

**RESOLUTION REGARDING ANNUAL REVIEW OF THE INVESTMENT POLICY,  
CASH AND INVESTMENT MANAGEMENT PROCEDURES, AND THE LIST OF  
QUALIFIED BROKER/DEALERS OF THE COASTAL WATER AUTHORITY**

WHEREAS, Coastal Water Authority (the "Authority") is a governmental agency and a body politic and corporate created as a conservation and reclamation district pursuant to the Constitution and laws of the State of Texas, including Article XVI, Section 59, Texas Constitution, and Chapter 601, Acts of the 60th Texas Legislature 1967 (Regular Session), as amended (the "Act"); and

WHEREAS, in accordance with the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, and Section 49.157, Texas Water Code, as amended, the Board of Directors of the Authority (the "Board") has convened on this date to conduct an annual review of the Authority's investment policy and its list of qualified broker/dealers that are authorized to engage in investment transactions with the Authority, pursuant to Section 2256.025, Texas Government Code, as amended; and

WHEREAS, the Board desires to adopt an amended investment policy and an amended list of qualified broker/dealers that are authorized to engage in investment transactions with the Authority; Now, Therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COASTAL WATER AUTHORITY THAT:

Section 1. The definitions of terms contained in the Recitals to this Resolution are hereby incorporated and made part of this Resolution.

Section 2. The Board adopts the findings and recitations set out in the Recitals to this Resolution and finds them to be true and correct.

Section 3. The Board hereby adopts the amended Investment Policy of the Authority attached hereto as Exhibit A, which includes a list of qualified broker/dealers and the Authority's Cash and Investment Management Procedures, and confirms that same shall remain in effect until modified by action of the Board.

Section 4. The Board hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted for the time required by law preceding this meeting, and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter thereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

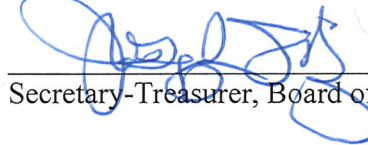
Section 5. This Resolution shall take effect and be in full force and effect upon and after its passage.

*[Signature page follows]*

PASSED AND APPROVED this 10th day of September, 2025.

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

  
\_\_\_\_\_  
Secretary-Treasurer, Board of Directors

(SEAL)



## CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS

COUNTY OF HARRIS

I, the undersigned officer of the Board of Directors of the Coastal Water Authority, hereby certify as follows:

1. The Board of Directors of the Coastal Water Authority (the "Authority") convened in regular session on the 10th day of September, 2025, at the regular meeting place thereof, inside the boundaries of the Authority, and the roll was called of the duly constituted officers and members of the board to-wit:

Tony L. Council, P.E.	President
Giti Zarinkelk, P.E.	2 <sup>nd</sup> Vice President
Joseph G. Soliz	Secretary-Treasurer
Jon M. "Mark" Sjolander	Assistant Secretary-Treasurer
Daniel G. "Dan" Huberty	Director
Hannah Kaplan	Director
Vacant	Director


and all of said persons were present, except Director(s) None, thus constituting a quorum. Whereupon, among other business, the following was transacted at the meeting: a written

### **RESOLUTION REGARDING ANNUAL REVIEW OF THE INVESTMENT POLICY, CASH AND INVESTMENT MANAGEMENT PROCEDURES, AND THE LIST OF QUALIFIED BROKER/DEALERS OF THE COASTAL WATER AUTHORITY**

was introduced for the consideration of the board. It was then duly moved and seconded that the resolution be adopted, and, after due discussion, the motion, carrying with it the adoption of the resolution, prevailed and carried unanimously.

2. That a true, full and correct copy of the aforesaid resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the resolution has been duly recorded in the board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the board as indicated therein; that each of the officers and members of the board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED the 10th day of September, 2025.



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Secretary-Treasurer, Board of Directors

(SEAL)

**EXHIBIT A**  
INVESTMENT POLICY  
SEPTEMBER 10, 2025

## INVESTMENT POLICY

This Investment Policy (this “Policy”) is adopted by the Board of Directors (the “Board”) of the Coastal Water Authority (“CWA”) pursuant to Chapter 2256 of the Texas Government Code, as amended (the “Investment Act”) and Chapter 49 of the Texas Water Code, as amended (“Chapter 49”), effective as of September 10, 2025.

### ARTICLE I PURPOSE AND OBJECTIVES

#### Section 1.01. Purpose.

This Policy with respect to CWA investments has been adopted to establish the principles and criteria by which the funds of CWA should be invested and secured and to comply with various provisions of Texas law relating to the investment and security of funds of CWA (the “Investment Laws”). As of the date of the adoption of this Policy, the following laws are applicable to the investment of CWA’s funds: Chapter 49; Section 404.101 et seq., Texas Government Code, as amended; Chapter 791, Texas Government Code, as amended; the Investment Act; and Chapter 2257, Texas Government Code, as amended (the “Collateral Act”). The Investment Laws generally provide the minimum criteria for the authorized investment and security of CWA’s funds and require CWA to adopt rules to ensure the investment of CWA’s funds in accordance with such laws. This Policy will specify the scope of authority of Officials who are responsible for the investment of CWA’s funds.

#### Section 1.02. Objectives.

The objectives of this Policy in order of importance are: (1) safety (understanding the suitability of the investment to the financial requirements of CWA and preservation and safety of principal); (2) liquidity (liquidity as needed to meet CWA’s operating requirements, taking into consideration operating and expense types and cycles and assurance of the marketability of the investment if the need arises to liquidate the investment before maturity); (3) diversification (diversification of CWA’s investment portfolio); and (4) yield (attaining the highest possible yield without compromising the first three objectives).

### ARTICLE II DEFINITIONS

#### Section 2.01. Definitions.

Unless the context requires otherwise, capitalized terms shall have the meanings assigned to such terms in the preamble and Article I, and the following terms and phrases used in this Policy shall mean the following:

- A. “Assistant Investment Officer” means the Executive Director, who is also authorized to invest or re-invest the funds of CWA held in its various accounts.
- B. “Authorized Collateral” means any means or method of securing the deposit of CWA’s funds authorized by the Collateral Act.

- C. “Authorized Investment” means any security which CWA is authorized to invest under the Investment Act, as limited by Section 6.01 of this Policy.
- D. “Chief Investment Officer” means the Finance Manager, who is authorized to invest or re-invest the funds of CWA held in its various accounts.
- E. “Collateral” means any means or method of securing the deposit of CWA’s funds under Article V hereof.
- F. “Construction and Development Funds” means the funds of CWA used primarily for capital infrastructure improvements.
- G. “CWA Officials” means the Directors, Officers, Employees, and persons and business entities engaged in the handling of CWA’s funds.
- H. “Director” means a person appointed to serve on the Board.
- I. “Employee” means any person employed by CWA, but does not include independent contractors or professionals hired by CWA as outside consultants, such as CWA’s financial advisor.
- J. “Equity Fund” means the special project equity fund maintained by CWA.
- K. “Executive Director” means the Employee hired by the Board to serve as the Executive Director of CWA.
- L. “FDIC” shall mean the Federal Deposit Insurance Corporation or its successor.
- M. “Finance Manager” means the Employee hired by the Executive Director to serve as the Finance Manager of CWA.
- N. “Funds” means, collectively, the Operating Funds, the Reserve and Contingency Funds, the Construction and Development Funds, the Equity Fund and the Pension Fund.
- O. “Investment Advisor” means a professional consultant or consulting firm engaged by CWA for the purpose of providing advice with respect to the investment of CWA’s funds.
- P. “Investment Officers” means the Chief Investment Officer and the Assistant Investment Officer.
- Q. “Officer” means the Executive Director.
- R. “Operating Funds” means five funds used by CWA to accomplish the day-to-day mission of CWA of pumping, transporting, conveying and in certain circumstances treating surface water in CWA’s service area. The Operating Funds account for the personnel, supplies, materials, utilities, administrative and general operating expenses to accomplish the individual funds’ respective objectives.

