

BOARD OF DIRECTORS GUIDELINES

Kempner Water Supply Corporation (KWSC) is established as a nonprofit corporation under the laws of this state. The Board of Directors is established as the authority to operate KWSC in accordance with By-laws and Board policies. KWSC business shall be conducted in accordance with the laws of the State of Texas, the corporation's articles of incorporation, By-laws of the Corporation, Board policies and generally accepted business practices that shall accomplish the KWSC mission.

Authority of the board of directors

Each member of the KWSC Board, together with other members of the Board, is legally and morally responsible for all activities of KWSC. All members of the Board share in a joint and collective authority which exists and can only be exercised when the group is in session.

Board Member Commitment

Serving as a Board member of KWSC involves a very special commitment. To meet that commitment, Board Members are expected to:

- Ensure adherence to KWSC's mission.
- Attend and actively participate in all the Board's meetings, and notify the General Manager or Board chairperson of anticipated absence.
- Review minutes and the results of missed meetings.
- Except for absent Board Members, abstain from discussing results of closed executive sessions with **ANYONE**.
- Do their homework to be prepared to participate fully in Board and committee meetings.
- Serve actively on at least one committee.
- Act only with the full Board, not individually unless authorized to do so by the full Board.
- Speak for the full Board only when the full Board sanctions their doing so.

Board Delegation of Policy Interpretation to Staff and Public

Board delegates to the General Manager responsibility for policy interpretation to the staff and public, issuance of procedural directives and guides not specifically covered or detailed in the Board Policy Manual. Such interpretations, rules and directives have the force of Board regulations unless and until superseded by Board action.

Board Member Rights

Members of the KWSC Board are granted certain specific rights. All Board Members have the right to:

- Receive notice of Board meetings and the agenda.
- Attend and participate in Board meetings.

- Examine KWSC's books, records, meeting minutes, financial statements, and contracts.
- Place items on the Board meeting agenda by notifying the President and/or General Manager five days prior to schedule meeting.

Board Member Conflict of Interests (Also see Conflict of Interest Policy in this Manual).

Board members have a duty to subordinate personal interests to the welfare of KWSC and those we serve. Conflicting interests can be financial, personal relationships, status, or power.

Board Members and employees are prohibited from receiving gifts, fees, loans, or favors from suppliers, contractors, consultants, or financial agencies, which obligate or induce the Board Member or employee to compromise responsibilities to negotiate, inspect or audit, purchase or award contracts, with the best interest of KWSC in mind.

Board Members and employees are prohibited from knowingly disclosing information about KWSC to those who do not have a need to know or whose interest may be averse to KWSC, either inside or outside KWSC. Board Members or employees may not in any way use such information to the detriment of KWSC.

Board Members or employees may not have a significant financial interest in any property which KWSC purchases, or a direct or indirect interest in a supplier, contractor, consultant, or other entity with which KWSC does business.

Since it is not possible to write a policy that covers all potential conflicts, Board Members and employees are expected to be alert for and avoid situations, which might be construed as conflicts of interests.

Any possible conflict of interests on the part of any Board Member should be disclosed to the other Board Members and made a matter of record, either through an annual procedure or when the interest becomes a matter of Board action.

Any Board Member having a conflict of interests or possible conflict of interests should not vote or use his/her personal influence on the matter. The minutes of the meeting should reflect that a disclosure was made, the abstention from voting and the quorum situation.

These restrictions should not be construed as preventing the Board Member from briefly stating his/her position in the matter, nor from answering pertinent questions of other Board Members, since his or her knowledge could be of assistance to the deliberations.

All Board Members shall be required to complete the "Conflict of Interests Statement." This policy shall be given to each new Board Member for signature during orientation.

Duty of Board Members not to Compete.

A Board Member may not use his/her position on the KWSC Board to prevent KWSC from competing with the Board Member's business. It is expected that Board Members,

even after they complete Board service, shall not use trade secrets, client lists, or other confidential information acquired by virtue of being a member of the Board.

Legal Obligations of Board Members

The Board of Directors are responsible to the KWSC and its members. The Board and the law require every Board Member to follow the rules of the reasonably prudent person and the principle of good faith.

The rule of the reasonably prudent person means that the Board shall not:

- Mismanage KWSC by deviating from fundamental management principles, such as planning carefully for the future of KWSC, regularly reviewing the financial status of KWSC, and monitoring compliance with Board policies.
- Fail to govern by utilizing all control systems to govern KWSC.
- Be involved in self-dealing that provides personal gain to Board Members.

The principle of good faith means that Board Members shall:

- Attend all Board and committee meetings to be a part of Board actions.
- Read and understand KWSC's policies and By-laws.
- Pay attention to corporate affairs and keep informed about organization activities.
- Ensure that KWSC is in compliance with legal requirements.
- Avoid self-dealing

Ethical Obligations of Board Members

The Board shall approve a code of ethics for Board Members. All Board Members shall be given a copy of the code of ethics and shall be expected to adhere to the provisions of that code.

The KWSC Board Code of Ethics:

As a member of the KWSC Board, I shall:

- Listen carefully to my fellow Directors, and those served by KWSC.
- Respect the opinion of other Board Members.
- Respect and support the majority decisions of the Board.
- Recognize that all authority is vested in the Board when it meets in legal session and not with individual Board Members.
- Keep well informed of developments that are relevant to issues that may come before the Board.
- Participate actively in Board meetings and actions.
- Call to the attention of the Board any issues that I believe shall have an adverse effect on KWSC or those we serve.
- Attempt to interpret the needs of member/ customers to KWSC and interpret the action of KWSC to its member/customers.
- Refer constituent or staff complaints to the proper level on the chain of command.
- Recognize that the Board Member's job is to ensure that KWSC is well managed, not to manage KWSC. The Board Member(s) initial point of contact shall be the General Manager on all matters involving the Corporation's business. This

includes Employees, Professional Staff, i.e., Legal Counsel(s), Engineer(s), Auditor(s), etc.

- Vote to hire the best-qualified person to manage KWSC.
- Represent all constituents of KWSC and not a particular geographic area or special interest group.
- Consider myself a “trustee” of KWSC and do my best to ensure that KWSC is well maintained, financially secure, growing and always operating in the best interests of the membership.
- Always work to learn more about the Board Member’s job and how to do it better.
- Declare any conflict of interests between my personal life and my position on the KWSC board and avoid voting on issues that appear to be a conflict of interests.

As a member of the KWSC Board I shall not:

- Be critical, in or outside of the Board meeting, of other Board Members or their opinions.
- Use KWSC or any part of KWSC for my personal advantage or the personal advantage of my friends or relatives.
- Discuss the confidential proceedings of the Board outside the Board meeting.
- Promise prior to a meeting how I shall vote on any issue in the meeting.
- Interfere with duties of the General Manager or undermine the General Manager’s authority.

Compensation of Board Members

Board Members shall not be compensated for service on this Board.

Directors’ and Officers’ Errors and Omissions Insurance

It is the policy of KWSC to provide Directors and Officers with liability insurance. The continuing need for such insurance shall be reviewed each time the policy is due for renewal.

Board Approved Letters of Engagement from Professionals

The Board shall designate and obtain letters of engagement from all outside professionals serving the needs of KWSC. The General Manager is authorized to invite the professionals to board meetings as required, based upon need to support agenda items.

Only the Board chairperson, the General Manager or their designee may contact professional counsel on behalf of the Board. Costs billed to KWSC and associated with individual Board Members contacting legal counsel, auditors, or other professional consultants without specific authority from the Board of Directors, shall be billed to the Board Member making the unauthorized contact.

Board Correspondence

Correspondence from the Board shall be approved by the Board or its chairperson. Except for reports which are legally required to be sent out over the Secretary/Treasurer’s

name, all correspondence from the Board shall be over the chairperson's name. All correspondence from the Board shall be written on KWSC stationery and shall be prepared by the office of the General Manager. Use of KWSC letterhead shall be limited to official corporate business only.

No material or information disclosed in closed executive sessions of the Board shall be released to any unauthorized person.

Board Members Speaking for the Board to the Public or Media

Individual Board Members may not communicate to the public through any means including social media except the President as authorized by the Board.

When speaking about KWSC or about Board action, Board Members should be careful to define when their remarks represent personal opinion and when their remarks represent official Board position. Board Members must be aware that they are always seen as Board Members even when they designate comments as personal.

Board Member Orientation and Development

The KWSC Board believes that professional development for Board Members is vital to good governance of KWSC. Therefore, new Board Members need to complete the open government training (open meetings and open records) within 30 days of the election. The training is to be completed on the Texas Attorney General website at <http://www.texasattorneygeneral.gov/open-government>. Upon completion of the two training seminars, the certificate of completion shall be turned in to the Finance/Human Resources department at KWSC. New board members will be given an orientation, and every board member will have the opportunity to tour the KWSC water treatment plant and distribution system, upon request. A thorough orientation about KWSC, Board operations, finance, Board ethics, responsibility and liability will be provided in a "Board of Directors Manual" with material to assist the Board in learning the job, training and in-service programs oriented to Board operations. Travel to conferences and conventions will assist Board Members to develop their governance skills.

Authority of Board Members

Board Members have authority only when acting as a body in regular or special meetings of the Board.

The Board shall not be bound in any way by any statement or action by any individual Board Member except when such statement or action is in pursuance of an adopted Board resolution or special instructions by the Board, or under specified delegation of responsibility.

Board Member Management of Staff and Public Concerns

It is the policy of the KWSC Board that when a Board Member is contacted by a staff member or member of the general public who has a concern or complaint about KWSC or persons within KWSC, the Board Member shall follow the following procedures:

- Remember that individual Board Members have no power or authority to speak or act for the full Board.
- Listen to the person's concern.
- Express a desire to reach a satisfactory solution.
- Explain that the Board and management have established a process for handling concerns, which starts with addressing your concern(s) with the General Manager.
- Refer complaints, other than staff complaints, to the General Manager. Refer staff to the grievance procedure.
- Assure the person that the General Manager shall be informed of the concern.
- Ask the person to report back to you about the progress or resolution of the concern, if desired.
- Inform the General Manager of the complaint or concern.

Guidelines for Processing Public Complaints

From time-to-time situations may occur creating legitimate complaints on the part of the public or constituents relative to KWSC. Complaints must be aired so all sides of the issue may be heard and a rational procedure/solution found.

