United Water
CONSERVATION DISTRICT



FY 2019-20
FINANCIAL POLICIES


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Financial Policies

FY 2019-20

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United Water
CONSERVATION DISTRICT

ACCOUNTS RECEIVABLE WRITE-OFF POLICY

Effective July 1, 2019

POLICY STATEMENT

It is the District's policy to comply with government accounting standards and accurately report revenue by regularly writing off previously recognized revenue that has been determined to be uncollectable.

Types of receivables covered by this policy include, but are not limited to:

- Groundwater Extraction fees;
- Water Delivery charges;
- Fees for services;
- Fines and penalties;
- Recovery for damage to District property;
- Legal judgments; and
- Various unpaid fees.

A write-off of uncollectible accounts receivable from the District's accounting records does not constitute forgiveness of the debt or a gift of public funds. Accounts receivable should generally be written-off during the fiscal year in which an account is determined to be uncollectible. Subsequent collection of an account previously written-off will be treated as new revenue in the appropriate fund.

This policy does not supersede any provisions contained in the District's principal act, including but not limited to the procedures for levying and collection of groundwater extraction charges set forth in Chapter 3 of Part 9 of Division 21, Water Code Section 75560 et seq. In the event of any conflict between the District's principal act and the procedures set forth in this policy, the principal act shall govern.

POLICY OBJECTIVE

The purpose of this policy is to set authorization levels and standard guidelines to write-off uncollectible accounts receivables.

POLICY PROCEDURES

A. Prevention Procedures:

1. The District shall not pay for third party obligations, unless legally obligated to do so.
2. Whenever possible, the District shall require advance payment of all fees and costs in accordance with the District's Rates and Fees Schedule.

B. Write-Off Procedures:

1. Designation of an Account as Uncollectible:

   After the appropriate collection procedures have been followed, an account will be considered uncollectible if it meets one or more of the following criteria:

- The debt is disputed and the District has insufficient documentation to pursue collection efforts;
- The cost of further collection efforts will exceed the estimated recovery amount;
- The amount is up to $50 and remains unpaid after one year;
- The account remains unpaid after the lesser of four years or the applicable period for commencement of a recovery action (statute of limitations);
- The debtor cannot be located, nor any of the debtor's assets;
- The debtor has no assets and there is no expectation they will have any in the future;
- The debtor has died and there is no known estate or guarantor;
- The debtor is a company that is no longer in business;
- The debt is discharged through legal action (bankruptcy or court judgment); and
- The debt has been forgiven by action of the Board or as outlined under Section E.3 of this policy.

2. Preparation of Write-off of Accounts Receivable List:

   Annually or as warranted, the Chief Financial Officer or his/her designee will identify any accounts receivable that meet the criteria for designation as an uncollectible account.

   An itemized list of uncollectible accounts to be written-off will be compiled specifying the following:

   - Debtor name;
   - Account balance;
   - Due date;
   - Brief description of receivable type;
   - Criteria under which the account was deemed uncollectible; and
   - Account number of the receivable in the District's financial system if applicable.

   For each uncollectible account, documentation should be attached supporting the uncollectible account designation and substantiating that collection procedures have been followed and due diligence has been exercised in collection efforts. Due diligence documentation should, at a minimum, include:

- Invoices, reminder letters, returned checks and/or collection letters (and any documentation that is returned as undeliverable, no known forwarding address, etc.);
- Bankruptcy claims and any documents supporting a claims court or other judgment rendered by proper authority;
- Judgment awarded by a court or settlement agreement; and
- Notice of discontinuation of services.

3. Approval Authority for Write-off Requests:

The Chief Financial Officer will review the list of uncollectible accounts to ensure that it is complete and that all necessary due diligence documentation has been attached. Once the review is complete, the qualified accounts will be written-off after approval from the corresponding authority is received. Subsequent to the write-off step, the write-off list will be presented to the appropriate reporting party according to the following approved authority levels:

Transaction Amount (per account):	**Write-Off Authority:**	**Reported to:**
Up to $100	CFO	General Manager
$101 up to $5,000	General Manager	Finance Committee
Excess of $5,000	District Board	District Board

If new developments arise suggesting that a possibility exists for collection of an account previously written-off, the collections process will be resumed.

C. Criteria for Maintaining Accounts Receivable:

Accounts receivable write-off will not be performed based on the criteria listed below:

a. Insufficient collection efforts have been made or demonstrated;
b. Existence of a lien and future collection is possible;
c. Knowledge that the debt will be collected in the future; and
d. Lack of proper approval as outlined in Section E.3.

ACCOUNTS RECEIVABLE COLLECTIONS POLICY

Effective July 1, 2019

POLICY STATEMENT

It is the District's policy to minimize the District's loss exposure by:

1. limiting the creation of accounts receivables to necessary and essential items or services
2. requiring payment at or before services are rendered when practical and feasible
3. regularly reviewing all past-due accounts
4. actively pursuing collection of past-due accounts receivable

Types of receivables covered by this policy include, but are not limited to:

- Groundwater Extraction fees;
- Water Delivery charges;
- Fees for services;
- Fines and penalties;
- Recovery for damage to District property;
- Legal judgments; and
- Various unpaid fees.

This policy does not supersede any provisions contained in the District's principal act, including but not limited to the procedures for levying and collection of groundwater extraction charges set forth in Chapter 3 of Part 9 of Division 21, Water Code Section 75560 et seq. In the event of any conflict between the District's principal act and the procedures set forth in this policy, the principal act shall govern.

POLICY OBJECTIVE

The purpose of this policy is to set authorization levels and standard guidelines to prevent accounts receivable, administer accounts receivable and to outline the procedures and actions the District will pursue in the collection of past-due accounts receivable.

POLICY PROCEDURES

A. Prevention Procedures:

1. The District shall not pay for third party obligations, unless legally obligated to do so.
2. Whenever possible, the District shall require advance payment of all fees and costs in accordance with the District's Rates and Fees Schedule.

B. General Collection Procedures:

Collection procedures are established by the Finance Division and will vary depending on the nature of the receivable. Whenever possible, the District will avoid advancing District resources. Once a receivable exists, the District will take the following steps in collection efforts:

1. Generate multiple reminder and/or collection notices.
2. Attempt phone collection.

3. Determine further collection costs and if warranted, refer to the District's Legal Counsel or collection agency for collection assistance.

C. Collection Procedures for Past Due Groundwater Extraction Fees

For purposes of collecting delinquent Groundwater Extraction Fees, the District follows a five (5) step process that shall be followed with each delinquent account unless the Board directs otherwise.

1. Upon an account becoming delinquent, the Finance Division will send a minimum of two (2) reminder and collection notices to the accountholder before proceeding to the second (2^{nd}) step of the process. Notices are sent out once an account becomes more than 30 and more than 45 days past due

2. Once an account is more than 90 days past due, the Finance Division will attempt to collect the past due amount by calls to the telephone number provided by the accountholder to the District. Each call will be listed by date and time in a written log.

3. When an account becomes 120 days past due, a letter will be sent by District Legal Counsel advising the accountholder of the amount past due (including all accrued interest, fees and costs), and of the legal remedies available to the District for collecting this debt. Pursuant to Water Code section 75635.5, these legal remedies include the right to seek a writ of attachment against the property of any named defendant in suits for the collection of delinquent groundwater charges, interest and fees. The accountholder shall also be responsible for all fees and costs charged for the preparation and issuance of the letter by District Legal Counsel. This amount shall be added to the total amount past due.

4. If an account becomes more than one (1) year past due and exceeds $250, including all accrued interest, penalties, fees and costs, or less if the amount due is unverified due to non-reporting, the Board shall schedule a hearing pursuant to Water Code section 75637, subdivision (b) for the purpose of determining whether the District should order the accountholder and any other operator of a water producing facility associated with the account to cease extraction of groundwater until all delinquent fees and charges are paid.

    4a) Should the hearing result in an injunction restraining the operation of a water-producing facility, Water Code section 75637.5 allows the District to require that the operator post a bond or cash deposit equal to the amount of delinquent groundwater changes due for the preceding six-month period prior to the injunction being lifted.

5. At the same Board meeting at which the Section 75637(b) hearing is held, the Board shall discuss with District Legal Counsel in closed session any

legal action available to the District to collect all amounts owed by the accountholder.

District staff shall follow these steps for each and every delinquent account unless otherwise directed by the Board. Prior to an account becoming more than one (1) year past due, the Finance Division is authorized to enter into a written payment plan with the accountholder that ensures full payment of all delinquent amounts within three (3) months of the date the plan is approved. Board approval is required for any payment plan extending the payment of the delinquent amounts beyond six (6) months. Once an account is more than one (1) year past due only the Board may approve a payment plan or settlement.

D. Appeal Process:

If a Debtor is unable to reach an agreement on the debt amount and/or payment terms with Finance Division staff, the Debtor may request a hearing with the General Manager within 30 days of the determination notice. If the results of the General Manager hearing are not to the satisfaction of the Debtor, at the Debtor's request, the matter may be appealed to the Board in an open meeting within 30 days of the hearing determination.

SUMMARY

The above guidelines cannot cover every issue, exception, or contingency that may arise in operating the District. Staff's best judgment will prevail in situations where these guidelines lack specific direction. The District acknowledges the occasional need for flexibility in resolving debt delinquency matters and therefore the Board reserves the right to evaluate and address each case individually without being bound by the provisions of this policy.

AUDITOR ROTATION & SELECTION POLICY

Effective July 1, 2019

PURPOSE

The purpose of this policy is to provide for the periodic rotation of independent auditing firms who perform the annual examination of the District's financial statements and render an opinion thereon.

SELECTION PROCESS

A full-scale competitive process will be held at a minimum every five years for the selection of the independent auditing firm. The Finance Division is responsible for conducting the interview and selection process and recommending a firm to the Board.

The then current auditing firm will not be reconsidered to serve beyond a five year consecutive period. Firms may serve more than a five-year period so long as there is a minimum three-year break in their service.

TERM OF CONTRACT

The initial contract term should be for three years. Providing services are satisfactory, the firm may be retained for an additional two years thereafter.

SCOPE OF SERVICE

The firm will perform the annual audit, prepare required reports and assist staff in analyzing/implementing accounting pronouncements.

AMENDMENTS OR EXCEPTIONS

Amendment of or exceptions to this policy may be made by action of the Board of Directors.

BUDGET AMENDMENT POLICY

Effective July 1, 2019

ESTIMATED REVENUES

Amendments to revenue estimates, which may have a significant effect on the adopted budget, will be presented to the Finance Committee and the Board of Directors for discussion as they become known. Staff will present proactive recommendations to the Board to provide options to respond to any known or anticipated significant revenue fluctuation.

APPROPRIATIONS

Consistent with the District's Procurement Policy, the General Manager is authorized to approve supplemental appropriations (additional spending authority) of up to $50,000 for any one service or purchase. Supplemental appropriations of more than $50,000 will be presented to the Board of Directors for consideration and approval prior to the commitment of funds. The Board will approve all supplemental appropriations over $10,000 if the fiscal year-to-date supplemental appropriations approved by the General Manager exceeds $500,000. This includes contract amendments for any one service or purchase during the fiscal year to contracts with original amounts that exceed the General Manager's authority. Services or purchases necessitating the need for a supplemental appropriation cannot be separated to avoid the requirement for requesting prior Board approval. Resources needed to fund the supplemental appropriation (i.e. reserves, new/additional revenues, grants, etc.) must be identified at the time of the supplemental appropriation request to the Board. Whenever possible, a budget appropriation transfer should be requested in lieu of a supplemental appropriation request if savings in other line items (internal to each fund) can be identified without impacting other operational needs. When a supplemental appropriation is requested for the Oxnard/Hueneme Pipeline Fund, all Contractors will be given proper notice as required by the Water Delivery Agreement, of the recommendation proposed to the Board of Directors for their approval seven (7) days prior to the commitment of funds. When an unbudgeted expenditure greater than $50,000 has been made in the course of an emergency, the appropriation will be presented to the Board of Directors at their next regular meeting. Any planned or potential reduction in expenditures that were appropriated (approved) by the Board that may result in service, operations, program or policy changes will be presented to the Board of Directors for discussion as they become available. The Finance Committee will review all supplemental appropriations at their regular monthly meetings.

BUDGET TRANSFERS

In an effort to operate within the approved budget, it may become necessary to shift spending authority from one purpose to another. Budget transfers must be internal to each fund (General Water Conservation sub funds are considered one fund) and cannot result in a change in policy without the Board of Director's approval. Appropriations not exceeding $1,000 can be transferred between line items with the approval of the Chief Financial Officer. Line item transfers between $1,000 and $100,000 can be transferred with the approval of both the Chief Financial Officer and the General Manager. Transfer requests over $100,000 will be presented to the Board of Directors for consideration and approval. Any balance remaining for completed capital improvement projects will be transferred back to the operating funds that funded the project with the approval of the project manager and the General Manager.

