

**RED RIVER  
GROUNDWATER  
CONSERVATION  
DISTRICT**

**BOARD MEETING**

**BOARD ROOM  
GREATER TEXOMA UTILITY AUTHORITY  
5100 AIRPORT DRIVE  
DENISON, TEXAS 75020**

**TUESDAY  
DECEMBER 19, 2017**

**AGENDA**  
**RED RIVER GROUNDWATER CONSERVATION DISTRICT**  
**BOARD OF DIRECTORS BOARD MEETING**  
**GREATER TEXOMA UTILITY AUTHORITY BOARD ROOM**  
**5100 AIRPORT DRIVE**  
**DENISON, TEXAS 75020**  
**TUESDAY, DECEMBER 19, 2017**

**Public Meeting to Adopt Desired Future Conditions**

The Public Meeting will begin at 10:00 A.M.

Notice is hereby given that the Board of Directors of the Red River Groundwater Conservation District ("District") will hold a public meeting, accept public comment, and may discuss and consider adoption of the District's Desired Future Conditions.

**Agenda:**

1. Call to Order; establish quorum; declare meeting open to the public; introduction of Board.
2. Review of Desired Future Conditions applicable to the District.
3. Public Comment on District Desired Future Conditions (verbal comments limited to three (3) minutes each).
4. Consider and act upon adoption of the Desired Future Conditions applicable to the District.

**Board Meeting**

The regular Board Meeting will begin upon adjournment of the above noticed Public Meeting to Adopt Desired Future Conditions.

Notice is hereby given that the Board of Directors of the Red River Groundwater Conservation District ("District") may discuss, consider, and take all necessary action, including expenditure of funds, regarding each of the agenda items below:

**Agenda:**

1. Call to order, establish quorum; declare meeting open to the public.
2. Presentation of Service Appreciation Plaque to William Purcell.
3. Public Comment.
4. Consider and act upon approval of Minutes of November 2, 2017, Board Meeting.



5. Review and approval of monthly invoices.
  6. Receive monthly financial information.
  7. Consider and act upon approval of Investment Policy.
  8. Update and possible action regarding the process for the development of Desired Future Conditions (DFCs).
  9. Consider and act upon compliance and enforcement activities for violations of District Rules.
    - a. Lass Water Supply Co.
    - b. Texas Rain Holding Co.
  10. General Manager's report: The General Manager will update the Board on operational, educational and other activities of the District.
    - a. Update on GeoDatabase project
    - b. Update on injection/disposal well monitoring program
  11. Receive presentation regarding permanent rules development.
    - a. Consider and act upon action items for rules development
  12. Open forum / discussion of new business for future meeting agendas
  13. Adjourn public meeting.
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<sup>1</sup>*The Board may vote and/or act upon each of the items listed in this agenda.*

<sup>2</sup>*At any time during the meeting or work session and in compliance with the Texas Open Meetings Act, Chapter 551, Government Code, Vernon's Texas Codes, Annotated, the Red River Groundwater Conservation District Board may meet in executive session on any of the above agenda items or other lawful items for consultation concerning attorney-client matters (§551.071); deliberation regarding real property (§551.072); deliberation regarding prospective gifts (§551.073); personnel matters (§551.074); and deliberation regarding security devices (§551.076). Any subject discussed in executive session may be subject to action during an open meeting.*

<sup>3</sup>*Persons with disabilities who plan to attend this meeting, and who may need assistance, are requested to contact Velma Starks at (800) 256-0935 two (2) working days prior to the meeting, so that appropriate arrangements can be made.*

<sup>4</sup>*For questions regarding this notice, please contact Velma Starks at (800) 256-0935, at [rrgcd@redrivergcd.org](mailto:rrgcd@redrivergcd.org) or at 5100 Airport Drive, Denison, TX 75020.*

ATTACHMENT 4

MINUTES OF THE BOARD OF DIRECTORS' BOARD MEETING  
RED RIVER GROUNDWATER CONSERVATION DISTRICT

THURSDAY, NOVEMBER 2, 2017

GREATER TEXOMA UTILITY AUTHORITY  
BOARD ROOM  
5100 AIRPORT DRIVE  
DENISON TX 75020

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Members Present: Chuck Dodd, David Gattis, P.E., Mark Gibson, P.E., Harold Latham, Mark Newhouse, Mark Patterson, Billy Stephens

Members Absent: None

Staff: Drew Satterwhite, P.E., Allen Burks, Paul Sigel, Wayne Parkman, Theda Anderson, Velma Starks, Carolyn Bennett

Visitors: Kristen Fancher, Fancher Law  
James Beach, LBG Guyton

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1. Call to order, establish quorum; declare meeting open to the public, and take roll.

President Patterson called the meeting to order at 10:02 am, established a quorum was present, and declared the meeting open to the public.

2. Public comment

Board and staff introduced themselves. Drew introduced Paul Sigel, the new Technical Lead for the District.

No public comment.

3. Administer Oath of Office

Carolyn Bennett administered Oaths of Office to Chuck Dodd, David Gattis, P.E., Mark Newhouse and Billy Stephens.

4. Consider and act upon approval of Minutes from the July 13, 2017 board meeting.

Board Member David Gattis made a motion to approve the minutes of the June 22, 2017 meeting. The motion was seconded by Board Member Newhouse. Board Members Chuck Dodd and Billy Stephens abstained, as they were not members of the Board at that time. The motion passed.

