

MINUTES
PUBLIC SERVICE BOARD
CITY OF EL PASO
April 8, 2015

The regular meeting of the Public Service Board was held Wednesday, April 8, 2015, at the El Paso Water Utilities Public Service Board Meeting Room located at 1154 Hawkins Boulevard, El Paso, Texas.

PSB MEMBERS PRESENT

Dr. Richard T. Schoephoerster, Chair
Ruth Katherine Brennand, Vice Chair
Terri Garcia, Secretary-Treasurer
Mayor Oscar Leeser, Ex-Officio Member
Henry Gallardo, Member
Christopher Antcliff, Member
Bradley Roe, Member

PSB MEMBERS ABSENT

None

PSB EMPLOYEES PRESENT

John E. Balliew, P.E., President and Chief Executive Officer
Robert Andron, General Counsel

EPWU EMPLOYEES PRESENT

Lowell Stokes, Assistant General Counsel
Marcela Navarrete, Vice President
Alan Shubert, Vice President
Gretchen Byram, Computer Media Specialist
Art Duran, Chief Financial Officer
Javier Camacho, Public Information Specialist
Gilbert Trejo, Chief Technical Officer
Michelle LePage, Purchasing Agent
Robert Riley, Construction Engineering Division Manager
Scott Reinert, Water Resources Manager
Jeff Tepsick, Fiscal Operations Manager
Lidia Carranco, Utility Treasury & Property Control Manager
Nancy Nye, Pretreatment Manager
Georgette Webber, Executive Secretary

GUESTS

Taylor Moreno, City of El Paso
Sanaan Villalobas, ARCADIS US
Chimendra Dassayanke,
Paul Braden, Fulbright Jaworsky
Joe Cadenas, Moreno Cardenas
Michael Smith, SBC Associates
Steve Morgan, Roe Engineering
Alex Acosta, Bickerstaff Heath Delgado Acosta, LLP.
Steve Ainsa, CDM
Paola Aguilar, Green Bay Packaging
Eddie Sigala, Green Bay Packaging

Bret Heranberg, Steris Isomedix
Friedrick Nunley, The Boeing Company
Stuart Cheung, Federal Mogul
Jorge Ramirez, Federal Mogul
Joseph Dion, The Boeing Company
Ida Flores, Del Sol Medical Center
Keith Rutherford, Parkhill, Smith and Cooper
Placido Torres, Big Star Plating
Liz Morales, Champlain Cable Company
Manuel Noriega, Champlain Cable Company
John Daffion, Liquid Environmental Solutions
Robert Rangel, Liquid Environmental Solutions
Miguel Payan, Flowers Baking Company
Benson Lewis, UMC of El Paso
Manny Sanchez, Boeing Company
Luis Fernandez, International Paper
Salvador Perez, Coca Cola Refreshments
Paul Bauer, Jordan Foster
Joseph Ureno, Jordan Foster
Bruce Plumley, International Wire Company
Armida Alvarado, Carefusion
Roger Peey, John Shoemaker & Associates
Heidi Brown, Electroplating of El Paso
Salvador Robles, Freeport McMoran
Maggie Armendariz, Citizen
Eduardo Rocha, Las Palmas Medical Center
Miguel Chavez, Stampcoat

MEDIA

None

The Public Service Board meeting was called to order by Dr. Schoephoerster at 8:10 a.m. A quorum of its members was present. After a moment of silence, those in attendance joined Mr. Alan Shubert, Vice President, in reciting the Pledge of Allegiance.

CONSENT AGENDA

On a motion made by Mr. Gallardo, seconded by Ms. Garcia, and unanimously carried, the Board took action on the following consent agenda items:

APPROVED THE MINUTES OF THE REGULARLY SCHEDULED MEETING HELD ON MARCH 25, 2015.

The Board approved the minutes of the regularly scheduled meeting held on March 25, 2015.

AWARDED BID NUMBER 15-15, CAUSTIC SODA, TO THE LOWEST RESPONSIVE, RESPONSIBLE BIDDER, UNIVAR USA, INCORPORATED, IN THE ESTIMATED ANNUAL

AMOUNT OF \$53,475.20, WITH AN OPTION TO EXTEND FOR TWO ONE-YEAR EXTENSIONS.

The Board awarded Bid Number 15-15, Caustic Soda, to the lowest responsive, responsible bidder, Univar USA, Incorporated, in the estimated annual amount of \$53,475.20, with an option to extend for two one-year extensions.

AWARDED BID NUMBER 14-15, SULFURIC ACID 78%, TO THE LOWEST RESPONSIVE, RESPONSIBLE BIDDER, DPC INDUSTRIES, INCORPORATED, IN THE ESTIMATED ANNUAL AMOUNT OF \$76,035, WITH AN OPTION TO EXTEND FOR TWO ONE-YEAR EXTENSIONS.

The Board awarded Bid Number 14-15, Sulfuric Acid 78%, to the lowest responsive, responsible bidder, DPC Industries, Incorporated, in the estimated annual amount of \$76,035, with an option to extend for two one-year extensions.

REGULAR AGENDA

PRESENTATION OF THE CERTIFICATES OF EXCELLENCE AWARDS TO RECOGNIZE THE FOLLOWING PERMITTED INDUSTRIAL USERS IN ACHIEVING 100% COMPLIANCE WITH RULES AND REGULATIONS OF THE INDUSTRIAL PRETREATMENT PROGRAM DURING THE 2013-2014 PRETREATMENT YEAR: BIG STAR PLATING; THE BOEING COMPANY; CAREFUSION 213; CHAMPLAIN CABLE; COCA-COLA REFRESHMENTS USA; DEL SOL MEDICAL CENTER; ELECTROPLATING OF EL PASO; FEDERAL MOGUL SYSTEMS PROTECTION; FLOWERS BAKING COMPANY OF EL PASO; FOUR STAR SUGAR COMPANY; FOUNDATIONS SURGICAL HOSPITAL OF EL PASO; GLOBAL ENTERPRISES; GREEN BAY PACKAGING; INTERNATIONAL PAPER COMPANY; LAS PALMAS MEDICAL CENTER; LAS PALMAS DEL SOL REGIONAL HEALTHCARE SYSTEM, LAUNDRY SERVICES; LIQUID ENVIRONMENTAL SOLUTIONS; OMEGA WIRE, PHELPS DODGE EL PASO OPERATIONS; STAMPCOAT, 10830 PELLICANO; STERIS ISOMEDIX SERVICES, 1441 DON HASKINS DRIVE; AND UNIVERSITY MEDICAL CENTER.

Mr. John Balliew made a few opening comments regarding the Pretreatment Program and the purpose of the awards. He then introduced Ms. Nancy Nye, Pretreatment Manager, to make a PowerPoint presentation regarding this item (copy on file in Central Files). Mr. Balliew presented the recipients with their awards. Industrial users are monitored to insure they comply with applicable discharge limits and other requirements under the Pretreatment Program. The Certificate of Excellence Award recognizes those industries that do their part by achieving and maintaining compliance for the duration of the year. During the 2013-2014 Pretreatment Year, 22 of 59 permitted Industrial Users qualified to receive the award. The file folders of each permitted Industrial User are evaluated for compliance. Users who achieved 100% compliance with all requirements during the 2013-2014 Pretreatment Year are qualified to receive the Certificate of Excellence. Mayor Leeser congratulated and thanked the community partners for their partnership on environmental safety.

AWARDED BID NUMBER 22-15, NORTHWEST WASTEWATER TREATMENT PLANT RECLAIMED WATER TANK, TO THE LOWEST RESPONSIVE, RESPONSIBLE BIDDER, SMITHCO TEXAS CONSTRUCTION, INCORPORATED, IN THE AMOUNT OF \$1,824,000; AND AUTHORIZED FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM.

Mr. Gilbert Trejo, Chief Technical Officer, made a PowerPoint Presentation to the Board regarding this item (copy on file in Central Files). The Northwest Wastewater Treatment Plant Reclaimed Water Tank Project will provide reclaimed water storage at the Northwest Wastewater Treatment Plant. This tank will allow El Paso Water Utilities (EPWU) to better manage delivery of reclaimed water to our customers on the Westside by storing the water onsite and pumping during non-peak times when power rates are lowest.

EPWU received six bids for this project ranging from \$1,824,000 to \$2,439,000. The Engineer's estimate was \$1,820,000. The project consulting engineer, Moreno Cardenas, evaluated the qualifications of the apparent low bidder and determined Smithco Texas Construction met the minimum general requirements as well as the minimum project specific criteria as specified on the bid documents. EPWU staff evaluated the Engineer's evaluation matrix and recommended award of the contract for the Northwest Wastewater Treatment Plant Reclaimed Water Tank, Bid Number 22-15 to Smithco Texas Construction as the lowest responsive, responsible bidder, in the amount of \$1,824,000. Mr. Trejo addressed questions from the Board regarding this item.

On a motion made by Ms. Brennand, seconded by Mr. Gallardo, and unanimously carried, the Board awarded Bid Number 22-15, Northwest Wastewater Treatment Plant Reclaimed Water Tank, to the lowest responsive, responsible bidder, Smithco Texas Construction, Incorporated, in the amount of \$1,824,000; and authorized funding through the Commercial Paper Program. **(Resolution attached)**

APPROVED AN AMENDMENT TO THE DESIGN-BUILD CONTRACT WITH JORDAN FOSTER CONSTRUCTION, LLC FOR THE SITE CONSTRUCTION DIVISION PACKAGE FOR FIELD OPERATIONS YARD RELOCATION IN THE AMOUNT OF \$1,202,709; AND AUTHORIZED FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM.

Mr. Alan Shubert, Vice President, made a PowerPoint presentation to the Board regarding this item (copy on file in Central Files). El Paso Water Utilities (EPWU) is currently under a design-build contract with Jordan Foster Construction for the relocation and construction of the EPWU Field Operations Yard. As part of the contract, Jordan Foster Construction will request competitive bids for the different aspects of the construction to local subcontractors. In order to begin construction activities, approval of the Site Construction Division Package is required. The site construction would include site remediation, site preparation, earthwork, utility services, and drainage and containment. Jordan Foster Construction, LLC provided a proposal for preparing the site for construction including clearing the site, excavating at the proposed building locations, and importing fill material where needed to complete the site preparation. EPWU staff reviewed the proposal, compared the proposed costs with values in RS Means Building Construction Cost Data and found it acceptable. Mr. Shubert and Mr. Balliew addressed questions from the Board regarding this item.

On a motion made by Mr. Antcliff, seconded by Mr. Gallardo, and unanimously carried, the Board approved an amendment to the Design-Build Contract with Jordan Foster Construction, LLC for the Site Construction Division Package for Field Operations Yard Relocation in the amount of \$1,202,709; and authorized funding through the Commercial Paper Program. **(Resolution attached)**

AWARDED PROFESSIONAL SERVICES CONTRACTS FOR ON-CALL PROFESSIONAL ENGINEERING SERVICES FOR WATER STORAGE FACILITIES TO MORENO CARDENAS, INCORPORATED, AND PARKHILL, SMITH AND COOPER, INCORPORATED; AND AUTHORIZED FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM (AS REQUIRED).

Mr. Trejo made a PowerPoint presentation to the Board regarding this item (copy on file in Central Files). El Paso Water Utilities has 75 storage tanks in the water distribution system. The storage tanks can be elevated, ground, or underground type. These storage facilities require routine maintenance year round. Maintenance activities include but are not limited to video inspection inside the tank, coating and painting repairs, and a variety of mechanical, electrical, instrumentation, and structural repairs. The Architectural/Engineering Selection Advisory Committee met on March 6, 2015 to review and recommend selection of the engineering firms for these services. Proposals were scored in the areas of technical competence; project approach; team organization and availability; and project management and quality control. Moreno Cardenas and Parkhill, Smith and Cooper were selected as the firms that best meet the needs of the Utility for these important services and demonstrated excellent abilities in all the evaluated categories. The selected firms were the most qualified and each consultant would be issued a professional services contract for a maximum amount of \$500,000 with

each contract limited to no more than two years. Mr. Trejo addressed questions from the Board regarding this item.

