

**RED RIVER
GROUNDWATER
CONSERVATION
DISTRICT**

**PUBLIC HEARING AND
BOARD MEETING**

**BOARD ROOM
GREATER TEXOMA UTILITY AUTHORITY
5100 AIRPORT DRIVE
DENISON, TEXAS 75020**

**THURSDAY
OCTOBER 25, 2018**

AGENDA
RED RIVER GROUNDWATER CONSERVATION DISTRICT
BOARD OF DIRECTORS BOARD MEETING
GREATER TEXOMA UTILITY AUTHORITY BOARD ROOM
5100 AIRPORT DRIVE
DENISON, TEXAS 75020
THURSDAY, OCTOBER 25, 2018

Public Hearing to Adopt Permanent Rules for Water Wells in Fannin and Grayson Counties, Texas

The Public Hearing will begin at 10:00 A.M.

Notice is hereby given that the Board of Directors of the Red River Groundwater Conservation District ("District") will hold a public hearing, accept public comment, and may discuss and consider adoption of the District's Permanent Rules for Water Wells in Fannin and Grayson Counties, Texas.

Agenda:

1. Call to Order; establish quorum; declare meeting open to the public; introduction of Board.
2. Review of Permanent Rules for Water Wells applicable to the District.
3. Public Comment on District Permanent Rules for Water Wells (verbal comments limited to three (3) minutes each).
4. Consider and act upon adoption of the Permanent Rules for Water Wells applicable to the District.

Board Meeting

The regular Board Meeting will begin upon adjournment of the above noticed Public Hearing to Adopt Permanent Rules for Water Wells in Fannin and Grayson Counties, Texas.

Notice is hereby given that the Board of Directors of the Red River Groundwater Conservation District ("District") may discuss, consider, and take all necessary action, including expenditure of funds, regarding each of the agenda items below:

Agenda:

1. Call to order, establish quorum; declare meeting open to the public.
2. Public Comment.
3. Consider and act upon approval of Minutes of September 27, 2018, Board Meeting.
4. Review and approval of monthly invoices.

5. Receive monthly financial information.
 6. Receive Quarterly Investment Report.
 7. Review and approval of Investment Policy.
 8. Discussion and possible action regarding District Fund Balance Policy.
 9. Update and possible action regarding the process for the development of Desired Future Conditions (DFCs).
 10. Consider and act upon compliance and enforcement activities for violations of District Rules.
 11. General Manager's report: The General Manager will update the Board on operational, educational and other activities of the District.
 - a. General Manager's Quarterly Report for Management Plan
 - b. Update on injection/disposal application monitoring program
 12. Open forum / discussion of new business for future meeting agendas.
 13. Adjourn.
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¹The Board may vote and/or act upon each of the items listed in this agenda.

²At any time during the meeting or work session and in compliance with the Texas Open Meetings Act, Chapter 551, Government Code, Vernon's Texas Codes, Annotated, the Red River 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 gifts (§551.073); personnel matters (§551.074); and deliberation regarding security devices (§551.076). Any subject discussed in executive session may be subject to action during an open meeting.

³Persons with disabilities who plan to attend this meeting, and who may need assistance, are requested to contact Velma Starks at (800) 256-0935 two (2) working days prior to the meeting, so that appropriate arrangements can be made.

⁴For questions regarding this notice, please contact Velma Starks at (800) 256-0935, at rrgcd@redrivergcd.org or at 5100 Airport Drive, Denison, TX 75020.

ATTACHMENT 3

**MINUTES OF THE BOARD OF DIRECTORS' BOARD MEETING
RED RIVER GROUNDWATER CONSERVATION DISTRICT**

THURSDAY SEPTEMBER 27, 2018

**GREATER TEXOMA UTILITY AUTHORITY
BOARD ROOM
5100 AIRPORT DRIVE
DENISON TX 75020**

Members Present: Harold Latham, Mark Newhouse, Mark Patterson, David Gattis, Chuck Dodd and Billy Stephens

Members Absent: Mark Gibson

Staff: Drew Satterwhite, Allen Burks, Paul Sigle, Debi Atkins, Theda Anderson, Carolyn Bennett, and Velma Starks

Visitors: Kristen Fancher, Fancher Legal
April Hatfield, McClanahan & Holmes
Andy Reich, McClanahan & Holmes
Stephen Thornhill, Wells Fargo Advisors
Bill Purcell, Citizen of Fannin County
John Faulkner, Faulkner & Son

Show Cause Hearing

The Show Cause Hearing will begin at 10:00 a.m.

Notice is hereby given that the Board of Directors of the Red River Groundwater Conservation District ("District") will hold a show cause hearing and may discuss, consider, and take all necessary action regarding the subject matter of the hearing.

