

**JOHNSON COUNTY SPECIAL UTILITY DISTRICT  
GOVERNANCE POLICY  
CODE OF ETHICS, MANAGEMENT, PROFESSIONAL  
SERVICES, and TRAVEL POLICY**

This Amended JCSUD Governance Policy including Code of Ethics, Management, Professional Services and Travel Policies (also referred to as “Code of Ethics”) is adopted by the Board of Directors of Johnson County Special Utility District (the “District”) pursuant to Section 49.199 of the Texas Water Code.

**MISSION STATEMENT**

The Board of Directors and staff are united in providing quality drinking water with quality service, to plan best to accommodate growth, and apply the fairest, reasonable cost all while conserving resources.

**PREFACE**

JCSUD’s Code of Ethics sets out to promote a standard by which the leadership exudes good personal morals and values. A natural expectation becoming of an ethical professional is one whose internal compass would guide them to discard bad choices in favor of good choices. Those who would hold themselves to a higher level by striving to apply wisdom through discernment and discretion. This sets a higher bar in serving the public best as a District director and in the selection of the managing staff. Individuals who interact with respect, honesty, transparency, integrity, and an attitude of “treat others as you would like to be treated” set a fine example to all the District employees. It also fosters accountability among the leadership for their actions and their conduct towards customers or other business contacts.

**ARTICLE I**

**DEFINITIONS**

Unless the context requires otherwise, the following terms and phrases used in the Code of Ethics and the Policies shall mean the following:

1. The term “Board” means the Board of Directors of the District.
2. The term “developer” means any person who owns land located within the District who divides or proposes to divide land for the purpose of laying out any subdivision or tract of land or any addition to any town, city, or the county.
3. The term “director” means a person elected or appointed to serve on the Board of Directors of the District.
4. The term “District Officials” means District directors, officers, and managerial employees.
5. The term “Employee” means any person employed by the District, but does not include independent contractors or professionals hired by the District as outside consultants.

6. The term “ethical” means in its simplest form, “doing good by being good”. Ethical standards can be described as the ideals of conduct within our environment which are acceptable by most people. Applying ethics in behavior and actions involve the intricate process to consider the impact of our words to others, or our action on the institution we serve. While most decisions are routine, from time to time we will unexpectedly face an ethical dilemma when unusual situations occur suddenly whereby an immediate response is needed.

## ARTICLE II

### CODE OF ETHICS

#### Section 2.01. Purpose

This Code of Ethics has been adopted by the District for the following purposes:

1. to comport with the applicable provisions of Chapter 49.199 of the Texas Water Code;
2. to encourage high ethical standards of official conduct by District Officials; and
3. to establish guidelines for such ethical standards of conduct.

#### Section 2.02. Policy

It is the policy of the District whereby District Officials shall conduct themselves in a manner consistent with sound business and ethical practices; that the public interest shall always be considered in conducting District business; that the appearance of impropriety shall be avoided to ensure and maintain public confidence in the District; and that the Board shall control and manage the affairs of the District fairly, impartially, and without discrimination.

#### Section 2.03. Qualification of Directors

To be qualified to serve as a director, a person must be:  
At least 18 years old; a resident citizen of this state; and either own land subject to taxation in the District, be a user of the facilities of the District, or be a qualified voter of the District.

#### Section 2.04. Disqualification of Directors

A person is disqualified to serve as a Director if that person:

- A. is related within the third degree of affinity or consanguinity to any other member of the board, or the manager, engineer, attorney, or other person providing professional services to the District;
- B. is a developer of property in the District, or is related within the first degree of affinity or consanguinity of a developer;

- C. is an employee of any developer of property in the district or any director, manager, engineer, attorney, or other person providing professional services to the district;
- D. is serving as an attorney, consultant, engineer, manager, architect, or in some other professional capacity for the district;

Within 60 days after the Board determines that any director is disqualified from serving on the Board, it shall seek replacement of such director with a person who is not disqualified.

#### Section 2.05. Directors

- A. The Board of Directors shall consist of seven (7) Directors, a majority of whom shall constitute a quorum. For the sake of uniformly staggered elected terms, there will be three (3) groups; one group with (3) directors and two groups with (2) directors in each. The terms of the directors of the first group will expire on the first regular Board meeting date after the designated general election day for JCSUD. The terms of the directors of the second group shall expire the following year and terms of the directors of the third group shall expire the next year. A full term shall be three (3) years. The directors may be compensated for actual expenses incurred in performing the duty as a director.
- B. All vacancies on the Board shall be filled for the unexpired term by appointment of the remaining Board.
- C. In the event of a failure to elect one or more members of the Board of a district, resulting from the absence of, or failure to vote by, the qualified voters in the District, the current members of the Board holding the positions not filled at such election shall be deemed to have been re-elected and shall serve an additional term of office.

