

**BOARD OF DIRECTORS
SAN JACINTO RIVER AUTHORITY
MINUTES OF REGULAR MEETING
JULY 28, 2016**

A regular meeting of the Board of Directors of the San Jacinto River Authority was held at 7:30 a.m., July 28, 2016, at the San Jacinto River Authority General and Administration Building, a notice of said meeting was posted as required by law. President Lloyd Tisdale, Secretary John Eckstrum, Treasurer Mike Bleier, and Board Members Jim Alexander, Ronnie Anderson, and Gary Renola were present. Vice President Fred Koetting was absent. General Manager Jace Houston, Deputy General Manager Ron Kelling, Director of Financial and Administrative Services Tom Michel, Director of Raw Water Enterprise David Parkhill, Woodlands Division Manager Chris Meeks, GRP Division Manager Mark Smith, Lake Conroe Division Manager Bret Raley, Administrative Services Manager Cynthia Bowman, General Counsel Diana Miller, and Financial Advisor Jan Bartholomew were in attendance.

1. CALL TO ORDER

The meeting was called to order at 8:02 a.m.

2. PLEDGE OF ALLEGIANCE

The Pledges of Allegiance were led by Mr. Renola.

3. PUBLIC COMMENTS

There were no public comments.

4. DIVISION UPDATES

a. G & A:

Mr. Houston commented on the Fourth of July event hosted by the Conroe/Lake Conroe Chamber of Commerce and on the formation of a task force made up of several entities to better mitigate future flooding events.

b. G & A:

There was no update as it related to the Public Relations Department.

c. G & A:

Mr. Michel did not provide an update this month

d. Woodlands:

Ron Kelling announced that Mr. Chris Meeks has officially been named the Division Manager for the Woodlands Division. Mr. Meeks reported on recent budget meetings given to The Woodlands Joint Powers Agency as well as several Municipal Utility District (MUD) meetings.

e. GRP:

Mr. Smith reported that the GRP Review Committee recommended approval of the GRP Fiscal Year 2017 proposed budget. He explained that only three members were present at the July 25, 2016, GRP Review Committee meeting, therefore the budget will be presented again to the committee on August 22, 2016. Mr. Smith provided statistics related to GRP operations, while Mr. Matt Corley, Customer Service and Compliance Manager, presented the GRP Mid-Year Compliance update, reporting that SJRA Joint GRP converted 36% of its total demand to alternative water supplies for the months of January through June of 2016.

f. Raw Water:

Mr. Parkhill spoke in regards to SJRA's various ongoing Watershed Protection Plan activities as well as briefly mentioning the expansion of the watershed protection program (Lake Creek watershed and lower San Jacinto River watershed) being funded by TCEQ and coordinated by the Houston-Galveston Area Council (H-GAC).

5. CONSENT AGENDA

Mr. Bleier made a motion to approve the consent agenda. The motion was seconded by Mr. Alexander and carried unanimously.

G&A

a. Approval of Minutes - Regular Meeting of June 23, 2016.

b. Unaudited Financials for the Month of June, 2016

Consider approval of the unaudited financials for the month of June, 2016.

c. Additional Work Authorizations for Consultations on Retirement Services

Consider authorizing additional work authorizations with Milliman to research lump sum and to develop a Pension Benefit Calculator in an amount not to exceed \$15,000 and \$13,750, respectively.

WOODLANDS

There were no items for consideration related to the Woodlands Division.

GRP

d. New GRP Participants

Because there were no new customers, this item was not considered.

RAW WATER ENTERPRISE

e. Construction Contract for the North Main Street Siphon Improvements Project

Consider authorizing the General Manager to execute a construction contract with Lecon, Inc., in the amount of \$2,511,000, for the North Main Street Siphon Improvements Project in Highlands.

f. Work Order No. 2 for Construction Phase Services for the North Main Street Siphon Improvements Project

Consider authorizing the General Manager to execute Work Order No. 2 with Freese and Nichols, Inc., in the amount of \$45,553, for construction phase services for the North Main Street Siphon Improvements Project in Highlands.

6. REGULAR AGENDA

a. G&A

1. Order Adopting a Revised Code of Ethics, Rules, Regulations, and Policies

Mr. Houston explained that the majority of the Code of Ethics, Rules, Regulations, and Policies was last adopted in 2002, and that much of the contents have been in place for several years. He stated that certain parts of the Code of Ethics were added to address a number of legislative changes adopted this legislative session, which impacted the conflict of interest and conflict disclosure sections. With no further discussion, Mr. Eckstrum made a motion to adopt Order No. 2016-O-02, attached hereto as Exhibit "A", adopting a revised Code of Ethics, Rules, Regulations, and Policies. The motion was seconded by Mr. Alexander and carried unanimously.

b. RAW WATER ENTERPRISE

1. Construction Contract for the Lake Conroe Dam Toe Drain Final Repair Project

Mr. Parkhill explained that the Board approved a ratification for initial emergency repairs last month. He stated that this contract will complete the final repairs to the toe drain. With no further discussion, Mr. Anderson made a motion to authorize the General Manager to execute a construction contract with Rebel Contractors, Inc., in the amount of \$518,827.50, for the Lake Conroe Dam Toe Drain Final Repair Project at Lake Conroe, and contract modifications up to \$75,000. The motion was seconded by Mr. Alexander and carried unanimously.

2. Work Order No. 2 for Professional Engineering Final Design and Procurement Phase Services for Siphon No. 28, Siphon No. 30, and Siphon No. 31 Silt Removal and Associated South Canal Levee Improvements Project

Mr. Parkhill explained that this project is related to design and procurement phase services regarding significant improvements to the South Canal. He stated that several projects are combined into this one package, which will allow for increased capacity of the South Canal downstream of the Coastal Water Authority pump station to enable SJRA to meet the increased demands of the industrial customers. Mr. Renola stated that, after reviewing several engineering and construction items, he was very impressed with the project controls, scope documents, and other project management details provided by SJRA staff. He noted that this level of project management and control is generally only seen in very large, complex projects. Without further discussion, Mr. Bleier made a motion to authorize the General Manager to execute Work Order No. 2 with Freese and Nichols, Inc., in an amount not to exceed \$904,154, for Siphon No. 28, Siphon No. 30, and Siphon No. 31 Silt Removal and Associated South Canal Levee Improvements Project in Highlands. The motion was seconded by Mr. Alexander and carried with all present voting aye.