On a motion made by Mr. Gallardo, seconded by Mr. Roe, and unanimously carried with Mayor Leeser absent from the vote, the Board awarded professional services contracts for On-Call Professional Engineering Services for Water Storage Facilities to Moreno Cardenas, Incorporated, and Parkhill, Smith and Cooper, Incorporated; and authorized funding through the Commercial Paper Program, (as required). **(Resolution attached)**

AWARDED PROFESSIONAL SERVICES CONTRACTS FOR ON-CALL SERVICES FOR STORMWATER SYSTEMS TO AECOM; CSA DESIGN GROUP, INCORPORATED; CONDE, INCORPORATED; FREESE AND NICHOLS, INCORPORATED; AND MORENO CARDENAS, INCORPORATED.

Mr. Trejo made a PowerPoint Presentation to the Board regarding this item (copy on file in Central Files). The Stormwater Utility requires the assistance of consulting firms for various projects throughout the year. These projects include but are not limited to studies, design and construction phase services for the repairs of dams, outlet structures, stormwater conduits and any other stormwater infrastructure. The Architectural/Engineering Selection Advisory Committee met on March 6, 2015 to review and recommend selection of the engineering firms for these services. Submittals were scored in the areas of minimum qualifications; team and project manager; and past project experience. AECOM, CSA Design Group, Conde, Freese and Nichols, and Moreno Cardenas were selected as the firms that best meet the needs of the Utility for this type of project, and demonstrated excellent abilities in all the evaluated categories. The selected firms were the most qualified and each consultant would be issued a professional services contract for a maximum amount of \$500,000 with each contract limited to no more than two years. Mr. Trejo and Mr. Shubert addressed questions from the Board regarding this item.

On a motion made by Mr. Roe, seconded by Ms. Brennand, and unanimously carried, the Board awarded professional services contracts for On-Call Services for Stormwater Systems to AECOM; CSA Design Group, Incorporated; Conde, Incorporated; Freese and Nichols, Incorporated; and Moreno Cardenas, Incorporated.

AWARDED PROFESSIONAL SERVICES CONTRACTS FOR ON-CALL PROFESSIONAL ENGINEERING SERVICES FOR STORMWATER PUMP AND WASTEWATER LIFT STATIONS TO BATH ENGINEERING CORPORATION AND ROE ENGINEERING, LC; AND AUTHORIZED FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM, AS REQUIRED.

Mr. Bob Andron, General Counsel, informed the Board that Mr. Roe would abstain from discussion and voting on Items 9, 11, and 12. Mr. Trejo made a PowerPoint presentation to the Board regarding this item (copy on file in Central Files). El Paso Water Utilities has 147 wastewater lift stations and 17 stormwater pump stations. These pump stations require year round maintenance including but not limited to rehabilitation and replacement of pumps, motors, and auxiliary mechanical, electrical, and heating, ventilation, and air conditioning (HVAC) systems. The assistance of engineering consulting firms is needed to allow us to move quickly to get a design and make repairs as quickly as possible. The Architectural/Engineering Selection Advisory Committee met on March 6, 2015 to review and recommend selection of the engineering firms for these services. The proposals were scored in the areas of technical competence; project approach; team organization and availability; and project management and quality control. Bath Engineering and Roe Engineering were selected as the firms that best meet the needs of the Utility for these important services and demonstrated excellent abilities in all the evaluated categories. The selected firms were the most qualified and each consultant would be issued a professional services contract for a maximum amount of \$500,000 with each contract limited to no more than two years.

On a motion made by Mr. Gallardo, seconded by Ms. Garcia, and unanimously carried with Mr. Roe abstaining from the vote, the Board awarded professional services contracts for On-Call Professional Engineering Services

for Stormwater Pump and Wastewater Lift Stations to Bath Engineering Corporation and Roe Engineering, LC; and authorized funding through the Commercial Paper Program, as required. **(Resolution attached)**

AWARDED PROFESSIONAL SERVICES CONTRACTS FOR STRUCTURAL ENGINEERING ON-CALL SERVICES TO HKN ENGINEERS; MM STRUCTURAL ENGINEERS, INCORPORATED; AND PARKHILL, SMITH AND COOPER, INCORPORATED; AND AUTHORIZED FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM, AS REQUIRED.

Mr. Trejo made a PowerPoint presentation to the Board regarding this item (copy on file in Central Files). El Paso Water Utilities has a variety of structures within the Utility's systems throughout the city. All of these structures need to be maintained properly and ordinarily Utility personnel accomplish this in-house. However, when there is damage to a structure, there is a possibility that it may need to be inspected by a qualified structural engineer. The on-call services contracts will be used to design repairs to Utility structures, as well as any other unforeseen issues or needs that may arise. The Architectural/Engineering Selection Advisory Committee met on March 6, 2015 to review and recommend selection of the engineering firms for these services. The proposals were scored in the areas of technical competence; project approach; team organization and availability; and project management and quality control. HKN Engineers, MM Structural Engineers, and Parkhill, Smith and Cooper were selected as the firms that best meet the needs of the Utility for these important services and demonstrated excellent abilities in all the evaluated categories. The selected firms were the most qualified and each consultant would be issued a professional services contract for a maximum amount of \$500,000 with each contract limited to no more than two years.

On a motion made by Mr. Gallardo, seconded by Ms. Brennand, and unanimously carried, the Board awarded professional services contracts for Structural Engineering On-Call Services to HKN Engineers; MM Structural Engineers, Incorporated; and Parkhill, Smith and Cooper, Incorporated; and authorized funding through the Commercial Paper Program, as required. **(Resolution attached)**

AWARDED PROFESSIONAL SERVICES CONTRACTS FOR ON-CALL PROFESSIONAL ENGINEERING SERVICES FOR WASTEWATER TREATMENT PLANTS TO BROWN AND CALDWELL AND HAZEN AND SAWYER, P.C.; AND AUTHORIZED FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM, AS REQUIRED.

Mr. Trejo made a PowerPoint presentation to the Board regarding this item (copy on file in Central Files). El Paso Water Utilities has three Wastewater Treatment Plants and one Water Reclamation Plant. These wastewater treatment facilities require routine maintenance year round. Maintenance activities include but are not limited to design and procurement of process/mechanical equipment; evaluation and design of structural repairs; electrical upgrades; instrumentation upgrades; architectural components; civil site improvements; hydraulic modeling and analysis; odor control process evaluation, analysis, and studies; wastewater quality analysis; permitting; value engineering; and security enhancements. The Architectural/Engineering Selection Advisory Committee met on March 6, 2015 to review and recommend selection of the engineering firms for these services. The proposals were scored in the areas of technical competence; project approach; team organization and availability; and project management and quality control. Brown and Caldwell and Hazen and Sawyer were selected as the firms that best meet the needs of the Utility for these important services and demonstrated excellent abilities in all the evaluated categories. The selected firms were the most qualified and each consultant would be issued a professional services contract for a maximum amount of \$500,000 with each contract limited to no more than two years.

On a motion made by Ms. Brennand, seconded by Mr. Antcliff, and unanimously carried with Mr. Roe abstaining from the vote, the Board awarded professional services contracts for On-Call Professional Engineering Services for Wastewater Treatment Plants to Brown and Caldwell and Hazen and Sawyer, P.C.; and authorized funding through the Commercial Paper Program, as required. **(Resolution attached)**

AWARDED PROFESSIONAL SERVICES CONTRACTS FOR ON-CALL PROFESSIONAL ENGINEERING SERVICES FOR WATER TREATMENT PLANTS TO ARCADIS, U.S., INCORPORATED, AND CDM SMITH, INCORPORATED; AND AUTHORIZED FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM, AS REQUIRED.

Mr. Trejo made a PowerPoint presentation to the Board regarding this item (copy on file in Central Files). El Paso Water Utilities has four water treatment plants - two of which treat groundwater and the other two treat river water. These water treatment facilities require routine maintenance year round. Maintenance activities include but are not limited to design and procurement of process/mechanical equipment; evaluation and design of structural repairs; electrical upgrades; instrumentation upgrades; architectural components; civil site improvements; hydraulic modeling and analysis; water treatment process evaluation, analysis, and studies; water quality analysis; permitting; value engineering; and security enhancements. The Architectural/Engineering Selection Advisory Committee met on March 6, 2015 to review and recommend selection of the engineering firms for these services. The proposals were scored in the areas of technical competence; project approach; team organization and availability; and project management and quality control. ARCADIS, U.S. and CDM Smith were selected as the firms that best meet the needs of the Utility for these important services and demonstrated excellent abilities in all the evaluated categories. The selected firms are the most qualified and each consultant would be issued a professional services contract for a maximum amount of \$500,000 with each contract limited to no more than two years.

On a motion made by Mr. Gallardo, seconded by Mr. Antcliff, and unanimously carried with Mr. Roe abstaining from the vote, the Board awarded professional services contracts for On-Call Professional Engineering Services for Water Treatment Plants to ARCADIS, U.S., Incorporated, and CDM Smith, Incorporated; and authorized funding through the Commercial Paper Program, as required. **(Resolution attached)**

APPROVED TASK ORDER NUMBER 5 – CONSTRUCTION ADMINISTRATION SERVICES FOR 16-INCH TRANSMISSION MAIN PHASE I (PERSHING DRIVE, FROM MAGNOLIA STREET TO RAYNOR STREET) TO MORENO CARDENAS, INCORPORATED.

Mr. Trejo made a PowerPoint presentation to the Board regarding this item (copy on file in Central Files). The purpose of this project is to replace approximately 3,800 linear feet of existing transmission water lines located inside Union Pacific Railroad Right-of-Way. In addition, approximately 1,200 linear feet of distribution water lines currently tied into the existing 16-inch transmission main will be reconnected to the new main which will be installed along Pershing Drive. Replacement of this facility was needed due to deteriorating conditions and numerous failures. Through coordination with City Engineering, the water line improvements have been included in the City's Five Points Quiet Zone Project for concurrent construction to minimize the disruption to the public. El Paso Water Utilities staff worked with the consultant, Moreno Cardenas, to develop the scope of work for the project construction administration services. A fee proposal associated with this scope of services was negotiated with the consultant. The negotiated construction services fees are in line with the level of effort and hours required to complete the project and include office engineering, field engineering, geotechnical, and resident project representative services. Mr. Trejo addressed questions from the Board regarding this item.

On a motion made by Mr. Roe, seconded by Ms. Brennand, and unanimously carried, the Board approved Task Order Number 5 – Construction Administration Services for 16-Inch Transmission Main Phase I (Pershing Drive, from Magnolia Street to Raynor Street) to Moreno Cardenas, Incorporated.

APPROVED THE ISSUANCE OF A PURCHASE ORDER BASED UPON URGENT PUBLIC NECESSITY TO UNITED DRILLING, INCORPORATED, TO DRILL WELL 1A, ON THE GLO LEASED LAND, IN THE ESTIMATED AMOUNT OF \$1,074,387.

Mr. Balliew made introductory comments regarding this item and then introduced Mr. Scott Reinert, Water Resources Manager, to make a PowerPoint presentation to the Board (copy on file in Central Files). El Paso Water Utilities entered into a groundwater lease agreement with the Texas General Land Office in December

of 2014 to drill exploratory test wells to determine if a sustainable groundwater supply is available in the area. United Drilling was awarded the contract to drill GLO Well No. 1. During drilling activities, the well collapsed due to an unexpected amount of loose sediments that were encountered in the well. As a result, we were unable to install the casing and screen assembly to the design depth of 1,000 feet. Based on observation and results of the first well failure, a different method will be used to drill this second well. The lease requires EPWU to commence groundwater production from each of its sections specified in the lease within five years of the start date of the lease (December 2, 2014). The first well is critical in meeting the timeline specified in the lease.

EPWU staff worked with the consultant, CEA Group, to develop the scope of work for the engineering and design services. A fee proposal associated with this scope of services was negotiated with the Consultant to come to an agreement on the value to be received for the costs proposed to prepare construction-ready design drawings. The negotiated design and bid phase services fees are in line with the level of effort and hours required to complete the project and include coordination with the County of El Paso Roads and Bridges Department, other engineering consultants, surveying, geotechnical, and design services. Mr. Reinert and Mr. Balliew addressed questions from the Board regarding this item.

On a motion made by Mr. Gallardo, seconded by Ms. Brennand and unanimously carried, the Board approved the issuance of a purchase order based upon urgent public necessity to United Drilling, Incorporated, to drill Well 1A, on the GLO leased land, in the estimated amount of \$1,074,387.

