



September 11, 2023
Board Meeting Packet

ITEM 2. a.

AGUA SPECIAL UTILITY DISTRICT

Regular Meeting of the Board of Directors
Agua SUD Administration Building
3120 North Abram Road
Palmview, Texas

6:00 p.m., July 17, 2023

MINUTES OF SPECIAL MEETING

1. The meeting was called to order by Ms. Maribel Diaz at 6:04 p.m., July 17, 2023, at which time Ms. Diaz acknowledged the presence of the following Elected Members of the Board of the Agua SUD:

Directors Present:

Ms. Maribel Diaz
Dr. Adriana Flores-Villarreal
Mr. Ricardo Perez
Mrs. Ana María Perez
Mr. Narciso Solis

Directors Absent:

Mr. Jose Luis Ochoa, Jr.
Mr. Homero Tijerina

With a quorum of the members of the Agua SUD being present, the meeting was duly convened. Mrs. Pamela Perez presented the invocation.

Public Comment: None received.

2. The Board of Directors authorized the General Manager to advertise for competitive bids on the purchase of Water Treatment Chemicals, including Chlorine Gas and Chlorine Dioxide. The motion was made by Mrs. Ana María Perez, seconded by Mr. Narciso Solis, and unanimously approved by the Board.
3. The Board of Directors approved the selection of engineer(s), MEG Engineers, Raba Kistner, Terracon, and B2Z for Geotechnical & Materials Testing On-Call Services. The General Manager and Committee recommended having all four firms on a rotation basis for subdivisions and any construction and may also include CIP projects and waterline relocations. The motion was made by Mr. Ricardo Perez, seconded by Mrs. Ana Maria Perez, and unanimously approved by the Board.
4. The Board of Directors approved the submission of an Application for State Participation in the Relocation of Certain Publicly Owned Facilities with TxDOT for the relocation of District

facilities along SH 495 between SH 364 and Abram Road. The motion was made by Mrs. Ana Maria Perez, seconded by Mr. Narciso Solis, and unanimously approved by the Board.

5. The Board of Directors approved extending the agreement with Carr, Riggs & Ingram for auditing services for an additional two-year term. The motion was made by Mr. Ricardo Perez, seconded by Dr. Adriana Flores-Villarreal, and unanimously approved by the Board.
6. The Board of Directors approved an engineering services agreement with Melden & Hunt to perform plans, specifications, and estimates for the Relocation of the In-Line Booster Station along Tom Gill Road to increase water pressure North of the Penitas area. The motion was made by Mr. Narciso Solis, seconded by Mr. Ricardo Perez, and unanimously approved by the Board.
7. The Board of Directors approved an engineering services agreement with Melden & Hunt to perform water system hydraulic modeling of an interlocal connection with Sharyland Water Supply Corporation. The motion was made by Mr. Narciso Solis, seconded by Mr. Ricardo Perez, and unanimously approved by the Board.
8. The Board of Directors approved a Resolution in Support of Mexico Paying its Water Debt. The motion was made by Mr. Ricardo Perez, seconded by Mr. Narciso Solis, and unanimously approved by the Board.
9. The Board of Directors approved Change Order No. 5 with Mor-Wil, LLC for the NADBank Palmview Yard Line Project (Hook-Up Project). The motion was made by Mr. Narciso Solis, seconded by Mrs. Ana María Perez, and unanimously approved by the Board.
10. The Board of Directors received a report from the General Manager on operations and finance including:
 - a. May Financials
 - b. Update on Boil Water Notice
 - c. Update on Stage 3 Drought Contingency Plan
11. The Board of Directors received a report from the District Engineer on ongoing projects including:
 - a. NAD Bank Technical Assistance Agreement (Sewer Hook-ups). Project is about 98% complete, contractor is pending approximately 20 homes to connect and have them completed by the end of September.
 - b. TWDB Palmview Sanitary Sewer Improvements Project Update – M2 received the televising for the Veterans area service G1, M2 has reviewed and finalized the report and submitted it to the General Manager and Legal. M2 also provided a layout with the quantities to Legal for review.
12. The Board of Directors recessed into an Executive (closed) meeting at 6:37 p.m. under Texas Gov. Code Sections 551.071-551.091, the Board of Directors may convene in closed Executive Session to deliberate, discuss, or consult regarding the matters listed below and, on proper

motion and approval, any of the items set forth above. The motion was made by Mrs. Ana María Perez and seconded by Mr. Ricardo Perez and was unanimously approved by the Board.

- ITEM 12. a. Cause No. C-3353-20-I; S&B Infrastructure vs. Agua Special Utility District; In the District Court of Hidalgo County, Texas, 398th Judicial District.
- ITEM 12. b. Performance Services, Inc. litigation.
- ITEM 12. c. Senate Bill 1188 regarding the amendment to District enabling legislation.
- ITEM 12. d. Havana Water Treatment Plant Improvements Project (TWDB).

At 7:40 p.m., The Board moved to reconvene in an open session and no action was taken in the executive session. The motion was made by Dr. Adriana Flores-Villarreal, seconded by Mr. Ricardo Perez, and unanimously approved by the Board.

