



**Board Agenda**  
**Wednesday, Aug. 23, 2023**  
**LCRA General Office Complex**  
**Board Room – Hancock Building**  
**3700 Lake Austin Blvd.**  
**Austin, TX 78703**  
**Earliest start time: 9 a.m.**

**Items From the Chair**

- 1. Comments From the Public ..... 3

**Items From the General Manager**

General Manager’s Update

**Items From the Chief Financial Officer**

- 2. Financial Report ..... 5

**Consent Items**

- 3. Proposed LCRA Board and Committee Meeting Dates for Calendar Year 2024.. 7
- \*4. Easement Assignment and Conveyance of Easement in Bastrop County ..... 9
- 5. Lease of Land in Llano County ..... 12
- 6. Fiscal Year 2023 LCRA Business Plan Ratification..... 15
- 7. Amendments to LCRA Board Policy 301 – Finance ..... 16
- 8. LCRA Board Policy 303 – Banking and Investments ..... 27
- 9. Directors’ Fees, Expenses..... 37
- 10. Minutes of Prior Meeting..... 38

**Action Items**

- 11. LCRA Board Policy 223 – Cybersecurity ..... 43
- 12. Contracts and Contract Changes ..... 46

**\*This agenda item requires the approval of 12 members of the Board.**

**Executive Session**

- 1. Litigation Update
- 2. General Manager Fiscal Year 2023 Performance Evaluation and Fiscal Year 2024 Goals Approval
- 3. General Auditor Fiscal Year 2023 Performance Evaluation and Fiscal Year 2024 Goals Approval

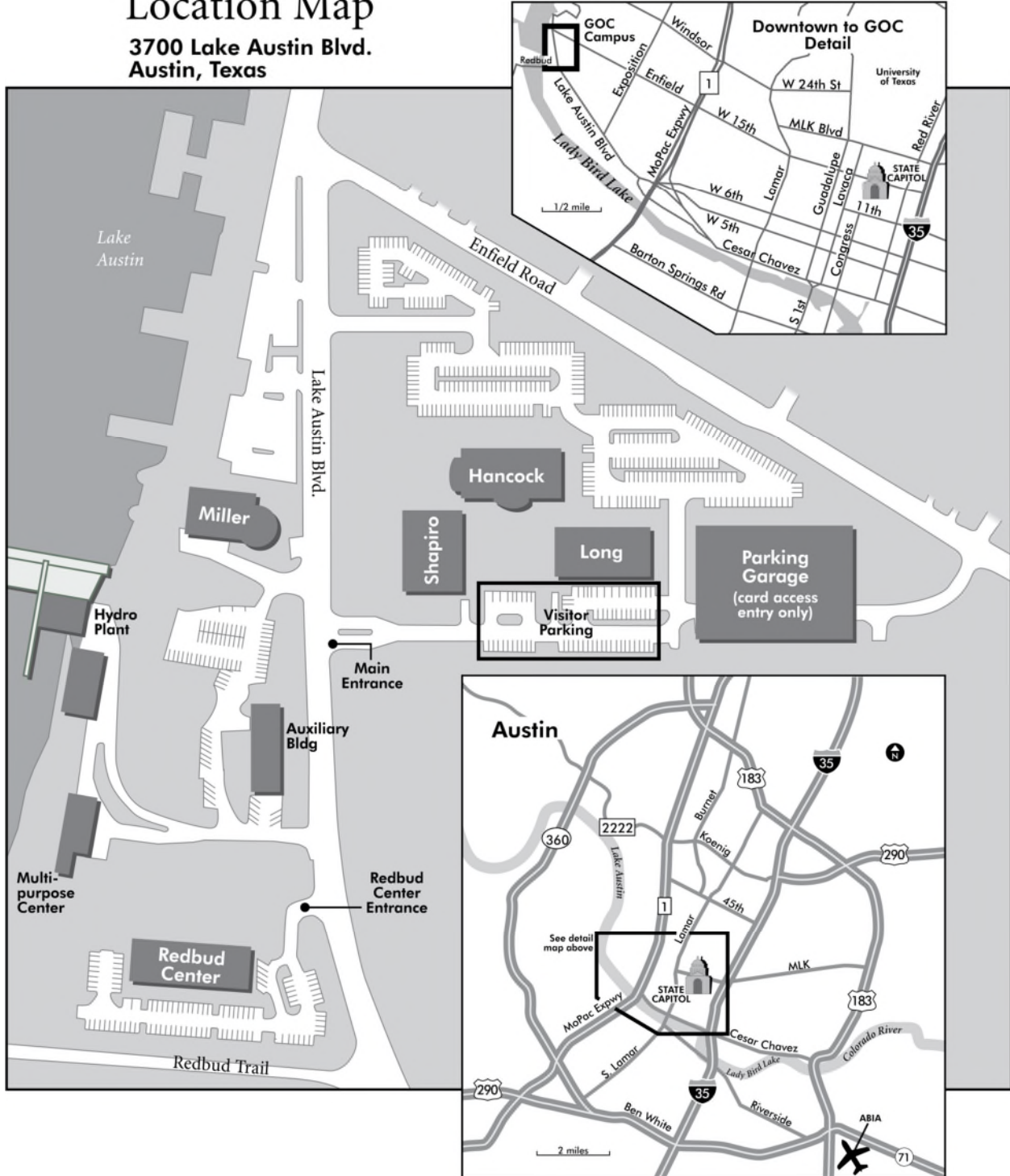
The Board also may go into executive session on any item listed above, pursuant to Chapter 551 of the Texas Government Code, including, but not limited to, sections 551.071, 551.072, 551.074, 551.076, 551.086, 551.089 and 418.183(f) of the Texas Government Code.

**Legal Notice**

Legal notices are available on the Texas secretary of state website 72 hours prior to the meeting at the following link: <https://www.sos.texas.gov/open/index.shtml>

# LCRA General Office Complex Location Map

3700 Lake Austin Blvd.  
Austin, Texas



## **FOR DISCUSSION**

# **1. Comments From the Public**

### **Summary**

This part of the meeting is intended for comments from the public on topics under LCRA's jurisdiction but not related to an item on the Board of Directors agenda. No responses or action may be taken by the Board during public comments.

In order to address the Board, a member of the public is required to sign and complete the registration form at the entrance to the meeting room. Please see the Protocols for Public Communication at Board and Committee Meetings as shown in Exhibit A for details.

Any member of the public wishing to comment on an item listed on this agenda will be called to make comments at the appropriate time.

### **Exhibit(s)**

A – Protocols for Public Communication at Board and Committee Meetings

## EXHIBIT A

### **PROTOCOLS FOR PUBLIC COMMUNICATION AT BOARD AND COMMITTEE MEETINGS**

**Approved by the LCRA Board of Directors on Dec. 11, 2018**

- 1. Oral Presentations on Issues Under LCRA's Jurisdiction.** Any person wishing to make an oral presentation at a Board meeting on any matter under LCRA's jurisdiction must complete a registration form that indicates the agenda item or other topic on which they wish to comment, along with the speaker's name, address and other relevant information. Any person making an oral presentation to the Board may distribute related materials to the Board at the meeting.
- 2. Time Allocation.** The presiding officer may limit the length of time for each speaker. Speakers may not trade or donate time to other speakers without permission from the presiding officer, and repetitive testimony shall be minimized.
- 3. Rules of Decorum.** Speakers and members of the audience must avoid disruptive behavior that interferes with the orderly conduct of a public meeting. Placards, banners, and hand-held signs are not allowed in Board or committee meetings, and speakers and members of the audience must avoid personal affronts, profanity, booing, excessive noise, and other disruptive conduct. The presiding officer may direct that anyone who disrupts a meeting be removed from the room.
- 4. Recording.** Any person making an audio or video recording of all or any part of a Board meeting must do so in a manner that is not disruptive to the meeting. During a meeting, members of the public must remain in or behind the public seating area and are not permitted to record from any other area of the meeting room.
- 5. Committee Meetings.** The protocols outlined in 1-4 above also apply to members of the public wishing to address any LCRA Board committee whose membership comprises the entirety of the LCRA Board on matters within the scope of each of those committees.

**FOR DISCUSSION**

## **2. Financial Report**

### **Summary**

The financial report for LCRA covers fiscal year 2023.

### **Presenter(s)**

Jim Travis

Chief Financial Officer

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**Lower Colorado River Authority**  
**Financial Highlights**  
**June 2023**

**Lower Colorado River Authority**  
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**Key terms:**

**4CP** – Four-month coincident peak is the average of the peak Electric Reliability Council of Texas electrical demands (measured in kilowatts) during the months of June, July, August and September of the previous calendar year.

**Net margin** – Total operating revenues, including interest income, less direct and assigned expenses.



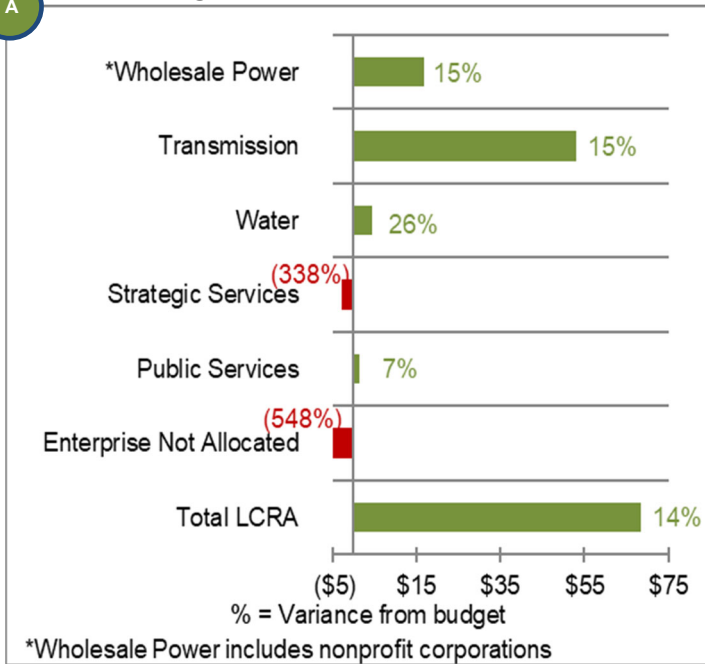
# Lower Colorado River Authority

June 30, 2023

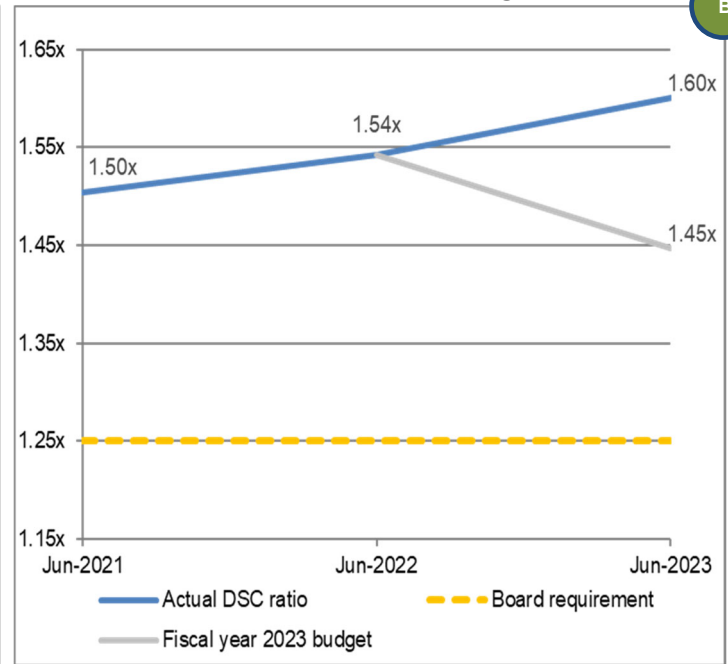
(Dollars in Millions)

