



NOTICE OF OPEN MEETING OF THE BOARD OF DIRECTORS

OF THE

SOUTHWESTERN TRAVIS COUNTY GROUNDWATER CONSERVATION DISTRICT

Wednesday, May 13th, 2020 at 10:00 am

REMOTE ACCESS ONLY

In accordance with the order of the Office of the Governor issued March 16, 2020, the SWTCGCD Board of Directors will conduct our May Board Meeting as a remote access only meeting in order to advance the public health goal of limiting face-to-face meetings (also called “social distancing”) to slow the spread of the Coronavirus (COVID-19). **The telephone number to call into the meeting is 1-346-248-7799 (Toll Free) and the Meeting ID is 350 477 6786.** The meeting can also be accessed by computer audio and video at <https://us02web.zoom.us/j/3504776786> using the same Meeting ID.

Additional instructions are provided at the end of this Agenda.

Meeting Agenda

1. Call to order, declare meeting open to the public, take roll and declare quorum status.

2. Public comments.

This is an opportunity for citizens to address the Board regarding a matter that is not on the agenda. Comments on agenda items must be made when the agenda item is addressed by the Board. There is a three-minute time limit on individual citizen comments. Up to five minutes of speaking time may be given to a person speaking on behalf of a group of five or more citizens. Board members may not respond to questions asked during the Public Comment portion of the meeting.

3. Discuss and possibly act on approving the previous meeting minutes.

a. April 8th, 2020

4. General Manager’s Report (GM Kodi Sawin)

5. Receive, discuss and take action as necessary for Board Committee Reports.

a. Finance (Director Urie)

b. Legislative (Director Davis)

c. Science-Outreach (Directors Hennings/Dower)

6. Discuss and possibly act on matters related to ratifying bonding for new Board Member, Brian Hunt. (Director Van Ackeren)



7. **Discuss and possibly act on matters related to Cyber Security Training.** (GM Kodi Sawin)
8. **Discuss and possibly act on matters related to potential loan and grant opportunities.** (Director Scadden/GM Kodi Sawin)
9. **Discuss and possibly act on matters related to Public Funds Investment Act, designating a SWTCGCD Chief Investment Officer, and training.** (GM Kodi Sawin)
10. **Discuss the status of the draft Management Plan and possibly act to approve the draft Management Plan for purposes of setting a Public Hearing.** (GM Kodi Sawin/Kirk Holland)
11. **Discuss the progress of the Rulemaking Committee and set a date for a Board Work Session in May.** (GM Kodi Sawin/ Kirk Holland)
12. **Discuss the concept of designating Management Areas 1 and 2, and the process of defining the boundary for Management and Rulemaking purposes.** (Directors Hennings and Hunt)
13. **Discuss and possibly act on establishing a Consulting contract with Kirk Holland.** (Director Scadden)
14. **Discuss and possibly act on matters related to GMA 9 and initiating resolution of the GMA 9/10 boundary issue affecting SWTCGCD.** (Director Scadden/Kirk Holland)
15. **Discuss and possibly act on purchase/reimbursement of computer-related items for the SWTCGCD office.** (Director Scadden)
16. **Discuss and establish agenda items for the next Board meeting.**
17. **Discuss and possibly act on setting the date, time, and location for the next Board meeting.**
The 2nd Wednesday date would be June 10th, 2020.
18. **Adjourn.**

The above agenda schedule represents an estimate of the order for the indicated items and is subject to change at any time.

At any time during the meeting and in compliance with the Texas Open Meetings Act, Chapter 551, Government Code, Vernon's Texas Codes, Annotated, the Southwestern Travis County Groundwater Conservation District Board may meet in executive session on any of the above agenda items or other lawful items for consultation concerning attorney-client matters (§551.071); deliberation regarding real property (§551.072); deliberation regarding prospective gift (§551.073); personnel matters (§551.074); and deliberation regarding security devices (§551.076). Any subject discussed in executive session may be subject to action as a posted agenda item during an open meeting.