7. BRIEFINGS AND PRESENTATIONS

a. Presentation regarding the proposed Raw Water Rate Order.

Mr. Parkhill presented information related to the proposed raw water rate order stating that the current rate is \$0.39 per 1,000 gallons. He gave an overview of the proposed rates for years 2015 through 2019, based on the rate study conducted in 2014. He briefly reviewed current raw water rates of similar entities throughout the state of Texas and explained that the increase in rates is due to proposed increased demands from industrial customers as well as capital improvement plans for deteriorating and aged infrastructure. Mr. Parkhill concluded with the proposed rate of \$0.41 per 1,000 gallons, which is a five percent increase over the current rate, and that the proposed Order will be presented to the Board of Directors for approval at the August Board meeting to be effective January 1, 2017.

b. Presentation regarding the proposed Fiscal Year 2017 budget.

Mr. Michel and Ms. Steiger provided an overview of the Fiscal Year 2017 budget, which included general items and assumptions, employee full-time equivalents, reserve funding methodology, proposed GRP, Woodlands, and Raw Water rates, and the proposed budgets for the Woodlands Division, GRP Division, Highlands Division, Lake Conroe Division, G&A Division, Raw Water Enterprise, Bear Branch, and Region H. He reviewed the budget process timeline stating that budget review meetings took place with the Finance Committee, the City of Houston, The Woodlands Joint Powers Agency (WJPA) Audit Committee, the WJPA Trustees, and various Municipal Utility Districts. Mr. Bleier, Finance Committee Chair, praised the Accounting Department for their efforts. Mr. Michel explained that the budget would be presented for action at the August Board meeting and that any comments prior to the meeting be submitted prior to August 10th.

c. Presentation regarding the Fats, Oil, and Grease (FOG) Program for The Woodlands.

Mr. Robert Upton presented information related to the Fats, Oil, and Grease (FOG) Program. He stated that commercial customers of the Municipal Utility Districts (MUD), especially restaurants and other food handling services, currently have grease traps (interceptors) on their property that need to be maintained to keep FOG from getting into the wastewater collection and treatment systems. Further, he stated that the purpose of this program is to educate both residential and commercial customers on the effects of FOG to help reduce the impact to the wastewater collection system. Mr. Upton concluded with an explanation of the inspection, permit, and enforcement processes related to the program.

8. EXECUTIVE SESSION

The Board of Directors did not meet in Executive Session.

9. RECONVENE IN OPEN SESSION FOR ACTION FOLLOWING EXECUTIVE SESSION

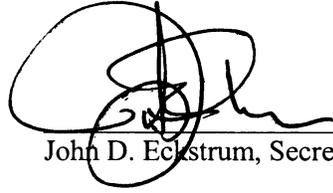
The Board of Directors did not meet in Executive Session; therefore no action was taken.

10. ANNOUNCEMENTS / FUTURE AGENDA

Mr. Tisdale announced that the next SJRA Board Meeting will take place on August 25, 2016.

11. ADJOURN

Without objection, the meeting was adjourned at 10:15 a.m.

A handwritten signature in black ink, appearing to read 'John D. Eckstrum', is written over a horizontal line. The signature is stylized and somewhat cursive.

John D. Eckstrum, Secretary

Exhibit A

ORDER NO. 2016-0-02

ORDER ADOPTING A CODE OF ETHICS, RULES, REGULATIONS, AND POLICIES.

WHEREAS, the SAN JACINTO RIVER AUTHORITY (the "Authority") is a conservation and reclamation district, body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 426, Acts of the 45th Texas Legislature, Regular Session, 1937, as amended (compiled as Vernon's Annotated Texas Civil Statutes, Article 8280-121), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution; and

WHEREAS, the Authority also operates subject to certain general laws of the State of Texas, including, but not limited to, Chapter 49 of the Texas Water Code; and

WHEREAS, Section 49.199, Texas Water Code, requires the Board of Directors of the Authority to formulate and adopt certain rules, regulations, and policies concerning a code of ethics for the Authority's directors, officers, investment officers, and employees; and

WHEREAS, Section 49.199, Texas Water Code, requires the Board of Directors of the Authority to formulate and adopt certain rules, regulations, and policies concerning travel expenditures payable or reimbursable by the Authority; and

WHEREAS, Section 49.199, Texas Water Code, requires the Board of Directors of the Authority to formulate and adopt certain rules, regulations, and policies concerning the selection, monitoring or review, and evaluation of professional consultants; and

WHEREAS, Section 49.199, Texas Water Code, requires the Board of Directors of the Authority to formulate and adopt certain rules, regulations, and policies concerning the establishment of uniform methods of accounting and reporting; and

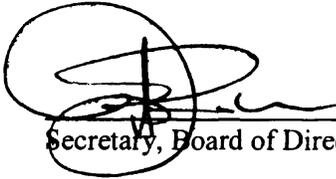
WHEREAS, Section 49.199, Texas Water Code, requires the Board of Directors of the Authority to formulate and adopt certain rules, regulations, and policies concerning the better use of management information; and

WHEREAS, the Board of Directors of the Authority previously passed and adopted that certain Resolution Adopting Rules, Regulations and Policies, dated April 24, 2002 (the "Resolution"); and

WHEREAS, the Board of Directors of the Authority desires to revoke the Resolution and to the Code of Ethics, Rules, Regulations, and Policies attached hereto as Exhibit "A"

NOW, THEREFORE, IT IS ORDERED BY THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY THAT the Resolution is hereby REVOKED and the Code of Ethics, Rules, Regulations, and Policies attached hereto as Exhibit "A", be is hereby APPROVED AND ADOPTED.