## Budget-to-Actual Highlights

### Net Margin Fiscal Year-to-Date Variances



### Debt Service Coverage



#### Key takeaways:

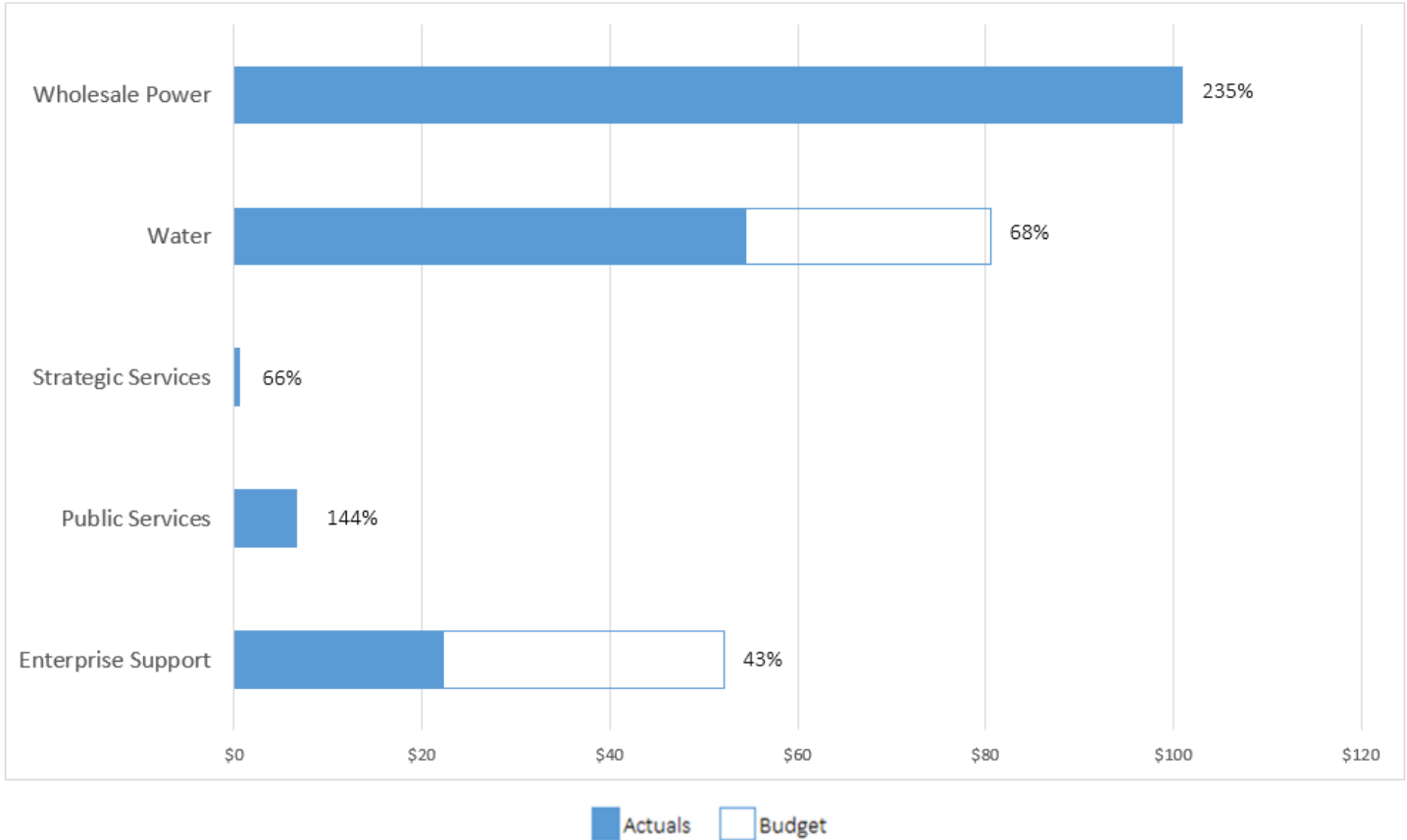
- Higher-than-budgeted billing units, interest income and other revenues, partially offset by higher-than-budgeted nonfuel expenses, primarily drove Wholesale Power's year-end performance.
- Higher-than-budgeted cost of service, interest income and other revenues, combined with lower-than-budgeted expenses, primarily drove Transmission's year-end performance.
- Lower-than-budgeted river management expenses and higher-than-budgeted river management revenues primarily drove Water's year-end performance.
- The timing of radio sales and services billings combined with higher-than-budgeted fiber expenses primarily drove Strategic Services' year-end performance.
- Lower-than-budgeted parks, natural resource and water quality expenses primarily drove Public Services' year-end performance.
- Unbudgeted expenses related to the Canyon of the Eagles Nature Park purchase drove the enterprise not allocated year-end performance.
- Higher-than-budgeted net margin from Transmission and Wholesale Power primarily drove the higher-than-budgeted debt service coverage ratio.

# Lower Colorado River Authority

June 30, 2023

(Dollars in Millions)

## Capital Performance



### Key takeaways:

- LCRA capital spending for FY 2023 was \$28.5 million less than the reset capital plan budget of \$213 million.
- The primary driver for the FY 2023 variance for Wholesale Power was due to the New Peaker Power Plant project.
- The primary driver for the FY 2023 variance for Water was due to lower-than-planned fiscal year spending on the Arbuckle Reservoir, Lane City Dam and Hurricane Harvey Rehabilitation, and Griffith League Groundwater projects.
- The primary driver for the FY 2023 variance for Public Services was due to costs associated with the Canyon of the Eagles lease purchase.
- The primary driver for the FY 2023 variance for Enterprise Support was due to a Telecommunications project that was deferred to FY 2024.

### General manager project approvals:

- For any project not previously authorized by the Board in the capital plan, authority is delegated to the general manager to approve any capital project with a lifetime budget not to exceed \$1.5 million, according to LCRA Board Policy 301 – Finance. Additionally, the LCRA Board delegated authority to the general manager to approve additional funding for capital projects expected to exceed their lifetime budgets by 10% and \$300,000.

The general manager approved one new budget reset this quarter: Telecommunications – General Additions – FY 2023 from \$1.75 million to \$2.30 million.

The general manager did not approve any new projects this quarter.

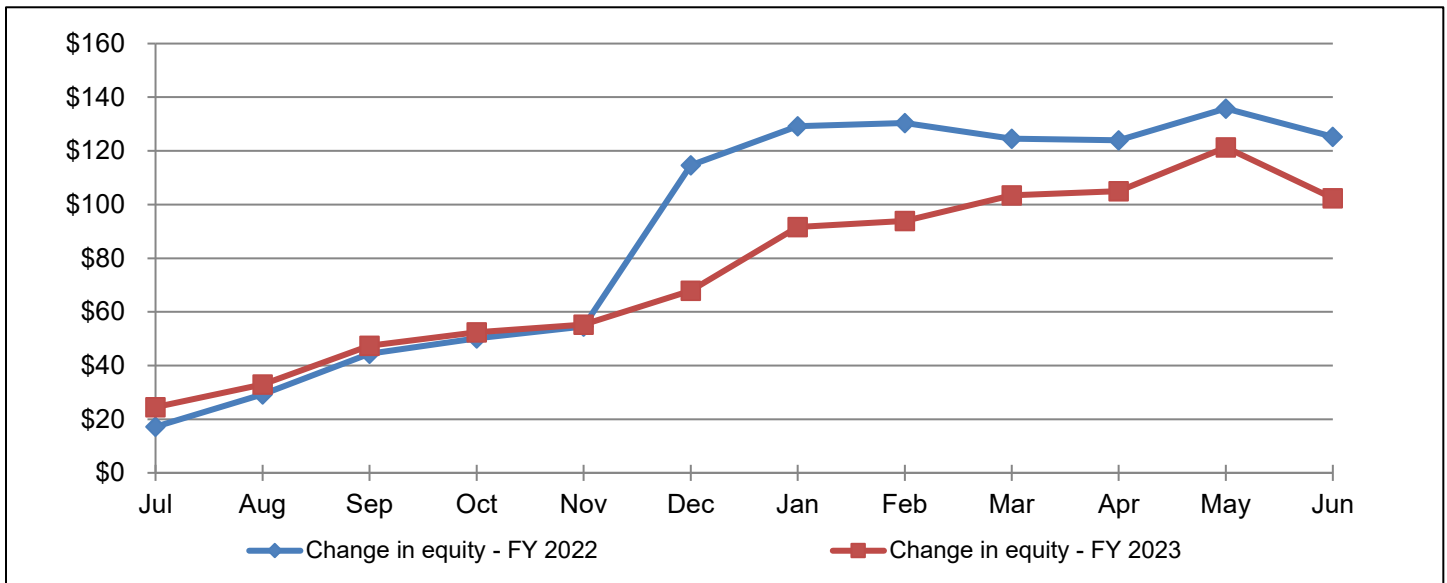
# Lower Colorado River Authority

June 30, 2023  
(Dollars in Millions)

## Board Metrics

Board Metric	Description	Compliant
<b>Equity Ratio</b>	LCRA will attempt to maintain a long-term average 30% equity ratio. At no time will the equity ratio fall below 20% without specific Board approval in the business plan.	✓
<b>Debt Service Reserves</b>	LCRA will covenant debt service reserves in the amount of six months of average annual debt service requirements on outstanding debt.  Debt service reserves may be collected through nonfuel rates or met with proceeds from additional debt or through the use of a surety to mitigate rate impacts.	✓
<b>Operating Reserves</b>	LCRA will target three months of average operating and maintenance expense for the purposes of operating liquidity and maintaining reserves for liquidity of two to three months. Compliance will be evaluated at the end of each fiscal year. These reserves will be collected through nonfuel rates.  If at any time the operating reserves are projected to fall below the minimum two months established by this policy, the Board will promptly implement a plan, to be recommended by staff, to increase rates, reduce costs or otherwise cause there to be sufficient revenues to replenish the operating reserves to such target levels within 12 months.	✓

### Income Statement Trends Cumulative Fiscal Year to Date



**Key takeaway:**

- Net income decreased year over year primarily due to a decrease in nonoperating income related to the gain on sale of capital assets in the prior year and an increase in interest on debt, partially offset by increases in interest income on investments and electric revenue.

# Lower Colorado River Authority

**June 30, 2023**

*(Dollars in Millions)*

## Condensed Balance Sheets

	June 30, 2023	June 30, 2022
<b>Assets</b>		
Cash and cash equivalents	\$ 268.5	\$ 359.4
Current assets	450.4	473.0
Total current assets	718.9	832.4
Capital assets	6,098.4	5,476.9
Long-term assets	1,273.0	958.6
Total long-term assets	7,371.4	6,435.5
Total Assets	\$ 8,090.3	\$ 7,267.9
<b>Liabilities</b>		
Bonds, notes and loans payable	\$ 446.3	\$ 565.0
Current liabilities	408.7	360.9
Total current liabilities	855.0	925.9
Bonds, notes and loans payable	4 4,639.4	3,904.8
Pension liability	215.0	119.8
Long-term liabilities	414.4	453.7
Total long-term liabilities	5,268.8	4,478.3
<b>Equity</b>		
Total equity	1,966.5	1,863.7
Total Liabilities and Equity	\$ 8,090.3	\$ 7,267.9

**Key takeaway:**

- Assets and liabilities are trending higher compared with June 2022 due to construction activities related to the capital plan.

# Lower Colorado River Authority

June 30, 2023

(Dollars in Millions)

## Condensed Statements of Revenues, Expenses and Changes in Equity

### Fiscal Year to Date

	2023	2022
<b>Operating Revenues</b>		
Electric	\$ 1,316.7	\$ 1,201.5
Water and irrigation	37.3	34.4
Other	47.4	39.6
Total Operating Revenues	1,401.4	1,275.5
<b>Operating Expenses</b>		
Fuel and purchased power	442.0	395.5
Operations	371.0	332.1
Maintenance	64.0	46.7
Depreciation, depletion and amortization	236.3	225.5
Total Operating Expenses	1,113.3	999.8
Operating Income	288.1	275.7
<b>Nonoperating Expenses</b>		
Interest on debt	(157.6)	(143.1)
Other nonoperating expenses	(28.1)	(7.3)
Total Nonoperating Expenses	(185.7)	(150.4)
Change in Equity	102.4	125.3
<b>Equity - Beginning of Period</b>	1,864.1 <sup>(1)</sup>	1,738.4
<b>Equity - End of Period</b>	\$ 1,966.5	\$ 1,863.7 <sup>(1)</sup>

**Keynote:**

(1) Difference due to retroactive implementation of FY 2022 Governmental Accounting Standards Board Statement No. 96 activity. Impact was posted directly to equity account in June 2023 due to immateriality.