5. Review and approval of monthly invoices.

General Manager Satterwhite reviewed the monthly invoices with the Board of Directors. Board Member David Gattis made a motion to approve Resolution 2017-11-02-01. Board Member Mark Gibson seconded the motion. Motion passed unanimously.



6. Receive monthly financial information

General Manager Satterwhite reviewed the monthly financial information with the Board.

7. Consider and act upon election of Officers

General Manager Satterwhite reported that the Nominating Committee was appointed at the last Board meeting. David Gattis and Mark Newhouse were appointed to the committee. David Gattis reported the Committee met, and it is the recommendation of the Committee that Mark Patterson be nominated as President, Harold Latham as Vice President, and Mark Gibson as Secretary-Treasurer. The motion was seconded by Board Member Mark Newhouse and passed unanimously.

8. Consider and act upon Resolutions of Appreciation for Previous Board Members

General Manager Satterwhite stated it has been protocol in the past for the Board to adopt a resolution of appreciation for past board members. Additionally, Mr. Satterwhite requested permission from the Board to purchase plaques expressing gratitude of the Board for the past members' service to the District. It was the consensus of the Board that plaques be purchased for past Board Members to express appreciation for their service. Board Member Mark Gibson moved to approve the resolutions of appreciation for Board Members Don Wortham and William Purcell. The motion was seconded by Board Member Chuck Dodd and passed unanimously.

9. Receive Quarterly Investment Report

General Manager Satterwhite reviewed the Quarterly Investment Report with the Board of Directors and discussed the current investments.

10. Receive Quarterly Report

General Manager Satterwhite reviewed the Quarterly Report with the Board of Directors.

11. Rules and Bylaws Committee Update

General Manager Satterwhite stated the Rules and Bylaws Committee met last month, and participated in the preparation of the presentation that will be provided under Item 17.

12. Consider and act upon 2018 Administrative Services Contract with Greater Texoma Utility Authority

General Manager Satterwhite reviewed the Administrative Services Contract with the Greater Texoma Utility Authority for 2018. Board Member David Gattis moved to approve the contract for administrative services for 2018 with the Greater Texoma Utility Authority. The motion was seconded by Board Member Mark Newhouse and passed unanimously.

13. Consider and act upon Engagement Letter for Audit Services for Fiscal Year Ending December 31, 2017

General Manager Satterwhite informed the Board of Directors that the engagement letter presented is for the fiscal year ending December 31, 2017. Proposals were solicited in 2013 for audit services, with McClanahan and Holmes of Bonham being selected as the auditors for the District. The contract entered into in 2013 was for up to five years, with this year's contract being the fourth year. The fees for the engagement letter for the current fiscal year will be \$4,650.00, an increase of \$150.00 from 2016. McClanahan and Holmes, LLP has provided thorough and quality audits during their tenure with the District. Mr. Satterwhite stated the staff recommends the Board

authorize the engagement letter with McClanahan and Holmes, LLP for the 2017 audit. Board Member Mark Newhouse motioned to approve the engagement letter for 2017 with McClanahan and Holmes, LLC. The motion was seconded by Mark Gibson and passed unanimously.

14. Update and possible action regarding the process for the development of Desired Future Conditions (DFCs)

General Manager Satterwhite informed the Board that LBG Guyton has been working with the Texas Water Development Board staff regarding the model run for the District's DFCs. District Staff has been told to expect a letter stating the District's DFCs are administratively complete in the near future.

15. Consider and act upon compliance and enforcement activities for violations of District Rules and other activities of the District.

Pursuant to the Texas Open Meetings Act, Chapter 551, Government Code, Vernon's Texas Codes, Annotated, §551.071, consultation with attorney, the Red River Groundwater Conservation District Board adjourned into Executive Session at 10:30 a.m. to discuss:

- a. Texas Rain Holding Co.
- b. Lass Water Supply Co.

The Board convened into Regular Session at 10:50 a.m. No action was taken on any items discussed during Executive Session.

Board Member David Gattis moved to approving the filing of a lawsuit against Texas Rain Holding Co., with an additional \$500.00 in fines added to the current amount owed, in accordance with the District's Enforcement Policy and Civil Penalty Schedule, for continued non-response and noncompliance. The motion was seconded by Board Member Newhouse and passed unanimously.

Board Member Mark Newhouse made a motion to investigate the current status of Lass Water Supply Co., based on its history of noncompliance, determining whether the company is in bankruptcy or other related proceeding. A report is to be provided by the staff and General Counsel at the next meeting regarding the status of Lass Water Co. Board Member Chuck Dodd seconded the motion and the motion passed unanimously.

16. General Manager's Report: The General Manager will update the Board on operational, educational and other activities of the District

General Manager Satterwhite reported as of September 30, 2017 there are 760 total wells registered in the District. Five new wells were registered in September.

Mr. Satterwhite informed the Board a presentation regarding the Red River Groundwater District was made to an area water system operators group in October. The presentation was received well by the audience.

The Board discussed water conservation efforts, and the possibility of some type of award being provided by the District to water providers pursuing water conservation efforts and improving

water loss. It was the consensus of the Board that the District staff look into efforts to encourage water loss be addressed by water providers, as well as water conservation.