Exceptions: Line item transfers within a specific project are not subject to the above approval limits and transfers can be made up to the amount of available funding with the approval of the General Manager. This exception applies to specific projects, such as the Habitat Conservation Plan project, the Quagga Mussels project, or any capital improvement project. It does not apply to general projects, such as departmental General & Management projects; the Saticoy/El Rio Operations Center projects; the Freeman, O.H. Pipeline, P.V. Pipeline, or P.T. Pipeline projects; etc.

BUDGET SUBMITTAL POLICY

Effective July 1, 2019

United Water Conservation District operates on a fiscal year beginning on the first day of July and ending on the thirtieth day of June of the following year.

The District's annual operations and capital improvement budget is the principle vehicle for developing the Board of Directors' plans and policies for the District.

In order to ensure appropriate time for Board review, consideration and revisions (if necessary), on or before the first business day of May of each year, the General Manager shall submit to the Board of Directors a proposed/recommended operations and capital improvement budget for the next fiscal year.

The proposed budget shall provide a complete financial plan, including a 5-year Capital Improvement Project Plan, of all District funds and activities for the next fiscal year. The total of proposed expenditures for each fund shall not exceed the total estimated revenue and/or estimated funds/resources available.

Any proposed rate adjustments which impact estimated revenue must be clearly documented. The District's legal positions that such charges: (a) are not fees for property related services or charges incident to property ownership and are not subject to the requirement of Proposition 218 [California Constitution, Article 13D, Section 6 (b)]; (b) are not a general or special tax subject to Proposition 26 [California Constitution, Article 13C]; (c) do not exceed the reasonable cost of providing District services and do not violate Proposition 13 or various statutory or common law provisions; and (d) are not capacity charges. The City of San Buenaventura has sued the District concerning these and other legal issues in connection with the District's groundwater charges, and such issues are being addressed in litigation.

On or before June 30, the Board of Directors shall adopt, by resolution, the proposed/recommended budget with any amendments directed by the affirmative vote of a majority of the Board. While the Board adopts the next - fiscal year’s budget by June 30. The budget can be amended at any time throughout the fiscal year via approval by a majority of the Board, consistent with the District's Budget Amendment Policy.

CAPITAL ASSET POLICY

Effective July 1, 2019

OBJECTIVE/PURPOSE

- To account and record the District's capital assets as required by Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB) Statement No. 34.

- To maintain a listing of all capital assets at original cost.

- To calculate depreciation and determine book value of all capital assets.

GENERAL GUIDLINES

- All capital purchases must conform to the procurement policy.

- With each budget cycle all capital outlay and capital project requests are reviewed by a District Accountant for applicability to the capitalization threshold and general definitions for fixed assets.

- Structures and improvements, tangible equipment, intangible assets and vehicles purchased are capitalized each accounting period and depreciation begins the following month after the effective "in operation" date of the asset.

- Construction in progress projects are reviewed semi-annually in December and June. Assets that are completed during the six-month period are capitalized and begin depreciation as of December 31 or June 30. Qualifying expenditures related to construction in progress projects, including any District employee's compensation (i.e. salary and employee benefits), are capitalized as part of the overall cost of the project.

CAPITALIZATION THRESHHOLD

The capitalization threshold for tangible equipment, intangible assets and vehicles purchased or constructed is $5,000 or greater with a useful life of two years or more per item. The threshold for structures and improvements purchased or constructed is $25,000 or greater.

DISCRETE COMPONENTS OF LARGER ASSETS

A single capital asset may be composed of one or more discrete components with a significantly shorter useful life (e.g., roof). In such cases the cost of the components are included in the cost of the larger asset and replacements are treated as a repair. Infrastructure rehabilitation projects are capitalized.

DEPRECIATION METHOD

The District uses the straight-line depreciation method. Land is not depreciated and construction is not depreciated until completed.

The following is the useful life table, by category, used to calculate depreciation:

Asset Class	Type	Years
Equipment	Construction Type (i.e. Tractors, Graders)	25
	Durable Equipment	10
	Furniture	10
	Office Furniture/Equipment	10
	Computer Programs and Models	10
	Meters, Test Equipment, Gauges	5
	Phone Systems	5
	Radio Equipment	5
	Computer Equipment	3
Structures & Improvements	Dams	100
	Buildings	50
	Wells	50
	Pipelines	40
	Dam Structures, Canals	40
	Park & Recreation Facilities	30
	Hydro-Plant	30
	Tanks	25
	Asphalt	20
	Irrigation System	20
	Communication towers	20
	VFD Variable Drives	15
	Recreation Playground/Picnic	15
	Fences, Gates	15
	Valves and Associated Gates	10
	Pumps	5
Vehicles	Boats	10
	Automobiles	7
	Trucks, SUVs	7

DEBT MANAGEMENT POLICY

Effective July 1, 2019

OBJECTIVE

The purpose of this Debt Management and Disclosure Policy (this "Debt Policy") is to organize and formalize debt issuance and management-related policies and procedures for the District. The debt policies and procedures of the District are subject to and limited by applicable provisions of state and federal law and to prudent debt management principles.

This Debt Policy is intended to comply with Government Code Section 8855(i) and shall govern all debt undertaken by the District.

The District hereby recognizes that a fiscally responsible debt policy is required in order to:

- Maintain the District's sound financial position.
- Maintain cost-effective access to the capital markets through prudent fiscal management policies and practices.
- Protect the District's credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the District.
- Ensure that the District's debt is consistent with the District's planning goals and objectives and capital improvement plan or budget, as applicable.

SCOPE AND DELEGATION OF AUTHORITY

This Debt Policy will govern the issuance and management of all debt funded through the capital markets, including the selection and management of related financial and advisory services and products, and the investment of bond proceeds.

This Debt Policy will be reviewed and updated as deemed necessary, or annually in conjunction with the District's other financial policies. Any changes to the policy are subject to approval by the Board of Directors (the "Board") at a legally noticed and conducted public meeting. Overall policy direction of this Debt Policy will be provided by the Board. The Chief Financial Officer will be responsible for the implementation of the Debt Policy, as well as the structure, implementation, and management of the District's debt and finance program. The Board's adoption of the District's Annual Budget and Capital Improvement Program (CIP) does not, in and of itself, constitute authorization for debt issuance for any capital projects. This Debt Policy requires that the Board specifically authorize each debt financing.

While adherence to this Debt Policy is required in applicable circumstances, the District recognizes that changes in the capital markets, District programs and other unforeseen circumstances may from time to time produce situations that are not covered by the Debt Policy and will require modifications or exceptions to achieve policy goals. In these cases, management flexibility is appropriate, provided specific authorization from the Board is obtained.

POLICY GOALS RELATED TO PLANNING GOALS AND OBJECTIVES

The District is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The District intends to issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the District's annual operations budget.

The District will pay for infrastructure, projects, and other financing needs from a combination of current revenues, available reserves, and issued debt. The District acknowledges that debt can provide an equitable means of financing projects for its customers and provide access to new capital needed for infrastructure and project needs. Debt will be used to meet financing needs if (i) it meets the goals of equitable treatment of all customers, both current and future; (ii) it is the most cost-effective means available, (iii) it is financially prudent, responsible and diligent under the prevailing economic conditions; and (iv) there are other important policy reasons therefor.

It is a policy goal of the District to protect taxpayers, ratepayers and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest feasible borrowing costs.

The District will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

RELATIONSHIP OF DEBT TO CAPITAL IMPROVEMENT PROGRAM AND BUDGET

The District is committed to long-term capital planning. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's capital outlay and improvement plan.

The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

The District shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that funds are available when needed.

APPROACH TO DEBT MANAGEMENT

The District's approach to its financings is to ensure continued market access at the lowest cost of borrowing. As such, the Debt Policy designates affordability or capacity targets which are established by the rating agencies (Moody's Investor Service, Standard & Poor's, and Fitch). Debt capacity is defined as annual debt service payments as a percentage of operating expenditures and debt service payments.

A presentation of the District's debt capacity and affordability shall be made to the Board of Directors with the proposed approval of any debt, lease financing or other instruments of installment repayments with maturities longer than 5 years.

TYPES OF DEBT

The District will evaluate the use of all financial alternatives available including, but not limited

to, long-term debt, short-term debt, fixed rate debt, variable rate debt, idle cash reserves, and inter-fund borrowing. The District will utilize the most advantageous financing alternative available while limiting the District's risk exposure. The following types of debt are allowable under this Debt Policy:

- general obligation bonds
- bond or grant anticipation notes
- lease revenue bonds, certificates of participation and lease-purchase transactions
- other revenue bonds
- tax and revenue anticipation notes
- land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes
- tax increment financing to the extent permitted under state law
- lines of credit
- refunding obligations
- inter-fund loans of idle funds

The District may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

PURPOSES FOR WHICH DEBT MAY BE ISSUED

1. Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the District.
    a. Long-term debt financings are appropriate when the following conditions exist:

        - When the project to be financed is necessary to provide basic services.
        - When the project to be financed will provide benefit to constituents over multiple years.
        - When total debt does not constitute an unreasonable burden to the District and its taxpayers and ratepayers.
        - When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.

    b. Long-term debt financings will not be considered for current operating expenses and routine maintenance expenses.

    c. 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.

    d. The District may use long-term debt financings subject to the following conditions:
        - The project to be financed must be approved by the Board.
        - The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%, and in no event should exceed the lesser of 40 years or the period of time until the sunset of a revenue

source used to repay the bonds.

- The District estimates that sufficient revenues will be available to service the debt through its maturity.
- The District determines that the issuance of the debt will comply with the applicable state and federal law.

2. Short-term debt. Short-term debt may be used to finance certain essential equipment and vehicles. The underlying asset must have a minimum useful life of one year or more. Short-term financings, including loans and capital lease purchase agreements, are executed to meet such needs.

   Short-term borrowing may also be utilized for the temporary funding of operational cash flow deficits or anticipated revenues (defined as an assured source with the anticipated amount based on conservative estimates). The District will determine and utilize the least costly method for short-term borrowing. The District may issue short-term debt when there is a defined repayment source or amortization of principal, subject to the following policies:

   a. Bond Anticipation Notes (BANs) may be issued instead of capitalizing interest to reduce the debt service during the construction period of a project or facility. The BANs shall mature not more than 3 years from the date of issuance. The BANs shall mature within 6 months after substantial completion of the financial facility.

   b. Tax and Revenue Anticipation Notes (TRANs) shall be issued only to meet projected cash flow needs consistent with a finding by bond counsel that the sizing of the issue fully conforms to Federal IRS requirements and limitations.

   c. Lines of Credit shall be considered as an alternative to other short-term borrowing options. The lines of credit shall be structured to limit concerns as to the Internal Revenue Code.

   d. Other Short-Term Debt, including commercial paper notes, may be used.

3. Variable Rate Debt. Debt shall be issued as fixed rate debt unless the District makes a specific determination as to why a variable rate issue would be beneficial to the District in a specific circumstance.

4. Refunding Financing. Refunding bonds are issued to retire all or a portion of an outstanding bond issue. Refunding issuances can be used to achieve present-value savings on debt service or to restructure the payment schedule, type of debt instrument used, or covenants of existing debt. The District must analyze the refunding issue on a present-value basis to identify economic effects before approval. The District will consider the following issues when evaluating possible refunding opportunities:

   a. Debt Service Savings. The District has established a minimum savings threshold goal of (i) three (3%) percent of the refunded bond principal amount or $100,000 in present value savings and (ii) present value debt service savings equal to or greater than 100% of any escrow fund negative arbitrage unless there are other compelling reasons for defeasance. The present value savings will be net of all costs related to the refinancing.

b. Restructuring. The District will refund debt when it is in its best interest to do so. Refundings will include restructuring for purposes of meeting unanticipated revenue expectations, achieving cost savings, mitigating irregular debt service payments, releasing reserve funds or removing unduly restrictive bond covenants.

c. Term of Refunding Issues. The District will generally refund bonds within the term of the originally issued debt. However, the District may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The District may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed asset and the concept of inter-generational equity will be given due consideration in formulating these decisions.

d. Escrow Structuring. The District will utilize the least costly securities available in structuring refunding escrows. A certificate from a third party agent, who is not a broker-dealer, is required stating that the securities were procured through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Obligations (SLGS), and that the price paid for the securities was reasonable within federal guidelines. Under no circumstances will an underwriter, agent or financial advisor sell escrow securities to the District from its own account.

e. Arbitrage. The District will take all necessary steps to optimize escrows and to avoid negative arbitrage in its refundings. Any resulting positive arbitrage will be rebated as necessary according to federal guidelines.