Agenda:

- 1. Call to Order, declare hearing open to the public, and take roll.**
- 2. Conduct Show Cause Hearing under District Rule 9.6 on the following for alleged violations of District Rules; discuss, consider, receive testimony, and take appropriate action, including without limitation authorizing the District to initiate a civil lawsuit to enforce compliance with the District Rules, including recovery of civil penalties, costs, and attorney's fees, and all other appropriate legal and equitable relief:**

A. Buena Vista Turf Farm, LLC, 330 Oaks Trail Ste 100, Garland, TX 75043

General Manager Drew Satterwhite informed the Board that Buena Vista Turf Farm has not responded to notifications provided by the District relating to violations of District Rules, and Kristen Fancher, legal counsel, also stated she had not had any response from Buena Vista Turf Farm. Kristen Fancher suggested adding \$500 to their penalties of \$100 for failure to transfer well ownership within required period and \$500.00 for failure to submit water production report within required period, bringing their total penalties to \$1,100.00 and initiate a lawsuit.

Board Member Mark Newhouse made the motion to add \$500 to the penalties and initiate a lawsuit. Board Member Chuck Dodd seconded the motion. The motion passed unanimously.

3. Adjourn or continue show cause hearing.

Show Cause Hearing was adjourned at 10:05 a.m.

Board Meeting

1. Call to order, establish quorum; declare meeting open to the public.

President Patterson called the meeting to order at 10:05 a.m., established a quorum was present, and declared the meeting open to the public.

2. Public comment

No public comments.

3. Consider and act upon approval of Minutes of July 31, 2018, Board Meeting.

General Manager Drew Satterwhite informed the Board that amendment to the minutes needed to be made to add Robin McCoy from Pat Fallon's office to the visitor list. Board Member David Gattis made a motion to approve the minutes of the July 31, 2018 meeting with the amendment. The motion was seconded by Board Member Billy Stephens. The motion passed unanimously.

4. Review and approval of monthly invoices.

General Manager Satterwhite reviewed the monthly invoices with the Board of Directors. Board Member David Gattis made a motion to approve Resolution 2018-09-27-01. Board Member Chuck Dodd seconded the motion. Motion passed unanimously.

5. Receive monthly financial information.

General Manager Satterwhite reviewed the monthly financial information with the Board.

6. Consider and act upon 2017 Audit.

General Manager Drew Satterwhite introduced the auditors, Andy Reich and April Hatfield, of McClanahan & Homes. Andy Reich reviewed the audit. Board Member Mark Newhouse made the motion to accept the 2017 Audit. Board Member Chuck Dodd seconded the motion. The motion passed unanimously.

7. Consider and act upon Engagement Letter for Audit Services for Fiscal Year Ending December 31, 2018.

General Manager Drew Satterwhite provided background information for the Board. In 2013 the Board had instructed the staff to solicit proposals for audit services for up to five years. As a result, McClanahan and Holmes was selected by the Board in March 2014.

At the May meeting, the Board directed the Staff to request another five year term with McClanahan and Holmes. The Board requested that the lead auditor be changed. McClanahan and Holmes agreed to switch the lead auditor and also committed to capping their yearly cost increase at 2-3%. Board Member David Gattis made the motion to authorize an engagement letter with McClanahan and Holmes for 2018 audit services. Board Member Mark Newhouse seconded the motion. The motion passed unanimously.

8. Discussion and possible action on a Fund Balance Policy.

General Manager Drew Satterwhite discussed the Fund Balance Policy and possible list of items fund might be used for. After discussion of various items, the Board requested staff to send list of items to board members for them to rank and discuss at a later meeting. Board Member David Gattis made the motion to table this item. Board Member Harold Latham seconded the motion. The motion passed unanimously.

9. Update and possible action regarding the process for the development of Desired Future Conditions (DFCs).

General Manager Drew Satterwhite informed the Board that the deadline for RFQs for Administrative/Tech Consultant for GMA-8 is October 1, 2018. When received a GMA-8 meeting will be scheduled to select Administrative/Technical Consultant.

10. Consider and act upon compliance and enforcement activities for violations of District Rules.

a. Buena Vista Turf Farm, LLC

Board Member David Gattis made the motion to recoup fees, and if not brought into compliance, pursue a lawsuit. Board Member Chuck Dodd seconded the motion. The motion passed unanimously.

11. General Manager's Report: The General Manager will update the Board on operational, educational and other activities of the District.

a. Database Update

The Board requested view the database when it is operational.

General Manager Drew Satterwhite reported that at the last meeting a discussion was held regarding contaminant limits in a particular area as to what type of assistance could be provided. The Board had suggested sending letters to advise well owners of possible contaminants so that the individuals could decide if they wanted to test their wells. Staff has subsequently discovered that labs do not accept samples from individuals. The board discussed what could be done. Board Member Chuck Dodd made the motion that RRGCD be used as a pass through, to collect money and individuals bring their samples and RRGCD take to labs for testing. Board Member Billy Stephens seconded the motion. The motion passed unanimously.

b. Disposal/Injection Well Monitoring Program

Kristen Fancher updated the Board on the Disposal/Injection well Monitoring Program. Paul Sigle passed out a map identifying wells to be contacted for possible participation in the program.

12. Receive presentation regarding permanent rules development and review draft of rules.
 - a. Consider and act upon action items for rules development

Kristen Fancher reviewed changes in rules wording and clarification. Board members held discussion.

13. Open Quorum/discussion of future agenda items.

The Permanent Rules Public Hearing will be held October 25, 2018, at 10 a.m.

14. Adjourn.

President Patterson declared the meeting adjourned at 12:27 p.m.