13. The Board of Directors took no action in open session regarding the item(s) discussed in the executive session for the following:

- ITEM 12. a. The Board of Directors took no action on Cause No. C-3353-20-I; S&B Infrastructure vs. Agua Special Utility District; In the District Court of Hidalgo County, Texas, 398th Judicial District.
- ITEM 12. b. The Board of Directors took no action on Performance Services, Inc. litigation.
- ITEM 12. c. The Board of Directors took no action on Senate Bill 1188 regarding the amendment to District enabling legislation.
- ITEM 12. d. The Board of Directors took no action on the Havana Water Treatment Plant Improvements Project (TWDB).

At 7:41 p.m., Mrs. Ana María Perez moved for adjournment. The motion was seconded by Mr. Narciso Solis and was unanimously approved by the Board.

Approved, the ____ of September 2023

Maribel Diaz, President, Agua SUD

Attested by:

Jose Luis Ochoa, Jr., Secretary, Agua SUD

ITEM 3.

AGUA SPECIAL UTILITY DISTRICT
RESOLUTION ADOPTING INVESTMENT POLICY

WHEREAS, the Agua Special Utility District is subject to the Public Funds Investment Act, Government Code Chapter 2256; and

WHEREAS, the act requires local governments to adopt a public investment policy in compliance with the requirements of the Act in order to be authorized to invest in such funds; and

WHEREAS, the public funds can be invested only in investments authorized by the Act and in accordance with the standard of care prescribed by the Act; and

WHEREAS, the public investment policy and its incorporated strategies having been originally adopted on July 30th, 2008 and amended on April 12th, 2012 and September 10th, 2015 must be approved by resolution only when amended and not annually

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AGUA SPECIAL UTILITY DISTRICT:

Designate Mr. Ricardo Perez, Mr. Roberto J. Salinas, and Mr. Jaime Reyna, Board Treasurer, General Manager, and Finance Director, respectively, as Investment Officers of the District; and

The Investment Policy of Agua Special Utility District attached hereto as Exhibit A is hereby amended for Sections II, III, V, VIII, XI, XII and Investment Strategy attachments A, B, and C as follows:

Exhibit A – Investment Policy

II. SCOPE

Remove *“The District commingles its funds into one investment portfolio for investment purposes of efficiency and maximum investment opportunity.”*

Replace with *“The District shall separate different fund types into separate investment positions within the portfolio for efficient tracking of investment assets and income.”*

III. OBJECTIVES AND STRATEGY

Remove *“It is the policy of the District that all funds subject to this investment policy, shall be managed and invested with four primary objectives, listed in order of their priority: safety, liquidity, diversification and yield.”*

Replace with *“It is the policy of the District that all funds subject to this investment policy, shall be managed and invested with six primary objectives, listed in order of their priority: safety, liquidity, public trust, diversification, maturity, and yield.”*

Add Item

Public Trust

All participants in the District’s investment process shall seek to act responsibly as custodians of the public trust. Investment Officers shall avoid any transaction that might impair public confidence in the District’s ability to govern effectively.

Yield

Remove *“The District’s cash management portfolio shall be designed with the objective of regularly exceeding the average rate of return on U.S Treasury Bills at a maturity level comparable to the District’s weighted average maturity in days. The investment program shall seek to augment returns above this threshold consistent with risk limitations identified herein and prudent investment policies.”*

Replace with *“When making investments, depending on their type or asset class, the District shall seek to approximate or exceed the current benchmark US Treasury yield for similar maturity (tenor). The objective will be to achieve, over a period of time, a portfolio positive yield-spread over a benchmark US Treasury tenor similar to the District’s investment portfolio Weighted Average Maturity and/or the Average Life.”*

V. DELEGATION OF INVESTMENT AUTHORITY

Remove *“The Chief Accountant and Executive Director, acting on behalf of the Board, are designated as the Investment Officers of the District and are responsible for all investment management decisions and activities.”*

Replace with *“The Finance Director, General Manager, and Board Treasurer, acting on behalf of the Board, are designated as the Investment Officers of the District and are responsible for all investment management decisions and activities.”*

Remove *“The Investment Officer(s) shall designate the Board Treasurer as a liaison/deputy in the event circumstances require timely action and the Investment Officer is not available.”*

VIII. AUTHORIZED INVESTMENTS

Section B

Remove *“Fully insured or collateralized certificates of deposit from a state or national bank domiciled and doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to stated maturity.”*

Replace with *“Certificates of deposit and other evidences of deposit at a financial institution that, a) has its main office or a branch office in Texas and is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union share insurance fund or its successor; b) is secured by obligations in a manner and amount provided by law for deposits of the District, or c) is executed through a broker or depository institution that has its main office or a branch office in Texas and that is fully registered and licensed with the Financial Industry Regulatory Authority (FINRA), or similar program, and meets the requirements of the PFIA. Certificates of deposits may not exceed two years to stated maturity”*

Delivery versus Payment

Remove *“All investment security transactions shall be conducted on a delivery versus payment (DVP) basis to assure that the District has control of its assets and/or funds at all times.”*

Replace with *“All investment security transactions shall be conducted on a delivery versus payment (DVP) basis to assure that investments are paid for when they are received and that the investments are held in the District’s name.”*

IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

Remove

- *Annual provision of an audited financial statement*
- *Proof of certification by the National Association of Securities Dealers (NASD)*

Replace with

- *Provide the firm’s annual Due Diligence packet with annual provision of an audited financial statement*
- *Provide proof of licenses and registration with the Financial Industry Regulatory Authority (FINRA)*

XI. SAFEKEEPING AND COLLATERALIZATION

Collateral or Insurance

Add Item

“Consistent with the requirements of the Public Funds Collateral Act, it is the Policy of the District to require full collateralization of all District funds on deposit with a depository bank. All deposits with financial institutions shall be secured by pledged collateral with a market value equal to or greater than 102% of total value of principal and accrued interest on the deposits less any amount insured by the FDIC. At its discretion, the District may require a higher level of collateralization for certain investment securities.”

