

North Texas Municipal Water District
Administration and Finance Policies Manual

November 2017

TABLE OF CONTENTS

SECTION I. GENERAL INVESTMENT POLICY	1
1.1 Purpose and Scope	1
1.2 Investment Strategy and Objectives.....	1
1.3 Responsibility and Controls	1
1.4 Investment Policies	4
SECTION II. INVESTMENT POLICY FOR RETIREMENT FUND AND RETIREE HEALTH INSURANCE PROGRAM.....	8
2.1 Purpose and Scope	8
2.2 Responsibility and Controls	8
2.3 Reporting and Advisors	9
2.4 Investment Policies and Strategies.....	9
2.5 Voting.....	10
SECTION III. EMERGENCY EXPENDITURES.....	11
3.1 Overview.....	11
3.2 Executive Director/General Manager – Less Than \$25,000.....	11
3.3 Executive Committee - \$25,000 to \$100,000	11
3.4 Board of Directors – More Than \$100,000.....	11
SECTION IV. WATER REBATE PROCEDURES	12
4.1 Overview	12
4.2 Procedure	12
SECTION V. IDENTITY THEFT PREVENTION PROGRAM	14
5.1 Purpose.....	14
5.2 Definitions.....	14
5.3 Identification of Red Flags.....	14
5.4 Procedures to Prevent and Mitigate Identity Theft	15
5.5 Program Administration.....	16
SECTION VI. PURCHASING.....	17
6.1 General Requirements.....	17
6.2 Signature Authorization on Checks	17
6.3 Purchasing Card Program	17
SECTION VII. RECORDS MANAGEMENT POLICY	19
SECTION VIII. HIPAA	20
8.1 Purpose.....	20

8.2 Definitions.....20
8.3 Protected Health Information.....20
8.4 Complaint Procedure.....21
SECTION IX. EMPLOYEE CONCESSION COMMITTEE.....22
SECTION X. HANDGUN POLICY23
SECTION XI. FUND BALANCE POLICY24
NTMWD INVESTMENT STRATEGY STATEMENT..... A-1
AUTHORIZED INVESTMENT TRAINING SOURCES.....B-1
AUTHORIZED BROKERSC-1

SECTION I. GENERAL INVESTMENT POLICY

1.1 Purpose and Scope

This Investment Policy is authorized in accordance with Chapter 2256 of the Texas Government Code, the Public Funds Investment Act (the “Act”). This Policy applies to all of the investment activities of NTMWD, and establishes guidelines establishing who is authorized to invest NTMWD funds, how NTMWD funds will be invested, and when and how a periodic review of investments will be made. In addition to this Policy, borrowed funds shall be managed by their respective governing resolution, and by all applicable state and federal regulations. This Policy shall be reviewed annually by the Board.

1.2 Investment Strategy and Objectives

In conjunction with the annual review, the Board shall review the separate written Investment Strategy Statement, included as Exhibit “A,” for each of NTMWD's funds, and adopt revisions or additional Investment Strategy Statements as needed. The Statement describes the investment objectives according to the following priorities:

1. Investment suitability;
2. Preservation and safety of principal;
3. Liquidity;
4. Marketability prior to maturity of each investment;
5. Diversification; and,
6. Yield.

The primary objective of all investment activity is the preservation of capital and the safety of principal in the overall portfolio. Each investment transaction shall seek to ensure first that capital losses are avoided, whether they be from securities default or erosion of market value.

The investment portfolio will remain sufficiently liquid to meet NTMWD cash flow requirements that are reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted NTMWD cash flow requirements, investing in securities with active secondary markets, and maintaining appropriate portfolio diversification.

1.3 Responsibility and Controls

Authority to Invest

The Executive Director/General Manager (“ED/GM”) or his/her designee shall be the “Investment Officer” of NTMWD. The ED/GM shall designate one or more Alternate Investment Officers to perform the duties of managing NTMWD funds in the absence of the Investment Officer. The Investment Officer is authorized to deposit, withdraw, invest, transfer, execute documentation, and otherwise manage NTMWD funds according to the rules governing NTMWD’s funds, including but not limited to this Policy.

The Investment Officer and Alternate Investment Officers shall attend at least ten hours of training within 12 months of assuming these duties that addresses investment controls, security risks, strategy risks, market risks, diversification of investment portfolio and compliance with the Public Funds Investment Act. Thereafter, the Investment Officer and Alternate Investment Officers shall attend an investment training session not less than once in a two-year period that begins on the first day of the fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of training related to investment responsibilities. This investment training shall be taught by an independent source as listed in Exhibit "B."

Prudent Investment Management

The Investment Officer shall perform duties in accordance with this adopted Investment Policy and internal procedures. The Investment Officer, if acting in good faith and in accordance with these policies and procedures, shall be relieved of personal liability. The Investment Officer shall be judged on the prudence of the overall portfolio, and not on any single investment transaction over which the Investment Officer had individual control.

Standard of Care

The standard of care used by NTMWD shall be the "prudent investor rule" as set forth in the Act and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The Act states:

"Investments shall be made with the judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived."

Standards of Ethics

The Investment Officer shall adhere to District's "Code of Conduct" policies. Additionally, the Investment Officer shall file with the Texas Ethics Commission and NTMWD's Board of Directors a statement disclosing any personal business relationship with an entity seeking to sell investments to NTMWD or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to NTMWD.

Establishment of Internal Controls

The ED/GM will oversee the Investment Officer in the maintenance of a system of internal controls over the investment activities of NTMWD.