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Recording Secretary

Secretary-Treasurer

ATTACHMENT 4

RESOLUTION NO. 2018-10-25-1

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE RED RIVER GROUNDWATER
CONSERVATION DISTRICT AUTHORIZING PAYMENT OF ACCRUED LIABILITIES FOR THE MONTH
OF OCTOBER 2018

The following liabilities are hereby presented for payment:

	<u>Amount</u>
<u>Administrative Services</u>	
GTUA- September 2018	17,286.02
<u>Contract Services</u>	
IT Nexus - October Software Maintenance for well database	600.00
<u>Direct Costs</u>	
NexTraq - August & September 2018	79.90
<u>GMA& Fees</u>	
NTGCD - from January-September 2018	173.02
<u>Legal</u>	
Kristen Fancher - September 2018 General Counsel	4,962.90
<u>Meetings</u>	
Texas Alliance Groundwater Districts annual renewal	1,250.00

GRAND TOTAL: \$ 24,351.84

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE RED RIVER
GROUNDWATER CONSERVATION DISTRICT THAT the Secretary-Treasurer is hereby authorized to
make payments in the amounts listed above.

On motion of _____ and seconded by the following vote:

_____, the foregoing Resolution was passed and approved on this, the 25th day of October 2018

AYE:
NAY:

At a meeting of the Board of Directors of the Red River Groundwater Conservation District.

President

ATTEST:

Secretary/Treasurer

ATTACHMENT 5

Red River Groundwater Conservation District**Balance Sheet****For General Fund (00)****September 30, 2018****Assets**

00-01-10001	Checking Account	125,065.51
00-01-10010	Investments-CD	200,868.95
00-01-10025	Accounts Receivable	24,011.51
00-01-10026	A/R Texas Rain Holding Co	2,600.00
00-01-10031	A/R Buena Vista Turf Farms	1,100.00
00-01-10101	Allowance for Uncollectible Accounts	(1,530.00)
00-01-10200	PP Expense	2,900.23
Total		<u>355,016.20</u>
Total Assets		<u>\$ 355,016.20</u>

Liabilities and Fund Balance

00-01-23100	Accounts Payable	13,704.36
00-01-23150	Deposits to be Refunded	9,400.00
Total		<u>23,104.36</u>
Total Liabilities		<u>23,104.36</u>
00-01-35100	Fund Balance	73,069.05
00-01-35120	Current Year Excess of Revenue over Expenses	368,341.26
Total		<u>441,410.31</u>
Excess of Revenue Over Expenditures		<u>(109,498.47)</u>
Total Fund Balances		<u>331,911.84</u>
Total Liabilities and Fund Balances		<u>\$ 355,016.20</u>

Red River Groundwater Conservation District

Statement of Revenue and Expenditures

10/17/2018 10:08am

Page

1

Revised Budget

For General Fund (00)

For the Fiscal Period 2018-9 Ending September 30, 2018

Account Number	Current Budget	Current Actual	Annual Budget	YTD Actual	Remaining Budget %
Revenues					
00-01-46002 GW Production Cost	\$ 81,250.00	\$ 0.00	\$ 325,000.00	\$ 179,013.58	44.92%
00-01-46005 Late Fees	0.00	0.00	0.00	1,144.21	0.00%
00-01-46006 Violation Fees	0.00	500.00	0.00	1,100.00	0.00%
00-01-46007 Registration Fees	458.33	500.00	5,500.00	5,500.00	0.00%
00-01-46010 Well Drillers Deposit	0.00	0.00	0.00	(100.00)	0.00%
00-01-46100 Interest Income	208.33	868.95	2,500.00	1,118.59	55.26%
Total General Fund Revenues	\$ 81,916.66	\$ 1,868.95	\$ 333,000.00	\$ 187,776.38	43.61%

Expenditures					
00-01-77010 Administrative Cost	\$ 9,166.67	\$ 7,085.50	\$ 110,000.00	\$ 74,706.40	32.09%
00-01-77020 Advertising	0.00	0.00	1,000.00	146.50	85.35%
00-01-77027 Auditing	0.00	0.00	4,750.00	4,650.00	2.11%
00-01-77031 Banking Fees	25.00	0.00	100.00	0.00	100.00%
00-01-77032 Contract Services	5,683.33	600.00	68,200.00	29,367.70	56.94%
00-01-77035 Field Technician	6,666.67	5,753.00	80,000.00	53,898.50	32.63%
00-01-77040 Direct Cost	333.33	486.72	4,000.00	3,909.63	2.26%
00-01-77045 Field Permitting Specialist	2,500.00	2,368.00	30,000.00	25,596.00	14.68%
00-01-77450 Dues & Subscription	141.67	15.75	1,700.00	389.50	77.09%
00-01-77480 Equipment	500.00	0.00	2,000.00	471.94	76.40%
00-01-77500 Fees- GMA8	0.00	173.02	1,000.00	173.02	82.70%
00-01-77610 Fuel	0.00	35.34	0.00	264.15	0.00%
00-01-77810 Insurance	375.00	322.25	4,500.00	3,444.27	23.46%
00-01-77855 Internet Fees	541.67	0.00	6,500.00	3,182.14	51.04%
00-01-77970 Legal	2,916.67	4,962.90	35,000.00	37,710.39	(7.74%)
00-01-78010 Meetings and Conferences	250.00	936.99	3,000.00	3,574.66	(19.16%)
00-01-78030 Office Supplies	0.00	0.00	0.00	13.74	0.00%
00-01-78310 Rent	200.00	200.00	2,400.00	1,600.00	33.33%
00-01-78600 Software Maintenance	166.67	0.00	2,000.00	50,713.76 **	(2435.69%)
00-01-78750 Telephone	175.00	206.61	2,100.00	1,836.58	12.54%
00-01-78770 Transportation-Mileage	416.67	238.06	5,000.00	1,625.97	67.48%
Total General Fund Expenditures	\$ 30,058.35	\$ 23,384.14	\$ 363,250.00	\$ 297,274.85	18.16%

