

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

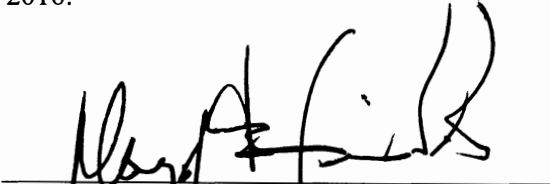
WHEREAS, the Board of Directors of the Authority desires to revoke the Resolution and to the Code of Ethics, Rules, Regulations, and Policies attached hereto as Exhibit "A"

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.

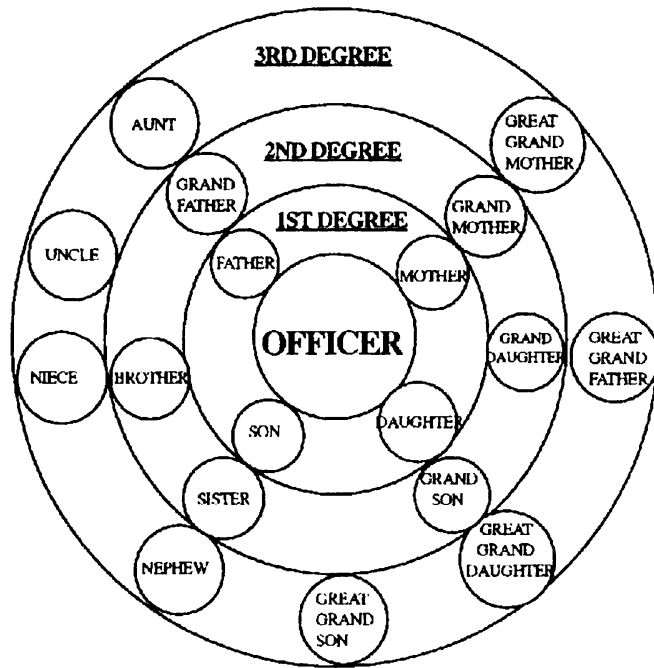
For the purposes of this subsection, a person is considered a "Vendor" if the person contracts or seeks to contract for the sale or purchase of property, goods, or services with the Authority or is the agent of such a person in their business with the Authority. A state, political subdivision of a state, 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.

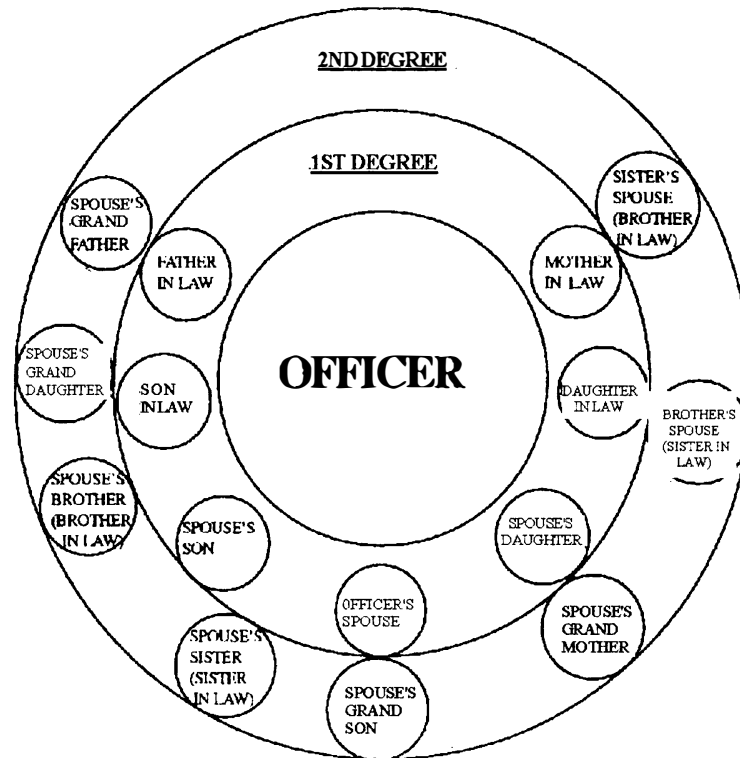
J. Other Laws. In addition to the foregoing subsections, all directors, officers, investment officers, and employees of the Authority shall at all times adhere to and maintain compliance with the provisions, procedures and requirements of:

- (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.

**Consanguinity Kinship Chart
(Relationship by Blood)**



**Affinity Kinship Chart
(Relationship by Marriage)**



**Attachment I
[Kinship Charts]**

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.