XII. REPORTING

Remove *“The Investment Officer(s) shall submit monthly reports to the Executive Director and quarterly reports to the District's Board containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program and in full compliance with the Act.”*

Replace with *“The Investment Officer(s) shall submit quarterly reports to the District's Board containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program and in full compliance with the Act.”*

Annual Reporting

Remove *“Within 90 days following the end of the fiscal year, the Investment Officer will present to the District a comprehensive annual report on the investment program and investment activity. In addition to the information required for quarterly reporting, the annual report will include a review of the activities and return for the twelve months, suggest policy revisions and improvements that might enhance the investment program, and include an investment plan for the ensuing fiscal year.”*

Investment Strategy of the District

Exhibit A

Remove *“To designate Mr. Julio Cerda, Executive Director and Mr. Dagoberto Soto, Jr., Chief Accountant on behalf of the Board of the District, as the Investment Officers of the District who will be responsible for all of the District's investment management decisions and activities.”*

Replace with *“To designate the Board Treasurer, General Manager, and Finance Director on behalf of the Board of the District, as the Investment Officers of the District who will be responsible for all of the District’s investment management decisions and activities.”*

Rename

Exhibit A to Exhibit B

Exhibit B to Exhibit C

Exhibit C to Exhibit D

PASSED, APPROVED, AND ADOPTED by the Board of Directors of Agua Special Utility District this _____ day of July, 2023.

Ms. Maribel Diaz
President, Agua Special Utility District

ATTEST:

Mr. Jose Luis Ochoa, Jr.
Secretary, Agua Special Utility District

EXHIBIT A
AGUA SPECIAL UTILITY DISTRICT
INVESTMENT POLICY

I. POLICY STATEMENT

It is the policy of Agua Special Utility District (“District”) that the administration and investment of its funds shall be handled as its highest public trust. Investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the District and conforming to all applicable state and federal statutes governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity.

It is the intent of the District to be in complete compliance with the requirements of the Texas Public Funds Investment Act (the “Act”, Texas Government Code Chapter 2256, Subchapter A). The earnings from investments will be used in a manner that best serves the public trust and interests of the District.

II. SCOPE

This Investment Policy applies to all funds of the District, unless expressly prohibited by law, or unless it is in contravention of any existing deposit agreement or loan covenant or agreement. The District shall separate different fund types into separate investment positions within the portfolio for efficient tracking of investment assets and income.

Any new funds created by the District will be managed under the provisions of this Policy unless specifically exempted by the District’s Board and this Policy.

III. OBJECTIVES AND STRATEGY

It is the policy of the District that all funds subject to this investment policy, shall be managed and invested with six primary objectives, listed in order of their priority: safety, liquidity, public trust, diversification, maturity, and yield. The safety of the principal invested always remains the primary objective. These objectives encompass the following:

Safety of Principal

Safety of principal is the foremost objective of the District. Investments shall be undertaken in a manner that seeks to insure the preservation of capital in the overall portfolio. The suitability of each investment decision will be made on the basis of safety.

Liquidity

The District's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements, which may be reasonably anticipated. Investment decisions will be based on cash flow analysis of anticipated expenditures.

Public Trust

All participants in the District's investment process shall seek to act responsibly as custodians of the public trust. Investment Officers shall avoid any transaction that might impair public confidence in the District's ability to govern effectively.

Diversification

Diversification is required in the portfolio's composition. Diversification of the portfolio will include diversification by maturity and market sector and will include the use of a number of broker/dealers or banks for diversification and market coverage.

Maturity

Portfolio maturities will be staggered in a way to achieve the highest return of interest but at the same time provide for the necessary liquidity to meet the cash needs of the District.

Effective cash management is recognized as essential to good fiscal management. Cash management is defined as the process of managing monies in order to ensure maximum cash availability. The District shall maintain a cash management program which includes timely collection of account receivable, prudent investment, disbursement of payments within invoice terms, and the management of banking services.

Yield

When making investments, depending on their type or asset class, the District shall seek to approximate or exceed the current benchmark US Treasury yield for similar maturity (tenor). The objective will be to achieve, over a period of time, a portfolio positive yield-spread over a benchmark US Treasury tenor similar to the District's investment portfolio Weighted Average Maturity and/or the Average Life.

The authorized investment purchased will be of the highest credit quality and marketability supporting the objectives of safety and liquidity. Securities, when not matched to a specific liability, will be short term to provide adequate liquidity. The portfolio shall be diversified to protect against market and credit risk in any one sector.

IV. LEGAL LIMITATIONS, RESPONSIBILITIES, AND AUTHORITY

Specific investment parameters for the investment of public funds in Texas are stipulated in the Public Funds Investment Act, Chapter 2256, Subchapter A, Texas Government Code. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public funds deposits. The Public Funds Investment Act, Texas Government Code, Subchapter

A, authorizes local governments in Texas to participate in a Texas investment pool established thereunder.