General Fund Excess of Revenues Over Expenditures \$ 51,858.31 \$ (21,515.19) \$ (30,250.00) \$ (108,498.47)

** Unbudgeted amount will be taken from Fund Balance

ATTACHMENT 6

Red River Groundwater Conservation District
Quarterly Investment Report
For the Quarter Ended
September 30, 2018

The investment portfolio of the Red River Groundwater Conservation District is in compliance with the Public Funds Investment Act and the Investment Policy and Strategies.

Presented by Red River Groundwater Conservation District Investment Officers:

A blue ink signature of Drew Satterwhite, consisting of a stylized 'D' followed by a horizontal line and a flourish.

Drew Satterwhite

A blue ink signature of Debi Atkins, written in a cursive style.

Debi Atkins

Book/Market Value Comparison

Description	Coupon/ Discount	Maturity Date	June 30, 2018			September 30, 2018		
			Face Amount/ Par Value	Book/Market Value	Purchases/ Adjustments	Sales/Adjust/ Call Maturity	Face Amount/ Par Value	Book/Market Value
First United (DDA)	0.00%	7/1/2018	\$ 69,575.38	\$ 69,575.38			\$ 69,575.38	\$ 69,575.38
Landmark Bank	1.72%	9/5/2018	100,000.00	100,000.00		100,000.00	-	-
Landmark Bank	1.80%	12/5/2018	100,000.00	100,000.00			100,000.00	100,000.00
Landmark Bank	2.21%	6/7/2019			100,865.00		100,865.00	100,865.00
			<u>\$ 169,575.38</u>	<u>\$ 169,575.38</u>	<u>\$ -</u>	<u>\$ 100,000.00</u>	<u>\$ 169,575.38</u>	<u>\$ 169,575.38</u>

Investment Holdings
9/30/18

Description	Ratings	Coupon/ Discount	Maturity Date	Settlement Date	Face Amount/Par		Book Value	Market Price	Market Value	Life (Day)	Yield
					Value						
First United (DDA)		0.00%	7/1/2018	6/30/2018	\$ 69,575.38	\$	69,575.38	1.00	\$ 69,575.38	1	0.00%
Landmark Bank		1.80%	12/5/2018	3/5/2018	100,000.00		100,000.00	100.00	100,000.00	66.00	1.80%
Landmark Bank		2.21%	6/7/2019	9/7/2018	100,865.00		100,865.00	100.00	100,865.00	250.00	2.21%
					<u>\$ 270,440.38</u>	<u>\$</u>	<u>270,440.38</u>		<u>\$ 270,440.38</u>	<u>118</u>	
										(1)	

(1) Weighted average life - For purposes of calculating weighted average life, bank accounts, pools and money market funds are assumed to have an one day maturity.

ATTACHMENT 7



RED RIVER GROUNDWATER CONSERVATION DISTRICT AGENDA COMMUNICATION



DATE: October 16, 2018
SUBJECT: AGENDA ITEM NO.

CONSIDER AND ACT UPON APPROVAL OF INVESTMENT POLICY

ISSUE

Consider and act upon approval of the Investment Policy as required by the Public Funds Investment Act ("PFIA").

BACKGROUND

The Red River Groundwater Conservation District initially adopted an Investment Policy in 2012. This policy is required to be reviewed annually in order to comply with Public Funds Investment Act. Following the last legislative session the District updated the policy to comply with changes in the law. As you know, this year was not a session year and the staff has not identified anything in need of changing in the policy.

The policy states that the Board of Directors will approve broker/dealers and PFIA training sources on an annual basis. Below, is a list of the broker/dealers and PFIA training sources:

Independent training sources:

- Association of Water Board Directors
- Texas Rural Water Association
- Texas Water Utilities Association
- Government Finance Officers' Association
- Government Finance Officers' Association of Texas
- Government Treasurers' Organization of Texas
- Council of Governments
- University of North Texas Center for Public Management
- American Institute of Certified Public Accountants
- Association of Governmental Accountants

Broker/Dealer List:

- BOKF Financial
- FTN Financial
- Raymond James

OPTIONS/ALTERNATIVES

The Board could adopt the attached policy, modify the policy, or defer to committee for review.

CONSIDERATIONS

The approval of this policy will be evidence that the Board is responsible in its use of public funds.

