</strong> Duplicate tax roll that omits amounts payable and shows proposed values and annual additions of property in the taxing entity.</td>
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<tr>
<td><strong>ARB:</strong> The county-wide appraisal review board.</td>
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<tr>
<td><strong>Arbitrage:</strong> A way to take advantage of market price differentials by simultaneously buying a thing in one market and selling it in another (for example, selling a tax-exempt bond and earning excess interest by investing those funds in a higher-yielding instrument).</td>
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<tr>
<td><strong>Assessed valuation (AV):</strong> The value placed on a piece of taxable property adjusted by any applicable assessment ratio.</td>
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<td><strong>Basis points:</strong> Each .0001 of a bond's yield (1 percent of 1 percent).</td>
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<tr>
<td><strong>Bond:</strong> A government-issued interest-bearing certificate of debt obligating the issuer to make specified principal and interest payments to the debt holders.</td>
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<tr>
<td><strong>Bond anticipation note:</strong> Short-term borrowing payable solely from the proceeds of an upcoming bond sale.</td>
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<td><strong>Bond application:</strong> All documents filed with the TNRCC for approval of a bond sale.</td>
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<td><strong>Bond buyers’ index:</strong> A frequently quoted weekly index, published by the New York financial magazine, The Bond Buyer, reflecting current average yields on 20-year maturities of 20 different issues of Moody's Aaa- to Baa-rated tax-exempt bonds.</td>
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<td><strong>Bond resolution:</strong> An official order by the governing body of a district that authorizes a bond issue and includes the applicable conditions, provisions and covenants.</td>
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<td><strong>Bond transcript:</strong> The bound compilation, submitted to the Attorney General for examination and approval, of all records, proceedings, and documents related to a bond issuance.</td>
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<td><strong>CAD:</strong> Central appraisal district.</td>
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<td><strong>Cumulative delinquent list:</strong> A list of all properties on which taxes are owed, showing ownership, legal description, and amounts delinquent for all years.</td>
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Debt service: Legal payments of principal and interest due on public bonded indebtedness usually in installments collected from ad valorem taxes and other sources.

Delinquent tax statement: A printed form sent to each delinquent taxpayer that shows taxes owed plus accrued penalties and interest.

Depository: A place that receives deposits of public monies from the district, usually a bank, savings and loan, or other financial institution.

Disclosure: The portion of the Official Statement, made in accordance with municipal securities laws that discloses all relevant financial information about a bond offering and its issuer for the information and protection of potential bond buyers.

Effective tax rate: The comparison rate that produces approximately the same operating revenue in the current year, from property taxable in the prior year with its current appraisal, plus sufficient revenue to service debt for the coming year.

Effluent: Sewage; wastewater outflow.

Elevated storage: Elevated water supply tank.

EPA: The United States Environmental Protection Agency.

Escrow account: A fund collected in advance by lending institutions from which to pay extraordinary debts associated with a transaction.

Extraterritorial jurisdiction (ETJ): The annexable perimeter surrounding the boundaries of all incorporated cities, towns, and villages; the population level of the municipality determines the width of its ETJ.

Feasibility study: A research report that examines engineering, financial, and other factors to determine whether a potential real estate development project will be an economic success. Also, called market analysis.

Fee appraisal: A detailed yet concise evaluation of an individual tract of property performed for a specific purpose (an estate, mortgage, or insurance appraisal).

Fee simple: The most extensive interest in land a person or other entity can have without limitation on duration of ownership or the right to dispose of or encumber it.

Fiduciary: One who holds an asset in trust or is required to act for the benefit of others.
Flushed valve: Fire hydrant.

General obligation bond: Public debt secured by a pledge of the general taxing power and the full faith and credit of the issuer.

Governmental Body: "the governing board of every special district heretofore or hereafter created by law."

Legal description: The established method of geographically identifying a particular parcel of property, usually by listing its lot, block, section, and taxing unit. (See also "Metes and Bounds.")

Legal opinion: A formal written statement, usually by a firm of attorneys that specializes in municipal bond law, that a particular bond issue validly binds the issuer giving unqualified assurance that the issue is exempt from federal taxation.

Meeting: "any deliberation between a quorum of members of a governmental body, or between a quorum of a governmental body and another person, at which any public business or public policy over which the governmental body has supervision or control is discussed or considered, or at which any formal action is taken."

