

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF
TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE]
HELD ON THE 4TH DAY OF AUGUST, 1980 AT 10:00 A. M.

The call of the roll disclosed the presence or absence
of Directors as follows:

<u>PRESENT</u>	<u>ABSENT</u>
J. Oliver Shannon	Wayne E. Newton
C. Victor Thornton	
Preston M. Geren, Jr.	
Robert D. Alexander	

Also present were Messrs. John M. Scott, General Counsel for the District; Robert M. Doby, Manager of Fiscal Affairs of the District; James Strawn, Manager of Planning and Development of the District; Bill Hilliard, Manager Field Operations-Land Department of the District and Ben Hickey, General Manager of the District.

Director Shannon acted in his capacity as President and Director Thornton acted as Secretary, whereupon proceedings were had and done as follows:

1.

On motion duly made and seconded, and with assurance from management that all requirements of law relating to the "open meeting" law had been met, the minutes of the meeting held June 25, 1980 were read and approved by the Directors and it was accordingly ordered that such minutes be placed in the permanent files of the District.

2.

Director Thornton moved and the motion was seconded by Director Shannon and unanimously approved that the following list of vouchers be approved and paid: voucher-checks #24477 thru #24609 inclusive, General Fund, in the amount of \$637,273.49;

voucher-checks #4663 thru #4674 inclusive, Cedar Creek Project - Construction Fund, in the amount of \$1,390,321.56; voucher-checks #3703 and #3704, Construction Fund, in the amount of \$452,965.00; voucher-checks #368 thru #398 inclusive, Richland-Chambers Project Construction Fund, in the amount of \$589,951.40; voucher-checks #683 thru #687 inclusive, Interest and Sinking Fund, in the amount of \$\$345,632.35 and voucher-checks #8169 thru #8236 inclusive, Revenue Fund, in the amount of \$984,719.00.

3.

Mr. Strawn was asked by Mr. Hickey to discuss, among other matters, the status of the "404" permit needed from the Corps of Engineers in order to begin construction of the Richland Creek Project. Using a graph prepared to show the major elements of construction, Mr. Strawn explained that \$7,090,208.85 had been spent to date, primarily on land acquisition and related matters. No funds have been expended for actual construction.

Mr. Strawn briefed the Directors on a bill pending before Congress which would remove the requirements for a "404" permit from projects such as the Richland Creek Project but explained that chances of the bill passing in this session of Congress are marginal.

Mr. Thornton asked that the bar chart be updated quarterly and be photographed or otherwise made to reflect the progress of the project from quarter to quarter. Mr. Geren asked that the chart also be made to reflect the status of the project in terms of the time elapsed relative to completion.

Mr. Strawn then reviewed the necessity of proceeding with certain archaeological studies required to obtain the "404" permit.

stating that the District has received five proposals to do the studies, to-wit:

PROPOSALS RECEIVED
FOR ARCHAEOLOGICAL SURVEY AND TESTING AT THE
RICHLAND-CHAMBERS DAM AND RESERVOIR

North Texas State University Survey-\$324,377.	Testing-\$343,678.	Total	\$668,055.
Sothern Methodist University Survey-\$155,205.	Testing-\$347,075.	Total	\$502,280.
Texas Christian University Survey-\$265,531.	Testing-\$325,972.	Total	\$591,503.
Espey, Huston and Associates, Inc. Survey-\$240,767.	Testing-\$254,233.	Total	\$495,000.
Environment Consultants, Inc. Survey-\$260,317.	Testing-\$254,750.	Total	\$515,067.

Based on consultation with the Corps of Engineers and the Texas State Preservation Society, Mr. Strawn recommended the proposal submitted by Southern Methodist University as amended by its addendum of July 15, 1980 to reflect the shortened time period required by the District. The addendum provided for increased costs believed necessary to conduct the study in the shortened time frame. Mr. Geren stated that he didn't think the shorter time span necessarily resulted in increased costs and that management should review the proposed increase very carefully. Upon the motion of Director Geren and the second by Director Thornton, the Board unanimously approved proceeding with the study by Southern Methodist University with instructions that the management review and be satisfied with the allowance of any increases proposed as the result of the shortened time period.

The Directors had previously received copies of the Minutes of the Advisory Committee Meeting of July 10, 1980 as required to be

furnished them by the Water Supply Contracts with Fort Worth, TRA and Mansfield.

Mr. Strawn explained that, due primarily to the increase in pumping requirements from Cedar Creek necessary to meet record high water demand thus far this year, it was necessary to adjust the Annual Requirement from the Contracting Parties and others from \$3,277,914 to \$4,635,533. Mr. Strawn explained that the proposed increase was presented to the Contracting Parties (Fort Worth, TRA and Mansfield) at the Advisory Committee meeting of July 10. Mr. Strawn also stated that there was \$1,100,000 in the Contingency Fund that could be used, to defer making the actual increase in billing necessary immediately, in order to allow customers of the District to prepare for the rate increase with the understanding that the funds were only on a loan basis and would be recouped at a later date as required.