STAFF RECOMMENDATIONS

The staff recommends approving the Investment Policy as well as the broker/dealers and PFIA training sources.

ATTACHMENTS
Investment Policy

PREPARED AND SUBMITTED BY:

A handwritten signature in blue ink, appearing to read 'Drew Satterwhite', is written over a horizontal line.

Drew Satterwhite, P.E., General Manager

EXHIBIT "A"

RED RIVER GROUNDWATER CONSERVATION DISTRICT

INVESTMENT POLICY

REVIEWED AND APPROVED: October 25, 2018

EXHIBIT "A"

1.01 PURPOSE

This policy with respect to district investments has been adopted by the Board of Directors (the "Board") of Red River Groundwater Conservation District (the "District") to establish the principles and criteria by which the funds of the District should be invested and secured (a) to preserve the principal, (b) to earn interest, (c) to address investment diversification, yield, and maturity, (d) to fulfill the duties of the designated Investment Officer of the District, (e) to comply with the types of authorized investments and to specify the maximum allowable stated maturity of the District's investments, and (f) to comply with the provisions of Texas law related to the investment and security of funds applicable to groundwater conservation districts ("Investment Laws"). The provisions of Chapter 36 of the Texas Water Code relating to investments and securities, the Public Funds Investment Act (the "Act") as amended in Chapter 2256 of the Texas Government Code, and other appropriate statutes are applicable to the investment of the District's funds.

1.02 POLICY OF INVESTMENT

- A. The preservation of principal shall be the primary concern of the District and the District Investment Officer. To the extent that the principal is protected, District funds shall be invested to yield the highest possible rate of return to meet the current and future financial needs of the District and to maintain liquidity, all while taking into consideration the strength of the financial institution, and complying with any Internal Revenue Code laws or regulations and procedures set forth in any bond resolutions or orders, adopted from time to time by the Board. Funds of the District shall be invested by the District's staff in accordance with the policy. Any resolution or order adopted by the Board relating to investment policies or procedures shall be in writing and shall be made available to requesting members of the public.
- B. Investment of funds shall be governed by the following investment objectives, in order of priority:
 - 1. Understanding suitability of investments to the District's requirements,
 - 2. Preservation and safety of principal,
 - a. Credit risk - the District will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment
 - b. Interest rate risk - the District will minimize the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates
 - 3. Liquidity,
 - 4. Marketability prior to maturity of each investment,
 - 5. Diversification, and
 - 6. Yield.
- C. The investment of the District's funds should be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of

securities. Diversification strategies shall be established and periodically reviewed. The Investment Officer, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching securities with cash flow dates will normally increase yield, will lock in higher yields, and reduce the need to sell securities prior to maturity, thus reducing market risk.

1.03 DELEGATION OF INVESTMENT AUTHORITY

- A. The Board shall designate by resolution one or more officers and/or General Manager and Finance Officer of the District to be responsible for the investment of its funds and be the District's Investment Officer(s). The Board resolution shall also authorize the Investment Officer to engage in investment transactions, deposit, withdraw, wire funds for investments, transfer and manage funds on behalf of the District. However, there shall be no transfer, expenditure, or appropriation of District funds, other than a transfer of the funds from one District account to another account of the District as stated above, unless by check or draft signed by two (2) members of the Board or authorized by separate order or resolution of the Board.
- B. The Investment Officer is responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. The Board retains ultimate fiduciary responsibility.
- C. The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this Investment Policy. Procedures will include reference to safekeeping, wire transfer agreements, banking services contracts, and other investment related activities.
- D. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the procedures established.
- E. The Investment Officer's authority is effective until the District rescinds the authority or until: (1) termination of employment with the District for an Investment Officer who is an employee of the District; or (2) vacating the office of director for an Investment Officer who is a director of the Board.
- F. An officer or employee of a regional planning commission, council of governments or similar regional planning agency created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under this policy.
- G. Should total District funds exceed \$50,000, there is hereby established an investment committee, composed of the Investment Officer, and at least two directors. The investment committee shall meet annually or as needed to monitor and review the investments and collateral pledge agreements of the District. The Investment Officer shall be the chairman of the committee. The committee shall report concerning the District's investments transaction for the preceding year describing the investment portion of the District at the end of each fiscal year. The report shall be written and signed by members of the

committee. The committee also shall report to the Board on its review the month following each quarterly meeting.

- H. No person may deposit, withdraw, invest, transfer, or manage in any other manner funds of the District without the express written authority of the Investment Officer.
- I. Obtain and review competitive rates from qualified investment providers, financial institutions and broker/dealers.

1.04 PRUDENT PERSON RULE

- A. The actions of the Investment Officer in the performance of his or her duties as manager of the District's funds shall be evaluated using the "prudent person" standard. Investments shall be made with judgment and care under prevailing circumstances 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.
- B. The Investment Officer acting in accordance with written procedures exercising due diligence shall be relieved by personal responsibility for an individual security's performance provided that deviations from expectations are reported in a timely fashion to the governing body and appropriate action is taken to control adverse developments.

