

RESOLUTION NO. 2017-2084

A RESOLUTION APPROVING POLICIES FOR BOARD FINANCE POLICIES

THE LAS GALLINAS VALLEY SANITARY DISTRICT

WHEREAS, the Board of Directors has determined that a comprehensive list of Policies and Procedures for the Board of Directors is in the best interest of the District.

WHEREAS, the Board of Directors has compiled a comprehensive list of Policies and Procedures to serve as the rules and regulations of the Board of Directors.

WHEREAS, the Board of Directors did adopt such comprehensive list of Policies and Procedures on July 9, 2009,

WHEREAS, such policies may need to be updated,

NOW THEREFORE, the Board of Directors of the Las Gallinas Valley Sanitary District approves the following revised policy section: Finance, a copy of which is attached as Exhibit A.

The previously approved Board Finance Policies are hereby revoked and declared null and void.

If any policy or portion of a policy contained within the Policies and Procedures is in conflict with rules, regulations, or legislation having authority over the Las Gallinas Valley Sanitary District, said rules, regulations or legislation shall prevail.

The Policies and Procedures shall remain in effect until amended by at least a majority vote of the Board of Directors.

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I hereby certify that the forgoing is a full, true, and correct copy of a resolution duly and regularly passed and adopted by the Sanitary Board of the Las Gallinas Valley Sanitary District, Marin County, California, at a meeting thereof held on the 23rd of February 2017, by the following vote of the members thereof:

AYES, and in favor thereof Members: Clark, Elias, Greenfield, Murray and Schreibleman.
NOES, Members: None.
ABSENT, Members: None.
ABSTAIN, Members: None.

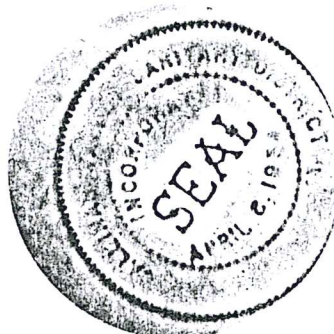


Teresa Lerch, District Secretary

APPROVED:



Russ Greenfield, President of Board of Directors



FINANCE

F- 10 GENERAL

Purpose

This policy establishes the overall purpose for the District adopted financial policies.

F-10-10 Review Annually. Las Gallinas Valley Sanitary District’s financial policies shall be reviewed annually by the Board and shall be published in the adopted budget.

F-10-20 Comply with Applicable Laws. The District shall comply with all applicable state and federal laws and regulations concerning financial management and reporting, budgeting, investing and debt administration.

F-10-30 Administrative Procedures. The District shall comply with all applicable state and federal laws and regulations concerning financial management and reporting, budgeting, investing and debt administration.

Resolution No. 2017-2084	Date Approved: February 23, 2017
President of the Board	Supersedes: Not applicable.

F-20 FINANCIAL REPORTING**Purpose**

This policy establishes procedures for preparing interim financial statements for Board review.

F-20-10 Quarterly Financial Reporting to Board of Directors. District staff shall prepare and provide to the Board of Directors a quarterly summary report that compares actual revenues and expenditures to budgeted amounts, including relevant information on debt proceeds and debt service payments. The report shall explain significant variances and provide analysis and interpretation of financial information.

F-20-20 Monthly Financial Reporting to Management. District staff shall prepare a monthly report for review and use by District management that compares actual revenues and expenditures to budgeted amounts, as well as additional reports as requested to assist in managing the day-to-day operations of the District.

Resolution No. 2017-2084	Date Approved: February 23, 2017
President of the Board	Supersedes: Not applicable.

F-30 ACCOUNTING AND AUDITING**Purpose**

This policy establishes procedures for preparing annual audited financial statements and other required reports for Board review.

F-30-10 Oversight by Board. A primary responsibility of the Board is oversight of the District's finances and assets to ensure that they are being used and invested for the benefit of the public and are protected.

F-30-20 Day-to-Day Responsibility. The Board delegates day-to-day responsibility for auditing controls on District finances and assets to the General Manager.

F-30-30 Financial Statements. District staff shall prepare financial statements annually, in accordance with generally accepted accounting principles for local governments in the United States. The District's financial statements shall be audited annually by an independent, qualified third party in accordance with generally accepted auditing standards, and shall complete the audit within six months of the end of the fiscal year. The audit results and any associated District management response shall be presented to the Board of Directors.

F-30-40 Other Annual Reports. The District shall prepare other annual financial reports as required by state law. These reports include but are not limited to:

- Annual Report of Reimbursement for Staff and Board members per CGC §53065.5
- Annual Report of Capital Facilities Charge activity per CGC §66013

F-30-50 Report to Board. At least once each year the General Manager and Administrative Services Manager will be responsible for reporting to the Board on the effectiveness and appropriateness of internal and external auditing controls. The Board desires to have a thorough understanding of safety mechanisms. To achieve this, the annual auditing report, in addition to meeting minimum legal requirements, will:

- Explain the audit process and answer questions from the Board.
- Review the thoroughness of the District audit.
- Review District internal and external controls.
- Report on any problems that may occur.
- Make suggestions for improvements in audits and controls.

F-30-60 Appointment of Auditor. The Board of Directors shall, by motion, appoint an Auditor to perform the annual audit of the agency's financial records, issue an audit opinion, and serve as consultant on accounting activities when requested. As a general practice, the auditing firm and/or specific auditor shall be replaced every five years.