Reporting

The Investment Officer will provide a quarterly comprehensive report reviewed and signed by the Investment Officer and the Alternate Investment Officer to the Board of Directors within a reasonable time after the end of the period. This investment report shall:

1. Describe in detail the investment position of NTMWD;
2. State the reporting period beginning book and market value, fully accrued interest during the period, and ending book and market value for the period for each pooled fund group;
3. State the reporting period ending book and market value for each investment security by asset type and fund type;
4. State the maturity date of each investment security;
5. State the fund type for which each investment security was purchased, and;
6. State the compliance of the investment portfolio with NTMWD's Investment Policy and Investment Strategy Statement and the Public Funds Investment Act.

NTMWD, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to NTMWD's Investment Policy and Investment Strategy Statement. If NTMWD purchases securities other than money market funds, investment pools or accounts offered by its depository bank, the reports prepared by the Investment Officer shall be formally reviewed annually by an independent auditor, and the results of the review shall be reported to the Board of Directors.

Investment Advisors and Investment Providers

Investment Advisors shall adhere to the spirit, philosophy and specific term of this Policy and shall invest within the same "Standard of Care" as applied to NTMWD. Investment Providers shall adhere to the spirit and philosophy of this Policy and shall avoid recommending or suggesting transactions outside of such standard.

The Investment Officer will select and establish criteria to evaluate Investment Advisors and Providers including:

1. Adherence to NTMWD's policies and strategies;
2. Portfolio performance and transaction pricing within accepted risk constraints;
3. Responsiveness to NTMWD's request for services and information;
4. Understanding of the inherent fiduciary responsibility of investing public funds;
5. Similarity in philosophy and strategy with NTMWD's objectives.

Selected Investment Advisors and Providers shall provide timely transaction confirmations and monthly activity reports.

Investment Providers shall be presented a written copy of this Investment Policy. Before performing any services, the registered principal of the business organization seeking to transact investment business shall execute a written instrument substantially to the effect that the registered principal has:

1. Received and thoroughly reviewed this Investment Policy; and
2. Acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with NTMWD.

Authorized Brokers

NTMWD's Investment Officer will maintain a list of approved brokers that are authorized to engage in investment transactions with NTMWD. NTMWD's authorized brokers list is set forth in the attached Exhibit "C."

1.4 Investment Policies

Authorized Investments

District funds governed by this Policy may be invested in:

1. Obligations of the United States or its agencies and instrumentalities, excluding mortgage backed securities.
2. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its respective agencies and instrumentalities, excluding mortgage backed and asset backed securities, and including any security fully insured by the Federal Deposit Insurance Corporation ("FDIC").
3. Fully collateralized repurchase agreements meeting the requirements described by the Public Funds Investment Act. The term includes direct security repurchase agreements entered into by NTMWD and reverse repurchase agreements only obtained in connection with investment by NTMWD in an Eligible Investment Pool. All NTMWD repurchase agreement transactions shall be governed by a signed master repurchase agreement.
4. A certificate of deposit or share certificate is an authorized investment if the certificate is issued by a depository institution that has its main office or a branch in this state and is:
 - a) Guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund; or
 - b) Secured by obligations that are described in Section 2256.009(a) of the Act, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgaged backed securities of the nature described by Section 2256.009(b) of the Act; and
 - c) Solicited for bid orally, in writing, electronically, or any combination of those methods.
5. Eligible Investment Pools as defined and in compliance with the Act provided that investment in the particular pool has been authorized by the Board of Directors.

Protection of Principal

NTMWD shall seek to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Policy, by qualifying the Investment Provider with whom NTMWD will transact, by collateralization and through portfolio diversification by maturity and type.

Diversification by Investment Type

Diversification by investment type shall provide NTMWD's portfolio with a reduction in credit risk. Bond proceeds may be invested in a single security or investment if the Investment Officer determines that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage recordkeeping and calculation.

Diversification by Investment Maturity

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Maturity guidelines, at the time of purchase, by fund are as follows:

- 1) Operating Funds - The weighted average days to maturity for the operating fund portfolio shall be less than 270 days and the maximum allowable maturity shall be 18 months.
- 2) Construction Funds - The investment maturity of Construction Funds shall be limited to the anticipated expenditure schedule. Bond proceeds (excluding Reserve and Interest and Sinking Funds) shall generally be limited to the anticipated cash flow requirement.
- 3) Interest and Sinking Funds - Interest and Sinking Funds shall be invested to ensure adequate funding for each consecutive debt service payment. The Investment Officer shall invest in such a manner as not to exceed an "unfunded" debt service date with the maturity of any investment. An unfunded debt service date is defined as a coupon or principal payment date that does not have cash or investment securities available to satisfy said payment.
- 4) Debt Service Reserve Funds - Market conditions, Bond Resolution constraints, and Arbitrage regulation compliance will be considered when formulating Reserve Fund strategy. Maturity limitation shall generally not exceed the call provisions of the Bond Resolution and shall not exceed the final maturity of the bond issue. No investment shall have a maturity greater than five years.

Collateralization

All bank and savings and loan association deposits of NTMWD shall be federally insured or collateralized with eligible securities. Financial institutions serving as depository of NTMWD Funds ("Depositories") will be required to sign a Depository Pledge Agreement with NTMWD and a third-party safekeeping institution (the "Agreement"). The Agreement shall define

NTMWD's rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, and shall be:

- in writing;
- executed by the Depository, NTMWD, and the third-party safekeeping institution ("Safekeeping Institution") contemporaneously with the acquisition of the asset;
- approved by the Depository's Board of Directors or the loan committee of the Depository and a copy of the meeting minutes must be delivered to NTMWD; and
- part of the Depository's "official record" continuously since its execution.

