

New Braunfels Utilities

Governance Policies

PREFACE

In January 2010, the Board of Trustees (Board) for New Braunfels Utilities (NBU) established the Governance Policies under which it operates. In doing so, the Board chose to follow the Carver model of governance, which is a system for organizational governance that defines and guides the relationships between its board and chief executive through written policies. By focusing on the ends and not the means, the Carver model of policy governance enables a board to focus on the larger issues, delegate with clarity, and control management without micromanaging.

NBU's Governance Policies were revised in March 2016, May 2021, and June 2023. In ___ 2024, the Board revised these Governance Policies to align with its fiscal year 2025 strategic goals and make other adjustments deemed necessary.

New Braunfels Utilities

Governance Policies

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New Braunfels Utilities

Governance Policies: Strategic Goals

POLICY TYPE: STRATEGIC GOALS

SG #1

POLICY TITLE: GLOBAL POLICY ON STRATEGIC GOALS

At a minimum of every five years, the Board will review and establish Strategic Goals for NBU and determine how achievement of or adherence to those Strategic Goals should be measured. The Board then will review NBU's progress periodically throughout each fiscal year (August 1 to July 31), evaluate NBU's achievement of or adherence to those Strategic Goals at least annually each fiscal year, and confirm the continuing validity of each Strategic Goal. The Board maintains discretion to add, remove, or change any Strategic Goal or any achievement or adherence measurement set at any time.

POLICY TYPE: STRATEGIC GOALS

SG #2

POLICY TITLE: CUSTOMERS & COMMUNITY

The Board is committed to NBU providing a customer-first focus and committing to innovative solutions to improve the customer experience.

With respect to interactions with current or potential customers or the community at large, the CEO will not cause or allow conditions, procedures, or decisions that are unsafe, unsecure, untimely, unnecessarily intrusive, or in violation of any federal, state, or local law, NBU policies, or the City of New Braunfels Charter or Code of Ordinances.

The CEO will not:

1. Elicit information for which there is no business necessity.
2. Use methods of collecting, reviewing, transmitting, or storing consumer information that fails to reasonably protect against improper access.
3. Operate facilities without reasonably appropriate customer accessibility and security.
4. Operate without established policies providing customers a clear understanding of what to expect from the services NBU offers.
5. Withhold information about this policy or deny any customers who are aggrieved a right to seek review under this policy.
6. Project an image to customers or the community at large that creates a negative perception of NBU or jeopardizes NBU's status in the community.

The Board will review and measure NBU's progress towards achieving or adhering to its Customers & Community Strategic Goal at least annually. NBU's progress will be determined based on the specifics of the Customers & Community Strategic Goal measure(s) set annually and may include, by way of example, an examination of the annual customer satisfaction survey, customer or community feedback received, and any other related information provided by the CEO, NBU customers, or the community at large. The Board retains discretion to consider any information deemed applicable to this Strategic Goal.

POLICY TYPE: STRATEGIC GOALS

SG #3

POLICY TITLE: PEOPLE & CULTURE

The Board is committed to NBU caring for its employees, building on its team-oriented culture, promoting ethical behavior, and preparing its team to meet the challenges ahead.

With respect to employment, compensation, and benefits of employees or contingent workers, the CEO will not cause or allow jeopardy to NBU's fiscal integrity or public image or conditions that violate federal, state, or local law, NBU policies, or the City of New Braunfels Charter or Code of Ordinances.

With respect to the retention and engagement of consultants or volunteers, the CEO will not cause or allow conditions that create an employment relationship or that violate federal, state, or local law, NBU policies, or the City of New Braunfels Charter or Code of Ordinances.

The CEO will not:

1. Change the CEO's own compensation without the Board's express approval.
2. Change the CEO's benefits, except as would be consistent with any benefits provided to all other employees.
3. Promise or imply permanent or guaranteed employment or a contract for tenure.
4. Establish compensation and benefits that deviate materially from the geographic or professional market for the skills employed.
5. Create any employment or other compensation or benefit-related obligations over a longer term than revenues can be reasonably projected to satisfy.
6. Enter into any employment agreement without the Board's express approval.

The Board will review and measure NBU's progress towards achieving or adhering to its People & Culture Strategic Goal at least annually. NBU's progress will be determined based on the specifics of the People & Culture Strategic Goal measure(s) set annually and may include, by way of an example, an examination of employee participation in the annual engagement survey, employee feedback or recommendations received or implemented, and any other related information provided by its CEO or NBU employees. The Board retains discretion to consider any information deemed applicable to this Strategic Goal.

POLICY TYPE: STRATEGIC GOALS

SG #4

POLICY TITLE: INFRASTRUCTURE & TECHNOLOGY

The Board is committed to NBU maintaining reliable and resilient systems through responsible planning, asset management, and innovative technologies that align with the strategic direction of the organization.