# Lower Colorado River Authority

June 30, 2023

(Dollars in Millions)

## Condensed Statements of Cash Flows

	Fiscal Year to Date	
	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>		
Received from customers	\$ 1,373.9	\$ 1,173.2
Payments	(811.4)	(658.7)
Net cash provided by operating activities	<u>562.5</u>	<u>514.5</u>
<b>Cash Flows From Noncapital Financing Activities</b>	5.6	2.2
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of property, plant and equipment	(902.4)	(402.9)
Debt principal payments	(132.3)	(114.7)
Other capital and financing activities	600.3	33.8
Net cash used in capital and financing activities	<u>(434.4)</u>	<u>(483.8)</u>
<b>Cash Flows From Investing Activities</b>		
Sale and maturity of investment securities	207.7	274.6
Purchase of investment securities	(283.9)	(410.8)
Note payments and interest received	25.2	7.5
Net cash used in investing activities	<u>(51.0)</u>	<u>(128.7)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	82.7	(95.8)
<b>Cash and Cash Equivalents - Beginning of Period</b>	<u>415.4</u>	<u>511.2</u>
<b>Cash and Cash Equivalents - End of Period</b>	<u>\$ 498.1</u>	<u>\$ 415.4</u>

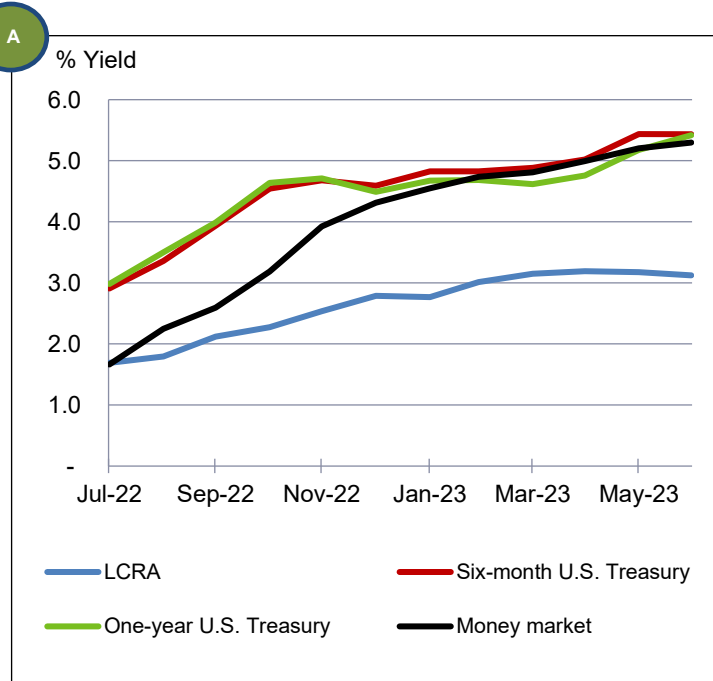
# Lower Colorado River Authority

June 30, 2023

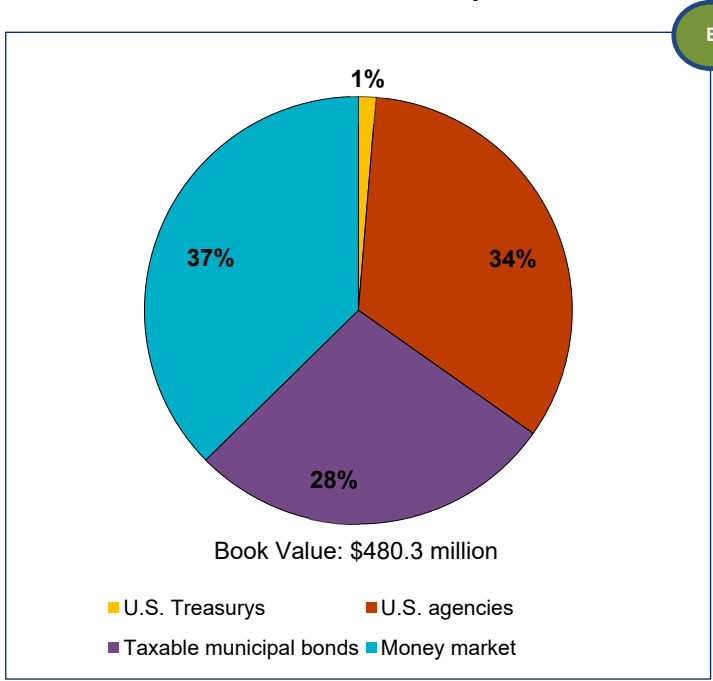
(Dollars in Millions)

## Investments and Debt

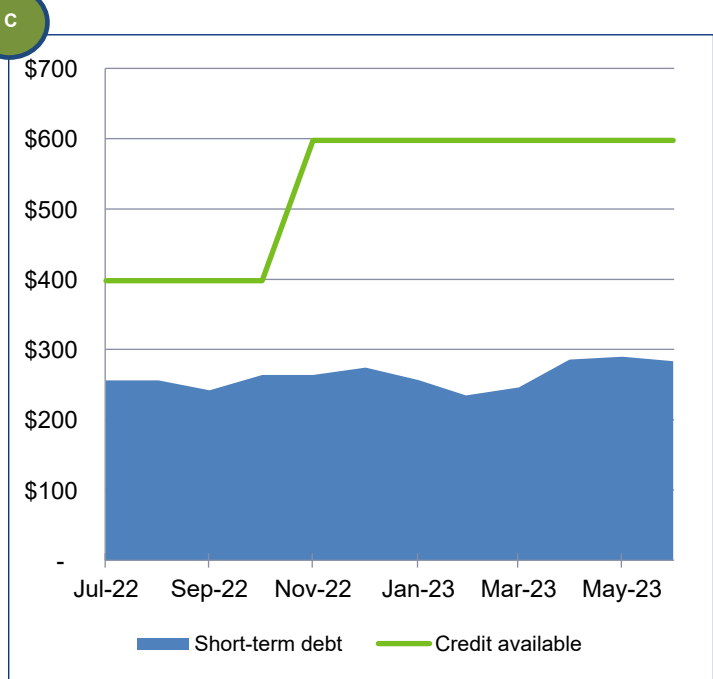
### Investment Portfolio Yield



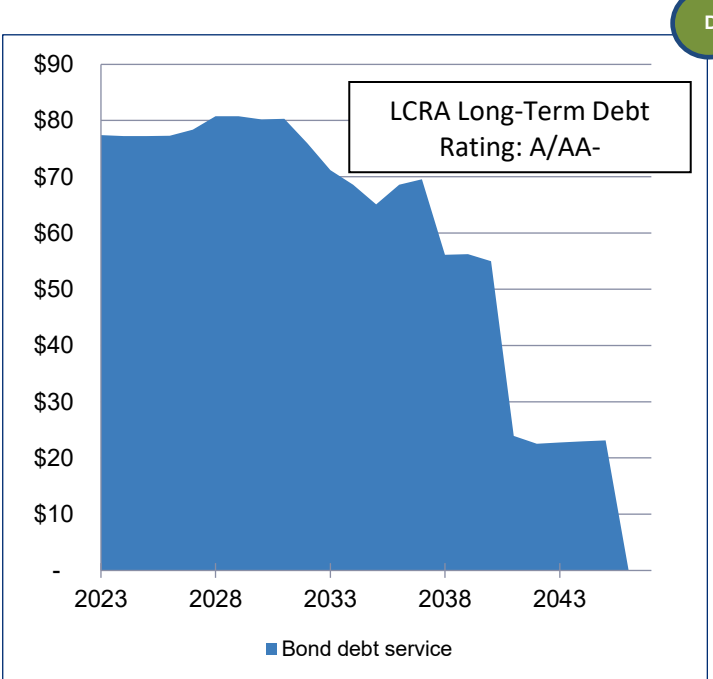
### Investment Portfolio Composition



### Short-Term Debt



### Bond Debt Service



### Key takeaways:

- The Federal Open Market Committee increased the funds rate by 25 basis points at both their March and May 2023 meetings while voting to pause action at the June 2023 meeting.
- The federal funds rate range is 5.00%-5.25%.
- Consumer Price Index (year over year) as of May 2023 was at 4%, which was 2% above the FOMC target.

**FOR ACTION (CONSENT)**

### **3. Proposed LCRA Board and Committee Meeting Dates for Calendar Year 2024**

**Proposed Motion**

Approve the proposed LCRA Board and committee meeting dates for calendar year 2024 as listed in Exhibit A.

**Board Consideration**

The LCRA bylaws provide that the regular meeting of the Board takes place on the last Wednesday before the 25th day of each month. Any deviation from that schedule requires Board approval.

**Budget Status and Fiscal Impact**

Approval of this item will have no budgetary or fiscal impact.

**Summary**

The proposed Board and committee meeting dates for calendar year 2024 as listed in Exhibit A were reviewed by the Executive Committee at its meeting on June 21, 2023.

**Exhibit(s)**

A – Proposed LCRA Board and Committee Meeting Dates for Calendar Year 2024



**EXHIBIT A**

**Proposed LCRA Board and Committee Meeting Dates for Calendar Year 2024**

<b>Month</b>	<b>Committee Meetings</b>	<b>Board Meeting</b>
<b>January</b>	23	24
<b>February</b>	21	
<b>March</b>	27	
<b>April</b>	23*	
<b>May</b>	21	22
<b>June</b>	18	
<b>July</b>	No Meeting	
<b>August</b>	20	21
<b>September</b>	18	
<b>October</b>	22	23
<b>November</b>	13	
<b>December</b>	10	

\*This Board meeting will include the annual business and capital plans work session.

**FOR ACTION (CONSENT)**

## **4. Easement Assignment and Conveyance of Easement in Bastrop County**

### **Proposed Motion**

Authorize the general manager or his designee to assign easement rights across an approximately 1.810-acre and 0.046-acre permanent access easement and an approximately 1.728-acre construction access easement, and grant a surface easement over LCRA Parcel BC-03 to Kinder Morgan in Bastrop County.

### **Board Consideration**

Section 8503.020(b) of the Texas Special District Local Laws Code requires the approval of at least 12 members of the LCRA Board of Directors to convey any interest in real property. LCRA Board Policy 401 – Land Resources requires the approval of the LCRA Board to convey easements across LCRA land.

### **Budget Status and Fiscal Impact**

The fiscal year 2024 business plan contains the administrative costs associated with the assignment and conveyance of these easements.

### **Summary**

LCRA owns and operates the Hilbig Gas Storage Facility and several gas pipelines and related infrastructure, for the transportation of natural gas to LCRA electric generating units.

LCRA acquired Parcel BC-03 in January 2023 for the purpose of building a cost-effective additional connection between Hilbig and various LCRA gas-powered generation assets. A new bidirectional connection and meter will be installed between the pipeline LCRA jointly owns with Enterprise Texas Pipeline and Kinder Morgan's existing pipeline in Bastrop County improving the flexibility and reliability of LCRA's natural gas infrastructure.

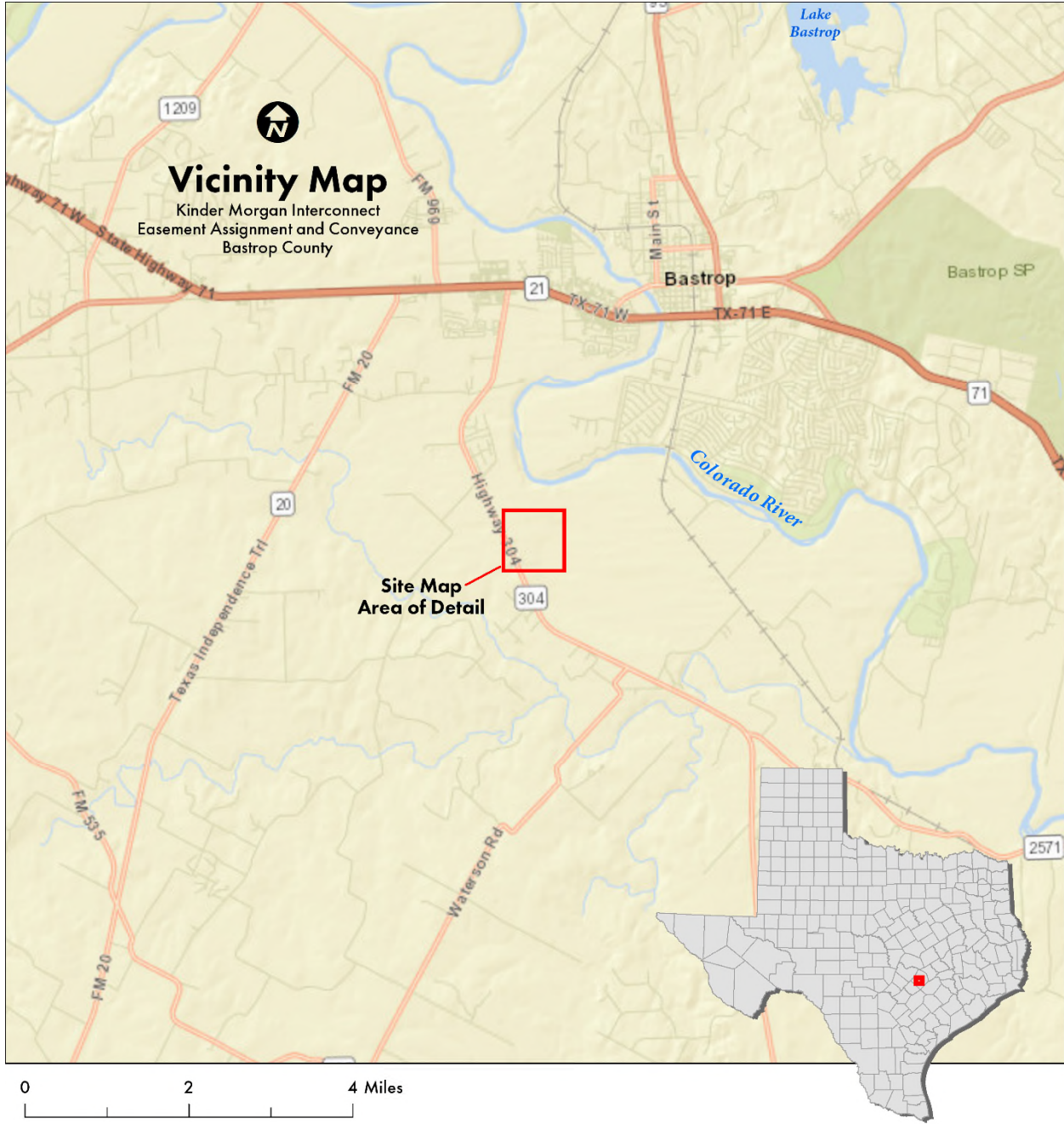
The conveyance is a necessary component of the LCRA-initiated project that will benefit LCRA's natural gas operations, and the easement rights will be conveyed for no additional monetary consideration. Kinder Morgan will be responsible for the maintenance of its equipment.