5. Inter-fund Borrowing. The District may borrow internally from other funds with idle cash in lieu of issuing bonded debt. Purposes warranting the use of this type of borrowing could include short-term cash flow imbalances due to grant terms, interim financing pending the issuance of bonds, or long-term financing in lieu of bonds for principal amounts under $5 million. The District funds from which the money is borrowed shall be repaid with interest based upon the earning rate of the District's highest yielding investment pool. The Chief Financial Officer shall exercise due diligence to ensure that it is financially prudent for the fund making the loan.

   Inter-fund loans will be evaluated on a case-by-case basis. Any borrowing between two District funds which exceeds 24 months requires a repayment schedule approved by the Board and shall include an associated interest rate. The purpose of inter-fund borrowing is to finance high priority needs and to reduce the costs of interest, debt issuance and/or administration.

   Inter-fund loans may be made at a fixed or variable interest rate, as appropriate. If an inter-fund loan is made at a variable rate, it will be based on an earning rate, such as LAIF, or other similar investment tool.

6. Joint Powers Authority. In addition to the financing instruments mentioned above, the District may also consider joint arrangements with other governmental agencies when a project serves the District's interest.

TERMS AND CONDITIONS OF DEBT

1. Capitalized Interest. In general, the District will avoid the use of capitalized interest to avoid unnecessarily increasing the bond size. However, certain types of financings may require the use of capitalized interest from the issuance date until the District has constructive use/benefit of the financed project. Interest will not be funded (capitalized) beyond three (3) years or a shorter period if further restricted by statute.

2. Lien Levels. Senior and junior liens for each revenue source will be utilized in a manner that will maximize the most critical constraint, typically either cost or capacity, thus allowing for the most beneficial use of the revenue source securing the bond.

3. Debt Service Structure. Debt issuance shall be planned to achieve relatively rapid repayment of debt while still matching debt service to the useful life of facilities. The District shall avoid the use of bullet or balloon maturities except in those instances where these maturities serve to levelize existing debt service.

4. Call Provisions. In general, the District's securities will include a call feature that is no later than ten (10) years from the date of delivery of the debt. The District will generally avoid the sale of non-callable debt.

5. Original Issue Discount. An original issue discount will be permitted only if the District determines that such discount results in a lower true interest cost on the debt and that the use of an original issue discount will not adversely affect the project identified by the legal documents related to the debt.

6. Deep Discount Bonds. Deep discount bonds may provide a lower cost of borrowing in certain markets. The District will carefully consider their value and effect on any future refinancings as a result of the lower-than-market coupon.

7. Additional Bonds Test. Any new senior lien debt issuance must not cause the District's debt service to exceed the level at which the lesser of

    a. revenues from any consecutive 12 months out of the last 18 months or
    b. tax revenues estimated by the District for the Fiscal Year in which the debt is issued

    are at least 150 percent (1.50x) of the maximum annual principal and interest for the aggregate outstanding senior lien bonds including the debt service for the new issuance.

8. Debt Limits. The cumulative annual debt service of all bond issues supported by the General/Water Conservation Fund is restricted to no more than 15 percent of annual General/Water Conservation Fund revenue. Bond issues supported by Enterprise Funds should maintain a minimum ratio of net operating income to annual debt service that the Chief Financial Officer concludes is beneficial to the District.

CREDIT ENHANCEMENTS

The District will consider the use of credit enhancement on a case-by-case basis, evaluating the economic benefit versus cost for each case. Only when a clearly demonstrable savings can be

shown will enhancement be considered. The District will consider each of the following enhancements by evaluating the cost and benefit of such enhancement.

1. Bond Insurance. The District may purchase bond insurance when such purchase is deemed prudent and advantageous. The predominant determination will be based on such insurance being less costly than the present value of the difference in the interest on insured bonds versus uninsured bonds.

    a. Provider Selection. The Chief Financial Officer or his/her designee will solicit quotes for bond insurance from interested providers, or in the case of a competitive sale submit an application for pre-qualification on insurance. In a negotiated sale, the Chief Financial Officer or his/her designee shall have the authority to select a provider whose bid is most cost effective and whose terms and conditions governing the guarantee are satisfactory to the District. The winning bidder in a competitive sale will determine whether it chooses to purchase bond insurance for the issue.

2. Debt Service Reserve Surety Bond. When required, a reserve fund will be funded from the proceeds of each series of bonds, subject to federal tax regulations and in accordance with the requirements of credit enhancement providers and/or rating agencies. The District may purchase reserve equivalents (i.e., the use of a reserve fund surety) when such purchase is deemed prudent and advantageous. Such equivalents will be evaluated in comparison to cash funding of reserves on a net present value basis.

3. Letter of Credit. The District may enter into a letter of credit agreement when such an agreement is deemed prudent and advantageous.

METHOD OF BOND SALE

The District will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation. Generally, there are three methods of sale: competitive, negotiated and private placement. Each type of bond sale has advantages and the potential to provide the lowest cost given the right conditions.

1. Competitive Sale. A competitive bond sale is used by established issuers, with strong credit ratings during times in which there are stable market conditions. In a competitive sale, the issuer's bonds are awarded to the bidder providing the lowest true interest cost as long as the bidder adheres to the requirements set forth in the official notice of sale. A competitive sale is preferable when the bond type and structure are conventional, bond insurance is included or pre-qualified, and the transaction is of a manageable size. Pursuant to this policy, the General Manager and/or Chief Financial Officer is hereby authorized to sign the bid form on behalf of the District fixing the interest rates on bonds sold on a competitive basis.

2. Negotiated Sale. In a negotiated bond sale the issuer selects the underwriter several months before the sale of bonds through a competitive RFP process. The underwriter is selected based upon relevant experience, recent bond sale performance and fees, among other factors. The final pricing of the bonds is directly negotiated with the underwriter based upon investor demand and orders received on the day of sale. The issuer generally relies upon the financial advisor during the negotiation process.

A negotiated sale is common for a new or infrequent issuer or an issuer with a weak bond rating. A negotiated sale can be advantageous during high volatility in the financial markets or during periods of low investor demand. A negotiated sales is appropriate when market timing is important, the bond type and/or structural features are unusual, bond insurance is not available, or the par amount for the transaction is significantly larger than normal.

Pursuant to this policy the General Manager and/or Chief Financial Officer is hereby authorized to sign the bond purchase agreement on behalf of the District fixing the interest rates on bonds sold on a negotiated basis.

3. Private Placement. A private placement is a sale that is structured specifically for one purchaser such as a commercial bank. A direct purchase agreement or revolving credit facility is a form of private placement. Such placement shall be considered if this method is likely to result in a cost savings, more attractive terms and conditions to the District, or both relative to other methods of debt issuance.

CONSULTANTS

The District shall generally select its primary consultant(s) by a competitive qualifications-based process through Request for Proposals.

1. Financial Advisor. The District shall utilize a financial advisor to assist in its debt issuance and debt administration process. The financial advisor will advise the District on refunding opportunities for current outstanding debt, and determine the most appropriate structure to ensure effective pricing that meets the District's near-term and long-term cash flow needs. The financial advisor will work with all parties involved in the financing transaction, including the District's bond counsel, trustee, underwriters, and credit liquidity providers, to develop and monitor the financing schedule and preparation of the Official Statement. The financial advisor may assist the District in developing and distributing bid specifications for desired services and assist the District in its review process. The District also expects that its financial advisor will provide objective advice and analysis, maintain confidentiality of the District's financial plans and be free from any conflict of interest.

   Selection of the District's financial advisor(s) shall be based on, but not limited to, the following criteria: (a) experience in providing consulting services, (b) knowledge and experience in structuring and analyzing issues, (c) experience and reputation of assigned personnel, and (d) fees and expenses.

2. Bond Counsel. Transaction documentation for debt issues shall include a written opinion by legal counsel affirming that the District is authorized to issue the proposed debt, that the District has met all constitutional and statutory requirements necessary for issuance, and a determination of the proposed debt's federal income tax status. The approving opinion and other documents relating to the issuance of debt will be prepared by counsel experienced in public finance and tax issues.

3. Disclosure Counsel. When undertaking a bond sale, disclosure counsel may be retained to prepare the official statement if additional independence or expertise is needed. Disclosure counsel will be responsible for ensuring that the official statement complies with all applicable rules, regulations and guidelines. The official statement and other

documents related to disclosure will be prepared by counsel experienced in public finance.

4. Underwriter. The District shall have the right to select a senior manager and co-managers for a proposed negotiated sale. The District may establish a pool of eligible underwriters, or select firms on an as-needed basis. The criteria for selection as reflected in the Request for Proposals (RFP) or Request for Qualifications (RFQ) shall include but not be limited to i) the firm's ability and experience in managing similar transactions, ii) prior knowledge and experience with the District, iii) the firm's willingness to risk capital and demonstration of such risk, iv) the firm's ability to sell bonds, v) quality and experience of personnel assigned to the District's engagement, and vi) the financing plan presented.

    a. Underwriter's Discount. The District will evaluate the proposed underwriter's discount against comparable issues in the market. If there are multiple underwriters in the transaction, the District will determine the allocation of fees with respect to any management fee. The determination will be based upon participation in the structuring phase of the transaction. All fees and allocation of the management fee will be determined or reasonably estimated and approved by the District prior to the sale date. The senior manager will submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.

    b. Evaluation of Financing Team Performance. The District will evaluate each bond sale after its completion to assess the following: cost of issuance including underwriters' compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credits.

    c. Syndicate Policies. For each negotiated transaction, the senior manager will prepare, and the District will approve, syndicate policies that will describe the designation policies governing the upcoming sale.

    d. Designation Policies. To encourage the pre-marketing efforts of each member of the underwriting team, order for the District's bonds will be net designated, unless otherwise expressly stated. The District shall require the senior manager to:

        i. Equitably allocate bonds to other managers and the selling group.

        ii. Comply with MSRB regulations governing the priority of order and allocations.

        iii. Within 10 working days after the sale date, submit to the Chief Financial Officer a detail of orders, allocations and other relevant information pertaining to the District's sale.

    e. Selling Groups. The District may establish selling groups in certain transactions. To the extent that selling groups are used, the Chief Financial Officer at his or her discretion, may make appointments to selling groups from within the pool of underwriters or from outside the pool, as the transaction dictates.

5. Underwriter Counsel. In any negotiated sale of District debt in which legal counsel is required to represent the underwriter, the lead underwriter will make the appointment, subject to District approval.

6. Conflict of Interest Disclosure by Financing Team Members. All financing team members will be required to provide full and complete disclosure, relative to agreements with other financing team members and outside parties. The extent of disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements will be permitted which could compromise the firm's ability to provide independent advice that is solely in the District's interests or which could reasonably be perceived as a conflict of interest.

RATING AGENCIES

The General Manager and the Chief Financial Officer will be responsible for maintaining the District's relationships with Moody's Investors Service, Standard & Poor's and Fitch. The District may, from time-to-time, choose to deal with only one or two of these agencies as circumstances dictate. In addition to general communication, the General Manager and the Chief Financial Officer may: (1) meet with credit analysts at least once each fiscal year, or (2) prior to each competitive or negotiated sale, offer conference calls with agency analysts in connection with the planned sale. The Chief Financial Officer in consultation with the District's financial advisor shall be responsible for determining whether a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.

The Chief Financial Officer shall report to the Board of Directors feedback from rating agencies and/or investors regarding the District's financial strengths and weaknesses and recommendations for addressing any weaknesses.

INTERNAL CONTROL PROCEDURES

When issuing debt, in addition to complying with the terms of this Debt Policy, the District shall comply with any other applicable policies regarding initial bond disclosure, disclosure, post-issuance compliance, and investment of bond proceeds.

The District will periodically review the requirements of and will remain in compliance with the following:

- Any continuing disclosure undertakings under SEC Rule 15c2-12,
- Any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and
- The District's investment policies as they relate to the investment of bond proceeds.

