

**Midland County Utility District**  
**Regular Meeting Minutes**  
**April 19, 2018**

The Board of Directors of the Midland County Utility District met in a regular meeting on April 19, 2018 at 2405 West Missouri Avenue, Midland, Texas 79701. The meeting was held pursuant to notice given to the public in accordance with the laws of the State of Texas. The meeting was open to the public.

**Item 1.** The meeting was called to order at 5:40 p.m. by President Viney. Board members present were:

Dr. Shelton Viney	President
Mr. Joe Patten	Secretary and Assistant Treasurer
Mr. Jackie Schneider	Director

Mr. Alan Lang and Mr. Israel Rodriguez were absent.

Also present at the meeting were:

Mr. Robert Rendall	Rendall Sikes PLLC
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Members of the public present were:

None

**Item 2.** Dr. Viney announced that a quorum was present.

**Item 3.** Dr. Viney asked if there were any members of the public present to speak. No one was present to speak.

**Item 4.** Dr. Viney called Item 4 on the Agenda. Discuss and consider approval of the minutes from the Regular Meeting of February 22, 2018. Mr. Patten made a motion to approve the Minutes and was seconded by Mr. Schneider and passed unanimously.

**Item 5.** A financial report was not available at this meeting.

**Item 6.** A report from the General Manager on District activities was not available.

**Item 7.** Mr. Rendall gave a report regarding the need to update and adopt the District's investment policy. The Board adopted the following Resolution which was proposed by Mr. Schneider, seconded by Mr. Patten and passed unanimously.

# RESOLUTION

## A RESOLUTION ADOPTING THE MIDLAND COUNTY UTILITY DISTRICT INVESTMENT POLICY

### 1.01 PURPOSE

This policy with respect to District investments has been adopted 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, and (c) to comply with various provisions of Texas law relating to the investment and security of funds of Districts (“Investment Laws”). 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. As of the date of the adoption of these policies, the Texas Water Code and the Local Government Code are applicable to the investment of the District’s funds.

### 1.02 POLICY OF INVESTMENT

- A. The preservation of the District’s principal shall be the primary concern of the District officials who are responsible for the investment of District funds. To the extent that the principal is protected, District funds shall be invested to yield the highest possible rate of return, 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, requiring yield restrictions. Funds of the District shall be invested by the District’s officials 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. District funds shall be invested and reinvested by the District’s investment officer only in national or state banking associations or savings and loan associations located within the State of Texas (“Texas Financial Institutions”), or in federal treasury bills. The principal, plus accrued interest, invested in financial institutions in accordance with this policy shall not exceed the FDIC or FSLIC insurance limits or exceed the collateral (as such term is in hereinafter defined) pledged as security for the District’s investments.
- C. It shall be the responsibility of the District’s investment officer to invest and reinvest the District funds in accordance with this policy to meet the needs and requirements of the District. It shall be the policy of the District that funds shall not remain in any given investment for longer than two years. The board, by separate resolution, may provide that the investment officer may withdraw or transfer funds from and to accounts of the District on such terms as the board considers advisable. Providing however, that nothing hereinabove provided shall authorize any transfer, expenditure, or appropriation of District funds, other than for the District’s own account, unless by check or draft signed by the President or

Treasurer who are also members of the board of directors or authorized by separate order or resolution of the board. If no individual is deemed the “investment officer” by resolution of the board, such position shall be deemed to be held by the treasurer until such time as an investment officer is appointed.

