

PERSONNEL POLICIES OF THE Fayette Water Supply Corporation

1. GENERAL POLICY

1.01 Purpose

The policies, rules and regulations contained herein are intended to provide meaningful employment opportunities to all segments of the community, and to provide fair and equal opportunity for qualified persons relating to recruitment, selection, placement, training, promotion, discipline, or any other aspect of personnel administration without regard to race, religion, national origin, age, sex, physical handicap, political affiliation, or marital status. These rules are also intended to be consistent with the non-profit public interest status of the Fayette Water Supply Corp. (The Corporation)

1.02 Authority

- (a) These rules are intended to comply with the authority provided by, and to be consistent with, all applicable laws of the United States, the State of Texas, and all other applicable rules and regulations of agencies of jurisdiction. Any provision herein found to be inconsistent with the stated intent shall not affect the validity of application of the other provisions.
- (b) In cases where federal or state laws or regulations supersede local policy for specific groups of employees, such laws or regulations will substitute for these personnel policies only insofar as necessary to comply with such laws, regulations, or provisions.

1.03 Application of Policies

These rules shall apply to all Corporation employees except where otherwise specifically exempted by these rules or by written agreement.

1.04 Division of Responsibility

- (a) The Board of Directors of the Corporation shall be the final and sole authority for the adoption, interpretation and amendment of these Personnel Policies. The Board of Directors may amend, revise or revoke these Personnel Policies without prior notice to or with the approval of any employee of the Corporation.
- (b) The General Manager of the Corporation shall be responsible for the day to day operations of the Corporation and administration of these Personnel Policies. The General Manager shall maintain a complete set of these Personnel Policies together with all revisions for reference by employees. In addition, the General Manager shall provide a complete copy of these Personnel Policies and a copy of all revisions to these Personnel Policies to each newly hired employee. Continued employment by the employee after notice of these Personnel Policies and/or any revisions to these Personnel Policies shall constitute acceptance of such revisions by the employee.

- (c) All employees are responsible for cooperation in the application of these rules. Employee suggestions for changes to the rules are welcome.
- (d) The policies, procedures, rules and regulations contained herein are not a part of any contract between the employee and the Association. All employees are hired at will and may be dismissed with or without cause.

2. HIRING PRACTICES

2.01 Basis

- (a) Equal opportunity is the policy of the Corporation. Individuals will not be discriminated against in job structuring, recruitment, examination, selection, appointment, placement, training, upward mobility, discipline, or any other aspect of personnel administration based on race, color, national original, sex, sexual orientation, veteran status, religion, age, political affiliation or belief, or any other non-meritorious legally protected factor.
- (b) Initial employment with the Corporation shall be based on qualifications, ability and fitness as evidenced by any combination of:
 - Education and knowledge;
 - Experience and training;
 - Job skills;
 - Professional license;
 - Ability to perform the essential functions of the position involved;
 - Investigation of motor vehicle driving record; including DWI records
 - Post-offer physical examination if required by job classification;
 - Performance testing and other requirements as necessary.
 - Psychological Impairment
 - Nepotism
 - Arrest Record
 - Felony Conviction Record
 - Drug And Alcohol Test

2.02 Application or Resume

- (a) Each applicant for employment will be required to submit a written application and/or resume and other pertinent information regarding qualifications, training and experience. The General Manager shall make appropriate inquiries to verify experience and suitability of any applicant. The Application for Employment must be completed within the Offices of the Corporation. Blank Application Forms may not be released from the Corporation Office.
- (b) Falsification of information provided on a resume or job application will be cause for immediate dismissal with loss of all accrued employment benefits.

2.03 Employment of Qualified Applicants

- (a) Upon completion of the selection process, hiring of the best qualified applicants shall be approved by the General Manager. The General Manager is hired by the Board of Directors.
- (b) The General Manager has exclusive authority to select and employ personnel within the limits of these policies and the overall Corporation budget. Other supervisors may interview applicants and be asked for recommendations as appropriate.
- (c) Prior to starting employment with the Corporation, qualified applicants must furnish written proof that they are legally authorized to work in the United States.
- (d) Prior to employment, a driver's license check and a drug and alcohol test will be given. Additionally, the General Manager has the authority to require a credit and/or background check.

2.04 Initial 30 Day Period of Employment

- (a) The initial 30 days of employment with the Corporation or the initial 30 days following promotion will be utilized for observing the new or promoted employee's work and for securing the most effective adjustment of a new employee to his or her position with the Corporation. New employees shall be required to complete the initial 30 day period before being eligible to receive any leave benefits provided by the Corporation.
- (b) During the initial 30 day period, the supervisor or the General Manager may periodically prepare a report evaluating the employee's performance.
- (c) At any time during the initial 30 day period, the General Manager may discharge an employee for any reason. Any employee discharged during such period shall not be entitled to any accrued benefits from the Corporation. See Separations Chapter of these policies for additional details. Any reference to the initial 30 day period shall not be construed to either extend or grant an employee a term of employment equal to that period, but instead is that period during which the employee's suitability for his or her job is assessed.
- (d) The successful completion of the initial 30 day period should not be construed as creating a contract or as guaranteeing employment for any specific duration or as establishing the requirement that terminations be based on cause. See Employment at Will provision 15.04.

2.05 Vacancies

Staff vacancies are filled on the basis of merit, whether by promotion or by appointment. Selection of the best qualified persons are made only on the basis of occupational qualifications and job-related factors such as skill, knowledge, education, experience, and ability to perform the essential functions of the specific job.

2.06 Qualifications

The Corporation shall maintain a job description for each staff position which establishes the essential functions of the job, required license, knowledge, skills, abilities and the acceptable levels of education,

experience and training. The job description sets forth the minimum acceptable qualifications to fill the position. For the purpose of maintaining efficiency and harmony in the work environment, applicants for employment may not be considered if nepotism exists with any employee or member of the Board of Directors.

2.07 Disqualification

An applicant is disqualified from employment by the Corporation if he or she falls under one of the following: (1) does not meet the minimum qualifications for performance of the essential functions of the position involved, with or without reasonable accommodation, if required by law, (2) nepotism*, as defined by any relationship with a past or present employee or member of the Board of Directors, (4) is a close personal friend of any employee or member of the Board of Directors, (5) knowingly has made a false statement on the employment application form or resume, (6) has committed fraud during the selection process, or (7) is not legally permitted to hold the position. *Nepotism as defined in the Bylaws of the corporation.

3. JOB PERFORMANCE

3.01 Job Descriptions

- (a) The General Manager shall prepare job descriptions for all employees. (SEE APPENDIX 2) These job descriptions shall be reviewed from time to time to ensure that they accurately reflect the duties and responsibilities associated with the particular position. Employees will be expected to perform the essential functions specified by such job descriptions, including the submission of all reports, daily logs, travel documents, personnel forms and other requirements or work product as identified within these personnel policies, and/or state and federal contract performance procedures. Any change in job description may result in changes in pay and/or other employee benefits.
- (b) The job description for each employee's position will be (1) given to each employee, (2) reviewed by the employee, and (3) placed in the employee's personnel file with the employee certifying that he or she has reviewed it together with the supervisor or General Manager, and received a copy.
- (c) In the absence of any request for clarification, each employee is considered to understand the responsibilities and essential functions assigned to the position which he or she occupies.

3.02 Performance Evaluation

- (a) The General Manager or supervisor shall conduct formal or informal performance interview with each employee during an employee's tenure at least once every twelve months, and may prepare a written performance evaluation in conjunction with this interview.
- (b) The General Manager or supervisor shall provide a copy of any written performance evaluation to each employee and shall place a copy of such written performance evaluation in the employee's personnel file.
- (c) Employees may respond in writing to any performance evaluation conducted by the General Manager or supervisor. This written response shall be placed in the employee's personnel file.

3.03 Promotions and Salary Increases

Promotions and salary increases shall be determined by the General Manager in communication with the Board of Directors based on job related factors such as performance, evaluated merit and availability of funds. The General Manager shall periodically review the total compensation plan of all employees and make appropriate adjustments as warranted. (See Section 5.04)

3.04 Timely Submission of Reports and Documentation

- (a) Records of work performed by an employee shall be compiled in a timely manner in accordance with these personnel policies, the employee's job description and/or state and federal contract performance procedures.
- (b) Upon separation of employment, an employee shall submit all required reports and supporting documentation to the Corporation through the date of separation. Failure to provide these reports at the time of separation may result in the employee owing the Corporation for lost revenues or for monetary damages that may be assessed against the Corporation for failure to perform its obligations under certain contractual requirements. The Corporation may deduct any amount owing the Association from the employee's final payment of compensation.