F-30-70 Accounting Policies and Procedures. The General Manager and Administrative Services Manager shall develop internal accounting policies and procedures necessary to implement these Financial Policies and to ensure that internal controls, processes and procedures are in compliance with the California State Controller's Office Internal Control

Guidelines pursuant to CGC section 12422.5 and are adequate to protect the finances of the District.

Resolution No. 2017-2084	Date Approved: February 23, 2017
President of the Board	Supersedes: July 9, 2009

F-40 BUDGET**Purpose**

This policy establishes procedures for preparing budgets and schedules; reviewing budgets; adopting budgets, including committee review, Board review, and public hearings; revising budgets; and budget reports to Board.

F-40-10 Budget Preparation. An annual budget proposal shall be prepared by the General Manager and Administrative Services Manager. The proposed annual budget as amended by the Board during its review shall be adopted at a regular meeting in June.

F-40-20 Basis of Budgeting. All budgetary procedures will conform to state regulations and generally accepted accounting principles. As such, the District shall use a modified accrual basis of accounting for reporting on budgeted versus actual expenditures, with the following exceptions:

- Grant revenues are budgeted on a modified cash basis rather than an accrual basis;
- Fixed assets are depreciated for some financial reporting, but are fully expensed in the year acquired for budgetary purposes;

F-40-30 Balanced Budget. The District shall maintain a balanced budget, defined as total resources (operating revenue, non-operating revenue, intrafund transfers and beginning fund equity) shall equal total requirements (operating expenses, capital expenses, debt service, intrafund transfers and ending fund equity) including contingencies. Furthermore, the District considers the budget to be balanced whenever annual operating and non-operating revenues meet or exceed annual operational expenditures. The District is committed to maintaining a balanced budget under normal circumstances and will disclose deviations from a balanced operating budget when it occurs.

F-40-40 Budget Control. The Board of Directors retains the exclusive authority to increase annual budget authority for Operational Expenditures. If total operating expenditures are expected to exceed the General Managers signing authority as of the most recently prepared quarterly financial statement the matter shall be brought to the Board's attention so that a budget amendment may be duly approved by the Board.

The Board of Directors also retains the exclusive authority to increase the annual budget authority for Capital Expenditures. In no case may total capital expenditures exceed that which is appropriated by the Board without a budget amendment duly approved by the Board.

Only the Board may authorize transfer of budget authority between Operational Expenditures and Capital Expenditures. Only the Board may increase the number of authorized staff positions.

The General Manager has the authority to approve budget transfers between operating departments. The General Manager has the authority to approve budget transfers between

capital projects. The General Manager has the authority to hire employees to maintain the authorized staff positions.

The Administrative Services Manager / District Treasurer shall be responsible for establishing a budgetary control system to ensure compliance with this policy.

F-40-50 Capital asset acquisition, maintenance, replacement and retirement

F-40.50-10 Budget for maintenance The District shall budget for the adequate maintenance of capital equipment and facilities to protect the public investment and ensure achievement of their maximum useful life.

F-40.50-20 Use of operational fund balance for capital. Operational fund balances in excess of established reserves and liquidity requirements shall be used for the development, rehabilitation or replacement of capital assets.

F-40.50-30 Capitalization threshold. An asset shall be considered a capital asset when the initial cost of the asset is \$5,000 or more and has a useful life of more than one year. The initial cost shall include any costs necessary to put the asset into its intended use. Interest in real property shall always be considered a capital asset, regardless of its initial cost.

F-40.50-40 Five-year Capital Improvement Plan. The District shall prepare and adopt a five-year Capital Improvement Plan as part of the rate setting process that identifies and sets priorities for all major capital assets to be acquired, constructed or replaced by the District. The Capital Improvement Plan shall be included in the Adopted Budget. The status of the Capital Improvement Plan shall be updated annually as part of the budget.

F-40.50-50 Funding requirement The Capital Improvement Plan shall identify adequate funding to support the acquisition, construction and replacement of assets identified in the plan, and shall identify projects that the District believes beneficial to the system but funding has not yet been identified. The Capital Improvement Plan shall include and indicate when and for what projects the District intends to finance through the issuance of debt. Additionally, the District shall strive to develop a comprehensive strategy and funding plan for the renewal and replacement of existing capital assets.

F-40-60 Quarterly Budget Review. Quarterly reviews compare financial plans and budgets, current forecasts, and actual results. The General Manager shall prepare and present these at regular Board meetings.

Resolution No. 2017-2084	Date Approved: February 23, 2017
President of the Board	Supersedes: July 9, 2009

F-50 RESERVES

Purpose

This policy establishes reserves, explains the purpose and reasons for the size of each reserve, and provides for the oversight of reserves.

The District requires reserves for operations and capital needs. Reserves provide financing safeguards for the District's operations. Such funds are available for extraordinary expenses and to fund cash flow. In addition, reserve fund investments generate earnings to supplement other revenues.