- D. Funds in the District accounts shall be invested by the District’s investment officer as follows:
1. Construction or Capital Projects Account: Funds in this account shall be invested in accordance with any applicable orders of the TCEQ to meet the construction needs of the District as determined by the District’s engineer. The engineer or general manager shall submit to the board semi-annual written reports stating the anticipated construction needs of the District for the succeeding 12 months.
  2. Debt Service Account: Funds in this account shall be invested to meet the debt service requirements of the District and to comply with the District’s bond resolutions or orders, if any.
  3. Operating & Maintenance or General Account: Funds in this account shall be invested to meet no less than 90 days of the operating requirements of the District as determined by the annual operating budget of the District, or by resolutions of the board.
- E. Should total District funds exceed \$50,000, there is hereby established an investment committee, composed of the District’s investment officer, the District’s financial advisor, and at least one director. The investment committee shall meet quarterly in meetings that comply with the Texas Open Meetings Act to monitor and review the investments and collateral of the District, as well as determining any further operational strategies the District should apply. The investment officer shall be the chairman of the committee and shall be responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse. The committee shall report concerning the District’s investments transaction for the preceding year describing the investment position of the District at the end of each fiscal year. The report shall be signed by the members of the committee. The committee also shall report to the board on its review in the District meeting next following each quarterly meeting.

### 1.03 SECURITY OF DISTRICT FUNDS

- A. It shall be the policy of the District that all funds shall be insured by the FDIC, FSLIC, or by collateral pledged to the extent of the fair market value of the amount not insured. The District officials recognize that FDIC and FSLIC insurance is only available up to a maximum value (currently of \$250,000, including accrued interest) and that the amount of funds at any one Texas financial institution (including branch banks located within the same county) will be cumulated to determine the maximum amount of insurance coverage.

- B. To the extent District funds are not insured by the FDIC and FSLIC, there shall be pledged as collateral, to the extent of the market value thereof, any of the following securities: (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, 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 funds of Districts under the laws of the State of Texas, approved by the investment committee (collectively, the “collateral”).
- C. The investment committee shall review the fair market value of the collateral pledged to secure the District’s funds on a quarterly basis to ensure that the District’s funds are fully secured. The investment committee shall report to the board on its review at the District meeting next following each quarterly meeting.
- D. There shall be no sharing, splitting or co-tenancy of collateral with other parties or entities. The investment officer shall ensure that the custodian of the collateral shall be an independent third party Texas financial institution and that the collateral shall be pledged only to the District; the investment officer shall obtain safekeeping receipts from Texas financial institution regarding same.
- E. The investment officer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security’s credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.
- F. The investment officer shall no later than the first anniversary of the date of taking office or assuming the officer’s duties, attend a training session of at least six (6) hours of instruction relating to investment responsibilities in accordance with Chapter 2256 of the Texas Government Code. After which, within each two (2) year period after the first (1<sup>st</sup>) year, the investment officer shall attend at least four (4) hours of additional investment training approved or endorsed by an independent source, such as the Government Finance Officers Association of Texas; the Government Treasury Organization of Texas; or the Texas Municipal League as determined by the board.
- G. Unless the District’s financial activity falls below certain threshold levels, as further described in the Texas Water Code, Sec. 49.191, the District shall have an independent annual audit of its finances. The audit must be completed within one hundred twenty (120) days after the District’s fiscal year end and must be submitted to the TCEQ Executive Director within one hundred thirty-five (135) days after the fiscal year ends.
- H. The investment director shall submit to the board a quarterly investment report that summarizes current market conditions, economic developments and anticipated investment conditions. The report shall further provide a summary of the investment strategies employed in the most recent quarter and describe the portfolio in terms of investment securities, maturities, risk characteristics and shall explain the total investment return of the quarter. Furthermore, the report shall be prepared

in compliance with generally accepted accounting principles and should include the following:

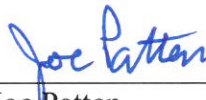
- A listing of individual securities held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired.
- Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period. Market values shall be obtained from financial institutions or portfolio reporting services independent from the broker/dealer from which the security was purchased.
- Additions and changes to the market value during the period.
- Average weighted yield to maturity of portfolio on entity investments as compared to applicable benchmarks.
- Listing of investments by maturity date.
- The percentage of the total portfolio which each type of investment represents.

**Item 8.** *The Board of Directors did not recess into Executive Session.*

**Item 9.** The Board agreed to hold the next Regular Meeting on Thursday, June 21, 2018 at 5:30 p.m., subject to call of the President.

There being no further business to conduct before the Board of Directors, the meeting adjourned at 6:15 p.m.

Respectfully submitted,



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Joe Patten  
Secretary