

## TITLE 3

### FINANCE AND ACCOUNTING

#### CHAPTERS

3.01	Financial Goals
3.02	Budget Control
3.04	Auditing
3.05	Governmental Accounting Standards Board (GASB)
3.06	Electric Supply Procurement
3.07	Debt Issuance and Management Policy
3.08	Purchasing
3.10	Capitalization Policy
3.12	Accounts Receivable
3.16	Accounts Payable
3.20	Investments
3.24	Restricted Funds
3.32	Standby Charges and Assessment Districts

#### CHAPTER 3.01

#### FINANCIAL GOALS

##### Section:

##### 3.01.01 Financial Goals

**3.01.01.1** The following goals are established to promote and maintain the financial strength of the District:

##### **3.01.01.01 Planning Goals**

- Review Water and Electric Master Plans at least every five years
- Review ten-year Finance Master Plan each year
- Prepare two-year operating budget with semi-annual reviews
- Prepare ten-year Capital Improvement Plan; update annually
- Review rate structure and levels every two years
- Review Financial Goals every year

##### **3.01.01.02 Revenue Goals**

- Set operating revenues to capture entire cost to provide service plus build and maintain reserves and satisfy debt coverage ratios
- Review connection charges every two years and set them to recover all costs
- Review facilities fees every budget cycle and after the completion of a master plan

### **3.01.01.03 Debt Goals**

- Separate debt that is serving development (facilities fees), debt serving current customers (rates), debt serving a special assessment district (assessments) and debt financed by billing surcharges. These categories of debt should be separately identified in the budget
- One-half the debt service for all long-term debt in the aggregate is due in the first ten years
- No more than one half the projected annual facilities fee revenue committed to debt service
- No more than twenty-five percent of general fund revenues committed to debt service
- No debt more than 30 year maturity
- No debt longer than useful life of the project
- Debt issued by the District, either directly or indirectly, shall be subject to these provisions and section 3.07, Debt Issuance and Management Policy:

### **3.01.01.04 Cash Reserve Goals - Operations**

- Water general fund should have a cash reserve equal to one half of the annual budgeted operating expenses, excluding depreciation.
- Electric general fund should have a cash reserve equal to one half of the annual budgeted operating expenses, excluding depreciation and purchased power.
- Electric rate stabilization fund (aka Electric Rate Reserve) should maintain a minimum cash reserve equal to six months of the budgeted cost of purchased power.
- Both the Electric and Water Utilities shall maintain a Board restricted operating reserve fund titled Deferred Liability. The intent of the fund is to provide reserves for unfunded liabilities such as pension costs and the reserve goal shall be determined by the Board on an annual basis.

### **3.01.01.05 Capital Reserve Goals**

- There should be a revolving water capital reserve equal to the average annual budget for capital replacement to permit projects to be initiated and funded prior to arrangement of long-term debt or other financing.
- There should be a revolving electric capital reserve fund equal to the average annual budget for capital replacement.

### **3.01.01.06 Debt Reserve Goals**

- There should be a reserve fund for each debt instrument in an amount required by each lender.
- A reserve fund should be established and maintained to pay for vehicle and equipment purchases as needed. Long term financing should be used when necessary and the life of the asset purchased is greater than 15 years.

**CHAPTER 3.02**  
**BUDGET CONTROL**

**Section:**

**3.02.010     Budget Control**

**3.02.010.1** In 2008, for budget year 2009, and each two budget year periods thereafter, the General Manager shall submit to the Board of Directors a draft budget in the format approved by the Board of Directors and following generally accepted accounting standards for utility budgets.

**3.02.010.2** Budget performance will be reviewed at a Board workshop each six months after the close of the June and December accounting periods during each fiscal year.

**3.02.010.3** The General Manager shall cause to be prepared a memorandum accompanying the semi-annual budget performance review which describes any significant variance from planned expenditures and any projects or needs that have occurred since adoption of the budget that were not anticipated at the time the budget was prepared and adopted.

**3.02.010.4** With respect to the capital budget, the General Manager is authorized to make line item transfers within any one department, provided the total capital budget for that department is not exceeded. If the General Manager determines that a capital expenditure is necessary which will exceed that department's capital budget, he/she shall submit a recommendation to the Board of Directors for a budget amendment.

**3.02.010.5** When Department Heads request the Board to approve projects (operating or capital), they will indicate in the description and presentation how much has been budgeted for the project and if the costs are expected to exceed their budget, recommend where the excess costs will be obtained.

**CHAPTER 3.04**  
**AUDITING**

**Section:**

**3.04.010     Auditing**

**3.04.010.1 Hiring of Auditors** Periodically, the Board of Directors will issue a request for proposal for the purpose of hiring an audit firm to perform the District's annual audit. Auditors will be requested to provide an engagement letter describing services they will perform and a three year financial proposal. At the end of the three year period, the Board will issue a new request for proposal, or if the Board decides to continue the services of the current auditors, it will ask the then current auditors for a proposal to extend their services.

**3.04.010.2 Audit Performance** The auditors will audit the District’s records according to generally accepted auditing standards for publicly owned utilities.

**3.04.010.3 Audit Presentation** The audit firm will present the results of the annual audit to the Board of Directors at a Board meeting in draft form. The Board may adopt the audit as presented or schedule the adoption of the annual audit at a future meeting.

**3.04.010.4 Publication of Annual Audit** The annual audit shall be posted on the District’s website within 30 days after completion of the audit and approval by the Board. The complete audit will be sent to the District’s lenders and to any person or organization that requests a copy. Duplication fees may apply.

## **CHAPTER 3.05**

### **GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB)**

Periodically, the Government Accounting Standards Board (GASB) issues new accounting rules for recording financial transactions that must be implemented by government agencies. Each year, during the audit presentation process, any known new GASB accounting standards that are required to be implemented during the current or future years will be discussed with the Board of Directors. In the absence of GASB accounting rules, the District is required to follow Financial Accounting Standards Board (FASB) accounting rules to record accounting transactions.

## **CHAPTER 3.06**

### **ELECTRIC SUPPLY PROCUREMENT**

#### **Sections:**

<b>3.06.000</b>	<b>General</b>
<b>3.06.010</b>	<b>Procurement Objectives</b>
<b>3.06.020</b>	<b>Commodity Pricing Policy</b>
<b>3.06.030</b>	<b>Counterparty Credit Policy</b>
<b>3.06.040</b>	<b>Transacting Policy</b>
<b>3.06.050</b>	<b>Authorized Transacting Products</b>
<b>3.06.060</b>	<b>Transacting Authority</b>
<b>3.06.070</b>	<b>Conflict of Interest</b>

**3.06.000 General** It is the objective of the District to:

1. Provide reliable and high quality electric supply and distribution system to meet current and future needs.
2. Assure that no activities related to energy supply purchase and sales will expose the District to the possibility of large financial losses in relation to the size of the electric supply reserve funds.
3. Maintain and implement a long-term energy and load forecast.

4. Maintain and implement an Electric System Master Plan, including the required facilities to meet the current and future demand and reliable supply.
5. Procure and contract for low cost electric power supplies to reliably meet current and future loads, consistent with the Renewable Portfolio Standards.
6. Seek power supply from a resource mix that satisfies District Renewable Portfolio Standard (RPS), Code Section 7.83.

**3.06.000(A) RPS Supply Objectives:**

1. Maintain reliable overall energy supply portfolio
2. Minimize adverse impact of acquiring new energy resources on customer electric rates.
3. Renewable resources are defined as non-fossil fueled electric generating resources, as defined pursuant to Public Utilities Code Section 399.3(i).

**3.06.000(B) RPS Supply Strategies**

1. Utilize Public Benefit funds to implement projects and to supplement appropriate capital expense projects.
2. Strive to acquire small hydro and geothermal electric supply from WAPA, NCPA, or UAMPS that are located within or can be transmitted to the Sierra Pacific control area.

**3.06.010 Procurement Objectives**

1. Balance the need to purchase sufficient, reliable electric energy within District RPS target (See Section 7.83.040) and the tolerance for risk established by the Board of Directors.
2. Provide stable electric rates to customers.
3. Preserve a supply cost advantage.
4. Provide procurement control procedures that are sufficient to identify, evaluate and manage risk.

**3.06.020 Commodity Pricing Policy**

1. The General Manager is responsible for implementing the Electric Supply Procurement policy by overseeing the process of all rate schedule development and ensuring that all procedures are followed consistently and that all transactions and calculations are appropriately documented.
2. Commodity Pricing is composed of two principles:
  - a) Direct Cost Recovery  
All direct costs of providing service will be recovered in rates.
  - b) Risk Management  
To the extent practicable, contract terms must protect the District from major negative contingencies.

**3.06.030 Counterparty Credit Policy**

The objective of the Counterparty Credit Policy is to minimize the potential adverse financial

impacts on the District in the event of a defaulting counterparty. The District will strive to use Joint Power Agencies (NCPA or UAMPS) to check Counterparty Credit and meet the objective of this policy.

