

BYLAWS
OF
CLEARWATER UNDERGROUND WATER CONSERVATION DISTRICT

ARTICLE I

DESCRIPTION OF ENTITY AND ITS OFFICES

Section 1. Clearwater Underground Water Conservation District (“District”) is a political subdivision of the State of Texas and underground water conservation district created and operating under and by virtue of Article XVI, Section 59, of the Texas Constitution; Texas Water Code Chapter 36; the District’s enabling act, Act of May 27, 1989, 71st Legislature, Regular Session, Chapter 524 (House Bill 3172), as amended by Act of April 25, 2001, 77th Legislature, Regular Session, Chapter 22 (Senate Bill 404), Act of May 7, 2009, 81st Legislature, Regular Session, Chapter 64 (Senate Bill 1755), and Act of May 27, 2015, 84th Legislature, Regular Session, Chapter 1196, Section 2 (Senate Bill 1336)(omnibus districts bill); and the applicable general laws of the State of Texas; and confirmed by voters of Bell County on August 21, 1999.

These bylaws are adopted to facilitate the conduct of the business of the District. In the event of any conflict between these Bylaws and applicable law, it is expressly recognized that such conflict is inadvertent and unintended, and the law shall govern.

Section 2. Principal Office. The principal office of the District is located at 700 Kennedy Court, Belton, Texas 76513, or at such other place as the Board of Directors may establish by Board resolution from time to time.

ARTICLE II

MEMBERS OF THE BOARD OF DIRECTORS

The business and affairs of the District shall be managed by its Board of Directors, who may exercise all powers relating to the District.

The Members of the Board of Directors shall consist of five (5) members, with the initial Board of Directors appointed by the Commissioners Court of Bell County, to serve until election of a new Board of Directors at the election confirming creation of the District. Thereafter, the Members elected to the Board of Directors shall serve for their respective terms as provided by law.

ARTICLE III

TERMS, REMOVAL, COMPENSATION

Section 1. Terms and Election of Successors. After the confirmation election, all Members of the Board of Directors shall serve for their terms as provided by law. Vacancies shall be filled by appointment of the Board of Directors for the balance of the unexpired term, or as otherwise provided by law. Each member shall serve until him or her position is filled by a successor.

Section 2. Removal of Directors. A Director may be removed only in the manner provided by law.

Section 3. Compensation of Initial Directors. A Director may be reimbursed for out-of-pocket expenses incurred in connection with serving as a Director. No member of the initial Board of Directors shall receive compensation for serving as a member of the Board of Directors.

Following the confirmation election, the Directors elected may elect to set compensation, not to exceed the amount allowed by law.

ARTICLE IV

MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Board of Directors Meetings. Except as otherwise provided below, the Board of Directors may hold its meetings, both regular and special, at such places within Bell County, Texas, as the Board of Directors may determine from time to time. On special occasions, as determined by a majority of the Board of Directors, the Board of Directors may meet at places outside of Bell County.

Section 2. Regular Meetings. Regular meetings of the Board of Directors shall be held at the principal office set forth in Article I, Section 2 above and shall be held at least quarterly.

Section 3. Special Meetings. Special meetings may be called by the President on notice to each Director and upon further notice, in the manner set forth in Article V, Section 1, below. Special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of at least three Directors. The business to be transacted and the purpose of, any regular or special meeting shall be specified in a notice thereof.

Section 4. Quorum. At all meetings of the Board of Directors, the presence of a majority of the Directors shall be necessary and sufficient to constitute a quorum, and a concurrence of a majority of the entire membership of the Board of Directors is sufficient for the transaction of business.

ARTICLE V

NOTICES

Section 1. Methods of Notice. Notice of meetings shall be given in the manner provided by the Texas Open Meetings Act, Chapter 551, *Government Code*.

ARTICLE VI

OFFICERS AND STAFF

Section 1. Board Officers. The officers of the Board of Directors shall be elected by the Directors, and shall be a President, a Vice President and a Secretary. The Board of Directors may also choose one or more Assistant Secretaries. All officers must be members of the Board of Directors except Assistant Secretary, who need not be Board of Directors members.

