

**GREEN VALLEY SPECIAL UTILITY DISTRICT
CODE OF ETHICS AND ADMINISTRATIVE POLICIES**

1.00 PURPOSE

This Code of Ethics and Administrative Policies are adopted by the Green Valley Special Utility District (the "District") Board of Directors (the "Board") in compliance with Tex. Water Code Section 49.199 for the following purposes:

- (a) to ensure compliance by District directors with high ethical standards in their official conduct;
- (b) to establish guidelines for such ethical standards of conduct governing directors;
- (c) to establish guidelines for expenditures of District funds for board-authorized travel related to District business;
- (d) to establish a policy for the District's retention of professional services; and
- (e) to establish District management policies as required by Tex. Water Code Sections 49.199(a)(5) and (a)(6).

1.01 POLICY

It is the policy of the District that 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, without discrimination and in accordance with the stated purpose of the District. (District Bylaws, Section 1.02).

1.02 QUALIFICATIONS OF DIRECTORS

- (a) To be qualified to serve as a director, a person must be:

- 1. at least 18 years old;
- 2. a resident citizen of this state; and
- 3. either own land within the political boundary of the District, be a user of the facilities of the District, or be a qualified voter of the District. (Tex. Water Code Section 65.102).

(b) Within 60 days after the board determines that any director is not qualified to serve on the board under Tex. Water Code Section 65.102 or is subject to disqualification under Tex. Water Code Section 49.052 and/or the provisions of the District's then-current bylaws, then the board shall replace such director with a qualified person (Tex. Water Code Section 49.052(b)).

(c) In the event of a vacancy on the Board, the Board Secretary will notify the Board members

in writing, which may be made electronically or by regular mail, of any such vacancy within seven (7) days of learning of such vacancy. Upon learning of any such vacancy, the District shall solicit and accept applications from qualified individuals, and the Board may elect to conduct interviews of potential candidates for the filling of the vacancy. The remaining directors shall endeavor to appoint a replacement director within sixty (60) days of learning that a vacancy exists. If they are unable to fill the vacancy within this 60 day period, a majority of the remaining directors may petition the Texas Commission on Environmental Quality to appoint a replacement. (Tex. Water Code Section 49.105). That replacement shall serve the remainder of the term of the former director being replaced.

(d) Any director not qualified to serve on the board, who willfully occupies an office and exercises the duties and powers of that office, may be subject to penalties of applicable law (Tex. Water Code Section 49.052(c)).

1.03 ELECTION PROCEDURES

(a) In the event that more than one candidate for a position subject to election to the District Board of Directors has timely met the qualification and eligibility requirements and timely provided the required materials to the District as prescribed by state law, the order of appearance on the ballot shall be determined by drawing. (Tex. Water Code Sections 49.052, 65.102; Tex. Election Code Section 52.094).

(b) The order of the candidates' names on the ballot held to resolve a ties vote shall be the relative order of names on the original election ballot. (Tex. Election Code Section 52.094(a)).

(c) The Secretary of the Board of Directors shall conduct the drawing, unless the Secretary is a candidate, in which case the General Manager shall conduct the drawing.

(d) The District shall post in its office a notice of the date, hour, and place of the drawing, which notice must remain posted continuously for 72 hours immediately preceding the schedule time of the drawing. (Tex. Election Code Section 52.094(c)).

(e) The District shall provide notice of the date, hours, and place of the drawing to each candidate by either (1) written notice, either: (A) mailed to the address stated on the candidate's application for a place on the ballot not later than the fourth day before the date of the drawing; or, (B) if available, provided at the time the candidate files an application with the District; or (2) telephone, if a telephone number is provided on the candidate's application for a place on the ballot; or (3) email, if an email address is provided on the candidate's application for a place on the ballot. (Tex. Election Code Section 52.094(d)).

(f) Each candidate affected by a drawing is entitled to be present or have a representative present at the drawing. (Tex. Election Code Section 52.094(e)).