Allowable Collateral

- 1) Collateralized Deposit - Eligible securities for collateralization of deposits are defined by the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended and meet the constraints of this Policy.
- 2) Repurchase Agreement - Securities underlying repurchase agreements are limited to cash, United States Government, Agencies and Instrumentalities obligations, which are eligible for wire transfer (i.e., book entry) to NTMWD's designated Safekeeping Institution through the Federal Reserve System and meet the constraints of the Act.

Collateral Levels

- 1) Collateralized Deposits - The market value of the principal portion of collateral pledged for collateralized deposits must at all times be equal to or greater than the amount of the deposit plus accrued interest, less the applicable level of FDIC insurance.
- 2) Repurchase Agreements - A repurchase agreement's purchase security market value shall include the accrued interest applicable to the security. The security's market value must be maintained at the minimum level of 102% of the repurchase agreement's principal value.

Collateral Substitution

Collateralized deposits and repurchase agreements often require substitution of collateral. Any broker, dealer or financial institution requesting substitution must contact the Investment Officer for approval and settlement. The substituted security's value will be calculated and substitution approved if its value is equal to or greater than the required security level. The Investment Officer, or a designee, must provide written notification of the decisions to the bank or the Safekeeping Institution holding the security prior to any security release. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The Investment Officer may limit substitution if substitution becomes excessive or abusive.

Safekeeping

All collateral securing bank deposits and securities purchased under repurchase agreements must be held by a third-party banking institution acceptable to and under contract with NTMWD, or by the Federal Reserve Bank.

Delivery vs Payment

It will be the policy of NTMWD that all investment securities shall be purchased using the “Delivery vs Payment” method. By doing so, District funds are not released until NTMWD has received the securities purchased.

Portfolio Pricing Source

When determining the market value of NTMWD’s securities, the Investment Officer shall obtain security prices from an independent source including, but not limited to, the Wall Street Journal, Bloomberg Financial Markets and Interactive Data Corporation.

SECTION II. INVESTMENT POLICY FOR RETIREMENT FUND AND RETIREE HEALTH INSURANCE PROGRAM

2.1 Purpose and Scope

This Investment Policy applies to all of the investment activities of the NTMWD Retirement Fund (the “Retirement Fund”), including the Retiree Health Insurance Program (the “Program”), and establishes guidelines for those who can invest NTMWD funds, for how NTMWD funds will be invested, and for when and how a periodic review of investments will be made.

Retiree Health Insurance Program

Funding for the Retiree Health Insurance Program shall be included in NTMWD's annual operating budget and:

1. NTMWD's contributions to the Program shall be irrevocable;
2. Program assets shall be used for the exclusive benefit of the participants of the Program; and
3. Program assets shall be protected from creditors.

2.2 Responsibility and Controls

The Finance/Audit Committee shall manage the investment of funds of the Retirement Fund and the Program. The ED/GM or his/her designee shall be the “Investment Officer” of NTMWD. The ED/GM shall designate one or more Alternate Investment Officers to perform the duties of the Investment Officer in the absence of the Investment Officer. The Investment Officer is authorized to deposit, withdraw, invest, transfer, execute documentation, and otherwise manage NTMWD funds according to the instructions of the Finance/Audit Committee. The Finance/Audit Committee acting in accordance with these policies and procedures shall be relieved of personal liability.

Controls

The Finance/Audit Committee members adhere to NTMWD's “Code of Conduct” Policies. Additionally, the Finance/Audit Committee shall file with NTMWD's Board of Directors a statement disclosing any personal business relationship with an entity seeking to sell investments to NTMWD or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to NTMWD. The ED/GM will oversee the Investment Officer in the maintenance of a system of internal controls over the investment activities of NTMWD.

2.3 Reporting and Advisors

Reporting

The Investment Officer will provide a quarterly comprehensive report for the Retirement Fund and the Program, signed by the Investment Officer and Alternate Investment Officer, to NTMWD's Board of Directors within a reasonable time after the end of the period. This investment report shall:

1. Describe in detail the investment position of the funds.
2. State the reporting period beginning book and market value, additions or changes to the book and market value during the period, and ending book and market value for the period of each investment.
3. State the compliance of the investment portfolio with this Investment Policy.

NTMWD, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to this Investment Policy and strategies.

Investment Advisors and Investment Providers

Selection of Investment Advisors and Investment Providers will be performed by the Finance/Audit Committee. The Financial/Audit Committee will establish criteria to evaluate Investment Advisors and Providers including:

1. Adherence to NTMWD's policies and strategies.
2. Portfolio performance and transaction pricing within accepted risk constraints.
3. Responsiveness to NTMWD's request for services and information.
4. Understanding of the inherent fiduciary responsibility of investing public funds.

2.4 Investment Policies and Strategies

Authorized Investments

Investments described below are authorized as eligible securities for the funds of the Retirement Fund and Program. The purchase of specific issues may at times be restricted or prohibited by the Finance/Audit Committee. NTMWD funds governed by this Investment Policy may be invested in:

1. Obligations of the United States or its agencies and instrumentalities.

2. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its respective agencies and instrumentalities.
3. Collateralized deposits issued by state and national banks and savings and loan associations that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor.
4. Mutual Funds or commingled funds, which may include equities or bonds in their portfolio.
5. Money market funds and other pooled fixed rate investments.

Protection of Principal

Safety of principal is provided through diversification in the portfolio of investments. The overall allocation of investments should fall within the following ranges:

Fixed Income Investments	20% to 80%
Equities	20% to 80%

The mutual funds or commingled funds portion of the portfolio is to be diversified so that no one mutual fund or commingled fund represents more than 50% of the mutual fund or commingled fund portion.