The CEO will not allow NBU assets to be unprotected, inadequately maintained, or unnecessarily risked.

The CEO will not:

1. Unnecessarily expose NBU, its Board, or staff to claims of liability related to infrastructure and technology.
2. Unreasonably fail to protect property, information, or data files from loss, significant damage, or unauthorized access.
3. Unreasonably fail to address aging infrastructure, plan for additional growth, or evaluate the availability and viability of innovative or technological improvements.

The Board will review and measure NBU's progress towards achieving or adhering to its Infrastructure & Technology Strategic Goal at least annually. NBU's progress will be determined based on the specifics of the Infrastructure & Technology Strategic Goal measure(s) set annually and may include, by way of example, an examination of NBU's SAIDI three-year rolling average, technological system reliability, infrastructure leakage index results, percentage of completion of capital improvement projects, compliance events, and any other related information provided by the CEO, NBU customers, or the community at large. The Board retains discretion to consider any information deemed applicable to this Strategic Goal.

POLICY TYPE: STRATEGIC GOALS

SG #5

POLICY TITLE: FINANCIAL EXCELLENCE

The Board is committed to NBU practicing sound financial management to be responsible stewards of public funds.

With respect to the actual, ongoing financial condition and activities of NBU, the CEO will not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from the annual Board-approved budget and any approved Board expenditures.

The CEO will not:

1. Expend more funds than allocated by the Board for the current fiscal year without express Board approval.
2. Exceed the limits of NBU's Purchasing Policy.
3. Incur debt without appropriate authorization from the Board or City of New Braunfels.
4. Fail to settle liabilities in a timely manner.
5. Allow government-ordered or regulatory filings, fines, or payments to be overdue or inaccurately filed.
6. Acquire, encumber, or dispose of real estate other than for normal operating items, such as rights-of-way or easements, and in connection with Board-approved projects.
7. Invest or hold operating capital in insecure instruments, including uninsured checking accounts or noninterest-bearing accounts, except where necessary to facilitate operational transactions.

The CEO will not allow budgeting to:

1. Fail to include:
 - (a) credible projection of revenues and expenses,
 - (b) separation of capital and operational items,
 - (c) cash flow analysis, and
 - (d) disclosure of planning assumptions
2. Provide less for Board development than is set forth in the Governance Investment policy (BG #12)

The Board will review and measure NBU's progress towards achieving or adhering to its Financial Excellence Strategic Goal at least annually. NBU's progress will be determined based

on the specifics of the Financial Excellence Strategic Goal measure(s) set annually and may include, by way of an example, an examination of its annual cost per customer, its bond (or other recognized financial) rating, and any other related information provided by its CEO. The Board retains discretion to consider any information deemed applicable to this Strategic Goal.

POLICY TYPE: STRATEGIC GOALS

SG #6

POLICY TITLE: SAFETY & SECURITY

The Board is committed to NBU placing safety and security as the highest priorities for every employee and customer.

The CEO will not cause or allow conditions that create an unsafe or unsecure environment for NBU or its employees, contingent workers, consultants, volunteers, vendors, or customers.

The CEO will not unreasonably fail to address or create a plan for addressing:

1. Emergency situations;
2. At-fault or willful safety violations;
3. Old or outdated equipment or technology; and
4. Data- and cyber-security.

The Board will review and measure NBU's progress towards achieving or adhering to its Safety & Security Strategic Goal at least annually. NBU's progress will be determined based on the specifics of the Safety & Security Strategic Goal measure(s) set annually and may include, by way of example, an examination of emergency response procedures, data- and cyber-security efforts, preventable equipment damage or vehicular damage incidents, workplace safety or security incidents (including at-fault safety violations), OSHA severity rate, security enhancements, and any other related information provided by its CEO. The Board retains discretion to consider any information deemed applicable to this Strategic Goal.

POLICY TYPE: STRATEGIC GOALS

SG #7

POLICY TITLE: STEWARDSHIP

The Board is committed to NBU preserving and protecting community resources through planning, innovation, collaboration, and education.

The CEO will not cause or allow conditions that:

1. Jeopardize or irresponsibly use or deplete NBU's environmental assets or the community's natural resources; or
2. Unreasonably fail to consider environmental conservation and sustainability when creating NBU policies and plans.

The Board will review and measure NBU's progress towards achieving or adhering to its Stewardship Strategic Goal at least annually. NBU's progress will be determined based on the specifics of the Stewardship Strategic Goal measure(s) set annually and may include, by way of example, an examination of the status and progress of any implemented strategies for sustainable resources and conservation initiatives (such as One Water) and any other related information provided by its CEO. The Board retains discretion to consider any information deemed applicable to this Strategic Goal.