4. EMPLOYEE RESPONSIBILITIES

4.01 General

- (a) The FWSC is a non-profit Corporation whose purpose, among others, is to provide potable water to its member-customers. Its employees must adhere to high standards of public service that emphasize professionalism, courtesy, and avoidance of even the appearance of illegal or unethical conduct. Employees are required to carry out efficiently the work items assigned as their responsibility, to maintain good moral conduct, and to do their part in maintaining good relationships with their supervisors and fellow employees, the public, member-customers, and state and federal regulators.
- (b) Consistent with these requirements, the employees of the Corporation shall subscribe to the following guidelines for conduct in the company of other staff members, board of directors, members, state and national rural water associates, water and wastewater industry associates, and the general public.
 - (1) Corporation employees are professionals recognized as leaders in the rural water industry. A professional image projected by Corporation employees to the industry and public is imperative to maintaining this position and advancing our stated purpose. The Corporation staff will at all times be sensitive to actions and behavior which would compromise this image. Each employee shall take responsibility for his/her own actions with respect to this issue.
 - (2) Behavior contrary to the expectations and policies of the Corporation is prohibited.
- (c) In regard to behavioral problems related to the consumption of alcohol, the following rules shall be observed:

- (1) Consumption of intoxicants on the job is absolutely prohibited. Drinking on the job shall be considered as such when an employee is consuming alcohol during or before an assigned work period when the effects of such consumption will overlap or occur during the assigned work period. Alcoholic consumption will be limited in all cases where the operation of Corporation owned vehicles is expected and occurring. All employees shall be sensitive to alcohol consumption during a Corporation sponsored function. Failure to observe this policy may result in disciplinary action up to and including discharge.
- (2) Participation in outside social activities at a Corporation or industry function is recognized as likely activities. At no time shall a Corporation employee engage in a course of conduct that would cause embarrassment to the Corporation.

(d) All facilities of the Corporation are a smoke-free environment.

Note: A Corporation sponsored function is any activity for which the Corporation is paying for lodging, meals, or expenses of attending staff.

4.02 Timeliness

- (a) Employees are to be punctual in reporting for work, keeping appointments, and meeting schedules for completion of work tasks including the submission of daily and monthly reports and personnel forms for that work period.
- (b) Employees who expect to be late or absent from work must report the expected tardiness or absence to their supervisor or the General Manager immediately and have all reports and/or work products up to date. Failure to do so may result in disciplinary action up to and including discharge.

4.03 Outside Activities

- (a) Employees may not engage in any outside employment, activity, or enterprise determined by the General Manager (1) to be inconsistent or incompatible with employment with the Corporation; or (2) to adversely affect the employee's job performance.
- (b) An employee must have the advanced approval of his or her supervisor and the General Manager to engage in any outside employment including self-employment.

4.04 Conflict of Interest

An employee may not: (1) solicit or accept or agree to accept a financial benefit, other than from the Corporation, that might reasonably tend to influence his or her performance of duties for the Corporation or that he or she knows or should know is offered with intent to influence the employee's performance; (2) accept employment or compensation that might reasonably induce him or her to disclose confidential information acquired in the performance of official duties; (3) accept outside employment or compensation that might reasonably tend to impair independence of judgment in performance of duties for the Corporation; (4) make any personal investment that might reasonably be expected to create a substantial conflict between the employee's private interest and duties for the Corporation; or (5) solicit or accept or agree to accept a financial benefit from another person in exchange for having performed duties as a Corporation employee in favor of that person,(6) disagreements among employees must be reconciled

in a timely expedient manner to maintain a cordial, efficient, and peaceful work environment. Conversely close personal relationships or nepotism is not accepted at any time due to the conflicts whether overt or covert and whether within ranks of employees or the Board of Directors.

4.05 Political Activities

- (a) Corporation employees are encouraged to vote and to exercise other prerogatives of citizenship consistent with state and federal law and these policies.
- (b) A Corporation employee's political activity, not in violation of this section, shall not be considered in determining his or her compensation, eligibility for promotion or demotion, work assignment, leave or travel request, or in applying any other employment practices to the employee.
- (c) Under no circumstances shall an employee participate in the election or advocate the candidacy of, or otherwise assume any position regarding the desirability of any candidate for the Board of Directors of the Corporation or any member water system. Violation of any of the provisions of this regulation is grounds for immediate discharge from employment by the Corporation with loss of all accrued employment benefits.

4.06 Communications to Board of Directors, Members, Public and Regulatory Officials

- (a) Matters that involve these policies, personnel issues, the Corporation's financial condition, internal operations, etc., may only be brought before the Board of Directors by the General Manager or by a person designated to do so by the General Manager or by a Member of the Board of Directors.
- (b) An employee or group of employees may request that a matter be considered by the Board of Directors by submitting the item in writing to the General Manager who will forward the communication to the President of the Corporation Board for possible placement on the Board's agenda.
- (c) Communication with the public or members about the Corporation's business, financial condition or internal affairs is the responsibility of the Board of Directors. Employees are to refer inquiries that are non-routine, controversial, or outside of the scope of the employee's normal duties to the General Manager. All inquiries from the media or regulatory officials should be directed immediately to the General Manager.
- (d) Employees may, from time to time, be asked to perform certain duties or be given directions from Corporation Officers or persons other than the General Manager. In such cases, the employee must notify the General Manager about the direction, its purpose, and the relevant facts of the situation. Failure to do so in a timely manner may result in disciplinary action.

4.07 Use of Corporation and Privately-Owned Vehicles

- (a) Vehicles provided by the Corporation shall be treated with care and given proper preventive maintenance. Such vehicles may not be used for personal use. Vehicle speed limits and all other legal restrictions shall be observed at all times. Motor vehicle insurance required by applicable law will be provided by the Corporation; personnel shall have proof of insurance as well as a valid Texas Driver's License at all times while operating a Corporation vehicle. Corporation owned vehicles shall not be

driven after consumption of any alcoholic beverages, medication, or other substances that may cause drowsiness or otherwise impede good judgment and/or driving ability.

- (b) No employees shall drive their personal vehicle on Corporation business after consumption of alcoholic beverages, medication, or other substances that may cause drowsiness or otherwise impede good judgment and/or driving ability.
- (c) Employees must notify the General Manager immediately after being stopped by law enforcement officials for any traffic violation or accident involving a Corporation vehicle.
- (d) If the Corporation satisfies any fines imposed upon an employee for violation of any motor vehicle statutes in the operation of a Corporation vehicle, the Corporation shall deduct the amount of such fine from the employee's compensation. The Corporation is not responsible for any traffic fines or citations that are not the fault of the Corporation.
- (e) The General Manager and/or the Corporation's Insurance Company will have the right to periodically check the driving record of employees required to drive a Corporation owned vehicle. Any employee whose driver's license is suspended or otherwise determined to be invalid may be subject to being discharged. Employees must notify the General Manager immediately of any change in the status of their driver's license and/or insurability.
- (f) No vehicle shall transport unauthorized personnel, (unauthorized personnel being defined as any person not a Corporation employee or otherwise legally engaged in the conduct of Corporation business) without the prior notification and approval of the General Manager.

4.08 Use and Care of Corporation Equipment

- (a) All vehicles and equipment assigned to an employee shall be maintained in good condition and if any damage occurs, that damage must be reported to the supervisor or General Manager as soon as possible. Periodic inspection of all Corporation assets will be performed by the General Manager or designee.
- (b) All vehicles and equipment assigned to the employee shall be returned to the Corporation office in good working condition upon resignation, separation of employment or request by the General Manager. If there is any damage or loss of assigned equipment, the employee will be responsible for replacement of or pay compensation for the damaged or lost equipment.
- (c) Pet is not permitted within the office, warehouse, water stations, or vehicles of the Corporation.

5. TYPES OF EMPLOYMENT, PAY PERIODS, COMPENSATION AND ADVANCEMENT

5.01 Categories of Employment

There are four categories of employment with the Corporation:

Regular Full Time. A regular full-time employee is employed to hold an authorized position that involves, on the average, forty work hours per week.

Regular Part Time. A regular part-time employee is employed to hold an authorized position that involves, on the average, fewer than forty work hours per week. Part time employees shall not be eligible for benefits received by full time employees (unless otherwise required by law) or determined by the Board of Directors.

Temporary. A temporary employee is an employee hired to complete a specific project within a specified period of time. Temporary employees may be full time or part time and are treated in the same manner as regular employees except with regard to the duration of their employment. Exceptions can be made at the discretion of the General Manager.

Casual Labor. A casual labor employee is employed for a specific period of time. He or she may work on an irregular schedule. Payment for hourly work is at an hourly rate for the actual number of hours worked. Hourly employees are not paid for holidays and are not entitled to any Corporation benefits.

Contract Labor. The Board of Directors may engage the services of an Independent Contractor at the discretion of the Board of directors.

Note: All categories of employment are “at-will.”

5.02 Pay Periods and Check Delivery

- (a) The pay period for the Corporation is Bi-Weekly. Direct deposit to the employee’s bank shall be issued every other Friday. If payday falls on a holiday, deposits will be issued on the last working day preceding.
- (b) Payments will not be issued other than on the days set out above without approval of the General Manager.
- (c) At the discretion of the General Manager, no pay advances or loans will be made to any employee in excess of the amount of wages or salary due and owing to the employee for services performed up to and including the day the advance or loan is made except as otherwise provided herein.

5.03 Deductions

- (a) Deductions will be made from each employee’s pay for the following:

- Federal Income Tax
- Social Security
- Any other deductions required by law

- (b) In accordance with the policies and general procedures approved by the Board of Directors of the Corporation, deductions from an employee’s pay may be authorized by the employee for:
 - (1) Group health/medical insurance for dependents
 - (2) Life insurance for the employee

- (3) Such other deductions as may be authorized by the General Manager, the Board of Directors of the Corporation, or these policies.