2.5 Voting

For the Audit/Finance Committee to take any action on the investment of funds of the Retirement Fund or the Program, a two-thirds majority vote must be obtained.

SECTION III. EMERGENCY EXPENDITURES

3.1 Overview

The financial operation of NTMWD is controlled by the Board of Directors through the Annual Budget by the adoption of an appropriation resolution. From time to time it is necessary for emergency expenditures to be authorized that were not planned in the Annual Budget. This policy outlines how NTMWD may make emergency expenditures when necessary, prior to Board action.

An emergency is a condition when the failure to immediately repair equipment could endanger the delivery system; endanger the service provided by NTMWD to the municipalities with which it contracts; or cause deterioration to facilities that could result in a failure of the system. Under these circumstances, the ED/GM may declare an emergency and, using the best judgment possible, develop a plan to remedy the apparent problem on a temporary or permanent basis in accordance with the following procedures.

3.2 Executive Director/General Manager – Less Than \$25,000

When an emergency condition has been declared and the cost will over-expend the budget of a Fund, the ED/GM may expend up to \$25,000 for the necessary repairs or replacements. The ED/GM will, at the next regular meeting of the Board of Directors, detail in a memorandum the emergency, the planned action, and the cost, and request that the Board amend the planned budget.

3.3 Executive Committee - \$25,000 to \$100,000

When an emergency condition has been declared and the expenditure to implement the planned repair or replacement will cost between \$25,000 and \$100,000, and the cost will over-expend the budget of a Fund, the ED/GM may counsel with the members of the Executive Committee of the Board of Directors (President, Vice President, Secretary, and Past President) and proceed with the majority approval of the Executive Committee. The ED/GM will, at the next regular meeting of the Board of Directors, detail in a memorandum the emergency, the planned action, and the cost, and request that the Board amend the planned budget.

3.4 Board of Directors – More Than \$100,000

When an emergency condition has been declared and the plan of action for repair or replacement exceeds \$100,000, and the cost will over expend the budget of a Fund, a special meeting of the Board of Directors will be required to authorize the expenditure.

SECTION IV. WATER REBATE PROCEDURES

4.1 Overview

This policy is intended to provide a framework with which the Board of Directors, on an annual basis, may consider a rebate of monies paid by the member cities and customers, when such cities' and customers' demands for water do not require NTMWD to meet or exceed its annual system volume requirement. When approved, refunds would be in an amount equal to the estimated variable cost savings (power, chemicals, etc.) that resulted for NTMWD because of the decreased demands. This policy is intended to reward water conservation and assist the member cities and customers when their actions result in reduced water deliveries and greater water conservation.

4.2 Procedure

The following provides a description of the program and required procedures:

- A. The rebate shall be calculated according to a formula based upon the estimated per unit reduction in expenditure for variable cost incurred by NTMWD, as determined annually by the Board of Directors.
- B. To be eligible for a rebate, the member city or customer shall:
 - i) have had water demands supplied at volumes less than its annual minimum volume requirement as established in the Budget Resolution;
 - ii) not currently be establishing an annual minimum volume requirement by contract negotiation.

The volume eligible for rebate, if authorized by the Board of Directors, would be the difference between the annual minimum volume requirement as established in the Budget Resolution and the actual usage by the member city or customer during the most recently completed 12-month water year (August 1 through July 31).

- C. Each year at the August Board of Directors meeting, the Board of Directors will be provided by the ED/GM a list of member cities and customers eligible for rebate, if any, the estimated rate of the rebate, and the total amount of funds to be considered for rebate. The item shall be a "discussion item" on the August agenda.

After considering the financial condition of NTMWD, the Board of Directors shall either instruct the ED/GM to place the rebates on the September agenda for consideration, or accept the report as information only.

D. Should the Board of Directors elect to provide a rebate at the September Board of Directors meeting, the ED/GM shall provide payment to the eligible member cities and customers within 30 days of the Board's action.

E. The Board shall follow the above-referenced procedure on an annual basis.

SECTION V. IDENTITY THEFT PREVENTION PROGRAM

5.1 Purpose

This Policy is to authorize an Identity Theft Prevention Program (“Program”) for NTMWD pursuant to the Federal Trade Commission Red Flags Rules (“Rules”), which implement Section 114 of the Fair and Accurate Credit Transactions Act of 2003. The Program is to provide for the identification, detection and responses to patterns, practices, or specific activities – known as “red flags” – that could indicate identity theft.

5.2 Definitions

Following are definitions set forth in the Rules:

- A. Identity Theft – fraud committed using the Identifying Information of another person.
- B. Red Flag – a pattern, practice or specific activity that indicates the possible existence of Identity Theft.
- C. Identifying Information – any name or number that may be used, alone or in conjunction with any other information, to identify a specific person. Such information may include name, address, telephone number, social security number, date of birth, government issued driver’s license or identification number, alien registration number, government passport number, employer or taxpayer identification number, unique electronic identification number, computer’s internet protocol address, or routing code.

5.3 Identification of Red Flags

In order to detect potential identity theft, NTMWD has identified the following Red Flags in each of the listed categories:

Suspicious Documents:

- Identification document appears to be forged, altered or inauthentic
- Identification document on which a person’s photograph or physical description is not consistent with the person presenting the document
- Application for service appears to have been altered or forged

Suspicious Personal Identifying Information

- Driver’s license number, address or phone number presented that is the same as another customer
- A person fails to provide complete personal Identifying Information on the application when reminded to do so
- A person’s Identifying Information is not consistent with the information that is on file for the customer

- Identifying Information presented that is consistent with fraudulent activity such as an invalid phone number

Suspicious Account Activity or Unusual Use of Account

- Notice to NTMWD that the customer is not receiving mail sent by NTMWD
- Notice to NTMWD that the account has unauthorized activity
- Account used in a way that is not consistent with prior use (e.g., very high activity where low activity was previously the norm)

Alerts from Others

- Notice to NTMWD from a customer, identity theft victim, law enforcement or other person, that NTMWD has opened or is maintaining a fraudulent account for a person engaged in identity theft.