APPROVED THE EL PASO WATER UTILITIES/PUBLIC SERVICE BOARD'S 4TH QUARTER PRELIMINARY FINANCIAL AND PERFORMANCE MEASURES REPORT FOR PERIOD ENDING FEBRUARY 28, 2015.

Mr. Art Duran, Chief Financial Officer, made a PowerPoint presentation to the Board regarding this item (copy on file in Central Files). The Public Service Board requires regular financial reporting from the President/CEO and staff on the financial condition of El Paso Water Utilities. Regarding the water and wastewater utilities, operating revenues for the fiscal year were \$2.1 million more than the prior fiscal year mainly due to \$1.9 million collected from non-residential customers to pay for the new City of El Paso Franchise Fee passed by City Council with an effective date of September 1, 2014. Operating costs were \$5.0 million more than last year mainly due to increases surface water expense, chemical expense, and utilities costs. The Utility met all of its operating, capital and debt service obligations this year. As for the stormwater utility, total operating revenues for fiscal year 2014-15 were \$136,000 more than the prior fiscal year. Operating expenditures were \$584,000 less than last year mainly due to decrease maintenance costs. The Utility met all its operating, capital and debt service requirements this year. Mr. Duran addressed questions from the Board regarding this item.

On a motion made by Ms. Brennand, seconded by Ms. Garcia and unanimously carried, the Board approved the El Paso Water Utilities/Public Service Board's 4th Quarter Preliminary Financial and Performance Measures Report for period ending February 28, 2015.

APPROVED THE INVESTMENT COMMITTEE'S 4TH QUARTER AND FISCAL YEAR-END INVESTMENT REPORT FOR PERIOD ENDING FEBRUARY 28, 2015; AND APPROVED THE UTILITY'S RULES AND REGULATIONS NUMBER 10, ESTABLISHING THE INVESTMENT POLICY.

Mr. Duran made a PowerPoint presentation to the Board regarding this item (copy on file in Central Files). The Public Funds Investment Act (PFIA) requires a quarterly report be submitted and an annual review of the entity's investment policy and investment strategies. The Utility's Investment Committee, consisting of Board member Henry Gallardo, the Vice President of Strategic, Financial and Management Services, General Counsel, Chief Financial Officer, Fiscal Operations Manager, and Treasury Manager met on April 2, 2015 to review the 4th quarter investment report and the investment policies and strategies. No changes to the Investment Policy were recommended to the Committee for this year. Mr. Duran provided the Board with a brief overview of the 4th Quarter Investment Report for period ending February 28, 2015. At the end of the 4th quarter, the portfolio

balance was approximately \$186 million. The weighted average maturity was approximately 154 days. The water and sewer fund balance decreased by approximately \$3.8 million. The improvement fund balance decreased by approximately \$5.5 million. Mr. Duran presented the Board with graphs highlighting the different fund types within the portfolio, and discussed the benchmark analysis for the quarter. During the 4th quarter, 31 investments, totaling \$19.94 million were bid out. Mr. Duran addressed questions from the Board regarding this item.

On a motion made by Mr. Antcliff, seconded by Ms. Garcia and unanimously carried, the Board approved the Investment Committee's 4th Quarter and Fiscal Year-End Investment Report for period ending February 28, 2015; and approved the Utility's Rules and Regulations Number 10, Establishing the Investment Policy. **(Resolution attached)**

MANAGEMENT REPORT

- ***Dedication of the Northwest Plant*** – Mr. Balliew informed the Board that the Northwest Plant would be dedicated to Mr. John T. Hickerson, former General Manager, on May 1, 2015 at 9:30 a.m.
- ***Drought Update*** – Mr. Balliew said the 2015 river water allocation will be a little better than 2014. The snowpack in the three basins which comprise the Rio Grande snowshed have been average and the spring has been mild. As a result, there is less evaporation and the majority of the snowpack is running off which will probably provide EPWU with about 70 days of river water.
- ***Staff Presentations*** – Mr. Balliew said Mr. Scott Reinert presented at the 2015 National Ground Water Association's Groundwater Summit and also attended the Hudspeth County Commissioner Meeting with Mr. Balliew; Mr. Hector Gonzalez, Government Affairs Manager and Mr. Balliew briefed the Garrison Commander and the Commanding General of Fort Bliss on obtaining funding from the Department of Defense for water supply projects; and Mr. Balliew made a presentation at Commissioner Leon's Roundtable.

PUBLIC COMMENT: THE PSB WILL PERMIT PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA. THE CHAIR MAY IMPOSE REASONABLE TIME LIMITS FOR EACH SPEAKER.

No additional comments were heard from the public.

EXECUTIVE SESSION

On a motion made by Ms. Brennand, seconded by Ms. Garcia, and unanimously carried, the Board retired into Executive Session at 9:50 a.m., April 8, 2015, pursuant to Section 3.5A of the El Paso City Charter and the Texas Government Code, Sections 551.071 through 551.076 to discuss any of the following:

Section 551.071	Consultation with Attorney
Section 551.072	Deliberation Regarding Real Property
Section 551.074	Personnel Matters

- a. **Section 551.071. Consultation with Attorney**
The Board will deliberate regarding the purchase of property located at 3211 Durazno Avenue consisting of approximately 6020 square feet of land including a dwelling approximately 675 square feet, generally described as the East 10 feet of Lot 5, all of Lot 6 and the West 8 feet of Lot 7, Block 45 of Supplemental Map No. 1 of East El Paso an addition to the City of El Paso, El Paso County Texas.
- b. **Section 551.072. Deliberation regarding Real Property**

The Board will deliberate regarding the purchase of property located at 3215 Durazno Avenue consisting of approximately 5880 square feet of land including a dwelling approximately 664 square feet, generally described as Lot 8 and the East 17 feet of Lot 7, Block 45 of Supplemental Map No. 1 of East El Paso an addition to the City of El Paso, El Paso County Texas.

- c. Section 551.071. Consultation with Attorney
The Board will deliberate regarding the purchase of property located at 3225 Durazno Avenue consisting of approximately 7000 square feet of land including a dwelling approximately 1114 square feet, generally described as Lots 13 and 14, Block 45 of Supplemental Map No. 1 of East El Paso an addition to the City of El Paso, El Paso County Texas.
- d. Section 551.072. Deliberation regarding Real Property
The Board will deliberate regarding the purchase of property located at 3232 E. Missouri Avenue consisting of approximately 7000 square feet of land including two dwellings approximately 2185 square feet total, generally described as Lots 23 and 24, Block 61 of Supplemental Map No. 1 of East El Paso an addition to the City of El Paso, El Paso County Texas.
- e. Section 551.072. Deliberation regarding Real Property
Board will consult with its attorneys regarding the pending or contemplated claim of GARCOM Company.

On a motion made by Mr. Antcliff, seconded by Ms. Garcia, and carried, the Board reconvened in open session at 10:46 a.m., April 8, 2015.

DELIBERATED REGARDING THE PURCHASE OF PROPERTY LOCATED AT 3211 DURAZNO AVENUE CONSISTING OF APPROXIMATELY 6020 SQUARE FEET OF LAND INCLUDING A DWELLING APPROXIMATELY 675 SQUARE FEET, GENERALLY DESCRIBED AS THE EAST 10 FEET OF LOT 5, ALL OF LOT 6 AND THE WEST 8 FEET OF LOT 7, BLOCK 45 OF SUPPLEMENTAL MAP NO. 1 OF EAST EL PASO AN ADDITION TO THE CITY OF EL PASO, EL PASO COUNTY TEXAS.

On a motion made by Ms. Garcia, seconded by Mr. Gallardo and unanimously carried, the Board authorized the President/CEO to purchase, and sign any and all documents necessary to complete the purchase of approximately 6020 square feet of land including a dwelling approximately 675 square feet, generally described as the East 10 feet of Lot 5, all of Lot 6 and the West 8 feet of Lot 7, Block 45 of Supplemental Map No. 1 of East El Paso, an addition to the City of El Paso, El Paso County, Texas, located at 3211 Durazno Avenue, for the purchase price of \$65,000.00 plus pay off loan #8091 and unpaid property taxes for a total acquisition amount not to exceed \$109,000.00.

DELIBERATED REGARDING THE PURCHASE OF PROPERTY LOCATED AT 3215 DURAZNO AVENUE CONSISTING OF APPROXIMATELY 5880 SQUARE FEET OF LAND INCLUDING A DWELLING APPROXIMATELY 664 SQUARE FEET, GENERALLY DESCRIBED AS LOT 8 AND THE EAST 17 FEET OF LOT 7, BLOCK 45 OF SUPPLEMENTAL MAP NO. 1 OF EAST EL PASO AN ADDITION TO THE CITY OF EL PASO, EL PASO COUNTY TEXAS.

On a motion made by Ms. Garcia, seconded by Ms. Brennand and unanimously carried, the Board authorized the President/CEO to purchase and sign any and all documents necessary to complete the purchase of approximately 5880 square feet of land including a dwelling approximately 664 square feet, generally described as Lot 8 and the East 17 feet of Lot 7, Block 45 of Supplemental Map No. 1 of East El Paso, an addition to

the City of El Paso, El Paso County, Texas, located at 3215 Durazno Avenue, for the purchase price of \$55,000.00 plus payment of relocation expenses and property taxes for a total amount not to exceed \$73,000.00.

DELIBERATED REGARDING THE PURCHASE OF PROPERTY LOCATED AT 3225 DURAZNO AVENUE CONSISTING OF APPROXIMATELY 7000 SQUARE FEET OF LAND INCLUDING A DWELLING APPROXIMATELY 1114 SQUARE FEET, GENERALLY DESCRIBED AS LOTS 13 AND 14, BLOCK 45 OF SUPPLEMENTAL MAP NO. 1 OF EAST EL PASO AN ADDITION TO THE CITY OF EL PASO, EL PASO COUNTY TEXAS.

On a motion made by Ms. Garcia, seconded by Ms. Brennand and unanimously carried, the Board authorized the President/CEO to purchase and sign any and all documents necessary to complete the purchase of approximately 7000 square feet of land including a dwelling of approximately 1114 square feet, generally described as Lots 13 and 14, Block 45 of Supplemental Map No. 1 of East El Paso, an addition to the City of El Paso, El Paso County, Texas, located at 3225 Durazno Avenue, for the purchase price of \$108,000.00.

DELIBERATED REGARDING THE PURCHASE OF PROPERTY LOCATED AT 3232 E. MISSOURI AVENUE CONSISTING OF APPROXIMATELY 7000 SQUARE FEET OF LAND INCLUDING TWO DWELLINGS APPROXIMATELY 2185 SQUARE FEET TOTAL, GENERALLY DESCRIBED AS LOTS 23 AND 24, BLOCK 61 OF SUPPLEMENTAL MAP NO. 1 OF EAST EL PASO AN ADDITION TO THE CITY OF EL PASO, EL PASO COUNTY TEXAS.

On a motion made by Ms. Garcia, seconded by Ms. Brennand and unanimously carried, the Board authorized the President/CEO to purchase and sign any and all documents necessary to complete the purchase of approximately 7000 square feet of land including two dwellings of approximately 2185 square feet total, generally described as Lots 23 and 24, Block 61 of Supplemental Map No. 1 of East El Paso, an addition to the City of El Paso, El Paso County, Texas, located at 3232 E. Missouri Avenue, for the purchase price of \$173,145.70 plus property taxes.

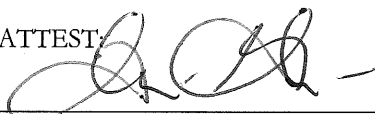
CONSULTED WITH ITS ATTORNEYS REGARDING THE PENDING OR CONTEMPLATED CLAIM OF GARCOM COMPANY.

No action was taken on this item.


ADJOURNMENT

The meeting was adjourned at 10:49 a.m., April 8, 2015.

ATTEST:



Secretary-Treasurer



Chair

RESOLUTION

A RESOLUTION TO APPROVE AN AMMENDMENT TO THE DESIGN-BUILD CONTRACT WITH JORDAN FOSTER CONSTRUCTION, LLC FOR THE SITE CONSTRUCTION DIVISION PACKAGE FOR FIELD OPERATIONS YARD RELOCATION ; AUTHORIZING FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM.