The policy is to minimize the District's credit exposure and potential adverse financial impacts by:

1. Establishing credit risk management governance and oversight.
2. Providing a procedure to enable the District to qualify energy suppliers and transact with approved counterparties in a uniform and equitable manner.
3. Providing counterparty transaction parameters (limits) to control and measure the District's exposure to any one supplier, and
4. Implementing a mechanism to monitor and report on supply portfolio related counterparty credit exposure.

This policy applies to market-based commodity transactions as well as to physical asset-based transactions, such as transmission capacity and generation ownership.

### **3.06.040 Transacting Policy**

#### **3.06.040(A) Anti-Speculation**

Speculative buying and selling of energy products is prohibited. Speculation is defined as buying energy not needed for meeting forecasted load or selling energy that is not owned. In no event shall transactions be entered into to speculate on market conditions.

#### **3.06.040(B) Maximum Supply Transaction Term**

The maximum term of any supply transaction, either purchase or sale, shall be ten years exclusive of options to extend, unless specifically approved by the District Board of Directors, to meet long-term portfolio planning objectives.

#### **3.06.040(C) Portfolio Performance and Value Reporting**

The Electric Utility Director shall prepare performance reports containing analysis of physical and financial positions of all electric contracts. Reports shall be annually, unless the ratio of the market value of a contract falls outside the risk limits prescribed by the District Board of Directors, then the General Manager shall inform the Board of this fact and recommend actions.

#### **3.06.040(D) Competitive Process**

Whenever possible, the Electric Utility Director with the assistance from NCPA or UAMPS or other entities approved by the Board shall obtain three or more quotations when making a purchase or sale transaction and select the best price from a responsible qualified bidder.

#### **3.06.040(E) Oversight**

The Electric Utility Director shall provide an oversight role along with the Administrative Services Director both reporting to the General Manager:

1. The Electric Utility Director shall perform review of portfolio exposure, credit exposure, transaction compliance and monitor risk limit compliance.
2. The Electric Utility Director shall make recommendations to the General Manager to temporarily or permanently halt transactions with one or more counterparties, exceptions to rules and procedures, or other operational exceptions that represent unacceptable risk exposure.
3. The Administrative Services Director shall review all transactions, exceptions, and settlement payment accuracy, reporting findings to the General Manager.

### **3.06.050 Authorized Transacting Products**

Products allowed for electric transactions include energy, capacity, transmission and ancillary service. Only physical transacting products are approved by the Board. Financial products are explicitly prohibited.

Only the Electric Utility Director, with General Manager's counter signature, is authorized to perform a District energy transaction:

1. All transactions must be committed by authorized transaction personnel.
2. All transactions must be with approved counterparties with executed and Board approved contracts.
3. All transactions must be with approved counterparties with adequate available credit.
4. All transactions must be committed over recorded phone lines or via electronic mail.
5. All transactions must be for allowed transaction products.
6. All transactions must be consistent with Electric Supply Procurement policy.

Failure to observe and comply with this Policy when executing energy transactions is a violation of District Code and is subject to disciplinary action.

**3.06.060 Transacting Authority** The General Manager has the authority to purchase and sell energy products for terms of up to two years under open purchase contracts. Authority to enter into transactions must be based on District Board of Directors approved contracts such as master agreements, purchase agreements or other contractual forms. In all cases the District Code provides the final authorization rules and regulations for energy purchases.

**3.06.070 Conflict of Interest** Personnel involved in transacting and oversight of the District energy supply resource acquisition products may not engage in financial conflicts of interest, unless the District Board of Directors are duly informed and it elects to waive such conflicts. All personnel in procuring or selecting counterparties for contracting or transacting are required to complete, on an annual basis, the Form 700 Disclosure forms and submit these forms to the District Clerk. The General Manager is responsible for routinely reviewing the Form 700 of each personnel engaged in the supply resource decision-making process for the purpose of identifying potential conflicts of interest. District Counsel will assist the General Manager in reviewing these forms and providing legal advice in

connection with such reviews.

## CHAPTER 3.07

### DEBT ISSUANCE AND MANAGEMENT POLICY

3.07.00	Debt Issuance and Management Policy
3.07.01	Purpose
3.07.02	Objectives
3.07.03	Policy
3.07.04	Authorization and Types of Debt Authorized for Issuance
3.07.05	Land-Based Financings
3.07.06	Structure of Debt Issues
3.07.07	Sale of Securities
3.07.08	Credit Rating Agencies
3.07.09	Refunding and Restructuring Outstanding Debt
3.07.10	Internal Controls
3.07.11	Senate Bill 1029 Compliance

### CHAPTER 3.07 FINANCIAL GOALS

**3.07.00 Introduction** The Debt Issuance and Management Policy (the “Policy”) provides written guidelines for issuing debt and managing outstanding debt and is intended to guide policy makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, and method of sale that may be used in satisfaction of the requirements of California Senate Bill 1029, codified as part of Government Code Section 8855. This debt policy is intended to guide the District in managing and issuing debt in order to protect the District’s financial position and credit ratings.

**3.07.01 Purpose** The purpose of this Policy is to provide functional tools for debt management, capital planning, and cash flow management in a conservative and prudent manner. The District’s most appropriate use of debt financing is for the purchase or construction of major capital facilities that will serve as a long-term community asset. The policies outlined below are not intended to serve as a list of rules for the District’s debt issuance process, but rather to serve as a set of guidelines to promote sound financial management.

1. The Policy as described herein is in accordance with current legislation and incorporates industry best practices. It has been devised to serve as a public representation of District objectives in relation to its use of any debt obligation. The Policy is further intended to memorialize guiding directives from the Board of Directors (“Board”) to management and staff for decisions and recommendations related to the financial goals of the District.
2. The Policy may be applied to any related entities to the District to the extent that entity does not have a separate policy.
3. The Policy was drafted with the intent of providing Board approved guiding directives to management and staff for decisions and recommendations related to the financial profile of the District, and is intended to support the District’s debt

obligations to present and future generations of customers. The Policy is intended to be revisited and updated periodically if there is a material change in the risk exposures or conditions.

4. The District acknowledges that the capital marketplace fluctuates, financial products change from time to time, and that issuer and investor supply and demand vary. These fluctuations may produce situations that are not anticipated or covered by this policy. As such, the Board may make exceptions or modifications to this policy to achieve the debt management goals outlined below. Management flexibility is appropriate and necessary in such situations, provided specific authorization is granted by the Board.
5. Waiver. The Board may waive any provision of the Policy if it determines that the waiver is appropriate for a particular issue or in the public interest.

**3.07.02 Objectives** The Board intends that the District establish and maintain a framework for public finance borrowings such as general obligation bonds (“GO Bonds”), certificates of participation (“COPs”), community facilities districts bonds (“CFDs”), assessment districts bonds (“ADs”), and other forms of indebtedness issued by or on behalf of the District.

1. Legal District debt or obligations will be incurred primarily for major capital projects, not for any recurring purpose such as current operating and maintenance expenditures. For repair and replacement projects, debt financing may be used to better match the anticipated need and costs with available funds on hand. Smaller projects should be funded on a “pay-as-you-go” basis from current revenues. The District shall not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life. Debt incurred for capital projects shall not exceed the useful life of the project assets.
2. This policy applies to debt financing for the payment of facilities and special tax financing for facilities and services, as guidelines to assist concerned parties in following the District's approach to community facilities district and assessment district financing. It is the District's goal to support projects which address a public need and provide a public benefit.
3. Proposed projects requesting debt financing will be evaluated to determine if such financing is financially viable and in the best interest of the District and current and future District and project residents.
4. The District will consider applications requesting financing available under the laws of the State of California. The District reserves the right to request any additional reports, information or studies reasonably necessary in evaluating these applications.
5. All District and any consultant costs incurred in evaluating applications requesting financing will be paid by the applicant(s) by advance deposit increments or as

otherwise agreed in writing by the District. The District shall not incur any non-reimbursable expense for processing such applications. Expenses not eligible for reimbursement in a financing shall be borne by the applicant.

**3.07.03 Policy** The District shall pursue its debt management goals by following this policy:

1. The District will review all funding sources and determine the best source based on need and use of items being financed when funding capital improvements. The District will review its capital improvement program and budget to determine if debt issuance is the best source of funding.
2. The District shall consider an optimal credit strategy for each debt issue (with or without credit enhancement) in order to reduce interest costs and to preserve financial flexibility and meet capital funding requirements.
3. The District shall consider debt limits in relation to assessed value changes and the tax burden needed to meet long-term capital requirements
4. The District shall consider market conditions and District cash flows when timing the issuance of debt.
5. The District shall determine the amortization (maturity) schedule which will best fit with the overall debt structure of the District at the time new debt is issued.
6. The District shall give consideration to matching the term of the debt issue to the useful lives of related assets whenever practical, while considering repair and replacement costs of those assets to be incurred in future years as an offset to the useful lives, and the related length of time in the payout structure.