- S. "Pension Fund" means the fund maintained by CWA for the pension plan for Employees.
- T. "Qualified Representative" means a person who holds a position with a business organization, who is authorized to act on behalf, of that organization, and who is one of the following: (1) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers; (2) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution; or (3) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool.
- U. "Repurchase Agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations of the United States or its agencies and instrumentalities, the principal and interest of which are a direct obligation of or are guaranteed by the United States or any of its agencies, in market value of not less than the principal amount of the funds disbursed. The term "Repurchase Agreement" does not include reverse repurchase agreements.
- V. "Reserve and Contingency Funds" means the various funds maintained by CWA to provide emergency access to additional funds in the event of unforeseen or emergency situations that may arise, that may not be able to be accommodated in CWA's various Operating Funds. Each of these Reserve and Contingency Funds are supported by the applicable service contract or previous bond ordinance that has been continued by actions of the Board.

### ARTICLE III RESPONSIBILITIES OF KEY PERSONNEL

#### Section 3.01. Disclosure Requirements.

CWA Officials involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment function or could impair their ability to make impartial decisions. CWA Officials shall disclose to the Board any material financial interest in financial institutions that conduct business with CWA.

#### Section 3.02. Disclosures of Relationships with Entities Offering to Enter into Investment Transactions with CWA.

The Investment Officer(s) shall disclose in writing (a) any "personal business relationship" with a business organization offering to engage in an investment transaction with CWA and (b) any relationship within the second degree by affinity or consanguinity, as determined by Chapter 573, Texas Government Code, as amended, to any individual seeking to sell an investment to CWA, as required by the Investment Act. For the purposes of this Policy, an Investment Officer has a personal business relationship with a business organization if: (1) The Investment Officer



owns ten percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization; (2) funds received by the Investment Officer from the business organization exceed ten percent of the Investment Officer's gross income for the previous year; or (3) the Investment Officer 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 Officer.

Such disclosure statements regarding "personal business relationships" shall be filed with the Board and the Texas Ethics Commission.

#### Section 3.03. Finance and Audit Committee.

To assist the Finance Manager with his or her responsibility for investment of CWA's funds, a Finance and Audit Committee has been established. The Finance and Audit Committee shall consist of three members of the Board appointed by the President of the Board. The Finance and Audit Committee shall meet at least on a quarterly basis and as called for by the Board or an Officer. The major responsibilities of the Finance and Audit Committee as they relate to the Policy are:

- A. Establish investment and accounting controls and procedures in accordance with this Policy; including an annual compliance audit as required by the Investment Laws.
- B. Recommend eligible security dealers and banks to the Board and prepare a list of authorized brokers for the Board's approval with which the Finance Manager may transact business;
- C. Establish bid specifications and a bidding process to select banks to act as depositories for CWA's funds when directed by the Board;
- D. Consider and recommend investment strategies to the Board;
- E. Annually review and recommend changes to the Policy and investment strategies for Board action and approval; and
- F. Establish surety or fidelity bond requirements for all CWA Officials in such amount as may be recommended and approved by the Board.

#### Section 3.04. Finance Manager.

The responsibility for the investment of CWA's funds resides with the Board and the Investment Officers. The Board has authorized the Investment Officers to manage CWA's investments. The Finance Manager is responsible for managing CWA's investment portfolio, consistent with the guidelines approved by the Board and set forth in this Policy. The responsibilities of the Finance Manager are to:

- A. Implement the Policy established by the Board;

- B. Recommend changes or additions to the existing Policy to the Finance and Audit Committee;
- C. Prepare investment strategies for consideration by the Finance and Audit Committee and adoption by the Board;
- D. Furnish monthly financial reports on the investment portfolio to the Board. These reports shall contain information on securities held, market value, and maturity distribution;
- E. Prepare jointly with other Investment Officer(s) and submit to the Board a quarterly written report of investment transactions for all funds of CWA for the preceding quarter in accordance with Section 2256.023 of the Investment Act ("Internal Management Report"). Such report shall (1) describe in detail the investment position of CWA on the date of the report, (2) be prepared jointly by all of the Investment Officers, (3) be signed by all Investment Officers, (4) contain a summary statement of each pooled fund group that shows the beginning and ending market values for the reporting period and the fully accrued interest for the reporting period, (5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested; (6) state the maturity date of each separately invested asset that has a maturity date, (7) state the account or CWA fund for which each individual investment was acquired, and (8) state the compliance of the investment portfolio as it relates to the Policy and investment strategies of CWA and the Investment Laws;
- F. Have the reports described by Subsection (E) above formally reviewed at least annually by an independent auditor, and the results of the review reported to the Board by the auditor;
- G. Invest CWA's funds in accordance with these Policy guidelines, State law, and CWA bond resolutions;
- H. Consult with the Investment Advisor, if an Investment Advisor has been employed by CWA for such purpose, on any investment transactions for investments with a maturity of more than six months;
- I. Handle all broker/dealer inquiries, including (1) presenting this Policy to any person or business organization offering to engage in an investment transaction with CWA, including investment pools if applicable, and (2) obtaining from the qualified representative of that business organization offering to engage in an investment transaction with CWA a written certification, signed by the qualified representative and acknowledging (A) such person's receipt and review of this Policy and (B) the implementation by the business organization of reasonable procedures and controls in an effort to preclude investment transactions conducted between such organization and CWA that are not authorized by this Policy, except to the extent that such authorization is dependent on an analysis of the makeup of

CWA's entire portfolio or requires an interpretation of subjective investment standards (an acceptable form of this certification is attached as Appendix "A");

- J. Handle the transfers of securities, collateral, and monies on all transactions; and
- K. After consulting with CWA's attorneys, review this Policy at the end of each session of the Texas Legislature for compliance with State law and make recommendations to the Board regarding any required changes.

Section 3.05. Standard of Care.

Investments shall be made with judgment and care under prevailing circumstances 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. Such standard shall be applied in the context of managing the overall portfolio of investments of CWA. The Investment Officer acting in accordance with this Policy and exercising due diligence shall be relieved of personal responsibility for the credit risk of market price changes of securities, provided that deviations from expectation are reported in a timely fashion, and appropriate action is taken to control adverse developments. In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration: (1) the investment of all funds, or funds under CWA's control, over which the Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and (2) whether the investment decision was consistent with this Policy.

Section 3.06. Training.

Each Investment Officer shall attend at least one training session relating to the Investment Officer's responsibilities under the Investment Act containing at least six (6) hours of instruction from an independent source approved by the Board or the Finance and Audit Committee, not later than the first anniversary of the date the Investment Officer assumes duties as Investment Officer, and attend at least four (4) hours of additional training from an independent source approved by the Board within each two-year period after the first year.

ARTICLE IV  
PROCEDURES FOR INVESTMENT OF CWA MONIES

Section 4.01. Qualified Broker/Dealers.

The following are the qualified broker/dealers with whom CWA may engage in investment transactions:

- A. JPMorgan Securities, Inc.
- B. Hilltop Securities
- C. J. P. Morgan Chase Bank, N.A.
- D. Frost Bank/Frost National Bank

- E. Bank of New York Mellon
- F. Stifel, Nicolaus and Co.
- G. FHN Financial
- H. Samuel A. Ramirez & Co., Inc.
- I. Cantor Fitzgerald
- J. Zions Bancorporation, N.A.

Section 4.02. Certifications from Sellers of Investments.

The Investment Officer(s) or CWA Officials shall present this Policy to any person or business organization offering to engage in an investment transaction with CWA and obtain the certificate that such potential seller has reviewed the Policy as provided in the Investment Act. This certificate shall be in a form acceptable to CWA and shall state that the potential seller has received and reviewed the Policy and has acknowledged receiving the Policy. A form of certificate acceptable to CWA is attached hereto as Appendix "A."

Section 4.03. Solicitation of Bids for Certificates of Deposit.

Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods, as determined by the Finance and Audit Committee.

Section 4.04. Settlement Basis.

All purchases of investments, except investment in investment pools or in mutual funds, shall be made on a delivery versus payment basis. The safekeeping entity for all CWA investments and for all Collateral pledged to secure CWA's funds shall be one approved by the Investment Officer(s).

Section 4.05. Monitoring of the Market Value of Investments and Collateral.