New Braunfels Utilities

Governance Policies: Board Governance

POLICY TYPE: BOARD GOVERNANCE

BG #1

POLICY TITLE: GLOBAL POLICY ON GOVERNANCE PROCESS

The purpose of the Board is to:

1. Represent the interests of the City of New Braunfels and the community at large, keeping in mind the value of being a “municipally owned utility.”
2. Determine the benefits that NBU will provide, keeping a long term, strategic perspective.
3. Set and reevaluate the Strategic Goals as provided for in the Global Policy on Strategic Goals (SG #1).
4. Monitor NBU operations to ensure achievement of or adherence to the Strategic Goals.

POLICY TYPE: BOARD GOVERNANCE

BG #2

POLICY TITLE: GOVERNING STYLE

The Board will govern lawfully, observing the principles of its adopted governance model, the Carver model of policy governance, with an emphasis on:

- outward vision rather than an internal preoccupation,
 - encouragement of diversity in viewpoints,
 - strategic leadership more than administrative detail,
 - clear distinction of Board and CEO roles,
 - collective rather than individual decisions,
 - future rather than past or present, and
 - proactivity rather than reactivity.
1. The Board will cultivate a sense of group responsibility. The Board, not the staff, will be responsible for excellence in governing. The Board will allow no officer, individual member, or Board committee to hinder or be an excuse for not fulfilling its group responsibility.
 2. The Board will not use the expertise or position of individual members, including the mayor, as a substitute for the judgment of the Board. Expertise of individual members may be used to enhance the understanding of the Board as a whole.
 3. The Board will direct, control, and inspire the organization following the Carver model of policy governance by carefully establishing written policies reflecting the Board's values and perspectives on the strategic goals of the organization. The Board will be responsible for approving, retaining, and overseeing its written policies, with NBU staff assisting with development and implementation in compliance with any Board directives.
 4. The Board will monitor and discuss the Board's process and performance at least annually and more often if necessary and will prepare an annual fiscal year-end report on its activities and accomplishments to be publicly shared. In addition to the annual fiscal year-end report, the Board will conduct an annual self-evaluation that will include a comparison of Board activity and discipline to the Board Governance and Board-Management Delegation Policies.
 5. Although the Board can change its Governance Policies and any other Board policies at any time, it will scrupulously observe those currently in effect.

POLICY TYPE: BOARD GOVERNANCE

BG #3

POLICY TITLE: BOARD JOB DESCRIPTION

Specific job outputs of the Board, as the agent of the City of New Braunfels, are those that ensure appropriate NBU organizational performance.

Accordingly, the Board will provide:

1. Authoritative linkage between the NBU and the City of New Braunfels.
 - a. The Board or the CEO at the Board's direction will update the City of New Braunfels on the status of NBU once each fiscal year and when needed or requested.
 - b. The Board will inform the City of New Braunfels on Board member experience, diversity, and constitution when needed or requested.
 - c. The Board will respond to reasonable requests for information from the City of New Braunfels on a timely basis.
2. Written governing policies that realistically address the broadest level of all NBU decisions and situations, categorized as follows:
 - a. Strategic Goals: Establish the short- and long-term strategic direction of NBU, the method by which the Board will evaluate adherence to or achievement of its strategic direction, and any constraints on CEO authority in relation thereto.
 - b. Board Governance: Specifies how the Board conceives, implements, and monitors itself and its tasks.
 - c. Board-Management Delegation: Sets forth the authority delegated by the Board to the CEO, how the Board and CEO will communicate, and the means by which the CEO will be held accountable, monitored, and succeeded.
3. Assurance of successful organizational performance of NBU's Strategic Goals.

POLICY TYPE: BOARD GOVERNANCE

BG #4

POLICY TITLE: BOARD MEMBER CODE OF CONDUCT

The Board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.

1. Members must abide by any legal obligations or requirements contained in the City of New Braunfels Charter or Code of Ordinances, maintain loyalty to NBU and its customers, and remain unconflicted by loyalties to NBU staff, other organizations, and any personal interests, including as a personal customer of NBU.
2. Members must conduct business in accordance with the Public Information and Open Meetings Acts.
 - a. Members will only conduct business in a posted meeting open to the public.
 - b. Members will use proper protocol when using email and other digital or electronic forms of communication. Email communications, telephone calls, text messages, and any other verbal or written correspondence that ultimately involve a quorum may constitute a meeting, even if the quorum is not physically present in the same location and the discussion does not take place at the same moment in time.
 - c. Members should direct communication through the CEO or NBU's Chief of Staff (copying the CEO) and should not use "reply all" when responding to communications sent to the Board on an informational basis.
 - d. Members may communicate directly with NBU's General Counsel when the subject matter dictates or necessitates direct communication and may do so without copying the CEO or NBU's Chief of Staff when appropriate.
3. Members must abide by the City of New Braunfels' Code of Ethics and avoid any conflict of interest with respect to their fiduciary responsibility.
 - a. There must be no self-dealing or business by members with NBU. Members will annually disclose their involvements with other organizations, vendors, or associations that may be perceived as being a conflict in accordance with Texas state law.
 - b. When the Board is to decide upon an issue about which a member has an unavoidable conflict of interest, that member will immediately disclose the conflict, withdraw without comment from the deliberations, and abstain from voting on that issue.