WHEREAS, El Paso Water Utilities (EPWU) is under a design-build contract with Jordan Foster Construction LLC for the relocation and construction of EPWU Field Operations Yard. As part of the contract, Jordan Foster Construction, LLC will request competitive bids for the different aspects of the construction to local subcontractors. This project requires approval of the Site Construction Division Package to begin construction. The site construction would include site remediation, site preparation, earthwork utility services, and drainage and containment; and

WHEREAS, an evaluation team met on January 21, 2015 to review the statement of qualifications (SOQ) and recommend selection of the design-build firm for this project. Following the City of El Paso design-build procurement policy, El Paso Water Utilities solicited SOQ's from 5 design-build firms capable of completing this project in the time allocated and received four (4) proposals. Proposals were evaluated for minimum qualifications, project manager's experience, project team's experience, current and upcoming work load capacity and their quality control and quality assurance program. Jordan Foster Construction, LLC was selected as the most qualified firm that best meets the needs for this important project and demonstrated excellent abilities in all evaluated categories

WHEREAS, in order to take advantage of favorable interest rates and reduce financing costs, the Public Service Board (PSB) and City Council have authorized a Commercial Paper Program to finance PSB construction projects and engineering services, and the Project is eligible for financing through the authorized Commercial Paper Program;

NOW, THEREFORE, BE IT RESOLVED by the Public Service Board of the City of El Paso, El Paso Water Utilities:


Section 1. The findings and recitations set out in the preamble to this Resolution are true and correct and are hereby adopted by the Public Service Board and made a part of this Resolution for all purposes.

Section 2. That the Public Service Board hereby authorizes the President/CEO to sign and approve the amendment to the Design-Build Contract with Jordan Foster Construction, LLC for the site construction division package for field operations yard relocation project for the amount of \$1,202,709.00


Section 3. That the Public Service Board hereby authorizes funding of the project through the PSB tax-exempt Commercial Paper Program from Commercial Paper Funds as approved in CIP# W7003, Account Number #1214-062, Budget FY 2015-16, in the amount not to exceed \$1,202,709.00.

PASSED AND APPROVED at a regular meeting of the Public Service Board of the City of El Paso, Texas, this 8th day of April, 2015, at which meeting a quorum was present, held in accordance with the provisions of V.T.C.A. Government Code, Sections 551.001, et. seq.


ATTEST:


Terri Garcia, Secretary-Treasurer

EL PASO WATER UTILITIES
PUBLIC SERVICE BOARD


Chair, Dr. Richard T. Schoephoerster

APPROVED AS TO FORM:


Robert D. Andron, General Counsel

RESOLUTION

A RESOLUTION AUTHORIZING THE PRESIDENT/CEO TO AWARD ON-CALL PROFESSIONAL ENGINEERING SERVICES FOR WASTEWATER TREATMENT PLANTS TO BROWN AND CALDWELL AND HAZEN AND SAWYER, P.C.; AUTHORIZING FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM AS NEEDED.

WHEREAS, the El Paso Water Utilities (EPWU) has three (3) wastewater treatment plants and one water reclamation plant. These facilities require routine maintenance year round. Maintenance include, but not limited, to design and procurement of process/mechanical equipment, evaluation and design of structural repairs, electrical upgrades, instrumental upgrades, architectural components, civil site improvements, hydraulic modeling and analysis, odor control process evaluation, analysis and studies, wastewater quality analysis, permitting, value engineering and security enhancements; and,

WHEREAS, the Architectural/Engineering Selection Advisory Committee met on March 6, 2015 to review and recommend selection of the on-call engineering firm for the water treatment plants. Proposals were scored in the areas of technical competence, project approach, team organization and availability, project management and quality control. Brown and Caldwell and Hazen and Sawyer, P.C. were selected as the two most qualified firms and the Committee determined that these two firms best meet the needs of El Paso Water Utilities for these specific services and demonstrated excellent abilities in all the evaluated categories; and,

WHEREAS, the fee for the on-call water storage facilities was negotiated based on similar projects and is in line with the level of effort and hours required to complete the project.

WHEREAS, in order to take advantage of favorable interest rates and reduce financing costs, the Public Service Board (PSB) and City Council have authorized a Commercial Paper Program to finance PSB construction projects and engineering services, and the Project is eligible for financing through the authorized Commercial Paper Program;

NOW, THEREFORE, BE IT RESOLVED by the Public Service Board of the City of El Paso, El Paso Water Utilities:

Section 1. The findings and recitations set out in the preamble to this Resolution are true and correct and are hereby adopted by the Public Service Board and made a part of this Resolution for all purposes.

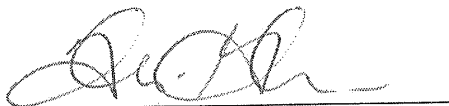
Section 2. That the Public Service Board hereby authorizes the President/CEO to enter into contracts with Brown and Caldwell and Hazen and Sawyer, P.C. to provide the professional engineering services on-call for the water treatment plants as needed. The contract for each firm utilized shall not exceed a total sum of FIVE HUNDRED THOUSAND AND NO/100 (\$500,000.00).

Section 3. That the Public Service Board hereby authorizes funding of the project through the PSB tax-exempt Commercial Paper Program from Commercial Paper Funds as approved as needed.


PASSED AND APPROVED at a regular meeting of the Public Service Board of the City of El Paso, Texas, this 8th day of April 2015, at which meeting a quorum was present, held in accordance with the provisions of V.T.C.A. Government Code, Sections 551.001, et. seq.

EL PASO WATER UTILITIES
PUBLIC SERVICE BOARD


ATTEST:



Terri Garcia
Secretary-Treasurer


Chair, Dr. Richard T. Schoephoerster

APPROVED AS TO FORM:


Robert D. Andron, General Counsel

RESOLUTION

A RESOLUTION AUTHORIZING THE PRESIDENT/CEO TO AWARD ON-CALL CONTRACTS FOR PROFESSIONAL ENGINEERING SERVICES FOR STORMWATER PUMP AND WASTEWATER LIFT STATIONS TO BATH ENGINEERING CORPORATION AND ROE ENGINEERING, LC; AUTHORIZING FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM AS NEEDED.

WHEREAS, the El Paso Water Utilities (EPWU) has 147 wastewater lift stations and 17 Stormwater pump stations. These stations require year round maintenance including but not limited to rehabilitation and replacement of pumps, motors, and auxiliary mechanical, electrical, heating, ventilation and air conditioning systems (HVAC). On-call professional engineering services is needed to allow EPWU to get a design and repairs as quickly as possible; and

WHEREAS, the Architectural/Engineering Selection Advisory Committee met on March 6, 2015 to review and recommend selection of the on-call engineering firm for the Stormwater Pump and wastewater lift stations. Proposals were scored in the areas of technical competence, project approach, team organization and availability, project management and quality control. Bath Engineering Corporation and Roe Engineering, LC were selected as the most qualified and the Committee determined that these firms best meet the needs of El Paso Water Utilities for these specific services and demonstrated excellent abilities in all the evaluated categories; and,

WHEREAS, in order to take advantage of favorable interest rates and reduce financing costs, the Public Service Board (PSB) and City Council have authorized a Commercial Paper Program to finance PSB construction projects and engineering services, and the Project is eligible for financing through the authorized Commercial Paper Program;

NOW, THEREFORE, BE IT RESOLVED by the Public Service Board of the City of El Paso, El Paso Water Utilities:

Section 1. The findings and recitations set out in the preamble to this Resolution are true and correct and are hereby adopted by the Public Service Board and made a part of this Resolution for all purposes.

Section 2. That the Public Service Board hereby authorizes the President/CEO to enter into on-call contracts with Bath Engineering Corporation and Roe Engineering, LC to provide the professional engineering services for Stormwater pump and wastewater lift stations. The contract for each firm utilized shall not exceed a total sum of FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00).

Section 3. That the Public Service Board hereby authorizes funding of the project through the PSB tax-exempt Commercial Paper Program from Commercial Paper Funds as needed.

Resolution re On-Call Engineering Services
Page 2.

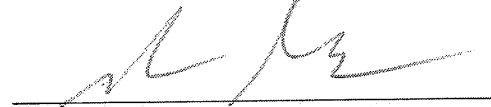
PASSED AND APPROVED at a regular meeting of the Public Service Board of the City of El Paso, Texas, this 8th day of April, 2015, at which meeting a quorum was present, held in accordance with the provisions of V.T.C.A. Government Code, Sections 551.001, et. seq.

ATTEST:



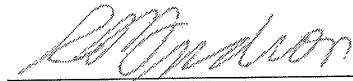
Terri Garcia
Secretary-Treasurer

EL PASO WATER UTILITIES
PUBLIC SERVICE BOARD



Chair, Dr. Richard T. Schoephoerster

APPROVED AS TO FORM:



Robert D. Andron, General Counsel

RESOLUTION

A RESOLUTION AUTHORIZING THE PRESIDENT/CEO TO AWARD ON-CALL CONTRACTS FOR PROFESSIONAL ENGINEERING SERVICES FOR WATER STORAGE FACILITIES TO MORENO CARDENAS, INCORPORATED AND PARKHILL, SMITH AND COOPER INCORPORATED AND, AUTHORIZING FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM AS NEEDED.

WHEREAS, the El Paso Water Utilities (EPWU) has seventy-five water reservoirs in its system all of which require maintenance for sustainability. Such maintenance may include but not by way of limitation, videoing the inside of the reservoir tank, painting the outside of the tank, recoating the inside of the tank and other more extensive work. The on-call services contracts will be used to design emergency repairs prepare or review specifications, and respond to unforeseen issues or needs that may arise; and

WHEREAS, the Architectural/Engineering Selection Advisory Committee met on March 6, 2015 to review and recommend selection of two on-call engineering firms for water storage facilities. Proposals were scored in the areas of technical competence, project approach, team organization and availability, project management and quality control. Moreno Cardenas, Incorporated and Parkhill, Smith and Cooper, Incorporated were selected as the two most qualified firms of the firms responding to the Request for Qualifications and the Committee determined that these two firms best meet the needs of El Paso Water Utilities for these specific services and demonstrated excellent abilities in all the evaluated categories; and,

WHEREAS, the fee for the on-call water storage facilities was negotiated in accordance with the Texas Professional Services Act and based on similar projects and is in line with the level of effort and hours required to complete the project.

WHEREAS, in order to take advantage of favorable interest rates and reduce financing costs, the Public Service Board (PSB) and City Council have authorized a Commercial Paper Program to finance EPWU construction projects and engineering services, and these Projects are eligible for financing through the authorized Commercial Paper Program;

NOW, THEREFORE, BE IT RESOLVED by the Public Service Board of the City of El Paso, El Paso Water Utilities:

Section 1. The findings and recitations set out in the preamble to this Resolution are true and correct and are hereby adopted by the Public Service Board and made a part of this Resolution for all purposes.

Section 2. That the Public Service Board hereby authorizes the President/CEO to enter into contracts with Moreno Cardenas, Incorporated and Parkhill, Smith and Cooper, Incorporated to provide the professional engineering services on-call for water storage facilities. The contract for each firm utilized shall not exceed a total sum of FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00).

Section 3. That the Public Service Board hereby authorizes funding of the project through the PSB tax-exempt Commercial Paper Program from Commercial Paper Funds as approved as needed.


PASSED AND APPROVED at a regular meeting of the Public Service Board of the City of El Paso, Texas, this 8th day of April, 2015, at which meeting a quorum was present, held in accordance with the provisions of V.T.C.A. Government Code, Sections 551.001, et. seq.

ATTEST:




Terri Garcia
Secretary-Treasurer

EL PASO WATER UTILITIES
PUBLIC SERVICE BOARD


Chair, Dr. Richard T. Schoephoerster

APPROVED AS TO FORM:


Robert D. Andron, General Counsel

RESOLUTION

A RESOLUTION AUTHORIZING THE PRESIDENT/CEO TO AWARD ON-CALL CONTRACTS FOR PROFESSIONAL ENGINEERING SERVICES FOR THE EL PASO WATER UTILITIES SYSTEM FOR STRUCTURAL ENGINEERING TO HKN ENGINEERS, MM STRUCTURAL ENGINEERS, INCORPORATED AND PARKHILL, SMITH AND COOPER, INCORPORATED; AND, AUTHORIZING FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM AS NEEDED.