Mr. Satterwhite informed the Board the District Field staff is meeting with the Texas Water Development Board ("TWDB") staff next week to begin the annual well monitoring program. The staff will begin the task of communicating with the well owners to request a letter agreement regarding the current monitoring wells, so that the District may begin the monitoring of the wells in lieu of the TWDB staff. Discussion ensued regarding additional monitoring wells being brought into the District's monitoring program, transducers being used for monitoring purposes, and funding being provided for plugging wells in the future.

17. Receive presentation from the District's Hydrogeologist and Legal Counsel regarding permanent rules development

James Beach with LBG Guyton and Kristen Fancher with Fancher Law provided the Board with a presentation regarding well spacing, for Rules development purposes.

a. Consider and act upon action items for rules development

It was the consensus of the Board that James Beach and Kristen Fancher provide the Board with a presentation at the next meeting regarding spacing requirements, with 2% and 5% drawdown as maximums and 2 days of pumping for the assumptions.

18. Open Quorum/discussion of future agenda items

President Patterson asked if any of the Board Members had items for discussion on future agendas. The Board decided to meet Tuesday, December 19, 2017 at 10:00 am.

19. Adjourn public meeting

President Patterson declared the meeting adjourned at 1:07pm.

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\_\_\_\_\_  
Recording Secretary

\_\_\_\_\_  
Secretary-Treasurer



ATTACHMENT 5

RESOLUTION NO. 2017-12-19-01

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE RED RIVER GROUNDWATER CONSERVATION DISTRICT AUTHORIZING PAYMENT OF ACCRUED LIABILITIES FOR THE MONTH OF DECEMBER 2017

The following liabilities are hereby presented for payment:

<u>Administrative Services</u>	<u>Amount</u>
GTUA- (October 2017)	13,526.63
GTUA- (November 2017)	15,954.20
<u>Contract Services</u>	
IT Nexus (December 2017 well database management)	600.00
LBG-Guyton (Services through October 2017)	3,715.35
<u>Direct Costs</u>	
Awards Unlimited (Don Wortham & Bill Purcell appreciation awards)	283.90
NexTraq - (November 17 GPS tracking)	39.95
USTI - (August-October 17 E-Bill Charges)	1.42
USTI - Ebill- (November 17 E-Bill Charges)	6.39
<u>Insurance</u>	
Bayless-Hall (2018 renewal Dishonesty Bond)	286.00
<u>Legal</u>	
Law Offices of Kristen Fancher PLLC (services through September 2017)	2,180.00
Law Offices of Kristen Fancher PLLC (services through October 2017)	1,460.00
<u>Software Maintenance</u>	
Intera (DripDrop System Deveelopment)	16,195.49
<b>GRAND TOTAL:</b>	<u>\$</u> <u>54,249.33</u>

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE RED RIVER GROUNDWATER CONSERVATION DISTRICT THAT the Secretary-Treasurer is hereby authorized to make payments in the amounts listed above

On motion of \_\_\_\_\_ and seconded by \_\_\_\_\_, the foregoing Resolution was passed and approved on this, the 19TH day of December, 2017 by the following vote:

AYE:  
NAY:

At a meeting of the Board of Directors of the Red River Groundwater Conservation District.

\_\_\_\_\_  
President

ATTEST

\_\_\_\_\_  
Secretary/Treasurer



ATTACHMENT 6



**Red River Groundwater Conservation District**

**Balance Sheet**

For General Fund (00)

October 31, 2017

Assets

00-01-10001	Checking Account	44,538.19
00-01-10010	Investments-CD	310,000.00
00-01-10025	Accounts Receivable	94,376.24
00-01-10026	A/R Texas Rain Holding Co	2,600.00
00-01-10101	Allowance for Uncollectible Accounts	(1,530.00)
00-01-10200	PP Expense	4,325.00
	<b>Total</b>	<u>454,309.43</u>
	<b>Total Assets</b>	<u>\$ 454,309.43</u>

Liabilities and Fund Balance

00-01-23100	Accounts Payable	26,605.84
00-01-23150	Deposits to be Refunded	10,500.00
	<b>Total</b>	<u>37,105.84</u>
	<b>Total Liabilities</b>	<u>37,105.84</u>
00-01-35100	Fund Balance	73,069.05
00-01-35120	Current Year Excess of Revenue over Expenses	396,194.81
	<b>Total</b>	<u>469,263.86</u>
	Excess of Revenue Over Expenditures	<u>(52,060.27)</u>
	<b>Total Fund Balances</b>	<u>417,203.59</u>
	<b>Total Liabilities and Fund Balances</b>	<u>\$ 454,309.43</u>

**Red River Groundwater Conservation District**

**Statement of Revenue and Expenditures**

11/10/2017 10:51am

Revised Budget

For General Fund (00)