**3.07.04 Types of Debt Authorized to be Issued** The District is organized as a community services special district, duly organized and validly existing under the laws of the State of California. The laws of the State of California authorize the issuance of debt of the District, and/or confer upon it the power and authority to make lease payments, contract debt, borrow money, and issue bonds for public improvement projects. The District may, under these provisions, contract debt to pay for the cost of acquiring, constructing, reconstructing, improving, extending, enlarging and equipping District projects and or facilities, or to refund existing debt of the District.

1. Debt issues may be used to finance capital facilities, projects and certain capital equipment where it is appropriate to spread the cost of the projects over more than one fiscal year.
2. Projects which are not appropriate for spreading costs over future years shall not be debt financed.
3. Long-term debt shall, under no circumstances, be used to fund District operations.
4. The District may issue long-term debt which may include, but is not limited to, General Obligation Bonds, Lease Revenue Bonds, Certificates of Participation, Community Facilities Districts, Assessment Districts and/or other capital lease

purchase structures for capital facilities and projects, including fees which fund capital facilities.

### **3.07.05 Land-Based Financings**

1. **Public Purpose.** There will be a clearly articulated public purpose in forming an assessment or special tax district in financing public infrastructure improvements. Board approval must be obtained to use this form of financing.
2. The District shall have final determination as to any facility's eligibility for financing, as well as the prioritization of facilities to be included within a community facilities or assessment district.
3. The District shall evaluate the priority of such items on a project by project basis. The District may also require applicants to commit significant equity to projects for which public financing assistance is requested.
4. **Eligible Improvements.** Except as otherwise determined by the District when proceedings for district formation are commenced, preference in financing public improvements through a special tax district will be given for those public improvements that help achieve clearly identified community facility and infrastructure goals in accordance with adopted facility and infrastructure plans as set forth in key policy documents such as the Water and Electric Master Plans, Finance Master Plan, or Capital Improvement Plan.
5. Such improvements include study, design, construction and/or acquisition of:
  - a. Electric facilities;
  - b. Water facilities;
  - c. Special district facilities and improvements such as offices, information technology systems and telecommunication systems; and
  - d. Other facilities authorized pursuant to the Mello-Roos or Assessment District Acts as may be amended from time to time.
6. **District's Role.** The District shall evaluate land-based financing requests on a case by case basis and will determine the best form of financing. Any costs incurred by the District in retaining services or participating in land-based financing shall be the responsibility of the property owners or developer, and will be advanced via a deposit when an application is filed; or will be paid on a contingency fee basis from bond proceeds.
7. **Credit Quality.** When a developer requests land-based financing, the District will carefully evaluate the applicant's financial plan and ability to carry the project, including the payment of assessments and special taxes during build-out. This may include detailed background, credit and lender checks, and the preparation of independent appraisal reports and market absorption studies. For districts where one property owner accounts for more than 25% of the annual debt service obligation, a letter of credit further securing the financing may be required. The District's independent financial advisor/consultant must review the proposed issuance of the bonds for viability.

A letter of credit is an arrangement with a bank that provides additional security that money will be available to pay debt service on an issue. A letter of credit can provide the District with access to credit under terms and conditions as specified in such agreements.

8. **Equity Requirements.** Land-based financing shall be subject to additional requirements. Commercial and mixed use projects shall require 50% of rentable space be pre-leased. Residential only projects shall require pre-sale of 50% of the units.
9. **Reserve Fund.** A reserve fund shall be established in the lesser amount of: the maximum annual debt service; 125% of the annual average debt service; or 10% of the bond proceeds.
10. **Value-to-Debt Ratios.** The minimum value- to-debt ratio should generally be 4:1. This means the value of the property in the district, with the public improvements, should be at least four times the amount of the assessment or special tax debt. In special circumstances, after conferring and receiving the concurrence of the District's financial advisor and bond counsel that a lower value-to-debt ratio is financially prudent under the circumstances; the District may consider allowing a value-to-debt ratio of 3:1.
11. **Appraisal Methodology.** Determination of value of property in the District will be based upon the full cash value as shown on the ad valorem assessment roll or upon an appraisal by an independent, impartial, and qualified appraiser. The definitions, standards and assumptions to be used for appraisals will be determined by the District on a case-by-case basis, with input from District consultants and district applicants, and by reference to relevant materials and information promulgated by the State of California, including the Appraisal Standards for Land Secured Financings prepared by the California Debt and Investment Advisory Commission (CDIAC).
12. **Capitalized Interest During Construction.** Decisions to capitalize interest will be made on case-by-case basis, with the intent that if allowed, it should improve the credit quality of the bonds and reduce borrowing costs, benefiting both current and future property owners.
13. **Maximum Burden.** Annual assessments (or special taxes in the case of Mello-Roos or similar districts) should generally not exceed 1% of the sales price of the property; and total property taxes, special assessments and special taxes payments collected on the tax roll (all "overlapping" debt burden) should generally not exceed 2%.
14. **Benefit Apportionment.** Assessments and special taxes will be apportioned according to a formula that is clear, understandable, equitable and reasonably related to the benefit received by, or burden attributed to, each parcel with respect to its financed improvement. No annual escalation factor will be permitted.

15. Special Tax District Administration. In the case of Mello-Roos or similar special tax districts, the total maximum annual tax should not exceed 110% of annual debt service. The rate and method of apportionment should include a back-up tax in the event of significant changes from the initial development plan, and should include procedures for prepayments. Neither the District nor the Community Facilities District shall be obligated to pay for the cost of determining the prepayment amount, which shall be paid by the applicant.
16. Foreclosure Covenants. In managing administrative costs, the District will establish minimum delinquency amounts per owner, and for the district as a whole, on a case-by-case basis before initiating foreclosure proceedings.
17. Disclosure to Bondholders. In general, each property owner who accounts for more than 20% of the annual debt service or bonded indebtedness must provide ongoing disclosure information annually as described under SEC Rule 15(c)-12.
18. Disclosure to Prospective Purchasers. Full disclosure about outstanding balances and annual payments should be made by the seller to prospective buyers at the time that the buyer bids on the property. It should not be deferred to after the buyer has made the decision to purchase. When appropriate, applicants or property owners may be required to provide the District with a disclosure plan. Such plan may include home buyer notifications requiring signature prior to home purchases, as well as methods to notify subsequent home purchasers. The District may require that Developers offer residential buyers the option of having all special taxes prepaid upon close of escrow, with a corresponding increase in the purchase price of the residence.
19. The District shall use all reasonable means to ensure compliance with applicable federal securities laws in connection with the issuance of debt.

### **3.07.06 Structure of Debt Issues**

The District will determine on a case-by-case basis whether to sell its bonds through a public sale or a private placement.

1. Public Sale. There are two methods of public sale of debt, competitive and negotiated. Preference shall be given to competitive sales. However, both methods of sale shall be considered for all issuance of debt to the extent allowed by law, as each method has the potential to achieve the lowest financing cost given the right conditions.
  - a. Competitive Sale. When a competitive bidding process is deemed the most advantageous method of sale for the District, award shall be based upon, among other factors, the lowest offered true interest cost, as long as the bid adheres to requirements set forth in the official notice of sale.
  - b. Negotiated Sale. The District recognizes that some securities are

best sold through negotiation. When a negotiated sale process is deemed the most advantageous method of sale for the District, selection shall be based upon, among other factors, qualifications, experience, pricing ability, and fees.

2. Private Placement. At its election the District may issue debt on a private placement basis. While not used as frequently as negotiated or competitive public sale methods, a private placement sale may be appropriate when the financing can or must be structured for a single or limited number of purchasers. Such method of sale shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

### **3.07.08 Credit Rating Agencies**

1. In public issuance of debt, the District will strive to achieve the best possible credit rating for each debt issue (with or without credit enhancement).
2. In private placement, the District will consider the debt issuance on its overall credit rating.

### **3.07.09 Refunding and Restructuring Outstanding Debt**

1. Whenever deemed to be in the best interest of the District, the District may consider refunding or restructuring outstanding debt.
2. The financial advantages of refunding outstanding debt shall be based upon a review of a net present value analysis of any proposed refunding in order to make a determination regarding the cost-effectiveness of the proposed refunding.
  - a. Generally, the District may initiate a refunding when three (3.00%) percent net present value or greater savings as a percentage of the refunded aggregate principal amount can be achieved.
  - b. The target net present value savings as a percentage of the refunded aggregate principal amount shall be no less than three (3.00%) percent at the time of sale. This figure should serve only as a guideline; the District must evaluate each refunding opportunity on a case-by-case basis and must take into consideration: time to maturity; size of the issues; current interest rate environment; annual cash flow savings; and the value of the call option. The General Manager or his designee shall have the discretion to designate a lower percentage savings if applicable.

### **3.07.10 Internal Controls**

1. The District shall be vigilant in using bond proceeds in accordance with the stated purposes at the time such debt was incurred.