APPROVED AND ADOPTED this 28th day of July, 2016.


Secretary, Board of Directors


President, Board of Directors

(SEAL)



Exhibit “A”

EFFECTIVE JULY 28, 2016



**CODE OF ETHICS, RULES, REGULATIONS,
AND POLICIES**

**APPROVED AND ADOPTED BY THE BOARD OF DIRECTORS OF
THE SAN JACINTO RIVER AUTHORITY PURSUANT TO
ORDER NO. 2016-O-02**

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ARTICLE I
CODE OF ETHICS

Section 1.01. It is hereby declared the policy of the Authority that its Board of Directors, officers, investment officers, and employees shall conduct themselves so as to give no occasion for distrust of their integrity, impartiality, or of their devotion to the best interests of the Authority and the public purposes for which it was created. Accordingly, the following standards of conduct are hereby established to provide a guideline to the directors, officers, investment officers, and employees of the Authority in the conduct of normal business and operations of the Authority:

A. **Conflicts of Interest:** Pursuant to Section 49.058, Texas Water Code, each director of the Authority is subject to the provisions of Chapter 171, Texas Local Government Code, relating to the regulation of conflicts of interest of officers of local governments. Therefore, the Authority adopts Chapter 171, Texas Local Government Code, as its conflicts of interest policy, the principal provisions of which are as follows:

1) A director shall abstain from participating in a decision of the Board of Directors which either (a) will have a special economic effect on a business in which the director or a person related to the director in the first degree by consanguinity or affinity has a substantial interest that is distinguishable from the effect on the public; or (b) in the case of a substantial interest in real property, affects the value of such property in which the director or a person related to the director in the first degree by consanguinity or affinity has a substantial interest differently from how it affects the public, except when a majority of the Board of Directors is required to abstain from participation in a particular vote because of a similar conflict of interest. A director who determines that he or she must abstain from participating in a decision of the Board of Directors for a reason set forth above must file an affidavit with the Secretary of the Board of Directors, prior to a vote or decision by the Board of Directors on the matter, stating the nature and extent of the directors' interest in the matter.

2) The Board of Directors of the Authority shall take a separate vote on any budget item specifically dedicated to a contract with a business entity in which a Director has a substantial interest. Except as provided by Section 171.004(c), Texas Local Government Code, the affected director may not participate in that separate vote. The affected director may vote on a final budget if (a) the director has complied with Chapter 171, Texas Local Government Code, and (b) the budget item in which the director has a substantial interest has been resolved by the remaining members of the Board of Directors.

3) For the purposes of this conflicts of interest policy, a director is considered to have a "substantial interest" in a business if (a) the director or a person related to the director in the first degree by consanguinity or affinity owns ten percent (10%) or more of the voting stock or shares of the business entity, or owns either ten percent (10%) or more or \$15,000 or more of the fair market value of the business entity; or (b) funds received from the business exceed ten percent (10%) of the gross income of the director or of a person related to the director in the first degree by consanguinity or affinity for the previous year. A director has a substantial interest in real property if the interest of the director or of a person related to the director in the first degree by consanguinity or affinity is an equitable or legal ownership with a market value of \$2,500 or more. See **Attachment I** for reference.

4) A director shall not act as surety for a business entity that has work, business, or a contract with the Authority, nor shall a director act as surety on any official bond required of a director, officer, investment officer, or employee of the Authority.

B. Gifts: No public servant (as such term is defined by Chapter 1, Texas Penal Code; see **Attachment II** for reference) of the Authority shall directly or indirectly solicit, accept, agree to accept, or receive any gift or thing of value, whether in the form of money, services, credits, loans, travel, entertainment, hospitality, promise, or any other form, from an individual or entity (or agent thereof) interested in or likely to become interested in any contract, purchase, payment, claim, or transaction involving the exercise of his or her discretion, or under other circumstances where a reasonable inference could be drawn that the gift or thing of value was intended to influence such public servant of the Authority in the performance of his or her official duties or was intended as a reward for any decision, opinion, recommendation, or other exercise of discretion on his or her part. Nothing herein shall be deemed or construed to prohibit (a) normal social practices where gifts among friends or associates are appropriate for certain occasions, (b) a gift offered on account of kinship or a personal, professional, or business relationship independent of the official status of the recipient, or (c) a gift otherwise allowed by law. A public servant of the Authority may accept a gift or thing of value from a person, firm, corporation, or other entity (or agent thereof) having or proposing to have a business or financial relationship with the Authority only upon compliance with all applicable laws of Texas relating to disclosure of and limitations upon same, and only when the offer and the acceptance and receipt of such gift or thing of value:

- 1) Are in keeping with good business ethics;
- 2) Are customary and proper under the circumstances and give no appearance of impropriety;
- 3) Do not impose any sense of obligation on the recipient to the donor;
- 4) Do not result in any form of special or favored treatment for the donor;
- 5) Cannot reasonably be viewed as extravagant, excessive, or too frequent considering all the circumstances;
- 6) Do not involve any cash, currency, gift certificates, gift cards, loans, or credit arrangements of any kind, or a negotiable instrument as described by Section 3.104, Texas Business & Commerce Code;
- 7) Do not involve any item of property with a fair market value greater than \$49.00;
- 8) Do not involve materials, services, repairs, or improvements at no cost or at unreasonably low prices;
- 9) If involving dining, lodging, transportation and/or entertainment, then:
 - (a) The dining, lodging, transportation, and/or entertainment is accepted as a guest of the individual or entity providing same (*i.e.*, they must be present); or

(b) The dining, lodging, and/or transportation is provided in connection with a conference or similar event at which the Local Government Officer (as such term is defined in paragraph H. below) of the Authority renders services, such as addressing an audience or engaging in a seminar, to the extent those services are more than merely perfunctory;

10) Are made under circumstances where no effort is made to conceal the facts and circumstances related thereto by either the recipient or the donor; and

11) Are properly disclosed in a Conflicts Disclosure Statement, as and if required by Chapter 176, Texas Local Government Code (see subsection H., below).