GUIDELINES FOR PARTICIPATION IN SOUTHWESTERN TRAVIS COUNTY GROUNDWATER CONSERVATION DISTRICT BOARD MEETING on May 13th, 2020

Southwestern Travis County Groundwater Conservation District, in order to maintain governmental transparency and continued government operation while reducing face-to-face contact for government open meetings, is implementing measures according to guidelines set forth by the Office of the Texas Governor, Greg Abbott. In accordance with section 418.016 of the Texas Government Code, Governor Abbott has suspended various open-meetings provisions that require government officials and members of the public to be physically present at a specified meeting location. SWTCGCD's adherence to the Governor's guidance temporary suspension procedure provides public accessibility and opportunity to participate in our open meetings, workshops, and hearings.

Members of the public wishing to make comments during the meeting will be provided an opportunity to do so. The Board President will call on members of the public who wish to speak during the public comment period of the meeting or during the discussion of specific agenda items. Members of the public that wish to speak during the meeting are requested to notify Kodi Sawin (generalmanager@swtcgcd.org) by noon on Tuesday, May 12th to help facilitate the meeting logistics. This meeting will be recorded, and the audio recording will be available upon request to Ms. Sawin after the meeting.

You may join the SWTCGCD Board meeting on May 13th as follows:

Time: May 13, 2020 **09:50 AM** Central Time (US and Canada) – this early access time is to provide meeting participants an opportunity to get logged in. The formal meeting will be called to order at 10:00 AM.

Call-In Details:

To join the meeting from your computer, use this link:

<https://us02web.zoom.us/j/3504776786>
Meeting ID: 350 477 6786

To join the meeting from your phone, dial the number below and follow the prompts:

Dial: 1-346-248-7799 (Toll Free)
Meeting ID: 350 477 6786 (you will be directed to add the # symbol after the meeting id)

(Note: You may be prompted to use a PIN in addition to the Meeting ID with the traditional call-in number. Please press # when instructed to bypass this prompt.)

Agenda Item 7

Backup Material

SOUTHWESTERN TRAVIS COUNTY GROUNDWATER CONSERVATION DISTRICT

CYBERSECURITY POLICY

Section 1: General Statement of the District Cybersecurity Policy

It is the policy of the Southwestern Travis County Groundwater Conservation District (District) that its computer systems and databases must be protected from cybersecurity risks and incidents to the greatest extent possible. As part of this policy, and pursuant to HB 3834 (86R), the District will comply with the provisions of Subchapter N-1, Cybersecurity, Section 2054.5191 (a-1) and (b) Government Code. The District may also implement additional security measures as may be deemed necessary by either the Board of Directors (Board) or the General Manager.

Section 2: Cybersecurity Policy Implementation

1. The District Board of Directors (Board) hereby designates the General Manager as the employee responsible for implementation of the District Cybersecurity Policy. The General Manager shall oversee and be responsible for:
 - a) Insuring that, at least once per year, all District employees and Directors complete the certified cybersecurity training program designated by the Board.
 - b) Maintaining certified cybersecurity training records.
 - c) Verifying and reporting the completion of the certified cybersecurity training program by District employees and Directors to the Department of Information Resources.
 - d) Implementing the appropriate cybersecurity techniques, strategies, and practices recommended by the certified cybersecurity training program designated by the Board.
 - e) Implementing and maintaining various computer, document, and database backup records in-house using hardcopy, photographic, digital, audio, or other media as appropriate.
 - f) Implementing and maintaining automated digital on-line and/or remote backup systems such as Carbonite or similar products to provide additional security and backup of District computers, documents, and databases.
 - g) Recommending updates, improvements, or changes to the District cybersecurity Policy for Board consideration.

Section 3: Cybersecurity Policy Audit

1. The District Board of Directors shall review the Cybersecurity Policy every year to ensure that the Cybersecurity Policy continues to meet the needs of the District. The Board may identify and approve any necessary changes that may be needed to update or improve the effectiveness of the Policy.
2. As part of this review, the Board will conduct a compliance audit of the employees and Directors to ensure that each employee and Director has either completed a cybersecurity training program within the previous year, or is scheduled to attend a cybersecurity training program within the upcoming six months. The General Manager will maintain records of all training and audits.