1.05 INVESTMENT STRATEGY BY FUND

Funds in the District accounts shall be invested by the Investment Officer as follows:

- a. Capital Projects Account: The District may choose to have a Capital Projects Account from time to time, and, if so, shall maintain as its primary objective to maximize the suitability of the investment in such funds to the financial requirements of the District while preserving the safety of principal with regard to monies collected or allocated for such fund.
- b. Operating Account: Funds in this account shall be invested to meet the operating requirements of the District as determined by the annual operating budget of the District, or by resolution of the Board.
- c. Debt Service Account: Funds in this account shall be invested to meet the debt service requirements of the District. In order to accomplish this, the District will invest such funds in amounts and maturity dates that most likely match the debt service requirements of the District.

1.06 AUTHORIZED INVESTMENTS

- A. Acceptable investments under this Policy shall be limited to the instruments listed below and as further described by the Act. If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the District until this Policy has been amended and the amended version is adopted by the Board:

1. Obligations of the United States Government, its agencies and instrumentalities, including the Federal Home Loan Banks, but excluding principal-only and interest-only mortgage backed securities, collateralized mortgage obligations, and real estate mortgage investment conduits; not to exceed two years to stated maturity;
 2. Fully insured or collateralized certificates of deposit and other forms of deposit placed in compliance with the Act from any bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to stated maturity, to include certificates of deposit purchased through the CDARS program with a Texas bank; and
 3. AAA-rated, constant dollar Texas Local Government Investment Pools as defined by the Act.
- B. Bids for investments, including certificates of deposit, may be solicited:
1. Orally;
 2. In writing;
 3. Electronically; or
 4. In any combination of those methods.
- C. All purchases of securities shall be made on a delivery versus payment basis assuring that no District funds are released before the security is received by the custodian.

1.07 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

- A. All investments made by the District will be made through either the District's banking services bank or an approved broker/dealer. The Board will review the list of broker/dealers annually. A list of at least three broker/dealers will be maintained of approved investment broker/dealers. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 153C-1 (uniform net capital rule).
- B. Securities broker/dealers must meet certain criteria as determined by the Investment Officer. The following criteria must be met by those firms on the list:
1. Proof of certification by the Financial Industry Regulatory Authority (FINRA) and provision of FINRA CRD number,
 2. Audited financial statements, and
 3. Proof of current registration with the Texas State Securities Board.
- C. Every broker/dealer and bank with which the District transacts business will be provided a copy of this Investment Policy for review to assure that they are familiar with the goals and objectives of the investment program.

1.08 SAFEKEEPING AND COLLATERALIZATION

- A. Safekeeping of District Owned Securities.
1. All purchased securities shall be cleared to safekeeping on a delivery versus payment basis and held in safekeeping by an independent third party financial institution, or the District's banking services depository.

2. All safekeeping arrangements shall be approved by the Investment Officer and an agreement of the terms executed in writing. The independent third party custodian shall be required to issue safekeeping receipts to the District listing each specific security, rate, description, maturity, cusip number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is being held for the District or pledged to the District.
- B. Securities Pledged as Collateral
1. All securities pledged to the District for all bank time or demand deposits shall be held by an independent third party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which securities are pledged.
 2. Collateralization is required on all time and demand deposits over the FDIC insurance coverage.
 - a. In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level will be 102% of the deposit amount plus accrued interest on the deposit, less the applicable level of FDIC insurance.
 - b. Collateral will be held by an independent third party custodian. The custodian shall provide a written monthly report directly to the District listing all pledged collateral by description and par at a minimum. The investment officers will monitor adequacy of collateralization levels to verify market values and total collateral positions.
 - c. If the collateral pledged for a deposit falls below the deposit value of the deposit, plus accrued interest, less FDIC insurance, the institution holding the deposit will be notified by the investment officers and will be required to pledge additional collateral no later than the end of the next succeeding business day.
- C. Authorized Collateral
1. The only types of collateral authorized by the District are:
 - a. Obligations of the U. S. Government, its agencies and instrumentalities including mortgage-backed securities which pass the bank test.
 - b. Obligations of a state or subdivision, city, county, school district of any state which is rated A or better by two nationally recognized rating agencies.
 2. If the depository proposes a collateral pooling program, the Investment Officer will review and evaluate the program's risk and cost to the District for presentation to the Board. The pooling of collateral allows a bank to create a pool of securities for collateral purposes for multiple governments and will not result in securities pledged directly/specifically to each government.
 3. Collateralized deposits often require release or substitution of collateral. Any broker/, dealer, or financial institution requesting substitution must contact the investment officers for approval and settlement. The substituted security's value will be calculated and substitution approved, if its value is equal to or greater than the required security level. The investment officers, or a designee, must provide written notification of the decision to the bank or the custodian/safekeeping agent holding the security prior to any security release. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The investment officers may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

1.09 INVESTMENT TRAINING

- A. The Investment Officer shall attend training as required by Water Code 36.151 from an independent source approved by the Board involving at least six (6) hours of instruction. The initial training shall occur within 12 months after the Investment Officer takes office or assumes his or her duty. The Investment Officer shall attend an investment training session not less than once in a two-year period and receive not less than four (4) hours of instruction related to the duties and investment responsibilities under Subchapter 2256 of the Act from an independent source approved by the Board.
- B. Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Act.