C. **Investments:** Except under circumstances permitted by the general or special laws of the State and the rules, regulations, and policies of the Authority, no director, officer, investment officer, or employee of the Authority shall own an interest in or derive compensation or profit from or engage in the management of any organization providing services, materials, or equipment to the Authority, unless such interest (a) is comprised solely of securities traded over the counter or listed on a public security exchange, or (b) has been fully disclosed to the Board of Directors in the manner required by law.

D. **Confidential Information:** No director, officer, investment officer, or employee of the Authority shall disclose confidential information concerning the property, operations, policies, or affairs of the Authority, or use such confidential information to advance the personal interests, financial or otherwise, of such director, officer, investment officer, or employee, or accept employment or engage in any business or professional activity which such director, officer, investment officer, or employee might reasonably expect would require or induce him or her to disclose confidential information acquired through or by reason of his or her position with the Authority.

E. **Future Employment and Contracting:** No director, officer, investment officer, or employee of the Authority shall negotiate for future employment with any person, firm, association, or corporation which has a substantial financial interest in any proposed award of contract or decision within the area of responsibility of such director, officer, investment officer, or employee and upon which he or she must act or make a recommendation. A former director, officer, investment officer, or employee of the Authority who, during his or her period of service or employment with the Authority, participated on behalf of the Authority in a procurement or contract negotiation involving such person, firm, association, or corporation may not accept employment from that person, firm, association, or corporation before the second anniversary of the date service or employment with the Authority ceased. Further, a former director may not contract with the Authority before the first anniversary of the date service with the Authority ceased.

F. **Appearance of Proper Conduct:** Each director, officer, investment officer, or employee of the Authority shall conduct his or her official and personal affairs in such a manner as to clearly demonstrate that he or she cannot be improperly influenced in the performance of his or her official duties, and to such ends, no director, officer, investment officer, or employee of the Authority shall, for any form of consideration, endorse commercial products or services in advertisements, marketing materials, or similar media utilizing or making reference to the properties, operations, or affairs of the Authority.

G. Investment Officer: An investment officer of the Authority who has a personal business relationship with an entity seeking to sell an investment to the Authority shall file a written statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Authority must file a statement disclosing such relationship. Any statement required to be filed by an investment officer of the Authority under this subsection must be filed with the Board of Directors of the Authority and the Texas Ethics Commission.

H. Conflicts Disclosure Statement: In the event the Authority has contracted or is considering doing business with a Vendor and (a) the Vendor has an employment or other business relationship with a Local Government Officer or his/her Family Member that results in the Local Government Officer or his/her Family Member receiving taxable income, other than investment income, that exceeds \$2,500 in the 12-month period preceding the date the Local Government Officer becomes aware that the Authority has executed a contract or is considering doing business with the Vendor, (b) the Vendor has given a Local Government Officer or his/her Family Member one or more gifts (other than gifts of food accepted as a guest or benefits offered on account of kinship or a personal, professional, or business relationship independent of the official status of the recipient) that have an aggregate value of more than \$100 in the 12-month period preceding the date the Local Government Officer becomes aware that the Authority has executed a contract or is considering doing business with the Vendor, or (c) the Vendor has a Family Relationship with a Local Government Officer, and such relationship(s) and/or activities are not otherwise prohibited by the provisions of Chapter 171, Texas Local Government Code or this ethics policy, the Local Government Officer must file a conflicts disclosure statement with the Authority's Records Management Officer, no later than 5:00 p.m. on the seventh (7th) business day after the date the Local Government Officer becomes aware of facts that require the filing of the conflicts disclosure statement, disclosing, as applicable: (i) the employment or other business relationship, including the nature and extent of the relationship, and acknowledging that the disclosure applies to each Family Member of the Local Government Officer and covers the preceding 12-month period as described herein; (ii) the gift(s) aggregating more than \$100 in value received by the Local Government Officer or his/her Family Member from the Vendor during the preceding 12-month period as described herein, and acknowledging that the disclosure applies to each Family Member of the Local Government Officer and covers the preceding 12-month period as described herein; and/or (iii) the Family Relationship between the Vendor and the Local Government Officer. The conflicts disclosure statement shall contain the signature of the Local Government Officer acknowledging that such statement is made under oath under penalty of perjury, all in accordance with Chapter 176, Texas Local Government Code.

The General Manager of the Authority, or his designee, shall cause and direct the Authority's Records Management Officer to:

- 1) Prepare and maintain a list of Local Government Officers of the Authority and make such list available to the public and any Vendor who may be required to file a conflict of interest questionnaire under Section 176.006, Texas Local Government Code;
- 2) Provide access to the statements and questionnaires that are required to be filed with the Authority under Chapter 176, Texas Local Government Code, on the Authority's Internet website; and

3) Maintain the statements and questionnaires that are required to be filed with the Authority under Chapter 176, Texas Local Government Code, in accordance with the Authority's records retention schedule.

For the purposes of this subsection, a person is considered a "Vendor" if the person contracts or seeks to contract for the sale or purchase of property, goods, or services with the Authority or is the agent of such a person in their business with the Authority. A state, political subdivision of a state, state agency (except the Texas Correctional Industries), administrative agency, the federal government, or a foreign government (including their employees acting in their official capacity) cannot be a "Vendor." For the purposes of this subsection, "Local Government Officer" means (a) a director of the Authority, (b) a person designated as the executive officer of the Authority, and/or (c) an agent (as such term is defined by Chapter 176, Texas Local Government Code; see **Attachment II** for reference) of the Authority who exercises discretion in the planning, recommending, selecting, or contracting of a Vendor under its agency authority. For the purposes of this subsection, "Family Member" means a person related to another person within the first degree of consanguinity or affinity, as described by Chapter 573, Texas Government Code. See **Attachment I** for reference. For the purposes of this subsection, "Family Relationship" means a relationship between a person and another person within the third degree of consanguinity or the second degree of affinity, as described by Chapter 573, Texas Government Code. See **Attachment I** for reference.