F-50-10 Reserve Fund Policies

PURPOSE	OPERATING RESERVE Insure that a minimum balance of 7 months of average budgeted expenses is available.	RATE STABILIZATION Fund unexpected expense increases using the reserve. Replenish any reserves used over a 3 to 4 year period.	EMERGENCY REPAIR RESERVE Fund emergency repairs. Replenish the reserve over a 2 to 3 year period.	CAPITAL RESERVE Provide capital for major capital projects including upgrades and expansions.	TOTAL COMBINED RESERVES
CURRENT STATUS					
FY 2015/16	\$2,322,631	\$300,000	\$ 956,378	\$2,049,380	\$5,628,389
Target Balance	\$2,590,000, 3 months; 7 months needed	\$300,000	\$1,000,000	\$4,000,000	\$7,890,000
Risks and Consideration	When the balance is below the target, other reserves are used to meet cash flow needs. Provide for this reserve by increasing revenues to fund.	The reserve is used to absorb unexpected cost increases and spread them over more than one year.	Balance may be used to fund working capital needs and not be available for a catastrophic event.	Without a reserve, projects are funded with current year revenue in excess of O&M needs; or the District has to rely on bond financing. At the time the reserve balance was established the District had operating and capital reserves of \$10M.	
LONG-TERM GOALS					
Target Balance	\$5,930,000; 7 months of operating and debt service cash flow based on 2016/17 budget; amount will need to increase over time based on projected costs.	Board and staff to determine if the target balance of \$300,000 is adequate.	\$1,000,000; cost to repair a major pump station or other infrastructure.	\$4,000,000 average annual pay as you go CIP expenses for a two year period to recognize the fact that capital projects can span two fiscal years.	
The district will build up the reserves based on: (a) the annual Construction CPI and (b) annual allocations of property tax and ERAF funds, as available.					
Risks and Considerations	Due to the timing of revenue receipts an increased margin would be more comfortable.	A sudden increase in costs would have to be absorbed by operating reserves since the rate setting process occurs every 4 to 5 years.	The reserve would be able to absorb one major repair or several smaller ones; a catastrophic event would require federal or state funding.	Should be sufficient for cash funding or regular projects but may not be enough for larger infrastructure replacements where debt may be incurred.	

F-60 REVENUE**Purpose**

This policy establishes how the District will set fees and ensure their collection to fund operations.

F-60-10 Setting of Fee and Charge Amounts. Fees and charges shall be set to recover the current operational needs of the District, including the financing of capital improvements in accordance with the Capital Improvement Program.

F-60-20 Collection of Fees and Charges. The District shall strive to collect all fees and charges imposed, and shall actively pursue and settle delinquent accounts.

F-60-30 Review of Fees. The District shall review fees and charges annually to ensure they are set at appropriate amounts.

F-60-40 Revenue Forecasting. The District shall estimate revenues conservatively, through an objective, analytical process. The District shall regularly report on forecasted vs. actual revenues, and provide explanation for significant variances.

F-60-50 Use of one-time and unpredictable revenues. One-time revenues shall be used to support one-time expenditures or increase fund balance. Unpredictable revenues shall not be used to support ongoing operational expenses for a period longer than the revenue can reasonably be expected to support them.

Resolution No. 2017-2084	Date Approved: February 23, 2017
President of the Board	Supersedes: July 9, 2009

F-70 INVESTMENTS**Purpose**

This policy establishes who controls investments, the acceptability of various types of investments, criteria for judging investments, and provisions for Board oversight.

F-70-10 Premise. The Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (California Government Code (CGC) §53600.6 and §53630.1); and,

Government Code Sections 5921 and 53601, et seq., allow the legislative body of a local agency to invest surplus monies not required for the immediate necessities of the local agency; and,

The treasurer or fiscal officer of a local agency is required to annually prepare and submit a statement of investment policy and such policy, and any changes thereto, is to be considered by the local agency's legislative body at a public meeting (CGC §53646(a)).

For these reasons, and to ensure prudent and responsible management of the public's funds, it is the policy of the District to invest funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds.

F-70-20 Scope. This investment policy applies to all financial assets of the District. These funds are accounted for in the Annual Audited Financial Statements.

F-70-30 Prudence. The standard of prudence to be used by investment officials shall be the prudent investor standard (CGC §53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security credit risk or market price changes, provided deviations for expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

F-70-40 Objectives. As specified in CGC §53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives of the investment activities, in priority order, shall be:

Safety: Safety of principal is the foremost objective of the investment program. Investments of Las Gallinas Valley Sanitary District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: The investment portfolio will remain sufficiently liquid to enable Las Gallinas Valley Sanitary District to meet all operating requirements, which might be reasonably anticipated.

Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

F-70-50 Delegation of Authority. Authority to manage the investment program is derived from California Government Code Sections 53600, et seq. Management responsibility for the investment program is hereby delegated to the General Manager and District Treasurer. Written procedures for the operation of the investment program consistent with this investment policy shall be established. Procedures should include references to safekeeping, PSA repurchase agreements, wire transfer agreements, collateral/depository agreements, and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the General Manager and District Treasurer. The General Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under the provisions of California Government Code §53600.3, the General Manager and District Treasurer are trustees and/or fiduciaries, subject to the prudent investor standard.

F-70-60 Ethics and Conflicts of Interest. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

F-70-70 Authorized Financial Institutions and Dealers. The General Manager and District Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the District shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the District Treasurer, or other appropriate District officer, shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the District's account with the firm has reviewed the District's Investment Policy and that the firm understands the policy and intends to

present investment recommendations and transactions to the District that are appropriate under the terms and conditions of the Investment Policy.