5.4 Procedures to Prevent and Mitigate Identity Theft

In order to enhance the detection of the Red Flags identified above associated with the opening of a new account, NTMWD personnel will take the following steps to obtain and verify the identity of the person opening the account:

- Require certain Identifying Information such as name, address, driver's license or other identification.
- Verify the customer's identity (example – review driver's license).
- Review documentation showing the existence of a business entity and independently contact the business entity.

For an existing account, NTMWD personnel will verify the validity of requests to change billing address.

In the event NTMWD personnel detect any of the above identified Red Flags, such personnel shall immediately notify the ED/GM or his/her designee, who will determine the appropriate action to be taken. Such action may include:

- Continue to monitor the account for further evidence of Identity Theft
- Contact the customer
- Deny request to open a new account
- Close an existing account
- Notify local law enforcement

In order to further minimize the likelihood of identity theft, NTMWD will take the following steps with respect to its internal operating procedures:

- Require and keep only the customer information necessary for NTMWD business purposes
- Ensure that employees do not leave sensitive papers on their desks when not at their work stations
- Require employee escorts accompany visitors who enter areas where sensitive files are kept

- Install anti-virus and anti-spyware programs on any computers that run on NTMWD servers and ensure that programs are periodically updated
- Ensure access to computer information is controlled using passwords that must be periodically changed

5.5 Program Administration

NTMWD's Board of Directors, after approving the initial Identity Theft Prevention Program, shall designate the ED/GM or his/her designee to administer the Program. Program administration responsibilities include:

- Assigning specific responsibility for the Program's implementation;
- Reviewing staff reports about compliance with the Rule;
- Approving important changes to the Program; and
- Monitoring the activities of any service providers covered by the Red Flags Rule.

The ED/GM's designee shall review the Program annually and provide a report to the ED/GM evaluating the effectiveness of the Program in addressing the risk of identity theft, any significant incidents of identity theft and NTMWD's response, and any recommendations for changes to the Program based on new technology or new tactics of identity thieves.

SECTION VI. PURCHASING

It is the goal of NTMWD to obtain quality goods and services at reasonable cost. Depending on the amount of the goods and services, NTMWD uses multiple procedures to achieve this goal, including obtaining price quotations and soliciting competitive bids. Employees with questions about NTMWD purchasing practices should contact the ED/GM or his/her designee for further information or detailed procedures.

6.1 General Requirements

NTMWD will receive sealed bids for the purchase of goods or services requiring an expenditure of \$25,000 or more, except when bidding is not required, such as for professional services or sole source services. Notice of the bid request and of the time and place at which the sealed bids will be publicly opened and read aloud must be published at least once a week for two consecutive weeks in a newspaper of general circulation in Collin County and on NTMWD's website. The date of the first publication shall be at least 14 days before the date set to open the sealed bids. The Requesting Department shall be responsible for publishing the notice and publicly opening and reading aloud the bids.

For items of less than \$25,000 but more than \$1,000, NTMWD will usually obtain at least three quotations, either verbally or in writing. The responsible supervisor shall make reasonable efforts to assure that the best price is being obtained for NTMWD, and shall document quotations in the notes section of the Purchase Requisition.

Purchases of \$1,000 or less do not require competitive bids and may be purchased prior to completion of a Purchase Requisition. The responsible supervisor shall make reasonable efforts to assure that the best price is being obtained for NTMWD.

NTMWD shall not separate a single purchase into purchases of individual items with the intent of avoiding competitive bidding requirements. The ED/GM, in an Administrative Directive, will create procedures, guidance and instruction to be followed by NTMWD employees for purchasing activities.

6.2 Signature Authorization on Checks

All checks written for services or goods purchased by NTMWD, in any amount, must be signed by at least two individuals. The primary signees are the ED/GM and the Deputy Director of Finance and Personnel. The ED/GM shall designate alternate signees in the event of absence of the primary signees.

6.3 Purchasing Card Program

NTMWD has established a Purchasing Card Program for the purchase of relatively small-dollar items. Use of the card is not, however, intended to replace the bid process where that process is appropriate. This program will allow the acquisition of materials and services in a timely manner

and increase processing efficiencies. The cards must be used in accordance with NTMWD's Purchasing Policy.

The responsibility for card control ultimately rests with the employee using the card. This policy is designed to protect both the employee and NTMWD. Violation of this policy may result in loss of the privilege of using the card and in disciplinary action.

Personal use of the card

All purchases made on the Purchasing Card should be for official NTMWD business only. **Use of the card for personal purchases is strictly prohibited.** Misuse of the card will result in revocation of the card, disciplinary action up to termination, and possible filing of criminal charges.

Guidelines for use of the card

All purchases must be made in compliance with NTMWD's Purchasing Policy. As a cardholder, the employee is responsible for all charges made to the card and as one to whom purchasing authority has been delegated to insure that all purchase activity is conducted in compliance with NTMWD's Ethics, Gifts, and Conflicts of Interest Policy in the Personnel Policies Manual. The card should be kept secure and protected at all times and used only by the cardholder. Individual purchases on the Purchasing Card are limited to a per transaction dollar limit, including freight, as established by the Department Manager.