The Investment Officer(s), with the help of such CWA Officials as needed, shall determine the market value of each investment and of all Collateral pledged to secure deposits of CWA's funds at least quarterly and at a time as close as practicable to the closing of the reporting period for investments all in accordance with Section 3.03(E) of this Policy. Such values shall be included on the Investment Management Report. The following methods shall be used:

- A. Certificates of deposit shall be valued at their face value plus any accrued but unpaid interest.
- B. Shares in money market mutual funds and investment pools shall be valued at par plus any accrued but unpaid interest.
- C. Other investment securities may be valued in any of the following ways:

- (1) the lower of two bids obtained from securities broker/dealers for such security;
- (2) the average of the bid and asked prices for such investment security as published in The Wall Street Journal or The New York Times;
- (3) the bid price published by any nationally recognized security pricing service; or
- (4) the market value quoted by the seller of the security or the owner of such Collateral.

Section 4.06. Transaction Confirmations.

All transactions, including purchases, maturities, sale, and income received, shall be confirmed in writing over the signature of two CWA Officials designated by separate Board resolution and shall conform to the custody account agreement between CWA and the designated institution. One of the required signatures shall be the Executive Director.

Section 4.07. Compliance with Policy.

All funds and accounts of CWA shall be invested in accordance with this Policy and shall comply with any additional requirements imposed by CWA bond resolutions and applicable State law or Federal tax law.

Section 4.08. Internal Accounting Controls.

The Executive Director shall establish a system of internal accounting controls which shall be documented in writing and approved by the Finance and Audit Committee. Assignment of duties shall be segregated so that no one individual is responsible for initiating, evaluating, approving and recording an investment transaction. The internal accounting controls shall be reviewed by the independent auditor in connection with the annual examination of the financial statements. The controls shall be designed to prevent losses of funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in the financial market, or imprudent actions by CWA Officials.

In order to promulgate Control Self-Assessment, the Executive Director shall report quarterly to the Finance and Audit Committee as to the monitoring of internal control activities.

Section 4.09. Monitoring the Rating Changes in Investments.

Consistent with Section 2256.021 of the Investment Act, the Investment Officers shall monitor all investments that require a minimum rating under Subchapter A of the Investment Act, and any such investment that does not have the minimum rating shall no longer constitute an authorized investment. CWA shall take all prudent measures consistent with this Policy to liquidate any such investment that does not have the required minimum rating.

ARTICLE V  
AUTHORIZED INVESTMENTS

Section 5.01. Authorized Investments.

- A. CWA's funds deposited with banks shall be fully collateralized as provided in Section 5.03 and shall be invested solely in the following Authorized Investments unless otherwise set out in CWA bond resolutions and trust indentures:
- (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities;
  - (2) direct obligations of the State of Texas or its agencies and instrumentalities;
  - (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
  - (4) other obligations the principal of and interest on which are unconditionally guaranteed or insured 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 FDIC or by the explicit full faith and credit of the United States;
  - (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state which are 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;
  - (6) bonds issued, assumed, or guaranteed by the State of Israel;
  - (7) interest-bearing banking deposits that are guaranteed or insured by (a) the Federal Deposit Insurance Corporation or its successor; or (b) the National Credit Union Share Insurance Fund or its successor;
  - (8) interest-bearing banking deposits other than those described by subdivision (7) above if:
    - (a) the funds invested in the banking deposits are invested through:
      - (i) a broker with a main office or branch office in the State of Texas that the CWA selects from a list the Board or the Finance and Audit Committee adopts as required by Section 2256.025 of the Investment Act; or
      - (ii) a depository institution with a main office or branch office in the State of Texas that CWA selects;

(b) the broker or depository institution selected as described in subsection (a) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for CWA's account;

(c) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and

(d) the investing entity appoints as the entity's custodian of the banking deposits issued for the CWA's account:

(i) the depository institution selected as described by subsection (a);

(ii) an entity described by Section 2257.041(d) of the Investment Act; or

(iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3);

(9) fully collateralized repurchase agreements that comply with the requirements of Section 2256.011 of the Investment Act; and

(10) an eligible investment pool as provided in Section 2256.016 of the Investment Act.

B. Notwithstanding anything to the contrary stated herein, no funds of CWA may be invested in the following or in any other type of investment prohibited by the Investment Act or other applicable law:

(1) investments or obligations issued, secured, or guaranteed by the Student Loan Marketing Association;

(2) Euro Dollars;

(3) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (IOs);

(4) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest (POs);

(5) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

- (6) collateralized mortgage obligations the interest rate of which are determined by an index that adjusts opposite to the changes in the market index (inverse floaters).

- C. Any law passed by the Texas Legislature limiting the scope of legal investments available to CWA shall be considered as included as a part of this Policy.

Section 5.02. Maximum Maturity.

The maximum maturity of any Authorized Investment shall not be greater than five (5) years with the exception of Repurchase Agreements, which shall have a defined termination date of less than one (1) year.

Section 5.03. Policy for Securing Deposits of CWA's Funds

- A. CWA recognizes that FDIC insurance is available for CWA's funds deposited at any one financial institution (including branch banks) only up to a maximum of \$250,000 (including accrued interest) for each of the following: (i) demand deposits, (ii) time and savings deposits, and (iii) deposits made pursuant to an indenture or pursuant to law in order to pay bondholders or noteholders.<sup>1</sup> It is the policy of CWA that all deposited funds in each of CWA's accounts shall be insured by the FDIC, and to the extent not insured, shall be secured by Collateral pledged to the extent of the fair market value of the principal amount deposited plus accrued interest as required by the Collateral Act.
- B. If it is necessary for CWA's depositories to pledge Collateral to secure CWA's deposits, (1) the Collateral pledge agreement must be in writing, (2) the Collateral pledge agreement must be approved by the depository's board of directors or loan committee, (3) the depository's approval of the Collateral pledge agreement must be reflected in the minutes of the meeting of the depository's board or loan committee approving same, and (4) the Collateral pledge agreement must be kept in the official records of the depository. The depository must provide to the Investment Officer or CWA Officials with written proof of the depository's approval of the pledge agreement as required herein in a form acceptable to CWA. A signed or certified copy of the minutes of the meeting of the depository's board or loan committee reflecting the approval of the Collateral pledge agreement or other written documentation of such approval acceptable to the Investment Officer will be accepted. It is the preference of the Board that all requirements of this section be met prior to the deposit of any CWA's funds in such financial institution when a pledge of Collateral is required; however, the Board recognizes that compliance with this preference might not be practicable due to time constraints for making a deposit. In such event, the Board directs the Investment Officer and CWA Officials to proceed diligently to have such agreement approved and documented to assure protection of CWA's funds. If the decision is made to forego the protection of a Collateral pledge agreement with any depository, the Executive Director shall be responsible for maintaining the balance of deposit(s) in

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<sup>1</sup> The \$250,000 limit is temporary and may change from time to time under applicable law.



such depository plus any accrued but unpaid interest at or below FDIC insurance levels.

- C. Collateral pledged by a depository shall be held in safekeeping at an independent third party institution, and the Executive Director shall obtain safekeeping receipts from the Texas financial institution or the safekeeping institution that reflect that Collateral as allowed by this Policy and in the amount required was pledged to CWA. Principal and accrued interest on deposits in a financial institution shall not exceed the FDIC's insurance limits or the market value of the Collateral pledged as security for CWA's deposits. It shall be acceptable for the bookkeeper to periodically receive interest on deposits to be deposited to the credit of CWA if needed to keep the amount of the funds under the insurance or Collateral limits. It is the preference of this Board that there be no sharing, splitting or cotenancy of Collateral with other secured parties or entities; however, in the event that a depository cannot accommodate this preference due to the denominations of the securities to be pledged, the Board directs the Investment Officer and CWA Officials to obtain appropriate protections in the pledge agreement with the depository to assure that the Collateral is liquidated and the funds distributed appropriately to all parties with a security interest in such Collateral. The Executive Director shall monitor the pledged Collateral to assure that it is pledged only to CWA, review the fair market value of the Collateral to ensure that CWA's funds are fully secured, and report periodically to the Investment Officer and the Board regarding the Collateral.
- D. All deposits in demand or time deposits or investments in Repurchase Agreements, including accrued interest, shall be either fully insured by the Federal Deposit Insurance Corporation, to the extent that they are not insured, continuously secured by a valid pledge to CWA of Authorized Investments having an aggregate market value, exclusive of accrued interest at all times equal to the cash balance in the fund to which such securities are pledged.
- E. CWA's funds deposited in any Texas financial institution, to the extent that they are not insured, may be secured in any manner authorized by law for CWA as such law is currently written or as amended in the future.