WHEREAS, the El Paso Water Utilities has requirements for structural engineering professional engineering services for various projects throughout its fiscal year. Whenever there is damage to any El Paso Water Utilities structure, there may need to be inspected by qualified structural engineers. The on-call structural engineering professional services contracts will be used to obtain a professional structural engineers' evaluation and design for required emergency repairs to damaged structures; and,

WHEREAS, the Architectural/Engineering Selection Advisory Committee met on March 6, 2015 to review and recommend selection of engineering firms for on-call structural professional engineering services. Proposals were scored in the areas of technical competence, project approach, team organization and availability, project management and quality control. Of the firms responding to the Request for Qualifications, three firms were selected as the most qualified. The Committee determined that these firms best meet the needs of El Paso Water Utilities and El Paso Municipal Drainage Utility System for these specific services and demonstrated excellent abilities in all the evaluated categories. The firms are HKN Engineers, MM Structural Engineers, Incorporated, and Parkhill, Smith and Cooper, Incorporated; and,

WHEREAS, the fee for professional engineering services for the on-call structural engineering services required for the El Paso Water Utilities System was negotiated in accordance with the Texas Professional Services Act and based on similar projects and is in line with the level of effort and hours required to complete the projects.

WHEREAS, in order to take advantage of favorable interest rates and reduce financing costs, the Public Service Board (PSB) and City Council have authorized a Commercial Paper Program to finance EPWU construction projects and engineering services, and these Projects are eligible for financing through the authorized Commercial Paper Program;

NOW, THEREFORE, BE IT RESOLVED by the Public Service Board of the City of El Paso, El Paso Water Utilities:

Section 1. The findings and recitations set out in the preamble to this Resolution are true and correct and are hereby adopted by the Public Service Board and made a part of this Resolution for all purposes.

Section 2. That the Public Service Board hereby authorizes the President/CEO to enter into contracts with HKN Engineers, MM Structural Engineers, Incorporated and Parkhill, Smith and Cooper, Incorporated to provide the professional structural engineering services on-call for the El Paso Water Utilities System. The contract for each firm utilized shall not exceed a total sum of FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00).

Section 3. That the Public Service Board hereby authorizes funding of the project through the PSB tax-exempt Commercial Paper Program from Commercial Paper Funds as approved as needed.

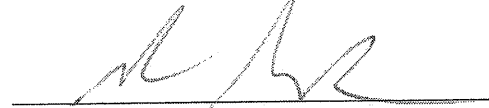
PASSED AND APPROVED at a regular meeting of the Public Service Board of the City of El Paso, Texas, this 8th day of April, 2015, at which meeting a quorum was present, held in accordance with the provisions of V.T.C.A. Government Code, Sections 551.001, et. seq.

ATTEST:



Terri Garcia
Secretary-Treasurer

EL PASO WATER UTILITIES
PUBLIC SERVICE BOARD


Chair, Dr. Richard T. Schoephoerster

APPROVED AS TO FORM:


Robert D. Andron, General Counsel

RESOLUTION

A RESOLUTION AUTHORIZING THE PRESIDENT/CEO TO AWARD ON-CALL CONTRACTS FOR PROFESSIONAL ENGINEERING SERVICES FOR WATER TREATMENT PLANTS TO ARCADIS, U.S., INCORPORATED AND CDM SMITH INCORPORATED; AUTHORIZING FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM AS NEEDED.

WHEREAS, the El Paso Water Utilities (EPWU) has four water treatment plants and the oldest of these plants was built in the 1940's. During the irrigation season, EPWU's surface water plants need to be operating in full production, as long as possible, to utilize allotment of surface water. The Upper Valley Plant provides drinking water for the west side and the central area. The Desalination Plant provides a year-round base flow and can be ramped up as demand increases. All of these water treatment plants are critical to our drinking water system. The on-call services contracts will be used to design emergency repairs, specifications for new pumps, as well as any unforeseen issues or needs that may arise; and

WHEREAS, the Architectural/Engineering Selection Advisory Committee met on March 6, 2015 to review and recommend selection of the on-call engineering firm for water treatment plants. Proposals were scored in the areas of technical competence, project approach, team organization and availability, project management and quality control. ARCADIS, U.S., Incorporated and CDM Smith Incorporated were selected as the most qualified of the firms responding to the Request for Qualifications and the Committee determined that these firms best meet the needs of El Paso Water Utilities for these specific services and demonstrated excellent abilities in all the evaluated categories; and,

WHEREAS, the fee for the on-call water storage facilities was negotiated based on similar projects and is in line with the level of effort and hours required to complete the project.

WHEREAS, in order to take advantage of favorable interest rates and reduce financing costs, the Public Service Board (PSB) and City Council have authorized a Commercial Paper Program to finance PSB construction projects and engineering services, and the Project is eligible for financing through the authorized Commercial Paper Program;

NOW, THEREFORE, BE IT RESOLVED by the Public Service Board of the City of El Paso, El Paso Water Utilities:

Section 1. The findings and recitations set out in the preamble to this Resolution are true and correct and are hereby adopted by the Public Service Board and made a part of this Resolution for all purposes.

Section 2. That the Public Service Board hereby authorizes the President/CEO to enter into contracts with ARCADIS, U.S., Incorporated and CDM Smith Incorporated to provide the professional engineering services on-call for waste treatment plants. The contract for each firm utilized shall not exceed a total sum of FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00).

Section 3. That the Public Service Board hereby authorizes funding of the project through the PSB tax-exempt Commercial Paper Program from Commercial Paper Funds as needed.

Resolution re On-Call Engineering Services
Page 2.

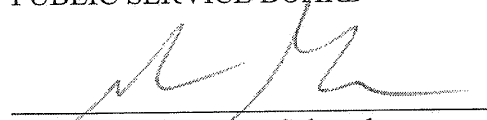
PASSED AND APPROVED at a regular meeting of the Public Service Board of the City of El Paso, Texas, this 8th day of April, 2015, at which meeting a quorum was present, held in accordance with the provisions of V.T.C.A. Government Code, Sections 551.001, et. seq.

ATTEST:



Terri Garcia
Secretary-Treasurer

EL PASO WATER UTILITIES
PUBLIC SERVICE BOARD


Chair, Dr. Richard T. Schoephoerster

APPROVED AS TO FORM:


Robert D. Andron, General Counsel

RESOLUTION

A RESOLUTION APPROVING THE AWARD OF BID 22-15, NORTHWEST WASTEWATER TREATMENT PLANT RECLAIMED WATER TANK TO SMITHCO TEXAS CONSTRUCTION, INCORPORATED; AND AUTHORIZING FUNDING THROUGH THE COMMERCIAL PAPER PROGRAM.

WHEREAS, the Northwest Wastewater Treatment Plant Reclaimed Water Tank Project will provide reclaimed water storage at the Northwest Wastewater Treatment Plant. This tank will allow El Paso Water Utilities (EPWU) to better manage delivery of reclaimed water to our customers on the Westside by storing the water onsite and pumping during non-peak times when power rates are lowest; and

WHEREAS, El Paso Water Utilities received six (6) bids for this project on March 18, 2015. The bids ranged from \$1,824,000 to \$2,439,000 or 34.1% above the Engineer's estimate of \$1,820,000. The project consulting engineer, Moreno Cardenas, evaluated the qualifications of the apparent low bidder and determined that Smithco Texas Construction met the minimum general requirements as well as the minimum project specific criteria as specified on the bid documents. El Paso Water Utilities' Project Administration evaluated the Engineer's Evaluation Matrix and recommends award of Bid 22-15, Northwest Wastewater Treatment Plant Reclaimed Water Tank to Smithco Texas Construction, Incorporated; and

WHEREAS, in order to take advantage of favorable interest rates and reduce financing costs, the Public Service Board (PSB) and the City Council authorized a Commercial Paper Program to finance PSB construction projects and engineering services and this Project is eligible for such Program.

NOW, THEREFORE, BE IT RESOLVED by the Public Service Board of the City of El Paso, El Paso Water Utilities:

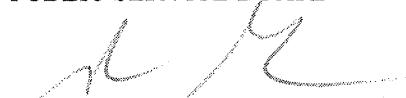
Section 1. The findings and recitations set out in the preamble to this Resolution are true and correct and are hereby adopted by the Public Service Board by this reference for all purposes.

Section 2. That the Public Service Board approves award of Bid Number 22-15, Northwest Wastewater Treatment Plant Reclaimed Water Tank to Smithco Texas Construction, Incorporated, the lowest, responsible, responsive bidder, meeting the general requirements in the amount not to exceed \$1,824,000.00. That the Public Service Board hereby authorizes the President/CEO to execute an agreement with Smithco Texas Construction, Incorporated for Bid 22-15, Northwest Wastewater Treatment Plant Reclaimed Water Tank project.


Section 3. That the Public Service Board hereby authorizes funding of the Project through the PSB tax-exempt Commercial Paper Program from Commercial Paper Funds as approved in CIP#S6019, Account Number 1915-006, Budget FY 2008-09, in the amount not to exceed \$1,824,000.00.

PASSED AND APPROVED at a regular meeting of the Public Service Board of the City of El Paso, Texas, this 8th day of April, 2015, at which meeting a quorum was present, held in accordance with the provisions of V.T.C.A. Government Code, Sections 551.001, et. seq.


EL PASO WATER UTILITIES
PUBLIC SERVICE BOARD


Richard T. Schoephoerster, PhD, P.E., Chair

ATTEST:


Terri Garcia
Secretary/Treasurer

APPROVED AS TO FORM:


Robert D. Andron, J.D., General Counsel

RULES AND REGULATIONS NO. 10

RULES AND REGULATIONS ESTABLISHING
THE INVESTMENT POLICY FOR THE
PUBLIC SERVICE BOARD

BY THE AUTHORITY GRANTED TO THE PUBLIC SERVICE BOARD BY VIRTUE OF ARTICLES 1111-1118, REVISED CIVIL STATUTES OF TEXAS, THE PUBLIC FUNDS INVESTMENT ACT, CHAPTER 2256 TEXAS GOVERNMENT CODE, AND ORDINANCE 752, PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF EL PASO, TEXAS ON MAY 22, 1952, AND AS THEREAFTER AMENDED, NOW, THEREFORE BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF EL PASO:

THAT PUBLIC SERVICE BOARD RULES AND REGULATIONS NO. 10 ESTABLISHING THE INVESTMENT POLICY FOR THE PUBLIC SERVICE BOARD ARE HEREBY AMENDED BY ADOPTION OF NEW RULES AND REGULATIONS NO. 10, WHICH SUPERSEDE AND REPLACE THE EXISTING RULES AND REGULATIONS NO. 10, AND WHICH SHALL READ AS FOLLOWS:

SECTION I TABLE OF CONTENTS

The following headings or captions are adopted as the Table of Contents for Public Service Board Rules and Regulations No. 10.