1.10 REPORTING AND PERFORMANCE EVALUATION

- A. The Investment Officer shall submit a monthly report to the District Manager.
- B. Not less than quarterly, the Investment Officer shall prepare and submit to the Board a written report of investment transactions for all funds subject to this policy for the preceding reporting period. The report must:
 - 1. Describe in detail the District's investment position on the date of the report;
 - 2. Be prepared by the Investment Officer;
 - 3. Be signed by the Investment Officer;
 - 4. State the maturity date of each separately invested asset that has a maturity date;
 - 5. State the book value and the market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested; and
 - 6. State the compliance of the investment portfolio of the District with:
 - a. The investment strategy expressed in the District's Investment Policy; and
 - b. Relevant provisions of the Act.
- C. Market prices for market evaluations will be obtained from an independent source.
- D. In addition, the report shall explain the quarter's total investment return and compare the return with budgetary expectations.
- E. All reports shall be in compliance with the Act.

1.11 MISCELLANEOUS

- A. The District, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the District's established investment policies to review investment performance and to ensure investment security. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions.

- B. The District shall review this policy at least annually and adopt a resolution confirming the continuance of the policy without amendment or adopt an amended investment policy.
- C. This investment policy adopted on December 19, 2017, supersedes any prior policies adopted by the Board regarding investment or securitization of District funds.

ATTACHMENT 8



RED RIVER GROUNDWATER CONSERVATION DISTRICT AGENDA COMMUNICATION



DATE: SEPTEMBER 19, 2018

SUBJECT: AGENDA ITEM NO. 8

CONSIDER AND ACT UPON THE DISTRICT'S FUND BALANCE POLICY

ISSUE

District fund balance policy adopted on July 25, 2012.

BACKGROUND

The District Board initially adopted the fund balance policy on July 25, 2012. At the last meeting, the Board reviewed the policy as well as a list of several potential expenditures. The Board tabled the item and requested that the expenditures be prioritized by voting/ranking. All rankings have not been received, so we will provide a summary at the meeting or send via-email if all are received ahead of time.

OPTIONS/ALTERNATIVES

The Board has the option to review this information and not take action. However, having an updated policy in place may help the District moving forward with budgeting and establishing fees.

CONSIDERATIONS

If the Board provides direction to the staff in regards to how the fund balance policy should be modified, the staff can prepare a draft policy for adoption at a future meeting.

The staff will provide a list of items that the Board may want to consider for future uses of fund balance.

STAFF RECOMMENDATIONS

The staff requests direction from the Board on the fund balance policy.

ATTACHMENTS

District's Current Fund Balance Policy

Fund Balance History

PREPARED AND SUBMITTED BY:

A blue ink signature of Drew Satterwhite, consisting of a stylized 'D' followed by a horizontal line and a flourish.

Drew Satterwhite, P.E., General Manager

SUBMITTED BY:

A blue ink signature of Debi Atkins, featuring a cursive 'D' and 'A' followed by a horizontal line.

Debi Atkins, Finance Officer

RED RIVER GROUNDWATER CONSERVATION DISTRICT

GOVERNING POLICY—FUND BALANCE

The Board of Directors of the Red River Groundwater Conservation District (RRGCD) sets guidelines for fund balances. The fund balance addressed in this policy only applies to unrestricted fund balance. The policy establishes the appropriate size of fund balance, replenishing or setting aside resources for fund balance, and the methods for utilizing fund balance. This fund balance policy, as presented to the Board of Directors, was proposed by the staff of the RRGCD to maintain a sound financial position, mitigate current and future risks against revenue shortfalls or unanticipated expenditures and to ensure stable water production fee rates.

Classifications of Fund Balance

A fund's equity - commonly referred to as 'fund balance' - is generally the difference between its assets and its liabilities. Fund balance will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bond covenants) through constitutional provisions or by enabling legislation.
- **Committed fund balance** – amounts constrained to specific purposes by the RRGCD itself. This requires a formal action by the Board of Directors. Commitments may be changed or lifted only by the Board of Directors taking the same formal action that imposed the constraint originally.
- **Assigned fund balance** -- amounts *intended* to be used by the Board of Directors for specific purposes. Intent can be expressed by the Board of Directors. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- **Unassigned fund balance** – amounts available for any purpose. These amounts are only shown in the general fund except in cases of negative fund balances in other governmental funds.

Classifying Residual Fund Balance

When both restricted and unrestricted funds are available for expenditure, restricted funds are used first. Within unrestricted funds, assume committed resources are used first, then assigned, then unassigned.