LCRA representatives will complete environmental and cultural resource due diligence in accordance with Board Policy 401.403 prior to assigning and conveying the easements.

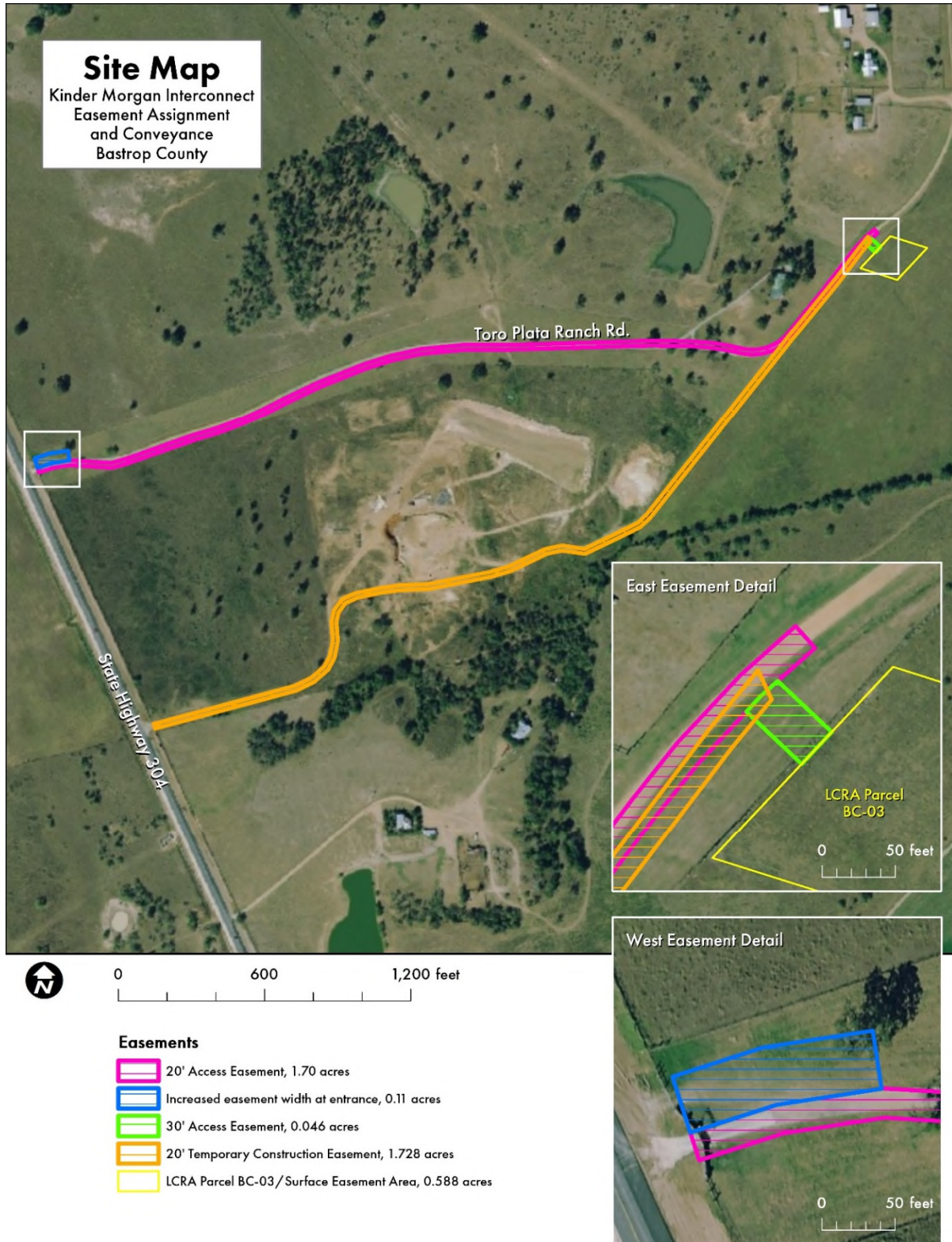
### **Exhibit(s)**

- A – Vicinity Map
- B – Site Map

**EXHIBIT A**



**EXHIBIT B**



**FOR ACTION (CONSENT)**

## **5. Lease of Land in Llano County**

### **Proposed Motion**

Authorize the general manager or his designee to negotiate and execute a 20-year lease agreement with the City of Horseshoe Bay for the use of 5.956 acres of LCRA Parcel JW-05 in Llano County.

### **Board Consideration**

LCRA Board Policy 401 – Land Resources requires LCRA Board of Directors approval for a lease of LCRA property for a term greater than 15 years.

### **Budget Status and Fiscal Impact**

The administrative costs associated with the lease of this land are contained in the fiscal year 2024 business plan.

### **Summary**

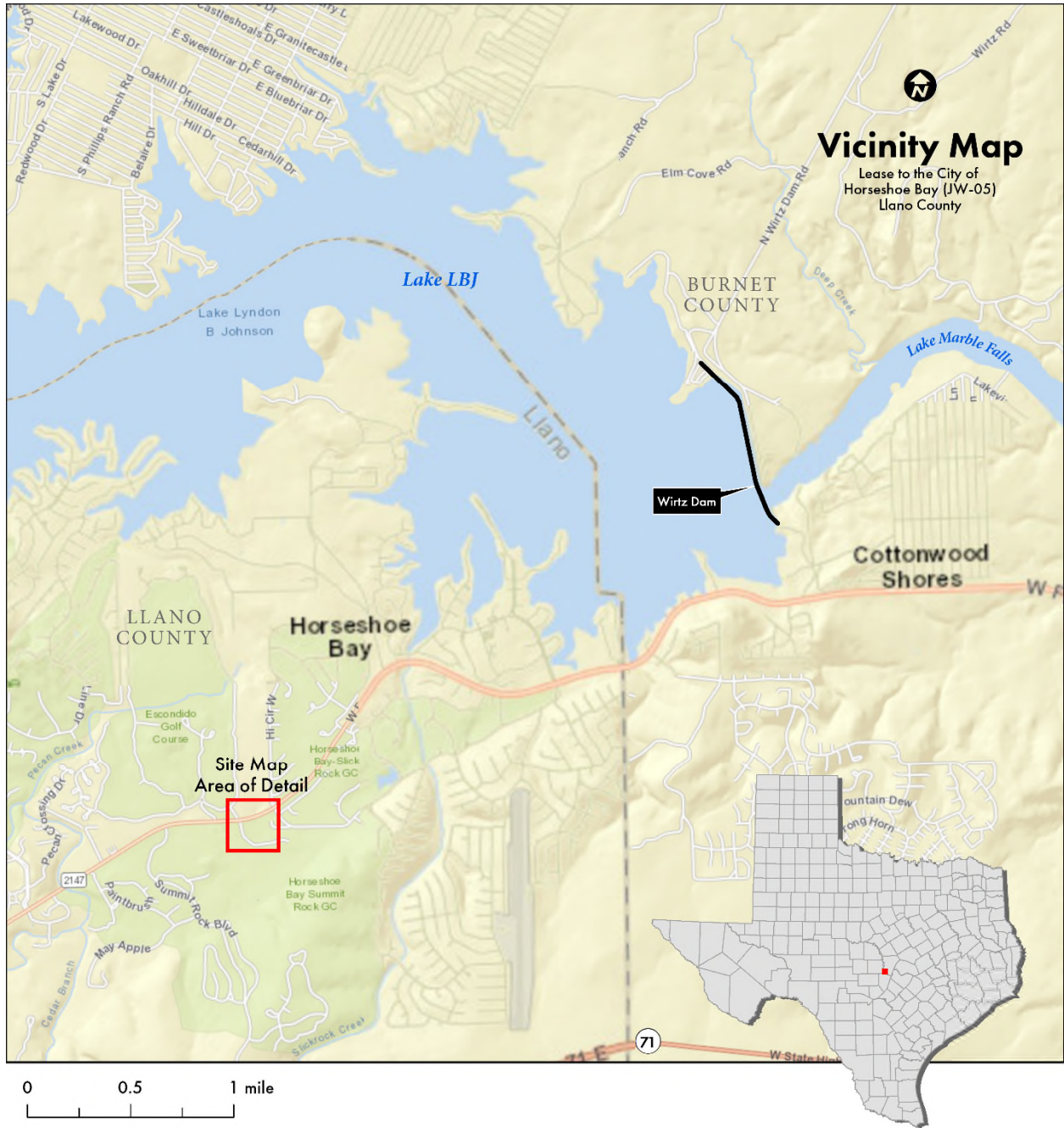
Parcel JW-05 contains about 140.6 acres and is located near Lake LBJ in Llano County. In 2022, the City of Horseshoe Bay requested to lease 5.956 acres from Parcel JW-05 to support Horseshoe Bay's development of its adjoining land. Horseshoe Bay plans to construct a new City Hall on its land and wants to use the LCRA land for access, a parking lot and a small park. The lease will be subject to the continued use of the LCRA property for the Thomas C. Ferguson Power Plant gas pipeline that crosses the tract. Horseshoe Bay will be responsible for the maintenance of the land as well as all safety protocols related to the pipeline. In addition, Horseshoe Bay will maintain a sign on the lease area detailing LCRA's involvement in the parking lot and park. The rent will be \$1 for the 20-year lease term.

LCRA representatives will complete environmental and cultural resource due diligence in accordance with Board Policy 401.403 prior to executing the lease.

### **Exhibit(s)**

- A – Vicinity Map
- B – Site Map

**EXHIBIT A**



**EXHIBIT B**



**FOR ACTION (CONSENT)**

## **6. Fiscal Year 2023 LCRA Business Plan Ratification**

### **Proposed Motion**

Ratify the fiscal year 2023 LCRA business plan to increase authorized operations spending in fiscal year 2023 from \$487.9 million to \$488.1 million.

### **Board Consideration**

LCRA Board Policy 301 – Finance requires annual approval of a business plan by the LCRA Board of Directors. The policy requires additional Board approval if annual expenditures for operations or capital are expected to exceed Board-authorized levels. LCRA operations expenditures exceeded the Board-approved amounts, and staff is seeking approval to increase the FY 2023 operations budget.

### **Budget Status and Fiscal Impact**

LCRA's year-end actual spending for FY 2023 operations expense exceeded the business plan operations budget of \$487.9 million by about \$191,000. This variance is due to higher-than-budgeted nonfuel expenses. These additional expenses were covered by additional revenues.

### **Summary**

Because LCRA exceeded the operations budget for fiscal year 2023, staff is seeking ratification of the additional spending. The increase in FY 2023 spending is primarily the result of higher-than-budgeted nonfuel expenses.

The LCRA Board of Directors approved the FY 2023 amended business plan in June 2023, establishing an amended spending limit for FY 2023 operations of \$487.9 million. The year-end actual spending for FY 2023 operations was \$488.1 million, an increase of about \$191,000.



**FOR ACTION (CONSENT)**

## **7. Amendments to LCRA Board Policy 301 – Finance**

**Proposed Motion**

Approve amendments to LCRA Board Policy 301 – Finance as attached in Exhibit A.

**Board Consideration**

Board of Directors approval is required for any changes to LCRA Board policies.

**Budget Status and Fiscal Impact**

Approval of this item will have no budgetary or fiscal impact.

**Summary**

Staff recommends conforming changes to Section 301.601, relating to public service activities funds, to be consistent with the fiscal year 2024 business plan.

**Exhibit(s)**

A – Proposed Amendments to LCRA Board Policy 301 – Finance

## EXHIBIT A

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### LCRA BOARD POLICY

#### 301 – FINANCE

~~Dec. 14, 2021~~ Aug. 23, 2023

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#### **301.10 PURPOSE**

This policy provides a framework from which LCRA's financial integrity will be maintained while serving the long-term interests of its customers and other constituencies. LCRA recognizes that maintaining financial integrity is critical to accomplishing its goals and discharging LCRA's primary customer and public service responsibilities. This policy establishes processes to be used by the LCRA Board of Directors (Board) to define the strategic plan for LCRA and to approve specific program goals, objectives and associated budgets.