- a. All debt transactions must be approved by the applicable governing board. The proceeds of bond sales will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of 1) safety, 2) liquidity, and 3) yield, and may be held as cash. The General Manager or designate will oversee the investment of bond proceeds.
- b. Bond proceeds will be deposited and recorded in separate accounts to ensure funds are not comingled with other forms of District funds. The District's Trustee or Fiscal Agent will administer the disbursement of bond proceeds pursuant to each certain Indenture of Trust or Fiscal Agent Agreement, respectively. To ensure proceeds from bond sales are used in accordance with legal requirements, invoices submitted need to be approved by the General Manager or designated alternate for payment. Requisition for the disbursement of bond funds will be approved by the General Manager or designated alternate. Responsibility for general ledger reconciliations and records is segregated from the invoice processing, cash receipting, and cash disbursement functions.
- c. The General Manager or designate will be tasked with monitoring the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued.

### **3.07.11 Senate Bill 1029 COMPLIANCE**

- 1. Senate Bill 1029 ("SB 1029"), signed on September 12, 2016, requires issuers to adopt debt policies addressing each of the five items below. The District believes this Policy is in compliance with SB 1029.
  - a. *The purposes for which the debt proceeds may be used.*
    - i. Section 3.07.04 (Authorization and Types of Debt Authorized to Be Issued) of this Policy provides information regarding the purposes for which the District may spend debt proceeds.
  - b. *The types of debt that may be issued.*
    - i. Section 3.07.04 (Authorization and Types of Debt Authorized to Be Issued) of this Policy provides information regarding the types of debt the District may issue.
  - c. *The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.*
    - i. Section 3.07.03 (Policy) and Section 3.07.06 (Structure of Debt Issues) of this Policy provide information regarding the relationship between the District's debt and Capital Improvement Program.

- d. *Policy goals related to the issuer's planning goals and objectives.*
  - i. Section 3.07.03 (Policy) of this Policy describes the District's planning goals and objectives.
- e. *The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.*
  - i. Section 3.07.10 (Internal Controls) of this Policy provides information regarding the District's internal control procedures designed to ensure that the proceeds of a debt issuance are spent as intended.

**CHAPTER 3.08 (3/4/09, Res 2009-10)**

**PURCHASING**

**Sections:**

- 3.08.000 Notification to Board of Directors**
- 3.08.005 Local Preference Procurement Policy**
- 3.08.010 Bid Procedure for Purchase of Commodities or Equipment Over \$15,000**
- 3.08.020 Procedure for Purchase of Commodities or Equipment Under \$15,000**
- 3.08.030 Bid Procedure for Issuance of Service Contracts Over \$15,000**
- 3.08.040 Procedure of Issuance of Service Contracts Under \$15,000**
- 3.08.050 Procedure for Entering into an Agreement for Special Services**
- 3.08.060 Joint Purchasing with the State and Other Public Agencies**
- 3.08.070 Process and Procedure for Retention of Consulting Services**
- 3.08.080 Change Orders**
- 3.08.090 Contractor Insurance Requirements**
- 3.08.100 Procurement Authorization During an Emergency**

**3.08.000 Notification to Board** Prior to or concurrent with going to bid or issuing an RFP, staff will notify the Board of Directors.

**3.08.005 Local Preference Procurement Policy** It shall be the policy of the District to encourage local businesses to provide goods and services to the District in order to

maintain a healthy local economy, to increase local competition, and to lower core costs of goods and services. To facilitate this policy, the District shall make purchases in accordance with the following guidelines:

**3.08.005.1** Local preference for the purchases of eligible goods and services may be allowed by providing a 5% local preference where the purchases or contracts with a respective local vendor or business during any fiscal year do not exceed \$100,000.

**3.08.005.2** Proposals for services, by their nature, are evaluated based upon qualifications. A 5% local preference shall be applied towards the fee component when scoring the proposal.

**3.08.005.3** In order to qualify for the above local preference, a vendor or business must either 1) be a District rate payer in good standing for the past six months, or 2) receive District power or water at their business location for the past six months; paid by a third party.

**3.08.005.4** Eligible procurements are:

- Commodities or equipment up to \$10,000;
- Public works contracts up to \$15,000;
- Other service contracts up to \$100,000;
- Special services up to \$100,000; and
- Consulting services up to \$100,000.

**3.08.005.5** This policy shall be reviewed annually to ensure consistency with the overall policy objectives.

**3.08.010 Bid Procedure for Purchase of Commodities or Equipment Over \$15,000**

Prior to issuing a purchase order for the purchase of any commodity or equipment, the dollar value of which is fifteen thousand dollars (\$15,000) or greater, the provisions of the Public Contract Code shall be followed, as more fully described in the following sections.

**3.08.010.1** When a Department Director, or the authorized Buyer/Clerk determines that there is a need to issue a purchase order, the amount of which is fifteen thousand dollars (\$15,000) or greater, he/she shall notify the General Manager the purpose of the purchase, the budget or work order account number to be charged and the specification of the item or items to be purchased.

**3.08.010.2** The General Manager shall review and, if he/she approves the request, shall cause a public notice to be published in a local newspaper of general circulation requesting interested parties to submit sealed bids. The bids shall be publicly opened and read at the date and time and in the place specified in the public notice. The notice will also be posted on the District's website.

**3.08.010.3** After the bids have been opened, the General Manager shall submit the matter to the Board of Directors with a recommendation regarding award of the purchase contract.

**3.08.010.4** When calling for bids on equipment available locally, the public notice shall be a small display ad in a local newspaper of general circulation. The notice will also be posted

on the District's website.

**3.08.010.5** The General Manager shall establish procedures to properly manage the process of notifying bidders of the results of the purchase and to implement the decision of the Board.

**3.08.010.6 Market Basket Purchase Approach** For vendors from whom multiple items are most likely to be bought, a "market basket" approach may be used to select the most competitive vendor. This approach compares the aggregate cost for anticipated quantities of items among vendors; the basis for selection is the lowest market basket cost. Should the total anticipated purchases exceed \$15,000, approval will be obtained by the Board.

**3.08.010.7 Sole Source Vendors** Certain vendors provide goods and equipment that are proprietary in nature such as certain utilities. For purchases that exceed \$15,000, approval will be obtained by the Board.

**3.08.020 Procedure for Purchase of Commodities or Equipment Under \$15,000** Prior to issuing a purchase order for the purchase of any commodity or equipment, with a value which exceeds ten thousand dollars (\$10,000), but is less than fifteen thousand dollars (\$15,000), the following procedures shall be followed:

**3.08.020.1** The General Manager, a Department Director, or the authorized Buyer/Clerk is authorized to issue a purchase order as defined in Section 3.08.020 after having first secured three informal telephone quotes recorded in writing. In securing the quotes, the vendors must be asked to state any price discount and any payment discount terms that the vendor will offer the District. In the event that three quotes cannot be obtained, the purchaser shall provide the General Manager with a written explanation and receive the General Manager's approval prior to issuing the purchase order.

**3.08.020.2** The purchase order shall be issued to the lowest responsive vendor taking into consideration price and payment discount terms and delivery schedule.

**3.08.020.3** Purchase orders for the purchase of commodities or equipment, with a value of ten thousand dollars (\$10,000) or less, may be issued by the General Manager, Department Director, authorized Buyer/Clerk, or Special Projects Administrator to any approved vendor after considering price, terms and delivery schedule.

**3.08.020.4** Purchase orders for the purchase of commodities or equipment, with a value of five thousand dollars (\$5,000) or less, may be issued by the Superintendents, System Engineers, Conservation Programs Administrator, Executive Secretary/Deputy District Clerk, or Department Manager to any approved vendor after considering price, terms and delivery schedule.

**3.08.020.5** Should overruns or change orders expect to exceed authority of the party issuing the purchase order, the next higher level of authority shall be notified for their approval to continue.

**3.08.030 Bid Procedure for Issuance of Service Contracts Over \$15,000** Prior to entering into a contract for services, with a value exceeding fifteen thousand dollars

(\$15,000), the following procedures shall be followed:

**3.08.030.1** The term “services” includes, but is not limited to, construction, maintenance or repair of District facilities, but does not include professional services such as legal, engineering, architectural, landscape architecture, land surveying, construction project management, accounting, financial, economic, energy advisory, information technology, environmental, payroll services and administrative services as included within California Government Code Sections 4525, 4526 and 53060.

**3.08.030.2** When a Department Director, or the authorized Buyer/Clerk determines that there is a need to issue a contract for a service to be performed the dollar amount of which is fifteen thousand dollars (\$15,000) or greater, he/she shall notify the General Manager by memorandum which states the purpose of the service, the budget or work order account number to be charged and the plan and/or specification of the service to be performed.

**3.08.030.3** The General Manager shall review the memorandum and, subject to the provisions of Section 3.08.030.4, if he/she approves of the service, shall cause a public notice to be published in a local newspaper of general circulation requesting interested parties to submit sealed bids. The bids shall be publicly opened and read at the date, time and location specified in the public notice. The notice will also be posted on the District’s website.

**3.08.030.4** If the service is such that plans and/or specifications need to be prepared by a consultant and the cost of the consulting service is fifteen thousand dollars (\$15,000) or greater, the General Manager shall submit the matter to the Board of Directors for approval before authorizing the consultant to proceed.