1.04 CONFLICTS OF INTEREST

(a) A District director is prohibited by Tex. Local Gov't. Code Chapter 171 from participating, directly or indirectly, in a vote or decision or from acting as a surety on any matter involving any business entity in which the director has substantial interest if it is reasonably foreseeable that an action on the matter would confer an economic or any other benefit to the business entity.

(b) In cases of conflicts of interest, a District official shall disclose such conflicts and shall file with the board secretary an affidavit stating the nature and extent of the conflict. Thereafter, that board member shall abstain from participation in the matter as provided by law.

(c) A board member shall not disclose, without written legal authorization, confidential information to advance the financial or other private interests of the board member or others regarding any private interests of the board member or others regarding any contract or transaction which is or may be the subject of an official action of the District.

(d) The District may not contract for the purchase of services or personal property directly with a board member or with a business entity in which a board member has a substantial interest, except as permitted by law.

(e) The board of directors shall take a separate vote on any budget item specifically dedicated to a contract with a business entity in which a director has substantial interest. The director having the substantial interest may not participate in that separate vote. The director having the substantial interest may vote on the final budget if the separate budget item voted on does not exceed ten percent (10%) to the total budget.

1.05 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 (ancestry) when the salary or other compensation of such appointee is paid, directly or indirectly, from District funds. (Tex. Gov't. Code Chapter 573)

1.06 FEES OF OFFICE, REIMBURSEMENT, PER DIEM

(a) Each director is entitled to receive fees of office of not more than \$250.00 per day for each board meeting in which a director attends in the capacity of director. Each director is entitled to receive fees of office of not more than \$150.00 for each day that director attends a District committee meeting or participates as a District representative in attending a board meeting or committee meeting of an organization in which the District participates as a member entity or as a representative of an entity in which the District is a member entity. The fees of office are subject to state law annual limits set by the Texas Ethics Commission for members of the legislature or Tex. Water Code Chapter 49, whichever is greater. The current statutory maximum annual reimbursement is \$7,200.00 per District fiscal year (Tex. Water Code Section 49.060(a-1)).

(b) Each director is also entitled to receive reimbursement of actual expenses reasonably and necessarily incurred while engaging in activities on behalf of the District (Tex. Water Code

Section 49.060(b)).

1.07 ACCEPTANCE OF GIFTS

- (a) District board members shall not solicit, accept, or agree to accept any benefit or value 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 other transaction involving the exercise of the discretion as a public servant, or any matter before the board for any decision, opinion, recommendation, or vote.
- (b) The prohibition against gifts or favors in Section 1.06(a) does not apply to:
 - (1) an occasional non-pecuniary gift, valued at less than \$50.00; or
 - (2) an award publicly presented in recognition of public service.

1.08 USE OF DISTRICT PROPERTY

District board members shall not permit any unauthorized person or entity the use of District owned or District-controlled equipment, materials, supplies, or property.

ARTICLE II

TRAVEL EXPENDITURES POLICY

2.01 PURPOSE

The board of directors hereby establishes policies for reimbursing District board members for actual expenses that are reasonably and necessarily incurred while engaging in activities on behalf of the District. (Tex. Water Code Section 49.199(a)(2)).

2.02 MEALS AND LODGING

- (a) On approval by the District board of directors, reimbursement may be made for lodging and/or the cost of meals while performing District business. Prior approval must be made for the meal and lodging expenses of the board member's spouse accompanying the board member on business trips.
- (b) Reimbursement requests shall include a statement of the business purpose of the travel, with the date, time and place. A general description of the duties performed for each day of service shall be accompanied by supporting receipts and invoices.

2.03 TRANSPORTATION

- (a) Board members who must use their personal vehicles while conducting District business may be reimbursed for actual miles driven at the current rate allowed by the Internal Revenue Service. Mileage will be computed by the most direct route.
- (b) District officials traveling on commercial transportation shall be entitled to reimbursement for the actual cost of the necessary transportation for performing official business, except the reimbursement of air transportation shall not exceed the next lowest available airline

fare below first class unless such is not available.