For the Fiscal Period 2017-10 Ending October 31, 2017

Account Number		Current Budget	Current Actual	Annual Budget	YTD Actual	Remaining Budget %
<b>Revenues</b>						
00-01-46002	GW Production Cost	\$ 0.00	\$ 0.00	\$ 325,000.00	228,863.38	29.58%
00-01-46005	Late Fees	0.00	0.00	0.00	755.63	0.00%
00-01-46006	Violation Fees	0.00	500.00	0.00	3,100.00	0.00%
00-01-46007	Registration Fees	416.67	0.00	5,000.00	5,400.00	(8.00%)
00-01-46010	Well Drillers Deposit	0.00	0.00	0.00	200.00	0.00%
00-01-46100	Interest Income	41.67	(1,273.97)	500.00	998.18	(99.64%)
<b>Total General Fund Revenues</b>		<b>\$ 458.34</b>	<b>\$ (773.97)</b>	<b>\$ 330,500.00</b>	<b>\$ 239,317.19</b>	<b>27.59%</b>
<b>Expenditures</b>						
00-01-77010	Administrative Cost	\$ 8,750.00	\$ 7,681.00	\$ 105,000.00	87,744.20	16.43%
00-01-77020	Advertising	83.33	0.00	1,000.00	267.73	73.23%
00-01-77027	Auditing	0.00	0.00	4,500.00	4,500.00	0.00%
00-01-77031	Banking Fees	0.00	0.00	0.00	27.00	0.00%
00-01-77032	Contract Services	6,016.67	600.00	72,200.00	60,479.74	16.23%
00-01-77035	Field Technician	6,666.67	4,765.50	80,000.00	54,607.00	31.74%
00-01-77040	Direct Cost	333.33	537.22	4,000.00	3,687.66	7.81%
00-01-77450	Dues & Subscription	116.67	1,000.00	1,400.00	1,483.00	(5.93%)
00-01-77480	Equipment	666.67	0.00	2,000.00	1,495.71	25.21%
00-01-77500	Fees- GMA8	0.00	0.00	1,000.00	0.00	100.00%
00-01-77810	Insurance	416.67	3.75	5,000.00	1,896.73	62.07%
00-01-77855	Internet Fees	541.67	0.00	6,500.00	4,260.06	34.46%
00-01-77970	Legal	2,916.67	0.00	35,000.00	29,673.98	15.22%
00-01-78010	Meetings and Conferences	208.33	3.73	2,500.00	2,187.34	12.51%
00-01-78310	Rent	200.00	200.00	2,400.00	2,000.00	16.67%
** 00-01-78600	Software Maintenance	166.67	0.00	2,000.00	33,041.62	(1552.08%)
00-01-78750	Telephone	166.67	213.44	2,000.00	1,894.67	5.27%
00-01-78770	Transportation-Mileage	416.67	94.90	5,000.00	2,131.02	57.38%
<b>Total General Fund Expenditures</b>		<b>\$ 27,668.69</b>	<b>\$ 15,099.54</b>	<b>\$ 331,500.00</b>	<b>\$ 291,377.46</b>	<b>12.10%</b>
<b>General Fund Excess of Revenues Over Expenditures</b>		<b>\$ (27,208.35)</b>	<b>\$ (15,873.51)</b>	<b>\$ (1,000.00)</b>	<b>\$ (52,060.27)</b>	

\*\* This Line Item will be taken from Fund Balance

## Red River Groundwater Conservation District

**Balance Sheet**

For General Fund (00)

December 31, 2017

**Assets**

00-01-10001	Checking Account	18,396.26
00-01-10010	Investments-CD	310,000.00
00-01-10025	Accounts Receivable	64,963.91
00-01-10026	A/R Texas Rain Holding Co	2,600.00
00-01-10101	Allowance for Uncollectible Accounts	(1,530.00)
00-01-10200	PP Expense	4,325.00
	<b>Total</b>	<u>398,755.17</u>
	<b>Total Assets</b>	<u>\$ 398,755.17</u>

**Liabilities and Fund Balance**

00-01-23100	Accounts Payable	(4,696.28)
00-01-23150	Deposits to be Refunded	10,900.00
	<b>Total</b>	<u>6,203.72</u>
	<b>Total Liabilities</b>	<u>6,203.72</u>
00-01-35100	Fund Balance	73,069.05
00-01-35120	Current Year Excess of Revenue over Expenses	396,194.81
	<b>Total</b>	<u>469,263.86</u>
	Excess of Revenue Over Expenditures	(76,712.41)
	<b>Total Fund Balances</b>	<u>392,551.45</u>
	<b>Total Liabilities and Fund Balances</b>	<u>\$ 398,755.17</u>



**Red River Groundwater Conservation District**  
**Statement of Revenue and Expenditures**

Revised Budget  
 For General Fund (00)  
 For the Fiscal Period 2017-11 Ending November 30, 2017