Anyone having a complaint which is not resolved with the General Manager, will meet with the Member/Customer Relations Committee who shall in turn attempt to resolve the complaint and present a final solution to the Board of Directors for approval.

Board Members

Board Member Job Description

Board Members are responsible for determining Kempner Water Supply Corporation policy in personnel, budget/financial/planning, member/customer relations, and organizational operations.

Personnel – Board Members have three key responsibilities in this area:

- Board membership, which includes recruiting new Board Members, recognizing and nurturing existing Board Members with opportunities to grow and develop as leaders.
- General Manager oversight, which includes hiring and termination.
- Personnel policies, which include policies relating to the General Manager's employment, and ensuring that the General Manager has complete and up-to-date policies in place for management of staff.

Budget/Finance/Planning – Board Members have seven key responsibilities in this area:

- Ensuring financial accountability of Kempner Water Supply Corporation.
- Overseeing an ongoing process of budget development, approval, and review.
- Raising funds and/or ensuring that adequate funds are available to support Kempner Water Supply Corporation's policies.
- Overseeing properties or investments of Kempner Water Supply Corporation.

- Establishing and reviewing Kempner Water Supply Corporation mission/philosophy/goals.
- Planning which services Kempner Water Supply Corporation provides.
- Evaluating Kempner Water Supply Corporation services and operations on a regular basis.

Member/Customer Relations – Board Members have three key responsibilities in this area:

- Ensuring that Kempner Water Supply Corporation’s services appropriately address the needs of those we serve.
- Advocating for Kempner Water Supply Corporation’s services which includes an awareness that Board Members are always emissaries of Kempner Water Supply Corporation in the community.
- Cooperative action, which includes determining occasions when Kempner Water Supply Corporation could/should take part in coalitions, joint operations, etc.

Organizational Operations – Board Members have four key responsibilities in this area:

- Ensuring Kempner Water Supply Corporation’s management systems are adequate and appropriate.
- Ensuring the Boards operations are adequate and appropriate, which includes writing policies for conduct of meetings and operation of Board business.
- Ensuring organizational and legal structure are adequate and appropriate.
- Ensuring its Board Members meet all applicable legal requirements.

Performance exceptions for Board Members

In performing duties as a member of the Kempner Water Supply Corporation Board, every Board Member is expected to:

- Demonstrate a strong belief and commitment to Kempner Water Supply Corporation’s mission.
- Devote the necessary time to prepare for and participate in Board and committee meetings.
- Exhibit high ethical standards and integrity in all Board actions.
- Be an enthusiastic advocate for Kempner Water Supply Corporation.
- Take responsibility and accountability for Kempner Water Supply Corporation and all decisions made by the Board.
- Spend the time necessary to learn more about Kempner Water Supply Corporation business and contracts.
- Demonstrate willingness to work as a team member with other Board Members and the General Manager.

Board Officers

Officers of the board shall be a President, Vice-President, and Secretary/Treasurer elected by a majority vote of the board.

The President represents the entire membership and the best interest of Kempner Water Supply Corporation (KWSC). Exercises personal leadership in the motivation of other officers, board members and staff. Influences the establishment of goals and objectives of KWSC during the term of office. Monitors and evaluates KWSC performance and effectiveness. The President shall:

- Collaborate with the General Manager to prepare board meeting agendas, sign official documents requiring signature, and may represent the board in public and official capacities as instructed by the board.
- Preside over all meetings of the Board of Directors and Annual membership meeting.
- Work closely with the General Manager to ensure that KWSC is in compliance with state and federal drinking water regulations.
- Ensure that the Board of Directors are kept fully informed on the financial, managerial, and technical operations of KWSC.
- Keep the members and customers of KWSC informed and shall periodically report the plans and activities of the Board and KWSC to the membership by means of letters, publications, or special announcements.
- Appoint committees and committee chairperson(s) assignments the first monthly meeting following the Annual Membership Meeting. Special committees shall be assigned as needed and as approved by the Board of Directors.
- Ensure the Tariff and Policies of KWSC are reviewed as needed by the Board of Directors and they are in compliance with all state and federal laws.
- Promote the interest and active participation of the members and customers in KWSC activities.
- Act as a spokesperson for KWSC along with the General Manager to the members, the press, public and related organizations.
- Chair the Executive/Negotiating committee.
- Serve as Ex-officio member for all committees.
- Make special assignments and appoint representatives to other organizations.
- Act as liaison between board and general manager.
- Encourage the board to do long-range planning.
- Assist board members to build their board skills.
- Act to discipline board members who violate ethical standards of the board.
- Encourage all board members to participate in board activities.
- Ensure all board members' views are represented in board meetings.

The Vice-President works closely with the President to accomplish the goals and objectives of KWSC and shall perform the duties of the President in the event of absence or inability to act and when so acting, shall have all the powers and be subject to the same authority as the President. The Vice-President shall:

- Serve on the Executive/Negotiating committee.
- Assist the President in performing official duties when necessary.

- Preside at all KWSC meetings in the absence of the President.
- Work closely with the President and General Manager to assure that KWSC is in compliance with all state and federal drinking water regulations.
- Promote interest and active participation of the members and customers in KWSC activities.
- Have such duties and exercise such powers as may be needed from time to time, to be assigned by the President of the Board.
- Shall assume the office as soon as the BOD declares the position vacant and continues until the BOD elects new President.
- Manage special assignments as requested by the Board President.

The Secretary/Treasurer is responsible for assuring the adequate records of all financial transactions are maintained and properly audited. Performs all duties required by the President or Board of Directors and works in close partnership with the General Manager and office personnel. The Secretary/Treasurer shall:

- Serve on Executive/Negotiating committee.
- Ensure all official documents are safely passed to the next Secretary/Treasurer.
- Research KWSC records, when necessary, for information for the board.
- Assist the President and other officers in performing certain administrative duties pertaining to official communications with members and customers.
- Serve as Chairperson of the Financial Management Committee, which is responsible for reviewing the budget prior to Board approval.
- Serve, in conjunction with the General Manager and CFO (per investment policy), as Investment Officer/Asset Manager for the Corporation.
- Formulate, plan, and recommend basic policies pertaining to the disposition of all KWSC's records, assets, property and government documents.
- Review the annual reports on the financial condition of KWSC prior to its presentation to the membership and assist the Board in understanding the audit and financial reports before approval.
- Work with the General Manager to see that sound financial policies and procedures are established and implemented.
- Assists Management and the Corporation's Engineer in developing future needs in accordance with the Long Range and Strategic Plans.
- Work with Staff to ensure an annual certified financial audit and reports are prepared and presented to the membership.
- Review all invoices/vouchers and co-sign all checks, if possible, with the President, Vice President, or Board Members/personnel for all purchases and expenditures of KWSC funds.
- Serve as Chairperson of the Election/Credentials Committee.
- Perform such other duties and have such other powers as from time to time may be assigned by the President or Board of Directors.
- Sign official documents of the Corporation as required.

- Sign and place the Corporate Seal on official documents of the Corporation as required.
- Shall oversee, but not manage the financial records of KWSC and ensure the Board regularly receives good reports of the financial condition of KWSC.
- Arrange in-service programs for the Board so Board Members shall be better able to understand the financial reporting process.

Officer Authority

Officers of the Board are elected to be servant-leaders of the board. All authority of the officers is delegated to them by the Board of Directors. No officers shall have any authority to speak or act on behalf of the Board other than authority specifically granted in the KWSC bylaws, in Board policy or by majority vote of the Board of Directors.

Vacancies of Officer Positions

If a vacancy occurs in any elected office because of resignation, death, ineligibility to hold office or formal removal of an officer by the Board, the Board shall proceed to fill the vacancy at the earliest possible time.

If the vacancy occurs in the President's office, the vice-president shall assume the office as soon as the Board of Directors declares the position vacant. The Vice-President shall hold the office of President until the Board elects a new President.

A vacancy is filled in the prescribed manner of election of officers in this policy.

Removal of Officers

The KWSC board has the right to remove any officer from the elected position by the same authority that elected the officers. Officers may be removed from office for:

- Gross or willful neglect of the duties of the office.
- Misuse of KWSC funds.
- Conviction of a felony.
- Intentional lack of public support for the KWSC mission, staff, or programs.
- Procedure for removal of any officer from office shall be 2/3 vote of the board membership.

Committees of the Board Responsibilities

Committee Purpose

It is the purpose of any committee appointed by the Kempner Water Supply Corporation (KWSC) Board President to assist the Board of Directors to govern more efficiently. A Board Committee is not designed to do staff work. Committees shall be used to investigate, deliberate, and analyze special issues on behalf of the Board and make recommendation(s) to the full Board which may be accepted, modified, or rejected. The Board may establish or abolish standing or special committees, as necessary.

Committee Authority

Any committee established by the Board shall have only the powers specifically delegated to it by the Board. Functions of each committee shall be in writing as part of Board policy and recorded in the minutes of the meeting at which the committee was established.

Committee Accountability

Committees are a subsidiary of the Board and are expected to report their work to the full Board on a regular basis. Each committee shall be expected to make recommendations to the Board for action. Recommendations are to be made by a member of the committee in the form of a motion at a full Board meeting.

The KWSC Board shall as necessarily review the work of each committee and determine which committees are necessary.

Appointment of Committees

The President of the Board shall appoint committees and committee chairperson(s) assignments the first monthly meeting following the Annual Membership Meeting with exception to the Election/Credentials Committee, taking in consideration the preference of the Board Members for committee assignments. The Board of Directors will appoint a Election/Credentials Committee of three individuals during the first business meeting after the annual members' meeting (see Election Procedures policy for more detail). KWSC employees may be appointed to a committee.

Ex Officio Committee Members

The President of the Board shall be an ex-officio member of all committees.

Duties of Committee Members

Duties of the members of individual Board committees shall vary, but certain basic committee member responsibilities remain the same for all committees. Those responsibilities include (see Committees and Their Duties):

- Attend all meetings of the committee to which the Board Member is assigned.
- Prepare for committee meetings by studying the agenda and researching issues to be discussed at committee meetings.
- Actively participate in discussions at committee meetings.
- Follow through promptly on any assignments for the committee.

Committee Meetings

The committee chairperson shall convene all meetings of the committee, or a majority of the committee members may call a committee meeting. Meeting dates shall be coordinated with the executive to avoid conflict and to ensure completion of staff support and research for the committee.