V. DELEGATION OF INVESTMENT AUTHORITY

The Finance Director, General Manager, and Board Treasurer, acting on behalf of the Board, are designated as the Investment Officers of the District and are responsible for all investment management decisions and activities. The Board is responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Investment Officers shall develop and maintain administrative procedures for the operation of the investment program which are consistent with this Investment Policy. Procedures will include safekeeping, wire transfers, banking services contracts, and other investment related activities.

The Investment Officers shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff.

No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Investment Officers and approved by the Board.

VI. PRUDENCE

The standard of prudence to be used in the investment function shall be the “prudent person” standard and shall be applied in the context of managing the overall portfolio. The standard states:

“Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived.”

Limitation of Personal Liability

The Investment Officer and those delegated investment authority, when acting in accordance with the written procedures and this Policy and in accord with the Prudent Person Rule, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security’s credit risk or market price change are reported in a timely manner and that appropriate action is taken to control adverse market effects.

This section does not release the Investment Officer from responsibility for loss resulting from misconduct or negligence of the Investment Officer, including misappropriation of funds, or from responsibility for funds until a depository is selected, and the funds are deposited.

VII. INTERNAL CONTROLS

The Investment Officers shall establish a system of written internal controls which will be reviewed annually with the District's independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees of the District.

Cash Flow Forecasting

Cash flow forecasting is designed to protect and sustain cash flow requirements. The Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes. Cash flow will include researching and monitoring of specific cash flow items, payables, and receivables as well as overall cash position and patterns.

VIII. AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the instruments listed below. The choice of high-grade government investments and high-grade, money market instruments are designed to assure the marketability of those investments should liquidity needs arise.

- A.** Obligations of the United States Government, its agencies and instrumentalities, not to exceed three (3) years to stated maturity and excluding mortgage backed securities;
- B.** Certificates of deposit and other evidences of deposit at a financial institution that, a) has its main office or a branch office in Texas and is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union share insurance fund or its successor, b) is secured by obligations in a manner and amount provided by law for deposits of the District, or c) is executed through a broker or depository institution that has its main office or a branch office in Texas and that is fully registered and licensed with the Financial Industry Regulatory Authority (FINRA), or similar program, and meets the requirements of the PFIA. Certificates of deposits may not exceed two years to stated maturity;
- C.** No-load, SEC registered and regulated money market mutual funds if the fund: 1) marks its portfolio to market daily; 2) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share; 3) has a dollar weighted average slated maturity of 90 days or fewer; and 4) is continuously rated no lower than AAA or at an equivalent rating by at least one nationally recognized rating service. No more than 50% of the District's monthly average balance may be invested in money market funds'
- D.** Constant dollar, AAA-rated Texas Local Government Investment Pools as defined by the Public Funds Investment Act; and
- E.** Depository time accounts of a state or national bank domiciled and doing business in Texas under a written depository agreement.

If additional types of securities are approved for investment by the public funds by state statute, they will not be eligible for investment until this Policy has been amended and the amended version adopted by the District Board.

Bidding Requirement

All securities, including all investments in U.S. Treasuries and agencies, and certificates of deposit, will be purchased or sold only after bids/offers are solicited by the District to verify that the District is receiving fair market value/price for the investment. The bids/offers may be solicited orally, in writing and/or electronically.

Delivery versus Payment

All investment security transactions shall be conducted on a delivery versus payment (DVP) basis to assure that investments are paid for when they are received and that the investments are held in the District's name.

IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The District shall maintain a list of financial institutions and/or broker/dealers which are authorized to provide investment services. This list will be reviewed and approved by the Board or a Board designated committee each year.

Securities broker/dealers may be primary or regional broker/dealers and will meet other criteria as determined by the Investment Officer including state registration and completion of a District Broker/Dealer questionnaire (attached as Exhibit D). The following criteria must be met by authorized firms:

- Provide the firm's annual Due Diligence packet with annual provision of an audited financial statement
- Provide proof of licenses and registration with the Financial Industry Regulatory Authority (FINRA), and
- Proof of current registration with the Texas State Securities Commission

Every bank and broker/dealer with whom the District transacts business will be provided a copy of this Investment Policy and the District's investment strategy (attached as Exhibit B) to assure that they are familiar with the goals and objectives of the investment program. The firm will be required to return a signed copy of the Certification Form (attached as Exhibit C) certifying that the Policy has been received and reviewed and only those securities approved by the Policy will be sold to the District.

X. DIVERSIFICATION AND MATURITY LIMITATIONS

It is the policy of the District to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

	<u>Max % of Portfolio</u>
U.S. Treasuries and securities with the US Government's guarantee	not to exceed 80%
U.S. Government agencies and instrumentalities	not to exceed 50%
Fully insured or collateralized CDs	not to exceed 50%
SEC Registered money market funds	not to exceed 50%
Local Government Investment Pools (Constant dollar)	not to exceed 80%

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific liability, the Investment Officer may not invest more than 80% of the portfolio for a period greater than one (1) year.

XI. SAFEKEEPING AND COLLATERALIZATION

All purchased securities shall be brought on a delivery versus payment (DVP) basis and be held in safekeeping by either an approved, independent third party financial institution or the District's designated depository.