#### Section 5.04. Prohibited Actions.

The Executive Director and any other CWA Officials acting on behalf of CWA are prohibited from:

- A. shorting securities;
- B. selling calls on securities owned by CWA;
- C. entering into reverse repurchase agreements;
- D. trading in options or futures contracts;

- E. purchasing or selling securities from dealers or public depositories other than those approved by the Finance and Audit Committee; or
- F. making any other investment transaction on behalf of CWA that is prohibited by law or that has not been authorized by the Board.

Section 5.05. Cash and Investment Management Procedure.

Cash and investment management will be carried out with respect to CWA's Funds as provided in the Cash and Investment Management Procedures adopted by the Board and amended from time to time. A copy of the current Cash and Investment Management Policy is attached as Appendix "B."

ARTICLE VI  
INVESTMENT STRATEGIES

Section 6.01. Strategy Applicable to All Funds.

CWA's general investment strategy for all funds shall be to invest such monies from such funds so as to accomplish the following objectives, which are listed in the order of importance:

- A. Understanding of the suitability of the investment to the financial requirements of CWA;
- B. Preservation and safety of principal;
- C. Liquidity;
- D. Marketability of the investment if the need arises to liquidate the investment before maturity;
- E. Diversification of the investment portfolio; and
- F. Yield.

Section 6.02. Investment Strategy for the Operating Funds.

Monies in the Operating Funds shall be invested to meet the operating and cash flow requirements of CWA as determined by the annual operating budget adopted by the Board. Operating Funds shall not be invested for longer than three (3) months.

Section 6.03. Investment Strategy for the Construction and Development Funds and the Equity Funds.

Funds in this account shall be invested to meet the construction needs of CWA as determined by CWA, with the aid of the Executive Director. Construction Funds shall not be invested for longer than twelve (12) months.

Section 6.04. Investment Strategy for the Reserve and Contingency Fund.

Reserve and Contingency Funds shall be invested in accordance with CWA's contractual requirements, to the extent that such requirements are not inconsistent with the Investment Act, and to mature so as to be available for the potential needs that each fund is designated to support. It shall be the policy of CWA that Reserve and Contingency Funds shall not be invested for longer than twelve (12) months.

Section 6.05. Investment Strategy for the Pension Fund.

The nature of the Pension Fund is to provide a financing and accounting structure to support the activities related to CWA's Pension Plan. The Pension Plan Trustees as members of the Pension and Deferred Compensation Committee are responsible for the day-to-day administration of the Plan under the supervision of the Board.

The investments of the Pension Fund monies shall be made in a manner that will allow CWA to meet the cash flow requirements of eligible distribution requests made by the participants of the Plan.

Monies in the Pension Fund shall not be invested longer than five (5) years.

Section 6.06. Investment Pools.

Monies in CWA's Funds may be invested in the following investment pools, provided that such pools comply with the Investment Act:

- A. Tex Pool; and
- B. TexSTAR; and
- C. Texas Class

ARTICLE VII  
MISCELLANEOUS

Section 7.01. Annual Review.

The Board shall review this Policy at least annually and adopt a resolution confirming the continuance of the Policy without amendment or adopt an Amended Investment Policy.

Section 7.02. Superseding Clause.


This Policy supersedes any prior policies adopted by the Board regarding investment or securitization of CWA's funds.

Section 7.03. Open Meeting.

The Board officially finds, determines and declares that this Policy was reviewed, carefully considered, and adopted at a regular meeting of the Board, and that a sufficient written notice of the date, hour, place and subject of this meeting was posted at the places and for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas

Government Code, as amended, and that this meeting had been open to the public as required by law at all times during which this Policy was discussed, considered and acted upon. The Board further ratifies, approves and confirms such written notice and the contents and posting thereof.

ADOPTED ON THIS 10th day of September, 2025.



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Tony L. Council, President



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Giti Zarinkelk, 2<sup>nd</sup> Vice President



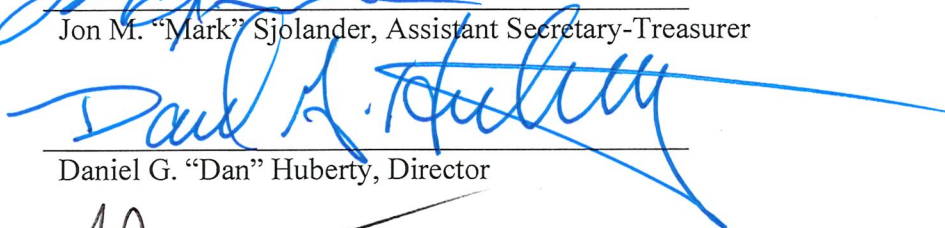
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Joseph G. Soliz, Secretary-Treasurer



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Jon M. "Mark" Sjolander, Assistant Secretary-Treasurer



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Daniel G. "Dan" Huberty, Director



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Hannah Kaplan, Director

**APPENDIX "A"**

**TEXAS PUBLIC FUNDS INVESTMENT ACT  
CERTIFICATION BY DEALER**

This certification is executed on behalf of \_\_\_\_\_  
(the Investor) and \_\_\_\_\_ (the Dealer) pursuant to  
the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, in  
connection with investment transactions conducted between the Investor and Dealer.

The undersigned Qualified Representative of the Dealer hereby certifies on behalf of the Dealer  
that:

1. The Dealer Qualified Representative is duly authorized to execute this Certification on  
behalf of the Dealer, and
2. The Dealer Qualified Representative has received and reviewed the Investment Policy  
furnished by the Investor.

**Dealer Qualified Representative**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (Printed)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**APPENDIX “B”**  
**CASH AND INVESTMENT MANAGEMENT POLICY**

**COASTAL WATER AUTHORITY**

**CASH AND INVESTMENT MANAGEMENT PROCEDURES**

**APPENDIX “B” TO**

**INVESTMENT POLICY**



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**CASH STATUS REPORT**

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## **A. CASH MANAGEMENT**

### **1. DEFINITIONS**

Capitalized terms not defined herein shall have the meanings assigned to such terms in the Investment Policy.

### **2. OBJECTIVES**

Cash is managed with the dual objectives of (1) “safeguarding the assets” and (2) utilizing minimum balances. Cash is safeguarded through the implementation of sound internal controls, and bank balances are safeguarded through the use of collateralization investments as authorized by Texas law.

Strong internal control is achieved by the segregation of duties. All incoming cash receipts are recorded by the executive secretary of CWA. The receipts are forwarded to the accountant in charge of the applicable funds, and the internal record is forwarded to an accountant independent of the applicable funds. All checks and cash are timely deposited with duplicate deposit records retained. At regular intervals not exceeding a month, the independent accountant compares the cash records with the duplicate deposit receipts.

All disbursements are made consistent with the Delegation of Authority and Signatory Authority discussed below. In addition, all disbursements are made within the guidelines described in the Investment Policy. Supervisory field personnel review field purchases.

Petty cash and unused checks are maintained under lock and key. Bank account reconciliations are prepared monthly by an accountant not responsible for maintaining the day-to-day receipts and disbursements of that account. The Finance Manager reviews all bank account reconciliations. Both the preparer and Finance Manager initial each account reconciliation.

Consistent with the Investment Policy, cash balances maintained at the bank are further supported by collateralization for balances in excess of coverage by the Federal Deposit Insurance Company (“FDIC”). At the time of large receipts and the maturity of large investments (*i.e.*, in an amount in excess of coverage by the FDIC), CWA requests and receives appropriate increases in the collateralization level through written authority of an Officer or Director.

### **3. DESCRIPTION OF AUTHORIZED ACCOUNTS**

CWA currently maintains various bank accounts. Most of these accounts were originally authorized in an adopted resolution of the board addressing the issuance of CWA bonds or financings.

Most routine operating transactions are recorded in the commercial accounts. There is one account established for the Red Bluff Water Treatment Plant operations,

three accounts for the Lake Houston Facilities operation, six commercial accounts for the Trinity River Project, four commercial accounts for the Bayport Water System and one account for the Luce Bayou Interbasin Transfer Project (“Luce Bayou Project”) operations.