Committees shall submit a written summary of committee actions and any recommendations to the Board in the Board meeting packet to the maximum extent possible.

Electronic recording of meetings shall be used by the KWSC to record regular, special, and annual meetings of the Board. Committee meetings may be recorded at the chairperson's discretion. Recording shall be used by the office staff of the corporation for clarification purposes when preparing minutes of the meeting. A sign shall be appropriately displayed stating that the meeting is being recorded.

Electronic recording devices shall not be used by the KWSC to record closed meetings or executive sessions of the Board of Directors.

Guidelines for the Committee Chairperson

The committee chairperson shall be expected to lead the committee just as the Board President is expected to lead the board. The committee chairperson is accountable for ensuring the productivity of the committee by:

- Planning the agenda for the committee meetings.
- Ensuring all members of the committee are notified of committee meetings.
- Convening committee meetings and keeping meetings on track.
- Appointing a member of the committee or staff to keep a written record or at the chairpersons' discretion an electronic recording device may be used to record the committee meeting.
- Encouraging the committee to take action on the issues discussed by the committee.
- Ensuring written reports and recommendations for action from the committee are presented to the full board.
- Leading the committee to evaluate its operations.

Duties

The President of the Board shall be Ex-officio of all Committee Meetings.

The General Manager serves as an advisor to all committees and attends all committee meetings to the maximum extent possible. Meeting dates shall be coordinated with the General Manager to avoid conflicts and ensure staff support.

All Committees must work within the Corporations policies and budget parameters.

Committee Chairperson and Members

The President of the Board announces committee assignments the first monthly meeting following the Annual Membership Meeting. Appointments are for a one (1) year period.

Reports by Committees to Board of Directors

All Committee Chairpersons must present or prepare one of the following reports at the next regular meeting:

Verbal - when no board action is required. However, a memo for record of the meeting shall be prepared and filed in the Corporations office.

Written - when Board action is required. Written reports should be included in the Board Member's packet prior to the next scheduled meeting. The format for written reports is at Attachment 1.

Executive/Negotiating Committee:

The Executive/Negotiating Committee shall consist of the President, Vice-President, and Secretary/Treasurer; these positions shall be voted on by the Board of Directors at the special meeting immediately following the Annual General Membership meeting. The length of term is one (1) year.

This committee shall meet as necessary to perform issues to be presented to the full Board and it is the Executive/Negotiating Committee's responsibility to perform the following:

- Initial Board oversight of corporate operations.
- First point of contact(s) for the General Manager when issues, problems, concerns, arise involving corporate operations.
- Overall preparation and reporting on the annual evaluation of the General Manager.
- In times of emergency, a polling of the available board members to obtain a majority decision of the Board shall be required before any action is taken.
- Any other powers delegated to the committee by the full Board.
- Meets, as needed to review all other matters pertaining to KWSC's facilities or CCN.
- Serves as the Corporation's representatives in all contract negotiations, disputes and issues involving KWSC contract(s).

Election/Credentials Committee:

- Develop procedures for conducting an Annual or Special Meeting of the Membership.
- Develop notification material for Meetings of the Membership, the voting instructions, and the official Ballot Form.
- Implement the procedures to determine and qualify the eligible voters at Meetings of the Membership.
- Screens prospective members of the Board and make recommendations to fill vacancies on the Board of Directors and verify qualifications of potential members for the Board of Directors prior to placing them on the annual ballot.

Vehicle Committee:

- Review bids with General Manager for purchase of vehicles and/or capitalized equipment and to ensure compliance with budget parameters.
- Informs the Board of Directors of such purchases at the next regular scheduled meeting.
- Annual review, or as needed, of maintenance logs and mileage on individual vehicles.

- Annual review, or as needed, of hours on all heavy equipment. i.e., tractors, backhoes, etc.
- Annual review, or as needed, of inventory on all rolling stock.
- Approves Wholesale Blue Book value of equipment to be sold. During the bidding process, equipment bid sales will go out to Corporate Members and employees first before public bids are accepted. All bids will be closed, and the highest bidder will submit full payment before receipt of equipment.

Member/Customer Relations Committee:

Resolve complaint(s) presented by the General Manager or Member/Customer.

- Makes recommendations to the Board of Directors when board action is required.
- Establish communications with members/customers.
- Public relations.

Personnel Committee:

- Annual review, or as needed, the Employee Handbook and recommends changes.
- Initial review of employee grievance(s) when board action is required.
- Inform Board of Directors of resolution of grievance(s) or makes recommendation for board action.

Financial Management Committee: (Referenced By-laws of Secretary/Treasurer duties and job description)

- Assists the General Manager with preparation and presentation of the annual fiscal year budget to the Board of Directors for a workshop review and final approval.
- Assists the Asset Manager (Secretary/Treasurer) and General Manager on financial matters.
- Review and recommend approval of the Annual Audit.
- Reviews, at least annually, investment strategy of the corporation.
- Review and recommend Internal and External Auditors to the board for approval.
- Review and recommend legal counsel and engineering proposals to the Board for approval.

Policy Committee:

- Reviews annually, the Corporations Policies, except the Employee Handbook, which is the responsibility of the Personnel Committee.
- Reviews all information to determine the need to develop or amend current and future policies.

Tariff/Rates Committee:

- Reviews annually and make changes made by the Texas Commission on Environmental Quality (TCEQ) to determine impact and need to update the corporation's Tariff/Rates policies.
- Reviews the Tariff/Rates annually to determine the need for updating rates, procedural changes for voluntary contribution, etc.

Conservation, Drought Contingency, and Emergency Response Plan

- Reviews Conservation, Drought and Emergency Response plan every five (5) years and makes necessary changes to meet the Corporations needs or as mandated by State Agencies and/or River Authorities. The next plan will start in 2025, 2030 etc.
- The Committee's duties are covered in the Tariff, Conservation, Drought Contingency, and Emergency Response Plan.

Committee Agenda and Minutes

- Committee Members Present.
- Issue/Problem: If customer relations committee, Describe the issue/problem as presented by the customer and exactly what the customer desires in order-to-resolve.
- Facts Involved: Include facts regarding recommended policy changes.
- Discussion: Provide a synopsis of the discussions with customer and/or recommended policy changes.
- Recommendations: State the committee's recommendation for board approval and the rationale for the recommendation.
- Signature: Signature of Committee Chairperson.

Kempner Water Supply Corporation
(Committee Reporting)

Attachment 1

Member/Customer Relations Committee

Committee Members Present: (Include date meeting was held, customer's name and account number presenting the issue and committee members present.)

Issue/Problem: (Describe the issue/problem as presented by the customer and exactly what the customer desires in order to resolve.)

Facts Involved: (Include facts that pertain to the issue, for example, board policies, KWSC Tariff, TCEQ policies, etc. If none exist, so state.)

Discussion: (Provide a synopsis of the discussions with the customer and between the committee members to develop the committee recommendation(s).)

Recommendation(s): (List all possible recommendations as a. b. c. etc.)

Committee Recommendation: (State the committee's recommendation for board approval and the rationale for the recommendation.)

Signature: (Signature of Committee Chairperson.)

Board Meetings

Conduct of Meetings

So, meetings may be conducted in the most orderly manner, discussion of agenda items shall be limited to communications among Board Members, between the Board and the General Manager, and among the Board, General Manager, and those the Board and General Manager request to make presentations.

Board Calendar

A calendar of agenda items shall be established by the Board annually before the beginning of the Board year. The calendar shall list agenda items that regularly require Board action during specific time frames each year, such as approval of the budget, long range plan, renewal of contracts, evaluation of the General Manager and other standard annual events.

Committee Meetings

Committees shall submit a written summary of committee actions and any recommendations to the Board in the Board meeting packet for the meeting at which committee recommendations shall be considered.

Emergency Meetings

An emergency or an urgent public necessity exists only if immediate action is required for an imminent threat to public health and safety or a reasonably unforeseeable situation. The agenda must be posted at least two hours before the meeting is convened.

When notice for a scheduled meeting has been posted (at least 72 hours before meeting is to convene) and then an emergency or public necessity arises, the notice of the additional agenda item must be posted at least two hours before the meeting is convened.

Emergency meetings shall be held in accordance with Section D of the Texas Open Meetings Act.

Regular Meetings

The Board of Directors shall meet on the fourth Wednesday of every month. The General Manager shall post notice of the date, location, and agenda no later than 72 hours prior to the meeting. Individuals requesting to address the Board shall submit a written request to the General Manager and be placed on the agenda. Requests must arrive in the Kempner WSC Office within five (5) working days prior to the scheduled meeting.

Special Meetings

Special meetings of the Board shall be called by the President or by the majority of the Board, only when the business to be addressed cannot wait until the next regularly scheduled meeting. A call for a special meeting shall state the business to be addressed by the Board at the special meeting. Every member of the Board must be notified of the special meeting by mail, phone or in person no less than 3 days advance of the meeting.

Annual Membership Meetings

The annual membership meeting of KWSC is held on the 4th Thursday of March each year. Its purpose is to elect members to the Board of Directors, make needed changes to its By-laws and to inform the membership on the status (financial, future plans, etc.) of the Corporation. Procedures for conducting the Annual Membership meeting are outlined in Part II of the Board Policies and Procedures of the KWSC Manual.

Conference Calls

In extraordinary cases and in compliance with Sec. 551.125 of the Texas Open Meetings Act the Board of Directors may conduct business via a telephone conference call when deemed necessary by the President of the Board. A report of any action taken shall be verified and made a part of the minutes of the next meeting of the Board of Directors.

Video-Conference Calls

Pursuant to Sec. 551.127 of the Texas Open Meetings Act, the Board of Directors may conduct business using videoconference call. Because the KWSC jurisdiction extends into three or more counties, the President or other Member designated as the presiding officer for the meeting is physically present at a location that is open to the public during the open portions of the meeting. The location where the presiding officer will be physically present during the meeting shall be included in the public notice of the meeting. Members other than the presiding officer may participate in the meeting by videoconference call but shall be considered absent from any portion of the meeting during which audio or video communication with the member is lost or disconnected. If loss or disconnection of audio or video communication by one or more members results in less than a quorum being available to participate in the meeting, the presiding officer shall recess the meeting until the technical issues are resolved.