Account Number	Current Budget	Current Actual	Annual Budget	YTD Actual	Remaining Budget %
<b>Revenues</b>					
00-01-46002 GW Production Cost	\$ 0.00	\$ 0.00	\$ 325,000.00	\$ 226,144.12	30.42%
00-01-46005 Late Fees	0.00	0.00	0.00	705.63	0.00%
00-01-46006 Violation Fees	0.00	0.00	0.00	3,100.00	0.00%
00-01-46007 Registration Fees	416.67	900.00	5,000.00	6,300.00	(26.00%)
00-01-46010 Well Drillers Deposit	0.00	0.00	0.00	200.00	0.00%
00-01-46100 Interest Income	41.67	98.55	500.00	1,096.73	(119.35%)
<b>Total General Fund Revenues</b>	<b>\$ 458.34</b>	<b>\$ 998.55</b>	<b>\$ 330,500.00</b>	<b>\$ 237,546.48</b>	<b>28.13%</b>
<b>Expenditures</b>					
00-01-77010 Administrative Cost	\$ 8,750.00	\$ 6,985.00	\$ 105,000.00	\$ 94,729.20	9.78%
00-01-77020 Advertising	83.33	0.00	1,000.00	267.73	73.23%
00-01-77027 Auditing	0.00	0.00	4,500.00	4,500.00	0.00%
00-01-77031 Banking Fees	0.00	0.00	0.00	27.00	0.00%
00-01-77032 Contract Services	6,016.67	600.00	72,200.00	64,795.09	10.26%
00-01-77035 Field Technician	6,666.67	7,989.50	80,000.00	62,596.50	21.75%
00-01-77040 Direct Cost	333.33	439.18	4,000.00	4,128.26	(3.21%)
00-01-77450 Dues & Subscription	116.67	0.00	1,400.00	1,483.00	(5.93%)
00-01-77480 Equipment	666.67	0.00	2,000.00	1,495.71	25.21%
00-01-77500 Fees- GMA8	0.00	0.00	1,000.00	0.00	100.00%
00-01-77810 Insurance	416.67	286.00	5,000.00	2,182.73	56.35%
00-01-77855 Internet Fees	541.67	0.00	6,500.00	4,260.06	34.46%
00-01-77970 Legal	2,916.67	0.00	35,000.00	31,133.98	11.05%
00-01-78010 Meetings and Conferences	208.33	284.69	2,500.00	2,472.03	1.12%
00-01-78310 Rent	200.00	200.00	2,400.00	2,200.00	8.33%
00-01-78600 Software Maintenance	166.67	0.00	2,000.00	33,041.62	** (1552.08%)
00-01-78750 Telephone	166.67	191.93	2,000.00	2,086.60	(4.33%)
00-01-78770 Transportation-Mileage	416.67	128.36	5,000.00	2,259.38	54.81%
<b>Total General Fund Expenditures</b>	<b>\$ 27,666.69</b>	<b>\$ 17,104.66</b>	<b>\$ 331,500.00</b>	<b>\$ 313,658.89</b>	<b>5.38%</b>
<b>General Fund Excess of Revenues Over Expenditures</b>	<b>\$ (27,208.35)</b>	<b>\$ (16,106.11)</b>	<b>\$ (1,000.00)</b>	<b>\$ (76,112.41)</b>	

\*\* Expenditure over the budget amount will be funded from Fund Balance

**Red River Groundwater Conservation District**  
**Statement of Revenue and Expenditures**  
*Revised Budget*

*For the Fiscal Period 2017-11 Ending November 30, 2017*

Account Number	Current Budget	Current Actual	Annual Budget	YTD Actual	Remaining Budget %
Total Revenues	\$ 458.34	\$ 998.55	\$ 330,500.00	\$ 237,546.48	
Total Expenditures	\$ 27,666.69	\$ 17,104.66	\$ 331,500.00	\$ 313,658.89	5.38%
Total Excess of Revenues Over Expenditures	\$ (27,208.35)	\$ (16,106.11)	\$ (1,000.00)	\$ (76,112.41)	

ATTACHMENT 7





**RED RIVER GROUNDWATER CONSERVATION  
DISTRICT  
AGENDA COMMUNICATION**

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**DATE:** December 11, 2017

**SUBJECT:** AGENDA ITEM NO. 7

**CONSIDER AND ACT UPON APPROVAL OF INVESTMENT POLICY**

**ISSUE**

Consider and act upon the Investment Policy as required by the Public Funds Investment Act.

**BACKGROUND**

The Red River Groundwater Conservation District initially adopted an Investment Policy in July of 2012. This policy is required to be reviewed annually in order to comply with Public Funds Investment Act. The proposed policy states that the Board of Directors will approve broker/dealers and PFIA training sources on an annual basis. Below, is a list of the proposed broker/dealers and PFIA training sources:

**Independent training sources:**

- Association of Water Board Directors
- Texas Rural Water Association
- Texas Water Utilities Association
- Government Finance Officers' Association
- Government Finance Officers' Association of Texas
- Government Treasurers' Organization of Texas
- Council of Governments
- University of North Texas Center for Public Management
- American Institute of Certified Public Accountants
- Association of Governmental Accountants

**Broker/Dealer List:**

- BOKF Financial
- FTN Financial
- Raymond James

**OPTIONS/ALTERNATIVES**

The Board could adopt the attached policy, modify the policy, or defer to committee for review.

**CONSIDERATIONS**

The adoption of this policy will be evidence that the Board is responsible in its use of public funds.

**STAFF RECOMMENDATIONS**

The staff recommends adopting the Proposed Investment Policy as well as the proposed broker/dealers and PFIA training sources.

**ATTACHMENTS**

Proposed Investment Policy - Redline

**PREPARED AND SUBMITTED BY:**

A handwritten signature in blue ink, appearing to be 'Drew Satterwhite', written over a horizontal line.