Securities Owned by the District

All safekeeping arrangements shall be approved by the Investment Officers and a custody/safekeeping agreement of the terms executed in writing. The safekeeping bank may not be within the same holding company as the bank from which the securities are purchased. The custodian shall be required to issue original safekeeping receipts to the District listing each specific security, rate, description, maturity, cusip number, and other pertinent information.

Collateral or Insurance

Consistent with the requirements of the Public Funds Collateral Act, it is the Policy of the District to require full collateralization of all District funds on deposit with a depository bank. All deposits with financial institutions shall be secured by pledged collateral with a market value equal to or greater than 102% of total value of principal and accrued interest on the deposits less any amount insured by the FDIC. At its discretion, the District may require a higher level of collateralization for certain investment securities.

The Investment Officer shall insure that all District funds are fully collateralized or insured consistent with federal and state law and any current bank depository contract in one or more of the following manners:

1. FDIC insurance coverage;
2. Obligation to the United States or its agencies and instrumentalities;
3. Direct obligations, the State of Texas or its agencies;
4. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or its agencies and instrumentalities;

5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating form and having received a rating of not less than A or its equivalent; and
6. Any other manner allowed by law.

XII. REPORTING

The Investment Officer(s) shall submit quarterly reports to the District's Board containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program and in full compliance with the Act. At a minimum, the report shall contain:

- Beginning and ending market value of the portfolio by market sector and total portfolio
- Beginning and ending book value of the portfolio by market sector and total portfolio
- Change in market value during the period
- Detail on each asset (book, market, description, par and maturity date)
- Earnings for the period
- Overall weighted average maturity of the portfolio
- A statement as to compliance with this Investment Policy

The report will be prepared jointly by all involved in the investment activity. It will contain all elements as required by the Act and be signed by all Investment Officer(s) as in compliance with the Act and this Policy. Market prices for assignment of market values will be obtained from an independent source. The three-month Treasury bill average yield for the reporting period will be reported as a gauge of performance and risk.

XIII. DEPOSITORIES

The District will designate one banking institution as its central banking services provider at least every three (3) years. This institution will be used for normal banking services, including disbursements, deposits, and safekeeping of the District owned securities. Other banking institutions from which the District may purchase only certificates of deposit will also be designated as a depository.

All banking arrangements will be in written form in accordance with FIRREA which requires a resolution of approval of the agreement by the Bank Board or Bank Loan Committee.

XIV. INVESTMENT POLICY ADOPTION BY BOARD

The District's Investment Policy and its incorporated strategies shall be reviewed annually but amended and re-adopted by the Board resolution as needed. The approval and any changes made to the Policy will be noted in the approving resolution.

EXHIBIT B

The following is the investment strategy of the District:

To ensure safety and security to the assets of the District while achieving the maximum yield in a diversified investment portfolio, the District intends to,

- 1.** Invest only in A or better rated investment firms and/or agencies;
- 2.** Require delivery versus payment (DVP) for purchased securities;
- 3.** Require that all safekeeping arrangements shall be approved by the Investment Officer(s) and an agreement of the terms executed in writing;
- 4.** Ensure that collateralization be required on all bank time and demand deposits for principal and accrued interest amounts over the FDIC insurance coverage of \$250,000
- 5.** Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities;
- 6.** Choose only high-grade government investments and high-grade, money market instruments which are designed to assure marketability and liquidity needs.

To designate the Board Treasurer, General Manager, and Finance Director on behalf of the Board of the District, as the Investment Officers of the District who will be responsible for all of the District's investment management decisions and activities.

EXHIBIT C

BROKER/DEALER CERTIFICATION FORM

as required by Texas Government Code

2256.00S(k)

Agua Special Utility District

_____ (the "FIRM")

I, as a registered principal or manager for the firm hereby certify that I, and the broker covering this account have received and reviewed the Investment Policy of the Agua Special Utility District (the "District"), as well as Chapter 2256, Texas Government Code.

I further certify that this firm has implemented reasonable internal procedures and controls in an effort to preclude investment transactions conducted between this firm and the District that are not authorized by the District's Investment Policy. We will notify you immediately by telephone and in writing in the event of a material adverse change in our financial condition. We pledge to execute due diligence in informing you of all foreseeable risks associated with financial transactions conducted with our firm.

Signature: _____

Name: _____

Title: _____

Firm Name: _____

Date: _____

EXHIBIT D

BROKER/DEALER QUESTIONNAIRE

Firm Name: _____

CRD Number: _____

Local office servicing account: _____

Address: _____

Corporate Office: _____

Address: _____

Primary Representative:

Please attach resume of primary and secondary representatives covering this account.

Telephone: _____

Fax: _____

E-mail: _____

CRD Number: _____

Secondary Representative or sales assistant:

Telephone: _____

Fax: _____

E-mail: _____

CRD Number: _____

Branch Manager: _____

Telephone: _____

Fax: _____

E-mail: _____

CRD Number: _____

Is firm designated as a primary dealer by the Federal Reserve? _____

Is the firm registered with the State Securities Board? _____

Is the firm and all its representatives registered with the NASD? _____

In what market sectors does the account representative specialize? _____

List three comparable public clients currently working with this representative.

Entity name/ contact/ and phone number.

Attach complete delivery instructions. All transactions will be completed delivery versus payment.

Please provide the firm's most recent audited financial statements.
(The District will require that an annual financial statement be provided.)