Absence from Meetings

Board members are required to attend all meetings of the Board of Directors. In the event absences are necessary, the President or General Manager shall be notified, by phone or in person as soon as possible prior to the meeting.

Any directors failing to attend two (2) consecutive regular meetings, without appropriate notification outlined above, shall be given written notice that failure to attend a third consecutive meeting without justifiable cause acceptable to the Board shall give rise to removal of said Director from the Board.

Open Board Meetings

It is the policy of the KWSC Board to hold open board meetings using the following guidelines:

- Agendas shall be provided for guests at the beginning of the meeting.
- The Board President shall announce the "Open Session" asking attendees "if anyone wishes to address the Board at this time". Guests may comment to the board only during the designated "Open Session" section on the agenda or

when the board requests public comment. There is a three (3) minute time limit for each guest, unless granted further time by the Board of Directors. A group may select one speaker, for a time limit of seven (7) minutes, unless granted further time by the Board of Directors. No more than thirty (30) minutes shall be allocated for "Open Session".

- When dealing with confidential matters the board may elect to go into a closed executive session at any time during the meeting in accordance with one or more provisions of Subchapter D, Chapter 551, Tex. Gov't Code, or other applicable law.

Closed Meetings/Executive Session

All regular meetings of the board shall be open to members and the public except as specified below. The Board shall close its meetings only when deliberating a matter that is subject to one or more of the exceptions to the requirement that meetings be open to the public, as set forth in Subchapter D, Chapter 551, Tex. Gov't Code., including but not limited to the following:

- Sec. 551.071 – Consultation with attorney.
- Sec. 551.072 – Deliberation regarding real property transaction.
- Sec. 551.074 – Personnel Matters.

To close a meeting, a motion must be made and approved by a majority of the Board stating the specific provision of Subchapter D, Chapter 551, Tex. Gov't Code authorizing the of closing the meeting. Business conducted in the closed session must pertain directly to the stated purpose for closing the meeting.

When required, "Executive Sessions" and its stated purpose shall be listed as an agenda item on regular scheduled meeting.

Meeting Agenda Packet

All matters to be considered by the Board at the meeting shall be included on the agenda and in the Board, packets delivered to Board members at least four days prior to the meeting.

Meeting agendas shall be developed by the general manager and approved by the Board president prior to distribution to other Board members and the official posting of the agenda.

All Board members shall have an opportunity to request items be placed on the agenda five (5) working days prior to the scheduled meeting.

Mailings sent to all members and customers shall also be mailed to the Board of Directors or distributed at board meetings.

The KWSC Board meeting agenda shall be as follows:

- 1 Call to Order and Establish Quorum
- 2 Pledge of Allegiance and Honor the Texas Flag

- 3 Open Session
- 4 New Business
- 5 Approve Previous Month's Minutes
- 6 CFO Financial Report
- 7 Committee Minutes
- 8 Old Business
- 9 Managerial Report's (As Required)
 - a. General Manager's Report
 - b. Administrative Report
 - c. Plant Report
 - d. Field Report
- 10 Board Member's Comments
- 11 President's Comments
- 12 Adjourn

Staff Attendance at Board Meetings

The General Manager may have any staff member attend Board meetings of the Board that he/she needs as a resource for issues the Board shall consider during the meeting.

Quorum

A majority of (5) elected members of the KWSC Board shall constitute a quorum for the purpose of conducting official Board business. An affirmative vote of the majority of the Directors present at a meeting, at which a quorum has been established, shall be an official act of the Board. For example, if a quorum of five of the nine Board members is present at a meeting, three Board members are required to carry a motion.

Voting

All members of the KWSC Board who are present when a motion is on the floor shall vote on the motion unless there is a conflict of interest or a lack of enough information to vote either yes or no and then a vote to abstain is appropriate.

Voting on all motions shall be by show of hands unless requested otherwise by a member of the Board, at the direction of the President, or required by these policies.

Voting to elect officers of the Board or appointing a General Manager shall be completed by one of the following options.

- Show of hands.
- Roll Call.
- Signed Ballot.

A Board Member who is present at a meeting of the Board, at which action is taken on any corporate matter, shall be presumed to have concurred in the action taken unless the dissent of the Board Member is entered in the minutes of the meeting. Such dissent shall be indicated by a simple "no" vote on the action.

A Board Member who is absent from a meeting of the Board at which action is taken shall be presumed to have concurred in the action unless the member files a written dissent

with the Secretary of the Board within a reasonable time after learning of the action. A reasonable time after learning of the action is five (5) working days.

All policy decisions shall be made by majority vote of the board members present at the meetings. Before adopting any policy, all board members shall receive a copy of the proposed policy in advance of the meeting at which the vote is to be taken.

Disposition of each motion made—passed or failed. (If the vote is by roll call, each board member's vote shall be recorded by name. When a ballot vote is taken, the number voting for and the number voting against shall be recorded. No views, protests, or explanations from Board members about the vote shall be recorded in minutes unless the full Board votes to allow such entries.)

Disqualification for Voting

No member of the KWSC board may vote on any matter in which the Board Member has a direct, indirect, or financial interest.

No member of the Board nor any employee of KWSC shall have proprietary business dealings with KWSC which directly or indirectly results in gain or profit to such Board Member or employee unless he/she first files a sworn statement with the President of the Board of the intent to have such business dealings, and states therein the nature, type, and extent of the transaction and interest of the Board Member. Remaining Board Members must, by majority vote, give approval.

Minutes of the Board Meeting

Records of all actions of the Board shall be set forth in the minutes of the meeting. Minutes shall be kept on file as the official record of the KWSC Board. Copies of minutes shall be available for each Board Member upon request to the general manager. Record copies are retained in the corporation office.

Minutes will follow the agenda in order of discussion and will provide outstanding and current business of the Board and provide clarity to capture the proceedings of the Board.

Minutes shall include pertinent details of the action and discussion.

The office of the Secretary/Treasurer, or its designee(s) of the Board shall be custodian of the minutes. However, it is vital all members of the Board and the General Manager be able to fully participate in the discussions and deliberations, so minutes shall be recorded, and the minutes reduced to writing by a member of the corporation office staff.

The minutes of the meeting are a record of the actions of the Board, not a record of discussion. Minutes of KWSC Board meetings shall include:

Written committee reports or resolution shall be attached to the minutes if these items are important clarification for the minutes of the meeting.

Electronic Recording of Meetings

Electronic recording of meetings shall be used by the KWSC to record regular, special, and annual meetings of the Board. Committee meetings may be recorded at the

chairperson's discretion. Recording shall be used by the office staff of the corporation for clarification purposes when preparing minutes of the meeting. A sign shall be appropriately displayed stating that the meeting is being recorded.

Electronic recording devices shall not be used by the KWSC to record closed meetings or executive sessions of the Board of Directors.

Open Meeting Act Quorum and Voting Rights

The Open Meetings Act authorizes the Board President to vote, and the Board President counts for purposes of a quorum. The Open Meetings Act does not distinguish the Board President from any other board member. All board members have the same vote and all count towards a quorum.

Meetings of the KWSC Board shall be held in accordance with the Texas Open Meetings Act.

Concealed Carry Policy

Weapons, explosives, and firearms are prohibited at KWSC meetings, in KWSC vehicles and on KWSC premises except as provided by this policy.

An employee or board of director who is duly licensed under Subchapter H, Chapter 411 of the Texas Government Code may possess or carry a concealed handgun while performing official duties only after notifying and presenting proof of licensure prior to exercising concealed gun carry.

Regardless of licensure status, an employee or board of director may not:

- Openly carry handguns on KWSC premises.
- Store firearms or ammunition in the KWSC building.
- Display or use firearms to perform his or her official duties; or
- Possess or carry firearms at a facility or property where doing so is prohibited by law or by the facility's company policy.

Possessing firearms illegally or the open display of firearms is not allowed. Violations of this policy and/or any law pertaining to the carrying of firearms shall be asked to leave the meeting.

Financial Management

Fiscal Year

The Kempner Water Supply Corporation (KWSC) fiscal year shall be the first day of October through the last day of September the following year. All General Ledger Financial records shall be kept on an accrual basis.

Financial Management

Financial resources of KWSC are the responsibility of the Board of Directors. The Board shall:

- Have a clear plan for acquisition of financial resources to pay for the programs and services provided by the corporation.
- Provide guidelines for management and allocation of financial resources which shall produce optimum benefit for those served by KWSC.
- Monitor and evaluate the financial plans and guidelines of KWSC to ensure the financial integrity of the corporation.

Long Range Plan

The General Manager and Corporation Engineer shall be responsible for developing a (10-year revolving) Long-Range Capital Improvement Plan for the Corporation. It shall be presented July of each year to the Budget/Financial/Planning Committee for its review and recommendation to the Board for approval.

The Budget/Financial/Planning Committee's approved plan is then presented to the Board of Directors at the August meeting for their review with final action taken at the September meeting each year. Once approved by the Board, the plan is used as input to the next fiscal year's budget.

The long-range plan is a living document, which means it should be updated throughout the year as needs are identified.

Budget

The General Manager and CFO, with the assistance of the Budget/Financial/Planning committee, shall be responsible for developing an annual operation budget for the KWSC. The budget shall be completed and ready for committee review during the month of July.

The Budget/Financial/Planning Committee's approved annual operation budget shall be forwarded to the Board of Directors for review at the August meeting with action, if possible, taken at the September meeting.

The budget shall be viewed by the Board as their financial plan for KWSC, and approval of the budget by the Board shall give authority for the General Manager to manage the corporation's finances according to the plan without seeking further approval from the Board. The General Manager shall keep the Board informed of the ongoing status of the financial plan and shall not make expenditures outside the budget plan without seeking

Board approval to amend the budget. Amendments to the budget shall be presented to the Board for approval for any of the following reasons:

- KWSC enters contracts that were not included in the approved budget.
- Management proposes a major expenditure (\$35,000.00 or more in any given month) that was not included in the budget. Single expenditures over \$10,000 shall be communicated to the Executive/Negotiating Committee immediately and to the full Board at the next regularly scheduled Board Meeting.
- Significant cost overruns (\$5,000.00 or more) occur to approved projects.

The General Manager is responsible for informing the Board as to the cause of line-item overruns that occur during the year.

Working Capital Reserves

A working capital reserve enough to keep KWSC operating for at least a 60-day period shall always be maintained.

