Proposed Article 2026.1

ARTICLE 2026.1

Nonprofit operation and allocation of annual profits

The Corporation shall conduct its business on a nonprofit basis. No dividend shall ever be paid on the stock or memberships of the Corporation.

Before determining the amount of annual profits available for distribution, the Corporation may allocate to a sinking fund such amount of its annual profits as the Board of Directors determines necessary for maintenance, upkeep, operation, and replacements of the water system, consistent with Texas Water Code Section 67.008(d). Such allocations may include water-system upgrades and improvements to the extent they serve those purposes. The Board shall document the amount allocated and the supporting system needs in its budget, capital plan, or meeting minutes. The allocation may include all annual profits when the Board determines that the entire amount is necessary for those purposes.

Subject to the foregoing sinking-fund allocation, all remaining annual profits shall be paid annually to political subdivisions, private corporations, or other persons that transacted business with the Corporation during the preceding year, in direct proportion to the amount of business the Corporation transacted with each such entity or person during that year. No such distribution shall be made while the Corporation has unpaid indebtedness.

The Corporation intends to reinvest all annual profits in maintenance, upgrades, and replacements of its water system through allocations supported by the Board’s determination of necessity. This statement of intent does not override the foregoing requirements or applicable law.