

Midland County Utility District
Regular Meeting Minutes
March 28, 2019

The Board of Directors of the Midland County Utility District met in a regular meeting on March 28, 2019 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 5:30 p.m. by President Viney. Board members present were:

Dr. Shelton Viney
Alan Lang
Israel Rodriguez
Jackie Schneider
Joe Patten

Also present at the meeting were:

Kyle Krueger	Parkhill, Smith & Cooper
Zane Edwards	Parkhill, Smith & Cooper
Bill Bain	Bookkeeper
Gary Law	Midland Development Corporation (arrived at 6:00)
Robert Rendall	District's Attorney

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. Mr. Patten made a motion to approve the Minutes of the February 19, 2019 meeting which was seconded by Mr. Schneider and passed unanimously.

Item 5. Mr. Bain reviewed the financial report with the Board. Mr. Schneider made a motion to pay the bills and invoices, a list of which is attached. Mr. Lang seconded the motion and it passed unanimously. After discussion, Mr. Lang made a motion to receive the financial report which was seconded by Mr. Rodriguez and unanimously approved.

Item 6. The Board recessed into Executive Session at 5:40. The Board reconvened in Regular session at 6:03. No action was taken in Executive Session

Item 7. Zane Edwards and Kyle Krueger provided a report on behalf of the General Manager regarding the efforts to develop a plan relating to a distribution system for the District. Mr. Krueger reported the survey of residences and business has been completed. It is estimated 40,000 people reside within the District boundaries and there are 1,000 commercial businesses within the District. Mr. Krueger also discussed efforts to contact the Colorado River Municipal Water District. Mr. Krueger also advised that discussions have been had with a party intending to develop a 500 home residential neighborhood within the District.

Item 8. Dr. Viney called Item 7 on the Agenda. After discussion, a motion was made by Mr. Schneider and seconded by Mr. Patten to elect the following officers:

President	Shelton Viney
Vice President	Alan Lang
Secretary	Joseph Patten
Treasurer	Israel Rodriguez

The motion passed unanimously.

Item 9. Dr. Viney called Item 8 on the Agenda. After discussion Mr. Lang made a motion, seconded by Mr. Patten to appoint William Bain as the Investment Officer for the District. The motion passed unanimously.

Item 10. Dr. Viney called Item 9 on the Agenda. After discussion Mr. Schneider made a motion, seconded by Mr. Patten to appoint William Bain, Israel Rodriguez, Alan Lang and Jay Edwards to the Investment Committee. The motion passed unanimously.

Item 11. Dr. Viney called Item 10 on the Agenda. After discussion Mr. Rodrigues made a motion, seconded by Mr. Patten to appoint William Bain, Jackie Schneider, Shelton Viney and Jay Edwards to the Audit Committee. The motion passed unanimously.

Item 12. Dr. Viney asked Robert Rendall to discuss Item 11 on the Agenda. Mr. Rendall advised the Board that he recommended an amendment to the current Investment Policy which allows investments in funds authorized by the Texas legislature such as TexPool. After discussion, Mr. Lang made a motion, seconded by M. Patten to adopt the Investment Policy attached to these minutes. The motion passed unanimously.

Item 13. Mr. Kruger advised the Board on the cost to create and maintain a website for the District with e-mail capabilities. After discussion, Mr. Schneider made a motion to authorize the General Manager move forward with creation of the

website with e-mail capabilities. The motion was seconded by Mr. Lang and unanimously approved.

Item 14. Dr. Viney called Item 13 on the Agenda. Mr. Rodriguez made a motion, seconded by Mr. Schneider authorizing the General Manager to advertise for Request for Qualifications for Legal Services and Audit Services commencing with the 2020 fiscal year. The motion passed unanimously.

Item 15. Mr. Rendall briefly discussed the calendar and items required in the event the Board was to call for a bond election to be on the ballot in November. No action was taken.

Item 16. Dr. Viney recalled Item 3 from the Agenda and Mr. Law advised the Board that Dr. Viney has been asked to be on the Steering Committee for Priority Midland.

Item 17. Dr. Viney discussed a possible date for the next meeting. The Board agreed to hold the next meeting on Thursday, May 9, 2019 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 6:40 p.m.

Respectfully submitted,



Joe Patten
Secretary

Midland County Utility District

Type	Date	Name	Amount	
Check	10/03/18	Rendall Sikes LLC	(2,220.00)	**
Check	10/03/18	William R Bain	(1,500.00)	**
Check	11/09/18	William R Bain	(1,500.00)	
Check	11/14/18	Rendall Sikes LLC	(765.00)	
Check	11/19/18	Johnson Miller & Co., CPA's	(7,500.00)	
Check	12/04/18	Rendall Sikes LLC	(2,310.00)	
Check	12/04/18	William R Bain	(1,500.00)	
Check	12/20/18	Johnson Miller & Co., CPA's	(5,000.00)	
Check	12/28/18	Midland Central Appraisal District	(806.22)	
Check	01/07/19	Rendall Sikes LLC	(3,600.00)	
Check	01/07/19	William R Bain	(1,500.00)	
Check	01/16/19	Johnson Miller & Co., CPA's	(2,530.00)	
Check	02/06/19	William R Bain	(1,500.00)	
Check	02/07/19	Rendall Sikes LLC	(2,980.00)	
Check	02/18/19	The Carlton Law Firm	(143.76)	

** Prior
Year payables

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: (1) national or state banking associations or savings and loan associations located within the State of Texas ("Texas Financial Institutions"), (2) in federal treasury bills, or (3) in investment pools approved by Texas Government Code §2256.016. 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, unless the board by separate resolution determines it in the District's best interest to allow an investment to carry on beyond this time frame. 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, or invested in an approved Texas Government Code §2256.016 investment pool, 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 either fully secured or invested with an approved investment pool as described by Texas Government Code §2256.016. 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 (1st) 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.