Accounting

The accounting system used by KWSC shall be generally accepted accounting practices that are required and/or recommended by regulatory or lending agencies and the corporation auditor.

The accounting practices and procedures used by KWSC shall allow for adequate management of its revenues and expenditures and shall provide adequate systems of monitoring by the Board of Directors as well as outside auditors.

Financial Report and Audits

Reports reflecting the financial condition of KWSC shall be presented to the Board monthly and quarterly. These financial reports include:

- At least quarterly the status of expenditures on major projects.
- Monthly statement of cash flow.
- Monthly revenue and expenditure statement for the month and year-to-date.
- Monthly, and year-to-date comparison of revenue and expenditures to the budget.
- Quarterly, a report of KWSC investments shall be presented to the Secretary/Treasurer for review.

An internal audit process shall be established and maintained. The General Manager shall report, at least quarterly, any significant findings to the Board. Gross violations or breach of trust shall be reported to the Board immediately upon discovery.

An annual audit of KWSC's finances shall be conducted by an independent auditor appointed by the Board. The scope of those audits shall be determined from time to time by the Board. A summary of the Annual Audit Report and Financial Report shall be prepared and presented in January to the Board of Directors for preliminary approval to meet CoBank submission deadline of 120 days from end of the fiscal year. The annual

audit report shall also be on the agenda of the Annual Membership Meeting for membership approval.

The Board shall enter into a contract with a Certified Public Accountant and/or Account firm to accomplish an annual audit for a period of three (3) years with option to keep current CPA and/or accounting firm for three (3) additional years times 3 times equaling no more than nine (9) years. The Contract shall be reviewed annually to ensure compliance with Kempner WSC goals, objectives and meet new requirements. The contract shall be based upon applicable rules and regulations for accounting practices pertaining to a water supply system. Internal computations, general ledger entries, monthly and quarterly reporting may be done by staff or contracted to a qualified individual or firm separate from the CPA or firm that does the annual audit for the Corporation this contract shall be for a period of three (3) years and reviewed annually.

The Budget/Financial/Planning Committee in conjunction with the General Manager shall develop a scope of work and submit to three (3) CPA or Accounting Firms for Annual and Internal proposals,

The General Manager shall solicit bids for the audit and internal computations from three (3) or more qualified firms and shall recommend to the Board a firm to perform the audit and a firm to perform internal computations. The Board's selection shall be based on consideration of cost, professional qualifications, reputation, and relevant experience.

As a minimum, the contracts shall consist of the following:

Three (3) year contracts

- 1) Annual review of contract
- 2) General content and scope of work
- 3) Cost of the contract

ACH & Wire Transfers

Authorized signatories for general and investment ACH & wire transfers must include one director and one employee as outlined below:

- The Secretary/Treasurer of the Board, and/or
- The President of the Board, or
- The General Manager, or
- The Chief Financial Officer, or
- The Office Manager.

Internal controls for the request and completion of ACH & wire transfers are as follows:

- ACH and wire transfer requests shall include documentation detailing the amount, purpose, and destination of the wire.
- Documentation authorizing ACH and wire transfers shall require one director and one employee signature, separate from the document's creator.
- Banking institutions shall be required to provide written verification of completed wire transfer requests.

- Confirmation receipts shall not be approved or signed by the authorized individual completing the wire transfer.
- Journal entries for wire transfers must be supported by bank confirmation receipt and corresponding review/approval documents.
- Accounts shall be reconciled monthly on a timely basis and reconciliations must be approved by the Secretary/Treasurer or management.

Signing Checks

Authorized signatories for all general fund accounts must include two of the following in chronological order:

1. The Secretary/Treasurer of the Board and/or
2. The President of the Board, or
3. The Vice President of the Board, or
4. Board Member(s)

It is the responsibility of the General Manager to ensure that signatures can be gained from appropriate signatories so that payment can be made on obligations of the corporation. It is also the responsibility of the General Manager to ensure that adequate controls and safeguards have been established to ensure disbursement of funds are only for KWSC purposes.

It is the responsibility of all check signers to ensure that there is adequate documentation, consistent with good internal controls for valid payment of checks on the checks they sign.

Credit Cards

The General Manager shall recommend to the Board those staff members authorized to use WSC credit cards.

KWSC credit cards shall only be used for corporate business only and all uses shall be documented. They shall not be used for personal expenditures.

Investment Policy

The Board shall adopt and review as necessary an investment policy that is in accordance with, and to the maximum extent practicable, Section 5 of the Texas Public Funds Investment Act. A copy of the policy is included in a separate part of this manual and reviewed every year by the Budget/Financial/Planning Committee during the budget process.

Funds not required for current operations shall be invested in accordance with the investment policy approved by the Board.

Investments must be secured and guaranteed. Investments can be made at the discretion of the investment officer within the plan adopted by the Board.

Executive Limitations

The General Manager may not risk financial losses to KWSC beyond those that may occur in the normal course of business. The General Manager shall:

- Ensure against embezzlement casualty losses to full replacement value and against liability losses (to Board Members, organizations, or staff) beyond the minimally acceptable prudent level.
- Ensure all personnel with access to significant amounts of KWSC funds are appropriately bonded.
- Ensure facilities and equipment are properly maintained.
- Limit exposure of KWSC, the Board or staff to claims of liability.
- Disburse funds only under controls sufficient to meet the Board-appointed auditor's standards.
- Assist Secretary/Treasurer to invest operating capital in accordance with the Board approved investment policy.
- Ensure daily backup and safe storage of all computers and other financial records necessary for uninterrupted operation of the corporation.

Spending Authorization

The General Manager may make expenditures consistent with the Board approved budget without further Board approval. However, expenditures that are not within the Board approved budget or obligate the corporation in any manner must be formally approved by the Board of Directors.

A list of expenditures for capital improvements and capital procurements shall be included in the annual budget submitted to the Board of Directors for approval.

Non-budgeted emergency repairs to the physical plant or equipment that must be completed immediately and cannot be practically submitted to the Board for approval can be authorized by the General Manager. The President of the Board shall be advised of the expenditure as soon as possible.

Approval of the Annual Budget authorized the Secretary/Treasurer to move funds to and from the investment or savings accounts to pay obligations of the Corporation.

CAPITALIZATION POLICY

It is the policy of the Kempner Water Supply Corporation to capitalize all purchased equipment that cost \$5,000.00 or more. This policy includes equipment bought for use in the field, storage areas (barn) and furniture and fixtures for the administrative office and Board room. To determine if an item is to be capitalized follow this rule of thumb: "If the item can function alone without additional components" then consider only the cost of the item. If additional components are required for the item to function properly, e.g., blades for a saw, then consider both the costs of the saw and the blades. Include the cost of the item, transportation charges, taxes, etc. when determining the cost of an item. Questions or clarification should be referred to the General Manager or Secretary/Treasurer.

Insurance & Bonding Protection

The General Manager shall recommend to the Board in September all necessary bonding of staff members who handle KWSC funds and recommend to appropriate insurance coverage to protect the finances, assets, water treatment plant and equipment of the corporation to include workman's compensation and report at that time KWSC is fully bonded.

Charitable Donations

KWSC is a Non-Profit organization funded by loans and grants from the federal and/or state government. Since it is funded by public funds, KWSC shall not make charitable contribution from the funds of the corporation. However, this does not prevent KWSC employees or members of the Board from making charitable contributions in their own name.

Open Records Act

All financial and other records and documents of the KWSC shall be made available to members and to the general public in accordance with the Texas Public Information Act. A reasonable charge shall be made for copies of requested documents.

Board Policy and Procedures

Board Policy

The Board, as the Kempner Water Supply Corporation (KWSC) governing body, is entrusted with the authority to establish policy for the governance of KWSC. Board policy sets the parameters and guidelines for Board Members, Committees, Management, and Staff.

The purposes of our policies are to:

- Inform everyone of Board intent, goals, and aspirations.
- Prevent confusion among Board Members and Staff and improve public relations.
- Promote consistency of Board action.
- Eliminate the need for instant (crisis) policy making.
- Reduce criticism of the Board and Management.
- Clarify Board Member, General Manager, and staff roles.
- Give management a clear direction from the Board.

Management Policies are not Board Policies.

The KWSC Board makes an important distinction between Board policies and management policies. Board policies establish the board parameters within which Board, management, and staff shall operate. Management policies, developed and implemented by the General Manager, outline the specifics of how the organization and staff shall operate within Board policy.

Personnel policies are an example of management policy developed by the General Manager. The General Manager develops the personnel policies appropriate to his/her staff and has them examined by a corporate attorney familiar with personnel policy. The General Manager then informs the Board that personnel policies are in place and provides Board Members with copies of the personnel policy handbook. The Board is not directly involved with developing personnel policies other than to ensure that the General Manager has carried out that project.

Once the Board officially adopts a new Board policy, the policy is the standard for dealing with the subject matter covered by the policy. If an issue comes before the Board that is not in line with existing policy, the issue is out of order and will be considered only in term of policy change.

Policy Requires a Majority Vote of the Board

The policy committee will review and recommend all policy additions, deletions, and changes to the Board for final approval. All policy decisions are made by majority vote of the Board Members present at the meetings. Before adopting any policy, all Board Members shall receive a copy of the proposed policy in advance of the meeting at which the vote is to be taken.

Source of Policies

Policies may be recommended to the Board by Committees of the Board, individual Board Members, or the General Manager. All proposed policies shall be researched to ensure they are legal, and do not contradict already established policy or Bylaws of KWSC. If approved by the Board, policies shall be written, coded, dated at time of approval and included in all copies of the Board policy manual. Anyone at any time may suggest a policy change. All suggestions are to be given to the General Manager and/or Board President for consideration.

Considerations for all Policies

All policies proposed to the Board should be tested to consider if the proposed policy is:

- Really necessary for good operation of KWSC?
- Consistent with our mission statement?
- Within the scope of Board authority?
- Consistent with local, state, and federal law?
- Compatible with other policies of KWSC?
- Practical?
- Broad enough to cover the subject completely?
- Enforceable?

Accountability for Carrying out Policies.

The General Manager shall be accountable to the Board for carrying out these policies, ensuring all policies are effectively explained to the employees and making every reasonable effort to see they are understood, accepted, and complied with.