**3.08.030.5** If the service to be contracted is of a nature that will likely attract bids from local service providers, the public notice shall be in small display ad form in a local newspaper of general circulation. In addition, advertisements or notices may be made in appropriate trade journals and depending on the scope of the project, copies of bid documents will be sent to local plan room libraries. If the project is not likely to attract local bidders, the ad is to be placed only in the public notice section of the newspaper and in appropriate trade journals. In either case, the notice will be posted on the District’s website.

**3.08.030.6** After the bids have been opened, the General Manager shall submit the matter to the Board of Directors for approval with a recommendation regarding award of the service contract. This recommendation will include the bid award amount and a not to exceed amount for change orders to be authorized by the General Manager.

**3.08.030.7** The General Manager shall establish procedures to properly manage the process of notifying bidders of the results of the award and to implement the decision of the Board.

**3.08.030.8** Sole Source Vendors Certain vendors provide services that are proprietary in nature such as utilities. For purchases that exceed \$15,000, approval will be obtained by the Board.

**3.08.040** Procedure for Issuance of Service Contracts Under \$15,000 Prior to issuance of a contract for a service with a value less than fifteen thousand dollars (\$15,000), the

following steps shall be followed:

**3.08.040.1** The General Manager shall cause plans and/or specifications to be prepared.

**3.08.040.2** Three informal telephone quotes shall be secured in writing. In securing quotes, the contractor shall be asked to state any price or payment discounts and a completion date.

**3.08.040.3** The contract shall be awarded by the General Manager to the lowest responsive service provider taking into consideration price and completion date.

**3.08.040.4** The General Manager may renegotiate and/or renew contracts upon their expiration.

**3.08.040.5** Should overruns or change orders expect to cause the service contract to become \$15,000 or greater, the General Manager shall notify the Board of Directors for its approval to continue.

**3.08.050 Procedure for Entering into an Agreement for Special Services** Prior to entering into an agreement for special services, the following procedures shall be followed:

**3.08.050.1** The term “special services” includes, but is not limited to professional services, such as legal, engineering, architectural, landscape architecture, land surveying, construction project management, accounting, financial, economic, energy advisory, information technology, environmental, payroll services and administrative services, as included within California Government Code Sections 4525, 4526 and 53060.

**3.08.050.2** When a Department Director determines that there is a need to issue an agreement for special services to be performed, he/she shall notify the General Manager by memorandum which states the purpose of the special services, the budget or work order account number to be charged and the plan of the special services to be performed.

**3.08.050.3** The General Manager shall review the memorandum and if he/she approves the special services, shall determine whether to enter into the agreement for special services with or without seeking proposals from potential special service providers.

**3.08.050.4** If the General Manager determines that no proposals are necessary, then he/she may enter into an agreement for the special services up to his/her Board authorized spending limit. Should the amount exceed the General Manager’s spending limit, approval to enter into an agreement will be brought to the Board of Directors for their consideration.

**3.08.050.5** If the General Manager determines that proposals are necessary, then he/she shall follow the procedures set forth in 3.08.070.3 through 3.08.070.13 for preparing and issuing a Request for Proposals (RFP) and reviewing proposals.

**3.08.060 Joint Purchasing with the State of California and Other Public Agencies** The District may purchase materials, equipment, supplies, information technology products and services through the State of California procurement program and jointly with other public agencies in accordance with the following procedures.

**3.08.060.1** Notwithstanding any other provision of this Chapter, the District may purchase materials, equipment or supplies, other than printed material, from the State of California through its procurement program under Public Contract Code Section 10290, 10298, 12100 & 12125 and jointly with other public agencies, provided that:

**3.08.060.1(A)** The District approves specifications for any purchase of materials, equipment or supplies, information technology products and services;

**3.08.060.1(B)** The cost of such items is fifteen thousand dollars (\$15,000) or more and the purchase is approved by the Board of Directors;

**3.08.060.1(C)** The State or public agency has solicited or advertised for bids in a manner which complies with the competitive bidding requirements applicable to the District; and

**3.08.060.1(D)** The State or public agency purchases such items at a price reasonably expected to be lower than the District can obtain through its purchasing procedures.

**3.08.060.2** The District shall reimburse the State or other public agency for any charge made to the District for purchasing services.

**3.08.060.3** Notwithstanding any other provisions of this Chapter, the District may purchase materials, equipment, supplies, information technology products, programs and services other than printed material, from the State of California through its procurement program, or jointly with other public agencies, when the cost of such items is less than fifteen thousand dollars (\$15,000) when the District determines that it is in its best interests to do so.

### **3.08.070 Process and Procedure for Retention of Consulting Services**

**3.08.070.1** Department Director determines need for outside consulting services.

**3.08.070.2** Department Director discusses need for consultant with the General Manager.

**3.08.070.3** Upon the General Manager approval, the Department Director and departmental staff create a draft Request for Proposals (RFP) for review by the General Manager. The draft RFP shall include a proposed scope of work and general description of evaluation criteria to be used in reviewing the proposals. The weighting of the specific evaluation criteria shall be included in the RFP. The RFP shall require a separate Technical Proposal and a Cost Proposal sealed in separate envelopes.

**3.08.070.4** The Contracts Administrative Clerk (CAC) shall begin advertising the RFP. A notice of the RFP shall be mailed to consultants known to perform the required services and when appropriate to the A/E Consultants Information Network. A notice of the RFP shall also be published in a local newspaper of general circulation and shall be posted on the District's website.

**3.08.070.5** A staff committee shall be created to review the proposals. The committee shall include staff from at least two separate Departments (Electric, Water, Administrative Services). The exact makeup of the committee shall be determined by the General Manager and Department Director seeking the consulting services.

**3.08.070.6** The General Manager and Department Director shall finalize the proposal evaluation criteria and the weighting to be given to each component.

**3.08.070.7** After receiving proposals, they shall be held in the custody of the CAC. The CAC shall distribute copies of all Technical Proposals to the staff committee members for individual review.

**3.08.070.8** The staff committee shall then hold a meeting to discuss the various proposals and to rank the consultants based upon demonstrated competence, professional qualifications and technical merit using the approved evaluation criteria.

**3.08.070.9** At the same meeting, after completion of the technical rankings, the Cost Proposals shall be opened and reviewed by the staff committee members. This review shall ensure that the man hours, hourly rates, services and indirect costs given in the Cost Proposal correspond to the level of effort described in the Technical Proposal and to the level of effort expected by the District to perform the anticipated work.

**3.08.070.10** The staff committee shall meet to discuss both the Technical and Cost Proposals and determine a short list of consultants to be interviewed by the staff committee.

**3.08.070.11** After final review of the proposals, the staff committee may determine that a given consultant is clearly superior to the other consultants and may recommend to the General Manager that interviews are not necessary. The staff committee may also determine that the proposed scope of work or the expected cost is such that conducting interviews will not yield significant information for the staff committee to consider and similarly recommend to the General Manager that interviews are not necessary.

**3.08.070.12** When interviews are to be conducted, the CAC shall contact the short-listed consultants and schedule interviews. The date, time and duration of the interviews shall be determined by the Department Director in conjunction with the staff committee. The staff committee shall also create a proposed outline and list of any questions to be posed to the short listed consultants.

**3.08.070.13** After completion of the interviews, the staff committee shall determine a recommended consultant for presentation to the Board of Directors. This recommendation shall be based upon the individual consultant's weighted scoring and their overall proposed cost.

**3.08.070.14** The Department Director shall prepare a memorandum and appropriate documentation for presentation to the Board. The memorandum shall summarize the following:

- Work to be performed by the Consultant.
- Number of proposals received.
- Ranking of consultants on a technical basis.
- Recommended Consultant and expected cost thereof.

- If the recommended consultant is not the Number 1 ranked firm on technical merit, the memorandum shall describe the rationale used to develop the recommendation.

**3.08.080 Change Orders** The District cannot afford to maintain a large enough construction crew or all types of service related skills to be able to undertake all projects and services in-house. Therefore, it relies on contractors and service providers to perform work. These contractors and service providers perform work in accordance with plans and specifications and based on a fixed price contract.

There are occasionally circumstances encountered after a contractor or service provider has begun work that requires a change in the plans and specifications or scope of work and result in a change in the contract price. These changes are generally matters that could not be anticipated nor planned during the design and specification phase of the project.

The contract change order is the procedure whereby plans and specifications or scope of work and contract price can be changed after the contract is executed and work has commenced. The Board of Directors authorizes the execution of contract change orders up to the General Manager's contract authorization or up to the individual contract change order authorization previously established by the Board.

Most contract change orders are such that their consideration by the Board can wait for a regular Board meeting. However, under certain circumstances it is to the District's benefit to permit the General Manager to authorize Department Director to proceed with change order work or to request a special board meeting to consider the matter.

Work can proceed on a contract change order prior to being reviewed by the Board of Directors under the following circumstances:

**3.08.080.1** When a delay in making the decision to change the contract would impose an unreasonable financial burden on the District.