F-70-80 Authorized and Suitable Investments. The District is empowered by California Government Code §53601, et seq., to invest in the following:

- A. Bonds issued by the District.
- B. U.S. Treasury Bills, Notes & Bonds.
- C. Registered state warrants or treasury notes or bonds issued by the State of California.
- D. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.
- E. Obligations issued by agencies or instrumentalities of the U.S. Government.
- F. Bankers acceptances with a term not to exceed 270 days. Not more than 40% of surplus funds can be invested in bankers acceptances and no more than 30% of surplus funds can be invested in the bankers acceptances of any single commercial bank.
- G. Prime commercial paper of U.S. corporations with assets greater than \$500 million, with a term not to exceed 180 days and the highest ranking issued by Moody's Investors Service (Moody's) or Standard & Poor's Corporation (S&P). Commercial paper cannot exceed 15% of total surplus funds, provided that, if the average maturity of all commercial paper does not exceed 31 days, up to 30% of surplus funds can be invested in commercial paper.
- H. Negotiable certificates of deposit issued by federally or state chartered banks or associations. Not more than 30% of surplus funds can be invested in certificates of deposit.
- I. Repurchase/reverse repurchase agreements of any securities authorized by this Section. Securities purchased under these agreements shall be no less than 102% of market value. (See special limits in CGC §53601.i.)
- J. Medium term notes (not to exceed 5 years) of U.S. corporations rated A or better by Moodys or S&P. Not more than 30% of surplus funds can be invested in medium term notes.
- K. Shares of beneficial interest issued by diversified management companies (money market mutual funds) investing in the securities and obligations authorized by this Section. Such funds must carry the highest rating of at least two of the three largest national rating agencies. Not more than 15% of surplus funds can be invested in money market mutual funds.
- L. Funds held under the terms of a trust indenture or other contract or agreement may be invested according to the provisions of those indentures or agreements.
- M. Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations.
- N. Any mortgage pass-through security, collateralized mortgage obligation, mortgaged backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum maturity of five years. Securities in this category must be rated AA or better by a nationally recognized rating service. Not more than 30% of surplus funds may be invested in this category of securities.
- O. Any other investment security authorized under the provisions of CGC §5922 and §53601. (Also, see CGC §53601 for a detailed summary of the limitations and special conditions that apply to each of the above listed investment securities. CGC §53601 is included by reference in this investment policy.)

F-70-90 Collateralization. All certificates of deposits must be collateralized by U.S. Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralization on repurchase and reverse repurchase agreements will adhere to the amount required under CGC §53601(i)(2).

F-70-100 Safekeeping and Custody. All security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement as required by CGC §53601.

F-70-110 Diversification. It is the policy of the District to diversify its investment portfolio by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Diversification strategies shall be determined and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- A. Portfolio maturities shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.
- B. Maturities selected shall provide for stability of income and liquidity.
- C. Disbursement and payroll dates shall be covered through maturities investments, marketable U.S. Treasury Bills or other cash equivalent instruments, such as money market mutual funds.

F-70-120 Reporting. In accordance with CGC §53646(b)(1), the District Treasurer, or other appropriate District officer, shall submit to each member of the Board a quarterly investment report. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for the District by third party contracted managers. The report will also include the source of the portfolio valuation. As specified in CGC §53646 (e), if all funds are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that: (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy; and, (2) The District will meet its expenditure obligations for the next six months as required by CGC §53646(b)(2) and (3), respectively. The Treasurer, or other appropriate District officer, shall maintain a complete and timely record of all investment transactions.

F-70-130 Investment Policy Review. Staff may annually present this Investment Policy to the Board for review. Any modifications shall be considered at a public meeting and approved by the Board.

F-70-140 Prohibited Investments. Under the provisions of CGC §53601.6 and §53631.5 the District shall not invest any funds covered by this Investment Policy in inverse floaters, range

notes, interest-only strips derived from mortgage pools, or any investment that may result in a zero interest accrual if held to maturity.

Resolution No. 2017-2084	Date Approved: February 23, 2017
President of the Board	Supersedes: July 9, 2009

F-80 DEBT ISSUANCE AND MANAGEMENT**Purpose**

This policy establishes procedures for the use of debt for financing the District's capital improvements.

F-80-10 Use of Long-term Debt. The District shall have a preference to finance capital improvements using pay-as-you-go financing and shall issue long-term debt only to finance capital improvements that cannot be readily financed from current revenues. Some exceptions to this may be made on a case-by-case basis for no-interest and extremely-low-interest loan programs for capital projects.

Debt financing shall be used only for major, non-recurring items or improvements with a minimum of five years of useful life; assets with a shorter useful life shall be financed using pay-as-you-go financing. The intended use of debt shall be described in and integrated into the District's Capital Improvement Plan and any long range financial forecasts.

F-80-20 Types of Debt. The District, either on its own or through a public benefit corporation, may issue general obligation bonds, certificates of participation, revenue bonds, borrow from a bank, borrow from the State of California through the use of state revolving fund loans, borrow from the Federal Government, or issue any other long or short-term instrument approved by and deemed appropriate by the Board of Directors to meet the capital financing needs of the District. Debt may be fixed rate or variable rate.

F-80-30 Length of Debt Obligations. The District shall repay all debt issued within a period not to exceed the expected useful life of the improvements financed by the debt.

F-80-40 Debt Service Limitations. The District shall not issue debt where the debt service amounts exceed its ability to pay current obligations from current revenues. This shall be calculated as follows: current operating revenues, less current operating expenditures, shall be at least 125% of anticipated total annual debt service for all outstanding long-term debt.

F-80-50 Use of Credit Enhancements. When issuing long-term debt, credit enhancements (letters of credit, bond insurance, etc.) may be used, but only when net debt service on the debt is reduced by more than the cost of the enhancement, or the enhancement is a requirement for the loan or debt issuance.

F-80-60 Bond rating. The District shall seek to maintain and, if possible, improve its current bond rating in order to minimize borrowing costs and preserve access to credit.

F-80-70 Financial disclosure. The District shall fully disclose financial and pertinent credit information as it relates to the District's outstanding securities.