5.04 Compensation Plan

- (a) The Corporation maintains a performance based compensation plan by which each employee is assigned an initial base salary determined on the principle of equity among positions requiring similar knowledge, skills, and abilities and having similar levels of responsibility. An employee's overall job performance will determine subsequent increases (or decreases) in the base salary.
- (b) Within the general guidelines of the budget and these policies, the base salary for each employee is established as part of a total compensation plan. Other factors that may be included in the total compensation plan include incentives, bonuses, benefits, and gifts from the Board of Directors.
- (c) The General Manager is authorized to determine the total compensation plan that each employee receives. An employee who is designated exempt from the compensation plan is paid within maximums set in a budget approved by the Board of Directors.

5.05 Bonus Increases

Bonus increases are considered part of the total compensation plan and may be granted for exceptionally good and consistent performance in the same position. They are not used to recognize increased duties and responsibilities (a promotion) and are granted without regard to cost-of-living factors or longevity. Bonus increases recognize outstanding performance and are thus granted in conjunction with a performance evaluation of the employee, the results of which are one factor used in determining the employee's total compensation plan. Any bonus increases are granted at the discretion of the Board of Directors.

5.06 Promotions

- (a) A promotion is a change in the duty assignment of an employee from a position in one classification to a position in another classification at a higher base salary. A promotion recognizes advancement to a higher position requiring higher qualifications and involving greater responsibility.
- (b) Promotions are approved by the General Manager within staffing patterns and budget limits established by the Board of Directors.
- (c) Upon promotion, an employee's performance will be reviewed at the end of six months. The Employee may be returned to a lower job classification at any time during or after the six month period at the discretion of the General Manager and the Board of Directors.

5.07 Lateral Transfer

A lateral transfer is the movement of an employee between positions at the same base salary. Lateral transfers are subject to a probationary period.

5.08 Demotions

A demotion is a change in duty assignment of an employee from a position in one classification to a position in another classification at the same or lower base salary. Any demotion must be authorized by the Board of Directors in consultation with the General Manager.

5.09 Reduction in Pay for Disciplinary Reasons

An employee's pay for continued performance in the same position may be reduced as a disciplinary measure. The period covered by this type of disciplinary action may not exceed sixty days. Any pay reduction for disciplinary reasons must be authorized by the General Manager.

6. WORK SCHEDULE AND TIME REPORTING

6.01 Work Week

- (a) The Corporation work week is the period of seven consecutive days beginning at 12:00 a.m. on Sunday and ending at 11:59 p.m. on the following Saturday.
- (b) Normal working hours are Monday through Friday, 8:00 a.m. to 5:00 p.m., with one hour off for lunch, for a total of forty hours per work week.
- (c) In addition, the General Manager may set other hours of work for field employees, individuals, or groups of employees, if necessary or desirable.
- (d) All employees are expected to report punctually for duty at the beginning of their assigned workday and work the full workday established. An employee who is expected to be late to work or needs to leave before the end of the workday should notify the General Manager as early as possible.

6.02 Schedule Adjustments

Adjustments to the normal hours of operation as set forth in 6.01 above may be made by the General Manager to better serve members or the public. Offices will remain open during the noon hour; therefore lunch periods for some employees may be staggered according to the requirements of the Corporation. The General Manager may also impose a flexible work week schedule and/or hours for certain employees.

6.03 Number of Hours Worked

The General Manager shall determine the number of hours worked by an employee for the amount of total compensation to be received subject to laws governing pay and working hours and subject to the provisions of the Corporation's budget.

6.04 Overtime

- (a) On occasion an employee may be required to work more than the normal number of working hours in the official work period.

- (b) Employees who are covered by the overtime provisions of the Fair Labor Standards Act (FLSA) will be paid one and one-half times their regularly hourly rate for overtime worked over 8 hours during a work day. Hours worked includes only those hours an employee works during the current work day. Approved time off, such as vacation or sick leave, does not count as hours worked for purpose of determining overtime pay eligibility. Non-exempt employees may not, under any circumstances, work overtime or outside of regularly scheduled hours without prior approval from the General Manager or their Supervisor.
- (c) All overtime services by employees covered under FLSA must be authorized in advance by the General Manager and approved by the employee's supervisor. The Corporation's official policy pursuant to FLSA, for compensating eligible, authorized overtime hours worked is as follows:

Employees who are exempt from the overtime provisions of the Fair Labor Standards Act (FLSA) are expected to render necessary and reasonable overtime services with no additional compensation. This overtime may be used as a factor in granting or denying paid leave other than vacation or sick leave.

Casual labor employees and salaried non-exempt employees are subject to the overtime provisions of FLSA, and will be compensated for all work over forty hours per week. Each Corporation job description shall designate whether that job classification is exempt, or non-exempt from the overtime provisions of FLSA.

6.05 Holidays Worked

If a nonexempt employee is required to work during a scheduled holiday he or she shall be paid 8 hours at regular pay for the holiday in addition to one and one-half times the hourly rate for the number of hours physically worked on the holiday.

6.06 Time Reporting

Employees, including field personnel, shall keep accurate records of all hours worked and leave time taken. Employees shall report hours worked and leave time taken at the close of each pay period to the General Manager or designee. Forms for this purpose shall be provided by the Corporation. Failure to keep accurate time records or to submit time records according to this policy may result in disciplinary action up to and including discharge.

6.07 Field Personnel – Irregular Hours

Due to the unusual working conditions involved in the water utility industry, the hours worked by field personnel shall be flexible, as required by the situation. As a condition of continued employment, field employees who work irregular hours are required to maintain accurate and up to date written overtime records. Any overtime accrued by a field employee during a pay period must be reported in writing to the supervisor immediately. Hours worked beyond 40 hours per week must be authorized and approved by the employee's supervisor or General Manager prior to beginning the work task. When in doubt, ask!

7. LEAVE TIME

7.01 Definitions

- (a) **Leave Time.** Leave time is time during normal working hours in which an employee does not engage in the performance of job duties. Leave time may be either paid or unpaid. Holidays are days designated by the Board of Directors of the Corporation when the Corporation's office is closed on what would otherwise be regular business days?
- (b) **Unauthorized Absence.** An unauthorized absence is one in which the employee is absent from regular duty without permission of the supervisor or the General Manager. Employees are not paid for unauthorized absences and such absences are cause for disciplinary action at the discretion of the General Manager.

7.02 Approval of Leave

All leave taken by Corporation employees must be approved by the employee's supervisor or the General Manager.

- (a) **Sick Leave Approval.** Approval of sick leave for non-emergency medical, dental, or optical appointments must be secured in advance. In all other instances of use of sick leave, the employee must notify his or her supervisor or the General Manager as early as practical on the first day of absence and request that approval of sick leave be granted.
- (b) **Supervisor's Responsibility for Verification.** Supervisors or the General Manager are responsible for determining that leave is accrued and available for use in the amounts requested by an employee. In addition, supervisors must notify the General Manager daily of each employee who is taking authorized or unauthorized leave.

7.03 Vacation Leave

- (a) All regular employees of the Corporation are entitled to vacation leave. After the completion of the initial 30 days of employment, five days of vacation leave are credited to the employee's account; but vacation leave cannot be taken, nor will it be paid upon separation, during such initial 30 day period.
- (b) **Accrual of Vacation Leave.** Regular employees annually earn vacation leave in accordance with the following schedule.
- After 30 days of employments earns 5 days per year
 - After 12 months of employment earns 10 days per year
 - After 5 years of employment earn 12 days per year
 - After 10 years of employment earn 14 days per year
 - After 15 years of employment earn 16 days per year
- (c) **Unused Vacation Leave.** Employees are eligible to carry over 80 hours of accrued vacation time per year.
- (d) **Scheduling Vacation Leave.** Vacation leave must be scheduled in advance and approved by the General Manager or supervisor and must accommodate the Corporation's work schedule.

- (e) Unused vacation shall be paid upon termination except as provided in Section 7.04 and this section.