**3.08.080.2** When the need for the change is so compelling that to proceed with the project as originally planned is impossible or would be financially burdensome on the District.

**3.08.080.3** When the amount of the change order price is less than 5% of the original approved contract price.

**3.08.080.4** At the time of award of a contract, the Board may pre-approve change order contingencies up to a defined percentage of the contract or a defined dollar amount. Change order contingency authority which has been approved by the Board, will be administered by the General Manager up to the pre-approved limit.

**3.08.080.5** The exercise of this prerogative should be done with discretion and in the following manner:

**3.08.080.5(A)** A memorandum should be prepared setting forth the precise circumstances justifying the change in plans and specifications or scope of work and should justify the change in contract price.

**3.08.080.5(B)** The memorandum should be signed by the Department Head and General

Manager and forwarded within 48 hours to each Director.

**3.08.080.5(C)** A contract change order should be prepared for consideration by the Board of Directors at its next regular meeting or at a special meeting if one is called.

**3.08.090 Contractor Insurance Requirements** It is the policy of the District to require contractors and service providers performing work for the District to maintain appropriate insurance naming the District as an additional insured.

**3.08.090.1** The form of insurance shall be broad form comprehensive general liability which includes coverage for bodily injury, property damage, and products-completed operations; automobile liability where applicable; workers compensation. Additionally, service providers may be required to include errors and omissions coverage.

**3.08.090.2** The minimum amount of insurance shall be \$2,000,000 per occurrence and \$4,000,000 in the aggregate. The General Manager shall consult with the insurance broker of record and/or an independent risk manager for advice on the insurance requirements for contracts that exceed \$10,000, or that pose risk that, in the judgment of the General Manager, warrant more than the minimum insurance.

**3.08.090.3** The General Manager shall, after consulting with the insurance broker of record and/or an independent risk manager, specify insurance requirements in contracts he/she is authorized to let; or, in the case of contracts that must be let by Board action, the General Manager shall, after consulting with the insurance broker of record and/or an independent risk manager, recommend insurance requirements to the Board of Directors.

**3.08.100 Procurement Authorization During an Emergency**

**3.08.100.1** An “emergency” is a situation which poses an immediate risk to health, life, property or environment. Most emergencies require urgent intervention to prevent worsening of the situation. It is the General Manager’s responsibility to take immediate action to protect employees, customers and District property during an emergency.

**3.08.100.2** During an emergency, the General Manager is authorized to repair or replace a public facility, take any directly related and immediate action required by that emergency, and procure the necessary equipment, services, and supplies for those purposes, without immediate Board approval and without giving notice for bids to let contracts.

**3.08.100.3** The General Manager will report to the Board of Directors within 48 hours any and all actions taken to deal with the emergency.

**3.08.100.4** If the General Manager takes any action to manage the emergency that would otherwise require competitive bidding, the Board shall initially review the emergency action taken not later than seven days after the action or, at its next regularly scheduled meeting if that meeting will occur not later than 14 days after the action, and at least at every regularly scheduled meeting thereafter until the action is terminated, to determine, by a four-fifths vote, that there is a need to continue the action, unless the General Manager has terminated that action prior to the Board reviewing the status of the emergency.

**3.08.100.5** It is the District’s intent to comply with all sections of the Public Contract Code Section 22050 in managing emergency situations.

## CHAPTER 3.10

### CAPITALIZATION POLICY

#### Sections:

- 3.10.010**      **Procedures**
- 3.10.020**      **Capitalization requirements**

**3.10.010** Procedures shall be followed in determining which purchases should be capitalized or expensed in the year purchased in accordance with generally accepted accounting practices.

**3.10.020** The following criteria shall be used to determine the capitalization of an asset:

1. The normal useful life of the item is at least two years from date of purchase.
2. The item has an acquisition cost (including freight and installation) of at least the \$10,000.
3. The item will not be substantially reduced in value by immediate use.
4. In case of repair, the outlay will substantially prolong the life of an existing fixed asset or increase its productivity significantly, rather than merely returning the asset to a functioning unit or making repairs of a routine nature.
5. Land purchases and land rights must always be capitalized regardless of cost.

## CHAPTER 3.12

### ACCOUNTS RECEIVABLE

#### Sections:

- 3.12.010**      **Miscellaneous Account Billings**
- 3.12.020**      **Delinquent Accounts Receivable**

**3.12.010** **Miscellaneous Account Billings** A miscellaneous account is a bill rendered by the District to a party to whom the District has rendered a service or provided a good for which the District charges a fee but shall not be any service or good which is billed to a customer of the District through the normal monthly utility billing system.

It is the policy of the District to protect the assets of the District by promptly issuing bills for goods or services rendered, and by following well established follow-up procedures to insure that bills are paid in a timely manner.

**3.12.010.1** This policy shall apply to the billing and collection of miscellaneous accounts.

**3.12.010.2** When any Department of the District notifies the Administrative Services Department that a billable service or good has been provided, the Administrative Services

Department shall promptly render a bill to the appropriate party. The miscellaneous account bill is due and payable 30 days after the billing date.

**3.12.010.3** If the bill remains unpaid after 30 days, the bill shall be considered delinquent and shall be assessed a late charge in accordance with current District policy, and a second request for payment shall be promptly mailed.

**3.12.010.4** If the bill remains unpaid after 60 days, the General Manager shall cause collection proceedings to commence, which may include initiation of action at Small Claims Court.

**3.12.010.5** The General Manager is authorized to act within his/her discretion to alter the time periods set forth in this policy when a miscellaneous account customer is cooperating with the District in resolving an unpaid bill.

**3.12.020 Delinquent Accounts Receivable** At the end of June and December of each year, the District Treasurer will have identified all delinquent accounts receivable on closed accounts that are considered uncollectible that exist on the District's records for six months or more. Any customer who is making payments on his/her delinquent account will not be added to the delinquent account list until the customer stops making agreed upon payments.

**3.12.020.1** The District Treasurer is authorized to write off delinquent accounts up to 1/6% of the annual amounts billed from the District's accounts receivable balance.

**3.12.020.2** The District Treasurer will include in the monthly Treasurer's Report the details of the accounts written off including the customer names and the dollar amounts being written off.

**3.12.020.3** Should delinquent accounts exceed the authorized limit (1/6% of the annual amounts billed from the District's accounts receivable balance), the request for approval to write off such accounts shall come before the Board of Directors for consideration.

## **CHAPTER 3.16**

### **ACCOUNTS PAYABLE**

#### **Sections:**

- 3.16.010      Pre-authorized Disbursements**
- 3.16.020      Bills for Board Approval**
- 3.16.030      Accounts Payable**

#### **3.16.010 Pre-authorized Disbursements**

**3.16.010.1** The District Treasurer shall be empowered to issue checks, with authorization from the approving authority, without prior Board approval for the following items:

**3.16.010.1(A)** Consumer deposits - deposit refunds with interest; reduction of deposits.

**3.16.010.1(B)** Refunds - credit balances, overpayments, refund of connection, facilities fees and tap fees where the customer has decided not to build and the District staff has not incurred any expense and line extension refunds.

**3.16.010.1(C)** Contracts - maintenance contracts on District equipment; payments on leased equipment and land; payments on contracts for software support services; payments for contracts issued pursuant to Section 3.08.040 of this policy including contracts for consulting and construction services.

**3.16.010.1(D)** District Board of Directors - monthly compensation.

**3.16.010.1(E)** District credit card payments. In the event a dispute occurs, the settlement will be handled by the parties involved.

**3.16.010.1(F)** Employee benefits previously approved by the Board including: deferred compensation deposit; pension payments (401a, 457 and CalPERS); vision reimbursements and any other payment or reimbursement pursuant to the District's agreement with the International Brotherhood of Electrical Workers, Local 1245 and employee benefits authorized in the District's Code 4 Personnel for management/exempt employees.

**3.16.010.1(G)** Expense checks - advances for meetings, seminars, conferences, etc., for staff, General Manager and Board of Directors. Reimbursement for mileage and approved out of pocket expenses in accordance with the Districts Title 4 expense reimbursement policy.

**3.16.010.1(H)** Insurance - life, health, disability and dental premiums.

**3.16.010.1(I)** Payroll - employee checks, payroll transfers, meals, union dues, employee savings deductions, workers compensation insurance, payroll tax withholding, employer taxes and any other employer payroll obligations.

**3.16.010.1(K)** Postage - Postage including stamps, trust fund, postage meter and bulk mailing permit deposits.

**3.16.010.1(L)** Repayment of internal loans approved by the Board (journal entry only; no actual check).

**3.16.010.1(M)** Loans - Repayment of loans that have been approved by the Board of Directors. Where practicable, the payment will be sent by ACH or wire transfer to the lending institution on or before the payment due date.

**3.16.010.1(N)** State Board of Equalization - sales tax, use tax and energy surcharges collected.

**3.16.010.1(O)** Wholesale power expenses including, but not limited to, the Northern California Power Agency, the District's current Board approved wholesale power supplier

and Sierra Pacific Power Company. Payments may be by ACH or wire transfer to the bank account number provided by the vendor.