Drew Satterwhite, P.E., General Manager

**EXHIBIT "A"**

**RED RIVER GROUNDWATER CONSERVATION DISTRICT**

**INVESTMENT POLICY**

**ADOPTED: JULY 25, 2012**

**REVIEWED AND APPROVED: December 19, 2017**



EXHIBIT "A"

1.01 PURPOSE

This policy with respect to district investments has been adopted by the Board of Directors (the "Board") of Red River Groundwater Conservation District (the "District") to establish the principles and criteria by which the funds of the District should be invested and secured (a) to preserve the principal, (b) to earn interest, (c) to address investment diversification, yield, and maturity, (d) to fulfill the duties of the designated Investment Officer of the District, (e) to comply with the types of authorized investments and to specify the maximum allowable stated maturity of the District's investments, and (f) to comply with the provisions of Texas law related to the investment and security of funds applicable to groundwater conservation districts ("Investment Laws"). The provisions of Chapter 36 ~~and Chapter 49~~ of the Texas Water Code relating to investments and securities, the Public Funds Investment Act (the "Act") as amended in Chapter 2256 of the Texas Government Code, and other appropriate statutes are applicable to the investment of the District's funds.

1.02 POLICY OF INVESTMENT

- A. The preservation of principal shall be the primary concern of the District and the District Investment Officer. To the extent that the principal is protected, District funds shall be invested to yield the highest possible rate of return to meet the current and future financial needs of the District and to maintain liquidity, all while taking into consideration the strength of the financial institution, and complying with any Internal Revenue Code laws or regulations and procedures set forth in any bond resolutions or orders, adopted from time to time by the Board. Funds of the District shall be invested by the District's staff in accordance with the policy. Any resolution or order adopted by the Board relating to investment policies or procedures shall be in writing and shall be made available to requesting members of the public.
- B. Investment of funds shall be governed by the following investment objectives, in order of priority:

1. Understanding suitability of investments to the District's requirements,
2. Preservation and safety of principal,
  - a. Credit risk - the District will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment
  - b. Interest rate risk - the District will minimize the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates
3. Liquidity,
4. Understanding suitability of investments to the District's requirements,

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5. Preservation and safety of principal,

a. Credit risk - the District will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment

b. Interest rate risk - the District will minimize the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates

~~a. Preservation and safety of principal~~

~~b. Liquidity~~

~~c. Diversification~~

~~d.a. Yield.~~

- C. The investment of the District's funds should be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. The Investment Officer, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching securities with cash flow dates will normally increase yield, will lock in higher yields, and reduce the need to sell securities prior to maturity, thus reducing market risk.

1.03 DELEGATION OF INVESTMENT AUTHORITY

- A. The Board shall designate by resolution one or more officers ~~and/or employees-General Manager and Finance Officer~~ of the District to be responsible for the investment of its funds and be the District's Investment Officer(s). The Board resolution shall also authorize the Investment Officer to engage in investment transactions, deposit, withdraw, wire funds for investments, transfer and manage funds on behalf of the District. However, there shall be no transfer, expenditure, or appropriation of District funds, other than a transfer of the funds from one District account to another account of the District as stated above, unless by check or draft signed by two (2) members of the Board or authorized by separate order or resolution of the Board.
- B. The Investment Officer is responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. The Board retains ultimate fiduciary responsibility.
- C. The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this Investment Policy. Procedures will include reference to safekeeping, wire transfer agreements, banking services contracts, and other investment related activities.
- D. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except at provided under the terms of this Policy and the procedures established.

- E. The Investment Officer's authority is effective until the District rescinds the authority or until: (1) termination of employment with the District for an Investment Officer who is an employee of the District; or (2) vacating the office of director for an Investment Officer who is a director of the Board.
- F. An officer or employee of a regional planning commission, council of governments or similar regional planning agency created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under this policy.
- G. Should total District funds exceed \$50,000, there is hereby established an investment committee, composed of the Investment Officer, and at least two directors. The investment committee shall meet ~~quarterly~~ annually or as needed to monitor and review the investments and collateral pledge agreements of the District. The Investment Officer shall be the chairman of the committee. The committee shall report concerning the District's investments transaction for the preceding year describing the investment portion of the District at the end of each fiscal year. The report shall be written and signed by members of the committee. The committee also shall report to the Board on its review the month following each quarterly meeting.

H. No person may deposit, withdraw, invest, transfer, or manage in any other manner funds of the District without the express written authority of the Investment Officer.

I. Obtain and review competitive rates from qualified investment providers, financial institutions and broker/dealers.

H. \_\_\_\_\_

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#### 1.04 PRUDENT PERSON RULE

- A. The actions of the Investment Officer in the performance of his or her duties as manager of the District's funds shall be evaluated using the "prudent person" standard. Investments shall be made with judgment and care under prevailing circumstances which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.
- B. The Investment Officer acting in accordance with written procedures exercising due diligence shall be relieved by personal responsibility for an individual security's performance provided that deviations from expectations are reported in a timely fashion to the governing body and appropriate action is taken to control adverse developments.

#### 1.05 INVESTMENT STRATEGY BY FUND

Funds in the District accounts shall be invested by the Investment Officer as follows:

- a. Capital Projects Account: The District may choose to have a Capital Projects Account from time to time, and, if so, shall maintain as its primary objective to maximize the suitability of the investment in such funds to the financial requirements of the District



while preserving the safety of principal with regard to monies collected or allocated for such fund.