7.04 Sick Leave

- (a) An employee, who becomes sick before or during the workday and is unable to perform their duties, should notify the General Manager or supervisor as early as possible of their absence. Extended absence due to illness should be discussed with the General Manager.
- (b) An employee with accrued sick leave may use it if the employee is absent from work due to:
 - (1) Personal illness or physical or mental incapacity;
 - (2) Medical, dental, or optical examinations or treatments;
 - (3) Medical quarantine resulting from exposure to a contagious disease; or
 - (4) Illness of a member of the employee's immediate family who requires the employee's personal care and attention. For this purpose, immediate family is defined as the employee's spouse, child (ren), or any other relative of the employee who resides in the employee household.
- (c) Medical Statement. The General Manager may request, and employees must provide upon request, written verification by a physician of a medical condition precluding availability for duty at any time that sick leave benefits are requested.
- (d) Accrual of Sick Leave. Regular full time employees are entitled to sick leave after the completion of 30 days of employment. At that time, 3 days of sick leave are credited to the employee's account; but paid sick leave cannot be taken during the initial 30 day period referred to herein. After the initial 30 days period referred to in Section 2.04 herein, one day of sick leave is credited to an employee's account on the first day of each month.
- (e) Use of Sick Leave. Sick leave can be used after the initial 30 day period of employment for the authorized purposes.
- (f) Accumulation of Sick Leave. Sick leave that is not used during the year in which it accrues will accumulate and is available for use in succeeding years up to a maximum allowable accumulation of thirty days. Full-time employees who have been employed by FWSC for ten years or more shall be entitled to a maximum allowable accumulation of sixty days. Each December 31, any sick leave balance in excess of the maximum is reduced to the maximum without compensation.
- (g) Exhaustion of Sick Leave. An employee who has exhausted earned sick leave benefits may request leave of absence without pay. Except in the case of a bona fide, on-the-job, work-related injury requiring absence from work, no advance of unearned sick leave benefits will be made.
- (h) Illness While on Annual Leave. When an illness or physical incapacity occurs during the time an employee is on vacation leave, sick leave may be granted to cover the period of illness or incapacity

and the charge against vacation leave reduced accordingly. Application for such substitution must be supported by a medical certificate or other acceptable evidence.

- (i) Payment Upon Separation. Unused sick leave is not compensatory upon separation from employment.

7.05 Extended Leave For Illness or Temporary Disability

- (a) Paid Leave. Upon written approval of the General Manager an employee may use accrued sick leave and vacation leave for the purpose of paid absence from duty during an extended illness or temporary disability.
- (b) Unpaid Leave of Absence. An employee may be granted an unpaid leave of absence for the purpose of recovery from an extended illness or temporary disability only after exhaustion of all accrued sick and vacation leave and with the written approval of the General Manager. During this time, an employee accrues no additional vacation leave, sick leave, or longevity benefits, but retains those already accrued. Other benefits are retained during unpaid leave of absence unless otherwise prohibited by the terms of the provisions of the benefits program. Medical or other group insurance may be continued if paid in advance by the employee.
- (c) Maternity and Paternity Leave. Maternity and Paternity leave is treated in the same manner as any other extended illness or temporary disability and is available for both male and female employees. Upon approval of the General Manager, female employees may be granted up to ninety days maternity leave without pay, and male employees up to ninety days paternity leave without pay.
- (d) Conditions. The General Manager may require an employee requesting a paid or unpaid leave of absence for extended illness or temporary disability to provide a medical doctor's statement as to the date upon which the employee is no longer able to perform his or her duties and the expected length of the recuperation period as well as a written statement from the employee concerning his or her intentions about returning to work at the Corporation. An employee on extended leave for illness must contact the appropriate supervisor or the General Manager at least once each workweek to report on his or her condition. Failure to provide required medical status reports or to contact the office on the schedule required by the General Manager is grounds for revoking the leave and for taking disciplinary action. Leaves of absence without pay for illness or temporary disability are limited to a maximum of ninety days.

7.06 Military Leave

The Association will grant leave to all employees who are called to, or volunteer for, Active Military duty or Reserve or National Guard training in accordance with all applicable Federal and State laws.

Employees who are called to, or volunteer for military duty should immediately notify the General Manager and submit copies of their Military Orders as soon as possible.

7.07 Jury Duty and Civil Leave

Employees are granted jury duty and civil leave with pay, providing sufficient documentation of such service is provided. Civil leave is for service as a subpoenaed witness in an official proceeding, or for the purpose of voting. When an employee has completed jury duty and/or civil leave, he or she must report to

the Association for duty for the remainder of the workday. An employee who receives payment from a local, state or federal entity for jury duty need not report any such pay to the Corporation.

7.08 Leave of Absence Without Pay

- (a) Leave of absence without pay is an approved absence from duty in a non-pay status. Granting a leave of absence without pay is at the discretion of the General Manager, but such leave is not authorized unless there is a reasonable expectation that the employee will return to employment with the Corporation at the end of the approved period. Employees on leave of absence without pay receive no compensation and accrue no benefits. However, previously accrued benefits are retained during leave of absence unless otherwise prohibited by the terms or provisions of the benefit programs. Medical insurance may be continued if paid in advance by the employee.
- (b) Upon returning to work after a leave of absence without pay, an employee receives an adjusted employment date and adjusted anniversary date which reflect the period of time that the employee used for leave of absence.
- (c) A leave of absence without pay may be revoked upon receipt of evidence submitted that the cause for granting such leave was misrepresented, or has ceased to exist.
- (d) At the expiration of a leave of absence without pay, if no vacancy exists and a reasonable effort has been unsuccessful to place the employee in another position, the employee will be separated and paid accrued benefits. (See also section on Military leave for specific provisions relating to leave of absence without pay for military service).
- (e) A leave of absence without pay may be appropriate for the following reasons:
 - (1) Military service (see also section on this type of leave);
 - (2) Recovery from extended illness or temporary disability (see also section on this type of leave);
 - (3) Educational purposes when successful completion will benefit the Corporation;
 - (4) Public service assignments; or
 - (5) Any other reason which, in the judgment of the General Manager, merits a leave of absence without pay.

7.09 Using Leave in Combination

- (a) An employee who is absent on sick leave must exhaust all sick and vacation leave before he or she is eligible for leave without pay.
- (b) Sick leave cannot be used for vacation purposes when vacation leave is exhausted.
- (c) With the approval of an employee's supervisor and the General Manager, other types of leave and holidays can be used in any combination, if it is determined to be in the best interests of the Corporation and the employee.

7.10 Administrative, Emergency and Bereavement Leave

- (a) General. The General Manager is authorized to grant administrative, emergency or bereavement leave to an employee in certain limited circumstances.
- (b) Administrative Leave. The General Manager may authorize administrative leave, with or without pay, when warranted by unforeseen circumstances not otherwise provided for in these policies.
- (c) Emergency or Bereavement Leave. Emergency or Bereavement leave with pay may be granted by the General Manager for reasons of a death or emergency situation in the employee's immediate family. For purposes of emergency or bereavement leave, immediate family includes spouse, child and parent of an employee or employee's spouse, or any other relative living in the employee's household. Emergency or Bereavement leave is limited to no more than two days per occurrence. The length of time granted for emergency or bereavement leave must be approved by the General Manager in advance and will depend on the circumstances. At the discretion of the General Manager, such emergency or bereavement leave may be uncompensated in the absence of vacation leave.

7.11 Abandonment of Position

Unauthorized absence from work for a period of two consecutive working days will be considered by the Corporation as a resignation.

8. HOLIDAYS

8.01 General Holiday Policy

The following days are observed as paid holidays for the Corporation employees:

New Year's Day
Texas Independence Day
Good Friday
Memorial Day
Independence Day
Labor Day
Veterans Day
Thanksgiving Day
Friday after Thanksgiving Day
Christmas Eve
Christmas Day

8.02 Holidays Falling on the Weekend

Whenever a legal holiday listed above falls on a Saturday or Sunday, it will be observed on the Friday preceding or the Monday following as the General Manager so determines.

8.03 Holiday During Vacation

- (a) If a holiday falls on an employee's normal day off, or a vacation day, the employee will receive an additional day off when scheduling is approved.
- (b) In order to receive holiday pay, an employee must work on both the day before and the day after the holiday, unless on excused absence or vacation. Sick leave shall not be considered as time worked for purposes of this section.

8.04 Work During Holidays

The General Manager may direct some or all employees of the Corporation to report for work on any holiday. See also paragraph 6.05 of these policies.

9. BENEFITS

9.01 Insurance Benefits, Retirement Plan and other Employee Benefits

- (a) The Board of Directors of the Corporation may from time to time provide group medical insurance coverage, life insurance, a retirement plan, and other Corporation employee benefits for the benefit of Corporation employees upon such terms and conditions as the Board elects. (See Appendix 1 for current benefits package.) The Board may cancel, alter, change or amend its benefits package or increase employee premium contributions at anytime. The procedures for amending the Corporation's benefits programs are discussed in the master plan documents for each program. Benefits are not a vested right of employees.
- (b) Upon employment, each regular and temporary employee shall be given a summary containing information about the Corporation's benefit programs in existence at that time. Complete descriptions of these benefit programs are contained in the master plan documents or contracts, copies of which are kept at 1616 Rio Grande, Austin, Texas 78701. If the information in these Personnel Policies or a Summary Plan Description contradicts information in the master plan documents or contracts, the terms of the master plan documents or contracts shall govern in all cases.

9.02 Continuing Education Required by the Association

When the Corporation requires an employee to attend any education or training course, conference, or seminar, the Corporation will provide the necessary time off with pay and will reimburse the employee for all associated costs including tuition or registration fees and authorized travel, meals, and lodging, upon presentation of proper documentation. See Section 10 for additional information and policies regarding reimbursement of expenses.

9.03 Continuing Education in General

Employees are encouraged to further their education and training in areas that will enhance their job performance. Upon advance approval by the General Manager, and upon successful completion of relevant training courses, employees shall be reimbursed for tuition fees, materials and other necessary and approved expenses upon presentation of proper documentation. See section 16.12(d) for additional information and policies regarding Corporation paid training courses.