Describe the precautions taken by your firm to protect the interests of the public when dealing with a governmental agency.

ITEM 4.

**INTERLOCAL AGREEMENT FOR
TEMPORARY SEWAGE TRANSPORTATION AND TREATMENT SERVICES:
HIDALGO COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
AND AGUA SPECIAL UTILITY DISTRICT**

STATE OF TEXAS §
 §
COUNTY OF HIDALGO §

This Agreement Designating Retail Sewer Service Territory and Coordinating Operations (“Agreement”) is made and executed by and between the Agua Special Utility District (“Agua SUD”), and the Hidalgo County Municipal Utility District No. 1, Texas (“MUD”). Agua SUD and MUD may be collectively referred to herein as the “Parties”.

I. RECITALS

WHEREAS, Agua Special Utility District, a special utility district in Hidalgo and Starr Counties created under and essential to accomplish the purposes of Section 59, Article XVI, Texas Constitution, and operating in accordance with Chapter 7201, Special District Local Laws Code, and Chapters 49 and 65, Water Code; and has sewer certificate of convenience and necessity (“CCN”) No. 20785 (hereinafter referred to collectively as “Agua SUD’s sewer CCN”); and

WHEREAS, MUD is a Texas municipal corporation which holds sewer CCN No. 21046; and

WHEREAS, The Agua Special Utility District Board of Directors collectively are responsible for the security and disposition of all of the Agua SUD assets and service area; and

WHEREAS, Agua SUD is certified for sewer services to an area adjacent to MUD as shown on Exhibit A attached hereto and incorporated herein; and

WHEREAS, Agua proposes to collect wastewater within the area identified on Exhibit A and temporarily transport it to MUD’s wastewater plant for treatment; and

WHEREAS, the MUD agrees to make available certain treatment of domestic wastewater to be conveyed by Agua SUD to the point of delivery identified by the MUD, for eventual conveyance to the MUD’s wastewater treatment facilities; and

WHEREAS, Agua SUD and MUD agree it is mutually beneficial to both entities and will ensure the public health and safety are protected if Agua SUD and MUD coordinate with each other regarding the temporary treatment of sewer service to Agua SUD and the area identified on Exhibit A; and

WHEREAS, Agua SUD and MUD entered into an agreement on May 6, 2021 for services under Texas Water Code § 13.248, and the Interlocal Cooperation Act, Texas Government Code §§ 791.011 and 791.026; and

WHEREAS, Agua SUD and MUD desire to terminate and replace that agreement with this Agreement for services under Texas Water Code § 13.248, and the Interlocal Cooperation Act, Texas Government Code §§ 791.011 and 791.026; and

NOW, THEREFORE, for and in consideration of the foregoing mutual benefits covenants, and agreements herein expressed and other good and valuable consideration, the receipt of which is hereby acknowledged, Agua SUD and MUD agree as follows:

II. TERMS OF AGREEMENT

- (1) Provision of Sewer Service to Area. Agua SUD and MUD hereby agree that for the term of the Agreement MUD shall temporarily provide wastewater treatment service within the area identified on Exhibit A. The area within Exhibit A shall remain singly certified to Agua SUD, and Agua SUD may provide service to any customers within the area that is not served by MUD. MUD shall cease providing temporary treatment of sewer service to Agua SUD after receipt of a written notice from Agua SUD that it has sewer service immediately available to customers within the area shown on Exhibit A. Upon delivery of such notice by Agua SUD, this agreement shall immediately terminate.
- (2) Availability of capacity. Wastewater treatment capacity to be made available by the MUD to Agua SUD shall be exclusively limited to the area within Exhibit A which areas are within Agua SUD sewer CCN from Agua SUD. The MUD agrees to be able to treat the area within Exhibit A.
- (3) Wastewater Facility. The MUD, to provide temporary wastewater treatment, shall be required to treat additional sewer that it would not otherwise treat. The MUD shall at all times be able to handle the treatment of wastewater in the area within Exhibit A during the term of this Agreement. Agua SUD shall pay the MUD a monthly fee of \$15.00 per connection, not to exceed 240 connections, within 10 days of the receipt of such notice. Agua SUD shall provide to MUD a monthly report with the account numbers and customer type in the format as provided in Exhibit B.
- (4) Maintenance. Agua SUD shall be exclusively responsible for and maintain all sewer collection lines, lift stations and force mains within its service area once such improvements are inspected and accepted by Agua SUD. The MUD shall be exclusively responsible for and maintain all sewer collection lines, lift stations and force mains within its service area once such improvements are inspected and accepted by the MUD.
- (5) Effective Dates. This Agreement is effective and enforceable on the date this Agreement is fully executed.
- (6) Section 13.248. This Agreement shall be construed and interpreted in accordance with Section 13.248 of the Texas Water Code.

III. MISCELLANEOUS

- (1) Applicable Texas Law. This Agreement shall be governed by and construed and enforced under the laws of the State of Texas.
- (2) Performance. The obligations and undertakings of each of the parties to this Agreement shall be performed in Hidalgo County, Texas. Except for matters within the jurisdiction of the TCEQ (or its successor), the parties expressly agree that all judicial proceedings to enforce any of the provisions of this Agreement shall take place in Hidalgo County, Texas.
- (3) Entire Agreement. This Agreement contains the entire agreement of Agua SUD and MUD with respect to the subject matter of the Agreement and supersedes and replaces any prior agreements with respect to the subject matter of this Agreement. No agreement, statement, or promise made by any party or to any employee, agent, or officer of any party, that is not contained in this Agreement shall be valid, binding, or of any force or effect. Any amendments to this Agreement must be in writing and signed by the parties hereto.
- (4) Successors and Assigns. This Agreement shall be binding upon the parties hereto and their respective successors, heirs, representatives, and assigns. Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party. Any purported assignment in violation of this provision shall be void and of no effect.
- (5) Agreement Drafted Equally. This Agreement shall be deemed drafted equally by the Parties hereto. The language of all parts of this Agreement shall be construed as a whole according to its fair meaning, and any presumption of principle that the language herein is to be construed against either Party shall not apply.
- (6) Severability. Should any provision of this Agreement be declared void by a court of competent jurisdiction, the remaining provisions of this Agreement shall remain in full force and effect.
- (7) Attorneys' Fees. In the event of any suit or other adjudication between the Parties to enforce any claim arising out of this Agreement, or to interpret the terms of this Agreement, the prevailing Party shall be entitled to recover its fees, damages, costs, attorney's fees, and such other and further relief from the non-prevailing Party, general or special, at law or in equity.
- (8) Covenant of Authority. The respective signatories to this Agreement covenant that they are fully authorized to sign this Agreement on behalf of their respective party.
- (9) Notices. Unless expressly required otherwise, any notice required or permitted hereunder shall be in writing and shall be deemed to be delivered on the date received if delivered by hand, or, if deposited in the mail, such notice shall be deemed to be delivered, whether actually received or not, on the second business day after having been deposited in the

United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to Agua SUD or MUD 1 for all purposes under this Agreement as follows:

If to Agua Special Utility District:

Agua SUD
General Manager
P.O. Box 4379
Mission, Texas 78573

If to Hidalgo County Municipal Utility District No. 1:

Hidalgo County MUD 1
General Manger
7400 W. Expressway 83
Mission, Texas 78572

The Parties shall have the right from time to time to change their respective addresses, and each shall have the right to specify as its address any other address within the United States of America by written notice as prescribed in this subsection (9).

- (10) Business Days. In the event that any date or any period provided for in this Agreement shall end on a Saturday, Sunday or legal holiday, the applicable period shall be extended to the first business day following such Saturday, Sunday or legal holiday. As used herein, the term “legal holiday” means any state or federal holiday for which financial institutions or post offices are generally closed in the State of Texas.
- (11) Exhibits. All references to exhibits contained herein are references to exhibits attached hereto, all of which are made a part hereof.
- (12) Recitals. The recitals in this agreement are true, correct, and incorporated by reference.
- (13) Agreement Term. This Agreement shall be for a term of 1 year commencing on the Effective Date and shall automatically renew for up to two (2) additional terms unless otherwise terminated earlier pursuant to Section I.(2), whereby Agua SUD provides notice of service available to all customers within the area identified on Exhibit A, or by termination by MUD of sewer service to all properties located within the area identified on Exhibit A.

IN WITNESS WHEREOF, EXECUTED by the Board President of Agua SUD and the General Manager of the MUD 1 under the authority of their respective governing bodies in Duplicate Originals on the dates indicated below.

AGUA SPECIAL UTILITY DISTRICT

By: _____
Maribel Diaz, President

Date: _____

ATTEST:

Secretary, Agua SUD

Hidalgo County Municipal Utility District No. 1

By: _____

Print Name: _____

Date: _____

ATTEST:

Secretary, MUD 1

ITEM 5. a.

AGUA SPECIAL UTILITY DISTRICT
STATEMENT OF NET POSITION
JULY 31st, 2023
Unaudited

Assets and Deferred Outflows of Resources

Current and Accrued Assets:

Cash and Cash Equivalents	\$	650,185
Investments		-
Prepaid Expenses		14,293
Receivables (Net of Allowance)		1,759,012
Inventories		466,038
Other Receivables (Net of Allowance)		469
Total Current Assets		\$ 2,889,997

Restricted Assets:

Cash and Cash Equivalents	\$	9,624,221
Receivables (Net of Allowance)		108,857
Total Restricted Assets		\$ 9,733,078

Noncurrent Assets:

Net Pension Asset	\$	490,886
Total Noncurrent Assets		\$ 490,886

Capital Assets:

Land and Easements	\$	2,361,237
Water Wells		624,954
Water Rights		8,667,570
Utility Plant Structures		208,860,845
Office Building		2,145,905
Office Furniture and Equipment		2,546,885
Transportation Equipment		1,473,158
Construction in Progress		1,066,813
Less: Accumulated Depreciation		(87,871,079)
Total Capital Assets		\$ 139,876,288

Deferred Outflows of Resources:

Deferred Outflows Related to Pension	\$	293,663
Total Deferred Outflows of Resources		\$ 293,663

Total Assets and Deferred Outflows of Resources		\$ 153,283,911
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Liabilities and Deferred Inflows of Resources

Current and Accrued Liabilities:

Accounts Payable (Unrestricted)	\$	406,822
Construction Settlements		-
Accrued Expenses		75,267
Customer Deposits		778,472
Employee Deductions		(446)
Unearned Revenue - Prepaid Water Service/Water Meters		1,017,073
Due to Governments		27,089
Current Portion of Long-Term Debt		2,521,451

