North Texas Municipal Water District

Board Policies Manual

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SECTION I. DISTRICT POLICY

All authority for the North Texas Municipal Water District (”NTMWD”) is derived from the legislative act creating NTMWD, Art. 8280-141, Vernon's Annotated Texas Civil Statutes, as amended (the "Enabling Act"). The Enabling Act provides that NTMWD is governed by the Board of Directors (the "Board"). From time to time, the Board adopts written policies to govern operations and administration of NTMWD as discussed in this Section I.

1.1 Submission

All proposed policies shall be submitted to the Board in written form and be numbered for future reference. Additional written memoranda, recommendations from consultants, and verbal testimony may also be submitted.

1.2 Consideration and Approval

All policy matters shall be considered by the Board, but may be referred to a committee for study and recommendation. A majority of an official quorum at a regular or special meeting shall be necessary to approve any policy. Policy matters may be considered at regular meetings of the Board when placed on the regular agenda or consent agenda and at special meetings when each member has been notified by mail, electronic mail, facsimile, or telephone at least 72 hours prior to the special meeting.

1.3 Codification

All policies approved by the Board shall be signed by the President and Secretary. As soon as practical thereafter, all policies shall be codified into the appropriate manual of NTMWD Policies to be utilized by the Board and employees of NTMWD.

SECTION II. EXECUTIVE DIRECTOR/GENERAL MANAGER

The Board of Directors of NTMWD, in accordance with the Enabling Act, has created the position of Executive Director/General Manager ("ED/GM") with the following provisions.

2.1 Appointment

The Board shall appoint and remove an ED/GM who shall be the chief administrative officer and general manager of NTMWD.

2.2 Duties and Responsibilities

The ED/GM shall be responsible to the Board for the proper and efficient operation of NTMWD within the laws of the State of Texas, the Bond Indentures of NTMWD, and NTMWD policy. He or she shall appoint and supervise all employees of NTMWD and may at will remove any employees, in accordance with state and federal employment laws. In order to ensure succession and the smooth transition of duties, the ED/GM may adjust the number of employee positions approved by the Board in the Salary Plan set forth in the current Annual Budget by adding any new out-of-budget cycle positions and/or double-slotting key positions, if such adjustments are budget-neutral. If NTMWD resources above those approved in the current Annual Budget are necessary to fund the position change, then Board approval shall be required. Private consultants (engineers, attorneys, financial advisors, and accountants) may be employed by the Board or ED/GM, and it will be the responsibility of the ED/GM to supervise and coordinate the authorized work of the consultants. The ED/GM shall make recommendations to the Board on such matters as he or she may deem necessary or expedient, and shall keep the Board advised as to the financial condition and needs of NTMWD. The ED/GM shall prepare annually a plan for filling interim vacancies on the Executive Team (including the GM/ED and ~~Deputy Directors~~Assistant General Managers), in case of the incumbents' temporary absence from job duties, or if an interim is needed pending the Board's selection of a permanent replacement. The ED/GM may also designate someone to act on his or her behalf during a specific temporary absence such as a vacation or sick leave, and such designee is authorized to execute documents and take such action as needed on behalf of the ED/GM for the time period specified in the designation. The Directors of each city shall be notified of any significant District activities that could affect that city as soon as practicable.

2.3 Meetings

The ED/GM or designee shall attend all special and regular meetings of the Board and committees thereof, with the right to take part in the discussions but having no vote. The Board may request the ED/GM to retire from any meeting during a discussion relating directly to the ED/GM's actions, compensation, or duties.~~.~~

2.4 ED/GM Annual Evaluation Process

To support NTMWD's growth and improvement as an organization and to review the ED/GM and the District's goals and past year's accomplishments, the Board shall conduct an annual review of the ED/GM as follows:

The ED/GM will complete a self-evaluation, which will be distributed to Board Members.

When the ED/GM's ~~'s~~ self-evaluation is received, Board Members will be invited to individually evaluate the ED/GM through submission of written evaluations based on an evaluation form developed by the legal counsel and/or legal counsel's designees/consultants ("legal team"). Board Members are encouraged to participate, but participation is not required.

On or before December 15 of each year, the legal team shall complete and provide its report, including draft findings and compilation of the gathered information to the Board President, Past President, Vice President, Secretary ("Executive Committee") and the Chair of the Personnel Committee.

On or before the January Board Meeting, the President and the legal team will share the results of the evaluation with the Board in executive session. The Board delegates to the Executive Committee the task of presenting the final evaluation results to the ED/GM.

All written communications and documents regarding the ED/GM's performance evaluation shall be first directed solely to NTMWD's legal team to gather, review, and analyze such information for the purpose of providing legal counsel and recommendations to the Board on how to proceed with the final performance evaluation in executive session. All documentation shall remain in the possession of the legal team.

2.5 Executive Compensation

Board shall establish the salary to be received by the ED/GM of NTMWD. The Board may, from time to time, authorize additional remuneration to ED/GM as compensation, reward and/or incentive for work to be performed on behalf of NTMWD. Additionally, the ED/GM shall receive reimbursement for actual expenses reasonably incurred in the course of his or her duties.

The ED/GM shall not accept payment from any source other than NTMWD for work performed in his or her role as a NTMWD executive, nor may he or she or any member of their family be employed or paid for work by any individual or organization associated with or benefitting from NTMWD.

SECTION III. BOARD OF DIRECTORS RULES OF PROCEDURE

3.1 Authority

Under the provisions of the Enabling Act, all powers of NTMWD shall be exercised by the Board of Directors. The following procedures shall be in effect to guide the activities of the Board until amended or unless the procedures are in conflict with state law or any outstanding bond indentures.

3.2 Organization

A. DIRECTORS

The Board shall be appointed by majority vote of the governing body of each of the Member Cities in accordance with the Enabling Act. A Director serves as an officer of NTMWD.

B. OFFICERS

The Board shall elect from its membership a President, Vice President, and Secretary of the Board and such other officers as in the judgment of the Board is necessary. Officers shall serve one-year terms commencing June 1 of each year. If the Board fails to elect officers prior to June 1 for the coming year, the current officers shall hold over until such election is held. Nominations for officers shall be made jointly by the most recent past three serving Presidents and presented to the Board for consideration prior to the annual election of officers at a Board meeting. Nominations may also be taken from the floor at the Board meeting prior to the vote. Individual officer vacancies in the midst of a term due to resignation, illness or otherwise may be filled by vote of the Board at the next convenient Board meeting

3.3 Director Compensation

Each Director shall be entitled to receive a dollar amount per day as authorized and limited by the Enabling Act when required to attend to business of NTMWD, and to reimbursement for actual expenses incurred for any travel, lodging, or meals required.