Section 2. Terms of Office. Each officer of the Board of Directors shall hold office for a term of approximately one year, subject to reelection. The officers shall be elected annually at the first meeting held in each calendar year. If an office becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

Section 3. The President. The President shall be the chief executive officer of the District, shall preside at all meetings of the Board of Directors, shall execute all documents on behalf of the District, shall see that all orders and resolutions of the Board of Directors are carried into effect, and shall perform such other duties as the Board of Directors may prescribe from time to time.

Section 4. The Vice President. The Vice President shall have such powers and perform such duties as the Board of Directors may from time to time prescribe or as the President may from

time to time delegate to him or her. The Vice President shall act as President in the case of the absence or disability of the President.

Section 5. The Secretary. The Secretary is responsible for seeing that all records and books of the District are properly kept and shall attest the President's signature on all documents.

Section 6. General Manager. The Board may employ or contract with a person to manage the District, and title this person "General Manager". The General Manager shall have full authority to manage and operate the affairs of the district, subject only to Board orders and established Board policies (ex. financial policy, travel policy,...). The Board will conduct a performance review and subsequent compensation and/or contract of the General Manager each year at the beginning of the third quarter of every fiscal year. The General Manager, with approval of the Board, may employ all persons necessary for the proper handling of business and operation of the District and their compensation will be set by the Board.

Section 7. Assistant Secretaries. A member of the District staff shall be appointed by the General Manager or Board as assistant secretary to the Board. Assistant Secretary shall have such powers and perform such duties as the Board of Directors may from time to time prescribe or as the President or Secretary may from time to time delegate to him or her.

Section 8. Agents, Employees, and Legal Counsel etc. The Board of Directors may employ or appoint such other agents and employees, consultants, legal counsel and independent contractors as it shall deem necessary, who shall be employed or appointed for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 9. Salaries. The salaries or compensation of any employee, agents, consultants or independent contractors of the Board of Directors shall be fixed by the Board of Directors.

ARTICLE VII

GENERAL PROVISIONS

Section 1. No Private Benefit. No part of any funds received by the Board of Directors shall insure to the benefit of any private person, including but not limited to any director or officer.

Section 2. Checks. All checks or withdrawals of funds shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate, and as required by law.

Section 3. Fiscal Year. The District's establish a fiscal year per Texas Water Code Section 36.152 and shall begin on the first day of October.

Section 4. Financial Policies and Procedures All funds of the District except petty cash, shall be deposited from time to time to the credit of the District in such banks or accounts as the Board may, from time to time, designate, and upon such terms and conditions as shall be fixed by the Board, unless otherwise required by orders or resolutions authorizing the issuance of the District's bonds or notes. The Board may, from time to time, authorize the opening and maintaining of general and special accounts within any such depository as it may designate, and may make such special rules and regulations with respect thereto as it may deem expedient. To the extent that funds in the depository bank or banks are not insured by the Federal Deposit Insurance Corporation, they shall be secured as provided by Texas Water Code Section 36.155. The depository shall be

located within the District unless the Board determines that a suitable depository cannot be found within the District. The Board may also utilize the Texas Treasury Safekeeping Trust Company, commonly referred to as “TexPool” and “TexPool Prime” as a depository.

All checks, drafts, notes, or other orders for the payment of money issued in the name of the District, per Texas Water Code Section 36.151, shall be signed by such officers or employees of the District as shall from time to time be authorized by resolution of the Board.

Prior to the commencement of the fiscal year, the Board shall adopt an annual budget per Texas Water Code Section 36.154. The budget shall contain a complete financial statement, including a statement, or estimate, if appropriate, of:

1. The outstanding obligations of the District;
2. The amount of cash on hand to the credit of each fund of the District;
3. The amount of money received by the district from all sources during the previous year;
4. The amount of money available to the District from all sources during the ensuing year;
5. The amounts of the balances expected at the end of the year in which the budget is being prepared;
6. The estimated amounts of revenues and balances available to cover the proposed budget; and
7. The estimated tax rate that will be required.