TABLE OF CONTENTS FOR RULES AND REGULATIONS NO. 10

<u>SECTION I</u>	<u>TABLE OF CONTENTS</u>	1
<u>SECTION II</u>	<u>POLICY</u>	4
<u>SECTION III</u>	<u>PURPOSE</u>	5
	A. <u>FORMAL ADOPTION</u>	5
	B. <u>SCOPE</u>	5
	C. <u>INVESTMENT STRATEGY</u>	5
<u>SECTION IV</u>	<u>INVESTMENT OBJECTIVES</u>	6
	A. <u>SAFETY OF PRINCIPAL</u>	6
	B. <u>MAINTENANCE OF ADEQUATE LIQUIDITY</u>	6
	C. <u>YIELD</u>	7
	D. <u>PUBLIC TRUST</u>	7
<u>SECTION V</u>	<u>INVESTMENT PROCEDURES</u>	7

A.	<u>AUTHORIZED INVESTMENTS</u>	7
B.	<u>NOT AUTHORIZED</u>	13
C.	<u>PROTECTION OF PRINCIPAL</u>	14
	1. <u>Diversification by Investment Type</u>	14
	2. <u>Diversification by Investment Maturity</u>	15
	a. <u>Operating Fund</u>	15
	b. <u>Improvement & Construction Funds</u>	15
	c. <u>Debt Service Reserve Funds</u>	15
	d. <u>Debt Service Funds</u>	15
	3. <u>Ensuring Liquidity</u>	16
	4. <u>Collateralization</u>	16
	a. <u>Allowable Collateral</u>	17
	b. <u>Collateral Levels</u>	17
	c. <u>Monitoring Collateral Adequacy</u>	17
	d. <u>Additional Collateral and Securities</u>	18
	e. <u>Collateral Substitution</u>	18
	<u>Subject to Audit</u>	18
	5. <u>Safekeeping</u>	18
	a. <u>Safekeeping Agreement</u>	18
	b. <u>Safekeeping of Collateralized Deposits Collateral</u>	18
D.	<u>INVESTMENT ADVISORS AND INVESTMENT PROVIDERS</u>	19
E.	<u>SELECTION OF BANKS AND DEALERS</u>	19
	1. <u>Authorized Brokers/Dealers</u>	19
	2. <u>Competitive Bids</u>	20
	3. <u>Delivery vs. Payment</u>	20
	4. <u>Depository</u>	21
F.	<u>RESPONSIBILITY AND CONTROLS</u>	21
	1. <u>Authority to Invest</u>	21
	2. <u>Prudent Investment Management</u>	22
	3. <u>Standard of Care</u>	22

4.	<u>Standard of Ethics</u>	22
5.	<u>Establishment of Internal Controls</u>	23
6.	<u>Reporting</u>	23
7.	<u>Portfolio Pricing</u>	23
G.	<u>PERFORMANCE</u>	24
1.	<u>Performance Standards</u>	24
2.	<u>Performance Benchmarks</u>	24
<u>ATTACHMENT A INVESTMENT STRATEGY STATEMENT</u>		24
A.	<u>PREFACE</u>	24
B.	<u>INVESTMENT STRATEGY</u>	25
1.	<u>Operating Funds</u>	25
a.	<u>Suitability</u>	25
b.	<u>Safety of Principal</u>	25
c.	<u>Marketability</u>	25
d.	<u>Liquidity</u>	26
e.	<u>Diversification</u>	26
f.	<u>Yield</u>	26
2.	<u>Improvement & Construction Funds</u>	26
a.	<u>Suitability</u>	26
b.	<u>Safety of Principal</u>	26
c.	<u>Marketability</u>	26
d.	<u>Liquidity</u>	26
e.	<u>Diversification</u>	27
f.	<u>Yield</u>	27
3.	<u>Debt Service Reserve Funds</u>	27
a.	<u>Suitability</u>	27
b.	<u>Safety of Principal</u>	27

c.	<u>Marketability</u>	28
d.	<u>Liquidity</u>	28
e.	<u>Diversification</u>	28
f.	<u>Yield</u>	28
4.	<u>Debt Service Funds</u>	28
a.	<u>Suitability</u>	28
b.	<u>Safety of Principal</u>	28
c.	<u>Marketability</u>	29
d.	<u>Liquidity</u>	29
e.	<u>Diversification</u>	29
f.	<u>Yield</u>	29

SECTION II POLICY

It is the policy of the El Paso Water Utilities that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal Regulations, applicable Bond Ordinance requirements (specifically the Public Funds Investment Act, Texas Government Code, Chapter 2256, the “Act”), to define, adopt and review a formal investment strategy and policy.

In accordance with Chapter 402, Subchapter C of the Texas Local Government Code, the City of El Paso established the El Paso Municipal Drainage Utility System under the auspices of the El Paso Water Utilities Public Service Board with the complete authority and control of the management and operation of the System vested in the Board. The Board will establish a drainage utility fund. All drainage utility fees shall be deposited as collected and received into this fund and shall be used exclusively for the drainage services set forth under the Act, including but not limited to those services referenced in Local Government Code Section 402.044(2). The revenues collected from drainage utility fees must be segregated and completely identifiable from other City or Board accounts. Any investments made of such funds shall be in accordance with the Texas Public Funds Investment Act and the Investment Policy of the El Paso Water Utilities Public Service Board as may be amended from time to time.

Management responsibility for the investment program is hereby delegated to the Investment Committee, which shall establish written procedures for the operation of the investment program consistent with this Investment Policy. The Investment Committee shall be made up of three Public Service Board Members designated by the Board, the President/CEO, the General Counsel, Vice President, Chief Financial Officer, Fiscal Operations Manager, Treasury Manager, and the Water and Wastewater Economic Analyst.

Effective cash management is recognized as essential to good fiscal management. Aggressive cash management and effective investment strategy development will be pursued to take advantage of interest earnings as viable and material revenue to all PSB funds. The PSB portfolio shall be designed and managed in a manner responsive to the public trust and consistent with these Rules and Regulations. Investments shall be made with the primary objectives of:

- Preservation of capital;
- Safety of PSB funds;
- Maintenance of sufficient liquidity;
- Maximization of return within acceptable risk constraints; and,
- Diversification of investments.

SECTION III PURPOSE

A. FORMAL ADOPTION

This Investment Policy is authorized by the Public Service Board.

B. SCOPE

This Investment Policy applies to all of the investment activities of the PSB. These Rules and Regulations establish guidelines for: (1) who can invest PSB funds; (2) how PSB funds will be invested; and, (3) when and how a periodic review of investments will be made. In addition to these Rules and Regulations, bond funds (as defined by the Internal Revenue Service) shall be managed by their governing ordinance and all applicable State and Federal Law. These funds are accounted for in the PSB Comprehensive Annual Financial Report (CAFR) and include Operating Funds, the General Bond Reserve Fund, the Interest and Sinking Fund, and various Improvement & Construction Funds.

C. INVESTMENT STRATEGY

The PSB shall annually have a review and adoption of its investment policy and strategies. The PSB attempts to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, with the exception of debt service reserve funds, the PSB will not directly invest in securities maturity more than three (3) years from the date of purchase; however, the above described obligations, certificates, or agreements may be collateralized using longer dated investments. The composite portfolio will have a weighted average maturity of one (1) year or less. This dollar weighted average maturity will be calculated using the stated final maturity dates of each security. The investment strategy must describe the investment objectives for each particular fund according to the following objectives:

- Investment suitability;
- Preservation and safety of principal;
- Liquidity;
- Diversification; and,
- Yield
- Public Trust

SECTION IV INVESTMENT OBJECTIVES

A. SAFETY OF PRINCIPAL

The primary objective of all investment activity is the preservation of capital and the safety of principal in the overall portfolio. Each investment transaction shall seek to ensure first that capital losses are avoided, whether they are from securities defaults or erosion of market value. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

- Credit Risk - The PSB will minimize credit risk, the risk of loss due to failure of the security issuer backer, by:
 - Limiting investments to the safest types of securities
 - Pre-qualifying the financial institutions and broker/dealers with which the PSB will do business
 - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
- Interest Rate Risk - The PSB will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:
 - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
 - Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pool.

B. MAINTENANCE OF ADEQUATE LIQUIDITY

The investment portfolio will remain sufficiently liquid to meet the cash flow requirements that might be

reasonably anticipated. Liquidity shall be achieved by matching investment maturities with forecasted cash flow requirements; investing in securities with active secondary markets; and maintaining appropriate portfolio diversification.

C. YIELD

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

D. PUBLIC TRUST

All participants in the PSB investment process shall seek to act responsibly as custodians of the public. Investment officials shall avoid any transactions which might impair public confidence in the PSB's ability to operate.

SECTION V INVESTMENT PROCEDURES A

A. AUTHORIZED INVESTMENTS

Investments described below are authorized by Chapter 2256, Texas Government Code, as eligible securities for the PSB. The purchase of specific issues may at times be restricted or prohibited by the Investment Committee. PSB funds may be invested in:

1. Obligations of the United States or its agencies and instrumentalities, excluding mortgage backed securities, collateralized mortgage obligations and real estate mortgage investment conduits.
2. Direct obligations of the State of Texas, or its agencies and instrumentalities.
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas, or the United States, or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicitly full faith and credit of the United States. Excluding mortgage backed securities, collateralized mortgage obligations and real estate mortgage investment conduits,
4. Other obligations of states, agencies, counties, cities, and other political subdivisions of any State

having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

5. Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution that has its main office or a branch office in Texas, and secured by obligations described by #1 above, which are eligible investments under the Public Funds Investment Act, pledged with a third party selected or approved by the PSB, and having a market value of not less than the principal amount of the funds disbursed. The term includes direct security repurchase agreements and reverse repurchase agreements structured in compliance with the Texas Government Code and purchased only through approved Investment Pools or Money Market Mutual Funds. All PSB repurchase agreement transactions shall be governed by a signed Master Repurchase Agreement.

6. Certificates of deposit issued by state and national banks and/or depository institutions that has its main office or a branch office in Texas and is:
 - a. Guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor, or insured by the National Credit Union Share Insurance Fund or its successor and is secured by obligations that are obligations under the law and described by #1-4 above, which are intended to include all direct Federal agency or instrumentality issued mortgage backed securities, but excluding those mortgage backed securities of the nature described in Section 2256.009(b) of the Texas Government Code, that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the PSB;
 - b. Governed by a Depository Contract, that complies with Federal and State regulation to properly secure a pledged security interest; and,
 - c. Solicited for bid orally, in writing, electronically, or any combination of those methods.
 - d. In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:
 - 1) The funds are invested by an investing entity through:

A) A broker that has a main office or a branch office in this state and is selected from a list adopted by the investing entity as required by section 2256.025: or

- 2) The broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;
- 3) The full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States;
- 4) The investing entity appoints the depository institution selected by the investing entity under Subdivision (1) an entity described by Section 2257.041 (d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity;

7. Eligible money market funds must provide PSB with a fund prospectus.

(a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with and regulated by the Securities and Exchange Commission;
- (2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.);
- (3) has a dollar-weighted average stated maturity of 90 days or fewer; and
- (4) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with the Securities and Exchange Commission;
- (2) has an average weighted maturity of less than two years;
- (3) is invested exclusively in obligations approved by this subchapter;
- (4) is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
- (5) conforms to the requirements set forth in Sections 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.

(c) An entity is not authorized by this section to:

- (1) The PSB may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund or exceeds 80% of the PSB's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service in money market mutual funds.

8. Eligible Investment Pools as defined in Section 2256.016 of the Texas Government Code, provided that:

(a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

- (1) the types of investments in which money is allowed to be invested;

(2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

(3) the maximum stated maturity date any investment security within the portfolio has;

(4) the objectives of the pool;

(5) the size of the pool;

(6) the names of the members of the advisory board of the pool and the dates their terms expire;

(7) the custodian bank that will safekeep the pool's assets;

(8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;

(9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;

(10) the name and address of the independent auditor of the pool;

(11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; and

(12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

(1) investment transaction confirmations; and

(2) a monthly report that contains, at a minimum, the following information:

- (A) the types and percentage breakdown of securities in which the pool is invested;
- (B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
- (C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
- (D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;
- (E) the size of the pool;
- (F) the number of participants in the pool;
- (G) the custodian bank that is safekeeping the assets of the pool;
- (H) a listing of daily transaction activity of the entity participating in the pool;
- (I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;
- (J) the portfolio managers of the pool; and
- (K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005. In

addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool created to function as a money market mutual fund shall report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

g) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsection (b), (c)(2), and (f) must be posted on the website.

(h) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(i) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must:

1) be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

2) Make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(j) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels if return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

B. NOT AUTHORIZED

1. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
2. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.
3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
4. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts

opposite to the changes in a market index.

5. Neither shall investments be made in obligations that are secured by these prohibited investments.
6. Collateral debt obligations (CDOs) structured asset-backed securities that are issued by special purpose entities and collateralized by debt obligations including bonds and loans.

C. PROTECTION OF PRINCIPAL

The PSB shall seek to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in these Rules and Regulations, by collateralization as required by law, and through portfolio diversification by maturity and type.

The purchase of individual securities shall be executed "delivery versus payment" (DVP) through the PSB Safekeeping Agent. By so doing, PSB funds are not released until the PSB has received, through the Safekeeping Agent, the securities purchased.

1. Diversification by Investment Type

Diversification by investment type shall be maintained by ensuring an active and efficient secondary market in portfolio investments and by controlling the market and opportunity risks associated with specific investment types. Risk is controlled through portfolio diversification which shall be achieved by the following general guidelines:

- Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities)
- Limiting investments in securities that have a higher credit risks,
- Investing in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds.