There are five operating funds: the Trinity River Project Fund, the Lake Houston Facilities Operating Fund, the Luce Bayou Project Operating Fund, the Bayport Water System Operating Fund, and the Red Bluff Water Treatment Plant Project Operating Fund. Routine operating expenses are paid on a two-week cycle. Costs exclusively for one fund are recorded by that fund. Costs associated with multiple funds are usually paid by the Trinity River Project Fund and are subsequently billed inter-company between the funds.

The Lake Houston Construction Fund, the Conveyance System Development Fund, the Bayport Water System Capital Improvement Fund, the Special Projects Equity Fund, and various accounts relating to the Luce Bayou Project and the Trinity River B-2 Pipeline Project are maintained to provide funding for construction and special projects. All disbursements from these funds are approved by the Board.

CWA maintains a Special Contingency Fund. This fund may be utilized in a Trinity River operating emergency. In addition, CWA maintains a Contingency Fund for the Lake Houston Facilities specifically for operating emergencies of those facilities.

CWA maintains a Special Project Equity Fund. This fund shall be used by CWA in any manner that is in furtherance of the governmental purposes of CWA.

The Payroll Account is used to process all payroll disbursements. Payroll costs are funded and billed inter-company between the operating funds where applicable. CWA utilizes an outside payroll service.

Finally, CWA maintains one \$2,000 imprest petty cash bank account, one \$500 petty cash box in the field office and one \$300 petty cash box in the downtown office. These funds are used for the convenience of making small operating disbursements without waiting for the routine two-week disbursement cycle.

As governed by the appropriate bond resolution or other resolution, interest income is transferred from the investments of the Conveyance System Development Fund to the Project Fund. The Bayport Water System Capital Improvement Fund, the Lake Houston Construction Fund and Special Project Equity Fund retain their own investment earnings. Interest income is transferred from the Special Contingency Fund to the Special Project Equity Fund.

The Lake Houston Facilities Contingency Fund transfers its investment earnings to the Lake Houston Facilities Operating Fund. The Lake Houston Facilities Operating Fund retains its own investment earnings.

One of the trustee accounts at Bank of New York Mellon is styled Special Projects Emergency Reserve Fund. The ownership of this account is based upon the ratio of initial contributions, which was 73% Bayport Project and 27% Water Treatment Plant Project. This fund is an emergency fund and can be used for either Bayport or Water Treatment Plant operating emergencies.

The second trustee account at Bank of New York Mellon is the Luce Bayou Construction Fund – Series 2009. This fund resulted from a contract with the City of Houston supporting a loan from the Texas Water Development Board (“TWDB”) in 2009 for the preliminary engineering, permitting and design of the Luce Bayou Project.

The third trustee account at Bank of New York Mellon is the Luce Bayou Escrow Account – Series 2009. These are funds received from the TWDB held in escrow until authorized to be utilized for the final design phase of the Luce Bayou Project.

Two trustee accounts were created in 2010 in connection with the finalization of a second loan with the TWDB for the preliminary and design phase of the Luce Bayou Project. The accounts are entitled “Luce Bayou Construction Fund – Series 2010” and “Luce Bayou Escrow Account – Series 2010.”

Two trustee accounts were added in connection with the Coastal Water Authority Contract Revenue Refunding Bonds, Series 2010 (City of Houston Projects). The accounts are entitled “Construction Revenue Bonds 2010 Reserve Fund” and “Debt Service Fund – Series 2010 Refunding Bonds.”

Two trustee accounts were added in 2013 in connection with the finalization of a third financing transaction with the TWDB. These accounts are entitled “Luce Bayou TWDB LN 1000087-2013 Escrow Fund” and “Luce Bayou Construction Fund-2013.”

Two trustee accounts were added in 2014 in connection with the finalization of the Coastal Water Authority Contract Revenue Refunding Bonds, Series 2014 (City of Houston Projects). The accounts are entitled “Construction Revenue Refunding Bonds 2014 Reserve Fund” and “Debt Service Fund – Series 2014 Revenue Refunding Bonds.”

Two trustee accounts were added in 2015 in connection with the finalization of CWA’s fourth financing transaction with the TWDB. These accounts are entitled “Luce Bayou TWDB Escrow Fund-2015” and “Luce Bayou TWDB Construction Fund-2015.”

Two trustee accounts were added in 2016 in connection with the finalization of CWA’s fifth financing transaction with the TWDB. These accounts are entitled “Luce Bayou TWDB Escrow Fund-2016” and “Luce Bayou TWDB Construction Fund-2016.”

Four trustee accounts were added in November 2017 in connection with the final installment of borrowing from the TWDB: “Luce Bayou TWDB Contract Revenue Bonds – Escrow Fund – Series 2017,” Luce Bayou TWDB Contract Revenue Bonds – Construction Fund – Series 2017,” Luce Bayou TWDB Board Participation – Escrow Fund – 2017,” and “Luce Bayou TWDB Board Participation – Construction Fund – 2017.”

Two new trustee accounts were added in December 2024 in connection with the initial installment of borrowing from the TWDB for the new Trinity River B-2 Pipeline Project: “B-2 Pipeline Project TWDB Contract Revenue Bonds – Escrow Fund – Series 2024” and “B-2 Pipeline Project TWDB Contract Revenue Bonds – Construction Fund – Series 2024.”

The Pension Fund, which is administered by the Pension and Deferred Compensation Committee and the Pension Plan Trustees, is an additional trustee account located at Frost Bank, which prepares and issues the applicable bank drafts as authorized by the Pension Plan Trustees.

The funds financed either prior to or subsequent to September 1, 1986, must be segregated for arbitrage calculation purposes. Therefore, when applicable, separate funds are maintained for the construction, contingency, reserve and bond functions.

#### **4. CASH STATUS REPORT**

CWA has designed a standard internal report referred to as the “Cash Status Report,” the current version of which is included as Attachment I. The responsibility for preparing the Cash Status Report has been assigned among the CWA staff.

#### **5. DELEGATION OF AUTHORITY**

All Directors and the Executive Director are authorized signatories on all banking and trustee accounts. Unless noted below, each disbursement requires signatures from any two of the authorized signatories. One of the required signatures shall be the Executive Director.

In the event that the Executive Director is incapacitated or otherwise unavailable, or the Executive Director position becomes vacant, CWA’s Operations Manager is hereby authorized to execute any documents contemplated in this section in the place of the Executive Director during the period of the Executive Director’s incapacity or unavailability, or, if the Executive Director position becomes vacant, until such position is filled. At the time that such incapacity, unavailability or vacancy occurs as described above, the Operations Manager shall be added as an authorized signatory on CWA commercial and trustee accounts.

Construction payments from the Luce Bayou Construction Fund, the Conveyance System Development Fund and the B-2 Pipeline Construction Fund also require a third signature from an authorized representative of Houston Public Works.

Funds on deposit in the Special Contingency Fund, the Bayport Water System Capital Improvement Fund, the Special Project Equity Fund and the Lake Houston Facilities Contingency Fund require the signature of two CWA Officials and/or Officers. One of the required signatures shall be the Executive Director.

Petty cash checks require only one authorized signature. Payroll checks are prepared by an outside payroll service. The Executive Director will review each payroll check and initial each two-week time sheet every payroll period.

## **6. SIGNATORY AUTHORITY**

When there is a change in the composition of the Directors or Officers, CWA documents this change in writing and executes the appropriate signature letter applicable to all commercial and trustee accounts. Such correspondence is delivered timely to JPMorgan Chase Bank, N.A., Bank of New York Mellon, Frost Bank and Zions Bancorporation, N.A.

## **B. INVESTMENT MANAGEMENT**

### **1. OBJECTIVES**

CWA's general investment strategy is to invest the funds in each of the Funds to accomplish the objectives set forth in the Investment Policy.

Investments are safeguarded through the implementation of sound internal control. All investment purchases, investment maturities, interest receipts and interest transfers are authorized by the initiation of dually signed, electronically transmitted authorization letters. All such activity is subsequently supported by original dually signed authorization letters. CWA maintains investment authorization letter files for these documents.

As a further control mechanism, both the bond resolutions and the Investment Policy specifically define which negotiable instruments are permitted for CWA's investments. Safekeeping is initiated by dually signed, electronically transmitted authorization letters. Such activity is subsequently supported by original dually signed authorization letters. CWA maintains investment authorization letter files. In certain situations, investments require pledged collateral. The authorized negotiable instruments, authorized brokers and banks, safekeeping techniques and pledged collateral techniques are discussed below.