10. REIMBURSEMENT OF EXPENSES

10.01 General Policy

The policy of the Corporation is that employees are to be fully reimbursed for necessary and reasonable job-related expenses incurred in the authorized conduct of Corporation business. All requests for reimbursement of expenses are subject to requirements of documentation and reasonableness. The General Manager shall determine what employee expenses are to be reimbursed by the Corporation.

10.02 Reimbursable Expenses

- (a) All Corporation paid employee travel must be on necessary Corporation business, the details of which shall be approved in advance by the General Manager.
- (b) Expenses reimbursed to employees shall be only for necessary and reasonable actual costs as verified by expense receipts which indicate the date, vendor, explanation and itemization of expenses, and a list of all persons covered.
- (c) When receipts are not available, the General Manager may require that a written statement will be provided containing the information in (b) above, as well as the reason why a receipt was not submitted.
- (d) The following expenditures are not reimbursable expenses unless specifically authorized by the General Manager:
 - (1) Alcoholic Beverages
 - (2) Personal employee or family expenses
 - (3) Sports and entertainment fees
 - (4) Donations, contributions and memberships
 - (5) Any other expenditure not reasonably related to and necessary for the efficient conduct of Corporation business.
- (e) First class accommodations on public carriers shall not be authorized unless lesser fares are not available on required trips. The General Manager must be so notified and approve the additional expense.
- (f) When approved in advance by the General Manager, employees shall be paid mileage for use of personal vehicles on Corporation business at a rate determined from time to time by the Board of Directors. Employees must provide evidence of liability and property damage insurance prior to such use.

- (g) At the discretion of the General Manager funds may be advanced to employees for anticipated travel expenses.

11. HEALTH AND SAFETY

11.01 Safety Policy

It is the policy of the Corporation to make every effort to provide healthful and safe working conditions for all of its employees. The Corporation expects employees to follow certain rules of conduct that will protect the interests of the Corporation and Safety of all employees and members of the public.

11.02 Employee Responsibilities, Reporting

- (a) Employees are responsible for conducting their work activities in a manner that is protective of their own health and safety, as well as that of other employees.
- (b) An employee must immediately report every on-the-job accident, spill or possible contamination problem no matter how minor, to his or her supervisor or the General Manager. Employee should also immediately secure aid for any injuries and notify law enforcement personnel and other emergency personnel of any dangerous situations.
- (c) Employees shall immediately report to their supervisor or to the General Manager any conditions that in their judgment may possibly threaten the health and safety of employees or the public.
- (d) Employees are encouraged to make suggestions to their supervisor or the General Manager of improvements that would make the Corporation work place safer or more healthful.

11.03 On the Job Injuries

- (a) Insurance and Compensation. The Corporation provides workers' compensation insurance for all of its employees. Workers Compensation insurance may provide payment of employees' medical expenses and partial salary continuation in the event of a work related accident or illness. The amount of benefits payable and the duration of payment depend on the nature of the employee's illness or injury.
- (b) Compensation. If an employee sustains a bona fide, on-the-job, work-related injury which renders him or her unfit for performing the duties of the job, the employee will receive pay as follows:

For up to seven days the employee receives his or her regular pay for that period with the time charged first to accrued sick leave.

Beginning on the eighth day and for any days thereafter that the employee is unfit for duty, the employee may receive payment from the Corporation's workers' compensation insurance carrier in accordance with the terms and conditions of the policy and state law. The employee may use accrued sick leave or vacation leave to provide additional compensation above the insurance payment.

- (c) Medical Attention. An employee who sustains a bona fide, on-the-job, work-related injury may seek immediate medical attention from the medical facility or professional of his or her choice. The Association may require statements of medical condition and of a release to return to work from the attending physician. An employee may be required to submit to examination by an independent physician as determined by the General Manager at the Corporation's expense.
- (d) Reporting. While on leave because of a bona fide, on-the-job, work-related injury, an employee must contact his or her supervisor or the General Manager weekly to report on his or her condition. Failure to provide the required medical status reports or to contact the supervisor or the General Manager on the schedule required by the General Manager may result in revocation of the leave and/or immediate dismissal and loss of all accrued benefits.
- (e) Return to Service. All employees must have written release signed by their physician before they return to work. Failure to return to work when directed may result in immediate dismissal and loss of all accrued benefits. An employee who is able to return to work in light duty status may be required to work in a different department and perform duties not contained within his or her current job classification, if such light duty work is available.
- (f) At the time of final release or settlement of a workers' compensation claim, if no vacancy exists and if a reasonable effort to place the employee in another position has been unsuccessful, he or she will be separated from employment with the Corporation and paid accrued benefits in accordance with the Corporation's policies.
- (g) An employee does not accrue benefits while receiving workers' compensation payments.

12. DISCIPLINE

12.01 General Policy

If an employee's performance, work habits, overall attitude, conduct or demeanor become unsatisfactory in the judgment of the General Manager, the employee will be subject to disciplinary action, up to and including termination of employment. The following are basic Corporation guidelines outlining possible causes for disciplinary action up to and including termination of employment. This is not intended to be an exhaustive list of types of behavior or conduct that the Corporation considers inappropriate but is intended to show examples of behavior or conduct that may result in disciplinary action up to and including termination of employment without prior warning.

- Insubordination;
- Absence without leave including absence without permission;
- Repeated tardiness or early departures;
- Violation of safety or health rules and/or endangering the safety of other persons through negligent or willful acts;
- Failure to notify a supervisor or the General Manager of sick leave;
- Possession, distribution, sale, transfer or use of alcohol or illegal drugs including working under the influence of alcohol or illegal drugs while on duty or while on Corporation property or in a Corporation vehicle;
- Unauthorized use or abuse of Corporation funds or property;

- Conviction of a felony or a crime of moral turpitude, such as fraud, theft, burglary, robbery, perjury;
- Sexual or other unlawful or unwelcome harassment;
- Possession of dangerous or unauthorized materials, such as weapons, explosives or firearms in the workplace;
- Falsification of documents, daily logs, expense reports, or timekeeping records;
- Unauthorized use of Corporation information or unauthorized disclosure of confidential information regarding the Corporation;
- Failure to observe the Corporation's policies regarding communications with Corporation members and the public;
- Incompetence or neglect of duty;
- Disruptive behavior which impairs the performance of others including fighting or threatening violence in the workplace;
- Theft and/or inappropriate use of the Corporation's property, funds, credit cards, etc.; or
- Violation of any provisions of these personnel policies.
- Misconduct of any kind as determined by the Corporation.

Employment with the Corporation is at the mutual consent of the Corporation and the employee, and either party may terminate the relationship at any time, with or without cause, and with or without advance notice.

12.02 Progressive Discipline

- (a) The General Manager may take disciplinary action, up to and including discharge, against any Corporation employee at any time. The severity of the discipline depends upon the nature of the infraction. This policy does not modify the status of employees as employee's at-will or in any way restrict the Corporation's right to bypass any or part of the progressive discipline procedures and move immediately to a particular level of progressive discipline or immediately terminate the employment of an individual at any time when it deems such action appropriate.

The following are examples of progressive discipline procedures that the Corporation may elect to use:

- Oral warnings with records of each warning maintained by the supervisor or the General Manager and placed in the employee's personnel file; or
 - Reduction in pay without demotion;
 - Demotion; or
 - Separation by involuntary discharge.
- (b) Except in the case of oral warnings, disciplinary action shall be accomplished or preceded by written notice to the employee involved. Notice includes a description of the action and, except in the case of dismissal, states the likely consequences of further unsatisfactory performance or conduct. Written notice of disciplinary action shall be included in the employee's personnel file.
- (c) Disciplinary action does not automatically or permanently disqualify an employee from consideration for future promotion, pay increases, commendations, or other beneficial official personnel actions.

13. GRIEVANCES

13.01 Policy

It is the policy of the Corporation insofar as possible to prevent the occurrence of grievances and to deal promptly with those which occur. No adverse action will be taken against an employee for reason of his or her exercise of the grievance right.

13.02 Procedure

- (a) **Informal Grievances**. The first step in the grievance procedure is for the employee to resolve the grievance by informal conference with the supervisor. If the informal conference with the supervisor does not result in a resolution of the problem(s) that is satisfactory to the employee, he or she may file a formal grievance.
- (b) **Formal Grievance**. Formal grievances must be in writing, signed by the employee, and presented to the employee's immediate supervisor. If the employee's immediate supervisor is the General Manager, the written grievance shall be presented to the Board of Directors of the Corporation. A statement of the specific remedial action requested by the employee must be included in the written grievance.
- (c) In those instances where the employee's immediate supervisor is not the General Manager, the immediate supervisor will notify the General Manager after being presented with a written and signed grievance. The General Manager will attempt to resolve the grievance within five working days after receipt of the grievance. The General Manager will communicate the decision to the employee, the immediate supervisor, and to the President of the Corporation Board.
- (d) The employee may appeal the decision of the General Manager to the Board of Directors of the Corporation who shall attempt to resolve the grievance within reasonable time after receipt of the written and signed grievance appeal.
- (e) Except as specifically provided herein, the decision of the Board of Directors of the Corporation regarding all grievances is final. Communication by the employee with any other employee, the public, media, any member of the Corporation, or individual members of the Board of Directors of the Corporation regarding the grievance during, or after the formal grievance process has begun, shall be cause for immediate dismissal with loss of all accrued employment benefits.