- c. If a member believes another member has a potential or perceived conflict of interest, the following procedure will apply:
 - i. The President of the Board (or Vice President if the President has a potential or perceived conflict of interest) will be promptly informed of the potential or perceived conflict of interest.
 - ii. The President of the Board (or Vice President, if applicable) will inform the CEO and obtain legal advice from NBU's General Counsel as to the nature of the potential or perceived conflict of interest and whether recusal is required by law.
 - iii. The President of the Board (or Vice President, if applicable) and NBU's General Counsel will meet with the member in question to discuss the potential or perceived conflict of interest and whether recusal is required by law.
 - iv. If, after meeting with the President of the Board (or Vice President, if applicable) and NBU's General Counsel, the member does not recuse himself or herself from deliberations involving the issue creating the potential or perceived conflict of interest, then the President of the Board (or Vice President, if applicable) will disclose the potential or perceived conflict of interest to the Board, and NBU's General Counsel will advise the Board as to whether recusal is required by law.
 - v. The Board at all times retains the discretion to determine the appropriate action to be taken in compliance with its Governance Policies and the City of New Braunfels' Code of Ethics and Code of Ordinances.

- 4. Members may not attempt to exercise individual authority over NBU or its staff.
 - a. Members' interaction with the CEO or NBU staff must recognize the lack of authority vested in individual Board members, except when expressly Board-authorized.
 - b. Members' interaction with public, press, or other entities must recognize the same limitation and the inability of any individual member to speak for the Board, except on explicitly stated Board decisions.
 - c. Except for participation in Board deliberation about whether the CEO has achieved any reasonable interpretation of Board policy, members will not express individual judgments of performance of the CEO or any NBU staff.
 - d. In furtherance of this objective, members must abide by any constraints on communications or activities provided elsewhere in these policies, including in the Board-Management Delegation policies.

- 5. Members will maintain the confidentiality appropriate for sensitive issues, including with respect to all Executive Session discussions.

6. Members must attend Board meetings and be properly prepared for Board deliberation.
7. Members may recommend or request an item for Board discussion by submitting the item to the Board President generally fourteen (14) days before the Board meeting, but in no event no later than seven (7) days before the Board meeting. If the timing of the items submitted is problematic, the CEO may visit with the Board President and the requesting Board Member to determine if an alternative meeting would be sufficient or scheduled.

POLICY TYPE: BOARD GOVERNANCE

BG #5

POLICY TITLE: BOARD MEMBER DISCIPLINE, RESIGNATION, & REMOVAL

The Board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policy-making principles, respect of roles, adherence to Board policies, and ensuring continuance of governance capability.

1. Members who fail to abide by the Board’s Code of Conduct may be subject to censure or a recommendation of removal to the City of New Braunfels.
2. Censure is a formal and public condemnation by the Board of a member whose actions run counter to the Board’s Code of Conduct (BG#4). Censure of a Board member must be unanimous by the remaining Board members.
3. Only the City of New Braunfels can remove a Board member for adequate cause; however, the Board may recommend removal of a member with advanced written notice of at least thirty (30) days to the member and, when appropriate, an opportunity to correct the behavior or actions leading to the recommendation. Any recommendation of removal must be unanimous by the remaining Board members.

Any Board member, other than the mayor, who is continuously absent from all Board meetings for a period of four consecutive months will, unless granted a leave of absence by the unanimous vote of the remaining Board members, be considered to have vacated office.

Any Board member, other than the mayor, who is continuously absent without excuse from all Board meetings for three consecutive months will, unless granted a leave of absence by the unanimous vote of the remaining Board members, be subject to censure.

POLICY TYPE: BOARD GOVERNANCE

BG #6

POLICY TITLE: PRESIDENT'S ROLE

The chief governance officer (Board President or President), a specifically empowered member of the Board, assures the integrity of the Board's process, and secondarily represents the Board to outside parties.