To ensure that bond proceeds are spent for their intended purposes, the Finance Department shall be responsible for undertaking a review of expenditures for each bond issue to determine that bond proceeds were in fact spent in the manner detailed in the bond documents on the date of issuance. If bond proceeds were spent in a manner different than as set forth on the date of issuance (for example, because of substitution projects or change in scope of expected projects), the Chief Financial Officer, with the assistance of the District's bond counsel, if necessary, will review the new expenditures to verify that expenditure of the bond proceeds is otherwise permitted to be financed. All projects being funded with bond proceeds shall be

designated as such and included in the District's annual Capital Improvement Plan as approved or amended by the Board. The Finance Department shall maintain books and records of information showing how bond proceeds are spent, including the following:

- Requisitions to the bond trustee from the project fund
- Bond trustee records relating to other funds and accounts
- Verifiable information showing payments to third parties
- An accounting of all bond proceeds spent by approved capital project

INVESTMENT OF BOND PROCEEDS

Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the District will submit written requisitions for such proceeds. The District will submit a requisition only after obtaining the signature of the General Manager or Chief Financial Officer of the District. In those cases where it is not reasonably possible for the proceeds of debt to be held by a third-party trustee, the Chief Financial Officer of the District shall retain records of all expenditures of proceeds through the final payment date for the debt.

Proceeds from refundings will be held at the escrow agent and spent in accordance with the associated defeasance schedule outlined in the escrow agreement. The District will not have access to these funds.

When bonds are issued, proceeds are deposited in various accounts, such as a construction fund, debt service fund and debt service reserve fund. Monies deposited in these funds are invested until needed. The investment strategy for each fund depends on federal/state statutes and regulations governing the types of instruments permitted to be used, the yield goals for the fund, requirements from rating agencies or credit enhancement providers, and the anticipated drawdown of bond proceeds.

The primary objectives for the investment activities of these funds will mirror that of the District's Investment Policy, in order of priority, of safety, liquidity and yield. The investment of bond proceeds will be made in a manner that ensures legal and regulatory requirements are met, fair market value bids and offers are received and objectives for the uses of proceeds are attained. An evaluation will be conducted of investment alternatives including individual securities or a portfolio of securities, investment agreements and mutual or pooled investment funds.

Investments will be permitted for bond proceeds as defined in the bond indenture document which will list an array of allowable options such as nonmarketable U.S. Treasury securities sold to state and local governments (SLGS), the Local Agency Investment Fund (LAIF) and various other investment alternatives as allowed in the California Government Code with the goal of earning the maximum arbitrage yield.

The District will fully comply with federal arbitrage and rebate regulations**.** Existing regulations require that issuers calculate annual rebates, if any, related to each bond issue, with rebate, if due, paid every five years. Therefore, the Chief Financial Officer shall ensure that proceeds and investments are tracked in a manner which facilitates accurate calculation, that calculations are completed, and rebates, if any, are made in a timely manner.

DISCLOSURE & RECORDS RETENTION

1. Review and Approval of Official Statements. The Chief Financial Officer shall review any Official Statement prepared in connection with any debt issuance by the District in order to ensure there are no misstatements or omissions of material information in any sections that contain description of information prepared by the District. The District may consult with third parties, including outside professionals assisting the District, to the extent that the Chief Financial Officer concludes they should be consulted so that the Official Statement will include all material information (as defined for purposes of federal securities law).

2. Board approval of all Official Statements is required. The Board shall undertake such review as deemed necessary by the Board, following consultation with the Chief Financial Officer, to fulfill the Board's responsibilities under applicable federal and state securities laws. In this regard, the Chief Financial Officer shall consult with the District's disclosure counsel to the extent the Chief Financial Officer considers appropriate.

3. Continuing Disclosure. It is the District's policy to remain in compliance with SEC Rule 15c2-12, Municipal Securities Disclosure, by filing our annual financial statements and other financial information for the benefit of our bondholders no later than the last day of the seventh month following the close of the fiscal year and file material event notices in a timely manner. The Chief Financial Officer shall be responsible for providing ongoing disclosure information to the Municipal Securities Rulemaking Board's (MSRB's) Electronic Municipal Market Access (EMMA) system, the central depository designated by the Securities and Exchange Commission for ongoing disclosure by municipal issuers.

4. Records Retention. The District will maintain all debt-related records according to the District's Records Management Retention and Destruction Policy and the repository will include all official statements, bid documents, ordinances, indentures, trustee reports, etc. for all District debt. To the extent that official transcripts incorporate these documents, possession of a transcript will suffice (transcripts may be hard copy or stored electronically). The District will collect all available documentation for outstanding debt and will maintain a standard procedure for archiving transcripts for any new debt. The District has established internal controls to ensure compliance with the Debt Policy, all debt covenants and any applicable requirements of state and federal law.

COMPLIANCE WITH OTHER BOND COVENANTS

In addition to financial disclosure and arbitrage, the District is also responsible for verifying compliance with all undertakings, covenants, and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriation of revenues to meet debt service payments
- Taxes/fees are levied and collected where applicable
- Timely transfer of debt service payments to the trustee
- Compliance with insurance requirements
- Compliance with rate covenants

The District shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of the bond offering. The Chief Financial Officer will coordinate verification and monitoring of covenant compliance.

ETHICS AND CONFLICTS OF INTEREST

Employees and Board Members of the District involved in the debt management program will not engage in any personal business activities that could conflict with proper and lawful execution of securing capital financing.

GLOSSARY

Arbitrage. The difference between the interest paid on the tax-exempt securities and the interest earned by investing the security proceeds in higher-yielding taxable securities. IRS regulations govern arbitrage on the proceeds from issuance of municipal securities.

Balloon Maturity. A later maturity within an issue of bonds which contains a disproportionately large percentage of the principal amount of the original issue.

Bond Anticipation Notes (BANs). Notes issued by the government unit, usually for capital projects, which are paid from the proceeds of the issuance of long term bonds.

Bullet Maturity. A maturity for which there are no sinking fund payments prior to the stated maturity date.

Call Provisions. The terms of the bond contract giving the issuer the right to redeem all or a portion of an outstanding issue of bonds prior to their stated dates of maturity at a specific price, usually at or above par.

Capitalized Interest. A portion of the proceeds of an issue which is set aside to pay interest on the securities for a specific period of time. Interest is commonly capitalized for the construction period of the project.

Certificates of Participation (COP). A bond from an issue, which is secured by lease payments made by the party leasing the facilities, financed by the issue. Typically certificates of participation ("COPs") are used to finance construction of facilities (i.e., schools or office buildings) used by a state or municipality, which leases the facilities from a financing authority. Often the leasing municipality is legally obligated to appropriate moneys from its general tax revenues to make lease payments.

Commercial Paper. Very short-term, unsecured promissory notes issued in either registered or bearer form, and usually backed by a line of credit with a bank.

Competitive Sale. A sale of securities by an issuer in which underwriters or syndicate of underwriters submit sealed bids to purchase the securities in contrast to a negotiated sale.

Continuing Disclosure. The principle that accurate and complete information material to the transaction which potential investors would be likely to consider material in making investment decisions with respect to the securities be made available on an ongoing basis.

Credit Enhancement. Credit support purchased by the issuer to raise the credit rating of the issue. The most common credit enhancements consist of bond insurance, direct or standby letters of credit, and lines of credit.

Debt Service Reserve Fund. The fund in which moneys are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements.

Deep Discount Bonds. Bonds which are priced for sale at a substantial discount from their face or par value.

Derivatives. A financial product whose value is derived from some underlying asset value.

Designation Policies. Outline of how an investor's order is filled when a maturity is oversubscribed when there is an underwriting syndicate. The senior managing underwriter and issuer decide how the bonds will be allocated among the syndicate. There are three primary classifications of orders, which form the designation policy.

The highest priority is given to Group Net orders; the next priority is given to Net Designated orders and Member orders are given the lowest priority.

Escrow. A fund established to hold moneys pledged and to be used to pay debt service on an outstanding issue.

Expenses. Compensates senior managers for out-of-pocket expenses including: underwriters' counsel, DTC charges, travel, syndicate expenses, dealer fees, overtime expenses, communication expenses, computer time and postage.

Lease-Purchase. A financing lease which may be sold publicly to finance capital equipment, real property acquisition or construction. The lease may be resold as certificates of participation or lease revenue bonds.

Letters of Credit. A bank credit facility wherein the bank agrees to lend a specified amount of funds for a limited term.

Management Fee. The fixed percentage of the gross spread which is paid to the managing underwriter for the structuring phase of a transaction.

Members. Underwriters in a syndicate other than the senior underwriter.

Negotiated Sale. A method of sale in which the issuer chooses one underwriter to negotiate terms pursuant to which such underwriter will purchase and market the bonds.

Original Issue Discount. The amount by which the original par amount of an issue exceeds its public offering price at the time it is originally offered to an investor.

Overlapping Debt. That portion of the debt of other governmental units for which residents of a particular municipality are responsible.

Present Value. The current value of a future cash flow.

Private Placement. The original placement of an issue with one or more investors as opposed

to being publicly offered or sold.

Rebate. A requirement imposed by Tax Reform Act of 1986 whereby the issuer of the bonds must pay the IRS an amount equal to its profit earned from investment of bond proceeds at a yield above the bond yield calculated pursuant to the IRS code together with all income earned on the accumulated profit pending payment.

Selling Groups. The group of securities dealers who participate in an offering not as underwriters but rather who receive securities less the selling concession from the managing underwriter for distribution at the public offering price.

Special Assessments. Fees imposed against properties, which have received a special benefit by the construction of public improvements such as water, sewer and irrigation.

Syndicate Policies. The contractual obligations placed on the underwriting group relating to distribution, price limitations and market transactions.

Tax Increment. A portion of property tax revenue received by an agency, which is attributable to the increase in assessed valuation since adoption of the project area plan.

Underwriter. A dealer that purchases new issues of municipal securities from the Issuer and resells them to investors.

Underwriter's Discount. The difference between the price at which bonds are bought by the Underwriter from the Issuer and the price at which they are reoffered to investors.

Variable Rate Debt. An interest rate on a security, which changes at intervals according to an index or a formula or other standard of measurement, as stated in the bond contract.

DISPOSITION OF SURPLUS ASSETS POLICY

Effective July 1, 2019

PURPOSE

The purpose of this policy is to provide guidelines for the efficient and cost effective disposal of United Water Conservation District (District) surplus property in a manner consistent with the best interest of the District.

SCOPE

This policy applies to all District personal property that has been deemed surplus, meaning that it has no value or useful purpose to District operations. This policy does not apply to real property.

DEFINITIONS

Within the context of this policy, the following definitions apply:

- Personal Property – An asset held in the name of the District, including but not limited to equipment, furniture, vehicles, disposables, consumables and other movable assets.

- Disposal – The sale, trade, donation, destruction, scrap, recycle or waste disposal.

- Surplus Property – Regardless of cause, property that no longer has a value or useful purpose for District operations. Property may be declared surplus if the cost to maintain it and/or repair it to a safe and operable condition is deemed not to be cost effective by the General Manager.

- Trade-In – A credit or deduction received for property that is being replaced.

- Real Property – Real estate, building, or other property.

DETERMINATION OF SURPLUS PROPERTY

1. The appropriate department manager will declare an item as surplus and will recommend an appropriate method of disposal consistent with the provisions of this policy.

2. The appropriate department manager will notify the Finance Division of the identification of surplus property no less than annually and provide detailed information.

REUTILIZATION (TRANSFER) OF SURPLUS GOODS

1. If surplus property from a department does not pose a health or safety risk and is economical to maintain, it may be transferred for use by another District department. The department manager releasing the surplus property must notify the Finance Division and provide information about the property prior to the transfer. The Finance Division will record the transfer of property to the new department and associated fund(s).
2. Careful consideration should be given to the transfer of surplus vehicles. If the surplus vehicle is unsafe or not economical to maintain in a safe condition, it should

not be transferred but disposed of in a more appropriate manner as provided by this policy. Transfers of a surplus vehicle to another department must be approved by the General Manager in advance.

DISPOSAL OF SURPLUS

A. If surplus property has some economic value, it may be disposed of using one of the following methods:

1. Trade-In - If the item is being replaced and it is determined to have reasonable trade-in value and it is in the best interest of the District to trade-in the property to receive credit or price deduction against the purchase price of replacement item, then the surplus property should be disposed as a trade-in. This is most often applicable for vehicles.

2. Public Sale (Auction) - District surplus property may be disposed of through a public auction conducted either by a private vendor using a public bidding process or by the District using its in-house resources in a public process. The auction process will include announcement in a local daily newspaper and on the District's website. Bidders will have an opportunity to view the surplus property to be auctioned and will be required to submit sealed bid price proposals. The proposals will be opened by two employees from the Finance Division and tabulated. The tabulation will be reviewed by the CFO or designee. The results will be provided to the District's Chief Financial Officer for final approval and recommendation. The recommendation will be to award to the highest qualified bidder. Upon receipt of payment from the bidder (buyer), the Finance Division will transfer title of the item, if appropriate, and sign a letter of sale. All surplus property will be sold "as is" and the buyer will be required to release the District from all liability. District employees are not eligible to bid on District surplus property.