Diversification by investment type shall be established by the following maximum percentages of investment type to the total PSB investment portfolio:

- U.S. Government Securities 100%
- State, Agencies, Counties, Cities, and Other 50%
- Certificates of Deposit..... 50%
- Money Market Mutual Funds..... 80%

- Eligible Investment Pools100%

Bond proceeds may be invested in a single security or investment if the Chief Financial Officer determines that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage record keeping and calculation.

2. Diversification by Investment Maturity

In order to minimize risk of loss due to interest rate fluctuation, investment maturities will not exceed the anticipated cash flow requirements of the funds.

Maturity guidelines by fund are as follows:

a. Operating Fund

The weighted average days to maturity for the operating fund portfolio shall be less than 270 days and the maximum allowable maturity shall be two years.

b. Improvement & Construction Funds

The investment maturity of construction fund proceeds (excluding reserve and debt service funds) shall generally be limited to the anticipated cash flow requirement or the “temporary period,” as defined by Federal tax law. Improvement & Construction funds may be invested for three years at an unrestricted yield. After the expiration of the temporary period, construction fund proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds and market conditions to achieve compliance with the applicable regulations.

c. Debt Service Reserve Funds

Market conditions, Bond Ordinance constraints and arbitrage regulations compliance will be considered when formulating Debt Service Reserve Fund strategy. Maturity limitations shall generally not exceed the call provisions of the Bond Ordinance and shall not exceed the final maturity of the bond issue or five years, whichever is shorter.

d. Debt Service Funds

Debt Service Funds shall be invested to ensure adequate funding for each consecutive debt service payment. The Investment Officers shall invest in such a manner as not to exceed an “unfunded” debt service date with the maturity of any investment. An

unfunded debt service date is defined as a coupon or principal payment date that does not have cash or investment securities available to satisfy said payment.

PSB funds that are considered “bond proceeds” for arbitrage purposes will be invested using a more conservative approach than the standard investment strategy when compliance with the arbitrage regulations will result in a rebating of any excess earnings.

3. Ensuring Liquidity

Liquidity shall be achieved by anticipating cash flow requirements by investing in securities with active secondary markets and by investing in eligible money market mutual funds and local government investment pools.

A security may be liquidated to meet unanticipated cash requirements, to re-deploy cash into other investments expected to outperform current holdings, or otherwise to adjust the portfolio.

4. Collateralization

Consistent with the State law, the PSB requires all deposits in depository institutions to be insured. Amounts not insured must be collateralized with eligible securities. Financial institutions serving as PSB Depositories will be required to sign a Depository Agreement with the PSB and the PSB safekeeping agent. The safekeeping portion of the Agreement shall define the PSB rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- The Agreement must be in writing;
- The Agreement has to be executed by the Depository and the PSB contemporaneously with the acquisition of the asset;
- The Agreement must be approved by the Board or the Loan Committee of the Depository and a copy of the meeting minutes must be delivered to the PSB; and,
- The Agreement must be part of the Depository’s “official record” continuously from its execution.

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the PSB to require full collateralization of all PSB investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities. At its discretion, the PSB may require a higher level of collateralization for

certain investment securities. Securities pledged as collateral shall be held by an independent third party with whom the PSB has a current custodial agreement. The Chief Financial Officer is responsible for entering into collateralization agreements with third party custodians in compliance with this Policy. The agreements are to specify the acceptable investment securities for collateral, including provisions relating to possession of the collateral, the substitution for release of investment securities, ownership of securities, and the method of valuation of securities. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the PSB and retained. Collateral shall be reviewed at least weekly to assure the market value of the pledged securities is adequate.

a. Allowable Collateral

The Public Service Board shall accept only the following securities as collateral:

- ▲ FDIC and NCUA insurance coverage.
- ▲ A bond, certificate of indebtedness, or Treasury Notes of the United States, or other evidence of indebtedness of the United States that is guaranteed as a principal and interest by the United States.
- ▲ Obligations, the principal and interest on which, are unconditionally guaranteed or insured by the State of Texas.
- ▲ A bond of the State of Texas or of a county, city or other political subdivision of the State of Texas having been rated as investment grade (investment rating no less than "A" or its equivalent) by a nationally recognized rating agency with a remaining maturity of ten (10) years or less.
- ▲ Surety Bonds

b. Collateral Levels

In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC and NCUA.

c. Monitoring Collateral Adequacy

The PSB shall require monthly reports with market values of pledged securities from all financial institutions with which the PSB has collateralized deposits. The Investment Officers will monitor adequacy of collateralization levels to verify market values and total collateral positions.

d. Additional Collateral and Securities

If the collateral pledged for a certificate of deposit falls below the par value of the deposit, plus accrued interest less FDIC insurance, the institution issuing the Collateralized Deposit will be notified by the Investment Officers and will be required to pledge additional securities no later than the end of the next business day.

e. Collateral Substitution

Collateralized certificates of deposit often require substitution of collateral. Any financial institution requesting substitution must contact the Investment Officers for approval and settlement. The substituted security's value will be calculated and substitution approved if its value is equal to or greater than the required security level. The Investment Officers, or their designee, must provide written notification of the decision to the bank or the safekeeping agent holding the security prior to any security release. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The Investment Officers may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

f. Subject to Audit

All collateral shall be subject to inspection and audit by the EPWU Chief Financial Officer or the PSB's independent auditors.

5. Safekeeping

a. Safekeeping Agreement

The PSB shall contract with a bank or other depository institutions for the safekeeping of securities either owned by the PSB as a part of its investment portfolio or as part of its depository.

b. Safekeeping of Collateralized Deposits Collateral

All collateral securing bank or other depository institutions deposits must be held by a third-party banking institution acceptable to and under contract with the PSB, or by the Federal Reserve Bank, except the collateral for certificates of deposits in banks. The collateral for certificates of deposits in banks will be registered in the PSB's name in the bank's trust department or, alternatively, in a Federal Reserve Bank account in the PSB's name, or a third party bank in the PSB's name, at the PSB's discretion. Original

safekeeping receipts shall be obtained.

D. INVESTMENT ADVISORS AND INVESTMENT PROVIDERS

Investment Advisors are brokers/dealers, banks, and other financial institutions who may participate in the management or handling of PSB cash and investments.

Investment Advisors shall adhere to the spirit, philosophy and specific term of these Rules and Regulations and shall invest within the same "Standard of Care". Investment Providers shall adhere to the spirit and philosophy of these Rules and Regulations and shall avoid recommending or suggesting transactions outside that "Standard of Care".

The Investment Officers will establish criteria to evaluate Investment Advisors and Investment Providers, including:

- Investment performance and transaction pricing within accepted risk constraints;
- Understanding of the inherent fiduciary responsibility of investing public funds; and,
- Similarity in philosophy and strategy with the PSB objectives.
- Adherence to the PSB policies, procedures and strategies;
- Responsiveness to the PSB request for services, information, and open communication;

Business organizations eligible to transact investment business with the PSB shall be presented a written copy of this Investment Policy. Additionally, the registered principal of the business organization seeking to transact investment business shall execute a written instrument substantially to the effect that the registered principal has: (1) received and reviewed this Investment Policy; and, (2) acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities with the PSB.

The PSB shall not enter into an investment transaction with a business organization prior to receiving the written instrument described above.

E. SELECTION OF BANKS AND DEALERS

1. Authorized Brokers/Dealers

Selection of Investment Advisors and Providers will be performed by the PSB. The PSB shall

select dealers reporting to the Market Reports Division of the Federal Reserve Bank of New York, also known as “Primary Government Security Dealers”, or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule.)

Selected Investment Advisors and Providers shall provide timely transaction confirmations and monthly activity reports.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following as appropriate:

- audited financial statements
- completed broker/dealer questionnaire
- certification of having read and understood the PSB’s investment policy and agreeing to comply with the policy

The PSB Investment Committee shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

2. Competitive Bids

Competitive quotes must be taken from at least three qualifying institutions for any investment transaction. Investment transactions may be done orally, but followed by electronic or written confirmation. Funds will be authorized to be released after notification that the purchased security has been received. Written confirmation shall be received from the financial institution or broker/dealer. All investments purchased will be held in safekeeping at a third party custodial institution with safekeeping receipt being sent to the PSB.

3. Delivery vs. Payment

Securities shall be purchased using the delivery vs payment method with the exception of investment pools and mutual funds. Funds shall not be wired or paid until verification has been made that the Trustee received the correct security. The security shall be held in the name of the PSB or held on behalf of the PSB. The Trustee’s records shall assure the notation of the PSB’s ownership of or explicit claim on the securities. The original copy of all safekeeping receipts shall be delivered to the PSB.

4. Depository

At least every five years a Depository shall be selected through the PSB's banking service procurement process, which shall include a formal request for proposal (RFP). The selection of a depository will be determined by competitive bid and evaluation of bids will be based on the following selection criteria:

- The ability to qualify as a depository for public funds in accordance with state and local laws.
- The ability to provide requested information or financial statements for the periods specified.
- The ability to meet all requirements in the banking RFP.
- Complete response to all required items on the bid form.
- Lowest net banking service cost, consistent with the ability to provide an appropriate level of service.
- The credit worthiness and financial stability of the bank.

F. RESPONSIBILITY AND CONTROLS

1. Authority to Invest

The Chief Financial Officer, Vice President, Treasury Manager, and Fiscal Operations Manager are the "Investment Officers" of the PSB. As Investment Officers, they are authorized to deposit, withdraw, invest, transfer, execute documentation, and otherwise manage PSB funds according to these Rules and Regulations.

The Chief Financial Officer and designated Investment Officers must attend ten (10) hours of training within twelve (12) months of taking office. The Chief Financial Officer and designated investment officers must attend ten (10) hours of training relating to investment responsibilities not less than once in a two year period that begins on the first day of that local government fiscal year and consists of the two consecutive fiscal years after that date. The investment training session shall be provided by an independent source approved by the PSB. For purposes of this policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institute of higher learning or any other sponsor other than a business organization with whom the PSB may engage in an investment transaction.

2. Prudent Investment Management

The designated Investment Officers shall perform their duties in accordance with the adopted Investment Policy and internal procedures. In determining whether an adopted Investment Officer has exercised prudence with respect to an investment decision, the investment of all funds over which the Investment Officer had responsibility, rather than the prudence of a single investment, shall be considered. Investment Officers, acting in good faith and in accordance with these policies and procedures, shall be relieved of personal liability.

3. Standard of Care

The standard of care used by the PSB shall be the “prudent investor rule”, and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The Public Funds Investment Act states:

“Investments shall be made with judgment and care, under circumstances then prevailing, that a person of prudence, discretion and intelligence would exercise in the management of the person’s own affairs, not for speculation but for investment, considering the probable safety of capital and the probable income to be derived.”

4. Standard of Ethics

The designated Investment Officers shall act as custodians of the public trust, avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. Investment Officers shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally, all Investment Officers shall file with the Texas Ethics Commission and the Board a statement disclosing any personal business relationship with an entity seeking to sell investments to the PSB or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to the PSB. For purposes of this policy, an investment official has a personal business relationship with a business organization if:

- the investment official owns 10 percent or more of the voting stock or shares of the organization or owns \$5,000 or more of the fair market value of the business organization;
- funds received by the investment official from the business organization exceed 10 percent

of the investment official's gross income for the previous year;

- the investment official has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment official.

5. Establishment of Internal Controls

The Chief Financial Officer will maintain a system of internal controls over the investment activities of the PSB.

6. Reporting

Investment performance will be monitored and evaluated by the Investment Officers. The Investment Officers will provide a quarterly comprehensive report signed by all to the Board. This investment report must:

- Contain a summary statement of each pooled fund group that states the:
 - a) Beginning market value for the reporting period
 - b) Ending market value for the period
- Describe in detail the investment position of the PSB;
- State the reporting period market value of each pooled fund group;
- State the reporting period book value, market value and accrued interest for each investment security at the end of the reporting period by asset type and fund type;
- State the maturity date of each investment security;
- State the fund for which each investment security was purchased; and,
- State the compliance of the investment portfolio with the PSB's Investment Policy and Investment Strategy Statement, and the Public Funds Investment Act.

The PSB, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the PSB's investment policies, procedures and strategies.