Distribution of Directors Manual

A copy of the Directors Manual shall always be available in the KWSC office for review and inspection by employees and Board Members. Each Board Member shall be given a manual.

Amendment or Suspension of Policy

All policies shall be reviewed by the policy committee on an annual basis. Personnel committee recommendations for amendment, addition, or elimination will be presented to the board at a scheduled meeting. Except as otherwise provided by law, any policy of the Board may be suspended, repealed, amended, or waved by a majority vote of the Board.

Board Procedures

The following Board policies are adopted by the Board of Directors of the Kempner Water Supply Corporation (KWSC) to clarify administrative procedures and establish specific guidelines by which KWSC can better serve its customers and manage its business.

Annual Member Meetings of KWSC

- The KWSC shall hold Annual and Special Membership Meetings in accordance with the By-laws and written policy on Annual Meeting Procedures.
- The General Manager shall mail a meeting notice and ballot form to each member

of KWSC who is entitled to vote at the annual meeting.

- The Independent Election Auditor shall supervise the registration and certification of members eligible to vote and hold elective office at the annual meeting.
- The agenda for the annual meeting shall be approved by the President.
- The Board of Directors or an individual member of KWSC may submit By-law's amendments, resolutions, or new business items for consideration at the Annual Meeting in accordance with the By-laws and on an approved form.

Procedures for Election of Directors

- The KWSC Board of Directors shall adopt a written policy on Annual Meeting Procedures that details the election procedures for Directors.
- Filling of Director vacancy:
Director vacancies shall be filled by a majority vote of the Board of Directors. The person filling the vacancy shall serve until an election can be held at the next Annual Meeting or at a special meeting called for that purpose as provided in the By-laws and/or annual meeting procedures.
- Removal from Office by Membership:
The members of KWSC may recall or remove any Director in accordance with the By-laws. The Board of Directors of KWSC shall conduct all recall elections and special meetings.
Notice shall be given to the members of the date, time, and place of the recall election not more than 30 days and not less than 10 days prior to such meeting.
The Director subject to recall shall be given notice and the opportunity to address the reasons given for recall.

Officers

- The Officers of KWSC shall be a President, Vice President, and Secretary/Treasurer. Their specific duties and responsibilities are determined by the By-laws and detailed in these Board Policies. Officers and Board Members serve without compensation but may be reimbursed for reasonable expenses incurred while on official corporate business.
- The Board shall elect Officers from among the members within 10 days of the annual meeting.

Officers serve for a term of one year or until their successors are elected. Officers are however, limited to the number of consecutive years they can serve in the position as follows:

President three (3) years
Vice President two (2) years
Secretary/Treasurer four (4) years.

This does not prevent an officer from seeking and being elected to another officers' position after his/her consecutive term is up. Also, after one (1) year of not being in the officers' position they vacated, the Board Member may seek and be elected to the same officers' position again.

- The vacancy of an officer shall be filled by a majority vote of Directors present at the next regular or special meetings of the Board.
- Any Board Member may resign at any time by giving written notice to the Board. Such a resignation shall take effect upon acceptance by the Board at its next regularly scheduled meeting.

Director Term Limits

- The Board of Directors shall serve no more than three (3) consecutive terms of three (3) years each. The term limit shall commence at the beginning of a director's new election. A Board member must wait one (1) year before running for election again.

Committees

There shall be the following Standing Committees of the Board appointed by the

President:

- Executive/Negotiating
- Election/Credentials
- Personnel
- Vehicles
- Budget/Financial/Planning
- Conservation, Drought & Emergency Plan
- Member/Customer Relations
- Policy
- Tariff/Rates

The President shall appoint Ad Hoc or Special Committees as the need arises.

Administration

- The Board shall review all loan documents, professional services, contracts, maintenance agreements and other legal and financial obligations of the Water System annually.
- KWSC will advertise in the local newspapers for any equipment or company asset, the Committee or General Manager deems to be placed for sale and accept sealed bids for the items. The General Manager and designee will open bids and inform the Committee of the results.
- At least three bids shall be solicited for a purchase or a construction contract over twenty-five thousand dollars (\$25,000). The Board shall have the right to accept the lowest qualified responsible bidder.
- The General Manager shall review all bills, statements and vouchers submitted to KWSC to assure compliance with the Budget and these Board Policies.
- Checks for expenditures of KWSC funds should to the maximum extent possible be signed by the Secretary/Treasurer and co-signed by the President or by the other designated Officers/Directors.
- Staff shall provide a monthly check register at each monthly Board Meeting, if

requested.

Travel and Expenses

- All hotel and air travel reservations for Board Members traveling on behalf of the KWSC shall be made through the office.
- Voucher(s) for Board and Staff expenses incurred for official KWSC business shall be submitted within thirty (30) days after the trip or service is completed and must be signed by the individual incurring the expense. Voucher(s) shall be provided for that purpose and claims must be supported by receipts.
- Receipts for hotel bills and transportation shall be attached. Reimbursement may be denied for expenses submitted without receipts.
- No personal or unreasonable expenditures shall be reimbursed.
- Expenses incurred by the Board and Staff for personal automobile transportation used in conjunction with KWSC's business shall be reimbursed at the maximum rate allowed by the Internal Revenue Service.
- Vouchers shall include expenses for the board and staff only and turned in within thirty (30) days if possible. No reimbursements shall be made for spouses or guests without the approval of the President.
- Board Members shall not be compensated for attendance at KWSC board meetings. However, KWSC representative is authorized reimbursement of POV expenses while attending CTWSC board/committee meetings when a corporate vehicle is not available.

TARIFF

- The Board shall periodically review and adopt a Tariff that details the terms and conditions of membership and water service. The Tariff may be amended by a majority vote of the Board.
- All members shall have the option of receiving a copy of the Tariff and shall be provided a photocopy of their membership certificate. The original copy is retained in the member's file.
- All rates' fees and charges contained in the Tariff shall be reviewed and set by the Board of Directors.

Regulatory Compliance

- The General Manager shall provide the Board of Directors with periodic reports on the general conditions of the KWSC including any financial, managerial, or technical deficiencies noted by state and federal regulatory agencies.
- The Board shall annually review and adopt a Capital Improvements Plan that details a systematic approach to resolving future growth and demands on KWSC including adequate sources and alternate sources of water supply.
- The General Manager shall prepare and submit an annual Consumer Confidence Report (CCR) to be made available to all KWSC members and customers. The CCR shall be in a form and content acceptable to state and federal regulatory agencies.

Availability of Membership List

- In accordance with state law, KWSC shall make available a listing of names and addresses of all members. Members who do not want this information made public must request confidentiality in writing on an approved form.
- The membership list is available for inspection in the office by any member or the general public at any time. A reasonable charge shall be made for copies.

Protection of Corporation Assets

- The General Manager shall annually review all insurance policies to assure proper and adequate protection of KWSC and its assets.
- All officers and employees having access to cash shall be bonded in sufficient amounts to adequately protect KWSC.
- The General Manager shall maintain an up-to-date inventory list of all KWSC's property and equipment.
- Each year KWSC shall purchase Directors and Officers Liability Insurance for the Board of Directors and employees in sufficient amounts to adequately protect the KWSC.

Amendments

These Board Policies may be amended at any regular or special meetings of the Board by a majority vote.

GENERAL MANAGER RESPONSIBILITIES AND FUNCTIONS

In the conduct of the ongoing business of Kempner Water Supply Corporation, (KWSC) the general manager is responsible for all business operations, including management of the assets, hiring, training, promotion, discipline, and termination of employees; and for establishing and maintaining the business organization and structure to efficiently conduct the management functions.

The General Manager plans for and administers a program providing service in accordance with KWSC's stated purpose and in such a manner that optimum results are achieved in relation to the resources of the corporation and operates under the general direction of the board of directors.

General Manager Communication/Counsel to the Board

The General Manager will provide information and counsel to the board. Accordingly, he/she will:

- Make the board aware of special events, relevant trends, material external and internal changes, and the assumptions upon which any board policy has previously been established.
- Submit required monitoring data in a timely, accurate and understandable fashion, directly addressing provisions of the board policies being monitored.
- Obtain as many staff and external points of view, issues, and options as needed for fully informed board choices.

- Present information in a form that is understandable and of reasonable length.

Delegation to the General Manager

The board's job is generally confined to establishing topmost policies, leaving implementation of board policy to the general manager. All board authority delegated to staff is delegated through the general manager.

The General Manager is authorized to establish all further policies, make all decisions, take all actions, and develop all activities which are true to the board's policies. The board will respect the general manager's choices so long as the delegation continues. This does not prevent the board from obtaining information about activities in the delegated areas.

No individual board member, officer or committee has any authority over the general manager. Information may be requested by such parties, but if such a request, in the general manager's judgment, requires a material amount of staff time, it may be refused.

Acting with the authority granted above, the general manager may not perform, allow or cause to be performed any act which is unlawful, insufficient to meet commonly accepted business and professional ethics for the "prudent person" test, in violation of funding source requirements or regulatory bodies, or contrary to explicit board constraints on general manager authority.

Should a situation arise wherein the general manager deems it unwise to comply with a board policy, he/she will inform the board of directors. Informing is simply to guarantee no violation may be intentionally kept from the board. It is not for the purpose of receiving approval. Board response at that time does not exempt the general manager from subsequent board judgment of his/her action.

Areas of Responsibility Delegated to the General Manager

In the area of human resources, the general manager relates both to the board and to the staff of KWSC but has ultimate responsibility to the board.

For the board of directors, the general manager:

- develops and recommends to the board of directors, specific written long-range plans for the development of KWSC programs and services.
- maintains appropriate relations with the board and various board committees and keeps them informed.
- interprets trends in the fields of service in which KWSC is engaged, by maintaining involvement in the professional field as a whole.
- assists with orientation and training programs for the board.

For the KWSC staff, the general manager:

- supervises and directs key staff in the performance of their duties.
- key staff members are Office Manager, Field Manager, Chief Financial Officer, Safety/Compliance Officer, and Plant Manager.

- evaluates the performance of key staff members.
- provides overall control of and direction for the personnel of KWSC, including active participation in or approval of personnel actions.

In the area of planning, the general manager:

- evaluates the services being provided by KWSC in relation to specified goals and standards, and recommends modifications, where appropriate.
- develops orientation and training programs for the employees.
- recommends new programs to the board.