3. If the only economic value of surplus property is in its parts, the property can be disassembled and sold for scrap or to a recycler.

4. In the event that the District is disposing of surplus property that has value only for a very specific purpose or user, the General Manager is authorized to approve a sales arrangement that does not involve a public solicitation process.

B. Surplus property that has no economic value may be disposed of using one of the following method:

1. Surplus property that cannot be sold or donated can be given to a scrap service or recycler for no payment to the District by the vendor or at cost to the District if this is the most economically effective disposal method.

2. Surplus property that has been determined to have no cash or scrap value can be disposed of as trash following proper and legal solid waste disposal practices. Hazardous substances should be disposed of using appropriate hazardous waste disposal methods.

C. Other

1. The General Manager may approve the donation of surplus property to a charitable or non-profit organization if doing so is the most cost effective method of disposal. This is often applicable to computer equipment.

BOARD AUTHORIZATION

The Board will review this policy annually with all other policies. By approval of this policy, the Board authorizes staff to dispose of surplus assets in accordance with this policy.

INTERNAL CONTROLS

The Finance Division will maintain a listing of District surplus assets and all capital assets at original cost.

EMPLOYEE RECOGNITION POLICY

Effective July 1, 2019

POLICY STATEMENT

The effectiveness of any organization rests largely with the productivity and efficiency of its employees. Furthermore, a correlation exists between a high level of employee morale and a highly productive workforce. In recognition of these factors and acknowledging employees as our greatest asset, the District policy establishes recognition programs, activities and events that work to bolster morale, teamwork and productivity in the workplace. The purpose of this policy is to provide a formalized structure within which such programs, activities and events will be administered.

PROGRAM GUIDELINES

All District recognition programs shall be administered by the Administrative Services Department and shall extend to all employees. Programs shall include recognition awards, employee gatherings, educational and enrichment forums, and celebrations. Examples of which, are described as follows:

- All Hands Meetings - recognition activity and information sharing for all employees in attendance;
- Lunch & Learns - optional topical enrichment and education programs for employees over the lunch hour;
- Years of Service Awards - pins, framed certificates, mounted awards and gift cards for employees achieving milestones with the District:

5 Years of Service:	Award not to exceed $25.00
10 Years of Service:	Award not to exceed $50.00
15 Years of Service:	Award not to exceed $75.00
20 Years of Service:	Award not to exceed $100.00
25 Years of Service:	Award not to exceed $125.00
30 Years and Beyond:	Award not to exceed $150.00

- Employee Appreciation or Recognition Events - lunches or similar activities aimed at recognizing and celebrating District accomplishments; and
- Recognized Holiday celebrations, events, competitions and rewards.

The Board of Directors empowers and authorizes the General Manager and his/her designee to establish, implement and fund future recognition programs and activities, subject to the following criteria:

- That programs must recognize and appreciate staff and support the goal of attracting and retaining employees;

- That programs must be available to all employees equally; and

- That the total funds budgeted for all such programs shall be approved by the Board of Directors as part of the budget adoption process.

Existing Program Implementation

Employee Retirement Recognition

Regular competitive service (full and part time) and management employees with five or more years (60 plus months) of full-time service will receive a retirement recognition gift. For this full-time calculation, unpaid leave of absence time will not be included and regular part-time hours will be converted to equivalent full-time years with the District. There is no cash value for this retirement benefit if the employee elects to not receive a retirement gift. The dollar limits for the gift will be based on completed full-time equivalent service time with the District. Employees retiring upon completing five years of service will be entitled to a gift with a value of $200.00. For each full year of service thereafter, the value of the retirement gift will increase $25.00 with a final not-to-exceed amount of $600.00.

The employee retirement program applies to employees who are retiring from the California Public Employee Retirement System (CalPERS).

Recognition of Elected Officer Service Program

Elected officials, having served eight consecutive years or more in office, will receive a recognition gift not to exceed $200.00 when they leave office. There is no cash value for this gift if the elected official elects to not receive a gift.

ENGINEERING PROJECTS ADMINISTRATION POLICY

Effective July 1, 2019

This is written to document the policies that have been successfully implemented. The policies are meant to be flexible, allowing for the strategic exploitation of opportunities as they may arise.

POLICY GOALS

To the extent possible:

A. Obtain the long-term best value for the public's resources.

B. Adhere to an objective decision-making process utilizing documented procedures.

C. Provide fair competition for District work.

DESIGN

A. In designing improvements, attempt to achieve the following objectives:

The features designed should:

1) Be safe to construct and operate;
2) Achieve the highest economy;
3) Provide maximum operational simplicity and flexibility;
4) Utilize redundancy where appropriate;
5) Utilize industry standards where appropriate; and
6) Incorporate those components for which service and parts may be expected to remain readily available in the future.

B. Design responsibility rests with engineering staff. Design shall be performed in-house to the fullest extent possible. Outside consultants are to be utilized when the schedule, scale or scope of a project exceeds the available in-house capabilities. The use of outside consultants is encouraged for design or peer-review of specialty components of a particular project, such as electrical, geotechnical, or complex structural, mechanical and hydraulic items.

C. Engineering Drawings should be plotted on either "11x17" or "22x34" sheets. Final Record Drawings are logged in the drawing log and filed in the central drawing files. Backup documentation including calculations, specs, permits, survey data, approved submittals, etc., is organized and placed in appropriately labeled folders and filed in the project drawers in the Engineering Department. One copy of the specifications should also be filed sequentially on the spec shelf.

CONSULTANT SELECTION

A. For small (under $75,000), short-term (less than 6-months) or time-critical projects any of the professional firms with Ventura County offices are encouraged to be employed. The Department should maintain relationships with appropriate firms that can be called upon for prompt services. A list of recently employed firms should be maintained for these projects.

B. For larger one-time capital projects (with Engineering Fees expected to be greater than $75,000), specialized studies and similar matters, consultants should be selected in accordance with the "mini-Brooks Act" (reference Government Code Sec. 4526-4529). The mini-Brooks Act requires that we select specific design professionals through a process known as Qualification Based Selection (QBS).

The QBS process is accomplished through the following steps:

1. Write a detailed "Request for Proposals" and transmit to a list of appropriate firms. The proposal's fee schedule may be requested, but if a project estimate is desired, require that it be included only in a separate sealed envelope.

2. Select a review panel of no fewer than two and no more than four. If outside individuals are to participate on a panel, they should have no financial interest in the outcome and if privately employed they should be willing to sign a non-collusion affidavit.

3. Create a table in which specific responses are to be graded with appropriate weighting factors. DO NOT SHARE THE FINAL TABLE WITH ANYONE OUTSIDE THE REVIEW PANEL.

4. Each panel member rates each proposal's merits on the rating table. The weighting factors are multiplied and the products summed to yield ranking values, which are then compared.

5. The top 2 to 4 firms are interviewed by the review panel.

6. A second table is used for rating and ranking the interview responses.

7. If requested, the pricing envelope for the interviewed firm(s) may be opened and reviewed.

8. Begin negotiation for a professional services agreement with the highest ranked firm. If agreement is not reached, begin negotiations with second highest ranked firm and so on.

PROFESSIONAL SERVICES AGREEMENT

A standardized agreement is utilized. A template can be found on the District's computer network. The standard agreement was created in-house and reviewed and approved by the District's Legal Counsel and should not be modified without additional legal review of the proposed change(s). This standard is used for all professional services, not just for design engineering. The use of a consistent format for administrating services greatly simplifies the administration of multiple contracts. It is recommended that staff copy the template into their project folders and begin modifications there to avoid writing over the template.

The agreement is a capped time-and-materials contract. Each specific agreement requires modification to the firm's name, address and type of business, the District's contact person, the not-to-exceed cap as well as to the four attached exhibits. These exhibits detail the scope of services (Exhibit A), the fee schedule(s) to be used (Exhibit B), the time of delivery schedule(s) (Exhibit C), and insurance requirements (Exhibit D).

Beginning in 2010, several consultants have complained about portions of our standard agreement's indemnification language. Legal Counsel believes the existing language fully conforms to California law. This issue was presented at both committee level and to the full Board of Directors. The Board of Directors affirmed the existing language, but recognized that occasion may merit modification. They asked that staff present to the Board the reason(s) for any proposed modification to the indemnification language, when authority to execute the agreement is sought. Reasons for proposing language modification can include times where hiring only a specific consultant is warranted, or when the risk associated with any type of error or omission is low.

Administration of professional service agreements includes checking that each billing shows the actual hours worked by each class of consultant as well as division of incidental costs in compliance with Exhibit B. United's administrator should also track overall time and costs relative to the schedule provided in Exhibit C.

Consultants that run over budget need to submit written requests for extra compensation. Clear justification for the expense should be included. The District has full discretion to approve/disapprove such requests. Approval authority will be determined by the total contract value including amendments.

EQUIPMENT SUPPLY CONTRACTS

Often, economy dictates that specific items of equipment be purchased separately from installation construction contract(s). It is difficult to acquire the best equipment by competitive bidding. In other words, the lowest purchase price equipment is often not the most economical.

When purchasing major equipment, proposals rather than bids are solicited from potential suppliers. The proposals are then ranked according to predetermined criteria. Typical ranking criteria include cost, operability, durability, efficiency, schedule of delivery, ease of installation, availability of parts and location of fabrication / assembly. The last criterion relates to the District's preference for U.S. made equipment. Unless other significant criteria cannot be met, the purchase of American equipment is recommended.

The District has utilized a standard equipment supply contract for equipment purchases over $40,000. The format has proven awkward and a replacement standard is being developed. In the interim, staff should request a draft agreement from the selected vendor and negotiate an acceptable document while consulting with our legal counsel.

CONSTRUCTION CONTRACTS

Jobs expected to exceed $40,000, the District's standard construction contract shall be used. The contract is divided into seven sections: 1) Notice, 2) Instructions, 3) Proposal, 4) Agreement, 5) General Provisions, 6) Special Provisions and 7) Technical Provisions.

Sections 1, 2, 3, 6 & 7 are typically modified prior to bidding each specific job. Section 4 is filled-in after award for a specific contractor, while section 5 was reviewed by our legal counsel and should not be changed without prior legal review.

Section 6, Special Provisions are created for each specific job and contains time requirements, liquidated damages amounts, documentary requirements, general work rules and the like. Section 7 is written to contain minimum material and construction specifications as well as the details for measurement and payment of each bid item.

GRANT COMPLIANCE

Grant-required language will be incorporated in bid documents, professional services agreements, equipment supply contracts and construction contracts as needed. District contracts will provide language required to be in all subcontracts and disclosure of any audit requirement.

PREVAILING WAGES

State Law requires that contractors pay their workers "prevailing wages" when a project is a "public work". The meaning of "public works" is defined in the California Labor Code Section 1720-1743. Therefore, the district will affirmatively state in all "public works" contracts over $1,000 that contractors are required to pay their workers "prevailing wages".

CONSTRUCTION ADMINISTRATION

A. Much of the District's construction is administered by the Engineering Department. The Department goals in Construction Management (CM) are as follows:

1. Complete a safe, accident-free project.

2. Acquire the quality required by the design.

3. Eliminate cost increases.

4. Complete work in a timely manner.

B. The Department has had good success meeting these goals by generally following these principles:

1. Keep the District Administration informed of construction progress and promptly report any potential problems to the Department Manager for consultation with the General Manager.

2. Never direct the methods of construction. The finished product is the District's concern, not the specifics of how it is done.

3. If a safety problem is evident, direct the Contractor to rectify the problem immediately. Should he assert that we are stopping his work, remind him that safety items are part of his work and should have been part of the bid.

4. Be fair with general time claims. Liquidated damages are difficult to assert if the quality and costs of the job are satisfactory and the Contractor proceeded with diligence. Be firm with specific time issues ahead of the work, especially regarding service outages to our facilities.

5. Assist the Contractor wherever appropriate. Be especially prompt in processing paperwork. Submittal review and tracking, pay request processing, and the keeping of a good construction record assist the project and provide reference for future analyses.