Appropriate Size of Fund Balance

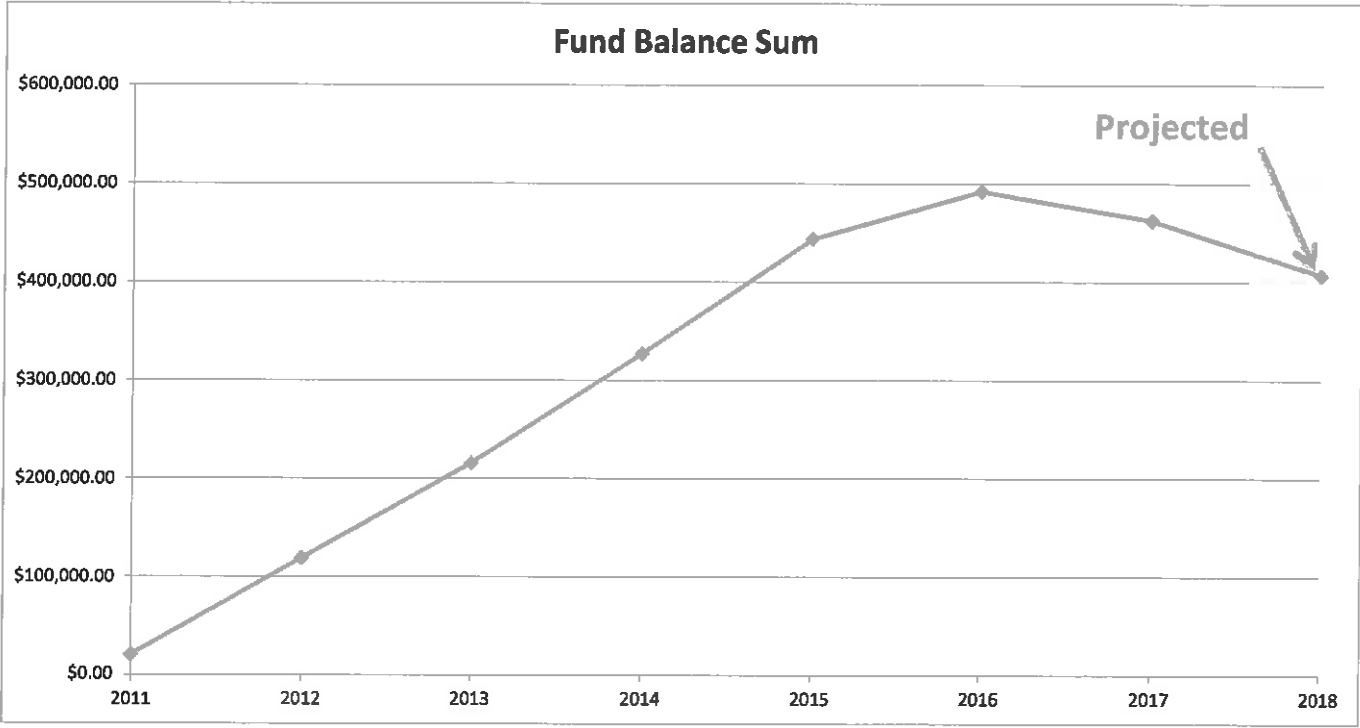
The Board of Directors has set a minimum fund balance equal to twenty-five percent (25%) of the total general fund expenditures. It also permits other reservations of the fund balances as seem prudent in the judgment of the General Manager and the Board of Directors. This policy sets ninety (90) days of expenditures as a minimum amount of fund balance for the General Fund.

Replenishing Fund Balance

When fund balance falls below the minimum level, the Board of Directors will implement a plan to replenish the fund within one year or as soon as economic and budgetary conditions allow. Fund balance may be replenished by using all or a portion of an operating surplus from itself or another fund. Revenues from a dedicated stream (e.g. 2% of water production fees received over amount budgeted) may also be used to build fund balance. Alternatively, an amount determined in the budget process either using a percent of operating expenditures or a fixed amount may be used.

Utilizing Unassigned Fund Balance

Fund balances may be used to meet capital needs, offset difficult economic times, stabilize fluctuations in cash flow requirements, and provide funding for emergency situations. Fund balance may be used for contingencies until the balance is nearing its minimum level. The RRGCD will also adjust its expenditure level to match any new economic reality that is behind the use of fund balance as a financing bridge. Authorization for utilizing fund balances is made by the Board of Directors during the annual budget process



ATTACHMENT 11



RED RIVER
GROUNDWATER CONSERVATION DISTRICT
FANNIN COUNTY AND GRAYSON COUNTY



General Manager's Quarterly Report
Date: October 1, 2018
Red River GCD Management Plan

This quarterly briefing is being provided pursuant to the adopted Management Plan for the quarter ending September 30, 2018.

Well Registration Program:

Current number of wells registered in the District: 833

Aquifers in which the wells have been completed: Trinity and Woodbine

Well Inspection/Audit Program:

2018
Well Inspections

Month	Fannin	Grayson	Total
January	2	36	38
February	5	10	15
March	0	31	31
April	0	7	7
May	9	19	28
June	1	11	12
July	4	35	39
August	4	29	33
September	6	1	7
October			
November			
December			
Total	26	184	210

Red River Groundwater Conservation District

Well Registration Summary As of September 30, 2018

Well Type	Total Registered		Total RRGCD	New Registrations
	Fannin County	Grayson County		
Domestic	140	267	407	4
Agriculture	15	25	40	-1
Oil/Gas	0	21	21	0
Surface Impoundments	6	14	20	0
Commercial	6	8	14	0
Golf Course	0	15	15	0
Livestock	13	25	38	1
Irrigation	0	7	7	1
Public Water	57	213	270	0
Monitoring	0	3	1	0
Total	237	598	833	5

ADJOURN