**3.16.010.1(P)** Bid items - where the Board has authorized a bid purchase and the invoice excluding sales tax and shipping charges is less than or equal to the authorized contract. Amounts billed above the bid amount must be approved by the General Manager or the Board.

**3.16.010.1(Q)** Monthly and annual building utility expenses for telephone, garbage, heating, sewer collection and treatment (TTSA and TSD), cable, Internet and utility bills paid to other agencies such as electric utility bills for pump stations and wells.

**3.16.010.1(R)** Items approved by the Board: Any items that have been approved by the Board at a scheduled board meeting (e.g. property and liability insurance renewal).

**3.16.010.1(S)** The General Manager may approve payments required in an unpredicted emergency situation with subsequent notification to the Board.

**3.16.010.2** Upon direction of the General Manager and receipt of an appropriate, signed authorization in accordance with Section 3.08.010 of this policy, the District Treasurer shall be empowered to issue checks up to \$15,000 and, in instances where the Board of Directors has issued authorization for an expenditure of \$15,000 or greater.

**3.16.010.3** All checks issued in any of the above categories will appear in the accounts payable check register provided in the monthly Treasurer's Report to the Board of Directors for approval. Supporting documents will also be available for Board review in the Administrative Services Department.

**3.16.020 Bills for Board Approval** Bills which may be controversial should be listed as a special agenda item accompanied with the General Manager recommendation.

### **3.16.030 Accounts Payable**

**3.16.030.1** Upon presentation of invoices for goods and services and other financial obligations of the District in the format prescribed in Title 3, Chapter 3.08, Purchasing, to the Administrative Service Department, the Treasurer shall be authorized to issue payment for such invoices

**3.16.030.2** All payments for District financial obligations shall be processed through the District's computerized accounts payable program. Prior to issuing checks, the District's Accounts Payable Clerk will verify the entries for accuracy including verifying that the correct vendor has been keyed into the system; that the amount of charges are correct and that the total of the invoice is correct; that the sales and use tax has been calculated correctly; that the appropriate authorization appears on the invoice; that the correct work order number and account number or account number and activity code have been assigned to the charges; and that the correct supporting documents are attached to the invoice. The Accounts Payable Clerk will also verify that invoices greater than \$10,000 have been approved by the General Manager and that invoices \$15,000 and greater have a Board authorized Minute Order attached showing the amount of the approved

expenditure or prior Board authorization for regular District expenditures as listed in Title 3, Chapter 3.16.010, Pre-authorized Disbursements.

**3.16.030.3** After verifying that the above items are in order, the Accounts Payable Clerk will run the checks for payment and print a check register listing the number of each check issued, the vendor paid, the amount of the charges and the amount of the total check. In order for the Accounts Payable Clerk to print checks, the Treasurer will also have to log onto the District's computerized check printing and banking software and key in his/her confidential password.

**3.16.030.4** Before any payments, ACH transfers or wire transfers are released, the Treasurer will then verify that the accounts payable check register and the individual invoices match, that the invoices have been properly processed and that the expenditures have been made in accordance with the District's purchasing procedures. The Treasurer then authorizes the payment, ACH or wire transfer of funds using a secure program linked to the District's bank account.

**3.16.030.6** In the event that a manual check needs to be issued outside of the automated check run process, the check will require two signatures. The two signatures can be any two Board authorized checking account signatures.

**3.16.030.7** The Treasurer shall provide reports to the Board.

**3.16.030.7(A)** At the first regular meeting after the end of each month held by the Board of Directors, the Board will be presented with

**3.16.030.7(A)(1)** An accounts payable check register showing all of the checks issued for the accounting period being presented; an investment report showing the status of the District restricted funds; and a fund status report showing the location of all District funds and the amount on deposit at each financial institution or organization.

**3.16.030.7(B)** The details of all checks issued and invoices paid shall be available for review by any Director in the Administrative Services Department. The Board shall officially authorize payment of all disbursements that have been made by the Treasurer and presented on the accounts payable check register at a board meeting, monthly.

**3.16.030.7(C)** The Treasurer shall list on the agenda any invoice for purchases that have not been made in accordance with the District's purchasing policies as set forth in Title 3, Chapter 3.08 Purchasing.

**3.16.030.7(D)** Statement of the general fund showing the beginning checking account balance, the categories of cash received by the District during the month, a summary list of the cash disbursements made during the month, any authorized transfers in or out of the general fund and the ending balance at the end of the month.

**3.16.030.7(E)** Semi-annual budget reports showing the status of budgeted expenditures compared to actual expenditures will be presented at a board workshop after the close of the June and December financial records.

**3.16.030.7(F)** Semi-annual financial statements showing the status of all revenues and expenditures in the format of financial statements using generally accepted accounting principles for utilities after the close of the June and December financial records.

## **CHAPTER 3.20**

### **INVESTMENTS**

#### **Sections:**

<b>3.20.005</b>	<b>Local Agency Investment Fund Investments</b>
<b>3.20.008</b>	<b>Fund Transfers</b>
<b>3.20.010</b>	<b>Investment of Surplus Funds</b>
<b>3.20.012</b>	<b>Investment Policy</b>

#### **3.20.005 Local Agency Investment Fund Investments**

**3.20.005.1** Authorization has been given for the deposit and withdrawal of monies in the Local Agency Investment Fund (LAIF) in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein.

**3.20.005.2** Any two of the following officers or employees of the District, the President of the Board, the General Manager or the Treasurer, may execute documents to add or delete District accounts and authorized persons to make transfers to and from those accounts with the LAIF.

#### **3.20.008 Fund Transfers**

**3.20.008.1** The Board approved commercial bank (Bank) is requested to honor, execute and process the District's telephonic, electronic, written or oral requests for the transfer of funds between the accounts of the District at Bank and the Local Agency Investment Fund, subject to such terms and conditions as may from time to time be agreed upon by the District.

**3.20.008.2** Any one of the following listed officers or employees of the District, the President of the Board, the General Manager or the Treasurer are hereby authorized, directed and empowered for and on behalf of and in the name of the District as follows:

**3.20.008.2(A)** To execute agreements with the Bank providing for such funds transfers and to make and verify requests for such transfers, and the Bank shall be entitled to honor and charge this District for all such requests, when given (or purported to be given) by any one of the above.

**3.20.008.2(B)** To make, execute and deliver such other agreements as may be required by the Bank; and

**3.20.008.2(C)** To perform or cause to be performed all further acts and execute and deliver all further instruments which Bank may deem necessary to carry out the purposes of this policy.

**3.20.008.3** The District hereby ratifies and confirms the acts of its officers, agents or employees in heretofore requesting transfers of funds from this District's accounts with the Bank by wire or comparable transfer together with any acts performed in relation hereto.

**3.20.008.4** That the Clerk of the District is hereby authorized and directed to execute, acknowledge and deliver a certified copy of the Resolution related hereto to the Bank and any other person or agency which may require copies, and that the certification of the (Secretary) Clerk as to the signatures of the above named officers will be binding on this District.

**3.20.008.5** That the Bank is authorized to act upon this policy until written notice of the revocation thereof by a resolution duly adopted by the Board of Directors of this District is delivered to the Bank, such revocation is in no way to affect the obligations of this District to the Bank incurred pursuant to the terms of this policy prior to receipt by the Bank of such notice or revocation.

**3.20.010 Investment of Surplus Funds** The District Treasurer shall invest surplus funds, both restricted and general, pursuant to the District's Investment Policy (District Code 3.20.12). A regular accounting of all fund activities shall be presented to the Board of Directors in the monthly Treasurer's Report.

### **3.20.012 Investment Policy**

**3.20.012.1 Investment Authority** In accordance with Section 53600 et seq. of the Government Code of the State of California, the authority to invest public funds is expressly delegated to the Board of Directors for subsequent delegation to the Treasurer. The Treasurer of the District receives direction and authority to invest any and all District funds from the Board of Directors of the District.

**3.20.012.2 Statement of Objectives** Per section 53600.5 of the California Government Code, the primary objective of the Treasurer shall be to safeguard the principal of the funds under his/her control when investing public funds. The secondary objective shall be to meet all liquidity requirements and the third objective shall be to achieve an acceptable return on the funds under his/her control.

In order of priority, three fundamental criteria shall be followed in the investment program:

1. Safety - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
  - a) Credit Risk: The District will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- i. Limiting investments to the safest types of securities.
  - ii. Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which the District will do business (custodial risk).
  - iii. Diversifying the investment portfolio so that potential losses on individual securities will be minimized (concentration of risk).
- b) Interest Rate Risk: The District will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:
- i. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
  - ii. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.
2. Liquidity – In an effort to ensure that the District’s portfolio will be sufficiently liquid to meet current and anticipated operating requirements, periodic cash flow analysis will be performed. Investments shall be made so that the maturity date is compatible with cash flow needs and safety of principal.
3. Yield – Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

Investment Strategy – The portfolio will be managed to meet the District’s cash flow needs. The maximum maturity of any security will not exceed 5 years except as specifically noted below. All investment activity shall be consistent with prudent investor standard and in accordance with the authorized investments included under District Code 3.20.012.5.