1. The Board President will ensure that the Board's actions consistently comply with its own policies and rules and those legitimately imposed upon it from outside the organization, including, but not limited to, ensuring:
 - a. Meeting discussion content ordinarily addresses only those issues that, according to Board policy, clearly belong to the Board to decide or to monitor.
 - b. Deliberation is fair, open, and thorough, but also timely, orderly, pertinent, and courteous.
 - c. Information that is unnecessary for monitoring NBU performance or Board decisions is avoided or minimized and always noted as such.
2. The authority of the President consists of making decisions that fall within the topics covered by the Board Governance and Board-Management Delegation policies and any other Board policies established, with the exception of (a) personnel matters pertaining to the CEO or (b) where the Board specifically delegates portions of its authority to others. The President is authorized to use any reasonable interpretation of the provisions contained in those policies.
 - a. The President is empowered to conduct Board meetings with all the commonly accepted power of a presiding officer according to Roberts Rules of Order.
 - b. The President cannot enact policies or provide directives to the CEO without Board approval.
 - c. The President may represent the Board to outside parties in announcing Board-stated positions and in stating the President's decisions and interpretations within the areas delegated.
 - d. The President may delegate authority to another Board member but will remain accountable for its use.
 - e. For succession purposes, the President will maintain open dialogue and communication with the Board Vice President and will work with the Vice President to develop and implement any necessary officer transition plans.

- f. The President will collaborate with the Vice President to report the results of the annual Board self-evaluation required under the Governance Investment Policy (BG#12) and conducted by the Vice President under the Vice President's Role (BG#7).
- g. Throughout the year, the President will ensure the Board attends to consent agenda items as expeditiously as possible.

POLICY TYPE: BOARD GOVERNANCE

BG #7

POLICY TITLE: VICE PRESIDENT'S ROLE

The Vice President is an officer of the Board whose role is to assist the Board President and perform the Board President's responsibilities when the Board President is unavailable.

1. The Board or the Board President may delegate special assignments to the Vice President from time to time.
2. The Vice President will implement and oversee the CEO annual evaluation process. In doing so, the Vice President will:
 - a. Develop the evaluation mechanism and procedure to be used during the process;
 - b. Solicit and maintain the confidentiality of completed evaluations from individual Board members;
 - c. Compile, combine, and present Board member evaluation results to the Board as a whole;
 - d. Obtain a self-evaluation from the CEO to be presented to the Board as a whole;
 - e. Ensure the Board advises the CEO of its final evaluation results during an Executive Session and the results are maintained by NBU's General Counsel; and
 - f. Facilitate any CEO compensation discussions amongst the Board.
3. The Vice President will ensure an annual self-evaluation of the Board's performance, processes, and policies is conducted as referenced in Governing Style (BG#2) and as required under the Governance Investment policy (BG#12).
4. For succession purposes, the Vice President will maintain open dialogue and communication with the Board President and will work with the Board President to develop and implement any necessary officer transition plans.

POLICY TYPE: BOARD GOVERNANCE

BG #8

POLICY TITLE: BOARD SECRETARY'S ROLE

The CEO serves as the Board Secretary. The Board Secretary is an officer of the Board but not a member of the Board. The Board Secretary's role is to ensure the integrity of the Board's documents.

1. The Board Secretary will ensure all Board documents and filings are accurate and timely.
2. The Board Secretary will ensure Board policies are current and accurately reflect Board decisions.
3. The Board Secretary will ensure the Board minutes accurately reflect Board decisions and are maintained in accordance with state law, including the Public Information Act and any other record retention laws or requirements.

POLICY TYPE: BOARD GOVERNANCE

BG #9

POLICY TITLE: BOARD COMMITTEE PRINCIPLES

Board committees, when used, will be assigned to assist the entire Board but will not interfere with the authority delegated by the Board to the CEO.

1. Committees will be used sparingly and created as needed.
2. Committees will be appointed by the Board President, unless specially created by Board action.
3. Board committees will not advise or interfere with NBU staff. Committees will assist the Board by preparing policy alternatives and assuring organizational implications for Board deliberation. Typically, Board committees will not deal directly with current staff operations.
4. Board committees may not speak or act for the Board except when specifically authorized. Expectations and scope of authority will be expressly stated to avoid conflict with authority delegated to the CEO.
5. Board committees have no authority over NBU staff. The CEO works for the full Board and is not required to obtain approval of a Board committee before executive action.
6. Board committees will avoid over-identification with organizational parts rather than the whole. Therefore, a Board committee that drafts and recommends a particular policy should not monitor achievement or adherence; rather the entire Board retains responsibility and authority to monitor achievement or adherence.
7. This policy applies to any group formed by Board action, regardless of whether called a committee and whether the group includes Board members. It does not apply to committees formed under the authority of the CEO.

POLICY TYPE: BOARD GOVERNANCE

BG #10

POLICY TITLE: BOARD COMMITTEES & NBU-SUPPORTED BOARDS

A committee is a Board committee only if its existence and charge come from the Board, regardless of whether Board members sit on the committee. The only Board approved committees are those set forth in this policy, and it remains within the Board's discretion to appoint other standing and ad hoc committees.