The culmination of the internal control process is evident in the financial reporting of CWA. The staff reconciles all investment balances to the general ledgers on a monthly basis. Included in the monthly financial statement package is the detail of the month-end investment portfolio. The portfolio total cross-references to the investment total per the month-end asset schedule.

For the information of the Board, the Finance Manager has maintained the practice of not initiating an investment purchase unless there is at least one other staff member present.

Investments are managed such that funds are matured to coincide with disbursement requirements. CWA expenditures can be grouped into four types, which are (1) the two-week operating expense cycle, (2) the monthly construction activity, (3) the semi-annual contingency and reserve review cycle and (4) the quarterly disbursements for pension purposes. Investments applicable to the operating cycle and the contingency and reserve review cycle are tailored to the characteristics of those cycles. Construction funds are invested on a monthly basis, unless there are obviously funds in excess of the requirements of the following month. In these situations, the excess construction funds are invested with maturities up to twelve months. Pension funds are invested to ensure their maturity will provide adequate cash flow near the middle of January, April, July and October, which are the scheduled months of pension disbursement. CWA attempts to balance the pension funds to accommodate disbursement requirements.

With the “safeguarding of assets” properly established, and after the liquidity requirements have been assessed, CWA attempts to attain the highest possible rate of return on CWA investments. This objective is pursued while adhering to the guidelines outlined in the Investment Policy. CWA attempts to utilize a minimum three-party bidding procedure in normal situations when the funds are in excess of \$4,000,000 and the maturity is at least one month in length. During difficult market environments, CWA uses a “best efforts” attempt to place investments contingent upon the active participation of brokers. For non-bidding situations, CWA will utilize brokers who have been both active and successful in the bidding process. In addition, the “Trust” accounts have a “sweep” agreement whereby cash balances are invested overnight at money market yield.

Additional CWA practices to increase yields include (1) consolidating monies within a fund, (2) investing groups of monies from several funds at the same time, (3) investing for long time periods when possible, (4) maturing funds at the same date when possible and (5) avoiding the early liquidation of investments.

## **2. DESCRIPTION OF AUTHORIZED INVESTMENTS**

Authorized investments are described and precisely and technically defined in the definition section of the various CWA bond resolutions as well as in the Investment Policy.

The investments allowed under the Investment Policy are authorized for all Funds, which Funds are included as Attachment II. The maximum allowable stated maturity of any individual investment shall not exceed five (5) years.

Both Repurchase Agreements and certificates of deposit are further discussed below in Section B.6, Pledged Collateral.

The Investment Policy also contains a list of the types of investments that are not authorized investments under the Investment Laws and therefore are not authorized investments for CWA.

### **3. AUTHORIZED BROKERS AND BANKS**

The Board approves a list of brokers and banks for the purchase and liquidation of investments. CWA has initiated investments utilizing only the approved list, which is included as Attachment III. The Investment Officer(s) shall present the Investment Policy and obtain a statement from qualified representatives as set forth in the Investment Policy.

### **4. PURCHASE SETTLEMENT TYPES**

For background purposes, there are three timing techniques used when settling the purchase of government investments. These three techniques are termed (1) "same day" or "cash" settlement, (2) "regular" settlement and (3) "skip day" settlement.

"Same day" settlement means that the transaction is agreed upon, funds are delivered and the security is delivered all on the same day. This technique is the most difficult to perform since it requires correct account balances, quick decisions, fast moving paperwork and excellent communications. However, the advantage of this technique is that funds immediately become income earning.

"Regular" settlement and "skip day" settlement are both delay techniques. In "regular" settlement, the transaction is agreed on day one. However, the funds are not delivered and the security is not delivered until day two. "Skip day" settlement represents an even further delay since funds are not delivered and the security is not delivered until day three.

In addition to the three timing techniques, CWA is aware of three security delivery practices associated with the settlement process. These three delivery practices are described as (1) "delivery versus pay," (2) "free delivery" and (3) "broker safekeeping." The Investment Laws and the Investment Policy require all investment transactions to be settled in a "delivery versus payment" basis. In "delivery versus payment" the broker must deliver the security by wire transfer to the Federal Reserve Bank before the bank wire transfers the purchase proceeds to the broker. In "free delivery" the bank wire transfers the purchase proceeds before the broker wire transfers the security. In "broker safekeeping", the broker retains the security. CWA MUST UTILIZE "DELIVERY VERSUS PAYMENT".

**MOST BROKERS AND BANKS REQUIRE RECEIPT OF ELECTRONICALLY TRANSMITTED WRITTEN AUTHORIZATION BEFORE SETTLEMENT.**



## **5. SAFEKEEPING**

When CWA makes an authorized investment, CWA receives a confirmation noting that a certain investment has been purchased and deposited in a particular account at the Federal Reserve Bank.

Prior to the investment, certain bond resolutions and bank depository agreements have authorized a trustee function on the part of the bank. Therefore, the investment is held at the Federal Reserve Bank in the account of the trustee bank for the benefit of CWA.

Currently, CWA utilizes two “safekeeping” locations. First, all investments made from the commercial and trust bank accounts are delivered by wire transfer to the Federal Reserve Bank in New York in the name of the applicable bank for further credit to CWA.

Next, all collateral pledged by the bank to cover cash balances is delivered via an irrevocable, unconditional and non-transferable letter of credit in the name of JPMorgan Chase Bank, N.A. held at the Federal Home Loan Bank (“FHLB”) of Cincinnati.

Prior to the investment, certain bond resolutions and bank depository agreements have authorized a trustee function on the part of the bank. Therefore, the investment is held at the Federal Reserve Bank in the account of the trustee bank for the benefit of CWA.

## **6. PLEDGED COLLATERAL**

A. There are two CWA investment types that necessitate the utilization of the pledging of collateral.

First, CWA can initiate a Repurchase Agreement. Very simply, this means that CWA is purchasing for a short period of time a government security already owned by a broker or bank. CWA purchases the instrument for less than its stated yield, and the broker/bank agrees to repurchase the security at the end of the specified time period. All Repurchase Agreements must meet the requirements of the Investment Laws and the Investment Policy.

During the time of CWA ownership of repurchased securities, those securities should be delivered to the applicable CWA safekeeping account. At this time, none of the CWA approved brokers or banks will deliver repurchased securities to other banks for safekeeping as pledged collateral.

Alternatively, CWA can invest in certificates of deposit in accordance with the Investment Laws and the Investment Policy with approved banks to the extent such certificates of deposit are insured by the FDIC or are guaranteed or secured by authorized investments. Since coverage from the FDIC no longer applies to branch banking, amounts in excess of this coverage require the pledging of

collateral. At this time, none of the approved banks will deliver authorized securities to safekeeping as pledged collateral.

- B. As noted above in Section B.5., CWA and JPMorgan Chase Bank, N.A. have utilized a letter of credit with the FHLB of Cincinnati as the pledge of collateral for those CWA accounts held at JPMorgan Chase Bank, N.A. This letter of credit is renewable and adjusted each year if necessary.

## **7. INVESTMENT BIDDING PROCEDURE**

The investment process begins with the preparation of a Cash Status Report. Depending upon the situation, some of these reports are prepared on a historical basis while others are prepared on a projected basis. Investment income is enhanced by projecting cash balances since the funds can be invested timely.

The Finance Manager reviews the status report to determine the investment objectives. The appropriate time cycles and the dollar amounts are identified. Also, the settlement timing type is established.

With the amounts and objectives identified, the collateral status is evaluated. If additional collateral is required at JPMorgan Chase Bank, N.A., this request is made by telephone call to the responsible official at that bank. This request is documented by a dual signature letter from CWA.

If the decision is made to competitively bid the available funds, at least three brokers are selected from the approved list. Telephone calls and/or email notifications are made to these brokers the day before the desired competitive bidding for the purpose of establishing the parameters of that specific bidding. Communications in advance of this time are counterproductive.

CWA has developed two methods of applying the bidding process for those times when bidding is advantageous. For purposes of this report, these two methods will be described as Method A and Method B.