Tex. Gov't Code § 2054.5191

Current with legislation from the 2019 Regular Session effective as of September 1, 2019

Section 2054.5191 – Cybersecurity Training Required: Certain Employees

- a) Each state agency shall identify state employees who use a computer to complete at least 25 percent of the employee's required duties. At least once each year, an employee identified by the state agency and each elected or appointed officer of the agency shall complete a cybersecurity training program certified under Section 2054.519(f).
 - a-1) At least once each year, a local government shall identify local government employees who have access to a local government computer system or database and require those employees and elected officials of the local government to complete a cybersecurity training program certified under Section 2054.519 or offered under Section 2054.519(f).
- b) The governing body of a local government may select the most appropriate cybersecurity training program certified under Section 2054.519 or offered under Section 2054.519(f) for employees of the local government to complete. The governing body shall:
 - (1) Verify and report on the completion of a cybersecurity training program by employees of the local government to the department; and
 - (2) Require periodic audits to ensure compliance with this section.
- c) A state agency may select the most appropriate cybersecurity training program certified under Section 2054.519 for employees of the state agency. The executive head of each state agency shall verify completion of a cybersecurity training program by employees of the state agency in a manner specified by the department.
- d) The executive head of each state agency shall periodically require an internal review of the agency to ensure compliance with this section.

Tex. Gov't. Code §2054.5191

Added by Acts 2019, Texas Acts of the 86th Legislature – Regular Session, Ch. 1308, Sec. 3, eff 6/14/2019.

Agenda Item 9

Backup Material

RESOLUTION APPOINTING INVESTMENT OFFICER

THE STATE OF TEXAS	§
	§
SOUTHWESTERN TRAVIS COUNTY	
GROUNDWATER CONSERVATION DISTRICT	§

WHEREAS, a regular meeting of the Board of Directors (the "Board") of Southwestern Travis County Groundwater Conservation District (the "District") was held on May 13, 2020; and

WHEREAS, the District was created by Chapter 8871 of the Texas Special District Local Laws Code ("Enabling Act") and under the authority of Section 59, Article XVI of the Texas Constitution and Chapter 36 of the Texas Water Code;

WHEREAS, Section 8871.101 of the Act grants the District with the rights, powers, privileges, functions, and duties provided by the general law of Texas, including Chapter 36 of the Texas Water Code;

WHEREAS, the Public Funds Investment Act, Government Code, Chapter 2256, applies to any local government defined as a district or authority, created under Section 52(b)(1), Article III or Section 59, Article XVI of the Texas Constitution and sets out the terms and conditions under which the governing body of the District may invest public funds;

WHEREAS, Section 2256.005(f) of the Government Code provides that each investing entity shall designate one or more officers or employees of the local government as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity;

WHEREAS, Section 36.1561 of the Texas Water Code provides that the District may contract with a person to act as investment officer of the District;

WHEREAS, the Board of Directors of the District (the "Board") desires to appoint Kodi Sawin as the Investment Officer for the District;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SOUTHWESTERN TRAVIS COUNTY GROUNDWATER CONSERVATION DISTRICT THAT:

1. The above recitals are true and correct.
2. The Board of Directors hereby designates Kodi Sawin, General Manager for the District, as Chief Investment Officer for the District.

3. The Investment Officer shall serve until the appointment is rescinded by the Board, or until Kodi Sawin no longer is employed by the District.
4. The Investment Officer shall be required to attend investment training to meet the requirements of Section 36.1561 of the Texas Water Code, which section may be amended from time to time.

PASSED AND APPROVED the 13th day of May 2020.

Richard A Scadden, President
SWTCGCD Board of Directors

ATTEST:

Tim Van Ackeren, Secretary
SWTCGCD Board of Directors

**RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTHWESTERN TRAVIS
COUNTY GROUNDWATER CONSERVATION DISTRICT ADOPTING AN
INVESTMENT POLICY FOR THE DISTRICT**

THE STATE OF TEXAS	§
	§
SOUTHWESTERN TRAVIS COUNTY	§
GROUNDWATER CONSERVATION DISTRICT	§

WHEREAS, the Southwestern Travis County Groundwater Conservation District (“District”) was created by Chapter 8871 of the Texas Special District Local Laws Code (Chapter 644, Acts of the 85th Legislature (2017)) (“Enabling Act”) and under the authority of Section 59, Article XVI of the Texas Constitution and Chapter 36 of the Texas Water Code;