On the motion of Director Geren and the second of Director Alexander the Board so approved the amended budget and the use of the Contingency Fund as recommended.

4.

Mr. William Hilliard, Manager of Land Acquisition and Relocations for the District, requested authority for the District to enter into Contract for the purchase of the following described tract of land required for Program E - Richland Creek Project, on the following basis for payment, to wit:

Tract No. 10 - Tacko, Inc., 340.11 acres in fee @ \$625.00 per acre; 5.76 acres in easement @ \$312.50 per acre.

Following the detailed presentation of the tract, and upon recommendation of management of the District, Director Thornton moved

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seconded by Director Geren, that the District be now authorized to enter into contract for the purchase of the above described tract and on the basis as shown. This meeting with the approval of all Directors present, it was so ordered.

5.

Mr. Robert Doby, Manager of Fiscal Affairs of the District, presented the following letter from the Fort Worth National Bank, to-wit:

July 29, 1980

Tarrant County Water Control and
Improvement District Number One
800 East Northside Drive
Fort Worth, TX

RE: Tarrant County Water Control and Improvement District Number One
Combined Water Revenue and Unlimited Tax Refunding Bonds, Series
1977 and
Tarrant County Water Control and Improvement District Number One
Water Revenue Bonds, Series 1979-A

Gentlemen:

In accordance with our conversation we are attaching hereto a schedule of our fees for services as principal paying agent to pay the interest coupons and bonds as each matures on the above captioned issues.

According to the Bond Resolutions, the District shall make available to the paying agents, money sufficient to pay interest on and such principal of the bonds as will mature on each such March 1 and September 1, respectively. These funds are to be deposited with the agent on or before each maturity date.

In addition, the paying agent shall destroy all paid bonds and coupons and furnish the District an appropriate certificate of destruction.

We appreciate the opportunity to work with you on your issues and should you have any questions, please let us know.

Sincerely,

/s/ James P. Becker, Vice-President & Trust Officer

Following a review by Mr. Doby and upon his recommendation,

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Director Geren moved, seconded by Director Alexander and unanimously approved, that the District accept the paying agent fee schedule as submitted in the above described proposed agreement. (b) Mr. Doby presented the following letter from Morgan Guaranty Trust Company, to-wit:

July 25, 1980

Tarrant County Water Control
and Improvement District #1
Box 4508
Fort Worth, Texas 76106

Attention: Mr. Robert Doby,
General Manager

Dear Mr. Doby:

RE: Tarrant County Water Control and
Improvement District #1, Water Supply
Bonds, Series 1971, datd June 1, 1971
due March 1, 1989

On March 1, 1980 we paid \$65,000. Principal Amount of the above bonds in error as being called March 1, 1980.

Brown Brothrs Harriman & Co. will not accept the 13 bonds back with the cancellation guaranteed as their client might have difficulty selling the bonds.

With the utmost co-operation of Mrs. Willoughby of the Fort Worth National Bank we have been able to determine that a negative of the plate is at the Security Columbian Bank Note Company.

We agree at all times to indemnify and hold harmless the Fort Worth National Bank, as Trustee and The Tarrant County Water District from and against any and all liabilities by reason of the replacing of bonds number 1677, 1678, 1679, 1680, 1681, 1697, 1998, 1699, 1700, 1701, 1707, 1708 and 1709 with the September 1, 1980 and subsequent coupons attached.

We will pay the cost of replacing the bonds and we will be guided by your instructions as to the disposition of the mutilated bonds.

We request this matter to be expedited at your earliest convenience.

Thank you,

/s/ Nicholas W. Botta, Assistant Secretary

Following a review of the matter and with management's recommendation, Director Geren moved, seconded by Director Alexander and unanimously approved, that the agreement of Morgan Guaranty Trust Company be approved.

6.

Director Geren, Chairman of the District's Audit Committee, presented copies of the following Minutes, to-wit:

MINUTES OF THE MEETING OF AUDIT COMMITTEE OF BOARD OF DIRECTORS OF TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE HELD ON THE 22ND. DAY OF JULY, 1980 AT 9:00 A. M.

<u>PRESENT</u>	<u>ABSENT</u>
Preston M. Geren	C. Victor Thornton

Also present were Messrs. Ben Hickey, Robert M. Doby and Alan Thomas all of The District, Al Stephens, partner Arthur Young and Co., and Frank Tucker, Audit Manager, Arthur Young and Co.

Director Geren acted in his capacity as Chairman whereupon proceedings wer had and done as follows:

1.

Chairman Geren presented the representatives of Arthur Young and Co., the District's auditing firm, with a list of eight questions and requested a response to each.

The subject matter and response to each of the questions is as follows:

- 1) Assignment of Arthur Young partners to an account on a rotating basis.