C. The fundamental sequence of our typical construction project administration is as follows:

1. Bidding (Public Bidding is recommended for Projects not involving critical infrastructure (security information) and estimated over $40,000).

    a. Advertise: Draft Notice for publication in the Ventura County Star & give to Clerk of the UWCD Board.

    b. Bid Package Distribution: Each plan set is numbered and accounted for. Determine a fair price for each set. Finance Division sells the packages and tracks the plan holders.

    c. Addenda Issuance: Make sure each set of plans receives an addendum. Fax addenda are acceptable. Follow up faxed copies with a telephone call. The bidders are to acknowledge any addenda in their bid.

    d. Public Bid Opening: The preferred schedule is 2:00 PM on Tue., Wed., or Thur. The front desk will accept sealed bids until the scheduled time. A Department representative should be at the front desk to announce the exact closing time. The sealed bids are taken together to the meeting area.

        i. Engineer's Estimate: Provide this information prior to opening bids. If the lowest bids are more than 15% above or below estimate, ascertain the reasons for the discrepancy and include in the staff recommendation for the Board's decision.

        ii. Bid reading: Open each envelope, scan for completeness, state and log the bidder's names and the appropriate bid amount(s).

        iii. Bid Bonds: Must be attached. Declare the presence of the bond during the opening.

        iv. Bid Information / Subcontractor listing: This can be verbally shared with the other bidders after opening all bids. Copies of bid documents are provided should they be requested in writing.

        v. Apparent Low Bid: Always refer to the bidder with the lowest dollar amount by this term. There may be inconsistencies with the bid package that are not apparent until a detailed review is performed.

        vi. Waiver of Irregularities: This is complicated and can have specific timing and wording requirements. Refer to Acret Calif. Construction Law Manual and discuss with Legal Counsel.

Projects involving critical infrastructure (especially certain features of Santa Felicia Dam) should also include a modified section 1) Notice which references an additional document named, "Confidential and Proprietary Information Protection Agreement." This agreement is to be signed by any prospective bidder prior to receiving bid documents containing information of a secure nature. In order to limit the number of copies of secure bid documents, staff may limit the number of bidders on critical infrastructure projects to invited firms.

2. Award / Rejection: Prepare a staff report recommending the Board to authorize the General Manager to execute the construction contract for the amounts specified, or reject all bids and direct staff to reconsider project specifics.

3. Contract Execution: Receive, review and check dollar amounts and Best ratings of all insurance and bond documents. These shall include Payment Bond, Performance Bond, Liability Insurance and Worker's Compensation Insurance as specified in the bid documents. Have the contractor sign the agreement documents and submit for the execution by the General Manager's signature.

4. Contract Administration

    a. Pre-construction Meeting: Create an agenda to include schedule, testing, etc. Take and publish minutes for all parties.

    b. Notice to Proceed: This document must be issued prior to mobilization onto District right of way. The notice's date starts the time clock for the construction period.

    c. Preliminary Notices: Subcontractors will submit these to maintain their lien rights for work performed on the property. Legally, contractors cannot lien public property, however subs can file claim against the District and are entitled to fair payment. Accordingly, all preliminary notices should be logged in for later use. (see "release of retention" below)

    d. Construction Observation: The Department representative assures that a daily construction progress log is kept that includes activities, key conversations and the weather conditions. Inspections should be scheduled promptly. It is often best to spend extra observation / testing effort at the start of any specific activity. The Contractor's work force then understands what quality is acceptable.

    e. Pay Requests: The Department representative should estimate on the 25th of each month the degree of completion (or units) that is expected to be complete by the 1st of the next month. The bill is then submitted to the Finance Division for each pay cycle. Checks are usually cut prior to the 10th of the next month. Assure that each bill accurately depicts the status of the construction under contract, showing all change orders, liquidated damages, retainages, etc. If the Contractor desires the retainage (5%) to be held in escrow, he should request so in writing and the Finance Division will set up the account.

    f. Submittals: These should be reviewed and returned promptly. Log and track submittals on an appropriate form. Always have the appropriate O&M staff member review the specific items of mechanical or electrical equipment that will be operated or periodically maintained by O&M staff.

    g. Record Drawings / O&M Manual: The Contractor is to keep an active set of drawings with as-built changes marked thereon. These and three sets of binders containing all approved submittals should be provided during start-up and prior to issuing the Notice of Completion.

h. The General Manager is authorized to approve change orders in accordance with the District’s Procurement Policy.

h. Notice of Completion: Department representative shall complete our standard form and file a copy with the County Recorder's Office. The date of recordation starts a 35-calendar day period for release of retention. It also starts a 1-year period in which the performance bond remains in effect to secure the contractor's warranties.

i. Release of Retention: The contractor shall be required to submit Unconditional Waivers from each subcontractor that filed a preliminary notice. If there are any missing or if conditional waivers are submitted, contact the subs, ascertain the amount owed and request written authorization to release retention from the Payment Bond Surety.

ENVIRONMENTAL ACTIVITY COST ALLOCATION POLICY

Effective July 1, 2019

PURPOSE

The purpose of this policy is to provide direction on how activities associated with the District's efforts to comply with the federal Endangered Species Act (ESA) and miscellaneous environmental mandates (environmental activities) are funded. This policy will be used by staff to charge direct and indirect costs related to ESA and miscellaneous environmental compliance requirements.

SCOPE

This policy applies to direct and indirect costs associated with the District's ESA and miscellaneous environmental compliance requirements. The revisions incorporated in the policy in FY 2014-15 address changes in the scope of the Habitat Conservation Plan (HCP) that had originally included up-river activities but are now primarily limited to activities at the Freeman Diversion and below the Freeman. The policy may be revised in the future as the nature and impacts of ESA compliance requirements change or become better known to the District.

BACKGROUND

The District must ensure that its activities are in compliance with all applicable federal, state, and local environmental laws and regulations. Non-compliance with environmental laws and regulations can impact the District's ability to carry out its groundwater conservation mission. To achieve compliance, the District established its environmental program in FY 2011-12. The program has specific components that require policy guidelines by the Board of Directors concerning the allocation of costs to the zones established by the Board, in conjunction with the levying of groundwater charges. The majority of the environmental program is centered on compliance with the federal ESA. In 1997, the southern California steelhead was listed as endangered under the ESA. This resulted in the District needing to ensure that its current and future activities, including the operations of the Santa Felicia Project and the Freeman Diversion, are in compliance with the ESA. To do this, the District is faced with, among other things, making operational changes at both facilities, developing and implementing numerous studies, and modifying the facilities and habitat for the benefit of steelhead. In addition to southern California steelhead, the District's activities could potentially affect other sensitive species and habitats that are protected under various federal, state, and local laws and regulations. Compliance with the ESA and other environmental mandates is and will continue to have fiscal impacts for the District, particularly in the Water Conservation Activities Fund – Zone A (included in the General/Water Conservation Fund) and the Freeman Fund – Zone B.

Water Conservation Activities Fund (Zone A) – The Water Conservation Activities Fund – Zone A, covers expenditures directly related to the District's statutory responsibilities and authorities including, but not limited to, activities, facilities and operations that benefit, or are performed on behalf of, all customers within the District's entire service area. The Water Conservation groundwater extraction charges, water delivery charges and investment earnings are the major funding sources for the Water Conservation Activities Fund and are used primarily to pay for water conservation activities including but not limited to various canals, pipelines and groundwater recharge facilities, engineering services, debt service, Santa Felicia Dam operational and maintenance expenses, groundwater management and capital improvements associated with the Santa Felicia Dam and Piru Diversion. The Water Conservation Fund groundwater extraction charge and the District-wide in lieu of

replenishment (water delivery) charges are collected from customers within the District's Zone A, which encompasses the entire District.

Freeman Fund (Zone B) – The Freeman Fund was established to develop and construct the Freeman Diversion Dam to divert and more efficiently manage surface water from the Santa Clara River. The fund is now used to account for the cost of operating and maintaining the Freeman Diversion, including fish passage facilities and capital improvements. Freeman Fund facilities charges are collected from customers within the District's Zone B. Zone B encompasses those lands within the Oxnard Plain Basin, the Oxnard Forebay Basin, the Pleasant Valley Basin and the West Las Posas Basin within the boundaries of the District. In addition to paying Zone B facilities charges, customers in Zone B also pay the Zone A groundwater extraction charge and District-wide in lieu of replenishment (water delivery) charge.

POLICY

The following is a set of guidelines to be used in determining which environmental activities should be charged to the Water Conservation Activities Fund – Zone A, which should be charged to the Freeman Fund – Zone B, or which, if any, should be shared between the two funds.

The Water Conservation Activities Fund – Zone A: Environmental related activities are to be charged 100% to the Water Conservation Activities Fund when they have a District-wide benefit. For example, the Santa Felicia Project benefits the entire District. The District's efforts to comply with the ESA (section 7) and other environmental mandates for the project are necessary to ensure that the District is able to continue its operations at the facility to deliver water downstream for water conservation purposes. Therefore, all expenses associated with Santa Felicia Dam environmental compliance are charged to the Water Conservation Activities Fund, including legal costs. All other environmental activities with similar District-wide benefits are to be charged entirely to the Water Conservation Activities Fund, including, but not limited to activities involving the Piru Diversion, Piru Groundwater Recharge facility, and Saticoy Groundwater Recharge facility (Saticoy, Noble, Rose, and Ferro basins). Work being conducted on the habitat conservation plan (HCP) in support of operations and maintenance of the Saticoy Groundwater Recharge facility below the Freeman Diversion falls into this category as well and will be charged 100% to the Water Conservation Activities Fund. In addition, all environmental compliance activities associated with undertaking physical improvements and modification to facilities covered here are also charged 100% to the Water Conservation Activities Fund under the specific Capital Improvement Project.

Environmental program administrative activities such as, but not limited to, travel, training, office supplies and equipment, office lease, utilities, Board and Environmental Committee activities, fuel and vehicles and related costs are to be charged entirely to the Water Conservation Activities Fund.

Freeman Fund – Zone B: Activities that have been determined to primarily benefit customers downstream of the Freeman Diversion (Zone B) are to be charged to the Freeman Fund. The primary environmental activities that fall into this category are those associated with the actual physical operation and maintenance of the Freeman Diversion (from the diversion structure to the desilting basin). Currently, most of these activities are focused on efforts to minimize effects of the facility on the migration and passage of steelhead from the estuary to above the Freeman Diversion. Specific activities include monitoring bypass flows, operating the fish ladder and trap, and ensuring that the facility is maintained as needed for steelhead. A subset of activities being undertaken for the HCP is also associated with the

physical operation and maintenance of the Freeman Diversion, including the design and implementation of a new fish passage facility. The District is currently undertaking these activities to help ensure compliance with the ESA. These and any future environmental compliance activities associated with the physical operations and maintenance of the Freeman Diversion, including legal fees associated with the Freeman activities identified above, are charged 100% to the Freeman Fund. In addition, all environmental compliance activities associated with undertaking physical improvements and modification to the Freeman Diversion are also charged 100% to the Freeman Fund under the specific Capital Improvement Project.

POLICY REVIEW

Over time, environmental activities will change, as will the District's operations resulting from the implementation of various federal, state, and local environmental laws and regulations. The cost allocation of certain activities may change as well. As a result, from time to time, this policy will be reviewed by the General Manager to ensure that costs associated with environmental compliance activities are charged to the appropriate fund based on proportional benefit. While exact proportional benefit is difficult to establish, reasonable efforts will be made to spread costs as equitably as is feasible, given certain limitations. When necessary, changes to the policy may be recommended by the General Manager to ensure the integrity of the cost allocation policy and direction set by the Board. The Board will be asked to incorporate the General Manager recommended changes at the time it annually reviews the District's other financial policies in June.

ENVIRONMENTAL ACTIVITIES

The following is a list of environmental compliance activities, updated as of the adoption of this policy, grouped by the fund to which these activities should be charged. This is not meant to be an exhaustive list; however, new activities may be added to the policy to provide better direction to staff. Questions about activities listed or not listed should be directed to the Deputy General Manager for a funding recommendation. The General Manager and/or CFO shall be consulted when necessary.

Water Conservation Activities Fund – Zone A

- ***Santa Felicia Dam FERC License/Biological Opinion Compliance*** – All Santa Felicia Dam FERC License/Biological Opinion compliance activities including, but not limited to: Geomorphology Study Plan, Spoils Management Plan, Arroyo Toad Protection Plan, Herpetological Monitoring Plan, Vegetation and Noxious Weed Plan, Water Release Plan, Ramping Rate and Depth Reduction Plan, Water Release and Ramping Monitoring Plan, Water Release Implementation Plan, Passage Feasibility Study Plan, Habitat Improvement Plan, Adaptive Management (Water Release) Plan, Water Quality Monitoring Plan, Land Resources Management Plan, Santa Felicia Dam and Lake Piru Recreation Area General Maintenance Permit, Passage Feasibility Report, and Passage Criteria for the Implementation Plan.

- ***All Environmental Program Administrative Costs*** – Administrative costs include, but are not limited to, travel, training, utilities, office lease, office supplies and furniture, fuel, legal fees associated with the Santa Felicia Dam and Piru Diversion, office machines, Board and Environmental Committee activities.