14. PERSONNEL FILES

14.01 General

- (a) Personnel files are maintained by the Corporation. The record copy of all personnel information related to an employee shall be filed in the employee's personnel file.
- (b) No information from any record placed in an employee's file will be communicated to any person or organization except by the General Manager or an employee authorized to do so by the General Manager.

- (c) Upon written request, an employee or his or her representative may request to examine the employee's personnel file. The General Manager shall respond to the written request within seven working days. Such examination shall be during normal working hours at the Corporation's office. When a supervisor requires access to the personnel file of an employee under his or her supervision for the handling of personnel matters, the supervisor must obtain authorization from the General Manager.
- (d) Employees are required to inform the General Manager of any changes in or corrections to information recorded in their individual personnel file such as home address, telephone number, person to be notified in case of emergency, or other pertinent information.

14.02 Personnel Records

- (a) Personnel Records are documents that may be used for recording and transmitting to the personnel file certain personnel action. These forms are developed by the General Manager and used to promote uniformity in matters affecting:
- Employment category;
 - Position title and job classification;
 - Insurance and leave records;
 - Base salary; Bonuses; Total compensation;
 - Other actions affecting the employee's status.
- (b) Personnel Records become a permanent part of the employee's personnel file.

14.03 Contents of Personnel File

An employee's personnel file may contain, but may not be limited to:

- An employment record;
- A copy of the employee's resume and/or application for employment;
- A signed copy of the employee's acknowledgment of receiving a copy of the personnel policies manual;
- Job description for the position he or she currently occupies;
- Election to Disclose or Keep Confidential Home Address and Home Telephone Number Form;
- Personnel Action Forms;
- Performance evaluation records;
- Records of any citations for excellence or awards for good performance;
- Records of disciplinary action;
- Records of leave accrued and taken;
- Copy of professional license; and
- Any other pertinent information having bearing on the employee's status except medical information.

14.04 Leave Records

Official records of annual leave and sick leave accrual and of leave usage may be kept for each employee by an employee designated by the General Manager. Leave balances are shown on the official record to

reflect any remaining leave to which an employee is entitled. Employees are entitled to inspect their leave records at anytime during normal working hours.

15. SEPARATIONS

15.01 Types of Separation

All separations of employees are designated as one of the following types:

- Resignation;
- Retirement;
- Reduction in Force;
- Dismissal;
- Disability; or
- Death.

15.02 Resignations

An employee who intends to resign must notify the General Manager in writing at least ten working days prior to the last day of work. Failure to provide notice may adversely affect the Corporation's decision to re-hire that employee.

15.03 Retirement

The same notice requirements for resignation apply in the case of retirement.

15.04 Employment at Will

EMPLOYMENT WITH FAYETTE WATER SUPPLY CORPORATION IS AT THE MUTUAL CONSENT OF THE CORPORATION AND THE EMPLOYEE. EITHER PARTY MAY TERMINATE THE RELATIONSHIP AT ANY TIME, WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT ADVANCE NOTICE. ADDITIONALLY, THE TERMS AND CONDITIONS OF EMPLOYMENT MAY BE CHANGED AT ANY TIME FOR ANY REASON, WITH OR WITHOUT CAUSE AND WITH OR WITHOUT NOTICE. THE AT-WILL RELATIONSHIP REMAINS IN EFFECT THROUGHOUT AN INDIVIDUAL'S EMPLOYMENT WITH THE CORPORATION. IT CANNOT BE MODIFIED BY ANY ORAL OR IMPLIED STATEMENT.

15.05 Death

If a Corporation employee dies, his or her estate or designated beneficiary shall receive all compensation and payable benefits earned as of the date of death. The Corporation shall assist the beneficiary in processing any claim under an insurance policy, retirement, or benefits plan issued by or through the Corporation.

15.06 Reduction in Force

If it becomes necessary to reduce the number of Corporation employees, the General Manager shall determine the order in which employees will be separated. The General Manager shall consider each employee's total compensation, seniority, job performance, attendance record, license requirements, essential job functions and overall needs of the Corporation as the basis for determining the order of separation.

15.07 Disability

- (a) An employee that becomes disabled and unable to perform the essential functions of his or her primary job with or without reasonable accommodation may be subject to separation either voluntarily or involuntarily. If feasible, the General Manager will work with the affected employee to find a suitable position within the Corporation. See Section 19 for more information regarding accommodation of individuals with disabilities.
- (b) A Corporation employee that is involuntarily separated due to a disability will be given a minimum of ten working days notice.

15.08 Calculation of Separation Pay

- (a) Upon separation from the Corporation's employment, regular and temporary employees who have completed at least six months of continuous employment will be paid for accrued and unused vacation leave up to the limit of their maximum allowable accumulation. Payment for such leave balances will be included in the employee's bank deposit and will be calculated in the following manner:
 - (1) The hours worked during the last pay period in which work was performed will be added to the allowable vacation hours, and the employee will be paid in a lump sum according to the total number of hours payable. The regular hourly rate will be determined by dividing the employee's regular annual salary by 2,080 working hours per year; or
 - (2) For employees who are subject to the overtime provisions of the Fair Labor Standards Act, any overtime hours (hours in excess of 40 hours per work week, as defined in these policies) worked during the employee's final pay period, which have not been compensated pursuant to the Overtime Worked Section in these policies, will be paid in the final payment at a rate of one and one-half times the employee's regular hourly rate of each overtime hour worked.
- (b) An employee who resigns will receive his or her final payment on the scheduled payday that falls on or immediately following the employee's last workday unless otherwise authorized by the General Manager. Employees who are discharged or otherwise involuntarily separated will receive their final payment within six days of the last day worked.

15.09 Exit Interviews

The General Manager shall discuss with the employee the reason(s) for the separation in an exit interview whenever possible, but is not required.

16. GENERAL OFFICE PROCEDURES

16.01 Morning and Afternoon Breaks

Corporation employees are encouraged to take a break from their daily work routine for a period not to exceed 15 minutes each morning and 15 minutes each afternoon.

16.02 Smoke-Free Work Place

Smoking is not permitted in office, warehouse, water stations (well sites, tanks, and pump stations).

16.03 Weapons and Anti-Firearms Notice

Weapons and explosives are prohibited at Corporation meetings and on Corporation premises. Premises include the building(s), grounds, well sites, Corporation vehicles, and all general property controlled by the Corporation. Violations of this policy shall result in disciplinary action up to and including discharge. This shall exclude personnel vehicles not conducting Corporation business.

16.04 Access to Property and Equipment

- (a) Certain employees may be provided keys and/or security codes for access to Corporation property or equipment. Such security devices belong to the Corporation and shall not be duplicated, given-out or loaned to other employees, or anyone, without the prior approval of the General Manager. Upon discovery of the theft or loss of a Corporation security device, the employee must report such theft or loss immediately to the General Manager.
- (b) Unauthorized access to Corporation property or equipment by an employee is grounds for immediate discharge. No employee shall use any property of the Corporation for personal use, including Corporation vehicles and equipment.

16.05 Personal Appearance

All employees are expected to maintain a neat and clean personal appearance. Standards of dress shall be according to the Corporation's needs and policies. The General Manager may establish guidelines. When in doubt, ask!

16.06 Appearance of Workstation

All employee workstations should be neat, clean and professional in appearance.

16.07 Not Liable for Personal Property

The Corporation is not liable for the loss or damage to any personal property, or equipment brought onto the workplace unless such personal property or equipment is used in behalf of the Corporation's business and has been so authorized by the General Manager.

16.08 Dealings with Corporation Members and the Public

All employees are expected to come into contact from time to time with member-customers of the Corporation and the Public. Employees should provide information and quality service in a polite, prompt and efficient manner. Irrate, unreasonable or uncooperative customers should be referred immediately to a supervisor or to the General Manager. An employee must not argue with a customer, either in the office or on the telephone. All disagreements must be referred to the General Manager.

16.09 Personal and Emergency Communications

- (a) Employees may receive limited personal communications at the workplace. However, excessive and continual personal communications during normal working hours with friends, family, creditors, etc., may interfere with the employee or other employee's responsibilities and is therefore prohibited. The General Manager should be notified of any unusual or extraordinary reason for any excessive communication which is beyond your control.
- (b) The Corporation shall maintain a confidential list of emergency telephone numbers for all employees to be used in the event of the need to notify family members or doctor of a special situation.

16.10 Ownership of Work Product and Destruction of Corporation Records

- (a) Any work product generated by a Corporation employee from information contained in the Corporation's files, records, etc., is the sole property of the Corporation absent any written agreement to the contrary. The Corporation retains the right of ownership to such work product and is not required to compensate employee for such product beyond their base salary. An employee may not use such work product for any commercial or personal use during or after their employment with the Corporation
- (b) Any Unauthorized use of, or deliberate destruction or removal of any file, document, report, electronic data or other work product belonging to the Corporation by an employee, or former employee, may result in immediate dismissal and/or civil or criminal charges being filed.