#### Section 2.06. Removal of Directors

The Board by vote of the remaining directors may remove a director from the Board if that director has missed one-half or more of the meetings of the Board scheduled during the prior 12 months.

#### Section 2.07. Officers

1. The officers of the District: President, Vice-President, and Secretary-Treasurer.
2. After each election cycle, or annually, the Board shall meet and elect officers.
3. The president is the chief executive officer and presides at the meetings of the District. The President may execute documents on behalf of the district unless the Board authorizes, or the president designates, the general manager to execute a document or documents on behalf of the district. The President makes the committee appointments. The vice-president shall perform the president's duties in the absence or disability of the president. In the event that the President and V. President are absent or unable to perform their duties, the remaining members will elect a Pro-Tem leader to preside at that meeting, if none have been chosen by the said officers prior to the meeting. The secretary is responsible for seeing that all records and books of the District are properly kept. The secretary shall execute documents as appropriate and may attest the president's signature on documents. The position of the Secretary-

Treasurer and other members entrusted with receipt and disbursement of funds is protected by the Errors and Omissions Liability provisions within the General Liability Insurance Declaration of Coverage perennially maintained by the District.

#### Section 2.08. Meetings and Notices

A. Regular meetings of the Board of Directors shall be held monthly, at the office or other location as the Board may determine, and shall include posting notice of the meeting as required by the Texas Open Meetings Act, Texas Government Code, and Chapter 551. Parliamentary procedure shall be observed and followed according to Robert's Rules of Order.

B. The Board shall hold such regular and special meetings as may be necessary for the proper conduct of the district's business. All meetings shall be conducted in accordance with the open meetings law, Chapter 551, Government Code. A meeting of a committee of the Board, or a committee composed of representatives of more than one board, where less than a quorum of any one board is present is not subject to the provisions of the open meetings law, Chapter 551, Government Code.

#### Section 2.09. Conflicts of Interest

A. A director must not participate in a vote or decision relating to a business entity or real property in which he has a substantial interest unless (i) he has complied with Section 2.059(B) and (ii) the action on the matter will not have a special economic effect on the business entity or the value of the real property distinguishable from the effect on the public, or the majority of the directors are likewise required to and do comply with Section 2.059(B) on the same official action. A director must not act as a surety under circumstances when to do so is prohibited by law. As of the date of adoption of the Code of Ethics, Chapter 171, Local Government Code, a copy of which is attached as Appendix "C", regulate conflicts of interest of directors.

B. A director who has a substantial interest in any matter involving the business entity or real property shall disclose that fact to the other directors by Affidavit. The Affidavit must be filed with the Secretary of the Board. An interested director shall abstain from further participation in the matter as set forth in Section 2.059(A).

C. The Board shall take a separate vote on any budget item specifically dedicated to a contract with a business entity in which a director has a substantial interest. In the event of a separate vote, the director may not participate in that separate vote, but may vote on a final budget if the director has complied with this Section 2.059.

#### Section 2.10. Nepotism

The Board shall not confirm the appointment to any position, nor award a contract to a person related to a member of the Board within the second degree by affinity (marriage) or within the third degree by consanguinity (blood) when the salary or other compensation of such appointee is paid, directly or indirectly, from district funds, except as provided by Government Code Chapter 573.

## Section 2.11. Conduct of Duty

In conducting their duties as members of the Board, each director:

- A. shall be entitled to rely, in good faith and with ordinary care, on information, opinions, reports, or statements, including financial statements and other financial data, operational reports and system development reports as they concern the district or the district's affairs, which have been prepared or presented by one or more officers or employees of the District; or by legal counsel, public accountants, or other persons retained by the District for the development of professional advice and information falling within such person's professional or expert competence;
- B. may believe, in good faith and with ordinary care, that the assets of the district are at least that of their book value; and
- C. in determining whether the district has made adequate provision for the discharge of its liabilities and obligations; may rely in good faith and with ordinary care on the financial statements of, or other information concerning any person or entity obligated to pay, satisfy or discharge some or all of the district's liabilities or obligations.