Unless otherwise stated, a committee ceases to exist when its task is complete. Timely reporting to the Board will be by submission of a verbal or written report, following each meeting, with appropriate comment by the committee.

An NBU-supported board is a board expressly created by the Board to represent a specified NBU-supported operation. An NBU-supported board is comprised of Board members appointed by the Board in compliance with its applicable bylaws. Timely reporting to the Board will be reported on the Board's agenda as Items from Staff.

Standing Committees:

1. **Audit Committee** – The Audit Committee is responsible for the oversight of financial reporting, internal controls, as well as the internal and external auditors' activities. The Audit Committee meets once annually and as otherwise needed.
2. **Budget Committee** – The Budget Committee is responsible for the oversight of development of the budget to ensure shared understanding of the Financial Excellence Strategic Goal and its incorporation into the NBU budget. The Budget Committee meets once annually and as otherwise needed.
3. **Governance Committee** – The Governance Committee is responsible for reviewing and making recommendations to the Board on its governance policies, practices, and procedures. The Governance Committee consists at a minimum of the Board President and Vice President. The Governance Committee meets once annually and as otherwise needed.
4. **Headwaters at the Comal Board (Headwaters)** – Headwaters is an NBU-supported board responsible for site development and fundraising for NBU's conservation legacy located at 333 Klingemann. Headwaters meets pursuant to its separately established bylaws.
5. **Investment Committee** – The Investment Committee is responsible for the oversight of NBU's investment assets, the review of the portfolio performance and investment policies of NBU, and to provide recommendations for the Board of Trustees' approval to ensure that investment activities are in compliance with the Texas Public Funds

Investment Act and NBU's Investment Policy and in furtherance of NBU's guidelines and objectives. The Investment Committee meets once annually and as otherwise needed.

6. **Legislative Committee** – The Legislative Committee is responsible for (a) the development of comprehensive legislative strategies for NBU including determining which state or national legislative initiatives NBU would like to endorse or oppose; (b) working with the CEO and NBU staff on the effective and timely implementation of those strategies; and (c) developing NBU's positions on various legislative initiatives, including by undertaking such research as may be necessary to support such positions. The Legislative Committee meets as needed.
7. **Records Management Committee** – The Records Management Committee is responsible for promoting sound records management practices through the development of a Records Management Policy for use by NBU staff, reviewing and proposing changes and improvements if needed to the Records Management Policy, and providing final approval for the destruction of records in accordance with approved records control schedules. The Records Management Committee meets once annually and as otherwise needed.
8. **Facilities Committee** – The Facilities Committee is responsible for evaluating options related to the evaluation of NBU's existing facilities, and how, when, and where to expend future resources to meet current and future facility needs. The Facilities Committee meets as needed.
9. **Community Advisory Panel Ad Hoc Committee** – The Community Advisory Panel Ad Hoc Committee is responsible for providing structure and guidance to the Community Advisory Panel (CAP), which includes thirteen (13) members of the community appointed by the NBU Board of Trustees. The Board President and the mayor of the City of New Braunfels sit on this Ad Hoc Committee, as NBU and the City of New Braunfels are responsible for nominating community members to the CAP. The Chair and Vice Chair of the CAP are also members of the Ad Hoc Committee. The Community Advisory Panel Ad Hoc Committee meets as needed.

POLICY TYPE: BOARD GOVERNANCE

BG #11

POLICY TITLE: ANNUAL PLANNING

To accomplish its job with a governance style consistent with Board policies, the Board will follow an annual agenda that reviews and implements the Strategic Goals and continually improves Board performance through Board education and enriched input and deliberation.

1. Because NBU operates on a fiscal year that begins on August 1, the Board will conduct its annual planning process and annual budget meetings during the first and second calendar quarters of each year.
 - a. To prepare for its annual budget meetings, the Board will provide direction during the first calendar quarter on the gathering of data and information needed.
 - b. The Board's annual planning process for the following fiscal year will occur in connection with the Board's annual retreat and annual budgeting meetings and must occur no later than the end of June of each calendar year.
2. Education of Board members on governance and related to the Strategic Goals (e.g. presentations by futurists, demographers, advocacy groups, staff, and so on) will be included as part of the annual planning process and will occur as needed and at a minimum at least once each fiscal year.

POLICY TYPE: BOARD GOVERNANCE

BG #12

POLICY TITLE: GOVERNANCE INVESTMENT

Because good governance benefits NBU and its customers, the Board will invest in its governance capacity and ability. The Board's investment will be facilitated by the Board President, with assistance from NBU staff, and will include: (a) orientation of new members on these Governance Policies and other Board policies established; (b) an annual Board discussion and review of any necessary process or policy improvements; and (c) annual continuing education of the Board's legal and ethical obligations.

