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**BYLAWS
OF THE
CANADIAN RIVER MUNICIPAL WATER AUTHORITY**

For the management and regulation of the affairs of the Canadian River
Municipal Water Authority, the following bylaws are adopted:

ARTICLE I

ENABLING LEGISLATION

Chapter 243 Acts of 1953, enacted by the 53rd Legislature of Texas in Regular Session, created the Canadian River Municipal Water Authority as a governmental agency and body politic and corporate of the State of Texas. This is the fundamental law of the Authority and is hereinafter referred to as the "Enabling Act". Any provisions of these bylaws inconsistent with the provisions of said Enabling Act must give way to the latter to the extent of such inconsistency. These bylaws are adopted pursuant to Section 13(r) of the Enabling Act which authorizes the Authority, "To make bylaws for the management and regulation of its affairs."

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ARTICLE II

OFFICE

The Board of Directors of the Authority shall have full power to designate the location of the Authority's principal office which, until so changed, shall be located at Sanford Dam near the City of Sanford, Hutchinson County, Texas.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1: Powers. The Authority's powers shall be exercised by the Board of Directors. The powers of the Authority are set forth in the Enabling Act, with such amendments that have been or shall be provided by the Texas Legislature. The Board of Directors may employ a General Manager and may accord him full power and authority in the management and operation of the affairs of the District.

SECTION 2: Membership, Tenure and Qualifications. The Board of Directors shall consist of two directors from each constituent or member city having a population of 10,000 or more, according to the preceding Federal Census, and one director from each constituent or member city having a population of less than 10,000, according to the preceding Federal Census. All directors, and their successors, shall be elected as provided by Section III of the Enabling Act and, subject to the provisions of the Constitution of Texas prohibiting the occupation simultaneously of two public offices of the emolument or public trust with incompatible duties or responsibilities, said directors shall have those qualifications set forth in Section IV of the Enabling Act. Each Director shall hold office until his successor has been elected and has qualified. It shall be the duty and responsibility of each director to attend all meetings of the Board of Directors and to promptly notify the Secretary if such is not possible so that he may determine in advance of the meeting date whether a quorum is in prospect.

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SECTION 3: Vacancies. Any vacancies which may occur in the office of any director shall be filled as provided in Section III of the Enabling Act.

SECTION 4: Regular Meetings. A regular meeting of the Board of Directors shall be held on the second Wednesday of the months of January, April, July and October. The time and place shall be fixed by the President and each director shall be given at least three (3) days notice of the time and place of the meeting. The Board of Directors may provide by resolution a time and place for the holding of additional regular meetings without other notice than such resolution. The President may cancel any regular meeting when the circumstances warrant, and the Secretary shall notify the directors of such cancellation prior thereto.

SECTION 5: Special Meetings. The President or any three directors may call such special meeting as may be necessary in the administration of the Authority's business provided that at least five (5) days prior to the meeting date, the Secretary shall have mailed notice thereof to the address which each member shall file with the Secretary. Notice of each special meeting shall indicate briefly the object or objects thereof. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting. Absentees from any meeting of the directors at which a quorum is present, may sign a written waiver of notice, or consent to the holding of such meeting, or an approval of the minutes thereof, either before or after the meeting, and may validate all transactions had or taken thereat.

SECTION 6: Quorum. A majority of the membership of the Board of Directors shall constitute a quorum for the transaction of any and all business of the Authority at any meeting of the Board. A majority vote of the quorum present shall be sufficient in all official actions including final passage and enactment of all resolutions, and the act of the majority of the directors present at a meeting with a quorum present shall be the act of the directors; provided, however, that in fixing charges and rates for water services furnished by the Authority, and in imposing penalties for failure to pay such charges and rates when due, all actions of the Board must receive a unanimous vote of the members of the Board of Directors constituting a quorum present at a regular meeting.

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SECTION 7: Compensation. After September 1, 2001 each director shall receive a fee of One Hundred Fifty Dollars (\$150.00) for each attendance at a Board meeting and a fee of One Hundred Fifty Dollars (\$150.00) for each day devoted to Authority business other than a Board meeting. For the purpose of this Section, a day shall be considered as having been devoted to Authority business other than a Board meeting whenever a total of four (4) hours or more of a director's time are required of a director, including travel time. *(Amended 07/11/2001)*

Each director is also entitled to reimbursement for actual expenses incurred in carrying out Authority business, including attending a Board meeting. Reimbursement for vehicle use shall be at the rate per mile currently authorized by the Internal Revenue Service. Reimbursement for other expenses shall be of the actual cost incurred.