F-80-80 Internal controls. To ensure debt proceeds are used as intended, the District shall implement internal control procedures that include at least the following:

- Debt proceeds shall be deposited in an account separate from other District accounts, with only revenues and expenditures directly associated with the debt proceeds included in the account.
- At least two approvals from different reviewers will be required on all expenditures of debt proceeds, to review and ensure the expenditure is appropriate to be paid from debt proceeds.
- District accounting staff shall prepare periodic reports on the use of debt proceeds for management review.

Resolution No. 2017-2084	Date Approved: February 23, 2017
President of the Board	Supersedes: July 9, 2009

F-90 PURCHASING, INCLUDING RETAINING CONSULTANTS**Purpose**

This policy establishes procedures for preparing and approving purchase orders; and preparing, reviewing, and approving contracts. It also covers legal requirements, petty cash, limits on General Manager purchases, the required "paper trail," conformance with received orders, and consultant arrangements.

F-90-10 Vendors for Small Items. To purchase small items -- such as office supplies, auto parts, and other miscellaneous items costing less than \$1,000 -- the General Manager will set policies for selecting vendors. District accounts are awarded to firms at management discretion that provide the best combination of prices, discounts, service, convenience, local business, green/recycled products etc.

F-90-20 Quotations. To purchase items costing more than \$1,000, written quotations will be solicited from vendors and received by fax, or mail prior to processing a purchase order. District Staff may approve purchase orders up to the amount of their purchasing authority per F-90-40. For all purchases between \$5,000 and \$15,000 three written quotes will be obtained. However, in cases where the General Manager determines that certain products may provide a better service life, durability, meet a specific need or provide greater efficiency than other products he/she has the authority to order that product or engage the service without multiple quotes. The General Manager also has the authority to utilize specific maintenance and repair vendors as he/she deems appropriate or necessary.

F-90-30 Large Items. Purchases over \$15,000 shall be reviewed and approved by the Board.

F-90-40 Purchasing Authority:

General Manager	Up to	\$15,000
Plant Manager	Up to	\$ 7,500
District Engineer	Up to	\$ 7,500
Collection and Safety Manager	Up to	\$ 7,500
Administrative Services Manager	Up to	\$ 7,500
District Administrative Assistant	Up to	\$ 5,000
Administrative/Financial Specialist I/II	Up to	\$ 2,000
Assistant/Associate Engineer	Up to	\$ 5,000
Environmental Services Director	Up to	\$ 5,000
Plant Operations and Maintenance Supervisor	Up to	\$ 5,000
Buildings and Ground Maintenance Worker	Up to	\$ 1,000

F-90-45 Purchase Orders. Purchases over \$1,000 require a purchase order to be issued prior to ordering.

F-90-50 Disbursements. The District requires that all disbursements be properly approved and authorized. To ensure that internal control is maintained over cash disbursements the following procedures will be performed:

- Disbursements, whether by check or electronic transfer, shall be included on a Warrant List for Board approval.
- Disbursements made by check shall require two signatures.
 - Generally checks drawn from the Operating bank account will be signed by the General Manager and a Board Member.
 - In rare situations where either a Board Member or the General Manager is not available:
 - The Administrative Services Manager may sign in place of the General Manager; or
 - Two Board Members may sign in place of the General Manager; or
 - The General Manager and the Administrative Services Manager may sign in lieu of a Board Member signing.
 - If such a situation occurs, at the next Board meeting, the paid invoice and related support documents will be submitted with the Warrant list for approval by the Board.
 - Checks drawn from the Petty Cash Checking account may be signed by two of the following: the General Manager, the Administrative Services Manager, or the Administrative/Financial Specialist.

F-90-60 Consultants. Consultants will be retained whenever in the judgment of the General Manager that there are not sufficient resources to accomplish a task.

- Prospective consultants shall be selected from experienced, competent and reliable firms or individuals to provide the necessary resource
- For consulting expenditures below \$15,000, consultants may be selected sole-source on the basis of their qualifications and ability
- For consulting procurements exceeding \$15,000, a competitive process may be followed with emphasis on professional capability, availability to complete the task as well as cost. Professional Services Contracts over \$15,000 shall be submitted to the Board for approval. However in the case where the Board deems it more prudent and in the best interest of continuity of services, a consultant contract may be awarded without a competitive process.
- Regular reports of consultant's progress shall be reviewed by the General Manager and reported to the Board.

F-90-70 Internal Audit. The General Manager is responsible to ensure that purchases and trade agreements adhere to District policy and sound business practice. The General Manager will ensure that files and records of purchase orders and other financial documentation are maintained to provide adequate control and administration, which is subject to audit and Board review.

Resolution No. 2017-2084	Date Approved: February 23, 2017
President of the Board	Supersedes: July 9, 2009

F-100 CREDIT CARDS**Purpose**

This policy establishes who gets credit cards, the controls over their use, repayment, and required documentation.

F-100-10 Cancelled Cards. On May 8, 2003 Board Members cancelled their credit cards, and there is no current authorization for cards.

F-100-20 Distribution. Credit cards shall be provided to District Staff members as determined necessary for the position by the General Manager upon approval of the Board.

In order to maintain security over District issued credit cards, staff shall maintain possession of their District issued credit cards and not loan them to other staff for use.

F-100-30 Limits on Purchases and Credit Card Limits. Credit card purchases shall be limited to:

- Budgeted District expenses.
- District business related seminar and conference expenses to include lodging, travel, meals, conference registration, and other appropriate expenses.
- Meal expenses, as well as the meal expense of a guest if the breakfast/lunch/dinner meeting includes necessary discussion of District business with the guest.
- Spouse or guest expense under very limited circumstances and only when paying for the spouse or guest in another manner is difficult or cumbersome. Reimbursement to the District, accompanied by an expense receipt, shall be made in a timely manner.
- Other instances deemed appropriate by the General Manager.