WHEREAS, Section 8871.101 of the Act grants the District with the rights, powers, privileges, functions, and duties provided by the general law of Texas, including Chapter 36 of the Texas Water Code;

WHEREAS, the Public Funds Investment Act, Government Code, Chapter 2256, applies to any local government defined as a district or authority, created under Section 52(b)(1), Article III or Section 59, Article XVI of the Texas Constitution and sets out the terms and conditions under which the governing body of the District may invest public funds;

WHEREAS, Section 36.061 of the Texas Water Code requires a groundwater conservation district to adopt a policy relating to District investments; and

WHEREAS, the Board now finds that the adoption of an Investment Policy for the District is necessary and required under Chapter 36 of the Texas Water Code and Chapter 2256 of the Government Code.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SOUTHWESTERN TRAVIS COUNTY GROUNDWATER CONSERVATION DISTRICT THAT:

1. The above recitals are true and correct.
2. The Board of Directors for the District hereby adopts the attached Investment Policy for the District.
3. The attached Investment Policy, attached as Exhibit “A”, shall continue in effect until modified by the Board of Directors.
4. The Board of Directors hereby authorizes and directs its General Manager, District Staff, and legal counsel to take any and all action necessary to implement the terms of this Resolution.

AND IT IS SO ORDERED.

PASSED AND ADOPTED on this 13th day of May, 2020.

SOUTHWESTERN TRAVIS COUNTY GROUNDWATER CONSERVATION
DISTRICT

By: _____
Richard A. Scadden, President
SWTCGCD, Board of Directors

ATTEST:

Tim Van Ackeren, Secretary
SWTCGCD Board of Directors

Exhibit A
SOUTHWESTERN TRAVIS COUNTY
GROUNDWATER CONSERVATION DISTRICT
INVESTMENT POLICY

I. POLICY

It is the policy of the Southwestern Travis County Groundwater Conservation District (District), through the District's Board of Directors (Board), that after allowing for the anticipated cash flow requirements of the District and giving due consideration to the safety and risk of investment, all available funds shall be invested in conformance with these legal and administrative guidelines seeking to optimize interest earnings.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to District funds. The District's investment portfolio shall be designed and managed in a manner designed to optimize this revenue source, to be responsive to public trust, and to be in compliance with legal requirements and limitations.

Investments shall be made with the primary objectives of:

- * Safety and preservation of principal;
- * Maintenance of sufficient liquidity to meet operating needs;
- * Public trust from prudent investment activities; and
- * Optimization of interest earnings on the portfolio.

II. DEFINITIONS

Unless the context requires otherwise, the following terms and phrases used in this Policy shall mean the following:

- (a) The term "Authorized Investment" shall mean any security which the District is authorized to invest under Chapter 2256, Texas Government Code.
- (b) The term "Board" shall mean the Board of Directors of the Southwestern Travis County Groundwater Conservation District.
- (c) The term "Collateral" shall mean:
 - (1) Government securities or obligations issued by the State of Texas, its agencies or political subdivisions, and approved by the Attorney General of Texas payable from taxes or revenues or a combination thereof and approved by the investment committee; or

- (2) Direct obligations of the United States of America backed by the full faith and credit of the government; or
 - (3) Any other obligations or securities authorized to be collateral securing the funds of groundwater districts under the laws of the State of Texas and approved by the investment committee.
- (d) The term “Director” shall mean a person appointed to serve on the Board of Directors of the District.
 - (e) The term “District” shall mean the Southwestern Travis County Groundwater Conservation District, a political subdivision of the State of Texas, created under authority of Article XVI, §59 of the Texas Constitution and Chapter 36 of the Texas Water Code, and by Chapter 8871 of the Texas Special Districts Local Laws Code (Chapter 644, Acts of the 85th Legislature (2017)).
 - (f) The term “District Officials” shall mean the Investment Officer, District Directors, officers, employees, and persons and business entities handling investments for the District.
 - (g) The term “Employee” shall mean any person employed by the District, but does not include independent contractors or professionals hired by the District as outside consultants.
 - (h) The term “Funds” means public funds in the custody of the District and that:
 - (1) Are not required by law to be deposited in the state treasury; and
 - (2) That the District has the authority to invest.
 - (i) The term “Public Funds Investment Act” shall mean Chapter 2256, Texas Government Code, as amended from time to time.
 - (j) The term “Investment Officer(s)” means the Director(s) or Employee(s) of the District appointed from time to time by the Board to invest and reinvest the funds of the District.
 - (k) The term “Market Value” means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