ARTICLE III

INVESTMENTS

3.01 POLICY ADOPTED

The District has separately adopted an Investment Policy in compliance with state law requirements. (Tex. Water Code Section 49.157, 49.199; Tex. Gov't. Code Chapter 2256 (the "Public Funds Investment Act"))).

ARTICLE IV

PROFESSIONAL SERVICES POLICY

4.01 PURPOSE

This Professional Services Policy is adopted to provide for the selection, monitoring, review, and evaluation of the District's professional service contracts. Consultants retained by the District to provide professional services include, but are not limited to, legal, engineering, financial advisor, management, bookkeeping, and auditing. Selection of such consultants shall be based upon their qualifications and experience and in accordance with state law (Tex. Gov't. Code Section 2254) and shall be approved by the Board of Directors.

4.02 PERIODIC REVIEW

The performance of the consultants providing professional services to the District shall be regularly monitored and reviewed by the board, and the board may appoint a professional services committee to provide such monitoring and report to the board.

ARTICLE V

MANAGEMENT POLICY

5.01 PURPOSE

This Management Policy has been adopted to ensure better use of the management information, including the use of budgets in planning and controlling costs, the establishment of a functioning audit committee, and the use of uniform reporting requirements.

5.02 ACCOUNTING RECORDS

District accounting records shall be prepared on a timely basis and maintained in an orderly manner, in conformity with generally accepted accounting principles and the requirements of the Texas Commission on Environmental Quality ("TCEQ") or successor agency. Such records shall be available for public inspection during regular business hours at the District's office located at 605 FM 465, Marion, Texas.

5.03 AUDIT REQUIREMENTS

- (a) Unless otherwise exempted by the rules of the TCEQ or successor agency as described below in 5.03(c), the District's fiscal accounts and records shall be audited annually in accordance with State law governing the audits of special utility districts, at the expense of the District, by a certified public accountant familiar with the applicable rules, regulations, standards, and guidelines applicable to water District audits. (Tex. Water Code Sections 49.191-.200 and 30 Tex. Admin. Code Section 293.94).
- (b) The audit, or other required affidavit, shall be completed and filed within the time limits established by the TCEQ or successor agency. Copies shall be filed with the TCEQ, the county in which the District is located (if within corporate limits or extraterritorial jurisdiction), together with an annual filing affidavit in the form prescribed by the audit laws. In the event the board refuses to approve the annual audited report, the District shall file a statement with the audit, explaining the reasons for the disapproved audit.
- (c) If the District does not have sufficient revenues or activity and thereby meets the requirements of the audit laws for financially dormant or inactive Districts, it may prepare and submit an annual financial dormancy affidavit of an annual financial report described in the audit laws.
- (d) If the District violates the audit laws, it may be subject to a civil penalty.

5.04 AUDIT COMMITTEE

The District board President shall appoint an audit committee, which shall consist of the members of the Finance and Investment Committee, shall be comprised of at least (2) two directors, one of which shall be the Secretary/Treasurer and such persons as the board may deem appropriate. (Tex. Water Code Section 49.199(a)(6)(B)). The persons selected should not be directly responsible for work subject to the audit. The audit committee shall conduct, at a minimum, an annual review of the District's financial status. The committee shall monitor variances from the District's budget and shall make recommendations thereon to the board. The committee shall also review the annual audit and shall make recommendations thereon to the board.

5.05 BUDGET

- (a) 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, and surcharges, if any, and all projected District obligations and expenditures. (Tex. Water Code Section 49.057(b)).
- (b) The budget may be amended at any time, provided that all amendments shall be approved by the board.

ARTICLE VI

MISCELLANEOUS

6.01 OPEN MEETING

The board officially finds, determines, and declares that this Code of Ethics and these Administrative Policies were reviewed, carefully considered and adopted at a regular meeting of the board and that sufficient notice of the date, hour, place, and subject of this meeting was posted within the District in compliance with Tex. Gov't. Code Chapter 551.

Adopted and signed this 27th day of March 2025.


John Frias
President
James Hendrix
Secretary/Treasurer