1. Board skills, methods, and support must be sufficient to ensure governing with excellence.
 - a. New Board members will receive at least quarterly training arranged and monitored by NBU's Chief of Staff during their first year of service to assist in orienting them to NBU and their Board responsibilities and obligations.
 - b. Annual training and retraining will be used to maintain and increase existing Board member skills and understandings.
 - c. Outreach mechanisms may be used as needed to ensure the Board's ability to listen to diverse viewpoints and values.
 - d. A Board Member manual will be developed and maintained to assist Board members in their service to the Board.
 - e. New and existing Board members are strongly encouraged to attend ERCOT, American Public Power Association (APPA), American Water Works Association (AWWA), or other industry conferences, seminars, and workshops as part of their initial and continuing education.
2. Costs will be incurred prudently with due consideration for the value of development and maintenance of Board member qualifications.
 - a. Expenses for training, including attendance at industry conferences, seminars, and workshops, will be included in the annual budget.
 - b. Expenses for surveys, focus groups, opinion analyses, and meeting costs will be included in the annual budget.
3. The Board will establish its cost of governance budget for the next fiscal year during the annual budgeting process.
4. The Board will conduct an annual self-evaluation to determine Board and member compliance with the Board Governance and Board-Management Delegation Policies and

whether process or policy improvements are needed, with a more in-depth self-evaluation to be conducted every five (5) years. The Vice President will facilitate this process as described in Vice President's Role (BG#7).

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Governance Policies: Board Management Delegation

POLICY TYPE: BOARD-MANAGEMENT DELEGATION BMD #1

POLICY TITLE: GLOBAL POLICY ON BOARD DELEGATION

The Board's sole official connection to the operational organization, its achievements, and conduct will be through the chief executive officer (CEO).

POLICY TYPE: BOARD-MANAGEMENT DELEGATION BMD #2

POLICY TITLE: UNITY OF CONTROL

Only officially passed motions of the Board are binding on the CEO.

1. Decisions or instructions of individual Board members, officers, or committees are not binding on the CEO except in rare instances when the Board has specifically authorized such exercise of authority.
2. Individual Board members may communicate with NBU executive management staff on routine administrative matters, provided the Board President, the CEO, and NBU's Chief of Staff are included on or in any written communication.
3. Board member communications regarding the CEO's evaluation or the evaluation process should include the Vice President but need not include the CEO or NBU's Chief of Staff.
4. Any written communication on material NBU matters to the CEO or NBU's Chief of Staff from:
 - a. An individual Board member must include the Board President, unless the communication concerns the Board President, in which case the Vice President must be included.
 - b. The Board President must include the Vice President, unless the communication concerns the Vice President.
5. Individual Board members should refrain from making requests that require a material amount of staff time or funds or are disruptive. Such requests should be Board-authorized requests. The CEO should notify the individual Board member making the request and the Board President or Vice President, as appropriate (but not both), when such requests require, in the CEO's opinion, a material amount of staff time or funds or are disruptive.
6. If a Board member sends a customer request or concern to the CEO or NBU's Chief of Staff, the CEO or NBU's Chief of Staff will provide a response to the Board member indicating that the request or concern has been addressed, or if unable to address quickly, when the request or concern will be addressed.

POLICY TYPE: BOARD-MANAGEMENT DELEGATION BMD #3

POLICY TITLE: ACCOUNTABILITY OF THE CEO

The CEO is the Board's only link to operational achievements and conduct. All authority and accountability of staff is considered the authority and accountability of the CEO. The CEO is therefore responsible for ensuring any NBU practice, activity, decision, or circumstance does not violate federal, state, or local law, NBU policies, or the City of New Braunfels Charter or Code of Ordinances.

1. The Board will not give instructions to staff who report directly or indirectly to the CEO.
2. The Board will not evaluate, either formally or informally, any staff other than the CEO.
3. The Board will consider the following when evaluating CEO job performance (Performance Factors):
 - a. Organizational performance in relation to the Strategic Goals;
 - b. Adherence to all applicable Governance Policies and other Board policies or directives;
 - c. Compliance with any written contractual agreement between the Board and the CEO;
 - d. Realization of Strategic Goals, annual Board priorities, and Board directives;
 - e. Identification of industry trends and emerging issues;
 - f. Maintenance of communication and transparency with the Board;
 - g. Satisfaction of any other specific requirements or expectations set by the Board; and
 - h. Feedback through a self-evaluation from the CEO.