III. PURPOSE

The purpose of this Investment Policy is to comply with Chapter 36, Texas Water Code, and Chapters 2256 and 2257, Texas Government Code, (“Public Funds Investment Act” and “Public Funds Collateral Act,” respectively), which requires each District to adopt a written investment policy regarding the investment of its funds and regarding those funds under its control. This Investment Policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of the District funds.

IV. SCOPE

This Investment Policy shall govern the investment of all financial assets and funds of the District. These funds include the following:

- General Fund
- Special Revenue Funds
- Capital Projects Funds
- Enterprise Funds
- Trust and Agency Funds, to the extent not required by law or existing contract to be kept segregated and managed separately
- Debt Service Funds, including reserves and sinking funds, to the extent not required by law or existing contract to be kept segregated and managed separately
- Any new fund created by the District, unless specifically exempted from this Policy by the Board or by law.

Investment income will be allocated to the various funds based on their respective participation.

This Investment Policy shall apply to all transactions involving the financial assets and related activity for all the foregoing funds. This policy does not apply to the assets administered for the benefit of the District by outside agencies under deferred compensation programs.

V. INVESTMENT OBJECTIVES

The District shall manage and invest its cash with four primary objectives, listed in order of priority: safety, liquidity, yield, and public trust. The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with state and local law.

The District shall maintain a comprehensive cash management program, which includes collection of account receivables, vendor payments in accordance with invoice terms, and prudent investment of available cash. Cash management is defined as the process of managing monies in order to insure maximum cash availability and maximum earnings on

short-term investment of idle cash. Safety of principal and liquidity are the foremost objectives of this Investment Policy.

Safety

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

- Credit Risk and Concentration of Credit Risk – The District will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, and concentration of credit risk, the risk of loss attributed to the magnitude of investment in a single issuer, by:
 - Limiting investments to the safest types of investments;
 - Pre-qualifying the financial institutions and broker or dealers with which the District will do business; and
 - Diversifying the investment portfolio so that potential losses on individual investments will be minimized.

- Interest Rate Risk – the District will manage the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates by limiting the maximum weighted average maturity of the investment portfolio to 365 days. The District will, in addition:
 - Structure the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
 - Invest operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.
 - Diversify maturities and staggering purchase dates to minimize the impact of market movements over time.

Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. Because all possible cash demands cannot be anticipated, a portion of the portfolio will be invested in shares of money market mutual funds or local government investment pools that offer same-day liquidity. In addition, a portion of the portfolio will consist of securities with active secondary or resale markets.

Public Trust

All participants in the District's investment process shall seek to act responsibly as custodians of the public trust. Investment officers must avoid any transaction that might impair public confidence in the District's ability to govern effectively.

Yield (Optimization of Interest Earnings)

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

VI. RESPONSIBILITY AND CONTROL

Delegation of Authority

In accordance with Chapter 36.1561, Texas Water Code, and the Public Funds Investment Act, the Board shall designate one or more District Officials to be responsible for the investment of its funds and serve as the District's Chief Investment Officer. The Investment Officer is authorized to execute investment transactions on behalf of the District. No person may engage in an investment transaction or the management of District funds except as provided under the terms of this Investment Policy as approved by the Board. The investment authority granted to the investing officer is effective until rescinded by the Board or immediately upon the Investment Officer's employment termination.

Quality and Capability of Investment

The District shall provide periodic training in investments for the designated Investment Officers and other investment personnel through courses and seminars offered by professional organizations, associations, and other independent sources in order to ensure the quality and capability of investment management in compliance with the Public Funds Investment Act.