## Section 2.12. Acceptance of Gifts

A District Official may not solicit, accept, or agree to accept any benefit from a person or business entity the District Official knows is interested in or likely to become interested in any contract, purchase, payment, claim, or transaction involving the exercise of the District Official's discretion, or any matter before the Board for any decision, opinion, recommendation, vote, or other exercise of discretion in carrying out his official acts for the District as prohibited by law. A District Official who receives an unsolicited benefit that the District Official is prohibited from accepting, may donate the benefit to a governmental entity that has the authority to accept the benefit or to a recognized tax exempt charitable organization formed for educational, religious or scientific purposes. As of the date of adoption of this Code of Ethics, Section 36.08, Texas Penal Code, prohibits gifts to public servants such as the Directors. This Section ~~2.07~~ does not apply to the acceptance of (i) an item with a value of less than \$50.00 (excluding cash or a negotiable instrument), and (ii) food, lodging, transportation, or entertainment accepted by the Director as a guest.

## Section 2.13. Bribery

A District Official shall not intentionally or knowingly offer, confer, or agree to confer on another, or solicit, accept, or agree to accept from another, any benefit as consideration when to do so is prohibited by law. Section 36.02, Texas Penal Code, lists the offenses that are considered bribery when committed by District Officials.

## Section 2.14. Acceptance of Honoraria

A Director shall not solicit, accept or agree to accept an honorarium as prohibited by law. Section 36.07, Texas Penal Code, provides the circumstances in which a Director may not accept an honorarium.

### Section 2.15. Lobbying

A. Should the Texas Ethics Commission by rule require any District Officials to directly communicate with legislative or executive branch officials to register as lobbyists, District Officials shall comply with such rule. (Government Code, Section 305.0051)

B. The District shall not reimburse from District funds the expenses of any person in excess of \$50.00 for direct communications with a member of the legislative or executive branch unless the person being compensated resides in the district of the member with whom the person communicates or files a written statement which includes the person's name, the amount of compensation or reimbursement, and the name of the affected political subdivision with the Secretary of State. This provision does not apply to registered lobbyists, a full-time employee of the District or an elected or appointed District Official. (Government Code, Section 305.026)

## ARTICLE III MANAGEMENT

### Section 3.01. Purpose

The Board desires to adopt a policy to ensure a better use of management information, including the use of budgets in planning and controlling costs, and the use of uniform reporting requirements.

### Section 3.02. Management

- A. The Board shall be responsible for the management of all the affairs of the district. The district shall employ or contract with all persons, firms, partnerships, corporations, or other entities, public or private, deemed necessary by the board for the conduct of the affairs of the district, including, but not limited to, engineers, attorneys, financial advisors, operators, bookkeepers, tax assessors and collectors, auditors, and administrative staff.
- B. The Board may employ or contract with a person to perform such services as general manager for the district as the board may from time to time specify. The board may delegate to the general manager full authority to manage and operate the affairs of the district subject only to orders of the board.
- C. The Board delegates to the general manager the authority to employ and dispatch all persons as necessary for the proper handling of the business and operation of the district and to determine the compensation to be paid all employees other than the general manager. All district employees are employed at the will of the district unless the district and employee execute a written employment contract.

### Section 3.03. Accounting Records and Accounts Payable

A. District accounting records shall be prepared on a timely basis and maintained in an orderly basis, in conformity with generally accepted accounting principles and the

requirements of the State Auditor. Such records shall be available for public inspection during regular business hours at the District's office.

B. Two signatures are needed for payments made by check. Authorized signatories are the General Manager, Comptroller and Directors that are so designated on the Bank's authorization list.

C. For checks over \$7,500, at least one of the signatures must be that of a director.

D. Any such person shall be entitled to be a signatory for check disbursement and to certify as to the authenticity of any record of the district, including but not limited to all proceedings relating to bonds, contracts, or indebtedness of the district.

#### Section 3.04. Audit Requirements

A. The District's fiscal accounts and records shall be audited annually, at the expense of the District, in accordance with State law governing the audits of the District by a certified public accountant or public accountant holding a permit from the Texas State Board of Public Accountancy familiar with the Texas Commission on Environmental Quality's rules, regulations, standards and guidelines applicable to water district audits.