Metes and bounds: Description of a tract of land described by beginning at a given point on the boundary and proceeding around the entire tract by following a series of directions and distances. (See also "Legal Description.")

Notice of bond sale: A document within the Official Statement that officially informs the public of a bond sale and complies with specific terms and conditions.

Official statement: A descriptive statement, published under the signature of the governing body of the issuing entity, that contains detailed financial information about a bond for sale and its issuer, often forming a part of the offering prospectus.

One hundred-year flood plain: The highest average level of flooding likely to occur once every hundred years; the flood level that has a 1 percent probability of occurring each year.

Preliminary engineering report: Written details of the basic land plan of a proposed district and the preliminary design of facilities, including costs and total anticipated indebtedness.

Preliminary plan: Schematic drawing of facilities for a particular area of development within the district.

Proposed valuation: The property values proposed by the chief appraiser at the annual meeting
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Prudent person theory</td>
<td>A legal standard, for judging personal conduct in a particular situation (often regarding investment decisions and other financial matters) by comparing that conduct with the hypothetical conduct of a prudent person in the same situation.</td>
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<td>Pumpage log:</td>
<td>The water service operator’s daily records of the amount of water pumped from district wells.</td>
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<td>Quorum:</td>
<td>A majority of the district directors. A district without a statutory requirement may, in its bylaws or otherwise, set a majority or any other number of members present as a quorum.</td>
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<td>Rendition:</td>
<td>Signed and sworn statement of property value filed by the property owner with the CAD including a legal description, correct ownership and address.</td>
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<td>Revenue bond:</td>
<td>Public debt payable solely from the revenue of an earmarked income-producing facility or service.</td>
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<td>Sheriffs’ deed:</td>
<td>A type of deed issued when the sheriff sells a parcel of property at an auction that satisfies a statutory tax lien.</td>
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<tr>
<td>Statutory tax lien:</td>
<td>A security device provided by law, backed by the right of seizure and sale, to enforce property tax collections.</td>
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<tr>
<td>Taps:</td>
<td>Providing water service to a customer by connecting into the main system distribution line.</td>
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<tr>
<td>Tax base:</td>
<td>The total taxable value of all property within a taxing unit’s jurisdiction.</td>
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<tr>
<td>Tax levy:</td>
<td>The gross amount of money a local government can produce by applying its tax rate to its total assessed valuation.</td>
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<tr>
<td>Tax rate:</td>
<td>A rate determined annually by the board of directors and usually expressed in dollars and cents per hundred dollars of valuation; the tax rate multiplied by the tax base should equal the district’s total levy.</td>
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<tr>
<td>Tax report:</td>
<td>Monthly accounting statements by the tax office showing the status of tax collections and authorized disbursements.</td>
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<tr>
<td>Tax roll:</td>
<td>Geographic composite listing of each parcel of taxable property including the account number, ownership, legal description, assessed value, and amounts payable.</td>
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<tr>
<td><strong>Third degree of consanguinity:</strong></td>
<td>A person’s relatives <em>within</em> the third degree of consanguinity are the parent and child (first degree); sibling, grandparent or grandchild (second degree); and great-grandparent, great-grandchild, aunt or uncle who are siblings of a parent, or niece or nephew who is a child of a sibling (third degree).</td>
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<tr>
<td><strong>Title:</strong></td>
<td>All evidence establishing a legal claim to property ownership.</td>
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<tr>
<td><strong>Title search:</strong></td>
<td>Research, generally performed by a title company or lawyer, to determine property ownership and consequently, any encumbrances, liens, survey errors, or other clouds on the title.</td>
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<tr>
<td><strong>Underground water lines:</strong></td>
<td>Water, sewer, and drainage lines constructed and maintained by a district.</td>
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<tr>
<td><strong>Wastewater system:</strong></td>
<td>The plant and method for treating and disposing of wastewater and domestic waste by a district.</td>
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<td><strong>Water supply system:</strong></td>
<td>The district facilities used to furnish drinkable water to residential and other users of the system.</td>
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<tr>
<td><strong>Yield:</strong></td>
<td>Net annual percentage of income on a bond, including interest and amortization of any premium paid or discount gained.</td>
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