Training Requirement

The Investment Officer of the District shall attend a training session of at least six hours of instruction relating to investment responsibilities under the Public Funds Investment Act (Chapter 2256, Texas Government Code), not later than the first anniversary of the date the officer takes office or assumes the officer's duties. The Investment Officer shall attend at least four hours of additional investment training on or before the second anniversary of the last training session the officer attended. The investment training session shall be provided by an independent source approved by the Board. For purposes of this policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institution of higher education or any other sponsor other than a business organization with whom the District may engage in an investment transaction. The following organizations are specifically authorized as independent sources for training:

- Texas Alliance of Groundwater Districts
- Texas Water Conservation Association
- Association of Water Board Directors
- University of North Texas, Center for Public Management
- William P. Hobby Center for Public Service at Texas State University

Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with Chapters 2256 and 2257, Texas Government Code.

Internal Controls

The District's Board and/or staff is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the District's Board and/or staff shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion.
- Separation of transactions authority from accounting and record keeping.
- Custodial safekeeping.
- Avoid physical delivery of securities.
- Clear delegation of authority to subordinate staff members.
- Written confirmation for telephone (voice) transactions for investments and wire transfers.
- Development of a wire transfer agreement with the depository bank or third-party custodian.

Prudence

The standard of prudence to be applied by the Investment Officer shall be the "prudent investor" rule:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- The investment of all funds, or funds under the District's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- Whether the investment decision was consistent with the written approved investment policy of the District.

Indemnification

The Investment Officer may not be held personally responsible for a specific investment's credit risk or market price changes as long as the officer acted in accordance with written procedures and exercised due diligence, provided that the officer reports these deviations immediately and the appropriate action is taken to control adverse developments.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with the proper execution and management of the investment program, or that would impair their ability to make impartial decisions. Employees and Investment Officers shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio.

An Investment Officer of the District who has a personal business relationship with an organization seeking to sell an investment to the District shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity as determined by Chapter 573, Texas Government Code, to an individual seeking to sell an investment to the District shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the District Board. The Investment Officer(s) and the District Officials shall comply with the reporting requirements established by Chapter 176 of the Texas Local Government Code.

VII. SUITABLE AND AUTHORIZED INVESTMENTS

Portfolio Management

The District has a “buy and hold” portfolio strategy. Maturity dates are matched with cash flow requirements and investments are purchased with the intent to be held until maturity. However, investments may be liquidated prior to maturity for the following reasons:

- An investment with declining credit may be liquidated early to minimize loss of principal.
- Cash flow needs of the District require that the investment be liquidated.

Authorized Investments

District funds governed by this policy may be invested in the instruments described below, all of which are authorized by Chapter 2256 of the Texas Government Code (Public Funds Investment Act). Investment of District funds in any instrument or security not authorized for investment under the Act is prohibited.

1. Obligations of the United States of America, its agencies and instrumentalities.
2. Certificates of Deposit issued by a depository institution that has its main office or a branch office in Texas. The certificate of deposit must be guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund. Any funds held in excess of the amount insured shall be secured by obligations in a manner and amount as provided by law.
3. Certificates of Deposit obtained through a depository institution or broker that has its main office or a branch office in Texas and that contractually agrees to place the funds in federally insured depository institutions in accordance with the conditions prescribed in Section 2256.010(b) of the Public Funds Investment Act.
4. Obligations of the State of Texas or its respective agencies or instrumentalities.
5. Money Market Mutual funds that: 1) are registered and regulated by the Securities and Exchange Commission, 2) have a dollar weighted average stated maturity of 90 days or less, 3) seek to maintain a net asset value of \$1.00 per share, and 4) are rated AAA by at least one nationally recognized rating service.
6. Local government investment pools, which 1) meet the requirements of Chapter 2256.016 of the Public Funds Investment Act, 2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, and 3) are authorized by Board resolution.
7. A local government investment pool created to function as a money market mutual fund if the pool 1) marks its portfolio to the market daily and, 2) to the extent reasonably possible, stabilizes at \$1.00 net asset value.

All prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating. The Investment Officer shall periodically review the

credit quality rating of instruments in the District’s portfolio using published resources from at least one nationally recognized rating service.