I. Disclosure of Interested Parties. As provided by Section, 2252.908, Texas Government Code, and rules promulgated thereunder at Chapter 46, Title 1, Texas Administrative Code, the Authority shall not enter into a contract that (a) requires an action or vote by the Board of Directors before the contract may be executed by a director, officer, or employee of the Authority, or (b) has a value of at least \$1 million, with a business entity unless the business entity submits a Certificate of Interested Parties (Texas Ethics Commission Form 1295) to the Authority at the time the entity submits the signed contract to the Authority for execution. The General Manager, or his designee, shall cause any such Certificate of Interested Parties to be filed with the Texas Ethics Commission not later than the 30th day after the date the Authority receives same.

J. Other Laws. In addition to the foregoing subsections, all directors, officers, investment officers, and employees of the Authority shall at all times adhere to and maintain compliance with the provisions, procedures and requirements of:

- (i) Chapter 572, Texas Government Code, relating to standards of conduct and financial disclosure; and
- (ii) Chapter 573, Texas Government Code, relating to nepotism;
- (iii) Chapter 36, Texas Penal Code, relating to bribery and corrupt influence;
- (iv) Chapter 39, Texas Penal Code, relating to abuse of a public servant's office or employment; and
- (v) Article III, Section 52, Texas Constitution, relating to the prohibition on granting public money or things of value to any individual, association, or corporation.

ARTICLE II **FEES AND EXPENSE POLICY**

Section 2.01. It is hereby declared the policy of the Authority that payment or reimbursement shall be made by the Authority of all reasonable, actual, and necessary expenses incurred by or on behalf of the directors, officers, investment officers, and employees of the Authority for travel expenditures incurred while conducting official duties and assignments and carrying out the Authority's operations and business activities, including, without limitation, attendance at conventions, conferences, training and trade programs, hearings, and meetings related thereto. For purposes of this policy, "travel expenditures" shall mean and include all reasonable and actual costs of meals, lodging, transportation, and related general expenses, such as registration costs, materials costs, normal gratuities, and related expenses and costs. Mileage allowances shall be determined by the applicable rates designated from time to time by the Internal Revenue Service.

In order for an employee to receive reimbursement for expenses, the employee shall submit an itemized expense report to the General Manager, or his designee, within thirty (30) days of the date the expenses were incurred. Any expense item shall be documented with a receipt, memorandum, or similar documentation as to the amount and business purpose of such expense. Reimbursement for such expenses shall be contingent upon approval by the General Manager, or his designee.

In order for a director to receive reimbursement for expenses, the director must submit to the General Manager, or his designee, an itemized expense report within sixty (60) days of the date the expenses were incurred. Any expense item shall be documented with a receipt, memorandum, or similar documentation as to the amount and business purpose of such expense. Directors sharing expense items may split reported expenses in any manner they deem equitable, but the Authority will pay no more than 100% of the actual total cost of reimbursable expenditures. Any expenses for a director attending a sanctioned activity of the Authority which are not typical for the occasion (as to type or amount) must be approved by the Board of Directors prior to incurring the expense. Reimbursement for a Director's expenses shall be contingent upon the approval of the General Manager and one other member of the Board of Directors.

Notwithstanding the above, the Authority shall not pay or reimburse any expenses of persons who have no responsibility or duties to perform for the Authority, including any persons whose connection with Authority matters is based solely on their relationship of blood, marriage, or friendship with a director, officer, investment officer, or employee of the Authority.

Section 2.02. A director shall receive a fee of office (per diem) of one hundred fifty dollars (\$150.00) for each whole or partial calendar day the director actually spends performing the duties of a director. The phrase "performing the duties of a director" means substantive performance of the management or business of the Authority, including participation in Board of Directors meetings, Authority committee meetings, and other activities involving the substantive deliberation of Authority business and/or pertinent educational programs. The phrase does not include routine or ministerial activities such as the execution of documents, self-preparation for meetings, or other activities requiring a minimal amount of time. A director may not receive more than the amount allowed by law for services performed during any one year regardless of the number of days of service provided to the Authority during that year and regardless of when the director receives payment, with the "year" to be the fiscal year established by the Board of Directors.

In order for a director to receive a per diem payment, the director must submit to the General Manager, or his designee, a verified statement within sixty (60) days of the date spent in service to the Authority. The statement shall indicate the dates actually spent in service to the Authority and a general

description of the duties performed for each day of service. Payment of per diems shall be contingent upon the approval of the General Manager and one other member of the Board of Directors.

Per diems paid to a director shall not include the amount of any reimbursement allowable expenses, which shall be paid separately in accordance with this Article.

ARTICLE III **PROFESSIONAL CONSULTING SERVICES**

Section 3.01. It is hereby declared the policy of the San Jacinto River Authority that services of the type provided by professional consultants shall be performed by the staff of the Authority unless, in the opinion of the General Manager or the Board, considerations of time constraints, capability, or professional or administrative propriety require the retention and engagement of consultants who are not full-time employees of the Authority.

Section 3.02. Any contract for professional consulting services, including legal, fiscal, accounting, auditing, and/or engineering services, for an annual sum of less than \$75,000 shall be initiated, concluded, and administered by the General Manager, or his designee. Consulting contracts for amounts in excess of \$75,000 per annum shall be subject to review, authorization, and approval by the Board of Directors of the Authority.