#### **301.20 DEFINITIONS**

Business Plan – The business plan is the document approved by the Board annually that establishes the Board's goals and priorities. The business plan includes operating and capital budgets as well as projections of LCRA's overall financial performance and capital financing plans. It describes the projects, products and services that support the associated revenues and expenditures over a five-year period.

Debt Service Coverage (Coverage) – Debt service coverage is the ratio of the fiscal year's ending total revenues minus total operating and maintenance expenses (net of depreciation, amortization, and other revenue and expense exclusions resulting from prior period funding), divided by scheduled debt service on all obligations as approved in the business plan.

Equity Ratio (Ratio) – The calculation is the ratio of total equity divided by total assets.

Fixed-Rate Debt – Fixed-rate debt consists of coupon securities that have a scheduled maturity or mandatory sinking fund redemption date. Fixed-rate debt that has been synthetically converted to variable rate debt via a derivative instrument will be classified as variable-rate debt for the term of the derivative instrument.

Long-Term Liabilities – Long-term liabilities are (1) principal amounts on long-term debt instruments, (2) pension liabilities, and (3) amounts owed on long-term obligations.

Operating and Maintenance Expenses – Operating and maintenance expenses consist of all reasonable and necessary costs and expenses incurred in the operation and maintenance of the LCRA system.

Variable-Rate Debt – Variable-rate debt consists of securities on which the interest rate varies over time (a) based on an index or formula such as variable-rate demand notes or auction-rate bonds, or (b) because the securities are sold in the short-term market (with a maturity not exceeding 270 days), such as commercial paper.

### **301.30 FINANCIAL OBJECTIVES**

In seeking to fulfill its customer and public service objectives, LCRA will maintain a high level of financial stability and will not compromise long-term financial integrity to achieve short-term benefits.

The GM/CEO is authorized to engage financial service providers and other related professional service providers if deemed necessary and appropriate by the GM/CEO in consultation with the chief financial officer, considering the expertise and cost of any such service provider. The GM/CEO will provide an annual report to the Board listing all contracts into which LCRA entered pursuant to this paragraph.

**301.301 Debt Service Coverage.** To provide a margin of safety in LCRA's financial affairs, revenue levels will be set to target a debt service coverage ratio of 1.25x on the total debt service for all debt obligations. In the event overall debt service coverage is projected to be below 1.25x for any fiscal year, the Board will promptly implement a plan, to be recommended by staff, which could include rate increases, cost reductions or other means to achieve a debt service coverage ratio of 1.25x.

In the event the actual LCRA system fiscal year debt service coverage ratio exceeds 1.25x, the financial performance of the wholesale power business will be evaluated to determine if the actual wholesale power debt service coverage ratio exceeds 1.25x for the fiscal year. If such excess exists, staff will submit to the Board a plan to provide the existing long-term wholesale electric customers with appropriate credits or other rate relief in an amount equal to the excess, provided that after such credit or rate relief, LCRA will achieve an actual system debt service coverage ratio of 1.25x and be in compliance with any covenant requirement in any bond resolution or policy of LCRA. This policy will be applicable except in periods when funds are needed to provide equity for the generation capital program and meet operating reserve requirements.

Upon completion of the annual audit of fiscal year-end financial statements, the existing long-term wholesale electric customers will be provided an analysis of LCRA's financial performance for that period in order to provide a complete accounting of funds above a 1.25x debt service coverage ratio.

**301.302 Rates and Prices.** LCRA will design rates and prices that are intended to ensure LCRA meets its financial obligations, recover reasonable costs in a timely

fashion, and maintain financial integrity as required by regulatory and contractual requirements. These rates will provide a stable and predictable flow of revenues to maintain appropriate levels of revenue to achieve LCRA's goals. Revenue levels will be evaluated in consideration of, but not limited to, bond ratings, capital funding requirements, current business conditions, economic projections and load-growth assumptions, delays inherent in the regulatory process, and the projected size and frequency of necessary rate adjustments. These revenues will be adequate to cover operating and maintenance expenses, debt service, covenanted debt service reserves, liquidity requirements, and equity funding for the capital program.

Rates and prices for wholesale power services to existing long-term wholesale electric customers will be consistent with contractual commitments regarding rates and prices. Revenue collected from wholesale power rates, with the exception of contributions to the Public Service Fund (PSF), will be used for the benefit of the generation system. Rates and prices for service to other electric customers will be set, at a minimum, to recover the cost of providing the services.

Rates and prices for LCRA's raw water services will be based on criteria as specified in LCRA Board Policy 501 – Water Resources.

For other LCRA services for which rates are charged, LCRA may employ other appropriate pricing methods as approved by the GM/CEO.

**301.303 Sources of Financing.** LCRA will use a combination of equity and debt to finance capital additions to the system such that both current and future customers are allocated an equitable portion of the costs. LCRA may borrow for capital projects when it is appropriate to spread the cost of capital assets over their useful lives.

The issuance of debt requires an affirmative vote of three-fourths of the Board. LCRA will not issue debt for working capital items.

Capital market considerations require an equity base to support financing. LCRA will build equity during those periods when major capital projects are not being undertaken by financing capital projects from revenues. In this way, LCRA will build equity sufficient to maintain financial integrity, ensure access to the debt markets and provide for the growing needs of customers.

As appropriate, LCRA will evaluate mechanisms to restructure or refinance debt. LCRA will continually evaluate alternatives to conventional financing to lower the overall cost of capital for ratepayers. Separate system financing also will be considered.

LCRA may structure debt issues such that the average maturity of the debt funding the assets approximates the average life of the assets financed; however, debt issues may be structured with a shorter average maturity if economically justified. LCRA will attempt to maintain a long-term average 30% equity ratio. At no time will the equity ratio fall below 20% without specific Board approval in the business plan. Equity funding of the capital

program will be approved in the business plan in compliance with this policy and taking into consideration the extent of contractual obligations of customers to provide the sources of revenue that will support the financing program.

**301.304 Variable-Rate Financing.** LCRA may use variable-rate debt to provide flexibility in its overall capital program and to manage its overall interest rate exposure.

The variable-rate limit is 25% of total capitalization, long-term debt plus capital employed as presented periodically in LCRA's financial statements.

**301.305 Debt Service Reserves.** LCRA will covenant debt service reserves in the amount of six months of average annual debt service requirements on outstanding debt.

Debt service reserves may be collected through nonfuel rates or met with proceeds from additional debt or through the use of a surety to mitigate rate impacts.

**301.306 Operating Reserves.** LCRA will target three months of average operating and maintenance expense for purposes of operating liquidity and maintain reserves for liquidity of two to three months. Compliance will be evaluated at the end of each fiscal year.

These reserves will be collected through nonfuel rates.

If at any time the level of the operating reserves is projected to fall below the minimum two months established by this policy, the Board will promptly implement a plan, to be recommended by staff, to increase rates, reduce costs or otherwise cause there to be sufficient revenues to replenish the level of operating reserves to such target levels within 12 months.

**301.307 Management Reserves.** The GM/CEO may establish reserves from time to time for management activities.

## **301.40 PLANNING**

**301.401 Business Plan.** LCRA will prepare a business plan to be submitted for Board approval before the start of each fiscal year. The business plan will include the organization's goals and objectives and will describe the projects, products and services that comprise a five-year forecast for:

- Operating and maintenance expenses.
- Capital expenditures.
- Capital funding sources.
- Operating and other reserve requirements.
- Debt service requirements.

This information will be provided in appropriate detail for LCRA's lines of business and affiliated corporations and for LCRA as a whole.

Adoption of the business plan authorizes the GM/CEO to complete work plans and make associated expenditures within budgets as provided for in accordance with Board policies. The resolution adopting the business plan will establish the capital and operating budgets for the upcoming fiscal year. Such amounts may not be exceeded without Board approval. Approval of the business plan constitutes authorization to proceed with capital projects included in year one of the plan and establishes the projects' respective lifetime budgets. The resolution adopting the business plan also will include guidelines for authorizing capital spending and reporting requirements for business plan results.

If annual expenditures for operations or capital are expected to exceed Board-authorized levels, additional approval from the Board will be required, except as otherwise provided below. Staff will provide sufficient support for the additional funding request and provide analysis for impacts on current and future rates.

For any project not previously authorized by the Board in the capital plan, authority is delegated to the GM/CEO to approve any capital project with a lifetime budget not to exceed \$1.5 million. Such approval by the GM/CEO will meet the official intent requirements set forth in Section 1.150-2 of the IRS Treasury Regulations. This delegation will apply only when such approval does not cause total capital expenditures to exceed the approved capital plan or materially adversely impact business planning assumptions. In such a situation, Board approval will be required. Staff will communicate any GM/CEO-approved projects to the Board on a quarterly basis. If Board approval is required, staff will communicate to the Board the funding source and rate impact of any new project when Board approval is requested. A new project may require an amendment to the existing capital plan or be managed within the previously authorized annual spending limits.

The general manager and chief executive officer may approve additional funding for an approved capital project that is expected to exceed its lifetime budget, so long as such additional funding does not cause total capital expenditures to exceed the approved capital plan or materially adversely impact business planning assumptions.

**301.402 Quarterly Business Plan Update.** The GM/CEO will provide quarterly updates that include indicators of year-to-date operational and financial performance, progress toward key goals, general manager and chief executive officer-approved capital project funding, and financial performance projections.

**301.403 Customer Involvement.** LCRA will seek appropriate input from its customers before the Board's approval of the business plan.

### **301.50 AFFILIATED CORPORATIONS**

Each LCRA affiliated corporation will implement a planning process similar to the process used by LCRA. However, each affiliated corporation should use a process appropriate for its level of activity. The business plan of the affiliated corporation submitted for Board approval will include the following components:

A description of the affiliated corporation's major programs.

- Operating and capital budgets for the upcoming fiscal year.
- A summary of its annual goals and objectives.
- Five-year forecasts of operating and capital budgets.
- A summary of its rate plan, if applicable.

### **301.60 SPECIAL FUNDS**

LCRA will establish a process to transfer a portion of its revenues derived from its various product lines into special funds to be used to support mission-based activities, long-term resource development, and other activities.

The Board may establish special funds with appropriate implementation policies and program guidelines in order to set aside funds for these various special purposes.

In the event LCRA's financial performance from non-electric operations exceeds the budget targets set forth in the business plan, the Board may approve the supplemental transfer of funds to the established special funds. Any funds approved for transfer by the Board will be subject to compliance with LCRA's bond resolutions.

To the extent established special funds, including accumulated interest earnings, are not disbursed for the special purposes described in the separate policy and program guidelines, LCRA may use the funds for any lawful purpose. In the event that LCRA net revenues are insufficient to satisfy bond obligations, the monies from the Public Service Fund (PSF), Infrastructure Reserve Fund, Resource Development Fund, Liability Reduction Fund, Agriculture Reserve Fund or Public Recreation and Conservation Land Acquisition Fund (PRCLA Fund) – with the exception of any loans, grants or gifts comprising a portion of the PRCLA Fund – may be applied to such deficiencies.

**301.601 LCRA Public Service Fund.** The LCRA enabling legislation, as amended, and other applicable state laws provide that LCRA has certain statutory duties in the area of community services. While these service activities produce some revenues, the level of their revenue potential is insufficient to provide LCRA the means of implementing effective service programs. LCRA will maintain the PSF to support those activities. The LCRA enabling legislation contemplates the use of revenues derived from LCRA's wholesale power, transmission and water operations for service activities as described in the business plan. Wholesale power, transmission and water rate tariffs will include, as an element of the cost of service, revenue transfers to community service activities.

The amount available to annually fund service activities ~~through the PSF and the Resource Development Fund~~ will equal a total of 5% of budgeted operational gross revenues of the LCRA transmission activities, accomplished through LCRA Transmission Services Corporation; 5% of budgeted operational gross revenues of Strategic Services; and 5% of budgeted operational gross revenues of raw water activities ~~or LCRA's unregulated transmission product line~~, with the specific allocation of such funds between ~~the two PSF and the Resource Development Fund funds~~ to be established by the Board in the LCRA business plan. Amounts available to fund service activities through the PSF from LCRA's raw-interruptible water business activities will be 3%. ~~Three percent of budgeted gross revenues of GenTex 1, the portion of Lost Pines 1 Power Project that is owned by GenTex Power Corporation and from which electricity is sold to LCRA and wholesale customers, also will be available to fund PSF-supported activities. Hydroelectric activity does not contribute to the PSF because it is a component of electric generation rates and covered through the electric generation customer's contribution, described below.~~

Wholesale power customers and wholesale power affiliated corporations will fund service activities in accordance with their contracts. ~~pay as a portion of the operation and maintenance component of the electric rates an amount established under the terms of wholesale power customer agreements, or as otherwise agreed by the parties. Such payments will be for the benefit of the PSF and will be used for the purposes described in this section.~~

**301.602 Flood Recovery and Disaster Fund.** LCRA will maintain a Flood Recovery and Disaster Fund (FRD Fund) of up to \$500,000 to aid in the response to a natural flood disaster that causes structural, environmental or navigational damage or creates a hazard to public health and safety along the Highland Lakes and Colorado River within LCRA's 10-county statutory district. LCRA intends the fund to be used to assist cities, counties and local communities in restoring essential services, mitigating public health hazards and ensuring public safety. LCRA expects that LCRA's assistance using this fund will be in support of the affected communities' self-help response to the disaster. Unless otherwise approved by the Board, expenditures from this fund for any single flood event will be limited to \$200,000 and will not extend past the expiration date of a state disaster declaration.