Prohibited Investments

The following are prohibited investments:

1. obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
2. obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
3. collateralized mortgage obligations that have a final stated maturity date of greater than 10 years;
4. collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index;
5. investments in companies engaged in business with the governments of Sudan and Iran or with a foreign terrorist organization designated as such by the United States secretary of state (the District may rely on a company's response to a notice or communication made under this paragraph without conducting any further investigation, research, or inquiry);
6. securities of a business identified by the state comptroller as a “scrutinized business” on a list provided at least annually to the District unless acquired pursuant to an exception under Chapter 2270, Texas Government Code; and
7. any investment that does not meet a required minimum rating under this policy for the duration the investment does not have the minimum rating.

Action and Reports on Prohibited Investments

An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating. Except as provided by Chapter 2270, Texas Government Code, relating to the prohibition on certain investments, the District is not required to liquidate investments that were authorized investments at the time of purchase.

Not later than the 30th day after the date the District receives the list of scrutinized businesses from the state comptroller, the District shall notify the comptroller of the listed companies in which the District owns direct or indirect holdings, if any.

Not later than December 31 of each year, the District shall:

1. file a publicly available report regarding its investments with the presiding officer of each house of the legislature and the attorney general in compliance with Section 2270.0252(1), Texas Government Code; and
2. file a report with the United States presidential special envoy to Sudan in compliance with Section 2270.0252(2), Texas Government Code.

VIII. INVESTMENT PARAMETERS

Maximum Maturities

It is the District's policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risk caused by changes in interest rates.

The District attempts to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than one (1) year from the date of purchase; however, the above described obligations, certificates, or agreements may be collateralized using longer dated investments

The composite portfolio will have a weighted average maturity of 180 days or less. This dollar-weighted average maturity will be calculated using the stated final maturity dates of each security.

Diversification

The District recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification that shall be achieved by the following general guidelines:

- Limiting investments to avoid overconcentration in investments from a specific issuer or business sector;
- Limiting investments that have higher credit risks (example: commercial paper);
- Investing in investments with varying maturities; and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The following maximum limits, by instrument, are established for the District's total portfolio:

1. U.S. Treasury Securities 100%
2. Agencies and Instrumentalities 85%
3. Certificates of Deposit 100%
4. Money Market Mutual Funds 50%
5. Authorized Pools 75%

IX. SELECTION OF BANKS AND DEALERS

Depository

The Board shall name one or more banks to serve as depository for the District’s funds. District funds, other than those transmitted to a bank for payment of bonds issued by the District, shall be deposited as received with the bank and shall remain on deposit, but this does not limit the power of the Board to place a portion of the District’s funds on time deposit or to purchase Certificates of Deposit. To the extent that funds in the depository are not insured by the Federal Deposit Insurance Corporation (FDIC), they shall be secured in the manner provided by law for the security of funds by the Public Funds Collateral Act, Chapter 2257, Texas Government Code.

Authorized Brokers/Dealers

The District shall annually review, revise, and adopt a list of qualified brokers or dealers and financial institutions authorized to engage in securities transactions with the District. Those firms that request to become qualified bidders for securities transactions will be required to provide: 1) a completed broker or dealer questionnaire that provides information regarding creditworthiness, experience and reputation; and 2) a certification stating the firm received, read and understood the District’s investment policy and agrees to comply with that policy 3) a statement that the firm does not boycott Israel and will not boycott Israel during the term of the contract if a firm (other than a sole proprietorship) wants to enter into a contract with the District, the firm has ten (10) or more full-time employees, and the contract has a value of \$100,000 or more that is to be paid wholly or partly from public fund of the District. Authorized firms may include primary dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (Uniform Net Capital Rule), and qualified depositories. All investment providers, including financial institutions, banks, money market mutual funds, and local government investment pools, must sign a certification acknowledging that the organization has received and reviewed the District’s investment policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the District’s policy, and that the firm does not boycott Israel and will not boycott Israel during the term of the contract if a firm (other than a sole proprietorship) wants to enter into a contract with the District, the firm has ten (10) or more full-time employees and the contract has a value of \$100,000 or more that is to be paid wholly or partly from public funds of the District. A form of the certification is attached to this Investment Policy.

Delivery vs. Payment

Securities shall be purchased using the “delivery vs. payment” method with the exception of investment pools and mutual funds. Funds will be released after notification that the purchased security has been received.