16.11 Monitoring of Communication Devices, Hardware and Software

- (a) No employee shall use any vehicle, equipment or other property of the Corporation for personal use without the prior approval of the General Manager. To assure compliance with this policy, the General Manager or designee may periodically monitor e-mail, Internet usage, computer files, hardware and software, phone calls, cell phones, radio transmissions, voice mail, vehicle condition and use, travel logs, etc. Accordingly, employees should have no expectation of privacy with regard to these items. Unauthorized use of Corporation property or equipment by an employee may result in disciplinary action including immediate dismissal.
- (b) Voice mail and email messages should be limited to the conduct of business of the Corporation and may not contain contents that may be reasonably considered offensive or disruptive to any employee. Offensive content would include but would not be limited to, sexual comments or images, racial slurs, gender specific comments or any comments that would offend someone on the basis or his or her age, sexual orientation, religious or political beliefs, national origin, disability or other legally protected

status. All electronic communication must comply with all Corporation policies regarding harassment and discrimination.

- (c) All licensed software, folders, files, notes, and similar electronic files and materials provided to an employee on an Corporation owned computer are considered the exclusive property and work product of the Corporation and may not be removed, altered or copied without the prior approval of the General Manager or designee. An employee may not download, store or maintain any personal software, files, information or materials on any Corporation owned equipment without approval of the General Manager.

16.12 Professional Licenses, Certifications and Training Classes

- (a) Some employees may be required to have a professional license as a condition of employment with the Corporation. It is the responsibility of the employee to make sure all certification and license requirements are maintained and kept current. Failure to do so may be cause for disciplinary action up to and including discharge.
- (b) The employee shall provide the Corporation with a copy of all licenses at the time of employment and at each renewal thereafter. Employees must notify the General Manager immediately of any suspension or change in the status of their professional license.
- (c) The Corporation may require that professional licenses be periodically upgraded.
- (d) The Corporation encourages its employees to obtain and maintain professional certifications by enrolling in continuing education courses that are related to the work being performed on behalf of the Corporation. To qualify for paid certification and/or training course work, the employee should submit a copy of the course outline and any applicable registration fee and travel costs to their supervisor or to the General Manager for approval. Should the employee resign or otherwise vacate employment with the Corporation within one year after receiving such paid training or certification, the employee may be required to reimburse the Corporation for all or a portion of the costs associated with such certification and training course.

16.13 Conduct Off the Job

Employees are expected to conduct themselves off the job in a manner that will not bring discredit to the Corporation.

17. MISCELLANEOUS FINANCIAL MATTERS

17.01 Credit Cards

Corporation credit cards issued to employees shall not be used for the personal convenience of the employee. Use of Corporation credit cards shall be closely monitored by the General Manager. Any unauthorized use will be disallowed and subject to disciplinary action up to and including discharge.

17.02 Fax, Long Distance and Cellular Telephone Calls

- (a) Fax, long distance and cellular telephone calls on Corporation business shall be made on a Corporation credit card, debit card or by direct dial. Personal calls and faxes will not be paid by the Corporation. Unauthorized use of long distance calls, fax or cellular telephone service may be grounds for disciplinary action up to and including discharge.
- (b) At the discretion of the General Manager, a log may be kept of all fax, long distance and cellular calls on forms provided by the Corporation.
- (c) Fax, long distance and cellular telephone expenses shall be kept to a minimum by eliminating unnecessary communications. Advance planning and abbreviated discussions are to be considered by all employees.

17.03 Purchasing

- (a) Every effort shall be made to enlist bids and information necessary for sound purchase decisions. All purchases made in behalf of the Corporation shall have the prior approval of the General Manager.
- (b) All purchases over \$15,000 shall require at least three bids and approval by the General Manager. Any recommended purchase other than the low bidder shall include substantiation for the recommendation.
- (c) All purchases shall be periodically reviewed by the Board of Directors and/or Corporation Treasurer. All purchases of \$25,000 or more shall require approval by the Board.
- (d) Emergency purchases shall be avoided when possible. When emergency purchases are unavoidable, a fully justified request must be made to the General Manager or designee.
- (e) A petty cash fund of \$300.00 shall be maintained. Such account shall be kept balanced with explanatory receipts for all expenditures. Petty cash expenditures shall also be reported on the monthly list of bills submitted to the Board of Directors.

18. POLICY PROHIBITING DISCRIMINATION & HARASSMENT

The Corporation is committed to a work environment free of discrimination, free of inappropriate and disrespectful conduct, and free of communications of a harassing nature or other offenses that might interfere with work performance and the Corporation's professional environment. In addition to other forms of unlawful discrimination, the Corporation prohibits all unlawful harassment, including sexual harassment and harassment because of race, color, national origin, ancestry, religion, creed, sex, gender, physical or mental disability, medical condition, age, veteran status, or any other basis protected by federal, state, or local law. Unlawful discrimination will not be tolerated. Harassment in any form will not be tolerated. The Corporation expects each employee to respect the dignity of every individual in the workplace.

18.01 WORKPLACE HARASSMENT IS PROHIBITED

Workplace harassment is demeaning, hostile, or offensive conduct based on membership in a group defined by characteristics such as race, color, national origin, religion, sex, gender, disability, age, or any other protected basis. Conduct, including speech, which is based upon these characteristics, is prohibited when it is unwelcome, or has the purpose or effect of interfering with an individual's work performance or creating an intimidating, hostile or offensive work environment. Unwelcome conduct that may constitute workplace harassment can include words or deeds. For example, the following conduct may constitute workplace harassment:

- offensive language (written or spoken), including the use of racial, sexual or ethnic stereotypes or slurs;
- offensive gestures;
- the possession in the workplace or display of demeaning drawings or other graphical material such as posters, cartoons or other caricatures (including viewing such materials on a computer); or
- offensive physical contact such as unwanted touching.

Words or deeds may be offensive even though they were not intended to offend. No person should be required to submit to, disregard or ignore, or participate in such harassing conduct, and an individual's objection to or unwillingness to submit to such conduct should never result in a tangible or detrimental change in that individual's terms and conditions of employment.

18.02 SEXUAL HARASSMENT

One form of prohibited workplace harassment is sexual harassment. Sexual harassment prohibited by this policy includes behavior of a sexual nature that is not welcome, or that is personally offensive, or that undermines morale, or that interferes with the work performance and effectiveness of another person in the work environment, or that creates an intimidating, hostile or offensive work environment. Sexual harassment that is prohibited by this policy includes, but is not limited to, unwanted sexual advances, requests for sexual favors, or visual, verbal, or physical conduct of a sexual nature when: (1) submission to the conduct is made a term or condition of employment; or (2) submission to or rejection of the conduct is used as basis for employment decisions affecting the individual; or (3) the conduct has the purpose or effect of unreasonably interfering with the employee's work performance or creating an intimidating, hostile, or offensive working environment. Sexual harassment that is prohibited under this policy also includes, but is not limited to:

- a. Unwanted sexual advances;
- b. Offering employment benefits in exchange for sexual favors;
- c. Making or threatening reprisals after a negative response to sexual advances;
- d. Visual conduct such as leering, voyeurism, making sexual gestures, or displaying sexually suggestive objects, pictures, cartoons, or posters;
- e. Verbal conduct such as making or using derogatory comments, epithets, slurs, sexually explicit jokes, or comments about any employee's body or dress;
- f. Verbal sexual advances or propositions;
- g. Verbal abuse of a sexual nature, graphic verbal commentary about an individual's body, sexually degrading words to describe an individual, or suggestive or obscene letters, notes, or invitations;
- h. Physical conduct such as touching, assault, or impeding or blocking movements; and
- i. Continuing to express sexual or social interest after being informed directly that the interest is unwelcome; and

- j. Taunting, making derogatory comments, or telling jokes that demean a person based upon his or her gender.

This policy prohibits males from sexually harassing females or other males, and prohibits females from sexually harassing males or other females. Sexual harassment on the job is unlawful whether it involves coworker harassment, harassment by a manager/supervisor, or harassment by or of vendors, customers, or other persons doing business with or for the Corporation.

18.03 OTHER TYPES OF HARASSMENT

Prohibited harassment on the basis of race, color, national origin, ancestry, religion, creed, sex, gender, physical or mental disability, medical condition, age, veteran status, or any other protected basis, includes, but is not limited to, behavior similar to sexual harassment, such as:

- a. Verbal conduct such as threats, epithets, derogatory comments, jokes, or slurs; and
- b. Visual conduct such as derogatory posters, photographs, cartoons, drawings, or gestures; physical conduct such as assault, unwanted touching, or blocking normal movement.

18.04 THE CORPORATION'S COMPLAINT PROCEDURE

The Corporation's complaint procedure provides for an immediate, thorough, and objective investigation of any claim of unlawful or prohibited workplace discrimination or harassment, appropriate disciplinary action against anyone found to have engaged in prohibited harassment, and appropriate remedies for any victim of workplace harassment. A claim of harassment may exist even if an employee has not lost a job or some economic benefit.