Al Stephens replied that in publicly held corporations partners

are rotated every five years, but non-public entities, such as the District, do not necessarily follow such a rule. He further stated that due to the growth of the District and the increase in the number of bondholders it would possibly be advantageous to the District to rotate partners every five to seven years.

Chairman Geren agreed and stated that he would propose to the full board no change for two years and after that a rotation of partners every five years.

2) In House auditing policies.

Al Stephens replied that the District had no internal audit function nor were they large enough to have such a function. He further stated that the District had an adequate system of checks and balances over transactions.

Chairman Geren then inquired about the availability of written accounting procedures and policies. Whereupon Al Stephens replied that the District was lacking in this area and recommended documentation of accounting policies and procedures in to the form of an accounting manual.

Chairman Geren then requested Robert Doby to set as an goal the next year to have such a manual prepared either in-house, thru the use of Arthur Young, or both.

3) Audit Letter of 1979.

Chairman Geren stated that he had received no 1979 audit letter and asked for a reason.

Al Stephens replied that such a letter is prepared stating significant comments, usually negative in nature. Since Arthur

Young had no significant comments, no letter had been written. Chairman Geren requested that the 1979 letter be prepared in any event stating not only negative but positive comments concerning the District's accounting and investment system. Al Stephens agreed to comply.

4) Investment Policies.

Robert Doby stated that while there were no written policies concerning the investment of funds, the District is subject to statutory and bond resolution restrictions.

Al Stephens added that the District had used sound business practices concerning investment of funds.

Chairman Geren recommended that the Board prepare basic guidelines concerning investments.

Al Stephens suggested incorporation of such guidelines into the accounting manual.

5) Sale of Surplus Property.

Chairman Geren inquired about the safeguards involved in the selling of surplus property.

Al Stephens stated that the District had adequate safeguards on the sale of real property.

Ben Hickey then outlined the District's bid procedures regarding the sale of equipment.

Chairman Geren asked Al Stephens to make a recommendation of the feasibility of a written policy that would be subject to audit work in connection with lower dollar items, i.e. inventories, parts and supplies.

6) Safeguarding of Assets.

Al Stephens stated that due to District controls, the assets were adequately safeguarded, particularly in the area of cash and investments.

7) Purchasing Policies.

Frank Tucker stated that regarding purchases, the District had adequate internal and management control procedures. He further stated that this area is observed closely during the audit for not only material items but for a sample of all transactions.

Chairman Geren inquired about the District's use of one manufacturer in the purchase of certain items and a possible conflict with legal restrictions concerning purchases.

Ben Hickey stated the economic advantages of having like equipment and that the District complies with legal requirements in the advertising and purchasing of equipment. Mr. Stephens stated that such matters were more administrative policy than accounting matters, and that setting of such policy might call for a legal opinion. Chairman Geren requested an opinion from John Scott, legal counsel for the District, and stated that he would recommend that the Board establish policies regarding purchasing practices.

Al Stephens commented that verification of District compliance with legal requirements was a function of the audit and proper procedures had been followed.

Chairman Geren further recommended that the District establish written auditable procedures to insure that the District is paying fair prices for goods and services priced below the amount

required for advertising and bidding. He further recommended that Arthur Young be involved in the establishment of such procedures.

8) Arthur Young's satisfaction with District employees, and their comments on availability and access to records.

Chairman Geren requested the representatives of the District to leave the room and the matter was discussed privately between Chairman Geren and representatives of Arthur Young and Company. The Arthur Young and Company representatives assured Geren that they had full corporation from all District employees and all information requested was made available to the Auditors.

2.

Upon completion of the private session, Chairman Geren requested that Arthur Young and Company, annually prior to employment, give the Board a description and an itemized estimate of their fee for the proposed audit and the hourly rate to be charged for any special assignments requested by the Board. Al Stephens stated that they would cooperate fully with the Board in furnishing this information.

3.

Chairman Geren requested that a copy of the minutes of the Committee be prepared and available for the next regular Board Meeting. There being no further questions or discussion, Chairman Geren adjourned the meeting.

Director Geren reviewed each matter as outlined in the above listed Minutes of the Audit Committee; and following a general discussion Director Geren moved, seconded by Director Thornton, and

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unanimously approved, that management of the District, working with the Audit Committee, prepare for presentation to the Board of Directors, a written Policy and Procedures Manual of The District not later than June of 1981 for adoption by October 1, 1981; these dates being the earliest possible due to the District's now established fiscal year of October 1st thru September 31st.

7.

Vice-President Shannon stated that copies of District's Financial Report for May, 1980 had heretofore been furnished the Directors for their study; whereupon Director Geren moved and the motion was seconded by Director Thornton and unanimously carried that the Report be accepted and placed in the District's Files.

8.

There being no further business before the Board of Directors, the meeting adjourned.


Secretary


Vice President