When using Method A, CWA selects the specific authorized instrument for investment which automatically selects the specific maturity date. Also, CWA selects the specific type of settlement timing. The amount of funds available to spend is quoted to the brokers, and monies are grouped to create broker interest. As a preventive for commingling funds, CWA will also quote the funds available on an account-by-account basis. Finally, the time for receiving bid offerings is established.

When using Method B, CWA will select an inventory of qualifying instruments for investment and the timing of settlement. Next, CWA will provide a limited range of dates for maturity. Finally, the amounts available for investment and the time for receiving bid offerings is communicated as previously described in Method A.

Method A is effective for extremely specific situations and timing. Method B has the advantage of allowing the brokers to access their own secondary markets. Each brokerage entity has access to different secondary markets. Method B will usually result in higher yields.

Regardless of which method is used, the information communications to brokers are made only in the presence of one or more CWA staff members. This practice aids in preventing misunderstandings and miscommunication.

CWA has determined that bid offerings are best received by telephone calls followed by email, or a stand alone email. Based upon experience, CWA generally uses a time window of 8:00 A.M. – 8:30 A.M. for this process.

The Brokers provide CWA with the name of the issue, the maturity date, the stated investment rate, and the investment yield. If all other conditions are met, the winner will be selected on the basis of yield and maturity date. The apparent winner will be called as soon as possible and will be requested to purchase the security. Since the financial markets are fast moving, it is not unusual for a broker to be unable to purchase and deliver the quoted security.

When the apparent winner cannot purchase and deliver, CWA will proceed to the next highest offering until the funds are invested. Throughout the time period between the receipt of the offerings and the actual purchase of the security, there is a premium on speed.

Occasionally there is an exact tie between brokers for the most advantageous yield and maturity date. When a tie occurs, CWA either divides the investment evenly between the winners or places the bidders in a rotation on the next tie situation.

Throughout this bidding process, the Finance Manager does not receive bids, request the purchase of securities, or communicate with brokers unless such communications are made in the presence of one or more CWA staff members. This practice enhances communications and prevents misunderstandings.

After the broker confirms the purchase of the targeted security, there is an exchange of other vital information. By way of review, the negotiable instrument, the settlement date, the maturity date, the stated investment rate and the investment yield have already been established.

CWA receives from the broker the par or stated amount for each account, the purchase cost for each account, issue date unit cost, and the CUSIP number of the purchased investment. A CUSIP number is a coded alpha-numeric sequence which specifically identifies an investment instrument and its maturity date. A transaction cannot be consummated without this identifying number.

CWA provides to the broker the applicable bank name, the account descriptions, the account numbers and the “address” of the safekeeping location. The “address”

is very critical since it is an alpha-numeric code specifically identifying the safekeeping location to the Federal Reserve Bank.

With the exchange of information completed, a CWA staff member begins the preparation of the authorization letters. After the dual signatures are obtained, these letters are electronically transmitted to the broker and safekeeping locations. These letters contain the transaction type, the bank name, the account numbers, the issue date, the unit cost, the effective date, the security description, the maturity date, the stated interest rate, the investment yield, the cost of purchase, the safekeeping "address," and the CUSIP number.

After the investment and safekeeping letters have been prepared and proofread, the letters are signed by the Executive Director. If the Executive Director is not available, a previous arrangement should have already been made to obtain the signature of a Director.

The original letters with copies are sent to the banks and brokers as applicable. Copies of the above-described letters are placed in the applicable investment authorization letter files. The banks and brokers acknowledge the consummation of the transaction by telephone or email. After the transaction, the banks will provide CWA with confirmation of the transaction. These confirmations are placed in the investment register files.

From the information available in the investment authorization letter files, the investment transaction is recorded timely in the general ledger system by the appropriate accountant.

If additional collateral was in place at JPMorgan Chase Bank, N.A./Federal Reserve Bank during the investment process, the responsible bank official will prepare a release of collateral for the signature of an Officer or Director. However, CWA will not release collateral below the base level of \$3,000,000.

The Finance Manager always informs the losing bidders and reports the investment issue and investment yield from the winning bid. This follow-up call has produced a competitive bidding environment for CWA and enhances CWA's credibility.

The Finance Manager maintains informal notes on the results of each competitive bidding. Such informal notes are maintained for a two year period.

## **8. INVESTMENT NON-BIDDING PROCEDURE**

When the funds are available and the time periods desired are not attractive for the competitive bidding procedure, CWA is forced to utilize a non-bidding technique. For non-bidding situations, CWA will utilize brokers who have been both active and successful in the bidding process.

There are two main differences between the bidding and non-bidding procedures. First, in the non-bidding technique, CWA will contact only one broker. Second, it

is not necessary to establish an exact time to receive offers. Except for these two items, the standards described in the bidding procedure are duplicated for non-bidding situations. Please note that in all situations, CWA personnel are the decision makers.

The investment yields from the non-bidding investments can be more or less than the yield of competitive bidding. This is direct result of the difference in dollar amounts and the difference in time periods. Generally, higher yields are available for larger dollar amounts and time frames approaching several months dependent upon the investment market.

The Investment Officers read and study the market conditions. Financial judgment is a factor in producing a well-managed portfolio. CWA's investment yield has benefited from timely financial judgment.

## **9. SIGNATORY AUTHORITY**

Pursuant to a depository agreement between CWA and JPMorgan Chase Bank, N.A./Bank of New York Mellon, a comprehensive signature letter to JPMorgan Chase Bank, N.A., Bank of New York Mellon, Zions Bancorporation, N.A. and Frost Bank authorizes signatories on checks and investment authorization letters for CWA's funds in the accounts subject to the applicable agreements.

In September 2025, the Board adopted a resolution designating signatory authority for CWA trust investment purposes so that an applicable signature letter can be executed and delivered to the banks. A copy of the Board-approved resolution is included as Attachment IV.

# COASTAL WATER AUTHORITY CASH STATUS REPORT

ACCOUNT NAME	BANK ACCOUNT JP MORGAN CHASE	SAFEKEEPING ACCOUNT BANK OF NY	TEXSTAR INVESTMENT POOL	ZIONS BANCORP.	BALANCES AT CLOSE OF BUSINESS / /	\$ AMOUNT TO INVEST
<b>COMMERCIAL ACCOUNTS</b>						
PROJECT FUND PAYROLL	0010-004-8009					
PETTY CASH FUND	0010-004-8058					
PROJECT FUND	0010-004-8355		0909-000			
CONVEYANCE SYSTEM DEVELOPMENT FUND		424923				
CONSTRUCTION FUND-BAYPORT CAP. IMPROV.		424920				
SPECIAL CONTINGENCY FUND		424926				
SPECIAL PROJECT EQUITY FUND		424928				
BAYPORT WATER SYSTEM OPERATING FUND	0010-004-8454		1111-000			
WATER TREATMENT PLANT OPERATING FUND	0010-004-8504		1113-000			
LAKE HOUSTON OPERATING FUND	0010-004-8405		1112-000			
LAKE HOUSTON CONTINGENCY FUND		424924				
BAYPORT WATER SYSTEM OPERATING RES. FUND		424919				
BAYPORT WATER SYSTEM REVENUE FUND	0010-337-5862					
LUCE BAYOU PROJECT OPERATING FUND	0787-587-7851					
LAKE HOUSTON CONSTRUCTION FUND		441764				
<b>TRUST ACCOUNTS</b>						
SPECIAL PROJECTS EMERGENCY RESERVE FUND		424914				
LUCE BAYOU CONSTRUCTION FUND - SERIES 2009		439471				
LUCE BAYOU ESCROW ACCOUNT - SERIES 2009		439395				
LUCE BAYOU CONSTRUCTION FUND - SERIES 2010		152630				
LUCE BAYOU ESCROW ACCOUNT - SERIES 2010		152450				
CONTRACT REVENUE REFUNDING BONDS CASH 2010 RESERVE FUND		152775				
DEBT SERVICE FUND-SERIES 2010 RFDG BONDS		155608				
LUCE BAYOU TWDB LN 1000087 ESCROW FUND 2013		327583				
LUCE BAYOU CONSTRUCTION FUND 2013		327584				