Section 3.03. Prior to entering into a contract for professional consulting services, the Authority's staff, under the direction of the General Manager, shall solicit, review, and evaluate proposals or statements of qualifications submitted by qualified consultants and shall assess: the prior project experience of such consultants that relate directly to the Authority's needs; the work experience of such consultants with organizations of similar types and sizes; the financial capacity and stability of such consultants; and such other matters and qualifications as the staff of the Authority may deem appropriate. In evaluating such proposals, the Authority's staff shall make such contacts with current and prior clients of such consultants as they may deem appropriate to obtain accurate assessments of the performance of such consultants. After an evaluation of such proposals and previous performance histories, the General Manager shall select and conclude a written contract with a qualified consultant or, if required under Section 3.02 above, shall submit to the Board a recommendation as to the selection of and the principal terms of a written contractual agreement with a qualified consultant. All of such contracts shall be in writing and shall set forth the term, scope of work, and costs to be incurred.

Section 3.04. Unless a contractual term in excess of one (1) year is approved by the Board in the initial consulting contract, no consulting contract shall extend for a term beyond one (1) year unless continued or extended by recommendation of the General Manager and approval of the Board.

Section 3.05. The procedures for selection of professional consultants herein shall be subject to all other applicable requirements of the general and special laws of the State of Texas including, but not limited to, the provisions of Chapter 171, Texas Local Government Code, as amended, and Chapter 2254, Texas Government Code, as amended.

Section 3.06. The Authority shall require that any consultant who collects, pays, or handles any funds of the Authority furnish or provide a bond, payable to the Authority, in an amount determined by the General Manager, or his designee, to be sufficient to safeguard the Authority, but not less than \$10,000. The General Manager, or his designee, may require a consultant who does not routinely collect, pay, or handle funds of the district to furnish a bond in an amount determined by the General Manager, or his designee, to be sufficient to safeguard the Authority. The bond shall be conditioned on the faithful performance of the consultant's duties and on accounting for all funds and property of the Authority. The

bond shall be signed or endorsed by a surety company authorized to do business in the State of Texas. The Authority may pay the premium on such surety bonds out of any available funds of the Authority.

ARTICLE IV
UNIFORM FINANCIAL ACCOUNTING AND
REPORTING STANDARDS

Section 4.01. It is hereby declared the policy of the Authority to establish, implement, and continue in connection with the Authority's financial statements, books, and records uniform reporting standards and requirements that utilize "Audits of State and Local Government Units" as a guide for audit working papers and that utilize, to the extent not prohibited by the general and special laws of the State, "Governmental Accounting and Financial Reporting Standards." Notwithstanding the foregoing, a uniform method of accounting and reporting shall be established, implemented, and continued in connection with all industrial development bonds and pollution control bonds of the Authority which complies with the requirements of the State auditor, as promulgated from time to time, including, without limitation, that certain memorandum issued by the State Auditor on October 7, 1988, relating thereto.

ARTICLE V
ANNUAL OPERATING BUDGET

Section 5.01. Subject to the applicable requirements of the general and special laws of the State of Texas, the Authority's Board of Directors shall adopt and promulgate an operating budget for the fiscal period beginning on the first day and ending on the last day of the Authority's fiscal year. Such operating budget shall identify and describe in reasonable detail the anticipated sources of revenues, receipts and income, and the proposed expenditures and costs of the operating divisions of the Authority for such fiscal year.

Any proposed expenditure in excess of \$75,000 which is not itemized, categorized, or otherwise described or contemplated in the current approved operating budget of the Authority shall be subject to the prior approval of the Board of Directors of the Authority. Any such proposed expenditure shall be submitted to the Board for its approval together with a memorandum or notation from the General Manager, or his designee, describing, in addition to other pertinent facts, the following: the fiscal implications of such proposed expenditure; the anticipated sources of new revenue, current revenue or funds on hand or in reserve available or to become available for payment of such proposed expenditure; and the projected implications, if any, of such proposed expenditure on other projected expenditures or costs of programs or projects of the Authority already included in the current fiscal year operating budget. In the event of a conflict between the general provisions of this paragraph and any specific policy adopted by order or resolution of the Board of Directors, the latter shall control.

Section 5.02. Except as otherwise provided by the general and special laws of the State and the actions and proceedings of the Board of Directors of the Authority, nothing herein or in such operating budget shall be deemed or construed to constitute a debt or expenditure limitation or constraint on expenditure authorizations contained in such operating budget or to limit, alter, or restrict the power and authority of the Board of Directors of the Authority to amend, modify, or revise the Authority's current fiscal year operating budget contemporaneously with any proposed expenditure or in arrears thereto.

ARTICLE VI
AUDIT COMMITTEE; OTHER COMMITTEES;
SUNSET REVIEW AND MANAGEMENT AUDITS;
CONTRACTING WITH CERTAIN BUSINESSES

Section 6.01. To assist the Board of Directors of the Authority in the management of the operations and fiscal affairs of the Authority, there is hereby appointed an Audit Committee (also known as the "Finance Committee") of the Board of Directors consisting, initially, of two (2) members of the Board of Directors appointed by the President of the Board of Directors. Such Audit Committee shall periodically review the Authority's financial statements, fiscal practices, and financial position; shall consult with the Authority's accounting department, as well as, when they deem necessary or appropriate, representatives of the State auditor, the Texas Water Development Board, Texas Commission on Environmental Quality, the City of Houston, the Authority's independent auditors, and the Authority's legal consultants; and shall make periodic recommendations to the Board of Directors of the Authority on such changes in accounting procedures and controls, fiscal management, investments, and related financial matters as the Audit Committee may deem appropriate.

Section 6.02. To assist the Board of Directors of the Authority in the management of long-range planning projects, construction projects, personnel matters, and other affairs of the Authority, the President of the Board of Directors shall create, constitute, and abolish standing or ad-hoc committees of the Board of Directors as he or she deems necessary or convenient. Notwithstanding the foregoing, the Authority's Retirement Plans Investment Committee shall be governed by the charters, resolutions, and other policies governing same.