Lost or stolen cards

Lost or stolen Purchasing Cards shall be immediately reported to the Accounting Department via email to pcard@ntmwd.com or by calling the Accounts Payable Supervisor.

The cardholder is responsible for obtaining itemized receipts for all Purchasing Card purchases.

SECTION VII. RECORDS MANAGEMENT POLICY

It is the Policy of NTMWD to retain all NTMWD records, whether electronic or hard copy, permanently unless otherwise authorized by the ED/GM and the Texas State Library and Archives Commission.

The Board of Directors shall appoint a Records Management Officer to ensure that the maintenance, storage and disposition of NTMWD records are carried out in accordance with the requirements of the Texas Local Government Records Act, the requirements of the Texas State Library and Archives Commission, and the directives and procedures of the NTMWD. Each NTMWD department shall appoint a Records Liaison Officer who will be thoroughly familiar with all records created by that department and will work with the Records Management Officer to properly implement this Policy for that department.

The ED/GM will create procedures in the form of an Administrative Directive to provide instructions and procedures to be followed by employees of NTMWD for efficient, economical, and effective controls and processes for the creation, distribution, organization, maintenance, use and disposition of all Records, from their creation to their ultimate disposition, consistent with the Local Government Records Act and accepted records management practices. All Records shall be created, maintained and disposed of in accordance with that Directive.

Please refer questions about the detailed Records Management procedures to the Records Management Officer.

SECTION VIII. HIPAA

8.1 Purpose

The purpose of this policy is to ensure that NTMWD, a Covered Entity under the federal Health Insurance Portability and Accountability Act (HIPAA), is in compliance with the Act.

8.2 Definitions

Business Associate: A person or entity that performs a function that requires the creation, use or disclosure of PHI for a Covered Entity and is not considered part of the workforce.

Covered Entity: A Group Health Plan that provides or pays the cost of medical care; a health care clearinghouse; or a healthcare provider. NTMWD is considered a Covered Entity.

Group Health Plan: An employee welfare benefit plan as defined by the Employee Retirement Income Security Act (ERISA), including insured and self-insured plans that pay for items and services for medical care for employees and/or their dependents directly through insurance, reimbursement or that otherwise has 50 or more participants or is administered by an entity other than the employer that has established and maintains the health plan.

Health Insurance Portability and Accountability Act (HIPAA): Federal law that, in part, protects both an individual's rights to keep and/or transfer his/her health insurance when moving from one job to another, and the privacy of the individual's Protected Health Information.

Privacy Officer: Individual responsible for the development and implementation of policies and procedures necessary for HIPAA compliance. This individual is responsible for providing information and handling the administration of request for records. The ED/GM or his/her designee shall serve as the Privacy Officer for NTMWD.

Protected Health Information (PHI): Health information that contains unique features or details that allow an individual to be identified.

8.3 Protected Health Information

The following items have been identified as PHI and are maintained by the Privacy Officer:

- Health Insurance Enrollment Applications
- Insurance Claims Reports

The following items have been identified as PHI and are maintained by the Business Associate:

- Health Insurance Enrollment Applications
- Explanation of Benefits (EOB's) as provided by the Employee
- Other items as provided by the Employee

All identified PHI will be maintained in secured files located in the Human Resources Department. Access to these files will be limited to the Privacy Officer and other Human Resources and Accounting personnel that may, from time to time, have access on a must-need basis. NTMWD will not accept explanation of benefit forms or medical bills from employees or family members of employees. Such information is to be directed to the Business Associate for assistance with payment concerns.

NTMWD may disclose information about an employee in response to a court proceeding, in response to a subpoena or other legal process. Information may be accessed for business legal requirements, e.g., situations regarding child support or by the expressed written consent of the employee.

8.4 Complaint Procedure

Complaints of potential violations of this policy should be forwarded to the Privacy Officer. The Privacy Officer will follow the Complaint Procedure as outlined in the NTMWD Personnel Policy Manual to resolve all conflicts. Any questions regarding this policy should be directed to the Privacy Officer.

SECTION IX. EMPLOYEE CONCESSION COMMITTEE

The sale of food and beverage on NTMWD property and in NTMWD facilities is a benefit to the employees and to the NTMWD. Adequate, clean, and economical vending machines can provide a convenience to the employee. It is the belief of NTMWD that any profit from vending machines should be used for the benefit of the employees, and that a committee of employees should determine such use.

The employee committee shall be composed of a Chairman and four members, each with a term of two years. The ED/GM shall appoint the Chairman, who will then appoint the Committee members.

It is the objective of the Employee Concession Committee to:

- Provide clean and adequate vending machines for use of NTMWD employees;
- Establish charges that will cover costs and provide capital to purchase additional equipment;
- Develop a plan to use any profits for the benefit of NTMWD employees such as holiday parties, summer picnics, or other approved purposes.

The ED/GM reserves the right to veto plans, which in his judgment are not in the best interest of NTMWD and its employees.

The Chairman of the committee shall be responsible to the ED/GM for the activities of the committee and the employee concession operations. Any problems should be brought to the attention of the ED/GM.

SECTION X. HANDGUN POLICY

It is the policy of the North Texas Municipal Water District (“NTMWD”), in accordance with Texas Penal Code 46.035, to allow the holder of a valid handgun license to carry his or her weapon in buildings or portions of a building owned or occupied by NTMWD which are open to the public, if the weapon is concealed or carried in a shoulder or belt holster, except that such person shall not be allowed to carry a handgun into a room where an Open Meeting subject to Chapter 551 of the Texas Government Code is being held (Public Meeting).