- b. Operating Account: Funds in this account shall be invested to meet the operating requirements of the District as determined by the annual operating budget of the District, or by resolution of the Board.
- c. Debt Service Account: Funds in this account shall be invested to meet the debt service requirements of the District. In order to accomplish this, the District will invest such funds in amounts and maturity dates that most likely match the debt service requirements of the District.

#### 1.06 AUTHORIZED INVESTMENTS

A. Acceptable investments under this Policy shall be limited to the instruments listed below and as further described by the Act. If additional types of securities are approved for investment by public funds by state statute, they will not be eligible for investment by the District until this Policy has been amended and the amended version is adopted by the Board:

- a. Obligations of the United States Government, its agencies and instrumentalities, including the Federal Home Loan Banks, but excluding principal-only and interest-only mortgage backed securities, collateralized mortgage obligations, and real estate mortgage investment conduits; not to exceed two years to stated maturity, excluding mortgage backed securities;
- b. Fully insured or collateralized certificates of deposit and other forms of deposit placed in compliance with the Act from any bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to stated maturity, to include certificates of deposit purchased through the CDARS program with a Texas bank; and
- c. AAA-rated, constant dollar Texas Local Government Investment Pools as defined by the Act.

B. Bids for investments, including certificates of deposit, may be solicited:

- a. Orally;
- b. In writing;
- c. Electronically; or
- d. In any combination of those methods.

C. All purchases of securities shall be made on a delivery versus payment basis assuring that no District funds are released before the security is received by the custodian.

#### 1.07 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

A. All investments made by the District will be made through either the District's banking services bank or an approved broker/dealer. The Board will review the list of broker/dealers annually. A list of at least three broker/dealers will be maintained of approved investment broker/dealers. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 153C-1 (uniform net capital rule), in order to assure competitive bidding.

B. Securities broker/dealers must meet certain criteria as determined by the Investment Officer. The following criteria must be met by those firms on the list:

- a. Proof of certification by the Financial Industry Regulatory ~~Association~~ Authority (FINRA) and provision of FINRA CRD number,
- b. ~~Audited financial statements~~ District certification, and
- c. Proof of current registration with the Texas State Securities Board.

~~C. Every broker/dealer and bank with which the District transacts business will be provided a copy of this Investment Policy for review to assure that they are familiar with the goals and objectives of the investment program. A representative of the firm will be required to return a signed certification stating that the Investment Policy has been received and reviewed and that controls are in place to control that only authorized securities are sold to the District. A form of the certification is attached to this Investment Policy.~~

#### 1.08 SAFEKEEPING AND COLLATERALIZATION

A. Safekeeping of District Owned Securities.

- a. All purchased securities shall be cleared to safekeeping on a delivery versus payment basis and held in safekeeping by an independent third party financial institution, or the District's banking services depository.
- b. All safekeeping arrangements shall be approved by the Investment Officer and an agreement of the terms executed in writing. The independent third party custodian shall be required to issue safekeeping receipts to the District listing each specific security, rate, description, maturity, cusip number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is being held for the District or pledged to the District.

B. Securities Pledged as Collateral

- a. All securities pledged to the District for all bank time or demand deposits shall be held by an independent third party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which securities are pledged.

b. Collateralization is required on all time and demand deposits over the FDIC insurance coverage.

a. In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level will be 102% of the ~~market value~~ deposit amount plus of the principal and accrued interest on the deposit, less the applicable level of FDIC insurance. ~~t~~

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b. Collateral will be held by an independent third party custodian. The custodian shall provide a written monthly report directly to the District listing all pledged collateral by description and par at a minimum. ~~The investment officers will monitor adequacy of collateralization levels to verify market values and total collateral positions.~~

b.c. ~~If the collateral pledged for a deposit falls below the deposit value of the deposit, plus accrued interest, less FDIC insurance, the institution holding the deposit will be notified by the investment officers and will be required to pledge additional collateral no later than the end of the next succeeding business day.~~

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C. Authorized Collateral

- a. The only types of collateral authorized by the District are:
  - i. Obligations of the U. S. Government, its agencies and instrumentalities including mortgage-backed securities which pass the bank test.
  - ii. Obligations of a state or subdivision, city, county, school district of any state which is rated A or better by two nationally recognized rating agencies.
- b. If the depository proposes a collateral pooling program, the Investment Officer will review and evaluate the program's risk and cost to the District for presentation to the Board. The pooling of collateral allows a bank to create a pool of securities for collateral purposes for multiple governments and will not result in securities pledged directly/specifcally to each government.
- b.c. Collateralized deposits often require release or substitution of collateral. Any broker, dealer, or financial institution requesting substitution must contact the investment officers 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 officers, or a designee, must provide written notification of the decision to the bank or the custodian/safekeeping agent 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 officers may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

1.09 INVESTMENT TRAINING

- A. The Investment Officer shall attend ~~at least one~~ training as required by Water Code 36.151, session from an independent source approved by the Board involving at least six (6) hours of instruction ~~related to the responsibilities and duties under Subchapter 2256 of the Act unless the Investment Officer currently is in compliance with the requirements of the Act.~~ The initial training shall occur within 12 months after the Investment Officer takes office or assumes his or her duty. The Investment Officer shall attend an investment training session not less than once in a two-year period and receive not less than four (4) hours of instruction related to the duties and investment responsibilities under Subchapter 2256 of the Act from an independent source approved by the Board.
- B. Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Act.