Credit Card Limits

General Manager	Up to	\$20,000
Plant Manager	Up to	\$ 7,500
District Engineer	Up to	\$ 7,500
Collection and Safety Manager	Up to	\$ 7,500
Administrative Services Manager	Up to	\$ 7,500
District Administrative Assistant	Up to	\$ 5,000
Administrative/Financial Specialist I/II	Up to	\$ 2,000
Assistant/Associate Engineer	Up to	\$ 5,000
Environmental Services Director	Up to	\$ 5,000
Plant Operations and Maintenance Supervisor	Up to	\$ 5,000
Buildings and Ground Maintenance Worker	Up to	\$ 1,000

F-100-40 Review. The General Manager shall review District employee credit card purchases and determine the adequacy of receipts.

F-100-50 Revocation. A majority vote of the Board is required to revoke the use of a card by the General Manager. The General Manager may revoke the use of a credit card by an employee for violation of the credit card and/or purchasing policy.

F-100-60 Prohibitions. Unauthorized use of a credit card or use of a credit card for personal purchases is strictly prohibited.

F-100-70 Use of Personal Credit Cards for District Business. Employees who are issued District credit cards are required to use them for District business unless administratively unfeasible.

Employees who do not have District issued credit cards may use personal cards to pay for travel expenses, emergency purchases and incidental items related to District business up to \$2,500.

Use of personal credit cards for District purchases other than outlined above requires prior approval by the General Manager.

Resolution No. 2017-2084	Date Approved: February 23, 2017
President of the Board	Supersedes: October 22, 2015

F-110 RECORDS RETENTION**Purpose**

The purpose of this policy is to provide guidelines to: staff regarding the retention or disposal of District records; provide for the identification, maintenance, safeguarding and disposal of records in the normal course of business; ensure prompt and accurate retrieval of records; and ensure compliance with legal and regulatory requirements.

F-110-10 Definitions. Vital and important records, regardless of recording media, are those having legal, financial, operational, or historical value to the District.

F-110-20 Implementation. The General Manager is authorized by the Board to interpret and implement this policy, and to cause to be destroyed any or all such records, papers, and documents that meet the qualifications governing the retention and disposal of records, specified below.

F-110-30 Guidelines. Pursuant to the provisions of California Government Code §60200 through §60204, California Water Code §21403, and the guidelines prepared by the State Controller's office and the Controller's Advisory Committee for Special Districts, the following qualifications will govern the retention and disposal of records of the District:

F-110-30-10 Duplicate records, papers and documents may be destroyed at any time without the necessity of Board authorization or copying to photographic or electronic media.

F-110-30-20 Originals of records, papers and documents more than two (2) years old that were prepared or received in any manner other than pursuant to State or Federal statute may be destroyed without the necessity of copying to photographic or electronic media.

F-110-30-30 Records, papers or documents that are not expressly required by law to be filed and preserved may be destroyed, pursuant to Government Code Section 60203 if all of the following conditions are met:

F-110-30-30-a The record, paper or document is photographed, micro-photographed, reproduced by electronically recorded video images on magnetic surfaces, recorded in the electronic data processing system, recorded on optical disk, reproduced on film or any other medium that is a trusted system and that does not permit additions, deletions, or changes to the original document in compliance with Government Code Section 12168.7 for recording of permanent records or nonpermanent records.

F-110-30-30-b The device used to reproduce such record, paper or document on film, optical disk, or any other medium, is one which accurately reproduces the original thereof in all details; and that does not permit additions, deletions, or changes to the original document images.

F-110-30-30-c The photographs, microphotographs, or other reproductions on film, optical disk, or any other medium are placed in conveniently accessible files and provisions are made for preserving, examining, and using the files.

F-110-30-40 Any accounting record except the journals and ledgers that are more than five (5) years old and that were prepared or received in any manner other than pursuant to State statute may be authorized for destruction, provided that:

F-110-30-40-a There is no continuing need for said record, i.e., long-term transactions, special projects, pending litigations, etc., and;

F-110-30-40-b There exists in a permanent file, an audit report or reports covering the inclusive period of said record, and that;

F-110-30-40-c Said audit report or reports were prepared pursuant to procedures outlined in Government Code Section 26909 and other State or Federal audit requirements, and that;

F-110-30-40-d Said audit or audits contain the expression of an unqualified opinion.

F-110-30-50 Any accounting record created for a specific event or action may be destroyed upon authorization five (5) years after said event has in all respects terminated. Any source document detailed in a register, journal, ledger, or statement may be authorized for destruction five (5) years from the end of the fiscal period to which it applies. The following may be destroyed at any time:

- Duplicated (original-subject to aforementioned requirements).
- Rough drafts, notes or working papers (except audit).
- Cards, listings, nonpermanent indices, other papers used for controlling work or transitory files.

F-110-30-60 In no instances are records, papers or documents to be destroyed where there is a continuing need for such records for such matters as pending litigation, special projects, etc.

F-110-30-70 All payroll and personnel records shall be retained indefinitely. Originals may, upon authorization, be destroyed after seven (7) years retention, provided said records have been preserved in digital format in accordance with Policy F-110-30-30, above. Payroll and personnel records include the following:

- Accident reports, injury claims, and settlements
- Medical histories
- Injury frequency charts
- Applications, changes and terminations of employees
- Insurance records of employees
- Time cards
- Classification specifications (job descriptions)

- Performance evaluation forms
- Earning records and summaries
- Retirements

F-110-30-80 All assessing records may upon authorization be destroyed after seven years retention from lien date; however, their records may be destroyed three (3) years after the lien date when said records are micro photographed as provided for in Policy F-110-30-40, above.