A Public Meeting is a meeting which had been posted under Section 551 of the Government Code at which a quorum is present whether the meeting is held in a room on NTMWD premises or at another location and includes:

- A meeting of the Board of Directors.
- A meeting of a Committee of the Board of Directors
- A public hearing, workshop or training session at which the Board of Directors is present.
- Any other meeting involving the Board of Directors properly posted and conducted under Chapter 551 Texas Government Code.

The proper signage will be posted advising the public of this policy.

In accordance with the Texas Penal Code and as adopted in Section 2.11 of NTMWD’s “Personnel Policy Manual” NTMWD employees, including contract and temporary employees, are prohibited from carrying a weapon outside their personal vehicle while in the course and scope of performing their job for NTMWD, or while attending any NTMWD sponsored function, whether or not they are on the NTMWD’s property at the time. NTMWD employees may store a firearm or ammunition they are lawfully entitled to possess in a locked privately owned vehicle in the District parking lot as set forth in Section 2.11 of the NTMWD Personnel Policy Manual. Employees of contractors or subcontractors lawfully entitled to possess a handgun who enter on to NTMWD property are prohibited from carrying a weapon outside their vehicle and shall keep all firearms and ammunition in a locked vehicle while on NTMWD property.

This policy does not restrict the ability of police officers, deputy sheriffs, State, Federal or local enforcement or security guards to lawfully carry a weapon on NTMWD premises including in rooms where Open Meetings are being held, whether said rooms are on NTMWD Premises or at another location.

Nothing in this policy authorizes access to any portion of NTMWD property by a Handgun License Holder where public access is otherwise prohibited or restricted for health, safety or security reasons or as provided by NTMWD policy, Federal or State Law.

SECTION XI. FUND BALANCE POLICY

The purpose of this policy is to set guidelines for NTMWD's Fund Balances. Fund Balance shall be defined as the total amount of Cash and Investments (at Purchase Cost) plus Accounts Receivable less Accounts Payable, and less any Remaining Payments to be made on Contracts and Agreements that have been awarded by the Board of Directors. The intent of this policy is to ensure that NTMWD maintains adequate Fund Balances to:

1. Provide sufficient cash flow liquidity for NTMWD's operations
2. Secure and maintain investment grade bond ratings
3. Minimize revenue shortfalls
4. Provide funds for unforeseen expenditures related to emergencies
5. Comply with contractual and bond covenant obligations

Guidelines for Fund Balances as of September 30 are as follows:

1. Operating Funds:
 - a. Regional Water System – Minimum Balance based on 90 Days' Budgeted Operations and Maintenance Expense
 - b. All Other (Break-Even) Systems - \$0
2. Capital Improvement Funds, Reserve for Maintenance Funds, Preventive Maintenance Funds and Equipment Replacement Funds:
 - a. Minimum Balance based on the Amount set forth in the most Recent Cost of Service Projection
3. Reserve for Maintenance Fund (Kaufman Four-One Water Distribution Facilities):
 - a. \$75,000 Maximum Balance as required by the October 2, 1989 Water Supply Contract
4. Construction Funds:
 - a. Minimum Balance based on the amount of the Initial Bond Proceeds plus Interest Earnings less Past Project Payments and less Future Project Payments to be paid on Contracts Awarded by the NTMWD Board of Directors
5. Interest & Sinking Funds:
 - a. Minimum Balance based on 1/12 of the Next Year's Debt Service Payment multiplied by the Number of Months since the Last Debt Service Payment as required the Bond Resolution

6. U.S. Government Notes Fund (Regional Water System):
 - a. Minimum Balance based on 1/12 of the Next Year's Debt Service Payment multiplied by the Number of Months since the Last Debt Service Payment

7. Debt Service Reserve Funds:
 - a. Minimum Balance based on the Average Annual Debt Service Payments on the Outstanding Bonds as required by the Bond Resolution

8. Pipeline Reserve Fund – Chapman (Regional Water System):
 - a. \$500,000 Maximum Balance as required by the June 4, 1998 Irving Operations Agreement

9. Contingency Funds:
 - a. Regional Water System - \$500,000 Minimum Balance as required by the Bond Resolutions
 - b. Little Elm Water Transmission Facilities - \$50,000 Maximum Balance as required by the March 27, 2003 Water Transmission Facilities Contract
 - c. Plano Water Transmission Facilities - \$75,000 Maximum Balance as required by the March 27, 1997 Water Transmission Facilities Contract
 - d. Stewart Creek Wastewater Treatment Plant - \$100,000 Maximum Balance as required by the October 27, 2011 Wastewater Contract
 - e. Muddy Creek Wastewater Treatment Plant - \$15,000 Maximum Balance as required by the May 27, 1999 Wastewater Contract

Fund Balances shall be evaluated by NTMWD Staff as of September 30 each Fiscal Year. This Policy and the September 30 Fund Balances shall be reviewed by NTMWD Staff with the Finance / Audit Committee within a reasonable time after completion of the annual financial audit.

ADOPTION BY BOARD OF DIRECTORS

The Administration and Finance Policies in this Manual have been passed and approved, as amended, by the Board of Directors of the North Texas Municipal Water District, in a Regular Meeting of the Board, on this 16th day of November 2017, and attested to by the signature of the President and Secretary, as indicated below.


DON GORDAN, Secretary


ROBERT THURMOND, President

(SEAL)



EXHIBIT A

NTMWD INVESTMENT STRATEGY STATEMENT

PREFACE

It is the policy of the North Texas Municipal Water District that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State legislation, Federal arbitrage regulations, applicable Bond Resolution requirements, adopted Investment Policy, and adopted Investment Strategy.