B. The audit shall be completed and filed within the time limits established by the Audit Laws. Copies of the District's annual audit report shall be filed with the Texas Commission on Environmental Quality and together with an annual filing affidavit in the form prescribed by Audit Laws

#### Section 3.05. Audit Committee

A. The Audit Committee shall be composed of three directors of the District. They shall be appointed by the President.

B. The Audit Committee shall be responsible for engaging the services of an outside auditor to perform an audit of the financial records of the District at least annually and at such other intervals as the Audit Committee may deem appropriate, and the determination of the scope of such audit. The Audit Committee shall review the results of the audit with the general manager and report the results of the audit to the Board of Directors.

#### Section 3.06. Publication of Financial Statement

The Board shall make available to the public annually a financial statement of the District.

#### Section 3.07. Budget

The District shall annually adopt a budget for use in planning and controlling District costs. Such budget shall take into consideration all District revenues, including, but not limited to, utility fees, standby fees, impact fees, and all projected District obligations and expenditures. The budget may be amended at any time.

ARTICLE IV  
PROFESSIONAL SERVICES POLICY

Section 4.01. Purpose

This Professional Services policy has been adopted to provide for the selection, monitoring, review and evaluation of the District's professional services contracts. Consultants retained by the District to provide professional services include, but are not limited to, legal, engineering, management, bookkeeping, auditing, and tax collecting. Selection of such consultants shall be based upon their qualifications and experience.

Section 4.02. Periodic Review

The performance of the consultants providing professional services to the District is subject to regular monitoring and review by the Board.

ARTICLE V  
TRAVEL EXPENDITURES POLICY

Section 5.01. Purpose

A. The District wishes to establish an equitable and reasonable policy for travel expenditures and for the reimbursement to Directors of actual expenses incurred by the Director while engaging in services for the District, including without limitation attendance at District Board meetings as well as at conferences, seminars, meetings (other than Board meetings), and other educational gatherings relating to the purposes and functions of the District (collectively, "Conferences"). Conferences include but are not limited to conferences and functions of the Texas Rural Water Association.

B. District officials and employees are reminded that they are traveling on ratepayer dollars and expected to use reasonable judgement in the planning of travel events. All requests for reimbursement of expenses are subject to reasonableness and documentation, which will be honored in conformance with adopted policies and procedures.

Section 5.02. Conference/Seminar/Convention Registration Expenses

Registration and related expenses for such events which leads to training, updating, or certification needs are reimbursable to attending Directors.

Section 5.03. Lodging and Meal Reimbursements

Lodging and meal expenses incurred by the district officials while attending Conferences may be reimbursed by the District only to the extent that they are determined to be reasonable and necessary under guidelines issued by the Texas Ethics Commission. Chapter 611, Texas Government Code and the Comptroller of Public

Accounts for the State of Texas. Tips for baggage handling (when applicable) at \$1 to \$2 per piece is practical. An additional amount for gratuity, typically 15%, is allowed for meals and/or other events when considered reasonable.

Section 5.04. Transportation

A. Reasonable and necessary mileage incurred by a district official in connection with travel to Conferences shall be reimbursed at the per mile rate allowable by the Internal Revenue Service. When practical, district officials or employees may be advised to utilize a District furnished vehicle or a rental vehicle in-kind for travel, depending on which option is more feasible given the circumstances.

B. Subject to the Board or the general manager's direction and discretion, directors or employees traveling by commercial transportation may receive reimbursement of the actual transportation cost when performing official business, with due consideration of serving the public's best interest.

C. Air travel costs to and from Conferences shall be reimbursed at the most feasible, available airfare with practical accommodations for district officials. Reimbursement is allowed for the reasonable and necessary costs of transportation to and from the airport, or for the cost of car rental at the location of the Conference, provided that mileage costs charged to the District shall include only mileage related to travel for District and Conference functions. Reasonable and necessary costs of parking at the airport, hotel or other facility for the days of the Conference also may be reimbursed.

D. In order to receive reimbursement for attendance at Conferences and for travel expenditures, each district official shall file with the District's bookkeeper all related travel expenditures, together with all supporting receipts and invoices.

ARTICLE VI  
MISCELLANEOUS

Section 6.01. Gender

Any references herein to the masculine gender shall also refer to the feminine in all appropriate cases.

Section 6.02. Superseding Clause

These Amended Code of Ethics and Policies supersedes the prior Bylaws and Code of Ethics and Policies previously adopted by the Board of Directors.