If you believe you have been discriminated against or harassed on the job, or if you are aware of the discrimination against or harassment of others, you should provide a written or verbal complaint to either your supervisor or to the General Manager as soon as possible. Further, if your complaint or concern involves the General Manager, you should report the conduct to the President of the Board of Directors of the Corporation. Your complaint should be as detailed as possible, including, the names of individuals involved, the names of any witnesses, the date and time of the incident, direct quotations when language is relevant, and any documentary evidence (notes, pictures, cartoons, etc.). The Corporation will promptly and thoroughly investigate all incidents of discrimination or harassment that are reported.

If the Corporation determines that conduct prohibited by this policy has occurred, it will take prompt effective remedial action commensurate with the circumstances. Appropriate action will also be taken to deter any future conduct prohibited by the policy. If a complaint of prohibited conduct is substantiated, the Corporation will take appropriate disciplinary action, up to and including discharge.

It is important to understand that this policy prohibits even conduct that is not sufficient to establish a claim of harassment in a court of law. To the contrary, this policy is established to deter and address conduct that is inappropriate for the workplace well before it becomes sufficiently severe and pervasive to give rise to a legal claim of harassment.

18.05 RETALIATION IS PROHIBITED

The Corporation prohibits retaliation against any employee by another employee or by the Corporation

for using or assisting with this complaint procedure or for filing, testifying, assisting, or participating in any manner in any investigation, proceeding, or hearing conducted by a governmental enforcement agency. In addition, the Corporation will not permit any retaliation against any employee who complains of prohibited harassment or who participates in an investigation into allegations of harassment or discrimination.

If you believe you have been retaliated against or have been threatened with retaliation, you should provide a written or verbal complaint to either your supervisor or the General Manager as soon as possible. Further, your complaint concerns the General Manager you should report the conduct to the President of the Board of Directors of the Corporation. Any report of retaliatory conduct will be immediately, objectively and thoroughly investigated in accordance with the Association’s investigation procedure outlined above. If a report of retaliation is substantiated, appropriate disciplinary action, up to and including discharge, will be taken.

If you have any questions or comments about the Corporation’s Policy Prohibiting Discrimination and Harassment, you are encouraged to direct your questions to the General Manager or the General Counsel.

- (a) This policy extends to non-employees such as suppliers, Corporation members, sales representatives and job applicants. The General Manager shall enforce this policy by immediately notifying non-employees of any violations directed toward them.

19. ACCOMMODATION OF INDIVIDUALS WITH DISABILITIES

Discrimination against any qualified individual with a disability in violation of the American With Disabilities Act (“ADA”), Texas Commission on Human Rights Act (“TCHRA”), or any other Federal, State or local ordinance is expressly prohibited. The Corporation also provides reasonable accommodations to qualified individuals with a disability for as long as those accommodations do not create an undue hardship for the Corporation in accordance with applicable law. Employees who need accommodation for a physical or mental impairment should request such an accommodation from the General Manager. When the Corporation receives the request from an employee for accommodation of a disability, the request will be discussed with the employee to identify the precise limitations involved and the accommodations the Corporation can make to overcome those limitations. A determination will be made as to whether the Corporation can reasonably accommodate the condition, taking into account such factors as nature and cost of the accommodation and its impact on operations. Medical certification may be required in order to determine the full extent of the limitations resulting from the impairment and/or whether the employee is able to perform the essential functions of the job with or without reasonable accommodations. Medical certification may also help determine what reasonable accommodations would allow the employee to perform the essential functions or his or her job. All medical information and medical records are maintained in separate files.

20. ALCOHOL AND DRUG-FREE WORKPLACE

20.01 Possession or Sale of Alcohol or Drugs in the Workplace

The unlawful manufacture, distribution, dispensing, possession or use of alcohol or a controlled substance by employees is prohibited in the workplace. As a condition of employment, employees must abide by this policy.

20.02 Alcohol and Drug Abuse in and out of the Workplace

- (a) Alcohol or drug abuse in or out of the workplace has major adverse effects on the welfare of all citizens of the United States, and it results in lost productivity each year. Employees who use alcohol or illegal drugs have three or four times more accidents while at work.
- (b) Employees with alcohol or drug abuse problems are encouraged to seek help. Employees desiring more information on the dangers of alcohol or drug abuse in or out of the workplace and those employees needing alcohol or drug counseling, rehabilitation, or other employee assistance should contact the General Manager for assistance.
- (c) Employees will be referred to the appropriate resource for available counseling, rehabilitation or other assistance.

20.03 Penalties

Penalties may be imposed upon employees for alcohol or drug abuse violations:

- (a) Employees must notify the General Manager of any alcohol or criminal drug statute charge and/or conviction no later than five days after such charge and/or conviction.
- (b) Within thirty days of receiving notice of any alcohol or criminal drug statute charge and/or conviction, the Corporation may take appropriate personnel action, up to and including discharge, or
- (c) Within thirty days of receiving notice of any alcohol or criminal drug statute charge and/or conviction, the Corporation may require such employee to participate satisfactorily in an alcohol or drug assistance or rehabilitation program approved for such purposes by a federal, state, or local health, law enforcement, or other appropriate agency.

20.04 Drug Testing

- (a) The Corporation will periodically require applicants and employees to take a drug and alcohol test. All tests shall be performed at the Corporation's expense and in accordance with state and federal laws. The General Manager may establish specific guidelines for testing, retesting and notification to the applicant or employee of the results of such test(s).
- (b) Any employee refusing to take a drug test may be subject to being discharged.
- (c) Any employee who experiences an on the job injury will be subject to a drug test.

21. EQUAL EMPLOYMENT OPPORTUNITY EMPLOYER

21.01 EEO Policy

The Corporation is an Equal Employment Opportunity Employer. It is the policy of the Corporation to provide equal opportunity and employment to all employees and applicants for employment. No person will be discriminated against in employment because of race, religion, color, sex, age, national origin,

disability, veteran status or any other legally protected status. This policy applies to all employment decisions including recruitment, selection, hiring, training, promotions, transfers, demotions, appraisals, pay, benefits, discipline, termination, Corporation activities and other terms and conditions of employment. In the event you believe that you or anyone else has been discriminated against, harassed or treated unfairly in any way, you should contact the General Manager or your supervisor immediately. Please refer to Section 18 for more information on reporting suspected discrimination or harassment.

22. **BOARD APPROVAL**

ATTEST; I CERTIFY THAT I WAS PRESENT AT THE BOARD OF DIRECTORS MEETING ON JULY 27, 2015, THE FOREGOING PERSONNEL POLICIES WERE ACCEPTED OR AMENDED BY A MAJORITY VOTE OF THE BOARD.

PRESIDENT

SECRETARY/TREASURER

DATED THIS _____ DAY OF _____ 2015.

ACKNOWLEDGMENT BY EMPLOYEE

I understand that the policies in this employee handbook are intended for a general guide only and that the provisions may be amended, deleted or withdrawn by the Corporation's Board of Directors at any time. I have agreed to read and follow the policies, procedures and guidelines contained in this handbook. I specifically understand that the handbook does not create a contract of employment or alter my status as an at-will employee. I further understand that no employee has the authority to make oral promises or contracts with regard to my employment other than the General Manager or the Board of Directors, and then only when such promises are reduced in writing.

EMPLOYEE'S SIGNATURE

DATE

APPENDIX 1
Employee Benefits Package *
July 27, 2015

The Board of Directors of the Corporation has adopted the following Insurance and Retirement Package for the benefit of all Corporation employees.* This section of the Personnel Policies highlights some features of the Corporation's benefits programs. The Corporation's Group Health, Dental, Life, Disability Insurance and Retirement Plans are described more fully in Summary Plan Descriptions booklets, copies of which employees will receive when they are eligible to participate in these programs. Complete descriptions of these programs are contained in the master plan document or contracts, copies of which are kept at 1616 Rio Grande, Austin, Texas 78701. If information in these Personnel Policies or a Summary Plan Description contradicts information in the master plan documents or contracts, the terms of the master plan documents or contracts shall govern in all cases.

The Corporation reserves the right to change or terminate any of these programs, or change the employee's premium contribution, at any time at its sole discretion.

GROUP HEALTH AND DENTAL INSURANCE – Employees should refer to the Policy Booklet for specific details of coverage's and eligibility. The Association pays 100% of monthly premiums for employee coverage and 50% of monthly premium for dependent coverage. The employee's portion of dependent coverage is pre-tax under Section 125 of the Internal Revenue Code.

LIFE AND LONG TERM DISABILITY INSURANCE – Employees should refer to the Policy Booklet for specific details of coverage's and eligibility. The Association pays 100% of monthly premium for employee coverage. Dependent coverage is optional and is paid for by the employee.

RETIREMENT PLAN – The Corporation has established a 401(K) Retirement Plan for all full-time employees who have been employed by the Corporation for a period of 12 months or longer. After completing the 12 month waiting period, the Corporation contributes 50% of a qualified employee's contribution to the Retirement Plan. After 15 years of service the Corporation's contribution increases to 100%. The Corporation's contribution to the Retirement Plan vests at 20% per year starting from the date of employment. Employees are eligible to make elective deferrals to the plan from the date of employment. Employee contributions are always 100% vested. Employees should refer to the Plan Description for further information.

* Certain employees may have more or less coverage and/or contribution levels based upon commitments made by the Corporation under Board approved Personnel Policies and employment agreements.