F-110-30-90 Records of proceedings for the authorization of long-term debt, bonds, warrants, loans, etc., after issuance or execution may be destroyed if micro photographed as provided for in Policy F-110-30-40, above. Terms and conditions of bonds warrants, and other long-term agreements should be retained until final payment, and thereafter may be destroyed in less than ten (10) years if micro photographed as provided for in Policy F-110-30-40, above. Paid bonds, warrant certificates, and interest coupons may be destroyed after six (6) months if detailed payment records are kept for ten (10) years.

F-110-30-100 Minutes of the meetings of the Board are usually retained indefinitely in their original form. However, they may upon authorization be destroyed if said minutes are preserved in electronic format as provided for in Policy F-110-30-40, above. Recording tapes (or other media) of Board meetings will be kept for a period of one year from the date of the recorded meeting, after which they will be destroyed.

F-110-30-110 Construction records, such as bids, correspondence, change orders, etc., shall not be kept in excess of seven (7) years unless they pertain to a project that includes a guarantee or grant and, in that event, they shall be kept for the life of the guarantee or grant plus seven (7) years. As-built plans for any public facility or works shall be retained as long as said facility is in existence.

F-110-30-120 Contracts should be retained for their life plus seven (7) years. Any unaccepted bid or proposal for the construction or installation of any building, structure or other public work which is more than two (2) years old may be destroyed.

F-110-30-130 Property records, such as documents of title, shall be kept until the property is transferred or otherwise no longer owned by the District.

F-110 RECORDS RETENTION

APPENDIX A

Definitions for Records Retention and Disposal Policy

1. **AUTHORIZATION.** Approval from the General Manager, as authorized by the Board.

2. **ACCOUNTING RECORDS.** Include but are not limited to the following:

A. Source Documents

- Invoices
- Warrants
- Requisitions/Purchase Orders (attached to invoices)
- Cash Receipts
- Claims (attached to warrants in place of invoices)
- Bank Statements
- Bank Deposits
- Checks
- Bills
- Various accounting authorizations taken from Board minutes, resolutions or contracts

B. Journals

- Cash Receipts
- Accounts Receivable or Payable Register
- Check or Warrant (payables)
- District Journal
- Payroll Journal

C. Ledgers

- Expenditure
- Revenue
- Accounts Payable or Receivable Ledger
- Construction
- General Ledger
- Assets/Depreciation

D. Trial Balance**E. Statements (Interim or Certified - Individual or All Fund)**

- Balance Sheet
- Analysis of Changes in Available Fund Balance
- Cash Receipts and Disbursements
- Inventory of Fixed Assets (Purchasing)

F. Journal Entries**G. Payroll and personnel records include but are not limited to the following:**

- Accident reports, injury claims and settlements
- Applications, changes or terminations of employees
- Earnings records and summaries
- Retirements
- Fidelity Bonds
- Garnishments
- Insurance records of employees
- Job Descriptions
- Medical Histories
- Time Cards

H. Other

- Inventory Records (Purchasing)
 - Capital Asset Records (Purchasing)
 - Depreciation Schedule
 - Cost Accounting Record
3. **LIFE.** The inclusive or operational or valid dates of a document.
 4. **RECORD.** Any paper, bound book or booklet, card, photograph, drawing, chart, blueprint, map, tape, compact disc, digital video disk, microfilm, or other document, issued by or received in a department, and maintained and used as information in the conduct of its operations.
 5. **RECORD COPY.** The official District copy of a document or file.
 6. **RECORD SERIES.** A group of records, generally filed together, and having the same reference and retention value.
 7. **RECORDS CENTER.** The site selected for storage of inactive records.
 8. **RECORDS DISPOSAL.** The planning for and/or the physical operation involved in the transfer of records to the Records Center, or the authorized destruction of records pursuant to the approved Records Retention Schedule.
 9. **RECORDS RETENTION SCHEDULE.** The consolidated, approved schedule list of all District records that timetable the life and disposal of all records.
 10. **RETENTION CODE.** Abbreviation of retention action that appears on the retention schedule.

11. **VITAL RECORDS.** Records that, because of the information they contain, are essential to one or all of the following:

- (a) The resumption and/or continuation of operations,
- (b) The recreation of legal and financial status of the District, in case of a disaster, and
- (c) The fulfillment of obligations to bondholders, customers, and employees.

Vital records include but are not limited to the following:

- | | |
|---|--------------------------------------|
| (1) Agreements and Contracts | (21) Individual claims/settlements |
| (2) Annexations and detachments | (22) Inventory |
| (3) As-built drawings | (23) Journal vouchers |
| (4) Audits | (24) Ledgers |
| (5) Contract drawings | (25) Licenses & permits (to operate) |
| (6) Customer statements | (26) Loans & grants |
| (7) Deeds | (27) Maps |
| (8) Depreciation schedule | (28) Minutes of Board meetings |
| (9) Disposal of surplus & excess property | (29) Ordinances |
| (10) Disposal of scrap materials | (30) Payroll register |
| (11) District insurance records | (31) Policies, Rules & Regulations |
| (12) District water rights | (32) Purchase orders & requisitions |
| (13) Employee accident reports, injury claims & settlements | (33) Restricted materials permits |
| (14) Employee earning records | (34) Resolutions |
| (15) Employee fidelity bonds | (35) Rights of ways & easements |
| (16) Employee insurance records | (36) Spray permits |
| (17) Encroachment permits (by others) | (37) Statements of Economic Interest |
| (18) Encroachment permits (by OWID) | (38) State surplus acquisitions |
| (19) Facility improvement plans | (39) Warehouse requisitions |
| (20) Improvement districts | (40) Warrant/Voucher register |
| | (41) Warrants (with backup) |
| | (42) Water rights history |