**3.20.012.3 Prudent Investor Standard** As applicable to the District, the prudent investor standard is a standard of conduct whereby any person authorized to make investment decisions on behalf of the District acts with care, skill, prudence and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the District, that a prudent person acting in like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and meet the liquidity needs of the District.

**3.20.012.4 Portfolio** Any reference to the portfolio shall mean the total of the District’s cash and securities under management by the Treasurer.

Except for cash in certain Board designated, restricted and special funds, the District will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds or accounts based on their respective participation and

in accordance with generally accepted accounting principles.

The Treasurer may invest in any security authorized for investment under the California Government Code, subject to the limitations described herein:

1. Maturity Limitations –
  - a) The aggregate maturity of the total portfolio must not exceed five (5) years for the general operating funds of the District.
  - b) Funds which represent debt service reserve funds may be invested up to a term of ten years, as long as the period invested does not exceed the term of the debt repayment.
  - c) Investments of restricted funds held for the Donner Lake Assessment District that are not expected to be needed to pay debt service on the SRF loan may be invested up to the term of the SRF loan.
  - d) Construction funds may be invested to mature on or before the date funds are expected to be needed for construction purposes.
2. Investment Transactions – the purchase of any investment other than those purchased directly from the issuer shall be, to the extent possible, from a firm designated as a Primary Dealer by the Federal Reserve of New York.
3. Sale of Securities – Securities may be sold to provide needed liquidity, to restructure the portfolio to reduce risk or to increase the expected return of the portfolio. In no instance shall a sale of securities be used for speculative purposes. All sales are to be reported to the Board on a monthly basis.
4. Prohibited Investments – Prohibited investments include inverse floaters, range notes, interest only strips derived from a pool of mortgages (Collateralized Mortgage Obligations), and any security that could result in zero interest accrual if held to maturity. (Zero interest accrual means the security has the potential to realize zero earnings depending upon the structure of the security. Zero coupon bonds and similar investments that start below the face value are legal because their value does increase.)
5. Safekeeping
  - a) All securities transactions entered into by the District shall be conducted on a delivery versus payment (DVP) basis.
  - b) Securities shall be held by an independent custodian designated by the Treasurer and held in safekeeping pursuant to a safekeeping agreement.
  - c) All financial institutions which provide safekeeping services for the District shall be required to provide reports or safekeeping receipts directly to the Treasurer to verify securities taken into their possession.

### **3.20.012.5 Authorized Investments**

1. The District's authorized commercial bank in an interest bearing checking or savings account. The Treasurer is authorized to make daily deposits and withdrawals for purposes of the safekeeping of District monies and payments of District financial obligations.

2. Local Agency Investment Fund (LAIF) Deposits for the purpose of investment in the Local Agency Investment Fund of the State of California Treasury may be made up to the maximum amount permitted by State Treasury policy. Any LAIF investments made by the District shall be considered to be short-term in nature even if the LAIF has invested in individual longer-term securities. The Treasurer is authorized to make regular transfers to and from LAIF up to the limit of transactions established by the LAIF investment policy for purposes of meeting the District's daily cash flow needs and earning interest on surplus funds.
3. Any other investments authorized and listed in the Government Code Sections 53600-53609. The Treasurer will consult with the Board of Directors when recommending any of the investments within these sections other than subsections 1 and 2 above. From time to time, the Board may also consult with an investment professional pursuant to Title 3.20.012.2 Section 1 a) ii. Each investment will be specifically authorized by the Board of Directors.
4. Bond proceeds and reserve funds will be invested only in permitted investments or authorized investments defined in the Trust Agreement for each particular financing which has previously been approved by the Board of Directors (Government Code Section 53601 I). The Treasurer will consult with the Financial Advisor or Trustee on the financing for investment recommendations to submit to the Board of Directors for approval. The Treasurer is authorized to invest funds in a money market fund or LAIF with the Trustee pending investment of those funds in a longer-term investment, which will be approved by the Board of Directors.

**3.20.012.6 Reporting** in accordance with Section 53646 of the California Government Code, the Treasurer shall submit a quarterly report to the Board of Directors within 30 days following the end of the quarter covered by the report. The report shall include investment activity, including yield and earnings, and the status of cash by depository.

**3.20.012.7 Internal Controls** Annually, the District will have an independent audit by an external auditor. This audit will provide internal control by assuring compliance with policies and procedures.

**3.20.012.9 Annual Review of Investment Policy** The Investment Policy shall be submitted at least annually to the Board of Directors for adoption. The policy shall be reviewed annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and its relevance to current law and financial and economic trends. The review will also include the review of the diversification of the investments in the portfolio and the custodial risk of the portfolio. Any modifications made thereto must be approved by the Board of Directors.

**CHAPTER 3.24**  
**RESTRICTED FUNDS**

**Sections:**

**3.24.010      Restricted Funds**

**3.24.010.1** The Board of Directors will direct staff when monies collected by the District are to be considered as restricted funds.

**3.24.010.1 (A)** Board Designated Restricted Funds are those funds restricted by Board action and which the Board can change the purpose of the designation at any time.

**3.24.010.1 (B)** Restricted Funds are those funds that are restricted by contract or agreement with the District such as a loan reserve fund.

**3.24.010.2** Restricted funds will be invested pursuant to the District's investment policy as described in Chapter 3.20, Investments.

**3.24.010.3** All interest earned upon said restricted funds shall adopt a character of and become part of the specific restricted account unless otherwise directed by the Board of Directors. In the case of loan reserve funds whose balances are greater than the reserve requirement, the surplus funds may be used to offset the principal and interest payments on the loan.

**3.24.010.4** Expenditures from restricted funds shall be authorized by the Board of Directors. From time to time, the Board may pre-approve transfers from restricted funds in advance that pertain to specific projects or activities.

**3.24.010.5** The District's Treasurer will include a monthly report on the activity of the restricted funds accounts along with the monthly Treasurer's Report.

**CHAPTER 3.32**

**STANDBY CHARGES AND ASSESSMENT DISTRICTS**

**Sections:**

**3.32.010      Collection of Delinquent Assessments**

**3.32.020      Standby Charges**

**3.32.010 Collections of Delinquent Assessments** The following procedure is to be used by the District staff in connection with the collection of delinquent assessments.

Assessments are due on November first and February first of each year, and are delinquent after December tenth and April tenth, respectively.

Following is the procedure the District has adopted for collecting delinquent assessment payments:

**3.32.010.1** By January thirty-first and May thirty-first of each year or as soon as the county records are available, the District Treasurer will contact the County Tax Collector's Office and determine whether any assessments are delinquent and, if so, the amount of any such delinquency. The District Treasurer will then immediately send a collection letter, requesting payment within fifteen days.

**3.32.010.2** If not paid within fifteen days of the collection letter, the District Treasurer will send, by certified mail, a demand letter. This letter will demand payment within ten days, and will indicate that, if not paid, the matter will be referred to District Foreclosure Counsel for initiation of foreclosure proceedings against the delinquent parcel. A list of delinquent parcels will be presented to the Board for authorization to proceed with the foreclosure process.

**3.32.010.3** The Board may authorize a third party company who specializes in performing services listed in section 3.32.010.1 and 3.32.010.2 to work with the District staff to bill and collect assessment monies due.

**3.32.010.4** The Board may authorize the use of foreclosure counsel to proceed with the foreclosure process pursuant to California State law and the requirements of any debt instruments where the debt is secured by assessment payments. Staff will keep the Board informed throughout the foreclosure process.

**3.32.010.5** The County requires the District to remove delinquent Communities Facilities District parcels from the County tax roll on or about June 30<sup>th</sup> of each County fiscal year. The District Treasurer will authorize the County to remove the delinquent parcels from the County tax roll before referring delinquent parcels to foreclosure counsel. Removal of a delinquent parcel from the County tax roll does not release property owners from their payment obligations.

**3.32.010.5** All delinquent assessment payments will be required to include any late fees, legal fees and/or administrative charges allowed to be collected under California State law.

**3.32.010.6** In cases where assessments are collected on the Nevada or Placer County tax bills and where the Counties reimburse the District for 100% of the amount assessed, District staff may send collection and demand letters on delinquent assessments but will not proceed to the foreclosure process. The foreclosure process will be processed by Nevada and Placer Counties pursuant to County and California State law.

**3.32.020.1** Standby Charges Annually, the Board of Directors will authorize by resolution the continuance of and the amount of charges for electric and water standby charges. Thereafter, the General Manager shall direct staff to prepare an updated list of unimproved parcels to be assessed electric and water standby charges. The records shall be prepared in a format acceptable to both Nevada and Placer Counties and shall be submitted to them before their scheduled deadline. The assessments will then appear on the annual property tax bills sent out by Nevada and Placer Counties. Nevada and Placer Counties will then act as the collection agents for the assessments and will forward payment to the District pursuant to county policy.