Payment of the fee for attendance at a Board meeting shall be made on the basis of signature on the Attendance Roster which the Secretary shall circulate at each Board meeting. Each director who incurs travel or other expense, or who is entitled to fees for time devoted to Authority business other than a Board meeting, shall submit a Payment Request to the General Manager. Each Payment Request shall list in detail the time spent on Authority business, the expenses incurred, and the reasons therefor.

Payment to a director for services performed and expenses incurred is subject to approval of the Board. Upon receipt of a Payment Request properly completed and executed, the General Manager shall issue payment and shall submit the Payment Request to the next regular meeting of the Board for approval. Any items not approved by the Board shall be repaid by the director.

SECTION 8: Presumption of Assent. A director who is present at a meeting of the Board of Directors at which action on any matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting, or unless he shall file his written dissent to such action with the person acting as Secretary of the Board, before the adjournment thereof. Such right to dissent shall not apply to a director who shall have voted in favor of such action.

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SECTION 9: Order of Business. The order of business at any regular or special meeting of the Board of Directors shall be:

1. **Calling the roll;**
2. **Secretary's proof of due notice of meeting (if special meeting);**
3. **Reading and disposal of unapproved minutes;**
4. **Reports of officers and committees;**
5. **Unfinished business;**
6. **New business;**
7. **Adjournment.**

SECTION 10: CONDUCT OF BUSINESS: All meetings of the Authority and its Committees shall be conducted in accordance with Roberts Rules of Order.

ARTICLE IV

OFFICERS

SECTION 1: Number. The officers of the Authority shall be a President, a Vice President and a Secretary. The President and Vice President shall be elected annually by the Board from among its members. The Secretary shall be elected by the Board with the Board having discretion as to whether such officer shall be chosen from among the membership of the Board or not.

SECTION 2: Election and Term of Office. The officers of the Authority shall be elected annually by the Board of Directors, the first election to be held pursuant to these bylaws at the regular meeting in January 1958. If, for any reason, the election of officers shall not be held as aforesaid, such shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor has been elected and has qualified.

SECTION 3: General Manager. The Board of Directors may employ a General Manager and may accord him full power and authority in the management and operation of the Authority's affairs, subject only to the Board's orders, and may determine his compensation. The General Manager, when employed, shall be the official Treasurer of the Authority and shall have charge of its funds, shall see that same are safely kept and shall account therefor to the Board.

SECTION 4: Other Employees. The Board may also employ and determine the compensation of such other employees as it may deem appropriate to the proper conduct of the Authority's affairs.

SECTION 5: Official Bonds. Each director who shall have been elected President, Vice President, or Secretary, shall give bond for the faithful performance of his duties in the amount of \$5,000.00. The General Manager shall give bond in such amount as shall be required by the Board of Directors, but in any event, not less than \$50,000.00.

SECTION 6: President. The President shall be the chief executive officer of the Authority. He shall preside at meetings of the Board and shall perform all other

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functions which customarily are incident to his office.

SECTION 7: Vice President. In the absence of the President, or in the event of his death or his inability or refusal to act, the Vice President shall perform the duties of President and when so acting shall have all the powers of the President.

SECTION 8: Secretary. The Secretary shall be charged with the duty of seeing that all books and records of the Authority are properly kept including keeping the minutes of the meetings of the Board of Directors. He shall (a) see to it that all notices are duly given in accordance with the provisions of these bylaws; (b) be custodian of the records and seal of the Authority, and see that the seal of the Authority is affixed on all documents, the execution of which on behalf of the Authority under its seal is duly authorized; (c) keep a register of the post office address of each director, which shall be furnished to the Secretary by such director; (d) prepare an agenda for information of the directors and mail a copy thereof to each director at least ten (10) days prior to the meeting to which same is applicable; (e) make available for inspection at all reasonable times a certified copy of the bylaws of the Authority as amended or otherwise altered to date; and (f) in general perform all duties incident to the office of Secretary, and such other duties as from time to time may be assigned to him by the President or Board of Directors.