Section 6.03. Pursuant to Section 325.025, Texas Government Code, as amended, the Authority shall undergo limited sunset review by the Texas Sunset Commission as if the Authority were a state agency scheduled to be abolished September 1, 2021, and every 12 years thereafter. The Authority shall be responsible for the costs incurred by the Texas Sunset Commission in performing said review. Additionally, the Authority shall initiate and have conducted an independent management audit of the Authority and its operations and affairs, if and to the extent, and at such intervals as may be required, by the Texas Commission on Environmental Quality pursuant to applicable rules and regulations. The results of and report on such management audit shall be reviewed with the Board and, upon acceptance, shall be filed with the Texas Commission on Environmental Quality or other state agencies pursuant to applicable rules and regulations.

Section 6.04. It shall be the policy of the Authority to adhere to and maintain compliance with the provisions, procedures, and requirements of general law relating to contracting with historically underutilized businesses and minority business enterprises, to the extent, if any, that the provisions of same are applicable to the Authority.

ARTICLE VII
POLICIES RELATED TO MEETINGS OF BOARD OF DIRECTORS,
SPEAKING FOR THE AUTHORITY, AND
DELEGATION OF AUTHORITY TO EXECUTE DOCUMENTS

Section 7.01. The President of the Board of Directors, in conjunction with the General Manager, shall establish the agenda for each Board of Directors meeting. Any member of the Board of Directors desiring a particular item to be placed on the meeting agenda shall contact the President of the Board of Directors or the General Manager. The President shall place the item on the agenda or may

object to doing so. The President's objection may be overridden if at least two members of the Board of Directors notify the General Manager of their desire to have the item placed on the agenda.

Section 7.02. Members of the public may only address the Board of Directors during the designated public comment portion of the meeting. Public comments shall be limited to three minutes per speaker and ten minutes per topic unless such limitations are waived, extended, or otherwise modified by a majority of the Board of Directors present during the designated public comment portion of the meeting.

Section 7.03. It is the intent of the Board of Directors that the General Manager shall serve as the primary spokesperson for the Authority. It shall be the policy of the Authority for only the President of the Board of Directors, and the General Manager and his designees, to speak on behalf of the Authority regarding current Authority policies. All other members of the Board of Directors of the Authority may not publicly speak on behalf of the Authority without the prior approval of the Board of Directors. The foregoing does not restrict members of the Board of Directors or employees of the Authority from commenting on current Authority policies in an unofficial or personal capacity.

Inasmuch as the Board of Directors of the Authority as a whole adopts the policies of and for the Authority, no member of the Board of Directors, the General Manager, or any employee may speak on behalf of the Authority regarding proposed policies without the prior approval of the Board of Directors. The foregoing does not restrict members of the Board of Directors or employees of the Authority from commenting on proposed Authority policies in an unofficial or personal capacity.

If contacted by a member of the public, the media, or any other association or organization for comment, members of the Board of Directors of the Authority shall refer the person or entity seeking comment to the President of the Board of Directors. An employee shall refer such persons or entities to the General Manager.

Section 7.04. If the Board of Directors has duly authorized the General Manager to execute a document on behalf of the Authority, and the General Manager is unavailable or unable to perform such duty, then the Deputy General Manager may execute such document on behalf of the Authority. If the General Manager and Deputy General Manager are unavailable or unable to perform such duty, then the President of the Board of Directors may execute such document on behalf of the Authority. If the General Manager, Deputy General Manager, and President of the Board of Directors are unavailable or otherwise unable to perform such duty, then any current officer of the Board of Directors of the Authority may execute such document on behalf of the Authority.

ARTICLE VIII **MISCELLANEOUS**

Section 8.01. No part, section, paragraph, or provision of the code of ethics, rules, regulations, and policies contained herein is intended to expand, restrict, or modify the legal duties and obligations of any director, officer, investment officer, consultant, contractor, or employee of the Authority beyond the limits of applicable law, and in case of any conflict or inconsistency, such conflict or inconsistency will be resolved in favor of the applicable requirements of law. In the event of any ambiguity or uncertainty as to the intent and application of any part, section, paragraph, or provision hereof, a written request for clarification or approval of a proposed action describing such circumstances shall be submitted to the Board of Directors of the Authority for a decision as to a proper course of action.

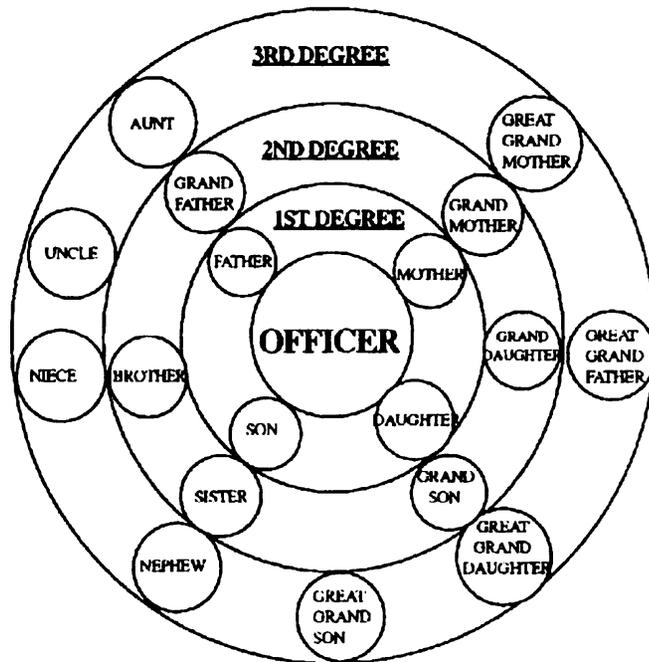
Section 8.02. The code of ethics, rules, regulations, and policies set forth herein shall be and remain in full force and effect unless and until amended, revised, rescinded, or repealed by action of the

Board of Directors or superseded by general or special law of Texas or other applicable rules or regulations.