- ***Vehicles and Equipment Purchase and Maintenance*** – Purchase and maintenance of environmental program vehicles and field equipment for general use (i.e., data

loggers, flow meters and water quality meters). This excludes field equipment dedicated for use on a project that fits the criteria to be charged either to the Freeman Fund, other Enterprise Funds or special funds..

- ***HCP Activities for Groundwater Recharge Facilities –*** United is undertaking the development of an HCP to obtain a permit for the operation and maintenance of the Saticoy Groundwater Recharge facilities downstream of the Freeman Diversion for several covered species. United must evaluate specific activities (such as driving on roads, disking spreading grounds, flushing water, etc.) and address the effects of the operation and maintenance of the spreading grounds on the covered species and meet the issuance criteria for a take permit. It must also comply with CEQA and obtain a number of other permits (e.g., 404, Streambed Alteration Agreement). This includes legal fees associated with this portion of the HCP.

- ***Capital Improvements*** – Capital improvements to the Santa Felicia Dam and Piru Diversion arising out of environmental activities are charged to the General Fund.

Freeman Fund – Zone B

- ***Smolt Trapping and Relocating*** - Some version of a smolt trap has been in place since the Freeman Diversion was built in 1990. The purpose is to ensure that smolts do not get stuck in the diversion canal during their migration to the ocean. Smolt trapping and relocating was discontinued in 2016 per direction of the NMFS, until such time as the District receives an incidental take permit for operation of the Freeman Diversion facility. Trapping and relocating occurred whenever the District was diverting water during the smolt migration season, and involved checking the trap regularly and relocating animals to appropriate locations. The District collected data on the captures in the smolt trap since it was put in place, and used this data for informing modifications to the operations of the Freeman Diversion to reduce effects on steelhead. The District anticipates resuming smolt trapping and relocation in the future, after the District receives an incidental take permit.

- ***Smolt Trap Maintenance -*** This involves maintaining, repairing, and improving the actual physical structure of the smolt trap.

- ***Didson Monitoring at Freeman Diversion*** - The District purchased this camera in 2009 for use at the Freeman Diversion as another tool for monitoring fish movement at the Freeman. Data is collected continuously around the clock with the Didson camera, resulting in huge data files. These data files require significant data reduction and analysis during and at the end of the migration season. The data collected from this activity will inform the HCP and operations of the current and future fish passage facility. Activities associated with monitoring include determining the appropriate locations and times for placing the camera in the river and carrying out the placement.

- ***Didson Equipment Maintenance*** - Maintenance of the Didson camera, which is used for monitoring as described in the preceding paragraph, is required daily and involves ensuring that the camera is clean of silt and debris and is functioning properly.

- ***Fish Ladder Operations*** - The existing fish ladder has been in place since the Freeman Diversion was built in 1990. Operations have changed over time with the listing of steelhead as endangered under the ESA and throughout the consultation

process with the National Marine Fisheries Service. Operations are designed to minimize effects on steelhead migrating both up and down the Santa Clara River. Ultimately, this ladder will be replaced with a new passage facility with its own operating criteria set out in the HCP.

- ***Fish Ladder Maintenance*** - This involves maintaining, repairing, and improving the actual physical structure of the fish ladder.

- ***Bypass Flow Monitoring*** - This involves a number of activities to assess flows at the Freeman during the steelhead migration season. This information is used to inform adjustments for diversions/releases to ensure that the District is operating in accordance with the prescribed bypass flows for adult steelhead and smolts. The exact monitoring activities may evolve over time, particularly with the completion of the HCP and new fish passage facility.

- ***Video Migration Monitoring Data Management and Analysis*** - The District has been collecting adult steelhead migration data in one form or another since the Freeman Diversion was built in 1990. Prior to the video camera, the District used a physical trap placed in the fish ladder to monitor the use of the ladder. This trap was replaced with the camera with the listing of steelhead under ESA. We have used this data for determining if any steelhead is passing through the ladder. This data is also used to inform the content of the HCP.

- ***Video Migration Monitoring Equipment Maintenance*** - This involves maintaining, repairing, and improving the actual video equipment that is attached to the fish ladder.

- ***Flush and Turnout Stranding Surveys*** - These stranding surveys are done when the District's operations staff determines that a flush or turnout is needed. The purpose is to rescue any steelhead or other target species that may be stranded and move them to a more appropriate location. Fish rescue was discontinued in 2016, as per direction by the NMFS. The District anticipates that fish rescue will be a future activity when the District receives an incidental take permit for the Freeman Diversion.

- ***Annual Migration and Flow Monitoring Report Preparation*** - This is a compilation report of all the data collected each year during the migration season.

- ***HCP Activities for Freeman Diversion*** – United is undertaking the development of an HCP to obtain a permit for the operation and maintenance of the Freeman Diversion for 11 covered species. Among other things, United must evaluate and address the effects of the operation and maintenance of the Freeman Diversion on the covered species and meet the issuance criteria for a take permit. It must also comply with CEQA and obtain a number of other permits (e.g., 404, Streambed Alteration Agreement). This includes legal fees associated with this portion of the HCP.

- ***Design and Implementation of New Fish Passage Facility*** – United is designing and intends to install and operate a new fish passage facility at the Freeman Diversion as a conservation measure under the HCP. Activities include providing input into the design and operation of the facility. It also involves completing environmental compliance including CEQA, ESA (through the HCP), and Clean Water

Act for the construction and operation of the facility. Specifically, this will be charged to the designated Capital Improvement Project. This includes legal fees associated with this portion of the HCP.

- ***Capital Improvements –*** Capital improvements to the Freeman Diversion arising out of environmental activities are charged to the Freeman Fund.

25% Water Conservation Activities Fund (Zone A) – 75% Freeman Fund (Zone B)

- ***Wishtoyo Foundation/Ventura Coastkeeper, and Wishtoyo Foundation et. Al –*** This includes legal fees associated with the complaint before the State Water Resources Control Board and the lawsuit in federal district court, and any other related costs that may arise from these actions.

50% Water Conservation Activities Fund (Zone A) – 50% Freeman Fund (Zone B)

- ***City of Ventura –*** This includes legal fees associated with this complaint and any other related costs that may arise from this action.

BOARD AUTHORIZATION

The Board will review this policy as deemed necessary or annually in conjunction with the District's other financial policies.

EXPENSE POLICY - STAFF

Effective July 1, 2019

SCOPE

This policy applies to District staff that have occasion to incur expenses on behalf of the District, with the exception of executive management (General Manager and Assistant General Managers).

PURPOSE AND GENERAL PROVISIONS

The intent of this policy is to establish equitable standards and achieve reasonably consistent and fair treatment relating to reimbursement of actual and necessary expenses incurred in the service of the District. It is further intended as a guide for both the preparation of expense reports and for approval of such reports. It is also a means of informing all concerned of their privileges and obligations in the use of District funds for travel, education, and other expenses.

The District recognizes that attendance at workshops, seminars, meetings and conferences provides District staff with a vital forum for the exchange of ideas and methods in all areas of governmental administration, for presenting and receiving information, to provide training and professional growth opportunities, and for advocating legislation of benefit to the District. It is the District's policy to reimburse individuals for all actual and necessary expenses incurred while engaged in such activity. Individuals are expected to exercise good judgment in the expenditure of District funds. Items deemed to be of a purely personal nature are not reimbursable.

ADVANCE APPROVAL

Advance Supervisor or Department Manager approval is required for attendance at all training programs, meetings, seminars and conferences, and/or professional growth events.

Advance approval by the Department Manager and General Manager is required for attendance at all training programs, meetings, seminars and conferences, and/or professional growth events beyond Los Angeles and Santa Barbara Counties that require an overnight stay, air travel and/or involves an expense exceeding $500.

ALLOWABLE EXPENSES

A. Travel Expenses

1. Airline or other travel accommodations shall be economy class. Travel arrangements will be made through District staff. Airline travel will be arranged so as to be as cost efficient to District as possible, including early booking to minimize costs. Baggage fees are considered part of the cost of airline travel and are an allowable expense.

   In cases of trips longer than three hours scheduled flight time, tickets may be booked in premium economy class. (eg; Economy Plus on United Airlines, Main Cabin Extra on American, etc.). Where possible, this class should be booked at time of ticket purchase. The District will not pay for upgrades in any other circumstances. When travelling on District business, the work/meeting schedule will take priority over the

travel schedule. As such, opportunities for premium bookings and upgrades may not be available on every trip.

When scheduling flexibility is necessary, a refundable ticket may be purchased.

Travel arrangements and costs for guests are the responsibility of the individual attending and are not considered a District expense.

2. District owned vehicles shall be used by staff assigned a District-owned vehicle or staff that do not receive a mileage allowance, whenever possible when traveling on District business.

3. Personal vehicles may be used if necessary and the staff shall be reimbursed at the standard IRS mileage rate (i.e. $0.58 cents a mile for calendar year 2019), but for a total of no more than the cost of round trip airfare. Mileage is to be calculated via the shortest route between the District worksite or point of origin for staff, whichever is less, to the destination and the return. The owner's/driver's auto insurance is responsible for any damage, accident, etc. incurred. Staff who do not receive a monthly mileage allowance must seek approval from their department manager in advance for use of personal vehicles on District business. Employees must provide the District with evidence of personal auto insurance, including liability insurance, in advance of travel.

4. Mileage reimbursement for staff's use of their personal vehicle shall be from the point of origin to destinations in Southern California, including District offices or facilities, as defined as counties south of and including: Monterey, Kern and Inyo Counties and any other destination involving total round trip mileage equal to or less than such destinations. If the destination is outside these geographic areas (e.g. is in San Francisco, Sacramento, etc.), the individual may elect to drive rather than fly, but shall receive a mileage reimbursement not greater than the cost of a round trip standard economy or coach class airline ticket to that destination.
5. Rental automobile costs are reimbursable when justified by the nature of the trip. Except in cases where there are more than three District-affiliated individuals travelling together, only rental of vehicles of full-size standard or smaller are permitted to be reimbursed. Rental of SUVs, minivans or premium/luxury vehicles will not be reimbursed for fewer than four individuals in one vehicle. In such cases, the names of all District-affiliated individuals will be recorded in the expense report. All drivers of rental vehicles must provide their own insurance that covers the rental vehicle. Charges for insurance provided by the rental company will not be reimbursed. Fuel costs will be reimbursed with appropriate receipts.

6. Taxis and other local transportation costs, including ride share apps, incurred to and from businesses, hotels or airports, or in other District-related activities are reimbursable upon submittal of a receipt (see tipping guidelines under Tipping section).

7. Government and group rates offered by a transportation provider shall be used when available.

B. Hotels

1. The cost of hotel or motel accommodations incurred on approved business trips is reimbursable. It is expected that an individual will use accommodations appropriate to the nature of the business trip. Accommodations may be reserved for guests attending a District-approved function; however, the District will reimburse only the cost of the single person room rate.

2. Government and group rates offered by a lodging services provider will be utilized when available. If a lodging expense is incurred in connection with a conference or organized educational activity conducted in compliance with Government Code Section 54952.2(c), including but not limited to ethics training required by Government Code Section 53234 et seq., reimbursement of lodging costs shall not exceed the maximum group rate published by the conference or activity sponsor, provided that lodging at the group rate is available to the Board member or District staff at the time of booking. If lodging is available at the group rate, and a Board member or District staff elects to stay at a non-group rate hotel which has a higher rate, reimbursement to the director or staff shall not exceed the maximum group rate published by the activity or group sponsor, that is the Board member or staff shall be financially responsible for the difference. If rooms at the group rate are not available, the Board member or staff shall use comparable lodging that is consistent with the requirements of Government Code Section 53232.2(c) and (e), respectively. In such event, a Board member or staff may be reimbursed for up to 110% of the group rate, that is the Board member or staff shall be financially responsible for any amount in excess of 110% of the group rate.

The rates specified in the above paragraph refer to base rates and shall not include transient occupancy taxes or parking.

C. Meals

The actual costs of meals, including tips, incurred on approved business trips is reimbursable. Meals for guests in attendance are the responsibility of the individual, except for business guests invited as part of a District-hosted event.

For staff attending functions, such as training or meetings of professional organizations, the District will reimburse the cost of the event including meals provided. For functions occurring during normal mealtimes and which do not provide meals, meal reimbursement will not exceed $125 for each full day of travel. For partial days of travel, managers will use their discretion in approving their employee's meal expenses.
See tipping guidelines in section I, below. Receipts are required for all meal expenditures.