Total Current Liabilities Payable	\$	4,825,727
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Current Liabilities Payable from Restricted:

Accounts Payable (Restricted)	\$	-
Due to Governments		104,851
Retainage Payable		656,714
Advances From Grantors		409,068
Unearned Revenue - Interest		1,003,161
Unearned Revenue - Subdivisions		1,267,393

Total Current Liabilities Payable from Restricted	\$	3,441,188
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Total Current Liabilities	\$	8,266,914
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Noncurrent Liabilities:

Net Pension Liability	\$	-
Long-Term Debt (Net of Current Portion)		39,477,207

Total Noncurrent Liabilities	\$	39,477,207
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Total Liabilities	\$	47,744,122
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Deferred Inflows of Resources:

Deferred Inflows Related to Pension	\$	414,073
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Total Deferred Inflows of Resources	\$	414,073
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Net Position

Invested in Capital Assets, Net of Related Debt	\$	101,923,851
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Restricted for:

Debt Service Reserve	1,634,748
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Capital Improvement Projects	614,625
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Unrestricted	952,493
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Total Net Position	\$	105,125,717
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Total Liabilities, Deferred Inflows of Resources, and Net Position	\$	153,283,911
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AGUA SPECIAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
MONTH ENDING July 31st, 2023
Unaudited

July = 58%

	2022	2023	2023	2023	Year to Year
	YTD	Budget	YTD	Budget %	Difference
Operating Revenues:					
Metered water sales	\$ 5,539,263	\$ 10,400,000	\$ 5,860,662	56%	\$ 321,398
Non-metered sewer services	490,510	1,040,000	601,233	58%	110,723
Meter & related fees earned	143,811	310,100	204,658	66%	60,848
Miscellaneous fines & fees	539,786	1,183,000	700,213	59%	160,428
Other operating income	4,713	5,000	5,925	119%	1,212
Total Operating Revenues	\$ 6,718,083	\$ 12,938,100	\$ 7,372,692	57%	\$ 654,608
Operating Expenses:					
Salaries & wages	\$ 1,452,214	\$ 2,772,929	\$ 1,394,337	50%	\$ (57,877)
Taxes - payroll	114,907	201,975	111,619	55%	(3,288)
Personnel benefits	434,194	678,206	377,878	56%	(56,316)
Cost of production	779,875	1,791,411	1,058,673	59%	278,799
Depreciation/amortization expense	-	-	194	0%	194
Administrative expenses	265,978	498,550	282,281	57%	16,304
Professional and other services	380,371	610,000	597,257	98%	216,887
Insurance	143,901	217,800	121,888	56%	(22,013)
Electricity	276,597	568,750	308,939	54%	32,342
Vehicles expense	136,305	230,475	111,747	48%	(24,558)
Repairs and maintenance	249,451	511,125	369,589	72%	120,137
Other operating expenses	95,576	139,765	80,094	57%	(15,482)
TCEQ fees	50	75,000	50	0%	-
Bank/merchant services	74,428	130,300	88,310	68%	13,882
Miscellaneous expense	6,685	26,500	19,213	73%	12,528
Total Operating Expenses	\$ 4,410,531	\$ 8,452,786	\$ 4,922,071	58%	\$ 511,540
Revenues Over/(Under) Expenses	\$ 2,307,552	\$ 4,485,314	\$ 2,450,620	55%	\$ 143,068
Non-Operating Revenues (Expenses):					
Capital outlay - projects	\$ (786,782)	\$ (4,870,226)	\$ (119,440)	2%	\$ 667,341
Capital outlay - repair and replacement	(112,278)	(445,000)	(66,285)	15%	45,993
Rebates and reimbursements	10,622	-	14,105	0%	3,483
Interest & investment income	16,291	55,850	138,864	249%	122,573
Interest expense	(665,368)	(1,226,068)	(633,356)	52%	32,012
Principal payments	(2,160,972)	(2,521,451)	(2,143,136)	85%	17,836
Financial service fees	(2,930)	(10,000)	(3,900)	39%	(970)
Sale of assets	-	25,000	44,860	179%	44,860
Total Non-Operating Revenues & (Expenses)	\$ (3,701,418)	\$ (8,991,895)	\$ (2,768,290)	31%	\$ 933,128
Income Before Contributions	\$ (1,393,866)	\$ (4,506,581)	\$ (317,670)	7%	\$ 1,076,196
Capital Contributions:					
Water rights acquisition fees	\$ 236,048	\$ 700,000	\$ 342,047	49%	\$ 106,000
Water & sewer impact fees	58,328	70,000	140,570	201%	82,243
Capital contributions revenues	432,715	-	798,643	0%	365,928
Loan proceeds	-	-	-	0%	-
Grant revenue	893,577	320,000	22,550	7%	(871,027)
Noncapitalizable grant expenses	-	-	-	0%	-
Bond proceeds	-	-	-	0%	-
Total Capital Contributions	\$ 1,620,666	\$ 1,090,000	\$ 1,303,810	120%	\$ (316,856)
Changes in Net Position	\$ 226,801	\$ (3,416,581)	\$ 986,141	-29%	\$ 759,340
Total Net Position - Beginning			\$ 104,139,576		
Total Net Position - Ending			\$ 105,125,717		