In accordance with the Public Funds Investment Act, NTMWD investment strategies shall address the following priorities (in order of importance):

- Understanding the suitability of the investment to the financial requirements of NTMWD;
- Preservation and safety of principal;
- Liquidity;
- Marketability of the investment prior to maturity;
- Diversification of the investment portfolio; and,
- Yield.

Effective investment strategy development coordinates the primary objectives of NTMWD's Investment Policy and cash management procedures to enhance interest earnings and reduce investment risk. Aggressive cash management will increase the available "investment period" and subsequently interest earnings. Maturity selections shall be based on cash flow and market conditions to take advantage of various interest rate cycles. NTMWD's portfolio shall be designed and managed in a timely manner responsive to the public trust and consistent with the Investment Policy.

Each major fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund's unique requirements. NTMWD funds shall be analyzed and invested according to the following major fund types:

- A. Operating Funds
- B. Construction Funds
- C. Interest and Sinking Funds
- D. Debt Service Reserve Funds

INVESTMENT STRATEGY

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

A. OPERATING FUNDS

1. Suitability

Any investment eligible in the Investment Policy is suitable for Operating Funds.

2. Safety of Principal

All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the weighted average days to maturity of the Operating Fund portfolio to less than 270 days and restricting the maximum allowable maturity to 18 months, the price volatility of the overall portfolio will be minimized.

3. Liquidity

The Operating Fund requires the greatest short-term liquidity of any of the fund types. Repurchase agreements and short-term investment pools shall provide daily liquidity and may be utilized as a competitive yield alternative to fixed maturity investments.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of NTMWD. Market cycle risk will be reduced by diversifying the appropriate maturity structure out through 18 months.

6. Yield

Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three-month treasury bill portfolio shall be the minimum yield objective.

B. CONSTRUCTION FUNDS

1. Suitability

Any investment eligible in the Investment Policy is suitable for Construction Funds.

2. Safety of Principal

All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the Construction Fund's portfolio to not exceed the anticipated expenditure schedule, the market risk of the overall portfolio will be minimized.

3. Liquidity

NTMWD funds used for Construction programs have reasonably predictable draw down schedules. Therefore, investment maturities shall generally follow the anticipated cash flow requirements. Investment pools shall provide readily available funds generally equal to one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any expenditure request, this investment structure is commonly referred to as a flexible repurchase agreement.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds and other construction funds. With bond proceeds, if investment rates exceed the applicable arbitrage yield, NTMWD is best served by locking in most investments. If the arbitrage yield cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger amounts. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield with any NTMWD funds.

6. Yield

Achieving a positive spread to the applicable arbitrage yield is the desired objective for bond proceeds. Non-bond proceeds construction and capital project funds will target a rolling portfolio of six-month treasury bills.

C. INTEREST AND SINKING FUNDS

1. Suitability

Any investment eligible in the Investment Policy is suitable for Interest and Sinking Funds.

2. Safety of Principal

All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur. By managing the Interest and Sinking Fund's portfolio to not exceed the debt service payment schedule, the market risk of the overall portfolio will be minimized.

3. Liquidity

Interest and Sinking Funds have predictable payment schedules. Therefore, investment maturities shall not exceed the anticipated cash flow requirements. Investment pools shall provide a competitive yield alternative for short-term fixed maturity investments. A singular repurchase agreement may be utilized if disbursements are allowed in the amount necessary to satisfy any debt service payment, this investment structure is commonly referred to as a flexible repurchase agreement.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. Generally, if investment rates are trending down, NTMWD is best served by locking in most investments. If interest rates are flat or trending up, then concurrent market conditions will determine the attractiveness of extending maturity or investing in shorter alternatives. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

6. Yield

Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three month treasury bill portfolio shall be the minimum yield objective.

D. DEBT SERVICE RESERVE FUNDS

1. Suitability

Any investment eligible in the Investment Policy is suitable for the Debt Service Reserve Funds. Bond resolution constraints and insurance company restrictions create issue-specific considerations in addition to the Investment Policy.

2. Safety of Principal

All investments shall be of high quality securities with no perceived default risk. Market price fluctuations will however occur, by managing the Debt Service Reserve Fund's portfolio maturities to not exceed the call provisions of the bond issue, will reduce the investment's market risk if NTMWD's bonds are called and the reserve fund liquidated. No investment maturity shall exceed the final maturity of the bond issue. Annual mark-to-market requirements or specific maturity and average life limitations within the bond issues' documentation will influence the attractiveness of market risk and reduce the opportunity for maturity extension.

3. Liquidity

Debt Service Reserve Funds have no anticipated expenditures. The funds are deposited to provide annual debt service payment protection to NTMWD's bond holders. The funds are "returned" to NTMWD at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of security diversification and liquidity. Generally, if investment rates exceed the applicable arbitrage yield for a specific bond issue, NTMWD is best served by locking in investment maturities and reducing liquidity. If the arbitrage yield cannot be exceeded, then concurrent market conditions will determine the attractiveness of locking in maturities or investing shorter and anticipating future increased yields.

4. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

5. Diversification

Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.

6. Yield

Achieving a positive spread to the applicable arbitrage yield is the desired objective.

EXHIBIT B

AUTHORIZED INVESTMENT TRAINING SOURCES

Government Finance Officers Association
Government Finance Officers Association of Texas
University of North Texas Center for Public Management
Government Treasurer's Organization of Texas
Alliance of Texas Treasury Associations
Texas Treasury Management Association
Texas Municipal League
Texas Association of Counties
Texas Association of School Boards
Texas Water Conservation Association

EXHIBIT C

AUTHORIZED BROKERS

First Southwest Company