The types of activities that qualify under the FRD Fund are related to public health and safety and may include some or all of the following activities:

- (1) Inspection of septic systems.
- (2) Water quality assessments.
- (3) Emergency repair of water and wastewater treatment plants.
- (4) Removal of major navigational hazards within LCRA lakes and the Colorado River.
- (5) Use of heavy equipment to clear roadways and shorelines of major flood debris.
- (6) Assistance of LCRA personnel in public safety activities.



The following types of activities do not qualify under the FRD Fund:

- (1) The repair or improvement of private property.
- (2) The repair or improvement of LCRA facilities except those facilities that are for public use and enjoyment.

As monies in the FRD Fund are used for eligible expenditures, the Board may approve additional transfers to replenish the fund.

**301.603 Agricultural Water Conservation Fund.** Section 8503.029, Texas Special District Local Laws Code, requires that a separate charge of at least 10% of LCRA's applicable water rates be applied for any new surface water transfers to the Brazos River watershed in Williamson County. LCRA may use money from this fund only for the development of water resources or other water use strategies to replace or offset the amount of surface water to be transferred to Williamson County. The water development or water use strategies must take into consideration the surface water and groundwater needs of the affected Colorado River basin users and will benefit the water service areas of LCRA's irrigation operations. The Board may deposit other monies within its discretion in the Agricultural Water Conservation Fund.

The staff will consult, as required by Section 8503.029, with an advisory committee representing agricultural irrigation interests before using money from the Agricultural Water Conservation Fund. The Board must approve all expenditures from the Agricultural Water Conservation Fund, but will not consider using the funds to buy out the production of a second crop.

On or before the April Board meeting of each year, the general manager will submit to the Board a report summarizing activities related to the implementation of Section 8503.029, including management and use of the Agricultural Water Conservation Fund, the sufficiency of the separate charge to implement the requirements of Section 8503.029, and updated projections of anticipated water demands for customers subject to the requirements of Section 8503.029.

**301.604 Infrastructure Reserve Fund.** LCRA will maintain a fund in which the Board may set aside proceeds from above-budget performance from water, park and strategic services activities. Availability of these funds, if any, will be determined after completion of the annual financial audit. Additionally, PSF monies not identified for a specific purpose during the preparation of the annual business plan also may be set aside in this fund. The Board may use these funds at its discretion for purposes of improving existing or developing new infrastructure or any other lawful purpose. The Board must approve all expenditures from the Infrastructure Reserve Fund. The Infrastructure Reserve Fund is part of the revenue fund and accounted for separately.

**301.605 Resource Development Fund.** LCRA will maintain a fund to specifically support investment in and payment of debt service on borrowings that have been used to construct long-term capital assets that (i) provide for the development of water supply

resources for the Colorado River basin, or (ii) otherwise support LCRA's mission activities. The deposit of monies into this fund will be pursuant to Board action authorizing a one-time transfer of funds or creating a program that creates periodic transfers from sources described in this policy. The Board must approve all expenditures from the Resource Development Fund. The Resource Development Fund is part of the revenue fund and accounted for separately.

**301.606 Public Recreation and Conservation Land Acquisition Fund.** LCRA has established a Public Recreation and Conservation Land Acquisition Fund (PRCLA Fund) to be used for non-utility land acquisition and/or the development of any project included in LCRA's Public Services or Enterprise Capital Improvement Plan. The PRCLA Fund is part of the revenue fund and accounted for separately.

LCRA intends to maintain a minimum balance in the PRCLA Fund of at least \$1 million. If the PRCLA Fund is drawn down below this level, the Board may direct staff to replenish it with an equal or greater amount from the approved sources within a reasonable time frame. At any time that it is anticipated that an expenditure will draw the balance below the \$1 million level, the source of funds, the process and the time period for replenishing the PRCLA Fund will be subject to approval by the Board.

The Board must approve all expenditures from the PRCLA Fund. The monies for the PRCLA Fund may come from the following sources:

- Proceeds from the sale of nonessential non-utility lands.
- Loans, grants or gifts allocated to the acquisition of non-utility lands.
- Revenues resulting from LCRA's agreements with the private sector for managing and operating park, recreation and natural science projects.
- Other sources as approved by the Board.

**301.607 Community Assistance Fund.** A Community Assistance Fund will be established to provide money for LCRA's Community Development Partnership Program (CDPP). The LCRA PSF will be the source of funds for the Community Assistance Fund. The Community Assistance Fund is part of the revenue fund and is accounted for separately.

The CDPP operates as a grants program, and LCRA intends the CDPP to support communities and economic growth by contributing to education, transportation, public safety, recreation, health care, training, community planning or employment efforts in LCRA's service area. Specific program guidelines governing the process, criteria and procedures for disbursements made from the Community Assistance Fund and PSF will be approved by the Board.

**301.608 Liability Reduction Fund.** LCRA will establish a fund specifically for the reduction of long-term liabilities. The purpose of this fund is to reduce LCRA's long-term cost structure by paying for liabilities when appropriate and funds are available. The

Board will approve the source of funds for the Liability Reduction Fund and the disbursements from the Liability Reduction Fund.

The Liability Reduction Fund is part of the revenue fund and accounted for separately. Interest income attributable to the Liability Reduction Fund may be deposited into the fund periodically and no less frequently than once per fiscal year.

**301.609 Agriculture Reserve Fund.** LCRA will establish a fund specifically to be used for mitigating rate shock to customers. The monies for the Agriculture Reserve Fund may come from any source approved by the Board. The Board must approve all expenditures from the Agriculture Reserve Fund. The Agriculture Reserve Fund is part of the revenue fund and accounted for separately.

### **301.70 RESPONSIBILITIES**

An annual report will be submitted to the Board on the activities of the Flood Recovery and Disaster Fund and the Agricultural Water Conservation Fund. It is the responsibility of the GM/CEO, chief financial officer and the Board to review this policy statement periodically and make recommendations for necessary revisions to ensure that LCRA maintains a high level of financial integrity.

### **301.80 AUTHORITY**

LCRA enabling legislation, Chapter 8503, Texas Special District Local Laws Code  
Texas Water Code, Chapter 152  
Public Funds Investment Act, Chapter 2256, Texas Government Code  
IRS Treasury Regulations, Section 1.150-2

**EFFECTIVE:** March 1984. Amended December 1988; Dec. 13, 1990; Aug. 20, 1992; March 19, 1998; Feb. 24, 1999; Aug. 18, 1999; Oct. 20, 1999; June 21, 2000; Dec. 13, 2000; Dec. 17, 2003; Nov. 17, 2004; Dec. 13, 2006; June 3, 2009; March 31, 2010; Dec. 15, 2010; May 16, 2012; and May 21, 2014. Amended and combined with Board Policy 304 Sept. 21, 2016. Amended April 18, 2018; Dec. 10, 2019; ~~and~~ Dec. 14, 2021; and Aug. 23, 2023.

**FOR ACTION (CONSENT)**

## **8. LCRA Board Policy 303 – Banking and Investments**

**Proposed Motion**

Review and approve LCRA Board Policy 303 – Banking and Investments as shown in Exhibit A.

**Board Consideration**

Chapter 2256 of the Texas Government Code, Public Funds Investment Act, requires that a governing body of an investing entity review and adopt its investment policy and investment strategies annually.

**Budget Status and Fiscal Impact**

Approval of this item will have no budgetary or fiscal impact.

**Summary**

The Board of Directors will fulfill its statutory requirements under the Texas Public Funds Investment Act for the annual review and adoption of the LCRA investment policy. Staff recommends approval of the policy as it currently stands, with changes made to Appendix A, amending staff authorized to purchase and sell securities.

**Exhibit(s)**

A – LCRA Board Policy 303 – Banking and Investments

## EXHIBIT A

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### LCRA BOARD POLICY

#### 303 – BANKING AND INVESTMENTS

~~Aug. 17, 2022~~ Aug. 23, 2023

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##### **303.10 PURPOSE**

This policy establishes procedures for authorizing employees to disburse, transfer and invest LCRA funds in accordance with the LCRA enabling act, LCRA bylaws and other legal requirements. It states objectives and guidelines for investing LCRA funds and defines the types of investments in which LCRA may invest. The policy applies to activity involving LCRA funds, excluding the LCRA Retirement Benefits Plan and the LCRA 401(k) and Deferred Compensation Plans, which are not LCRA funds.

##### **303.20 POLICY**

LCRA will maintain reasonable internal control and approval procedures for the disbursement, transfer and investment of funds consistent with legal requirements.

LCRA's investments will be made in accordance with applicable laws, the LCRA enabling legislation, the LCRA bylaws, Board policies and current LCRA bond resolutions. Selection of securities firms or financial institutions must be approved by the LCRA Board of Directors. All such firms must provide certification forms asserting they have read and are familiar with the LCRA investment policy and reasonable procedures and controls have been implemented to preclude unauthorized transactions. Effective cash management is recognized as a foundation of this policy. The chief financial officer is responsible for implementing and ensuring compliance with this policy.

##### **303.30 Banking Procedures**

**303.301 Signature Authority.** In establishing any bank account, signature authority on the account must be provided to the bank in writing with a specimen signature for each officer and employee authorized. Any check, draft or other instrument that authorizes the disbursement or transfer of funds from any account may be signed without countersignature unless countersignatures are required by the general manager/CEO and chief financial officer. Designation of positions with authority to countersign will be made in writing and approved by the GM/CEO and chief financial officer.

A complete file of authorized signatures pursuant to the requirements of this policy and facsimile signature impressions for each active demand account will be maintained by the treasurer at all times.

**303.302 General Manager/Chief Executive Officer and Chief Financial Officer Designations for Disbursement and Transfer of Funds, and Check Signers.** The GM/CEO and chief financial officer will designate the individuals authorized to disburse and transfer funds and to sign checks. Written authorization may be in the form of certificates of incumbency, signature cards or other bank documentation enabling designated individuals to perform fund movement activities. Designations will include limitations as to dollar amounts authorized to the designees to ensure reasonable controls over financial transactions.

**303.303 Facsimile Signatures.** The use of facsimile signatures, in lieu of manual signatures, for bank transactions is authorized for the chief financial officer and the treasurer without countersignature, except as otherwise required. An authorized copy of the manual signature and the facsimile signature will be furnished to each bank from which checks will be drawn.

### **303.40 Investment Procedures**

**303.401 Investment Objectives.** The LCRA investment portfolio will be managed in compliance with Chapter 2256 of the Texas Government Code, as amended (the Public Funds Investment Act or TPFIA), primarily to be consistent with LCRA's responsibilities as a steward of the public trust and to take advantage of investment interest as a source of income for all funds.

LCRA will emphasize the following objectives, listed in order of importance:

Standard of care – LCRA will ensure that all LCRA personnel involved in the investment process act responsibly as custodians of the public trust in the preservation of LCRA capital. LCRA investments will be made with the exercise of judgment and care, under circumstances then prevailing, that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of principal, as well as the probable income to be derived.

Suitability – LCRA will ensure the suitability of the investment to LCRA's financial requirements.

Safety – LCRA will give priority to ensuring the preservation and safety of principal.

Liquidity – LCRA will maintain sufficient liquidity to provide adequate and timely availability of funds necessary to pay obligations as they become due.

Marketability – LCRA will consider its ability to liquidate an investment prior to maturity.

Diversification – LCRA will diversify its investments on the basis of maturity, type of instruments, financial institutions and securities firms.

Return on investment – LCRA will optimize return on investments within the constraints of safety and liquidity.

Maturity – LCRA will invest its funds in maturities sufficiently diverse and, in consideration of maximum maturity limits, to achieve safety of principal and adequate liquidity.

**303.402 Individuals Authorized to Invest Funds.** The GM/CEO and chief financial officer will submit to the Board a list designating the individuals authorized to purchase and sell securities. The Board will approve the list of designated persons and their respective dollar limits. The approved list will be attached as Appendix A. Each investment transaction must be reviewed for compliance with this policy by a person other than the individual executing the trade. The investment transaction will be in accordance with specified dollar limits determined by the GM/CEO and chief financial officer.

**303.403 Authorized Instruments and Securities Firms.** LCRA will purchase, from securities firms or financial institutions approved by the Board and listed in Appendix B, only those investment instruments authorized under this policy and listed in Appendix C, such list being from the TPFIA as periodically amended, with LCRA maximum maturities.