F-110 RECORDS RETENTION

APPENDIX B

Records Retention & Storage Summary

Group No.	Title or Description	Original	Duplicate	RETENTION PERIODS		
				Office	Record Center	Retain or Destroy
1	Records affecting title to real property or liens thereof.	X		2 yrs.	OP	ES
2	Records required to be kept permanently by statute.	X		2 yrs.	OP	ES
3	Minutes, ordinances, and resolutions of Board.	X		2 yrs.	OP	ES
4	Documents with lasting historical, administrative, legal, fiscal, or research value.	X		2 yrs.	OP	ES
5	Correspondence, operational reports, and information upon which District policy has been established.	X		2 yrs.	10 yrs.	12 yrs.
6	Duplicates of 5, above, when retention is necessary for reference.	X		2 yrs.		2 yrs.
7	Records requiring retention for more than 5 years, but no more than 15 years by statute or administrative value.	X		2 yrs.	13 yrs.	15 yrs.
8	Duplicates needed for administrative purposes for 5 to 15 years.		X	2 yrs.	13 yrs.	15 yrs.
9	All other original District records, or instruments, books or papers that are considered public documents not included in Groups 1 through 8.	X		2 yrs.	1 yr.	3 yrs.
10	Duplicates and other documents not public records required to be maintained for administrative purposes.	X	X	2 yrs.	3 yrs.	5 yrs.
11	Duplicate records requiring retention for administrative purposes such as reference material for making up budgets, planning, and programming.		X	3 yrs.		3
12	Reference files (copies of documents which duplicate the record copies filed elsewhere in the District; documents which require no action and are non-record; rough drafts, notes, feeder reports, and similar working papers accumulated in preparation of a communication, study or other document, and cards, listings, indexes, and other papers used for controlling work).		X	1 yr.		1 yr.

Group No.	Title or Description	Original	Duplicate	RETENTION PERIODS		
				Office	Record Center	Retain or Destroy
13	Transitory files, including letters of transmittal (when not public record), suspense copies when reply has been received, routine requests for information and publication, tracer letters, feeder reports, and other duplicate copies no longer needed.	X	X	3 mos.		3 mos.
14	Original documents disposable upon occurrence of an event or an action (i.e., audit, job completion, completion of contract, etc.) or upon obsolescence, supersession, revocation.	X		2 yrs.	3 yrs.	5 yrs.
15	Policy files and reference sets of publications.		X	I		I
16	Duplicates or non-record documents required for administrative needs but destroyable on occurrence of an event or an action.		X	I		I

OP = Original or photographic copy.

ES = May be destroyed if stored in electronic media.

I = Indefinitely

Resolution No. 2017-2084	Date Approved: February 23, 2017
President of the Board	Supersedes: July 9, 2009

F-120 CUSTOMER PAYMENT**Purpose**

This policy covers method of billing, customer notification, collections, delinquent payments, and penalties.

F-120-10 Special Arrangements. Upon request, the Board (greater than \$1,000) or General Manager (\$1,000 or less) may grant approval of special arrangements to be made for payment of the following fees when an extreme hardship exists:

Regular annual sewer service charge

Wastewater Capital Facilities Charge (Connection fee)

F-120-20 Payments. Monthly payments shall not exceed 12 payments. When payments are to be made at the close of escrow and real property is not sold, arrangements must be made for payments to continue on a regular basis.

Resolution No. 2017-2084	Date Approved: February 23, 2017
President of the Board	Supersedes: July 9, 2009

F-130 DISPOSAL OF SURPLUS EQUIPMENT AND PROPERTY**Purpose**

This policy covers easements, encroachments, and acceptance of property, disposal of surplus property, inventory, and recordkeeping.

F-130-10 Sale of Surplus Equipment. The Board (current value in excess of \$1,000) or General Manager (current value equal to or less than \$1,000) have the authority to declare equipment surplus, after which the following steps shall be taken:

A surplus item shall be advertised for sale, with notation of location/hours/days it can be seen, a deadline date for submission of sealed bids, a statement that the District reserves the right to reject any or all bids, and that the item is being sold "as is."

- The Board or General Manager per the above value criteria shall accept or reject highest bid.
- Bidders shall be notified of the Board's action.
- Junked Certificates shall be obtained for vehicles that cannot pass smog tests without significant repairs.

Periodically surplus metal that has no further operational value to the District but which may be recycled or sold for scrap may be disposed of as determined by the General Manager.

F-130-20 Sale of Real Estate. The Board has the authority to declare real property surplus and authorize the Staff to obtain an appraisal, after which the following steps shall be taken:

- The real property shall be offered to public agencies at the appraised price. (State law requires that public agencies have the opportunity to purchase real property prior to advertisement to the general public.)
- Property not purchased by a public agency shall be advertised in a newspaper of general circulation with a request that sealed bids be submitted to the District.
- The Board shall accept or reject the highest bid.
- Bidders shall be notified of the Board's action.

Resolution No. 2017-2084	Date Approved: February 23, 2017
President of the Board	Supersedes: July 9, 2009