In the area of finance, the general manager:

- along with the Budget/Financial Management Committee prepares KWSC long range plan and annual budget and accountable for control of these resources once approved.
- complies with objectives and strategies of KWSC Investment Policy.
- directs all financial operations of KWSC.

In the area of constituent relations, the general manager manages all activities including coordinating board activities in this area.

In the area of public relations, the general manager interprets the function of KWSC to the community by assisting the board, through direct involvement and public relations programs, including personal contact, descriptive program literature, and the media.

In the area of interagency relations, the general manager:

- maintains appropriate relations with other professional and service groups in the community.
- maintains appropriate relations with federal, state, city, and local government units.
- maintains appropriate relations with other agencies in similar fields of service.

In the area of KWSC organizational operations, the general manager:

- recommends policies to the board and/or assists the board in the formulation of policies for the effective and economical operation of the corporation and its programs.
- ensures implementation of the policies adopted by the board.
- has responsibility for maintenance of agency facilities, and regular reporting to various bodies.
- has a responsibility to ensure that legal obligations are met.

Monitoring General Manager Performance

Monitoring general manager performance is somewhat synonymous with monitoring organizational performance. The board delegates management to the general manager and must have a process for ongoing monitoring of the general manager's performance

of the delegated duties. The purpose of monitoring is to determine the degree to which board policies are being fulfilled.

The board will monitor the general manager's performance by awareness of the general manager's job description, careful attention to all reports delivered to the board and through an annual evaluation of the general manager's job performance.

General Manager Performance Evaluation

Each year in June, the General Manager will report the prior year's accomplishments and future goals for the next year. Feedback regarding the GM achievements may be provided by the Board of Directors to the President of the Board verbally or in writing one week prior to the July board meeting. Any problems not addressed with the president at least one week before the July meeting will not be included in the evaluation or board discussions. The President of the Board will provide to the General Manager all the Board of Directors feedback. Annual compensation for the General Manager will be determined and approved by the KWSC BOD. Compensation determination will be calculated by using the SSI COLA index for the current year and may be adjusted by as much as 2% based on GM performance and KWSC budget. GM compensation adjustment will be effective on the 1st of October of the next fiscal year.

Board/General Manager Relationship

The board of directors recognizes and maintains the following guidelines in the board's relationship with the general manager:

- Good management is recognized as one of the key factors in the success of the organization. The board reserves the authority to establish policies, approve plans, and programs and delegate authority to the general manager.
- The board will approve policies and long-range plans and programs for KWSC, and delegate authority to the general manager to execute and carry out the policies, plans and programs. The general manager will be responsible for hiring capable personnel within the limitations of board policy and budget constraints, determining the appropriate compensation, training, supervising, disciplining, and terminating if necessary.
- Board members will refrain from individually discussing management and personnel issues with KWSC personnel other than the general manager. The board, in consultation with the general manager, may confer with key personnel at regular or special meetings of the board.
- Authority for management of KWSC will be through the board of directors to the general manager, then to other personnel. The board will require full and timely information from the general manager concerning pertinent matters that relate to the management of the corporation.
- The board recognizes that efficient management of KWSC can exist only through mutual understanding and co-operation between the board and the general manager. The board also recognizes that the general manager is accountable to the board to show results, but the general manager cannot

perform well and show good results if not given latitude to exercise independent judgment in executing board policy. Therefore, the board grants that latitude of judgment and discretion and expects full accounting of performance from the general manager.

- The board recognizes its position as the employer of the general manager and will be responsible for a systematic annual evaluation of the general manager's performance, in closed session. The evaluation will be for the purpose of improving the general manager's performance and to provide a basis for consideration of the general manager's salary for the next year.
- The general manager's employment with KWSC may be terminated for cause upon written notice to the general manager from the Board of Directors. Termination will be effective immediately with severance pay to be determined by the Board of Directors.

General Manager

Job Descriptions:

Job Summary

The General Manager, under the supervision of the Board of Directors, performs a wide variety of tasks necessary for the efficient production and distribution of water in sufficient quantity and quality to meet customer demand. As the chief administrative officer of the Kempner Water Supply Corporation, (KWSC), the General Manager carries out all directives, policies and procedures set forth by the Board and is responsible for organizing and directing the work of all staff members. The General Manager also ensures that all legal and regulatory requirements of the KWSC are being met, serves as the primary point of contact for consultants and government agencies, oversees the financial affairs of the KWSC and performs all other duties as assigned by the Board.

Education and Experience

- Required Class "B" or higher Surface Water Certification
- Preferred bachelor's degree or higher
- Five or more years' experience with: a surface and distribution water system. supervisory experience; Computer (telemetry control) water distribution systems, Budget/finance, office software; Texas Commission on Environmental Quality and Independent contractors.
- Experience with membrane filtration system

Operational Duties

- Ensures compliance with Texas and Federal EPA water quality standards.
- Ensures compliance with OSHA safety requirements.
- Maintains routine and state mandated water sampling records and prepares production and treatment reports.
- Provides monthly oral and written reports to the Board regarding utility status and needs.
- Supervises, directs, and evaluates the performance of key staff.
- Key Staff members are office manager, chief financial officer, distribution manager, plant manager, IT GIS/GPS manager and safety officer.
- Ensures that an adequate inventory of materials, supplies and equipment is maintained.
- Supervises routine maintenance and inspection of equipment; performs and/or supervises repairs, adjustments, maintenance and/or replacement of pumps, electric motors, meters, and chemical feeders; and maintains proper records of all maintenance and repairs.
- Calculates water loss.
- Responds to emergency conditions according to standard procedures.

MANAGERIAL, FINANCIAL AND ADMINISTRATIVE DUTIES

- Supervises all office, field, and plant employees through, office manager, field supervisor or plant supervisor.
- Ensures inventory control procedures are in place to prevent loss of corporate assets.
- Oversees the activities of contractual services.
- Develops estimates for recommended purchases of goods and services.
- Maintains all financial records, revenues, and expenditures.
- Ensures that all receipts are properly documented and deposited in a timely manner.
- Ensures the timely payment of all system debts and obligations and tracks revenues and expenditures in relation to the adopted budget.
- Serves in conjunction with the secretary/treasurer as the investment officer for the Corporation.
- Maintains all system files and records, including operational and maintenance records; sanitary surveys, Charter, By-Laws, CCN, sampling results, Tariff and/or other Board adopted policies, contracts, board minutes, and others as needed and as appropriate.
- Oversees requests for service to ensure compliance and the application of all system policies.
- Ensures all collections are made in a fair and equitable manner and termination policies are applied according to board policies.
- Handles customer inquiries and complaints related to water service.
- Refers to the Customer Relations Committee all unresolved issues and inquiries.
- Participates with the board and consulting engineers in planning system improvements and expansion.
- Assists with the posting of notification of all board meetings.
- Assists in the development of the annual budget.
- Works closely with engineers, contractors, local elected officials, state regulatory and financing agencies and (when necessary) the media.
- Oversees Field and Plant operations and requirements as necessary.

Required Knowledge and Skills

- Extensive knowledge of the methods, practices, tools, and materials used in the operation of membrane filtration system.
- Maintenance and repair of water production, treatment, storage and distribution equipment and machinery
- Thorough knowledge of the equipment and procedures used in installing and repairing water mains and service meters.
- Knowledge of safety regulations for employees and the public, including chlorine and other chemical hazards.
- Ability to plan, organize and supervise the operation, maintenance and repair of the utility's storage, treatment and distribution systems and the organizational skills necessary for scheduling daily activities.

- Ability to prepare concise and accurate records and reports.
- Ability to help develop and implement the utility's policies and procedures.
- Skills in public relations.
- Ability to understand and follow complex oral and written instructions.
- Ability to communicate effectively orally and in writing.
- Ability to effectively supervise the work of subordinates.
- Demonstrated fiscal management ability.

Employment Policies

Chain of Command

The Kempner Water Supply Corporation (KWSC) board believes strongly in the chain of command (See Exhibit "A" attached hereto):

- **Board of Directors**
- **General Manager**
- **Office Manager**
- **Customer Service Reps**
- **Plant Manager**
- **Plant Personnel**
- **Chief Financial Officer**
- **Accountant**
- **Distribution & Maintenance Manager**
- **Maintenance Personnel**
- **Quality Control Personnel**
- **Information Technologies Manager**
- **IT, GIS/GPS Personnel**
- **Compliance and Safety Officer**

Only the board chairperson, the General Manager or their designee may contact professional counsel on behalf of the Board. Cost billed to KWSC and associated with individual Board Members contacting legal counsel, auditors, or other professional consultants without specific authority from the Board of Directors, shall be billed to the Board Member making the unauthorized contact.

The board is concerned about the needs and success of staff and will work through the chain of command to facilitate the success of all KWSC staff.

The board expects all staff to respect and follow the chain of command when registering complaints, making suggestions and in any other way communicating with the board about the business of the organization. Staff members who take complaints, requests, criticism or other organization, business directly to the board or individual board members without working through the general manager will be considered insubordinate and subject to disciplinary measures by the general manager.

The board expects all board members to respect and follow the chain of command when communicating with staff about the business of the organization. Board members will not take complaints, suggestions, requests or demands to the staff except through the general manager. When a board member receives a complaint or suggestion from a staff member other than the general manager, the board member will remind the staff member of this board's policy about following the chain of

command. The board member will also report the staff communication to the general manager.

Employee Grievance Procedure

The objective of this policy is to resolve grievances promptly and harmoniously, and to facilitate communication among KWSC employees. This policy applies to all regular employees. This policy is part of the KWSC Employee Handbook, but it is also included here in the Board Policy Manual to make it clear to all board members that they can refer employees to the grievance procedure, and that the board is not involved in the grievance procedure.

The definition of a grievance is: "A dispute with an employee that involves questions of interpretation or application of wages, hours, terms and conditions of employment or disciplinary actions.

The employee grievance process will follow these steps...

Step 1: The employee will present the grievance verbally to his/her Department Manager within five working days of the alleged violation or the date the employee becomes aware of the alleged violation, whichever is later. The manager receiving the complaint will document the complaint in writing and attempt to resolve the grievance. A written reply by the manager will be made no later than five working days from the date the employee filed the complaint.

Step 2: If the grievance is not resolved in step 1, the employee may submit a written grievance to the general manager within five working days of the date the response from step one was due or received, whichever comes first. The general manager will have five working days from receipt of the written step 2 grievance to investigate the matter and respond in writing to the grievant.