**303.404 Designated Investment Officers.** Responsibility for LCRA's investments and investing activity, as provided for in this policy, will be the responsibility of the designated investment officers: the chief financial officer and the treasurer of LCRA.

**303.405 Officer Training.** All designated investment officers, as well as all personnel responsible for executing investment transactions, must attend an investment training session not less than once each state fiscal biennium (the state fiscal year runs Sept. 1-Aug. 31), from an independent source approved by the Board and receive not less than 10 training hours as required in the TPFIA. Training must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the TPFIA. LCRA employees must take training provided by the University of North Texas Center for Public Management, the Government Treasurers' Organization of Texas, the Government Finance Officers Association of Texas, Texas Municipal League or Texas State University.

**303.406 Disclosure of Personal Business Relationships.** All designated investment officers, as well as all personnel responsible for executing investment transactions, who have a personal business relationship, as defined in the TPFIA, or are related within the second degree by affinity (marriage) or by consanguinity (descended from the same ancestor), as defined in Texas Government Code Chapter 573, with any representative offering to engage in an investment transaction with LCRA, will file a statement disclosing that personal business interest or relationship with the Texas Ethics Commission and the Board.

**303.407 Safekeeping of Investments.** LCRA will maintain safekeeping procedures to protect against potential loss or misapplication of investments. The chief financial officer or his or her designee will be responsible for procedures that secure LCRA assets. All

investment activity will be accomplished on a “delivery-versus-payment” basis. Investment instruments will be held in the name of LCRA and the LCRA fund being invested.

**303.408 Collateralization.** To the extent not insured by federal agencies that secure deposits, LCRA funds must be secured by collateral securities as stated in the Texas Public Funds Collateral Act, as amended. The total market value of the collateral securities will be an amount at least equal to the amount of the deposits of public funds, increased by the amount of any accrued interest and reduced to the extent that the deposits are insured by an agency or instrumentality of the United States government. Notwithstanding the foregoing, securities described in Section 2256.009(b), Texas Government Code, may not be used to secure deposits of LCRA funds.

A collateral depository agreement will be executed by any bank anticipated to hold LCRA funds in excess of federal deposit insurance and by any collateral safekeeping bank. Safekeeping receipts will be furnished by the safekeeping bank indicating the pledge of the securities to LCRA.

**303.409 Depository Restrictions and Security of Funds.** Other than for paying agent purposes, LCRA will use as depositories for its funds and investments only federal- or state-chartered banks or trust companies with their main office or branch located in Texas in which deposits up to the maximum allowable limit are insured by federal agencies. Such depositories will be approved by the Board.

**303.410 Periodic Reporting.** Investment reports will be made as required by the TPFIA and will be provided to the Board as follows:

<u>General Context of Report</u>	<u>Schedule</u>
Investment portfolio summary	Quarterly
Portfolio composition and performance (investment yield versus benchmarks)	Quarterly
External financial audit (investment holdings, compliance)	Annually

All designated investment officers must sign the quarterly reports.

A report on changes to the TPFIA that affect LCRA will be made to the Board within 180 days after the last day of the regular session of the Texas Legislature.

**303.411 Investment Strategies.** In addition to the above LCRA corporate investment objectives and guidelines, the following detailed investment strategies are provided to address various LCRA funds on issues, including the following:

Revenue Funds – The Revenue Funds will include investments suitable for funds requiring a high degree of liquidity, and will be limited to an average maturity no greater than five years. Due to their short-term nature, involuntary investment liquidations are



unlikely for the Revenue Funds; however, should they be necessary, the short-term nature of the instruments would make material losses highly unlikely. Revenue Funds investments will be compared against appropriately competitive and reasonable benchmarks, including money market funds of similar makeups and maturities.

Construction Funds – The Construction Funds will include investments suitable to meet construction payment requirements for which the related funds were acquired. Investment maturities will be structured to meet construction payment requirements and will comply with federal tax regulations on spending terms. These short-term investments are benchmarked by the same process as the Revenue Funds investments.

Debt Service Reserve Funds – The Debt Service Reserve Funds will include investments suitable to provide reserves to meet any shortfalls in funds available to make required debt service payments. As Debt Service Reserve Funds are not to be used except in the case of insufficient revenues, average maturities in these funds can range from six months to 10 years. However, in no instance should an investment maturity exceed the latest established debt service requirement/payment date. Debt Service Reserve Funds investments will be structured to achieve the most competitive yields attainable given appropriate diversification and safety requirements, and will be compared against appropriately competitive and reasonable benchmarks, considering limitations on yield provided by federal tax law.

**303.412 Monitoring Market Prices.** Monitoring will be done monthly and more often as economic conditions warrant by using appropriate reports, indices or benchmarks for the type of investment. Information sources may include financial/investment publications and electronic media, software for tracking investments, depository banks, investment banks, financial advisers, and representatives/advisers of investment pools or money market funds. Monitoring of credit ratings will be done on a regular, ongoing basis and as often as economic conditions, market news or credit rating agency news releases warrant review of any specific security, type of security or security issuer. If a credit rating for a security or security issuer falls below the minimum allowable rating set by the TPFIA, LCRA will take all prudent measures that are consistent with its investment policy and TPFIA Section 2256.021 to liquidate the security.

**303.413 Required Policy Compliance Audits.** A compliance audit of management controls and adherence to this policy as it relates to LCRA's investments and investing activity will be performed on an annual basis in conjunction with the organization's financial audit. The compliance audit also will cover LCRA's depository or custodian with respect to investment securities and records for pledged collateral, as required in Chapter 2257 of the Texas Government Code, as amended (the Public Funds Collateral Act).

**303.414 Periodic Review and Approval of Policy.** This investment policy and its investment strategies will be reviewed and approved by the Board on at least an annual basis, as required by the TPFIA. The Board will record in writing its approval of existing policy and any changes to the LCRA investments policy and investment strategies.

### **303.50      AUTHORITY**

LCRA enabling legislation, Chapter 8503, Special District Local Laws Code  
Public Funds Investment Act, Chapter 2256, Texas Government Code  
Public Funds Collateral Act, Chapter 2257, Texas Government Code

**EFFECTIVE:** December 1986. Amended March 19, 1987 (republished); Dec. 14, 1991; Oct. 22, 1992; Oct. 17, 1995; Oct. 23, 1997; Oct. 22, 1998; Aug. 18, 1999; Dec. 13, 2000; June 13, 2001; Nov. 20, 2002; Nov. 19, 2003; Oct. 20, 2004; Nov. 16, 2005; Nov. 15, 2006; Nov. 14, 2007; Dec. 17, 2008; Dec. 16, 2009; Dec. 15, 2010; Oct. 19, 2011; Nov. 14, 2012; Nov. 20, 2013; Nov. 19, 2014; and Dec. 16, 2015. Amended and combined with Board Policy 306 Sept. 21, 2016. Amended Nov. 16, 2016; Oct. 18, 2017; April 18, 2018; Oct. 17, 2018; Dec. 11, 2018; Oct. 23, 2019; Jan. 22, 2020; Jan. 20, 2021; Jan. 19, 2022; ~~and~~ Aug. 17, 2022; and Aug. 23, 2023.

**APPENDIX A**

**AUTHORIZATION TO PURCHASE AND SELL SECURITIES**

**STAFF AUTHORIZED TO PURCHASE AND SELL SECURITIES:  
AS OF ~~Aug. 17, 2022~~ Aug. 23, 2023**

Chief Financial Officer (Unlimited)	James D. Travis
Treasurer (\$100 million per day)	David J. Smith
Treasury Supervisor (\$75 million per day)	Keri J. Whipple
Treasury Analyst (\$75 million per day)	Tom Bowen
Treasury Analyst (\$75 million per day; Money Market trades only)	Sara Zamora-Trevino

**APPENDIX B**

**APPROVED BROKERS/DEALERS  
AS OF ~~Aug. 17, 2022~~ Aug. 23, 2023**

<b><u>Name of Firm</u></b>	<b><u>Headquarters</u></b>	<b><u>LCRA Trading Office</u></b>
Stifel Nicolaus & Company Inc.	St. Louis	Houston
RBC Capital Markets <u>LLC</u>	<del>New York</del> <u>Minneapolis</u>	<del>Chicago</del> <u>Dallas</u>
<del>Merrill Lynch, Pierce, Fenner &amp; Smith Inc.</del> <u>BofA Securities Inc.</u>		Charlotte Chicago
Raymond James & Associates <u>Inc.</u>	Memphis	Richmond
Wells Fargo Securities LLC	San Francisco	Dallas
Cantor Fitzgerald & Co. <u>/Debt Capital Markets</u>		New York Dallas
U.S. Bank N.A.	Minneapolis	Milwaukee
Jefferies LLC	New York	Atlanta
<del>FTN</del> Financial <u>Capital Markets</u>	Memphis	Houston
JP Morgan Securities LLC	New York	Chicago
Citigroup <u>Global Markets Inc.</u>	New York	<del>Charlotte</del> <u>New York</u>

**APPENDIX C**  
**APPROVED INVESTMENTS OF PUBLIC FUNDS**  
**AS OF Aug. 23~~17~~, 202~~32~~**  
**(SECTION 2256, PUBLIC FUNDS INVESTMENT ACT OF 1987, AMENDED)**

**DESCRIPTION**

1. Obligations of, or guaranteed by, Governmental Entities (Section 2256.009 of the Texas Public Funds Investment Act) Maturity Limit: 30 years
2. Certificates of Deposit and Share Certificates (Section 2256.010 of the Texas Public Funds Investment Act) Maturity Limit: three years
3. Repurchase and/or Reverse Repurchase Agreements (Section 2256.011 of the Texas Public Funds Investment Act) Maturity Limit: one year
4. Securities Lending Program (Section 2256.0115 of the Texas Public Funds Investment Act) Maturity Limit: one year
5. Banker's Acceptances – Rating/Definition (Section 2256.012 of the Texas Public Funds Investment Act) Maturity Limit: 270 days
6. Commercial Paper – Rating/Definition (Section 2256.013 of the Texas Public Funds Investment Act) Maturity Limit: 365 days
7. Money Market Mutual Funds – Permissions/Restrictions (Section 2256.014 (a) of the Texas Public Funds Investment Act) Maturity Limit: 90 days
8. Guaranteed Investment Contracts (GICs) (Section 2256.015 of the Texas Public Funds Investment Act) Maturity Limit: three years
9. Investment Pools (Section 2256.016 of the Texas Public Funds Investment Act) Maturity Limit: 90 days

**FOR ACTION (CONSENT)**

## **9. Directors' Fees, Expenses**

**Proposed Motion**

Approve directors' fees and expense reports.

**Board Consideration**

LCRA Board Policy 105 – Directors' Fees and Expense Reimbursement and the LCRA bylaws require LCRA Board approval for directors' fees and expenses.

**Budget Status and Fiscal Impact**

Directors' fees and expenses are included in the budget in the business plan.

**Summary**

LCRA Board Policy 105 establishes guidelines for the payment of fees and reimbursement of the expenses that directors incur as they carry out their responsibilities as LCRA Board members.

**FOR ACTION (CONSENT)**

## **10. Minutes of Prior Meeting**

**Proposed Motion**

Approve the minutes of the June 21, 2023, meeting.

**Board Consideration**

Section 2.04 of the LCRA bylaws requires the secretary to keep minutes of all meetings of the Board of Directors.

**Budget Status and Fiscal Impact**

Approval of this item will have no budgetary or fiscal impact.

**Summary**

Staff presents the minutes of each meeting to the Board for approval.

**Exhibit(s)**

A – Minutes of June 21, 2023, meeting

## **EXHIBIT A**

Minutes Digest  
June 21, 2023

- 23-29a Election of Stephen F. Cooper as Board vice chair for a term to begin on July 1, 2023, and expire on June 30, 2025.
- 23-29b Election of Joseph M. “Joe” Crane as Board secretary for a term to begin on July 1, 2023, and expire on June 30, 2025.
- 23-30 Approval of the appointment of LCRA Board committee members and a committee chair.
- 23-31 Approval of the Auditing Services fiscal year 2024 resource and audit plan.
- 23-32 Approval of the minutes of the May 24, 2023, meeting.
- 23-33 Approval of an amendment to the fiscal year 2023 LCRA business plan to increase authorization for spending in fiscal year 2023 from \$437.9 million to \$487.9 million.
- 23-34 Declaration of approximately 17 acres of land in Caldwell County nonessential, and authorization for the general manager or his designee to do all things necessary to convey the property to LCRA Transmission Services Corporation. Additionally, authorization for the general manager to grant a transmission easement to LCRA TSC over two tracts totaling approximately 0.46 acre related to the proposed John Dumas Substation and an approximately 0.4-acre aerial transmission line easement to accommodate the existing T519 transmission line.
- 23-35 Authorization for the general manager or his designee to negotiate and execute the following contract – contract change: Contract No. 5284 (Southwire Company, LLC).