7. Portfolio Pricing

Current market prices for individual securities held in the portfolio shall be obtained at least quarterly. This will ensure that the minimal amount of review has been performed on the investment portfolio in terms of value and subsequent price volatility. These prices should be obtained from a reputable source including, but not limited to the Wall Street Journal, Bloomberg Capital Markets, PSB's safekeeping agent and broker/dealers other than those who originally sold

the security to the PSB.

G. PERFORMANCE

1. Performance Standards

The PSB's investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio shall be designed with the objective of obtaining a rate of return through budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of the PSB.

2. Performance Benchmarks

It is the policy of the PSB to purchase investments with maturity dates coinciding with cash flow needs. Through this strategy, the PSB attempts to purchase the highest yielding allowable investments available on the market at that time. Market value will be calculated on a quarterly basis on all securities owned and compared to current book value of those securities to determine portfolio performance during the period of time. The PSB's portfolio shall be designed with the objective of regularly meeting or exceeding the average rate of return on U.S. Treasury Bills at a maturity level comparable to the PSB's weighted average maturity in days.

ATTACHMENT A INVESTMENT STRATEGY STATEMENT

A. PREFACE

It is the policy of the PSB that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal investment regulations, applicable Bond Ordinance requirements, adopted Investment Policy and Investment Strategy.

In accordance with the Public Funds Investment Act, the PSB strategies shall address the following objectives (in order of importance):

- ◆ Understanding the suitability of the investment to the financial requirements of the PSB;
- ◆ Preservation and safety of principal;
- ◆ Liquidity;
- ◆ Marketability of the investment if the need arises to liquidate the investment prior to maturity; and,
- ◆ Yield.

Effective investment strategy development coordinates the primary objectives of the PSB investment policies and procedures and cash management practices with investment security risk/return analysis to enhance interest earnings and reduce investment risk. Aggressive cash management will be used to increase the available “investment period”. Maturity selections shall be based on cash flow and market conditions to take advantage of interest earnings as a viable and material revenue to all PSB funds. The PSB’s portfolio shall be designed and managed in a manner responsive to the public trust and consistent with the PSB’s policies and procedures.

Each major fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund’s unique requirements. PSB funds shall be analyzed and invested according to the following major fund types:

- ◆ Operating Funds;
- ◆ Improvement and Construction Funds;
- ◆ Debt Service Reserve Funds; and,
- ◆ Debt Service Funds.

B. INVESTMENT STRATEGY

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investing guidelines by fund type are as follows:

1. Operating Funds

a. Suitability

Any investment eligible in the Investment Policy is suitable for the Operating Funds.

b. Safety of Principal

All investment will be of high quality securities with no perceived default risk. Market price fluctuations will be managed by the weighted average days to maturity for the Operating Pool portfolio to less than 270 days and restricting the maximum allowable maturity to two years, the price volatility of the overall portfolio will be minimized.

c. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirements. Historical market “spreads” between the bid and offer prices of a particular security-type of less than a quarter of a percentage point shall define an efficient secondary market.

d. Liquidity

The Operating Fund requires the greatest short term liquidity of any of the fund types. Short term investment pools and money market mutual funds shall provide daily liquidity and may be used as a competitive yield alternative to fixed maturity investments.

e. Diversification

Investment maturities shall be staggered throughout the budget cycle to provide cash flow based on the anticipated operating needs of the PSB. Market cycle risk will be reduced by diversifying the appropriate maturity structure throughout two years.

f. Yield

Attaining a competitive yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three month treasury bill portfolio shall be the minimum yield objective.

2. Improvement & Construction Funds

a. Suitability

Any investment eligible in the Investment Policy is suitable for the Improvement & Construction Fund.

b. Safety of Principal

All investments will be of high quality securities with no perceived default risk. Market price fluctuations will however occur, by managing the Improvement & Construction Fund's portfolio to not exceed the anticipated expenditure schedule the market risk of the overall portfolio will be minimized.

c. Marketability

Securities with active and efficient secondary markets are necessary in the event of an unanticipated cash requirement. Historical market "spreads" between the bid and offer prices of a particular security - type of less than a quarter of a percentage point shall define an efficient secondary market.

d. Liquidity

Improvement & Construction funds used for construction programs have reasonably predictable draw down schedules. Therefore investment maturities shall generally follow the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide readily available funds generally equal to one month's anticipated cash flow needs, or a competitive yield alternative for short term fixed maturity investments

e. Diversification

Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for bond proceeds. Generally, if investment rates exceed the applicable arbitrage yield for a specific bond issue, the PSB is best served by locking in most investments. If the arbitrage yield cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger lumps. At no time shall the anticipated expenditure schedule be exceeded in an attempt to bolster yield.

f. Yield

Achieving a positive spread to the applicable arbitrage yield is the desired objective for Bond Proceeds. For other Improvement & Construction Funds, the yield of an equally weighted, rolling three month treasury bill portfolio shall be the minimum yield objective.

3. Debt Service Reserve Funds

a. Suitability

An investment eligible in the Investment Policy is suitable for the Debt Service Reserve Funds. Bond Ordinance and loan documentation constraints and insurance company restrictions may create specific considerations in addition to the Investment Policy.

b. Safety of Principal

All investments will be of high quality securities with no perceived default risk. Market price fluctuations will however occur, by managing the Debt Service Reserve Fund's portfolio maturities to not exceed the call provisions of the borrowing will reduce the investment's market risk if the PSB's debt is redeemed and the reserve fund liquidated. No investment maturity shall exceed the final maturity of the borrowing or five years, whichever is shorter. Annual market-to-market requirements or specific maturity and average life limitations within the borrowing's documentation will influence the

attractiveness of market risk and may reduce the opportunity for maturity extensions.

c. Marketability

Securities with less active and efficient secondary markets are acceptable for Debt Service Reserve Funds.

d. Liquidity

Debt Service Reserve Funds have no anticipated expenditures. The funds are deposited to provide annual debt service payment protection to the PSB's debt holders. The funds are "returned" to the PSB at the final debt service payment. Market conditions and arbitrage regulation compliance determine the advantage of security diversification and liquidity. Generally if investment rates exceed the cost of borrowing, the PSB is best served by locking in investment maturities and reducing liquidity. If the borrowing cost cannot be exceeded, then concurrent market conditions will determine the attractiveness of locking in maturities or investing in shorter and anticipating future increase yields.

e. Diversification

Market conditions and the arbitrage regulations influence the attractiveness of staggering the maturity of fixed rate investments for Debt Service Reserve Funds. At no time shall the final debt service payment date of the bond issue be exceeded in an attempt to bolster yield.

f. Yield

Achieving a positive spread to the applicable borrowing cost is the desired objective. Debt Service Reserve Fund portfolio management shall at all time operates within the limits of the Investment Policy's risk constraints.

4. Debt Service Funds

a. Suitability

Any investment eligible in the Investment Policy is suitable for the Debt Service Fund.

b. Safety of Principal

All investments will be of high quality securities with no perceived default risk. Market price fluctuations will however occur, by managing the Debt Service fund's portfolio to not

exceed the debt service payment schedule the market risk of the overall portfolio will be minimized.

c. Marketability

Securities with active and efficient secondary markets are not necessary as the event of an unanticipated cash requirement is not probable.

d. Liquidity

Debt Service funds have predictable payment schedules. Therefore investment maturities shall not exceed the anticipated cash flow requirements. Investment pools and money market mutual funds shall provide a competitive yield alternative for short term fixed maturity investments.

e. Diversification

Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. Generally if investment rates exceed the applicable arbitrage yield for a specific bond issue, the PSB is best served by locking in most investments. If the arbitrage yield cannot be exceeded, then concurrent market conditions will determine the attractiveness of diversifying maturities or investing in shorter and larger lumps. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

f. Yield

Attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. The yield of an equally weighted, rolling three month treasury bill portfolio shall be the minimum yield objective.

PASSED, APPROVED, and ADOPTED the 24th day of January, 1996, by the Public Service Board of the City of El Paso, Texas.

RULES AND REGULATIONS NO. 10, SECTION II, MODIFIED, APPROVED, and ADOPTED this 9th day of October, 2002.

RULES AND REGULATIONS NO. 10, SECTION III(B), SECTION V(A)(6), SECTION V(A)(6)(a) AND SECTION V(C)(4)(a), MODIFIED, APPROVED, and ADOPTED the 14th day of January, 2004, by the Public Service Board of the City of El Paso, Texas.

RULES AND REGULATIONS NO. 10, SECTION II AND SECTION V(F)(1), MODIFIED, APPROVED, and ADOPTED the 27th day of April, 2005, by the Public Service Board of the City of El Paso, Texas.

RULES AND REGULATIONS NO. 10, SECTION II, SECTION III(B), SECTION V(A)(5), SECTION V(A)(6), SECTION V(A)(6)(a), SECTION V(C)(4), SECTION V(C)(4)(a), SECTION V(C)(4)(b), SECTION V(C)(5)(a) AND SECTION V(C)(5)(b), MODIFIED, APPROVED, and ADOPTED the 26th day of April, 2006, by the Public Service Board of the City of El Paso, Texas.

RULES AND REGULATIONS NO. 10, TABLE OF CONTENTS SECTION V(C)(2)(B); TABLE OF CONTENTS SECTION ATTACHMENT "A"(B)(2); SECTION II, SECTION III(B), SECTION IV(A), SECTION V (C)(2)(b); SECTION V(F)(1), ATTACHMENT "A" (A); ATTACHMENT "A" (B)(2)(a)(b)(d)(f), ADDED, MODIFIED, APPROVED, and ADOPTED the 12th day of December, 2007, by the Public Service Board of the City of El Paso, Texas.

RULES AND REGULATIONS NO. 10, SECTION V(A)(6)(D)(1)(2)(3)(4)(5); SECTION V (A)(7)(a)(1)(2)(3)(4); SECTION V(A)(7)(B)(1)(2)(3)(4)(5); SECTION V(A)(7)(c)(1); SECTION V(A)(8)(a)(b)(1)(2)(3)(4)(5); SECTION V(A)(7)(c)(1); SECTION V(A)(8)(c)(1)(2)(A)(B)(C)(D)(E)(F)(G)(H)(I)(J)(K); SECTION V(A)(8)(d)(e)(f)(g)(h); SECTION V(6)(B)(1)(2)(3)(4)(5), ADDED, MODIFIED, APPROVED, AND ADOPTED the 28th day of April 2010, by the Public Service Board of the City of El Paso, Texas.

RULES AND REGULATIONS NO. 10, SECTION " POLICY; SECTION V(A)(3); SECTION V(6)(d)(4)(5); SECTION V(8)(a); SECTION V(8)(c)(2)(l); SECTION V (8)(f)(g)(h)(i)(1)(2); SECTION V (B)(6); SECTION V(F)(1)(6), ADDED, MODIFIED, APPROVED, and ADOPTED the 11th day of April 2012, by the Public Service Board of El Paso, Texas.

RULES AND REGULATIONS NO. 10, SECTION II POLICY; SECTION V(A)(3); SECTION V(6)(d)(4)(5); SECTION V(8)(a); SECTION V(8)(c)(2)(l); SECTION V (8)(f)(g)(h)(i)(1)(2); SECTION V (B)(6); SECTION V(F)(1)(6), ADDED, MODIFIED, APPROVED, and ADOPTED the 11th day of April 2012, by the Public Service Board of El Paso, Texas.

RULES AND REGULATIONS NO. 10, SECTION II POLICY; SECTION V(A)(3); SECTION V(6)(d)(4)(5); SECTION V(8)(a); SECTION V(8)(c)(2)(l); SECTION V (8)(f)(g)(h)(i)(1)(2); SECTION V (B)(6); SECTION V(F)(1)(6), ADDED, MODIFIED, APPROVED, and ADOPTED the 9th day of April, 2014, by the Public Service Board of El Paso, Texas.

RULES & REGULATIONS NO. 10, APPROVED and ADOPTED the 8th day of April 2015, by the Public Service Board of the City of El Paso, Texas.

APPROVED AS TO FORM:


ROBERT D. ANDRON, GENERAL COUNSEL

PUBLIC SERVICE BOARD


DR RICHARD T. SCHOEPHOERSTER, CHAIR


TERRI GARCIA, SECRETARY-TREASURER