Before the Board adopts its annual operating budget, it shall conduct a public hearing and shall make a proposed budget available to the public at least ten (10) days prior to the hearing. Any resident of the District shall be allowed to participate in the budget hearing, subject to reasonable time limitations. The District may not make expenditures in excess of the total budgeted expenditures for a fiscal year unless the Board amends the budget.

Section 5. Indemnification. To the full extent allowed by law, the District shall indemnify any director, officer, or employee, or former director, officer, or employee of the Board of Directors, or any person who may have served at its request, against expenses actually and necessarily incurred by him or her, and any amount paid in satisfaction of judgments in connection with any action, suit or proceeding, whether civil or criminal in nature, in which he or she is made a party by reason of being or having been such a director, officer, or employee (whether or not a director, officer or employee at the time such costs or expenses are incurred by or imposed upon him or her) except in relation to matters as to which he or she shall be adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct in the performance of duty. The District may also reimburse any director, officer or employee the reasonable costs of settlement of any such action, suit or proceeding, if it shall be found by a majority of the directors not involved in the matter in controversy, that it was in the interests of the District that such settlement be made and that such director, officer or employee was not guilty of gross negligence or willful misconduct. Such rights of indemnification and reimbursement shall not be deemed exclusive of any other rights to which such director, officer or employee may be entitled by law or under any Bylaw, board resolution, agreement, or otherwise.

*Adopted June 18, 1999
Revised October 24, 2000
Revised August 17, 2004
Revised August 16, 2005
Revised September 14, 2010
Revised February 14, 2012
Revised April 13, 2016
Effective: April 13, 2016*

Section 6. Audit. The Board shall prepare an annual examination (the “Audit”) of its affairs by an independent certified public accountant or a firm of independent certified public accountants, which audit shall be open to public inspection. Such auditors shall have no personal interest directly or indirectly in the fiscal affairs of the District and shall be experienced and qualified in the accounting and auditing of public bodies. The audit shall be performed in accordance with generally accepted auditing standards and shall satisfy all requirements imposed by Chapter 36, Texas Water Code. It is provided, however, that the District’s auditors may undertake consulting services for the District in addition to their duties in connection with the annual audit.

Section 7. Actions of the Board of Directors. Unless otherwise expressly provided herein, any actions taken by the Board of Directors, including, but not limited to any amendment to these Bylaws, must be approved by the affirmative vote of the majority of the members of the entire membership of the Board of Directors during a meeting of the Board of Directors at which there is a quorum present.

Section 8. Seal. The District shall have no seal.

ARTICLE VIII

COMMITTEES


The Board of Directors may create from time to time such standing and special committees of the Board of Directors as it deems proper and name the members thereof.

ARTICLE IX

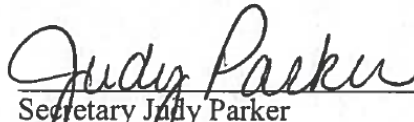
AMENDMENTS

Section 1. Any provision of Bylaws not required by law may be altered, amended or repealed at any meeting of the Board of Directors at which a quorum is present by the affirmative vote of a majority of the Directors present at such meeting, provided notice of the proposed alteration, amendment or repeal is contained in the notice of such meeting.

Initial Bylaws PASSED AND ADOPTED on the 18th day of June, 1999. Revisions PASSED AND ADOPTED on October 24, 2000, August 17, 2004, August 16, 2005, September 14, 2010, February 14, 2012, and April 13, 2016



President Leland Gersbach



Secretary Judy Parker

*Adopted June 18, 1999
Revised October 24, 2000
Revised August 17, 2004
Revised August 16, 2005
Revised September 14, 2010
Revised February 14, 2012
Revised April 13, 2016
Effective: April 13, 2016*