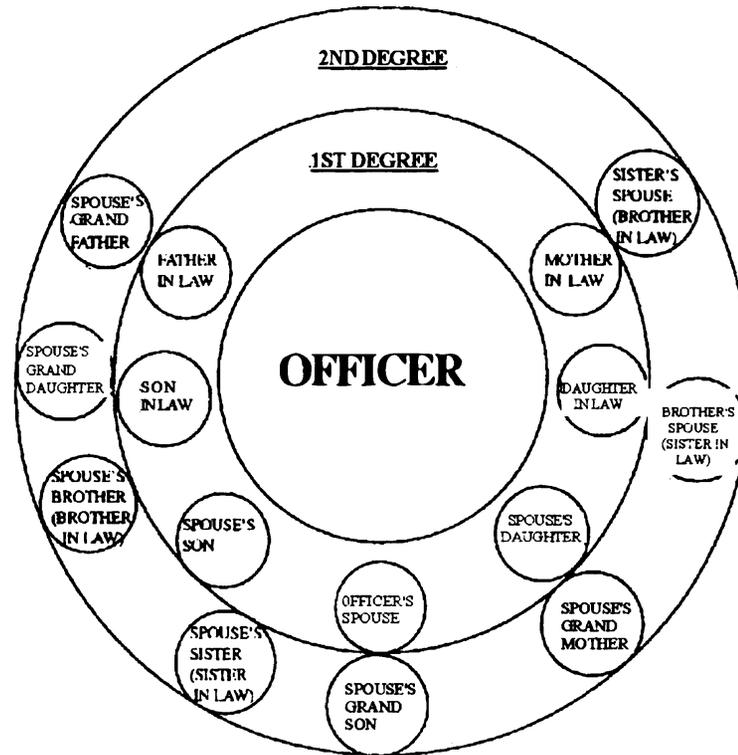
Section 8.03. Not later than the third business day after approval and adoption of the code of ethics, rules, regulations, and policies set forth herein by the Board of Directors of the Authority, the General Manager, or his designee, shall distribute a copy of this document, along with a copy of Subchapter C of Chapter 572, Texas Government Code, to each member of the Board of Directors and to each employee of the Authority. Thereafter, the General Manager, or his designee, shall distribute a copy of this document, along with a copy of Subchapter C of Chapter 572, Texas Government Code, to each new appointee to the Board of Directors and to each new employee of the Authority not later than the third business day after such person begins service with the Authority.

Attachment I
[Kinship Charts]

Consanguinity Kinship Chart
(Relationship by Blood)



Affinity Kinship Chart
(Relationship by Marriage)



**Attachment II
[Statutory Excerpts]**

Section 1.07(a) (41) , Texas Penal Code:

"Public servant" means a person elected, selected, appointed, employed, or otherwise designated as one of the following, even if he has not yet qualified for office or assumed his duties:

- (A) an officer, employee, or agent of government;*
- (B) a juror or grand juror; or*
- (C) an arbitrator, referee, or other person who is authorized by law or private written agreement to hear or determine a cause or controversy; or*
- (D) an attorney at law or notary public when participating in the performance of a governmental function; or*
- (E) a candidate for nomination or election to public office; or*
- (F) a person who is performing a governmental function under a claim of right although he is not legally qualified to do so.*

Section 176.001(1), Texas Local Government Code:

"Agent" means a third party who undertakes to transact some business or manage some affair for another person by the authority or on account of the other person. The term includes an employee.

**ATTACHMENT III
[Order adopting a Code of Ethics, Rules, Regulations, and Policies]**

ORDER NO. _____

ORDER ADOPTING A CODE OF ETHICS, RULES, REGULATIONS, AND POLICIES.

WHEREAS, the SAN JACINTO RIVER AUTHORITY (the "Authority") is a conservation and reclamation district, body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of Chapter 426, Acts of the 45th Texas Legislature, Regular Session, 1937, as amended (compiled as Vernon's Annotated Texas Civil Statutes, Article 8280-121), enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution; and

WHEREAS, the Authority also operates subject to certain general laws of the State of Texas, including, but not limited to, Chapter 49 of the Texas Water Code; and

WHEREAS, Section 49.199, Texas Water Code, requires the Board of Directors of the Authority to formulate and adopt certain rules, regulations, and policies concerning a code of ethics for the Authority's directors, officers, investment officers, and employees; and

WHEREAS, Section 49.199, Texas Water Code, requires the Board of Directors of the Authority to formulate and adopt certain rules, regulations, and policies concerning travel expenditures payable or reimbursable by the Authority; and

WHEREAS, Section 49.199, Texas Water Code, requires the Board of Directors of the Authority to formulate and adopt certain rules, regulations, and policies concerning the selection, monitoring or review, and evaluation of professional consultants; and

WHEREAS, Section 49.199, Texas Water Code, requires the Board of Directors of the Authority to formulate and adopt certain rules, regulations, and policies concerning the establishment of uniform methods of accounting and reporting; and

WHEREAS, Section 49.199, Texas Water Code, requires the Board of Directors of the Authority to formulate and adopt certain rules, regulations, and policies concerning the better use of management information; and

WHEREAS, the Board of Directors of the Authority previously passed and adopted that certain Resolution Adopting Rules, Regulations and Policies, dated April 24, 2002 (the "Resolution"); and

WHEREAS, the Board of Directors of the Authority desires to revoke the Resolution and to adopt the Code of Ethics, Rules, Regulations, and Policies attached hereto as Exhibit "A".

NOW, THEREFORE, IT IS ORDERED BY THE BOARD OF DIRECTORS OF THE SAN JACINTO RIVER AUTHORITY THAT the Resolution is hereby REVOKED and the Code of Ethics, Rules, Regulations, and Policies attached hereto as Exhibit "A" is hereby APPROVED AND ADOPTED.

APPROVED AND ADOPTED this 28th day of July, 2016.

Secretary, Board of Directors

President, Board of Directors

(SEAL)