1.10 REPORTING AND PERFORMANCE EVALUATION

- A. The Investment Officer shall submit a monthly report to the District Manager.
- B. Not less than quarterly, the Investment Officer shall prepare and submit to the Board a written report of investment transactions for all funds subject to this policy for the preceding reporting period. The report must:
  - a. Describe in detail the District's investment position on the date of the report;
  - b. Be prepared by the Investment Officer;



- c. Be signed by the Investment Officer;
  - d. State the maturity date of each separately invested asset that has a maturity date;
  - e. State the book value and the market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested; and
  - f. State the compliance of the investment portfolio of the District with:
    - i. The investment strategy expressed in the District's Investment Policy; and
    - ii. Relevant provisions of the Act.
- C. Market prices for market evaluations will be obtained from an independent source.
- D. In addition, the report shall explain the quarter's total investment return and compare the return with budgetary expectations.
- E. All reports shall be in compliance with the Act.

1.11 MISCELLANEOUS

- A. The District, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the District's established investment policies to review investment performance and to ensure investment security. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes, or imprudent actions.
- B. The District shall review this policy at least annually and adopt a resolution confirming the continuance of the policy without amendment or adopt an amended investment policy.
- C. This investment policy adopted on ~~July 25, 2012~~ December 19, 2017 supersedes any prior policies adopted by the Board regarding investment or securitization of District funds.

**CERTIFICATION**

~~I hereby certify that I have received and thoroughly reviewed the investment policy of Red River Groundwater Conservation District ("District") and have implemented reasonable procedures and controls designed to preclude imprudent investment activities arising out of investment transactions conducted between this firm and the District. Transactions between this firm and the District will be directed towards protecting the District from credit or market risk.~~

~~All the sales personnel of this firm dealing with the District's account have been informed and will be routinely informed of the District's investment horizons, limitations, strategy and risk constraints, whenever we are so informed.~~

~~This firm pledges due diligence in informing the District through its duly appointed Investment Officer of foreseeable risks associated with financial transactions connected to this firm.~~

\_\_\_\_\_  
(Firm)

\_\_\_\_\_  
(Signature of Registered Principal)

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Date)

Notification Phone Nos. & Addresses of the District:

Board of Directors

Red River Groundwater Conservation District  
PO Box 1214  
Sherman, Texas 75091  
(800) 256-0935

Investment Officer

Debi Atkins, Finance Officer  
Drew Satterwhite, General Manager

RESOLUTION NO. 2017-12-19-02

**A RESOLUTION BY THE BOARD OF DIRECTORS OF THE RED RIVER GROUNDWATER CONSERVATION DISTRICT RELATING TO AN INVESTMENT POLICY**

WHEREAS, the Red River Groundwater Conservation District ("District") was created by an act of the 81<sup>st</sup> Legislature in 2009; and

WHEREAS, the District has a responsibility of approving investments for the resources in its care and custody; and

WHEREAS, the District has appointed an Investment Committee of its membership to compose an Investment Policy; and

WHEREAS, that Committee prepared a document attached hereto as Exhibit "A" ; and

WHEREAS, the Board has reviewed this document and believes it to be in conformance with the State statutes regarding the investment of public funds;

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE RED RIVER GROUNDWATER CONSERVATION DISTRICT AS FOLLOWS:

1. The Investment Policy attached as Exhibit "A" is hereby adopted by this resolution and shall be in full force until further change by Board action.
2. The District's Investment officers are designated by this resolution to be the Secretary of the Board of Directors, the General Manager and the Finance Officer.

Upon motion by \_\_\_\_\_, seconded by \_\_\_\_\_, the foregoing Resolution was passed and approved on this 19th day of December, 2017 by the following vote:

AYE:

NAY:

ABSTAIN:

At a meeting of the Board of Directors of the Red River Groundwater Conservation District.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary-Treasurer



ATTACHMENT 10

# Red River Groundwater Conservation District

## Well Registration Summary As of October 31, 2017

Well Type	Total Registered		Total RRGCD	New Registrations
	Fannin County	Grayson County		
Domestic	123	229	352	5
Agriculture	15	26	41	0
Oil/Gas	0	21	21	0
Surface Impoundments	5	13	18	0
Commercial	6	6	12	0
Golf Course	0	15	15	0
Livestock	12	22	34	0
Irrigation	0	5	5	0
Public Water	55	211	266	0
Monitoring	0	1	1	0
<b>Total</b>	<b>216</b>	<b>549</b>	<b>765</b>	<b>5</b>

# Red River Groundwater Conservation District

Well Registration Summary  
As of November 30, 2017

Well Type	Total Registered		Total RRGCD	New Registrations
	Fannin County	Grayson County		
Domestic	124	235	359	7
Agriculture	15	26	41	0
Oil/Gas	0	21	21	0
Surface Impoundments	5	12	17	0
Commercial	6	6	12	0
Golf Course	0	15	15	0
Livestock	12	25	37	3
Irrigation	0	5	5	0
Public Water	55	211	266	0
Monitoring	0	1	1	0
<b>Total</b>	<b>217</b>	<b>557</b>	<b>774</b>	<b>10</b>



ADJOURN