3.4 Meetings

The Administrative Offices at 501 E. Brown Street, Wylie, Texas, shall be the main building of NTMWD, and all official records of NTMWD shall be preserved in accordance with applicable state law. Where this policy is silent on meeting rules of procedure, the Board may use Robert's Rules of Order as guidance; however, the Board does not formally adopt Robert's Rules of Order.

A. PUBLIC MEETINGS

All regular and special meetings of the Board shall be open to the public, and public notices shall be posted in accordance with applicable state law.

B. REGULAR MEETINGS

The Board shall hold at least one regular meeting each month. All regular meetings shall be held in the Administrative Offices at Wylie, Texas, or at a location within the boundaries of the NTMWD service area; the time and dates to be established by the Board at a regular meeting.

C. SPECIAL AND EMERGENCY MEETINGS

Special meetings of the Board shall be those meetings that are scheduled in addition to monthly regular meetings to address non-emergency District business. All special meetings shall be called by the President, Vice President, Secretary, or ED/GM. Notice of the special meeting, including the date, time, location, and subject, must be presented to each member either by mail, electronic mail, facsimile, or telephone at least 72 hours prior to the special meeting. In addition, the President or ED/GM may call an emergency meeting to address an emergency or a matter of urgent public necessity requiring immediate action by the Board due to an imminent threat to public health and safety or a reasonably unforeseeable situation upon one hour's notice by electronic mail, facsimile, or telephone. Public notice of any special or emergency meeting shall be posted in accordance with applicable state law.

D. COMMITTEE MEETINGS

Committee meetings will be held on the date, time, and location as determined by the Chair of the Committee. On all Committee proposals or recommendations, the Chair, or his or her designee, must inform the Board of the vote on the proposal or recommendation. The ED/GM shall be an ex-officio member of all Committees except those Committees relating directly to the ED/GM's actions, compensation, or duties.

E. EXECUTIVE SESSIONS

The Board and Committees may meet in executive session closed to the general public on matters exempted by applicable state law from public meeting requirements, provided that requirements for public notice and documentation of such sessions are followed.

Substantive updates on pending litigation will be presented to the Board or committee relevant to the litigation subject matter. Litigation updates related to items covered by the Texas Water Conservation Association – Risk Management Fund will be presented to the Executive Committee.

3.5 Duties of the President

A. CHAIR

The President shall preside as Chair- at all Board meetings. In the absence of the President, the Vice President or Secretary shall preside. In the absence of the President, Vice President or Secretary the Board of Directors shall select a Chair for the meeting.

B. PRESERVATION OF ORDER

Any Board meeting shall be called to order by the Chair, and it shall be the responsibility of the Chair to preserve order and decorum and confine the members in debate to the question under discussion.

C. POINTS OF ORDER

The Chair shall determine all points of order, subject to the right of any member to appeal to the Board. The appeal shall be decided by a majority of the members of the Board present.

D. QUESTION

The Chair shall state all questions submitted for vote. A roll call vote shall be taken upon the request of any member.

3.6 General Provisions

A. QUORUM

A majority of the Board's designated seats shall constitute a quorum to do business, and the affirmative vote of the majority present will approve a motion.

B. MINUTES OF MEETINGS

Official written minutes of all Board meetings shall be kept. Copies of the minutes of the preceding meeting shall be furnished to each member, and the minutes shall be approved or corrected by the Board at the next regular or special meeting. These minutes will constitute a formal permanent record of NTMWD.

C. ATTENDANCE

The President shall notify the Mayor of the applicable Member City when a Board member is absent without reason, acceptable to the Board, from three consecutive regular meetings. The ED/GM or his or her delegate will attend all meetings of the Board. Consultants may be requested to attend meetings, when items pertaining to their specialty are involved, at the request of the President, Vice President, Secretary, or ED/GM.

D. TIE VOTE

In the case of a tie vote on any proposal, the proposal shall fail to carry.

E. AGENDA ITEMS REQUESTED BY BOARD MEMBERS

1. At any Board meeting, a Board member may present an item for future consideration by the Board during the posted agenda item as provided in the "Items of Business" section of this policy. The President or ED/GM will refer such item to the Executive Committee for consideration at its next scheduled meeting. The Executive Committee will consider the request and may schedule the item for a future Board Agenda or refer such item to a Standing or Special Purpose Committee for review and consideration prior to consideration at a Board meeting.

2. Board members may also present an item directly to the President or ED/GM, who will refer such item to the Executive Committee for consideration at its next scheduled meeting. The Executive Committee will consider the request and may schedule the item for consideration on the following Board Agenda or refer such item to a Standing or Special Purpose Committee for review and consideration prior to consideration at a Board meeting.

F. ~~THE BOARD AND~~ CUSTOMER ~~ENTITIES~~ENGAGEMENT

1. The Vice President of the Board of Directors shall serve as the point of contact and liaison for Customer entities on behalf of the Board of Directors. The Vice President will be available to Customer entities for consultation and discussion of issues relevant to Customer entities.

2. Customer entities may bring items and requests to be considered by the Board of Directors. In such cases, the Executive Committee will consider the request and may refer the item to a future Board or Committee meeting.

SECTION IV. DISTRICT OBJECTIVE

4.1 Objective

The objective of NTMWD is to provide regional services in the most economical and efficient manner within its legal authority.

4.2 Guidelines

Guidelines for effectively performing the objective of NTMWD are:

A. The first responsibility of NTMWD is to provide services to the Member Cities in accordance with the contractual agreements therewith, and to fulfill additional service requirements at the request of the Member Cities when these services will in no way be detrimental to any of the other Member Cities and when said services will be beneficial to the overall operation of NTMWD.

B. NTMWD may provide regional services to other customers within the service area of NTMWD (as such service area is defined by the Enabling Act) when said services are being offered Member Cities and the additional service will be of benefit to NTMWD as well as the customer.

C. The primary concern of NTMWD is to be of service to the Member Cities by assistance and development of desired services while leaving the responsibility for local governmental service in the hands of the locally-elected officials of each individual community.

SECTION V. EDUCATION AND DEVELOPMENT EXPENSES

Essential to NTMWD's mission is a Board of Directors that is well-educated and current on the industry and business standards, trends, and developments that effect NTMWD. Attending educational and developmental opportunities ("events") addressing the complex issues facing water districts, including water supply and quality, water, wastewater, and solid waste law, permitting, and enforcement actions, the legislative process, the current practices of other districts, and the general business of running a water district, is the most effective way to ensure that each Director is adequately educated to govern NTMWD and perform his or her crucial duties to the District and its Member Cities. This Policy contains guidelines for authorizing and reimbursing Directors' expenses for attending such events necessary to their education and development.

5.1 Authorized Education and Development Expenses

The needs of NTMWD may change throughout a year, and thus, any guidelines governing education and development opportunities and expenses shall remain flexible and at the discretion of the Executive Committee. At the beginning of each fiscal year, the Executive Committee shall review the water, wastewater, and solid waste industry conventions and major conferences that have been scheduled for the coming year and authorize the appropriate meetings in accordance with the following guidelines:

A. A list of the authorized educational and/or developmental opportunities, along with a general description of the purpose of such events shall be furnished to each member of the Board as soon as practical after October 1. Generally, each Director shall be eligible to attend two educational events that are most applicable to his or her current committee appointment and/or development as a Director.

B. Other needs for education and development of Directors shall be reviewed by the Executive Committee as they arise during the year.

C. The President and/or ED/GM shall schedule an annual planning workshop for the Board and staff providing sufficient time for planning and program development of NTMWD activities. The ED/GM is encouraged to invite subject matter experts to such workshops for the purpose of enhancing the education of Directors on topics relevant to their duties to NTMWD. The ED/GM, in consultation with the President, may schedule additional Board planning workshops as necessary.

D. NTMWD will reimburse expenses only for each individual Director's reimbursable expenses, as outlined in the following paragraph. Expenses for the spouse or significant other will be at the personal expense of the Director.

E. Reimbursable items shall include expenses for food, lodging, transportation, and general expense (registration, fees, tips, parking, etc.)

- Lodging – NTMWD will reimburse lodging expenses for the hotel at which the meeting is being held, or other comparable hotel, but will not reimburse personal expenses.

- Meals –
  - At the individual Director's option, meals will be reimbursed, either at their actual cost, with receipts, or at the current federal per diem rate authorized for the location of the event.
  - Alcohol will not be reimbursed.
  - Meals will not be reimbursed if a meal at that time is provided as part of the event cost.
  - NTMWD may sponsor one or more group dinners during conferences to discuss the issues learned from the day's events; Directors will reimburse NTMWD for any expenditure incurred at group dinners for alcohol or guests.
- Transportation – Round-trip mileage is reimbursed at the current IRS rate, or round-trip airfare at coach rates. For out-of-state events, if a Director chooses to drive when round-trip airfare is the more economical option to NTMWD, then mileage will be reimbursed only up to the cost of airfare at coach rates.

Directors sharing travel expenses may split reimbursable expenses as they deem equitable, but NTMWD will pay no more than 100 percent of the actual cost.

F. Should a disagreement develop over a travel policy matter, the Director shall submit to the President a written statement of the disagreement. The matter shall be referred to the Executive Committee for resolution within 30 days of the written notice to the President. If the Director making the complaint is not satisfied with the Executive Committee's decision, then the matter will be placed as an item for consideration by the entire Board at the next regularly scheduled meeting.

5.2 Reimbursement Procedure

Within 60 days of the conclusion of the event, each Director shall submit an "expense voucher" provided by NTMWD, with supporting detail receipts, to receive reimbursement for travel and expenses, which will be made in accordance with the payment policies of NTMWD.

SECTION VI. BOARD OF DIRECTORS COMMITTEE POLICY

All committees of the Board of Directors of NTMWD shall be governed by this Policy. The committees may develop their own procedures, but the Committee Policy shall prevail in case of conflict. All committees shall serve in an advisory capacity to the Board unless special authorization is obtained formally from the Board and is included in a written policy or in the minutes of NTMWD.

6.1 Standing Committees

The following Standing Committees are created as perpetual committees of the Board of Directors:

A. EXECUTIVE COMMITTEE

The Executive Committee shall be composed of the current President, Vice President, Secretary, and immediate past President of the Board. The Executive Committee shall have authority as delegated in NTMWD Policies and as from time to time authorized by the Board on individual matters. The Executive Committee shall be available for consultation with the ED/GM on any matters affecting NTMWD. The current President shall serve as Chair, and the Chair will schedule meetings as needed.

B. WATER COMMITTEE

Matters pertaining to water supply, water treatment, and water transmission that require additional consideration prior to submittal to the full Board shall be reviewed by the Water Committee. The Committee shall be composed of seven Directors including the Chair.

C. WASTEWATER COMMITTEE

Matters which need additional consideration before submittal to the Board of Directors concerning wastewater treatment facilities, collection facilities, or regional interceptor programs shall be reviewed by the Wastewater Committee. This Committee shall be composed of seven Directors including the Chair.

D. SOLID WASTE COMMITTEE

Matters which need additional consideration concerning solid waste transfer or disposal prior to submittal to the Board shall be reviewed by the Solid Waste Committee. This Committee shall be composed of seven Directors including the Chair, with at least four of the Solid Waste Member Cities (Allen, Frisco, McKinney, Plano and Richardson) represented.

E. FINANCE COMMITTEE

The Finance Committee shall review financial, insurance and risk management matters that need additional consideration prior to submission to the Board, and shall coordinate and review the annual budget and the annual audit as submitted by the appointed outside auditors. The Committee shall be composed of seven Directors including the Chair. The Finance Committee shall meet no later than February to review the annual audit.

F. PERSONNEL COMMITTEE

This Committee shall review District-wide personnel matters ~~and appeals from District personnel on grievances in accordance with NTMWD's Personnel Policies Manual, as amended.~~ including annual review of personnel requests as part of the Budget process, benefit programs, and workforce initiatives. The Committee shall be composed of seven Directors including the Chair.

G. REAL ESTATE COMMITTEE

The Real Estate Committee shall review NTMWD real estate matters and make recommendations to the Board as needed. The Committee shall be composed of seven Directors including the Chair.

H. POLICY COMMITTEE

Matters pertaining to general policy of NTMWD or matters that affect all of the Committees will be referred to the Policy Committee. The Policy Committee will be composed of the Vice President, Secretary, immediate past President of the Board and the Chair of each of the Standing Committees with the President serving as Chair.

I. LEGISLATIVE COMMITTEE

Matters pertaining to state and federal legislative issues of NTMWD will be referred to the Legislative Committee. The Legislative Committee will be composed of seven Directors including the Chair.

6.2 Special Purpose Committees

Special purpose committees may from time to time be appointed by the President. If a special purpose committee is authorized by the Board, its existence may extend beyond the term of the current President to a specific time or termination of the project or program involved. However, a committee appointed by the President without the confirmation and approval of the Board will exist only for the term of the current President. Each Special Purpose Committee shall be given a specific name related to its purpose.

6.3 Appointment

Appointments of Directors to Standing Committees shall be the primary responsibility of the President; however, all appointments must be reported to the Board of Directors at the next regular meeting and included in the formal minutes of that meeting. Committee members must be members of NTMWD Board.

A. NEW COMMITTEES

The President may propose new Standing Committees which would be created with a majority vote of the Board at the next regular meeting confirming the need for the Standing Committee.

B. COMMITTEE VACANCIES

Should a vacancy occur on any committee, it shall be the responsibility of the President to promptly designate a replacement.

C. NEW PRESIDENT

When a new President takes office on June 1, it shall be the President's duty to appoint or reappoint the members of the Standing Committees so that composition of the committees is compatible with the plans and goals of NTMWD. In making such appointments, the President should take into consideration the continuity of the committee and the expertise of the member, but should consider rotating members after three years of service to achieve each member's exposure to other committees. All changes and recommendations should be forwarded to the Board at the regular Board meeting in June.

6.4 General Rules

A. NOTICE OF MEETING

All meetings of committees shall be called by the Chair of the committee. Notice of the committee meeting, including the date, time, location, and subject, must be presented to each member by mail, electronic mail, facsimile or telephone at least 72 hours prior to the committee meeting. An emergency condition can be declared and a committee meeting held on shorter notice, provided a quorum is present in accordance with the Texas Open Meetings Act. NTMWD shall post public notice of its committee meetings in a form and manner similar to postings for its Board meetings in accordance with the Texas Open Meetings Act, and such meetings shall be open to the public.

B. QUORUM

A simple majority of the Committee's designated seats shall be considered a quorum at any meeting that has met proper notice requirements. The President, Vice President and ED/GM

shall be ex-officio nonvoting members of all Standing Committees (except the Executive Committee) and shall receive notice of meetings. A simple majority vote of the members present shall rule on all votes.

C. CHAIR

The President shall name the Chair of the committee. The Chair may select a Vice-Chair; however, in the event that no Vice-Chair has been selected and an absence of the Chair occurs, the majority present at a meeting with a quorum selects an Acting Chair.

D. MINUTES OF MEETINGS

The ED/GM or designee shall be responsible for preparing minutes of each committee meeting which will be submitted to the committee members for approval. The draft minutes shall be prepared and sent to committee members prior to the next committee meeting. Copies of the minutes shall be forwarded to all the Directors after approval.

E. COMMITTEE ASSISTANCE

The ED/GM shall designate staff personnel to assist the committee in its work as needed. The committee shall have the full cooperation of NTMWD staff, right to all information available, use of consultants within budgetary restraints, and any other facilities or materials available to NTMWD.

F. ROBERT'S RULES OF ORDER

Where NTMWD policy is silent on meeting procedure, the committee may use Robert's Rules of Order as guidance; however, the Board does not formally adopt Robert's Rules of Order.

6.5 Procedures

The purpose of the committee system is to provide adequate time and information for a smaller group of Directors to be knowledgeable and informed on appropriate matters with a full intent to have committee recommendations forwarded to the Board prior to Board action. The following procedures are provided as guidelines:

A. REFERRAL ITEMS

It is not the intent to restrict the actions of the ED/GM on routine items by requiring committee review, but the following shall establish a procedure for referrals to committees.

1. The President, Vice President, Secretary, ED/GM, or committee members may refer items to the appropriate committee. In addition, a Board member may present matters for consideration to the Board or the President or ED/GM for referral to the appropriate committee in accordance with Board procedure.

2. All new programs or projects must be submitted to the appropriate committee unless previously approved by the Board at a special or regular meeting.

3. All contracts or agreements with new customers in any system for NTMWD service or any new request for service outside the service area as defined in Enabling Act must be referred to the appropriate committee. This does not include vendor contracts or agreements for services provided to NTMWD by others for routine operations.

B. BOARD RECOMMENDATIONS

Items referred to committees for recommendation to the Board:

1. Shall require the Committee Chair to call a meeting as soon as possible. If a quorum cannot be obtained, the item will be placed on the next regular meeting of the Board of Directors for consideration; and,

2. Shall be made at the next Regular Board Meeting unless a majority of the committee requests additional information or establishes reasons in writing for delay.

SECTION VII. STANDARDS OF CONDUCT

7.1 Purpose

These Standards of Conduct reaffirm and clarify the policy and expectations of NTMWD concerning the standards of behavior and ethical conduct of the members of its Board of Directors and the ED/GM while conducting NTMWD business. The maintenance of the highest standards of honesty, integrity, impartiality and conduct is essential to the proper performance of NTMWD business responsibilities and to the maintenance of confidence in the NTMWD by the citizens and officials of NTMWD Member Cities and Customers. For purposes of this Policy, "officers" means NTMWD's ED/GM, ~~Deputy Directors~~Assistant General Managers, and members of its Board of Directors.

7.2 General

A. NTMWD's reputation for integrity is an invaluable asset to be nurtured by each officer; it is each officer's responsibility to demonstrate the highest standards of integrity and personal conduct.

B. It is the personal responsibility for each officer to diligently, and thoroughly observe, the policies and procedures of ethical business conduct set forth in District Policy.

C. Employees of NTMWD are subject to the highest ethical standards, as outlined in NTMWD's Personnel Policies Manual (Ethics, Gifts, and Conflicts of Interest). Such standards are similar to those contained in this Policy. It is each officer's responsibility to ensure that no NTMWD business is conducted outside of the highest standards of honesty, integrity, impartiality and conduct. If any officer becomes aware of an NTMWD employee violating these standards of ethical conduct, the officer has a responsibility to immediately report such concerns to the ED/GM.

7.3 Relationships with Contractors, Suppliers, and Consultants

It is the policy of the Board that all activities of NTMWD, its officers and employees will continue to be conducted in accordance with the laws of the United States, the State of Texas, appropriate counties or municipalities, and the Policies and Directives of NTMWD.

A. Bribes, kickbacks, or other illegal payments are specifically prohibited, and any officer proven to have participated in such activities will be reviewed for legal action by NTMWD.

B. While good relations with NTMWD contractors and suppliers or consultants ("business entities") are important to the timely and cost-effective execution of NTMWD responsibilities, NTMWD will neither authorize nor condone illegal or unethical activities by these business entities. NTMWD officers with direct or indirect knowledge of such activities shall immediately report to the Board or the ED/GM any activities which indicate that these business entities are acting illegally or beyond the authorization of the NTMWD.

C. No officer or a member of the officer's family shall solicit or accept any gift, favor, or service that might reasonably tend to influence the officer in the discharge of official duties or that the officer knows or should know is being offered with the intent to influence official conduct. A "gift" does not include a reasonable meal accepted as a guest, or a promotional item of nominal value of the sort typically given at vendor booths at conferences. Officers are specifically prohibited from accepting from current or potential business entities:

1. Vacations, pleasure trips, or hunting trips;

2. Discounts not available to the general public;

3. Products or services not available to the general public under similar circumstances;

4. Loans or advances;

5. Entertainment at a discount unavailable to the general public;

6. Other unusual favors not available to the general public at the same cost.

Any officer receiving such offers shall immediately report such offers to the ED/GM, or to the Board of Directors.

D. The first responsibility of an NTMWD officer is to the NTMWD and its members and customers. The officer shall avoid situations where other interests conflict or appear to conflict with the officer's ability to perform reasonably and with independent judgment removed from any influence by a business entity. If any officer has a substantial interest in a business entity being considered for contract with the NTMWD, that officer must notify the ED/GM or the Board of Directors in writing or in a public meeting called and held in compliance with the Texas Open Meetings Act before consideration of the contract. The officer shall remove himself or herself from the project or contract consideration.

An individual has a "substantial interest" if the individual or his or her parent, child, stepchild, spouse or spouse's parent:

1. Has controlling interest in the business entity;
2. Has ownership in excess of ten percent of the voting interest in the business entity or in excess of $15,000 of the fair market value of the business entity;
3. Has any participating interest, either direct or indirect, by shares, stock, or otherwise, whether or not voting rights are included, in the profits, proceeds, or capital gains of the business entity in excess of ten percent;
4. Holds the position of a member of the Board of Directors or other governing board of the business entity;
5. Serves as an elected officer of the business entity;
6. Is an employee of the business entity;
7. Owns $2500 or greater of the fair market value of real property

E. NTMWD officers shall not transact any business on behalf of the NTMWD with any business entity with which they have a substantial interest, and shall refrain from discussing the matter at any time with the members of the body of which the officer is a member or any other body which will consider the matter, and will abstain from voting on the matter.

F. Selection of consultants shall be made based on the merits contained in written proposals or letters of proposal and on consideration of the firms' expertise, references, performance history, financial strength, or other such criteria uniformly applied by the NTMWD as the specific project may require.

7.4 Ethical Responsibilities of Officers

A. All officers of NTMWD shall conduct themselves in a manner that maintains the highest standards of integrity and personal conduct, avoiding even the appearance of any conflict of interest.

B. In addition to the above, all officers shall conduct themselves in such a manner as to avoid the appearance of:

1. Using public office for private gain;
2. Giving preferential treatment to any person or entity;
3. Impeding NTMWD efficiency or economy;
4. Losing complete independence or impartiality;
5. Making an NTMWD decision outside official channels;
6. Using any information understood to be confidential gained by his or her official position with NTMWD for the officer's own personal gain or for the private interest of others.

C. The Board of Directors shall evaluate any violation coming to its attention, and shall take appropriate corrective action including sanctions and pursuit of any available legal remedies.

D. Any substantiated violations of this Ethics Policy shall be documented by the ED/GM and/or the Board of Directors, and kept by NTMWD's Records Management Officer. The documentation shall include documentation of any action taken.

7.5 Use of NTMWD Property

NTMWD property, equipment or vehicles, including property leased to the NTMWD, may not be used for other than officially approved activities. No NTMWD property, equipment or vehicles may be used for personal business or personal gain. Officers of NTMWD may use NTMWD property that is designated by NTMWD as open to the public for NTMWD-authorized public uses,

including educational and/or recreational purposes, in the same manner that is allowed for members of the general public. Officers of NTMWD may not grant access to or use NTMWD property that is deemed open to the public for private purposes, or for any other unofficial or unauthorized use. For example, NTMWD officers can visit the Bois d'Arc Lake, but may not grant special access to third parties or otherwise act outside the rules prescribed for the general public.

7.6 Improper Use of NTMWD Funds and Assets

A. The funds and assets of NTMWD shall not directly or indirectly be used for illegal or improper payments of any kind.

B. The funds and assets of NTMWD shall not be used directly or indirectly for payments, gifts, or gratuities of any kind which indirectly or directly inure improperly to the personal benefit of any agent or employee of any entity with which the NTMWD does business.

C. The funds and assets of NTMWD shall not be used directly for political contributions. "Political contributions" include, but are not limited to, local, state, or national fund-raising dinners, banquets, raffles, or any funds or gifts (including the free use or discounted use of property or services) that could be routed directly to a political candidate, party, committee, or organization. This section is not intended to limit or otherwise restrict lawful personal political activity of persons subject to this standard.

D. No officer shall knowingly cause the NTMWD to enter into any agreement with dealers, vendors, distributors, agents, or consultants: (1) which are knowingly not in compliance with the statutes of the State of Texas and applicable local laws that may be involved, or (2) which provide a commission rate or fee that is not reasonable and commensurate with the function or services to be rendered, or (3) with which the officer has a business relationship beyond the NTMWD.

E. The funds and assets of the NTMWD shall be properly and accurately recorded in accordance with generally accepted accounting practices. No officer shall willfully make or cause to make false or inaccurate entries in the books and records or accounts of the NTMWD. No officer shall, on behalf of the NTMWD, make or approve payments with the intention or understanding that any part of the payments may be used for any purpose other than described in documents supporting the payment.

7.7 Easement or Property Purchases Involving NTMWD Officers

A. Any NTMWD officer who has, or whose parent, child, stepchild, spouse or spouse's parent has, an ownership interest in property which is within proposed boundaries of an NTMWD project being considered for approval by the Board, shall identify such property in writing to the President of the Board and to the ED/GM prior to project consideration by the Board. Such written notification shall be maintained as part of the permanent records in the project file.

B. Any purchase or easement purchase of property within an approved NTMWD project belonging to an officer of the NTMWD may proceed only if:

1. Records of such sale are fully documented in the project file and are accompanied by documentation of the price including an appraisal of the fair market value of the property by at least two independent professional appraisers; and,

2. The cost of the property easement or purchase shall be approved by a majority of the Board of Directors at a regular meeting after submission of such records.

3. The officer has removed him or herself from consideration of or involvement in such transaction.

SECTION VIII. BOARD OF DIRECTORS MEETING AGENDA AND ACTION ITEMS

8.1 Purpose

This policy establishes guidelines for the inclusion of action items on the Board of Directors regular agenda, including items listed for individual consideration and items listed on the Consent Agenda approved by a single vote.

8.2 Annual Operating Budget Items

Items for expenditures and award of contracts for goods and services funded in NTMWD's annual operating budget do not require separate Board approval and are not required to be placed on the agenda unless a specific legal or policy requirement for Board action applies (See Section 8.6) .

8.3 Agendas

The order of business of each Board meeting shall be contained in a written agenda prepared by the ED/GM and/or the President and posted in accordance with applicable state law. Written agendas for regular Board meetings shall be delivered to each member at least 72 hours prior to the date of said meeting. Written agendas for special or emergency Board meetings shall be delivered to each member as soon as reasonably possible prior to the commencement of the meeting. Additionally, each Board agenda shall include an item that will allow a Board member to request that an item be placed on a future agenda for consideration by the ~~Board~~Executive Committee; no substantive discussion of that item will take place at that time. The Board may not deliberate or vote on any item not included on its written agenda and public notice.

8.4 Items for ED/GM Approval, Consent Agenda or Individual Board Consideration and Action

A. Expenditures and contracts not funded in NTMWD's annual operating budget* shall be processed in accordance with the following table:

ED/GM Limits	Consent Agenda	Items for Individual Consideration
Expenditures or cumulative changes below $100,000 or changes that do not exceed 15 percent of the original contract or Board authorization may be approved by the ED/GM and will be included in the Capital Project Activity Report.	Expenditures of $100,000 - $500,000 or changes that exceed 15 percent of the original contract or Board Authorization and shall be included in the Modification of Capital Projects Request and included for approval by the Board on the Consent Agenda.**	Expenditures or all cumulative changes above $500,000 or above 25 percent over original contract or Board authorization, shall be listed as individual action items on a Board agenda.

* Examples of such items include:

- Construction contract change orders
- Construction Manager At-Risk Preconstruction and Procurement Services
- Engineering Services Agreements
- Right-of-way acquisitions
- Inspection Services Agreements
- Legal Services
- Reassignment of funding within the same System

** To eliminate creation of additional Administrative Memorandums, at the discretion of the Executive Director, minor amounts above the thresholds can be included within the Modification of Capital Projects Request report when the projects are near completion.

~~B. Notwithstanding the above requirements, the ED/GM shall provide a report to the Board regarding all matters involving litigation not less than every 6 months.~~

8.5 Consent Agenda Items

As noted in the table in Section 8.4 above, Consent Agenda Items shall include expenditures and cumulative change orders for construction contracts between $100,000 and $500,000. These items shall be included in the Modification of Capital Projects Request.

Board Members and the ED/GM may use their discretion to move items from the Consent Agenda to Items for Individual Consideration.

Additional examples of items that may be placed on the Consent Agenda:

1. Interlocal Agreements between NTMWD and another governmental entity involving amounts less than $500,000..

2. Contracts for professional or contractual services, legal services, or the construction of improvements to real property in amounts less than $500,000.

3. Sale of surplus personal property provided the value of a single item is less than $500,000.

4. Miscellaneous items not involving an expenditure of funds or that are ministerial in nature.

5. Contract extensions of 5 years or less with Customers in any System that include no material changes other than the Term.

6. Alternative procurement authorizations.

8.6 Other Legal Items

In certain instances, applicable statutes or regulations may require items be acted on by the Board of Directors even if the expenditure falls within the discretion of the ED/GM. These items include but are not limited to:

1. Resolutions authorizing the use of eminent domain
2. Resolutions authorizing issuance of bonds and other debt instruments
3. Acceptance of the annual audit
4. Approval of the annual All Systems Budget including rates and charges for system services
5. Interlocal agreements
6. Annual review of Investment Policy
7. Bank depository contract

SECTION IX. INDEMNIFICATION POLICY

It is the policy of NTMWD to protect and indemnify its Directors, Officers, and Employees ("Covered Individuals") from claims and lawsuits for damages or other relief sought against them for acts or omissions arising out of the performance of their duties for NTMWD to the full extent allowed by law. For NTMWD to fulfill its public purpose and to attract and maintain quality individuals in all required positions it is necessary that Covered Individuals serving NTMWD not incur the expense and liability for acts or omissions arising out of the discharge of their duties in the course and scope of NTMWD's business.

9.1 Insurance

NTMWD may purchase insurance or may self-insure, to protect itself and its Covered Individuals from the cost and expense of defending against claims and litigation brought against NTMWD or its Covered Individuals individually for acts or omissions occurring during, or arising out of, the course and scope of their duties for NTMWD and undertaken in the good faith discharge of their duties for NTMWD.

9.2 Indemnification and Defense of Directors, Officers, and Employees

To the extent that the cost and expense of defending against claims asserted, or lawsuits brought, against the Covered Individuals of NTMWD are not covered by the applicable policies of insurance provided by NTMWD under this Policy, and to the extent permitted by applicable law, NTMWD may defend, hold harmless, and indemnify Covered Individuals from any and all demands, claims, suits, actions, judgments, expenses and reasonable attorneys' fees incurred in any legal proceedings brought against them in their individual or official capacities as a Covered Individual, provided that the allegations which form the basis of such demand, claim, or action arose from an act or omission of the Covered Individual, acting within the course and scope of their duties with NTMWD. NTMWD will not indemnify any demand, claim, suit, action, judgment, expense or reimbursement for attorneys' fees for any claim or cause of action where it is determined that the Covered Individual 1) committed official misconduct, 2) committed a willful or wrongful act or omission constituting gross negligence, or 3) acted in bad faith, with conscious indifference or reckless disregard to the rights of others. Further, NTMWD will not indemnify the Covered Individual if the claim or cause of action arose out of the Covered Individual's self-dealing or involves a defense of his/her private interests, or for a criminal act absent a finding of not guilty or dismissal of the criminal case (except when the dismissal does not indicate innocence, such as dismissal after a guilty plea, nolo contendre or deferred adjudication).

9.3 Procedures for Providing Indemnification

In the event a claim or demand for monetary or other relief is made or a civil lawsuit instituted against a Covered Individual arising out of an act or omission occurring in the course and scope a Covered Individual's employment for, and in discharge of the individuals duties for NTMWD, the ED/GM or Board Executive Committee may present a Request for Indemnification to the Board on behalf of a Covered Individual.

In the event a criminal complaint, indictment or information is filed against a Covered Individual arising out of an alleged act or omission related to the discharge of a Covered Individual's duties for NTMWD, upon a finding of not guilty after a trial or appeal or the complaint, information, or indictment is dismissed without a plea of guilty or nolo contendere being entered, the ED/GM or Executive Committee of the Board may submit a Request for Indemnification to the Board on behalf of the Covered Individual.

Upon presentation of a Request For Indemnification to the Board, the disinterested members of the Board shall determine: (1) if the act or omission giving rise to the claim, demand, or legal proceeding occurred within the course and scope of employment of NTMWD, and (2) whether the defense of the claims, demands, or legal proceedings is in furtherance of the public interest of NTMWD. Upon a majority of disinterested Board members making such findings, NTMWD shall indemnify the Covered Individuals for reasonable attorneys' fees, costs and expenses associated with the defending of those claims, demand, and legal proceedings, as set forth in this District policy. The determination of the Board shall be final and conclusive absent fraud, or arbitrary and capricious action in making this determination.

The selection of the Covered Individual's legal counsel shall be with the mutual agreement of the Covered Individual and NTMWD if such legal counsel is not also NTMWD's legal counsel. However, if a legal defense is provided through insurance coverage, the Covered Individual's right to select legal counsel shall depend on the terms of the applicable insurance contract. To the extent this policy of indemnification exceeds the authority provided and limitations imposed by Texas Civil Practice & Remedies Code, Chapter 102, it shall be construed and modified to the extent necessary to not exceed such authority and limitations.

9.4 No Waiver of Immunity

This policy is solely for the protection of the Covered Individuals of NTMWD and does not grant or confer any rights on any third party, nor does it provide any rights or causes of action not expressly provided for under the laws of the State of Texas and the United States, including the Texas Tort Claim Act. Further, nothing in this policy shall be construed to be a waiver of sovereign immunity or governmental indemnity by NTMWD or its Covered Individuals.

SECTION X. BOARD MEMBER RETIREMENT RECOGNITION PROGRAM

Retiring Board members shall be recognized during a regularly scheduled Board meeting or special ceremony as follows:

- A Board member who retires with less than 10 years of service shall be presented with an official resolution adopted by the Board of Directors.
- A Board member who retires with 10 years or more, but less than 20 years of service shall also receive a NTMWD plaque of appreciation.
- A Board member who retires with 20 or more years of service shall also receive an engraved NTMWD logo watch, engraved glass "Water Drop," or other similar memento.

SECTION XI. BOARD/STAFF COMMUNICATION POLICY

Interaction between Board members and NTMWD staff is encouraged in order to promote productive communications and cooperation. The following are guidelines to clarify Board/Staff contact.

A. Board members should direct requests for information and contact only to senior NTMWD leaders and ~~executive level~~ staff responsible for Board Services: ED/GM, ~~Deputy Directors~~Assistant General Managers, ~~Board Liaison~~Director of Executive and Board Services, General Counsel and Board Administrative Support Specialist.

B. The ED/GM shall be informed (by email or verbally) of requests for information and meetings between a Board member and staff. The ED/GM should be copied on email requests and notified promptly of verbal requests.

C. For meetings between staff and Board members that do not require the presence of the ED/GM, staff shall notify the ED/GM of such meetings in advance so that the ED/GM may make a decision whether to attend.

D. Board members may request from senior staff previously presented existing documents and reports, but should not direct staff work by asking for reports that are not already prepared or otherwise ask staff to perform tasks. Board members should direct requests for new reports and tasks only to the ED/GM.

E. If a Board member receives an employee complaint or personnel grievance, the Board member should advise the employee to go through the complaint and grievance procedures specified in the Personnel Policy Manual, which also provides information about protecting employees from retaliation protection. The Board member should also promptly inform the ED/GM of any such communications received from employees.

SECTION XII. ADDITION OF MEMBER CITIES TO REGIONAL WASTEWATER SYSTEMS

12.1 Purpose

The District operates two regional wastewater systems (Regional Wastewater Treatment System and Upper East Fork Regional Interceptor System, collectively the "Regional Wastewater Systems"). The underlying contracts governing the Regional Wastewater Systems allow for the addition of new member cities to the Regional Wastewater Systems. The purpose of this policy is to outline the process for and the factors to be considered by the District for the addition of new member cities to the Regional Wastewater Systems. This policy is applicable to the Regional Wastewater Systems only and does not serve as the basis for consideration for service by or membership in any other District facility, system, or service.

12.2 Requests for Membership Consideration

A. MINIMUM CRITERIA

In order to be eligible for membership in the Regional Wastewater Systems, a city must meet the following minimum criteria:

1. The city has been a current customer of the Regional Wastewater Treatment System for at least five years with a longstanding cooperative relationship with the District that has been mutually beneficial to both entities;
2. Wholesale wastewater service will be provided to the entire city limits and future city limits by the Regional Wastewater Systems, or by wastewater treatment plants operated by the District;
3. The District operates any city-owned wastewater treatment plants that exist;
4. The city has supported the District's regionalization initiatives through sharing of resources such as dedication for rights of way, work with other key stakeholders or other similar matters.

B. REQUEST FORMAT AND REQUIREMENTS

To be considered for membership in the Regional Wastewater Systems, cities should file a written request with the District that includes the following items. District staff shall evaluate all requests for completeness and may return any incomplete requests to the requesting city, in which case the request will not move forward for consideration:

1. Narrative explanation of how it meets the minimum criteria set out in Section ~~13.2~~12.2;
2. Engineering report prepared by a Registered Professional Engineer or engineer approved by the District containing:
    a. Description of the area to be served
    b. Description of existing facilities

c. Yearly projected wastewater flows for the city for the next five years
d. Projected flows in five-year increments thereafter for an additional 15 years
e. Description of proposed usage of the sewer service such as ~~a~~ residential, commercial, etc.
f. Identification of, sizing and estimated cost of any additional facilities needed for provision of wholesale service by the District to the city for the time period under review.

3. Copy of the latest annual audit of the city's waterworks and/or sewer system, if any.

12.3 Consideration by Board of Directors and Evaluation Factors

A. CONSIDERATION BY BOARD OF DIRECTORS. District staff shall present the written request for membership to the District Board of Directors at a scheduled District Board Meeting at which time, if the Board decides to proceed with consideration of the request, it shall set a date and time for possible action at a future Board meeting. The District shall provide written notice to current Regional Wastewater System members of the date and time of the District Board meeting at which the Board may take action on the request.

B. EVALUATION FACTORS. In addition to the minimum criteria set out in Section ~~13.2.A~~12.2.A, above, the factors to be considered by the Board of Directors in determining whether to grant the request may include:

1. Financial impacts to other Regional Wastewater System members;
2. Impacts to Regional Wastewater System credit or bond rating;
3. Financial or engineering impacts to the Regional Wastewater System, in general;
4. Whether the city has a plan of promoting resident use of city collection system in future to reduce reliance on septic systems;
5. Whether the city has a current population of approximately 10,000 and
6. Whether the city's wastewater contributes to the District's reuse and reclaimed water programs.

The Board may approve the request if, after considering all relevant factors, including those specified herein, it determines that the addition of the new member would be of benefit to the Regional Wastewater System, other members, and the District. Nothing in this policy shall be interpreted to guarantee approval of a membership request, and the Board of Directors retains the discretion to apply this policy in a manner serving the best interests of the District.

SECTION XIII. NEW CUSTOMER REQUESTS FOR WATER SERVICE

13.1 Purpose

The purpose of this policy is to outline the process and the factors to be considered by the District when a prospective customer wishes to request water service from the District Water System. This policy does not apply to requests of existing customers that are already supplied by the District either directly or indirectly.

13.2 Requests for Water Service

A. Only a municipality, municipal utility district, water supply corporation, fresh water supply district, special utility district, water control and improvement district, or other legislatively-created special district having the water and sewer power of a conservation and reclamation district is eligible for new water service from the District Water System.

B. Any new request for water service must be in writing and directed to the Executive Director of the District. District staff shall evaluate all requests for completeness and may return any incomplete requests to the requesting entity, in which case the request will not move forward for consideration.

C. The written request must be accompanied by an engineering report, prepared by a Registered Professional Engineer in the State of Texas, that includes the following items:

1. Information on the proposed point of delivery meeting current District standards for water service;
2. Projected annual usage for the first six years;
3. Projected future annual usage thereafter in five-year increments, and total future requirements;
4. Population projections for the area to be served;
5. The reason for the request; and
6. The Texas Commission on Environmental Quality (TCEQ), or its predecessor or successor agency, certification (if applicable) and all relevant information submitted to the TCEQ or predecessor or successor agency, in support of certification requests.

13.3 Consideration by Board of Directors and Evaluation Factors

A. CONSIDERATION BY BOARD OF DIRECTORS. District staff shall present the written request for new water service to the District Board of Directors at a scheduled District Board Meeting at which time, if the Board decides to proceed with consideration of the request, it shall set a date and time for possible action at a future Board meeting.

B. EVALUATION FACTORS. In evaluating a request for service, the Board of Directors shall consider at least the following factors:

1. Existing contractual commitment to all current District members and customers;
2. TCEQ, or its predecessor or successor agencies, certification and all relevant information submitted to the TCEQ or predecessor or successor agencies, in support of certification requests, if applicable;
3. Engineering report submitted by the requestor explaining how sanitary sewer service will be provided to the requested area and how the water quality for the watershed(s) within the area will be protected;
4. Geographic description of the land area to be served;
5. Forecasted impact to the District's raw water sources, treatment plant capacity, and transmission and pumping system capacity;
6. Whether the District's approved Water System Development Plan can meet additional water supply volumes and the additional water supplies being requested;
7. Other potential sources available to provide service to the customer;
8. Impact to all current District members or customers if the requesting entity is within the city limits, extraterritorial jurisdiction, or service area of such Member Cities or customers;
9. Requestor's water conservation and drought contingency plans, and whether it includes all of the elements of the District's plan at the time of request, and will likely remain in compliance with the District's plans throughout the term of the contract;
10. The requested location of the point of delivery.

13.4 Authorization

In order to provide new water service, a customer service agreement must be developed in accordance with District Standards and must be approved by the Board of Directors. Nothing in this policy shall be interpreted to guarantee approval of a membership request, and the Board of Directors retains the discretion to apply this policy in a manner serving the best interests of the District.

ADOPTION BY BOARD OF DIRECTORS

The Board Policies in this Manual have been passed and approved, as amended, by the Board of Directors of the North Texas Municipal Water District, in a Regular Meeting of the Board, on this ___ day of _____, 2024~~3~~, and attested to by the signature of the President and Secretary, as indicated below.

_____ _____

DONALD IMRIE~~AVID HOLLIFIELD~~, Secretary GEORGE CRUMP~~RICHARD PEASLEY~~, President

(SEAL)