The daily meal allowance will be adjusted for those meals included in the cost of the conferences and seminars. It is not the intent for the District to pay twice for the same meal. Exceptions may be made by the General Manager when the traveler is unable to partake in the meal provided.

The limits for any meal include all aspects of the meal, e.g. appetizer, entrée, dessert and beverages, excluding tip. Meal costs eligible for reimbursement do not include alcohol. Any amount in excess of the maximum limit for the meal (excluding tip) shall be the responsibility of the individual. "Piggybacking" shall be allowed for full day travel, i.e. an unused expense portion for one meal may be used for another meal. For example, if the cost of breakfast is $20, the $5 unused portion may be used to increase the $35 lunch limit to $40.

It is recognized that periodically, District staff may need to use their District-issued credit cards (if issued) or directly pay for meals with and for District guests while conducting District business. Reasonable use of this privilege for this purpose is permissible, provided there is adherence to the above limits, and documentation is provided as to the participants and the business discussed.

D. Communications (Phone calls)

All necessary business calls and messages are reimbursable. It is expected that the least expensive method of communications (i.e. use of a mobile phone in lieu of hotel phone) that is consistent with the best interest of the District will be used whenever possible. Staff receiving a cellular phone allowance will adhere to the District's Cellular Phone Allowance Policy.

E. Travel Requiring Advance Approval [District Staff]

When overnight lodging is required, a travel authorization form "Request for Travel/Training Approval" must be completed by the staff as follows:

1. The completed travel authorization form must list all actual and anticipated costs associated with attendance at the event, and required approvals per the Purpose and General Provisions section. Please include the account number to be used to pay for the associated expense costs and all background information describing the event and attendance arrangements.

2. When required the travel authorization form is submitted to the General Manager for final approval.

3. If the General Manager's approval is granted, a copy of the request is submitted to the designated Finance personnel. If the request is denied, all paperwork is returned to the Department Manager.

F. Advances

If an advance is required for approved travel please indicate such on the "Request for Travel/Training Approval" form. Advances and District-issued credit cards are appropriate means of funding District-related trips. As stated above, whenever possible, the District will prepay hotel, tuition, airline, etc. costs to vendors with an approved purchase requisition, therefore an advance for these costs will not be necessary. Staff may request an advance for meals, not to exceed the maximum per diem amounts, via a Check/Petty Cash Request form. Upon return, all receipts must be submitted and any excess advance shall be returned to the District.

G. Non-Use of Advance Paid Reservations

Whenever staff makes an advance paid reservation, or the District staff makes a reservation on behalf of the staff, whether for travel, lodging or meals (e.g. conference meal tickets), if the reservation or ticket is unused and the associated expense is not refundable and the staff utilizes alternative arrangements, the expense associated with such alternative arrangements is not reimbursable by the District.

I. Tipping

The District shall cover tipping up to 20% of cost of the meal or 15% of transportation service charges.

J. Non-reimbursable expenses

This document covers all reimbursable expenses. Any expenses not specifically mentioned will not be reimbursed without prior General Manager approval.

In no circumstances will the following be reimbursed:

- Hotel movie rentals
- Personal medical expenses not related to a workplace injury
- Personal entertainment such as sight-seeing, movies/theater, golf or other sports (except in the course of District outreach activities.

ADMINISTRATION

This policy shall be administered by the General Manager. The key to prompt reimbursement is proper documentation. This includes a clear statement of the business purpose of the trip, a copy of the meeting/conference agenda, and receipts for business expenses.

Expenses rendered for reimbursement shall be itemized and sufficiently described as to the nature and intent of the expense. Expense reports should be prepared on a monthly basis and submitted to the Finance Division on prescribed forms. To receive reimbursement for authorized travel, please submit a "Travel Expense Claim" form to the Finance Division. A separate Travel Expense Claim is to be submitted for each trip taken. Original documents such as receipts or bills for all hotel charges, the last page of the airline ticket showing the itinerary and costs, usually called the "passenger receipt," and receipts for other expenses must be attached to the Travel Expense Claim for documentation. Credit card charge slips will not serve as adequate documentation for transportation, room or car rental expense. In the event a receipt is lost please provide a written explanation.

The traveler is required to sign the Travel Expense Claim certifying that the amounts included on the report are actual and reasonable. Refunds of unused advances, by a check payable to the United Water Conservation District, should be submitted to the Finance Division with the Travel Expense Claim.

It is the responsibility of each individual, as well as each person approving the Travel Expense Claim, to ensure that there is no appearance nor occurrence of extravagant and/or unsupported expenditures for travel. During the review of these reports, any questionable or incomplete reports may be returned to the individual in order to obtain additional approval or documentation to support expenses.

The Chief Financial Officer shall advise the General Manager of any outstanding matters relating to the administration of this policy. Exceptions to this policy may be authorized by the General Manager.

The Chief Financial Officer or his/her designee shall provide overall oversight of the reimbursement of expenses, and shall provide a quarterly report to the Board Finance Committee detailing the expenses of the District of at least one hundred dollars ($100.00) for each individual charge for service or product received. Additionally in compliance with Government Code §53065.5, by September 30th of each year, the Finance Division will

submit a detailed report to the Board's Finance Committee that discloses any reimbursement paid to any one employee or member of the Board by the District within the immediately preceding fiscal year of at least one hundred dollars ($100.00) for each individual charge for service or product received. The report shall be made available for public inspection at the first meeting of the Board of Directors following the Finance Committee submittal.

EXPENSE AND COMPENSABLE ACTIVITY POLICY – BOARD MEMBERS AND DISTRICT EXECUTIVES

Effective July 1, 2019

SCOPE

This policy applies to members of the Board of Directors and to District executive staff (General Manager and Assistant General Managers) that have occasion to incur expenses on behalf of the District.

This policy additionally sets forth the types of activities for which board members may receive compensation and reimbursement for their actual and necessary expenses thereto in accordance with Government Code Section 53232 et seq.

PURPOSE AND GENERAL PROVISIONS

The intent of this policy is to establish equitable standards and achieve reasonably consistent and fair treatment relating to reimbursement of actual and necessary expenses incurred in the service of the District. It is further intended as a guide for both the preparation of expense reports and for approval of such reports. It is also a means of informing all concerned of their privileges and obligations in the use of District funds for travel, education, community and legislative outreach, and other expenses.

The District recognizes that attendance at workshops, seminars, meetings and conferences provides Board members and District staff with a vital forum for the exchange of ideas and methods in all areas of governmental administration, for presenting and receiving information, to provide training and professional growth opportunities. The District also recognizes the importance of building relationships with legislators, regulators and key opinion leaders in local, state and federal government centers. It is the District's policy to reimburse individuals for all actual and necessary expenses incurred while engaged in activities critical to building these relationships. Individuals are expected to exercise good judgment in the expenditure of District funds. Items deemed to be of a purely personal nature are not reimbursable or covered by the District.

A. District Executives

Advance approval by the immediate supervisor and General Manager is required for attendance at all training programs, meetings, seminars and conferences, and/or professional growth events beyond Los Angeles and Santa Barbara Counties that require an overnight stay, air travel and/or involves an expense exceeding $500.

B. District Board Members

Consistent with the requirements of this policy, Board members may receive reimbursement for their actual and necessary expenses incurred when participating in those activities listed in the "Compensable Activities" section of this policy. Pre-approval of the Board for these expenses is not required.

However, any expenses which are incurred for activities not set forth in the "Compensable Activities" section, or which do not fall within the requirements of this policy (e.g. which exceed the maximum permissible rate), must be approved by the Board of Directors in a

public meeting before the expense is incurred, or the expense will not be reimbursed. The only exception to this requirement pertains to lodging expenses, as set forth below.

ALLOWABLE EXPENSES

A. Travel Expenses

1. Airline or other travel accommodations shall be economy class. Travel arrangements will be made through District staff. Airline travel will be arranged so as to be as cost efficient to District as possible, including early booking to minimize costs. Baggage fees are considered part of the cost of airline travel and are an allowable expense.

   In cases of trips longer than three hours scheduled flight time, tickets may be booked in premium economy class. (eg; Economy Plus on United Airlines, Main Cabin Extra on American, etc.). Where possible, this class should be booked at time of ticket purchase. Upgrades to premium economy purchased at check-in will be reimbursed. The District will not pay for upgrades in any other circumstances. When travelling on District business, the work/meeting schedule will take priority over the travel schedule. As such, opportunities for premium bookings and upgrades may not be available on every trip.

   When scheduling flexibility is necessary, a refundable ticket may be purchased.

   Travel arrangements and costs for guests are the responsibility of the individual attending and are not considered a District expense.

2. District owned vehicles shall be used by executive management staff assigned a District-owned vehicle or staff that do not receive a mileage allowance, whenever possible when traveling on District business.

3. Personal vehicles may be used if necessary and the Board member or staff shall be reimbursed at the standard IRS mileage rate (i.e. $0.58 per mile for calendar year 2019), but for a total of no more than the cost of round trip airfare. Mileage is to be calculated via the shortest route between the District worksite or point of origin for staff, whichever is less, and from the point of origin for Directors, to the destination and the return. The owner's/driver's auto insurance is responsible for any damage, accident, etc. incurred. Executive management staff receiving a monthly mileage allowance shall abide by the terms of this section except where it conflicts with their employment agreement, in which case the terms of the employment agreement shall apply. Staff who do not receive a monthly mileage allowance must seek approval from their department manager in advance for use of personal vehicles on District business. Employees must provide the District with evidence of personal auto insurance, including liability insurance, in advance of travel.

4. Mileage reimbursement for a Board member's use of their personal vehicle shall be from the point of origin to destination and return. Executive management staff receiving a monthly mileage allowance shall abide by the terms of this section except where it conflicts with their employment agreement, in which case the terms of the employment agreement shall apply. Board members may be reimbursed for mileage for up to 10 meetings per month in accordance with Section B of the District Board Members: Compensation and Compensable Activities section of this policy.

5. Rental automobile costs are reimbursable when justified by the nature of the trip. Except in cases where there are more than three District-affiliated individuals travelling together, only rental of vehicles of full-size standard or smaller are permitted to be reimbursed. Rental of SUVs, minivans or premium/luxury vehicles will not be reimbursed for fewer than four individuals in one vehicle. In such cases, the names of all District-affiliated individuals will be recorded in the expense report. All drivers of rental vehicles must provide their own insurance that covers the rental vehicle. Charges for insurance provided by the rental company will not be reimbursed. Fuel costs will be reimbursed with appropriate receipts.

6. Taxis and other local transportation costs, including ride-share apps, incurred to and from businesses, hotels or airports, or in other District-related activities are reimbursable upon submittal of a receipt (see tipping guidelines under Tipping section).

7. Government and group rates offered by a transportation provider will be utilized when available.

B. Hotels

1. The cost of hotel or motel accommodations incurred on approved business trips is reimbursable. It is expected that an individual will use accommodations appropriate to the nature of the business trip. Accommodations may be reserved for guests attending a District-approved function; however, the District will reimburse only the cost of the single person room rate.

2. Government and group rates offered by a lodging services provider will be utilized when available. If a lodging expense is incurred in connection with a conference or organized educational activity conducted in compliance with Government Code Section 54952.2(c), including but not limited to ethics training required by Government Code Section 53234 et seq., lodging costs covered by the District shall not exceed the maximum group rate published by the conference or activity sponsor, provided that lodging at the group rate is available to the Board member or District staff at the time of booking. If lodging is available at the group rate, and a Board member or District staff elects to stay at a non-group rate hotel which has a higher rate, District charges shall not exceed the maximum group rate published by the activity or group sponsor, that is the Board member or staff shall be financially responsible for the difference. If rooms at the group rate are not available, the Board member or staff shall use comparable lodging that is consistent with the requirements of Government Code Section 53232.2(c) and (e), respectively. In such event, the District may pay for up to 110% of the group rate, that is the Board member or staff shall be financially responsible for any amount in excess of 110% of the group rate.

The rates specified in the above paragraph refer to base rates and shall not include transient occupancy taxes or parking.

C. Travel Per diem

In order to provide for the costs of ad-hoc expenses related to District travel, the District will reimburse $100 per full day of authorized travel outside of the District that requires an overnight stay. The per diem is expected to cover all meals not part of outreach activities and other district business as well as any and all incidental expenses not specifically

addressed in this document. The per diem will be claimed on the standard business expense report and will not be paid in advance of travel.

D. District Outreach Events

Periodically Board Members and District Executives engage in activities related to legislative outreach. Recognizing that these events often have irregular schedules and venues, food and beverages provided as part of these activities will be reimbursed, provided the cost is reasonable for the situation as determined by the General Manager. Alcohol of reasonable cost and quantity may be provided at these events at District expense. