

**BYLAWS**

**LOST CREEK LIMITED DISTRICT**

**Adopted: November 22, 2016**

**Amended: November 24, 2020**

**ARTICLE I**  
**AUTHORITY, PURPOSE AND POWERS**

1.01 Authority: These Bylaws are adopted pursuant to the authority set forth at Section 49.057(g) of the Texas Water Code.

1.02 Purpose: The purpose of these Bylaws is to provide for the conduct of the affairs of Lost Creek Limited District (“*District*”), created effective December 15, 2015 pursuant to the terms of an Amended and Restated Strategic Partnership Agreement entered into by Lost Creek Municipal Utility District and the City of Austin dated March 12, 2013 (the “*SPA*”) pursuant to the authority set forth in Section 43.0751 of the Texas Local Government Code.

1.03 Territory: The District’s territory is defined by the SPA.

1.04 Powers: The District has all the rights, powers, privileges, authority, functions, and duties provided by the SPA and the applicable general laws of the State of Texas, including without limitation, the applicable provisions of Chapters 49 and 54 of the Texas Water Code.

**ARTICLE II**  
**BOARD OF DIRECTORS**

2.01 General: The Board of Directors will manage and control all of the affairs of the District. The Board is endowed with all powers, authority, and rights that permit it to accomplish its purposes. The Board is responsible for defining objectives, setting policy, and providing management oversight over all aspects of District operations.

2.02 Board Membership: All powers of the District shall be exercised by a Board of Directors consisting of five (5) directors. All directors shall be elected by the registered voters within the District. Each Director shall serve for his or her term of office, and thereafter until a successor shall be appointed and qualified.

2.03 Eligibility: Eligibility to serve as a director shall be determined by Chapters 49 and 54 of the Texas Water Code.

2.04 Term of Office: Board members shall serve staggered terms of four (4) years in accordance with the requirements of the Texas Water Code.

2.05 Public Information Act and Open Meetings Act Training. All new Directors shall timely participate in the training courses promulgated by the Attorney General of the State of Texas regarding the Open Meetings Act and Public Information Act.

2.06 General Responsibilities:

(a) Policy: The Board will establish policy for the governance and conduct of the District and its operations.

(b) Hiring and Evaluating Personnel and Consultants: The Board will employ or contract for professional personnel and consultants in accordance with the requirements of the position. The Board will in its sole discretion review and establish other personnel policies.

(c) Planning: The Board will establish goals for the District based on the input of District staff and community members.

(d) Budget/Finance: The Board will identify and communicate the District's priorities to the General Manager through identified goals, adopt the fiscal year budget, and set tax rates. The Board will also adopt and review on an annual basis an investment policy in accordance with the requirements of the Texas Public Funds Investment Act.

(e) Facilities Planning: The Board will adopt plans for construction of new capital projects and maintenance of existing facilities.

(f) Community Information: The Board will implement alternative channels for periodically updating the Lost Creek Community of the affairs of the District.

2.07 Delegation: The Board may, in its sole discretion and as authorized by state law, delegate to the General Manager full authority to manage and operate the affairs of the District subject only to orders of the Board. The Board may also delegate tasks to individual directors from time to time.

2.08 Officers:

(a) Officer Positions: The Board shall elect the following officers from time to time, and not less frequently than after each election at which new directors are elected: President, Vice President, Secretary, Treasurer, and Assistant Secretary/Treasurer. Officers shall be elected by a majority of the members of the Board.

(b) Duties:

(1) President: The Chief Executive Officer of the District who presides over all Board meetings and provides leadership and direction in all matters. His/her duties include but are not limited to the following: (i) conducting meetings efficiently and ensuring adherence to the agenda; limiting discussions to a reasonable time; encouraging participation; and striving for punctuality; and (ii) acting as District spokesperson.

(2) Vice President: The Vice President carries out all duties of the President in his/her absence.

(3) Secretary: The Secretary is responsible for preparation and review of meeting minutes. The Secretary may work with the District's General Manager and legal counsel as necessary and convenience in connection with preparation of the meeting minutes.

(4) Treasurer: The Treasurer shall represent the Board of Directors in connection with financial matters of the District that are not otherwise delegated to the General Manager.

(5) Assistant Secretary/Treasurer: The Assistant Secretary/Treasurer assumes the duties of the Secretary and/or Treasurer in his/her absence.

2.09 Fees of Office and Expenses: Each Directors shall be entitled to fees of office and

reimbursement of expenses in accordance with Section 49.060 of the Texas Water Code. The Board of Directors shall adopt a resolution establishing a limit on the fees of office that a director may receive in a year.

2.10 Vacancies, Resignation and Disqualification: Board vacancies are filled by appointment of the Board, or under certain circumstances, by order of the Texas Commission on Environmental Quality (“TCEQ”) in accordance with the requirements of the Texas Water Code. Board members may resign their positions at any time. Any Board member that desires to resign shall submit his/her resignation in writing to the President of the Board or General Manager. It is the responsibility of an individual Board member to notify the President of the Board if for any reason he/she becomes unqualified to serve pursuant to Texas Water Code Section 49.052.

2.11 Committees: The Board may, as it deems necessary, create committees to facilitate the efficient operation of the Board. Committees may meet whenever necessary, or when directed by the President. Committees may transact business only within specific authority granted by the Board. Notice of any committee meeting that is not advisory in nature and at which a final decision is made regarding the business or affairs of the District shall be posted in accordance with the requirements of the Texas Open Meetings Act.

### **ARTICLE III** **MEETINGS**

3.01 Quorum: A majority of the membership of the Board constitutes a quorum for any meeting, and a concurrence of a majority of the entire membership (3 members) of the Board is sufficient for transacting any business of the District.

3.02 Agendas: A written agenda will be prepared, filed, and posted as required by law for each meeting of the Board of Directors. Each Board member will receive an advance copy. Each director shall have the right to place an item on an agenda but after consideration and a final decision rendered by a majority of directors, the same subject matter will not again be placed on a meeting agenda of the same Board of Directors except with the concurrence of a majority of directors.

3.03 Consent Agendas: The Board may follow a consent agenda format to approve all routine, noncontroversial items with a single motion, without the need for discussion by the full Board. Any item may be removed from the consent agenda and considered individually upon request of a Board member or the General Manager.

3.04 Board Conduct During Meetings. Board members will make every effort to act in a cooperative and professional manner during meetings of the Board of Directors and will:

- Support decisions of the majority;
- Respect the opinions of others;
- Develop an understanding of District policies, programs, and projects; and
- Protect the privacy of employees and other Board members.

Board members will not:

- Make individual promises to civic groups or individuals;

- Conduct individual investigations;
- Obligate the Board to actions or expenditures without authorization from the Board;
- Give individual direction to the General Manager;
- Make public comments about staff members or other Board members;
- Make individual statements to the media concerning District issues; or
- Monopolize meetings.

3.05 Minutes: The Board shall keep a true and complete account of all meetings and proceedings, and approve and maintain minutes of these meetings on file permanently. Minutes may be taken by a member of the Board, an employee, or by a consultant, and the final copy will be verified by majority vote at a regularly scheduled meeting. Minutes will contain at a minimum:

- Date, time, and location of the meeting;
- Names of the presiding officer and other members of the Board present;
- Names of the Board members who are absent;
- A record of all motions and their disposition, including the person making the motion, person seconding the motion, and the outcome of the vote; and
- Copies of orders or other evidence of official action will be attached to the minutes unless records are otherwise kept of such actions.

3.06 Schedule. The Board shall generally meet once per month or as otherwise determined to be necessary or convenient by the Board of Directors.

3.07 Rules of Decorum at Board Meetings.

(a) General. Meetings of the Board of Directors are conducted for the official business of the District. To ensure meetings are conducted in a professional and courteous manner and to enable the orderly conduct of District business, all persons in attendance or who participate in such meetings shall conduct themselves in a manner that does not interfere with the ability of others to observe and, when allowed, to participate without disruption or fear of intimidation, threats or hostility.

(b) No Speaking Until Recognized. Members of the public desiring to address the District Board of Directors shall be recognized by the presiding officer before speaking and shall state his or her name in an audible tone for the record.

(c) Public Criticism. The public has the right to criticize policies, procedure, programs or services of the District or the actions or omission of the Board of Directors or staff relating to District business.

(d) Disorderly Conduct. A member of the public addressing the Board of Directors shall not engage in any disorderly conduct which disrupts the orderly conduct of any District Board of Directors meeting. The presiding officer may rule a public speaker out of order and in violation of these rules if:

- i. the speaker is speaking beyond the allocated time limit and refuses to yield the floor;
- ii. the speaker's remarks are not relevant to the agenda items or District business or affairs;
- iii. the speaker repeatedly interrupts a director;
- iv. the speaker engages in personal attacks of a director or General Manager, or other representative of the District, unrelated to the manner in which he or she performs his or her duties, and which, when addressed to the ordinary citizen, are inherently likely to provoke violent reaction;
- v. the speaker's remarks are disruptive so as to disturb the peace and good order of the meeting, through use of, without limitation, loud, threatening, hostile, abusive, vulgar or obscene language or fighting words, or any other actions that disturb or are calculated to disturb the meeting; or
- vi. the speaker engages in any conduct with the intent to break up the meeting of the District Board of Directors or urges other to commit acts or engage in conduct to break up the meeting, including unreasonably loud and prolonged yelling, screaming, clapping or noise-creating acts which render it impossible or difficult for the Board of Directors to conduct or continue with the meeting; or the speaker willfully refuses or fails to comply with any Board of Directors Rule of Procedure or with any reasonable order of the Chair.

(e) Demonstrations. Demonstrations or other activities which disturb the peace and good order of the meeting shall not be permitted in the meeting room.

(f) Presiding Officer Authority to Maintain Order.

- i. The presiding officer shall have the authority to preserve order at all District Board of Directors meetings and enforce these rules of decorum and procedure, including the authority, after a warning, to revoke the permission granted to any individual to speak if such individual is disruptive or does not adhere to these requirements, to cause the removal of any person from any meeting of the Board of Directors for disorderly conduct, and to exclude a person from returning to that same meeting from which the individual was removed.

- ii. If the presiding officer determines that these rules are not being followed, one warning will be given to the individual(s). If the rules continue to be violated after one warning, the presiding officer may revoke the individual's speaking privileges and may direct the person to leave the meeting room if he or she continues to engage in prohibited conduct. The presiding officer may cause any such person to be removed from the meeting room by security personnel if necessary. Any individual ordered to be removed from a meeting shall be excluded from returning to that meeting from which the individual was removed and shall be barred from further audience before the District Board of Directors during that meeting.

(g) Other Rights. These rules shall not limit the Board's ability to exercise any rights or remedies that otherwise may be available for a violation of applicable law, including filing a complaint for any criminal act, and the Board retains such rights.

#### **ARTICLE IV** **POLICIES AND AUDITS**

##### 4.01 Code of Ethics.

(a) Purpose: The District adopts this Code of Ethics for the purposes of assuring compliance with Section 49.199 of the Texas Water Code, as amended; to encourage high ethical standards in official conduct by the officials of the District; and to establish guidelines for such ethical standards of conduct.

(b) Policy: It is the policy of the District that District officials shall conduct themselves in a manner consistent with sound business and ethical practices; that the public interest shall always be considered in conducting District business; that the appearance of impropriety shall be avoided to ensure and maintain public confidence in the District; and that the Board of Directors of the District shall control and manage the affairs of the District fairly, impartially, and without discrimination, and in accordance with the stated purpose of the District.

(c) General Standards of Conduct:

(1) No Director or employee shall use his or her position with the District to improperly influence others or to secure privileges for themselves or for others.

(2) No Director or employee shall use any information gained solely by reason of that person's position with the District and which is not otherwise public for personal gain or benefit, or for the benefit of others.

(3) No Director shall, for compensation, represent or appear on behalf of any private interest before the Board, and/or any commission or committee of the District.

(4) No Director shall, for compensation, represent or appear on behalf of any private interest of others in any action or proceeding involving the District.

(d) Conflicts of Interest- Substantial Interest:

(1) A District official is prohibited by Chapter 171 of the Local Government Code from participating, directly or indirectly, in a vote or decision or from acting as a surety on any matter involving a business entity in which the official has substantial interest, if it is reasonably foreseeable that an action on the matter would confer an economic or any other benefit on the business entity.

(2) In cases of conflicts of interest, District officials shall disclose such conflicts and shall file with the Board Secretary an affidavit stating the nature and extent of the conflict of interest. Thereafter, that District official shall abstain from participation in the matter as provided by law.

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

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

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

(e) Conflicts of Interest- Conflicts Disclosure Statements. All Directors and employees who exercise discretion in the planning, recommending, selecting or contracting of a vendor (Directors and such employees being collectively referred to as a "Local Government Officer") must timely file a conflicts disclosure statement (in the form promulgated by the Texas Ethics Commission) with the District's records administrator in accordance with Chapter 176 of the Local Government Code with respect to any vendor that is a party to a contract with the District or the District is considering entering into a contract with the vendor, and if any of the following exist: (i) the vendor has an employment or other business relationship with the Local Government Officer or a family member of the officer that results in the officer or family member receiving taxable income during the timeframe and above the threshold limits set by statute, (ii) the vendor has provided a gift to the Director or employee in an amount and timeframe that triggers disclosure under the statute, or (iii) the vendor has a family relationship with the Director or employee.

(f) Gifts to Directors

(1) No Director shall solicit, accept, or agree to accept any benefit of value from a person or business entity that he or she knows is interested in or likely to become interested in any contract, purchase, payment, claim or other transaction involving the exercise of their discretion as a public servant, or any matter before the Board, or likely to come before the Board for any decision, opinion, recommendation, or vote.

(2) The foregoing prohibition against gifts or favors shall not apply to: (i) an occasional non-monetary gift, valued at less than \$25.00; and (ii) an award publicly presented in recognition of public service.



(g) Use of District Property. No Director or employee shall use or permit the use of any District equipment, materials, supplies or other District property or resources for personal gain or for any purposes not related to the authorized functions of the District.

(h) Nepotism: The Board shall not confirm the appointment to any position, nor award a contract, to a person related to a member of the Board within the second degree by affinity (marriage) or within the third degree by consanguinity (ancestry) when the salary or other compensation of such appointee is paid, directly or indirectly, from District funds, except as provided by Chapter 573, Texas Government Code.

#### 4.02 Travel Expenditure Policy.

(a) The Board hereby establishes policies for reimbursing District directors, officers, and employees for necessary and reasonable travel expenses incurred while conducting business or performing official duties or assignments.

(1) Authorized expenses include cost of meals, lodging, commercial travel, in some cases personal automobile mileage, and other necessary and reasonable costs incurred while on official business away from the District's administrative office.

(2) Reimbursement for travel expenses shall be subject to prior approval by the Board. The reimbursement request shall include a statement of the business purpose of the travel, date, time, and place.

(3) Reimbursement of any travel expenses shall require supporting receipts and invoices.

(b) Meals and Lodging. Reimbursement to directors for actual expenses for meals and lodging shall not require prior approval of the Board of Directors. Reimbursement of any meal and lodging expenses shall require supporting receipts and invoices.

(c) Transportation. Directors or employees who use personal vehicles while on official District business travel may be reimbursed for actual miles driven at the current rate allowed by the Internal Revenue Service. Mileage will be computed by the most direct route, and the use of personal vehicles for District travel must be approved by the Board in advance.

#### 4.03 Professional Services Policy.

(a) Consultants retained by the District to provide professional services may include, but are not limited to, legal, engineering, financial advisor, management, bookkeeping, auditing, and tax collecting.

(b) Selection of consultants shall be based upon their qualifications and experience.

(c) The performance of the consultants providing professional services to the District shall be regularly monitored and reviewed by the Board.

#### 4.04 Management Policy.

(a) Accounting Records. District accounting records shall be prepared on a timely basis and maintained in an orderly manner, in conformity with generally accepted accounting principles and the

requirements of the Texas Commission on Environmental Quality. Such records shall be available for public inspection during regular business hours at the District's office.

(b) Audit Requirements

(1) Unless otherwise exempted by the rules of the Texas Commission on Environmental Quality, the District's fiscal accounts and records shall be audited annually in accordance with State law governing the audits of water districts, at the expense of the District, by a certified public accountant familiar with the Texas Commission on Environmental Quality's rules, regulations, standards, and guidelines applicable to water district audits. As of the date of adoption of these policies, Sections 49.191-49.200 of the Texas Water Code and 30 Texas Admin. Code Section 293.94 (Rules of the Texas Commission on Environmental Quality) govern the audits of water districts (the "Audit Laws").

(2) The audit, or other required affidavit, shall be completed and filed within the time limits established by the Audit Laws. Copies shall be filed with the Texas Commission on Environmental Quality, together with an annual filing affidavit in the form prescribed by the Audit Laws. In the event the Board refuses to approve the annual audited report, the District shall file a statement with the audit which explains the reasons for disapproval of the audit.

(3) If the District does not have sufficient revenues or activity so that it meets the requirements of the Audit Laws for financially dormant or inactive districts, it may prepare and submit an annual financial dormancy affidavit or an annual financial report described in the Audit Laws.

(c) Budget. The Board of Directors of the District shall annually adopt a budget in accordance with Title 30 of the Texas Administrative Code, Section 293.97, for use in planning and controlling District costs. Such budget shall take into consideration all District revenues, existing fund balances, and all projected District obligations and expenditures. The budget may be amended at any time by the Board.

**ARTICLE V**  
**INDEMNIFICATION AND DEFENSE OF DIRECTORS AND EMPLOYEES**

5.01 Purpose. Definitions. For purposes of these Bylaws, the following definitions shall apply:

- i. "Director" shall include any current or former member of the Board of Directors of the District or Lost Creek Municipal Utility District.
- ii. "Employee" means a person employed and paid a salary by the District, including individuals on a part-time basis, but does not include an independent contractor. The term shall include any person who is currently, or was previously, employed by the District or Lost Creek Municipal Utility District.

5.02 Indemnification.

(a) Any Director or employee who is found and finally adjudged to be liable for the payment of any claim for damages arising out of the course and scope of employment or services rendered to or on behalf of the District shall be entitled to be indemnified for such damages to the extent permitted by law,

together with any reasonable and necessary legal expenses incurred by such Director or employee in defending such claim, provided that the acts or omissions resulting in such liability were done in good faith and without malicious or felonious intent.

(b) Any person made a party to or involved in any litigation (including any civil or administrative action, suit or proceeding) by reason of the fact that he or she is or was a Director, officer or employee of the District or Lost Creek Municipal Utility District by reason of his or her alleged negligence or misconduct in the performance of his or her duties as such Director, officer or employee shall be indemnified by the District to the extent funds are lawfully available against any liability, together with the reasonable expenses, including attorney's fees, actually and necessarily incurred by him or her in connection with any action therein, except in relation to matters as to which it shall be adjudged in such litigation that such director, officer or employee is liable for gross negligence or willful misconduct in the performance of his or her duties. A judgment entered in connection with a compromise or settlement of any such litigation shall not by itself be deemed to constitute an adjudication of liability for such negligence or misconduct.

(c) For the purposes of these Bylaws, the term "arising out of the course and scope of employment or services rendered to or on behalf of the District or Lost Creek Municipal Utility District" shall not include any action that occurs during a period of time in which the Director or employee is engaged in outside employment or is rendering contractual services to someone other than the District or Lost Creek Municipal Utility District.

(d) Whether the acts were done in good faith, without malicious or felonious intent, and within the course and scope of employment or services shall be determined by the District's Board of Directors, and such determination shall be final for the purposes of the representation and indemnity provisions of these Bylaws; provided, however, that in the event such representation and indemnity have been denied by the District, and upon a trial on the merits it is determined that the Director or employee was acting in good faith, without malicious or felonious intent and within the scope of employment or services rendered to or on behalf of the District, the indemnification hereunder shall be granted and reasonable legal expenses incurred in the defense of the claim reimbursed.

(e) The indemnification provisions of these Bylaws shall in no event apply to or cover punitive or exemplary damages where the District does not have the legal authority to provide payment. Further, the District shall not be liable for any settlement of any claim or suit entered into without its consent, and the District reserves the right to assert any defense and make any settlement of any claim or suit that it deems expedient.

5.03 Legal Representation. The District shall have the right and duty to provide legal representation through the District attorney, or in its discretion through the selection of outside legal counsel, to any Director or employee sued in connection with any claim for damages, other civil action, or alleged violation of civil rights against such person arising out of the course and scope of employment or services rendered to or on behalf of the District or Lost Creek Municipal Utility District, or other claim against any such person arising by reason of the fact that he or she is or was a Director, officer or employee of the District or Lost Creek Municipal Utility District, including by reason of his or her alleged negligence or misconduct in the performance of his or her duties as such Director, officer or employee. Such legal representation shall be provided at no cost to the Director or employee, and may be appointed by the District's insurer or risk pool carrier, as determined by the Board of Directors, and any Director or employee may have his or her own counsel assist in the defense at the sole expense of the Director or employee. The Director or employee shall cooperate fully with the District in preparation and presentation of the case, and the failure to cooperate shall waive such Director's or employee's right to representation and indemnity under this section.

5.04 District Defenses. Nothing in these Bylaws shall be construed as waiving the District's defense of governmental immunity to it or its employees or Directors in any action brought against the District or against such Director or employee. For any suit or claim arising under the Texas Tort Claims Act, the indemnity provided by these Bylaws shall be limited to the statutory limits applicable to the District provided in said act, as amended.

5.05 Disciplinary actions. Nothing in these Bylaws shall prevent the District from taking disciplinary action against any Director or employee for conduct defended or indemnified by the District under these Bylaws, either before or after conclusion of the civil suit.

5.06 Claims by or on behalf of the District. Nothing in these Bylaws shall require the District to indemnify any Director or employee for recoveries made against him or her in suits by or on behalf of the District. The District's Board of Directors may, however, authorize legal counsel to represent any Director or employee in a suit brought by a taxpayer on behalf of the District against the Director or employee.

## **ARTICLE VI** **FUNDS AND RECORDS OF THE DISTRICT**

6.01 Investment Policy. The Board of Directors shall adopt written policies for managing and investing the District's funds in accordance with the Public Funds Investment Act. The Board of Directors shall review the Investment Policy, and the investment strategies set forth therein, not less than annually in accordance with the requirements of the Public Funds Investment Act.

6.02 Disbursements. Each disbursement of funds of the District shall require the signature of not less than three (3) directors. The General Manager may approve disbursements in accordance with the authority delegated to him/her by the Board of Directors.

6.03 Public Information Act and Records Retention. All documents, reports, records, and minutes of the District shall be available to the public in accordance with the requirements of the Texas Public Information Act. All records of the District shall be retained in accordance with the Records Retention Schedule adopted by the District.

## **ARTICLE VII** **ADMINISTRATION OF THE DISTRICT**

7.01 Board Responsibility. The Board shall be responsible for the management of all the affairs of the District.

7.02 Employees and Contractors. The District shall employ or contract with all persons, firms, partnerships, corporations, or other entities, public or private, deemed necessary by the Board for the conduct of the affairs of the District, including, but not limited to, engineers, attorneys, financial advisors, operators, bookkeepers, tax assessors and collectors, auditors and administrative staff.

7.03 General Manager. The Board may employ or contract with a person to perform such services as General Manager for the Authority as the Board may from time to time specify. The Board may delegate to the General Manager full authority to manage and operate the affairs of the Authority subject only to orders of the Board. The Board may delegate to the General Manager the authority to employ all persons necessary for the proper handling of the business and operation of the Authority and to determine the compensation to be paid all employees other than the General Manager.

**ARTICLE VIII**  
**MISCELLANEOUS**

8.01 Amendments. These Bylaws may be amended at any meeting of the Board of Directors by a vote of the majority of the entire membership of the Board.

8.02 Prior Actions. To the extent of any conflict, these Bylaws supersede any prior resolutions, orders or policies adopted by the Board of Directors addressing the subject matter hereof.

8.03 Severability. If any provision of these Bylaws is deemed invalid or unenforceable, under present or future laws, by a court or regulatory entity with jurisdiction, it is the intention of the Board that the remainder of these Bylaws not be affected.