# COASTAL WATER AUTHORITY CASH STATUS REPORT

ACCOUNT NAME	BANK ACCOUNT JP MORGAN CHASE	SAFEKEEPING ACCOUNT BANK OF NY	TEXSTAR INVESTMENT POOL	ZIONS BANCORP.	BALANCES AT CLOSE OF BUSINESS / /	\$ AMOUNT TO INVEST
<b>TRUST ACCOUNTS – Cont.</b>						
DEBT SERVICE FUND – SERIES 2014 REVENUE REFUNDING BONDS						
CONTRACT REVENUE REFUNDING BONDS – 2014 RESERVE FUND						
LUCE BAYOU TWDB ESCROW FUND - 2015				1406356		
LUCE BAYOU CONSTRUCTION FUND - 2015				1406356A		
LUCE BAYOU TWDB ESCROW FUND - 2016				1406357		
LUCE BAYOU CONSTRUCTION FUND - 2016				1406357A		
LUCE BAYOU TWDB REVENUE BONDS ESCROW FUND – SERIES 2017				1406359		
LUCE BAYOU TWDB REVENUE BONDS CONSTRUCTION FUND – SERIES 2017				1406359A		
LUCE BAYOU TWDB – BOARD PARTICIPATION ESCROW FUND - 2017				1406360		
LUCE BAYOU TWDB – BOARD PARTICIPATION CONSTRUCTION FUND - 2017				1406360A		
B-2 PIPELINE PROJECT TWDB CONTRACT REVENUE BONDS – ESCROW FUND – SERIES 2024				1406361		
B-2 PIPELINE PROJECT TWDB CONTRACT REVENUE BONDS – CONSTRUCTION FUND – SERIES 2024				1406361A		
<b>PENSION PLAN</b>						
CWA PENSION PLAN		FROST NATIONAL BANK				
		HA746				

## **CWA INVESTMENT ACCOUNTS**

### **CWA COMMERCIAL ACCOUNTS**

1. Special Contingency Fund
2. Special Project Equity Fund
3. Bayport Capital Improvement Fund
4. Conveyance System Development Fund
5. Project fund
6. Bayport Water System Operating Fund
7. Water Treatment Plant Operating Fund
8. Lake Houston Operating Fund
9. Lake Houston Contingency Fund
10. Project fund – Payroll
11. Bayport Water System Revenue Fund
12. Bayport Water System Operating Reserve Fund
13. Petty Cash Fund
14. Luce Bayou Project – Operating Fund
15. Lake Houston Construction Fund

### **CWA TRUST ACCOUNTS**

1. Special Projects Emergency Reserve Fund
2. Luce Bayou Construction Fund – Series 2009
3. Luce Bayou Escrow Account – Series 2009
4. Luce Bayou Construction Fund – Series 2010
5. Luce Bayou Escrow Account – Series 2010
6. Contract Revenue Refunding Bonds – Series 2010 Reserve Fund
7. Debt Service Fund – Series 2010 Revenue Refunding Bonds
8. Luce Bayou TWDB LN 1000087-2013 Escrow Fund
9. Luce Bayou Construction Fund – 2013
10. Debt Service Fund – Series 2014 Revenue Refunding Bonds
11. Contract Revenue Refunding Bonds – 2014 Reserve Fund
12. Luce Bayou TWDB Escrow Fund – 2015
13. Luce Bayou TWDB Construction Fund – 2015
14. Luce Bayou TWDB Escrow Fund – 2016
15. Luce Bayou TWDB Construction Fund – 2016
16. Luce Bayou TWDB Contract Revenue Bonds – Escrow Fund – Series 2017
17. Luce Bayou TWDB Contract Revenue Bonds – Construction Fund – Series 2017
18. Luce Bayou TWDB Board Participation Escrow Fund – 2017
19. Luce Bayou TWDB Board Participation Construction Fund – 2017
20. B-2 Pipeline Project TWDB Contract Revenue Bonds – Escrow Fund – Series 2024
21. B-2 Pipeline Project TWDB Contract Revenue Bonds – Construction Fund – Series 2024

### **PENSION TRUST ACCOUNT**

1. CWA Pension Plan



**AUTHORIZED BROKERS AND BANKERS**

Zions Bancorporation, N.A.  
Bank of New York Mellon  
Cantor Fitzgerald  
Frost Bank  
FTN Financial  
Hilltop Securities  
JPMorgan Chase Bank, N.A.  
JPMorgan Securities, Inc.  
Samuel A. Ramirez & Co., Inc.  
Stifel, Nicolaus and Co.

[Attach 2025 Signature Authority Resolution]

RESOLUTION DESIGNATING AUTHORIZED SIGNATURES FOR  
COASTAL WATER AUTHORITY INVESTMENT TRANSACTIONS (2025)

WHEREAS, the Coastal Water Authority (the “Authority”) is a governmental agency and a body politic and corporate created as a conservation and reclamation district pursuant to the Constitution and laws of the State of Texas, including Article XVI, Section 59, Texas Constitution, and Chapter 601, Acts of the 60th Texas Legislature 1967 (Regular Session), as amended (the “Act”); and

WHEREAS, the Board of Directors of the Authority (the “Board”) wishes to update its designation of authorized signatories for Authority transactions; Now, Therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COASTAL WATER AUTHORITY THAT:

Section 1. All Authority investment transactions, including purchases, maturities, sale and income received, shall be confirmed in writing over the signature of two Authority officials and shall conform to the custody account agreement between the Authority and the designated institution. One of the required signatures shall be the Executive Director of the Authority. In the event that the Executive Director is incapacitated or otherwise unavailable to provide the required signatures contemplated in this Section, or the Executive Director position becomes vacant, the Operations Manager of the Authority is hereby authorized to provide the required signatures contemplated in this Section in the place of the Executive Director during the period of the Executive Director’s incapacity or unavailability, or, if the Executive Director position becomes vacant, until such position is filled.

Section 2. The findings and determinations set forth in the recitals to this Resolution are hereby found and determined to be true and correct and are hereby incorporated in this Resolution.

Section 3. The terms defined in the recitals to this Resolution are hereby adopted and incorporated in this Resolution.

Section 4. This Resolution shall be effective immediately, and supersede and replace in all respects all prior resolutions of the Board relating to the designation of authorized signatories of the Authority for Authority investment transactions.

Section 5. It is hereby officially found and determined that the meeting at which this Resolution was adopted was open to the public and that public notice of the time, place and purpose of said meeting was given, all as required by the Texas Open Meetings Act, Chapter 551, Texas Government Code, as amended.

[Execution Page Follows]

PASSED AND APPROVED this 10th day of September 2025.

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

  
\_\_\_\_\_  
Secretary-Treasurer, Board of Directors

(SEAL)



## CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS     §  
                                     §  
COUNTY OF HARRIS     §

I, the undersigned Officer of the Board of Directors of the Coastal Water Authority, hereby certify as follows:

1. The Board of Directors of the Coastal Water Authority (the "Authority") convened in regular session on the 10th day of September 2025, at the regular meeting place thereof, inside the boundaries of the Authority, and the roll was called of the duly constituted officers and members of the board to wit:

Tony L. Council, P.E.	President
Giti Zarinkelk, P.E.	2nd Vice President
Joseph G. Soliz	Secretary-Treasurer
Jon M. "Mark" Sjolander	Assistant Secretary-Treasurer
Daniel G. "Dan" Huberty	Director
Hannah Kaplan	Director
Vacant	Director

and all of said persons were present except for the following: None thus constituting a quorum. Whereupon, among other business, the following was transacted at said meeting: a written

### **RESOLUTION DESIGNATING AUTHORIZED SIGNATURES FOR COASTAL WATER AUTHORITY INVESTMENT TRANSACTIONS (2025)**

was introduced for the consideration of the board. It was then duly moved and seconded that the resolution be adopted, and, after due discussion, the motion, carrying with it the adoption of the resolution, prevailed and carried unanimously.

2. That a true, full and correct copy of the aforesaid resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the resolution has been duly recorded in the board's minutes of the meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the board as indicated therein; that each of the officers and members of the board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the resolution would be introduced and considered for adoption at the meeting, and each of the officers and members consented, in advance, to the holding of the meeting for such purpose; that the meeting was open to the public as required by law; and that public notice of the time, place and subject of the meeting was given as required by Chapter 551, Texas Government Code, as amended, and Section 49.063, Texas Water Code, as amended.

SIGNED AND SEALED on this 10th day of September 2025.

  
Secretary-Treasurer, Board of Directors

(SEAL)