POLICY TYPE: BOARD-MANAGEMENT DELEGATION BMD #4

POLICY TITLE: DELEGATION TO CEO

Through these Governance Policies based on the Carver model of policy governance, as well as other Board policies and directives decided from time to time, the Board defines for the CEO the Strategic Goals to be achieved and prescribes certain organizational situations and actions to be avoided. The CEO may employ any reasonable interpretation of these Governance Policies and other Board policies and directives.

1. The Board will develop Strategic Goals and other Board policies directing the CEO to achieve specified results in accordance with NBU's annual approved budget.
2. If the CEO uses any reasonable interpretation of these Governance Policies and other Board policies or directives, then the CEO is authorized to establish all further policies, make all decisions, take all actions, establish all practices and develop all activities. Such decisions of the CEO will have full force and effect as if decided by the Board.
3. Any Governance Policy or other Board policy or directive limiting the CEO's authority will describe those practices, activities, decisions, and circumstances that would be unacceptable to the Board even if they were to be effective. The Board, however, will never prescribe organizational operational methods delegated to the CEO and will avoid micromanagement of the CEO.
4. At any time, the Board may modify its Governance Policies and other Board policies and directives to redefine or realign the authority delegated to the CEO. The Board, however, may not make any retroactive modification and will recognize and support the decisions of the CEO previously authorized.

POLICY TYPE: BOARD-MANAGEMENT DELEGATION BMD #5

POLICY TITLE: EVALUATING CEO PERFORMANCE

The CEO's job performance will be evaluated based on the Performance Factors outlined in the Accountability Policy (BMD #3) and documented through an annual formal evaluation process facilitated by the Vice President (*see* Vice President's Role, BG #7).

1. The CEO's job performance may be monitored informally, in any frequency, and by any method chosen by the Board.
2. The Board will acquire information on the CEO's job performance through one or more of following three methods:
 - a. Internal Report: CEO provides data, interpretations, evaluations and compliance status solely to the Board, whether verbal or written.
 - b. External Report: The Board selects or retains a disinterested third party to assess the CEO's job performance.
 - c. Direct Board Assessment: Designated Board member(s) assess the CEO's job performance.
3. In every case, the Board will evaluate (a) the reasonableness of the CEO's interpretation of the Performance Factors and (b) the data demonstrating the CEO's accomplishment of the Performance Factors. The applicable standard for determining the reasonableness of a CEO interpretation will be as a *reasonable and prudent CEO*, and the Board will avoid subjective, ad-hoc or arbitrary assessment criteria.
4. An evaluation of the CEO's job performance and compensation will be conducted at least annually following the conclusion of the fiscal year (preferably in August). The Board, however, can review and discuss the CEO's job performance and compensation at any other time, as and if necessary.

POLICY TYPE: BOARD-MANAGEMENT DELEGATION BMD #6

POLICY TITLE: COMMUNICATION & SUPPORT TO THE BOARD

The Board requires the CEO to maintain communication and transparency and to inform and support the Board's Strategic Goals, Governance Policies, and any other Board policy or directive.

The CEO will not:

1. Neglect to submit data or information required by the Board according to its Evaluating CEO Performance policy in a timely, accurate, and understandable fashion.
2. Let the Board be unaware of any significant incidental information it requires, including anticipated adverse media coverage, threatened or pending lawsuits, and material external and internal changes.
3. Allow the Board to be unaware that, in the CEO's opinion, the Board is not in compliance with its Governance Policies, particularly in the case of Board behavior that is detrimental to the working relationship between the Board and CEO.
4. Allow the Board to be without the information needed to make informed decisions or to be unaware of relevant trends.
5. Allow the Board to be without a workable mechanism for official Board, officer, or committee communications.
6. Deal with the Board in a way that favors or privileges certain Board members over others, except when (a) fulfilling individual requests for information or (b) responding to officers or committees duly charged by the Board.
7. Allow the Board to be unaware of any actual or anticipated noncompliance with any other policy or directive of the Board.
8. Fail to present to the Board any item or action that requires by law or contract Board disclosure and approval.

POLICY TYPE: BOARD-MANAGEMENT DELEGATION BMD #7

POLICY TITLE: EMERGENCY EXECUTIVE CEO SUCCESSION

To protect the Board and NBU from the sudden loss of a CEO, the Board will require the CEO to provide some viable mechanism for the operations of NBU to continue in the event of sudden loss of the CEO.

The CEO will not:

1. Fail, within a reasonable time of appointment or any executive staff changes, to identify and inform the Board of no fewer than two executive staff members who are, in the CEO's estimation, sufficiently familiar with the Board, NBU, and the CEO's job duties and responsibilities such that either staff member can assume the role of interim CEO with reasonable proficiency.
2. Allow travel mechanisms or methodologies that put the organization at risk of the sudden loss of these multiple key individuals.

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Appendix