MINUTES OF THE REGULAR MEETING OF THE  
BOARD OF DIRECTORS OF THE  
LOWER COLORADO RIVER AUTHORITY  
Austin, Texas  
June 21, 2023

Pursuant to notice posted in accordance with the Texas Open Meetings Act, the Board of Directors (Board) of the Lower Colorado River Authority (LCRA) convened in a regular meeting at 10:49 a.m. Wednesday, June 21, 2023, in the Board Room of the Hancock Building, at the principal office of LCRA, 3700 Lake Austin Blvd., Austin, Travis County, Texas. The following directors were present, constituting a quorum:

Timothy Timmerman, Chair  
Stephen F. Cooper, Vice Chair  
Joseph M. "Joe" Crane, Secretary  
Michael L. "Mike" Allen  
Matthew L. "Matt" Arthur  
Melissa K. Blanding  
Carol Freeman  
Thomas L. "Tom" Kelley  
Robert "Bobby" Lewis  
Thomas Michael Martine  
Hatch C. Smith Jr.  
Margaret D. "Meg" Voelter  
Martha Leigh M. Whitten  
David R. Willmann  
Nancy Eckert Yeary

Chair Timmerman convened the meeting at 10:49 a.m.

[New Directors Hatch C. Smith Jr. from Kendall County and David R. Willmann from Llano County were attending their first LCRA Board meeting as Board members. Directors Smith and Willmann replaced former Directors Laura D. Figueroa and Raymond A. "Ray" Gill Jr. on the Board, respectively.]

There were no public comments during the meeting [Agenda Item 1].

Chair Timmerman introduced Agenda Item 2 – Election of LCRA Board officers [attached hereto as Exhibit A]. Director Martine, chair of the Nominating Committee, reported the committee's nominations as follows: Stephen F. Cooper for vice chair and Joseph M. "Joe" Crane for secretary. [Directors Kelley and Whitten served on the Nominating Committee.] Upon motion by Director Martine, seconded by Director Kelley, the Board elected the following officers by a unanimous vote of 15 to 0:

23-29a Stephen F. Cooper to serve as Board vice chair for a term to begin on July 1, 2023, and expire on June 30, 2025.

23-29b Joseph M. “Joe” Crane to serve as Board secretary for a term to begin on July 1, 2023, and expire on June 30, 2025.

23-30 Chair Timmerman presented for consideration a recommendation, described in Agenda Item 3 [attached hereto as Exhibit B], that the Board approve the appointment of LCRA Board committee members and a committee chair as shown on revised Exhibit A of Agenda Item 3. Upon motion by Chair Timmerman, seconded by Vice Chair Cooper, the recommendation was unanimously approved by a vote of 15 to 0.

[Chair Timmerman noted Community Development Partnership Program grants recently awarded and thanked CDPP Review Committee Chair Voelter and members Freeman, Kelley and Yeary for their service on the committee.]

The Board next took action on the consent agenda. Upon motion by Director Whitten, seconded by Director Voelter, the Board unanimously approved consent items 4 and 5 by a vote of 15 to 0 as follows:

23-31 Approval of the Auditing Services fiscal year 2024 resource and audit plan, as recommended by staff in Consent Item 4 [attached hereto as Exhibit C].

23-32 Approval of the minutes of the May 24, 2023, meeting [Consent Item 5].

23-33 Chief Financial Officer Jim Travis presented for consideration a staff recommendation, described in Agenda Item 6 [attached hereto as Exhibit D], that the Board approve an amendment to the fiscal year 2023 LCRA business plan to increase authorization for spending in fiscal year 2023 from \$437.9 million to \$487.9 million. Upon motion by Director Crane, seconded by Director Allen, the recommendation was unanimously approved by a vote of 15 to 0.

23-34 Vice President of Real Estate Services Mark Sumrall presented for consideration a staff recommendation, described in Agenda Item 7 [attached hereto as Exhibit E], that the Board declare approximately 17 acres of land in Caldwell County nonessential (not necessary or convenient or of beneficial use to the business of LCRA), and authorize the general manager or his designee to do all things necessary to convey the property to LCRA Transmission Services Corporation. Additionally, authorize the general manager to grant a transmission easement to LCRA TSC over two tracts totaling approximately 0.46 acre related to the proposed John Dumas Substation and an approximately 0.4-acre aerial transmission line easement to accommodate the existing T519 transmission line. Upon motion by Director Smith, seconded by Director Lewis, the recommendation was unanimously approved by a vote of 15 to 0.

23-35 Vice President of Supply Chain Matt Chavez presented for consideration a staff recommendation, described in Agenda Item 8 [attached hereto as Exhibit F], that

the Board authorize the general manager or his designee to negotiate and execute the following contract – contract change: Contract No. 5284 (Southwire Company, LLC). Upon motion by Vice Chair Cooper, seconded by Director Crane, the recommendation was unanimously approved by a vote of 14 to 0 [Director Lewis was absent for voting on this item].

Chair Timmerman declared the meeting to be in executive session at 11:03 a.m. pursuant to sections 551.071, 551.072, 551.074, 551.076, 551.086, 551.089 and 418.183(f) of the Texas Government Code. Executive session ended, and Chair Timmerman declared the meeting to be in public session at 1:32 p.m.

There being no further business to come before the Board, Chair Timmerman adjourned the meeting at 1:32 p.m.

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Joseph M. Crane  
Secretary  
LCRA Board of Directors  
Approved: Aug. 23, 2023

## **FOR ACTION**

# **11. LCRA Board Policy 223 – Cybersecurity**

### **Proposed Motion**

Approve LCRA Board Policy 223 – Cybersecurity as attached in Exhibit A.

### **Board Consideration**

Board of Directors approval is required for any new LCRA Board policies or changes to policies.

### **Budget Status and Fiscal Impact**

Approval of this item will have no budgetary or fiscal impact.

### **Summary**

Staff recommends approval of this policy to establish cybersecurity mitigation and response objectives for LCRA and to provide guidance for LCRA and the LCRA Board regarding cybersecurity responsibilities. The proposed policy requires LCRA to maintain a comprehensive cybersecurity program and sets out the program objectives and responsibilities as shown in Exhibit A.

### **Presenter(s)**

Ken Price  
Chief Operating Officer

Madhava Utagikar  
Chief Information Security Officer and Senior Vice President of Resilience

### **Exhibit(s)**

A – LCRA Board Policy 223 – Cybersecurity

## **EXHIBIT A**

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### **LCRA BOARD POLICY**

#### **223 – CYBERSECURITY**

**Aug. 23, 2023**

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#### **223.10 PURPOSE**

This policy establishes cybersecurity objectives for LCRA. LCRA recognizes that the integrity and security of digital assets are critical to accomplishing LCRA's goals and discharging LCRA's primary customer and public service responsibilities. This policy provides guidance to LCRA and the LCRA Board of Directors regarding cybersecurity responsibilities.

#### **223.20 POLICY**

LCRA will maintain a comprehensive cybersecurity program to reduce the risk of a material impact on LCRA's safety, finances, operations and reputation due to a cyberattack. LCRA will develop and implement an enterprise-level, risk-based cybersecurity program designed to facilitate operational excellence, mitigate risk and build organizational resiliency.

#### **223.30 OBJECTIVES**

The objectives of LCRA's cybersecurity program are to reduce risk and protect LCRA's information systems, operational technology and data through the use of technical tools, organizational training and awareness, and the development and enforcement of sound security policies.

#### **223.40 RESPONSIBILITIES**

The GM/CEO will ensure staff design and implement a cybersecurity program to meet the policy and objectives set out above and will ensure LCRA provides to the LCRA Board of Directors an update on the program annually.

The Board of Directors delegates to the GM/CEO the authority to take all actions necessary to respond to an active cybersecurity incident or imminent cybersecurity threat in the GM/CEO's discretion, to include incident mitigation, response, emergency expenditures and purchasing. The GM/CEO will provide ongoing updates as permitted by circumstances to the Board of Directors during any active or imminent cybersecurity event

and any recovery operations, until the GM/CEO determines that LCRA has sufficiently recovered to return to normal operations.

In addition to the required annual program updates, the GM/CEO or his or her designee will update the LCRA Board of Directors or a committee with appropriate oversight with information related to LCRA's cybersecurity that he or she determines to be necessary for the directors to fulfill their duties and responsibilities, including updates regarding emerging cybersecurity threats to LCRA and/or new or significant cybersecurity risks within LCRA.

**223.50      AUTHORITY**

LCRA enabling legislation, Chapter 8503, Texas Special Districts Local Laws Code.

**EFFECTIVE:** Aug. 23, 2023.

**FOR ACTION**

## **12. Contracts and Contract Changes**

### **Proposed Motion**

Authorize the general manager or his designee to negotiate and execute the following contracts and contract changes as described in the attached exhibit(s).

### **Board Consideration**

LCRA Board Policy 308 – Purchasing Contracts requires Board of Directors approval for:

- Any contract for consulting services with projected expenditures exceeding \$250,000, whether under the original contract or as a result of a change; and
- Any contract for goods, services (excluding consulting services), construction or software with projected expenditures exceeding \$5 million, whether under the original contract or as a result of a change.

### **Budget Status and Fiscal Impact**

Board of Directors approval of contracts and contract changes does not create a commitment to spend funds. All commitments made under these contracts will be for budgeted items contained in separately authorized operations and capital budgets or pre-spending requirements as outlined in Board Policy T301 – Finance.

### **Summary**

Each month the Board approves the contracts and contract changes in accordance with LCRA Board Policy 308 – Purchasing Contracts.

### **Presenter(s)**

Matt Chavez  
Vice President, Supply Chain

### **Exhibit(s)**

A – New Contracts  
B – Contract Administration

## **EXHIBIT A**

### **New Contracts**

**Contract Number:** 6321

**Supplier Name:** Kleinfelder, Inc.

**Contract Amount:** \$6 million

**Description:** This master contract will serve as the primary provider of geotechnical engineering and materials sample collection, testing and analysis services used mostly by Water Resources and Transmission Services for capital improvement projects, and for operations and maintenance projects for LCRA. The term of the contract is for one year, with automatic annual renewal periods not to exceed a total maximum term of five years. The previous five-year spend of the primary provider of this category was about \$4.9 million. The new estimated contract values are based on an increase in forecast project demand and changes in market pricing.

**Contract Number:** 6322

**Supplier Name:** Terracon Consultants, Inc.

**Contract Amount:** \$5 million

**Description:** This master contract will serve as the secondary provider of geotechnical engineering and materials sample collection, testing and analysis services as described in the prior item. The previous five-year spend of the secondary provider of this category was about \$4.4 million. LCRA is awarding multiple contracts to ensure adequate coverage for this category.

**Contract Number:** 6289

**Supplier Name:** Locweld, Inc.

**Contract Amount:** \$40 million

**Description:** This master contract provides lattice steel towers used by LCRA Transmission Services Corporation for transmission line projects. The term of the contract is for one year, with annual options to extend up to a total of five years. Five-year historical contract expenditures for lattice steel towers were about \$7.5 million. Total projected contract expenditures are forecast to increase from prior years due to planned projects in remote areas where tall lattice towers capable of long spans are optimal.

**Contract Number:** 6252

**Supplier Name:** Arcosa Industries, Inc.

**Contract Amount:** \$15 million

**Description:** This master contract provides lattice steel towers used by LCRA TSC for transmission line projects, as described in the prior item. LCRA is awarding multiple contracts to ensure adequate coverage for this category.



**Contract Number:** 6354

**Supplier Name:** Presidio Networked Solutions Group, LLC

**Contract Amount:** \$50 million

**Description:** This master contract provides for data center hardware, associated software and value-added reseller services. The term of the contract is for one year, with annual options to extend up to a total of five years. Historical contract expenditures for this category of spend were \$39.7 million under an existing five-year contract. Total projected contract expenditures are forecast to increase from prior years due to the continued growth of LCRA's data centers and support of existing and new hardware.

**Contract Number:** 6355

**Supplier Name:** Kudelski Security, Inc.

**Contract Amount:** \$20 million

**Description:** This master contract provides for cybersecurity hardware, associated software and value-added reseller services. The term of the contract is for one year, with annual options to extend up to a total of five years. Historical contract expenditures for this category of spend were \$11 million under the most recent five-year contract. Total projected contract expenditures are forecast to increase from prior years due to the continued growth of cybersecurity hardware, software, and support of existing and new hardware.

**EXHIBIT B**

<b>Contract Changes</b>
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**Contract Number:** 5664

**Supplier Name:** Ryan LLC

**Current Approved Contract Amount:** \$500,000

**Requested Change:** \$7 million

**New Contract Amount:** \$7.5 million

**Description:** This master contract was originally put in place on Aug. 10, 2020, for a one-year term, with annual options to extend up to a total of five years. This contract is for sales tax and audit related services. Staff is requesting to add \$7 million to the existing contract to accommodate the projected increase in the use of this contract for sales tax, audit and related services. The requested amount includes a 33% contingency to cover any additional support needed during the term of this contract.