The general manager's written response may be appealed to the Personnel Committee. The Personnel Committee will then forward their recommendation to the Board of Directors.

Personnel Policies

Appropriate and complete personnel policies will be adopted by the general manager and reviewed by legal counsel for accuracy and completeness. The general manager will report to the board that this has been done and will report annually that all personnel policies have been reviewed and updated.

Personnel policies are published in a separate Employee Handbook. All employees will be given a copy of the most recent and updated handbook and will sign an acknowledgment of such receipt. Signed receipts will be filed in the employee's personnel folder.

Implementation and administration of all personnel policies are the responsibility of management.

Professional Development

The board recognizes the importance of employees staying current in fields related to their employment and the importance of maintaining professional status. Therefore, KWSC will pay for the cost of professional development for employees within the limits of the budget and provided such training is in the best interest of KWSC.

Licensing Pay

Employee(s) obtaining licenses above their required employment level may not be eligible for Licensing Pay unless the license is recognized by the General Manager. One (1) license testing fee for each water license will be paid by KWSC.

- Obtaining a "D" Water License up to \$1,000.00, if recognized by the General Manager.
- Obtaining a "C" Water License up to \$2,000.00, if recognized by the General Manager.
- Obtaining a "B" Water License up to \$2,000.00, if recognized by the General Manager.

In obtaining the "A" license there is not an immediate pay increase. However, completion of this accomplishment will be considered during the employees' annual evaluation.

All Class A specialized training will require a signed "Value/Reimbursement Agreement". All training costs, testing fees, and travel expenses will be treated as a loan. If an employee resigns from KWSC during the Specialized Training process, any costs associated with the portion of training received as of the date of resignation will be deducted from final paycheck and/or accrued vacation. Furthermore, if the employee resigns from KWSC during the two (2) year period following the receipt of TCEQ License, employee agrees to incur expenses by KWSC on a pro-rated basis. The amount owed KWSC for training, testing and travel expense received will be reduced by 1/24 per month from the date the Agreement was entered.

KWSC may also pay the cost for employees to attend meetings related to their professional development if the meeting is judged to be in the best interest of KWSC.

Requests for training for employees must be made and approved by the general manager prior to the date of training.

Out-of-pocket expenses incurred at seminars related to training will be reimbursed.

Nepotism

Board members and members of their immediate families may not be employed by KWSC, except by vote of the board. Members of the immediate family of the general manager may not be employed by KWSC without a vote of the board. A change in position or scope of employment also requires Board approval.

For purposes of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage. This policy applies to all employees without regard to the gender

or sexual orientation of the individuals involved.

Equal Employment Opportunity/Affirmative Action

All employment decisions and personnel actions will be administered with the purpose of promoting and ensuring equal opportunity for all persons. All promotional opportunities will be publicized by one of the following means:

- Positions covered by labor agreements--by formal vacancy posting, bid evaluation, and awarded in accordance with the terms of the appropriate agreements.
- Management and secretarial positions--by bulletin board notification to employees of the vacancy, inviting submission of a written summary of qualifications for manager's consideration. In the absence of qualified in-house applicants, the position may be filled from sources outside KWSC.

All hiring and promotional decisions will be made on the basis of valid, written job requirements set forth in the appropriate position description or vacancy posting.

All KWSC social and recreational programs will be administered on a non-discriminatory basis.

Facts About Sexual Harassment

Sexual harassment is a form of sex discrimination that violates **Title VII of the Civil Rights Act of 1964**. Title VII applies to employers with 15 or more employees, including state and local governments.

Sexual harassment undermines the integrity of the work environment and will not be tolerated within this organization. Sexual harassment may include words as well as acts, sexual advances, offensive touching and offensive or derogatory sexual comments. All such conduct is forbidden particularly when:

Any person who believes that he or she has been subject to sexual harassment by a manager, fellow employee, board member, or any person calling upon the organization, should follow the Grievance Procedure as outlined below:

1. The employee will present the grievance verbally to his/her Department Manager within five working days of the alleged violation.
2. The manager receiving the complaint will document the complaint in writing and attempt to resolve the grievance.
3. A written reply, by the manager, will be made no later than five working days from the date the employee filed the complaint.
4. If the grievance is not resolved, the employee may submit a written grievance to the general manager within five working days of the date the response was due or received.
5. The general manager will have five working days from receipt to investigate the matter and respond in writing.

The general manager's written response may be appealed to the Personnel

Committee. The Personnel Committee will then forward their recommendation to the Board of Directors.

Facts about Discrimination

KWSC is an "equal opportunity employer" and will take "affirmative action" measures to ensure against discrimination in employment, recruitment, advertisements for employment, compensation, termination, upgrading, promotions, and other conditions of employment against any employee or job applicant on the bases of race, creed, color, national origin, or sex.

Any person who believes that he or she has been subject to discrimination by a manager, fellow employee, board member, or any person calling upon the organization, should follow the Grievance Procedure as outlined below:

1. The employee will present the grievance verbally to his/her Department Manager within five working days of the alleged violation.
2. The manager receiving the complaint will document the complaint in writing and attempt to resolve the grievance.
3. A written reply, by the manager, will be made no later than five working days from the date the employee filed the complaint.
4. If the grievance is not resolved, the employee may submit a written grievance to the general manager within five working days of the date the response was due or received.
5. The general manager will have five working days from receipt to investigate the matter and respond in writing.

The general manager's written response may be appealed to the Personnel Committee. The Personnel Committee will then forward their recommendation to the Board of Directors.

Smoking on KWSC Premises

Smoking and the use of tobacco products is prohibited within all KWSC facilities and vehicles.

KWSC will assist smokers wishing to quit smoking. Several options in this regard will be available to smokers through the human resources department. Those smokers wishing assistance in quitting smoking should contact the human resources advisor.

Drug-Free Workplace

Employees are KWSC's most valuable resource, and for that reason their health and safety are of paramount concern.

The manufacture, distribution, possession or use of alcohol or controlled substances, including amphetamines, barbiturates, heroin or opiate derivatives, or hallucinogens, while on the job or on KWSC property will result in disciplinary action.

Alcohol is prohibited on KWSC property and in its operations and will not be allowed at any event or function hosted by the Corporation. No officer or employee is

authorized to provide or use alcoholic beverages on behalf at any location, nor will corporate funds be used to purchase alcoholic beverages.

The legal use of drugs or controlled substances which are prescribed by a licensed physician is not prohibited, but employees in positions where such drug usage may affect the safety of themselves, or others are required to make such use known to an appropriate KWSC supervisor. This obligation applies to employees operating corporate vehicles and equipment which, if improperly used, may result in personal injury or property damage.

Any physical examination that KWSC requires may include testing for drug or alcohol use and abuse. Further, if probable suspicion exists to believe that an employee is using or is under the influence of controlled substances or alcohol, the employee must submit to testing. Should the employee refuse to submit to the testing or sign the consent form to allow such testing, it will constitute a presumption that the employee is under the influence of alcohol or drugs. Refusal to consent and co-operate in the drug testing will be grounds for immediate discipline or termination.

Law enforcement officials will be notified whenever illegal drugs are found in the workplace, and KWSC will fully assist in any resulting investigation and prosecution.

Whenever possible, KWSC will assist employees in overcoming drug, alcoholism and other problems which may adversely affect employee job performance, but KWSC will not tolerate drug usage that may affect the safety of its workforce or others.

Safety and Loss Control

Loss control is defined as controlling the loss of equipment, to include tools, materials as well as equipment.

KWSC is committed to maintaining safety in its operations, on its property and in the delivery of programs and services.

The general manager will provide for and actively promote ongoing safety and loss control training for all employees. The general manager will institute procedures, where necessary, to ensure the safety of the work environment, and will provide appropriate equipment to employees sufficient for the performance of their duties.

Accidents and losses due to accidents will be reported to the board monthly. The involvement in any work-related injury will result in drug testing.

When necessary, the general manager will review safety concerns and risk management plans with legal counsel to ensure legal compliance.

Safety requirements will always be in effect and enforced.

Each employee signs a form filed in the employee's personnel folder along with additional mandatory, monthly safety meetings.

References for Employees Leaving KWSC

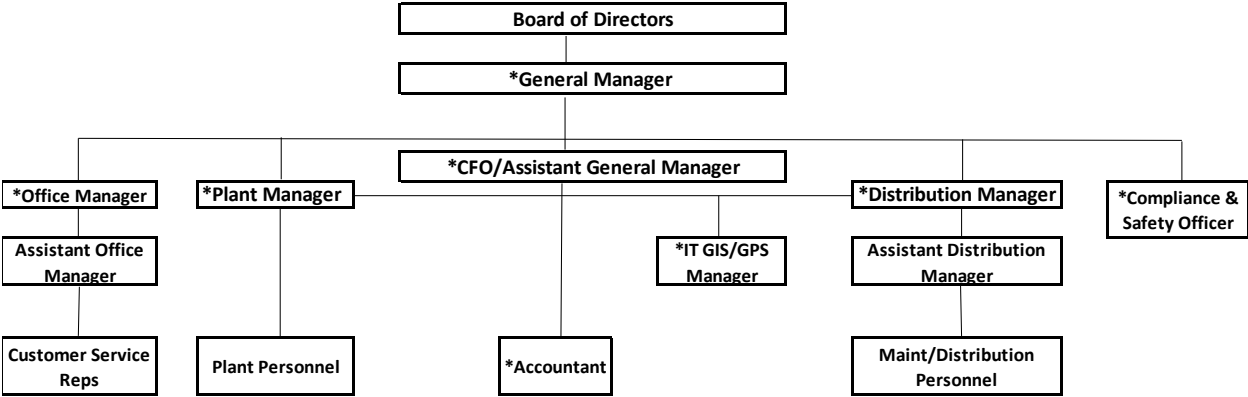
It is the policy of the KWSC Board that no employee or board member will provide performance references for/about former employees.

When requests for such references are received, with appropriate releases from the former employee, they will be referred to the general manager. The general manager will provide the requesting party only the dates of employment for the former employee, and a copy of this policy statement.

Exhibit A

KWSC Chain of Command

Kempner Water Supply Corporation Organizational Chart



* In absence of General Manager, KWSC management will report to CFO/Assistant General Manager.