X. CUSTODIAL CREDIT RISK MANAGEMENT

Safekeeping and Custodian Agreements

The District shall contract with a bank or banks for the safekeeping of securities either owned by the District as part of its investment portfolio or held as collateral to secure demand or time deposits. Securities owned by the District shall be held in the District’s name as evidenced by safekeeping receipts of the institution holding the securities.

Collateral for deposits will be held by a third-party custodian designated by the District and pledged to the District as evidenced by safekeeping receipts of the institution with which the collateral is deposited. Original safekeeping receipts shall be obtained. Collateral may be held by the depository bank’s trust department, a Federal Reserve bank or branch of a Federal Reserve bank, a Federal Home Loan Bank, or a third-party bank approved by the District.

Collateral Policy

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the District to require full collateralization of all District investments and funds on deposit with a depository bank, other than investments, which are obligations of the U.S. government and its agencies and instrumentalities. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. At its discretion, the District may require a higher level of collateralization for certain investment securities. Securities pledged as collateral shall be held by an independent third party with which the District has a current custodial agreement. The General Manager is responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the District and retained. Collateral shall be reviewed at least quarterly to assure that the market value of the pledged securities is adequate.

Collateral Defined

The District shall accept only the following types of collateral:

- Obligations of the United States or its agencies and instrumentalities.
- Direct obligations of the state of Texas or its agencies and instrumentalities.
- Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than A or its equivalent with a remaining maturity of ten (10) years or less.
- A surety bond issued by an insurance company rated as to investment quality by a nationally recognized rating firm not less than A.
- A letter of credit issued to the District by the Federal Home Loan Bank.

Subject to Audit

All collateral shall be subject to inspection and audit by District's designated Board members, District staff or the District's independent auditors.

XI. PERFORMANCE

Performance Standards

The District's investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of the District.

XII. REPORTING

Methods

The Investment Officer shall prepare and sign off on a written investment report on a quarterly basis that summarizes investment strategies employed in the most recent reporting period and describes the portfolio in terms of investment securities, maturities, and shall explain the total investment return for the reporting period.

The investment report shall include a summary statement of investment activity. This summary will be prepared in a manner that will allow the District to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report will be provided to the Board. The report will include the following:

- The investment position of the entity as of the date of the report.
- A listing of individual securities held at the end of the reporting period.
- A summary statement of each pooled fund group that includes the beginning market value for the reporting period, ending market value for the period, and fully accrued interest for the reporting period.
- The book and market value of each separately invested asset at the end of the reporting period by type of asset and fund type invested.
- Additions and changes to the market value during the period.
- Average weighted yield to maturity of portfolio as compared to applicable benchmark.
- Listing of investments by maturity date.
- The percentage of the total portfolio that each type of investment represents.
- Statement of compliance of the District's investment portfolio with state law and the investment strategy and policy approved by the Board.

An independent auditor will perform a formal annual review of the investment reports with the results reported to the Board.

Marking to Market

Market value of all securities in the portfolio will be determined on a quarterly basis. These values will be obtained from a reputable and independent source and disclosed to the governing body quarterly in a written report.

XIII. INVESTMENT POLICY ADOPTION

The District's investment policy shall be adopted by resolution of the Board. It is the District's intent to comply with state laws and regulations. The District's investments policies shall be subject to revisions consistent with changing laws, regulations, and needs of the District. The Board shall review the policy annually and approve any changes or modifications.

CERTIFICATION FORM

I hereby certify that I have received and reviewed the investment policy of the Southwestern Travis County Groundwater Conservation District (“District”) and have implemented reasonable procedures and controls designed to preclude imprudent investment activities arising out of investment transactions conducted between this firm and the District. Transactions between this firm and the District will be directed towards protecting the District from credit or market risk.

All the sales personnel of this firm dealing with the District’s account have been informed and will be routinely informed of the District’s investment horizons, limitations, strategy, and risk constraints, whenever we are so informed.

This firm pledges due diligence in informing the District through its duly appointed Investment Officer of foreseeable risks associated with financial transactions connected to this institution.

(Firm/Institution)

(Signature of Registered Principal)

(Name)

(Title)

(Date)

Received by Southwestern Travis County Groundwater Conservation District Investment Officer:

Signature

Date