SECTION 9: Treasurer. The Authority's Treasurer shall (a) be custodian of and be responsible for all funds and securities of the Authority; receive and give receipts for moneys due and payable to the Authority from any source whatsoever, and deposit all such moneys in the name of the Authority in its official depository, selected in accordance with the provisions of Article VI of these bylaws; and (b) in general perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or Board of Directors.

ARTICLE V

COMMITTEES

SECTION 1: Committees Generally. Each committee shall be composed of not less than 3 or more than 5 directors appointed by the President, but may or may not include persons not members of the Board of Directors. The designation of committees and the delegation thereto of such authority as may be delegated, shall not operate to relieve the Board of Directors or individual director of any responsibility imposed upon it or him by law. The responsibility of the committee shall be to investigate the facts pertinent to their assignments and submit recommendations as to the policy to be established by the Authority and the procedures or management required in connection therewith. Official action shall require a resolution of the Board of Directors.

SECTION 2: Committees. The following standing committees of the Authority shall be designated by the President in accordance with the foregoing:

Finance and Budget Committee: This committee shall submit an annual budget to the Board of Directors and implement that budget with procedural recommendations as necessary. The committee shall conduct such interim surveys of the financial management of the project as in its opinion are desirable, and shall function as an audit committee. It shall make recommendations to the Board regarding the investment of funds, and shall conduct a periodic review of the Authority's investments to evaluate investment performance and security.

Operating Committee: This committee shall investigate and report on all questions pertaining to operation and administration of the project and the Authority including matters pertaining to water sales and service, supervision of land interests, and purchase of electric energy.

Recreation, Water Quality and Pollution Control Committee: This committee shall investigate the operative conditions associated with recreation, water quality, and pollution control; and recommend operating procedures, rules and regulations.

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Legislative Committee: This committee shall develop and recommend legislation deemed necessary or desirable to implement the operation of the Authority.

Personnel Committee: This committee shall be responsible for personnel management and policy questions including wage rates, fringe benefits such as insurance, leave, overtime and retirement policy. It shall also sit as an appeals board to consider appeals from employee decisions rendered by the General Manager.

SECTION 3: Term of Office. Each member of a committee shall continue as such until his successor is appointed unless the committee shall be sooner terminated, or unless such member be removed from such committee, or unless such member shall cease to qualify.

SECTION 4: Chairman. Each committee shall be headed by a chairman or in the absence of a chairman, a vice chairman, designated by the President. The General Manager, or the vice chairman in the General Manager's absence, shall act as secretary.

SECTION 5: Vacancies. Vacancies in the membership of any committee shall be filled by appointment of the President.

SECTION 6: Quorum. A quorum for a committee meeting shall consist of 2 or more directors representing a 3-director committee, and 3 or more directors representing a 4- or 5-director committee.

SECTION 7: Rules. Each committee may adopt rules for its own government, not inconsistent with these bylaws or the Enabling Act. Meetings of the committees may be held by telephone conference call, at the discretion of the Chairman. When a meeting is held by telephone conference call, the proceedings shall be recorded by the Committee Secretary and each participant shall be presumed to have acquiesced to such recording. After preparation of a Minute of the conference and approval of such Minute by the Chairman, the telephone recording may be disposed of in accordance with requirement of the Local Government Records Act.

ARTICLE VI

CODE OF ETHICS

It is the intention of the Authority that the Authority, the members of the Board of Directors of the Authority and its General Manager, officers and employees, comply with all laws applicable to them regarding ethics and conduct. In furtherance thereof, but not by way of limitation, the Authority, each member of its Board of Directors, its General Manager and all officers and employees of the Authority shall comply with the following laws to the extent such laws are applicable to them, as such laws currently exist or are hereafter amended:

1. Chapter 171 of the Texas Local Government Code (Regulation of Conflicts of Interest of Officers of Municipalities, Counties and Certain other Local Governments);
2. Tex. Rev. Civ. Stat. Ann. art. 5996a (Nepotism);
3. Tex. Rev. Civ. Stat. Ann. art 6252-9b (Standards of Conduct of State Officers and Employees);
4. Art. III, Sec. 52 of the Texas Constitution (Counties, Cities, Town or other Political Corporations or Subdivisions; Lending Credit; Grants);

The Board of Directors, General Manager and officers of the Authority shall each be provided with a copy of each of the laws and the constitutional provision listed above.

ARTICLE VII

CONTRACTS, CHECKS, DEPOSITS AND INVESTMENTS

SECTION 1: Contracts. The Board of Directors may direct any officer or officers or its General Manager to enter into contracts and deliver any instrument in the name of and on behalf of the Authority and this authority may be general or confined to specific instances. Contracts for professional services such as engineers, attorneys, or accountants shall be entered into subject to the applicable provisions of the Texas Professional Services Procurement Act, Tex. Rev. Civ. Stat. Ann. art. 664-4, as presently existing and as hereafter amended. In addition, the Authority shall, to the extent a sufficient number of qualified persons or firms can be identified, maintain a list of at least three qualified persons or firms for each area of professional services utilized by the Authority. These pre-qualified persons or firms shall be sent a request for proposal for any contract award for a new project of the Authority the cost of which is expected to exceed \$25,000.

Monitoring, review, and evaluation of professional services shall be accomplished by the appropriate Committee having jurisdiction over the function involved as spelled out in Article V of these Bylaws, with the consultation of the General Manager.

In contracting for services and supplies, the Authority shall give preference to historically underutilized businesses as defined and in the manner provided by Sec. 106 of Article V, General Provisions of H.B. 1, 72nd Leg., 1st Called Sess., (1991).]

SECTION 2: Checks, Drafts, etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Authority, shall be signed by such officer or officers of the Authority and in such manner as from time to time may be determined by resolution of the Board of Directors. Disbursement of Authority funds by the Treasurer shall be made under approved budgets and contract obligations, and in accordance with authority granted by resolution passed by the Board of Directors.

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SECTION 3: Deposits. All funds of the Authority not otherwise employed, shall be deposited from time to time to the credit of the Authority in the official depository selected by the Board of Directors in conformity with Section XII of the Enabling Act, and kept secured in the manner required for the security of public funds, in conformance with Article 2529(d), Texas Civil Statutes (the Public Funds Collateral Act) and any other appropriate statutes which are applicable to the investment of the Authority's funds.

SECTION 4: Investments. Investment of Authority funds shall be conducted in compliance with Banking and Investment Policies of the Authority as adopted by the Board of Directors. Directors, officers, employees, and persons who are engaged in handling investments for the Authority shall subscribe to the Code of Ethics contained in Article VI of these Bylaws.

ARTICLE VIII

FINANCIAL REPORTS AND AUDITS

The Board of Directors shall cause to be kept complete and accurate accounts conforming to generally accepted accounting principles for governments, in accordance with Section 50.381, Texas Water Code. Such accounts and all contracts, documents, or records of the Authority shall be kept at its principal office and shall be open to public inspection at all reasonable times. Within ninety (90) days after the end of each fiscal year, the Board of Directors shall cause to be made and completed, an audit of the books and accounts of the financial records of the Authority for the preceding fiscal year, such audit to be made by an independent Certified Public Accountant or firm of Certified Public Accountants in accordance with applicable State laws. Copies of the written report of such audit, certified by said accountant or accountants shall be placed and kept on file at the office of the Authority, and shall be open for public inspection at all reasonable times. Other copies shall be distributed according to applicable law. Accounting and reporting for industrial development bonds and pollution control bonds shall comply with requirements of the State Auditor.

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Once every five years, the Board shall cause to be conducted an independent management audit. The results of this audit shall be submitted to the Texas Natural Resources Conservation.

ARTICLE IX

FISCAL YEAR

The fiscal year of the Authority shall begin on the 1st day of October of each year and end on the 30th day of September of the following year.

ARTICLE X

SEAL

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Authority.

ARTICLE XI

AMENDMENTS

These bylaws may be altered, amended, or repealed and new bylaws may be adopted by the Board of Directors at any regular meeting.

ARTICLE XIII

VALIDATION

All resolutions or part thereof heretofore passed and enacted by the District's Board of Directors for the government of the District shall remain in full force and be in effect, but only to the extent same are not in conflict with these Bylaws.

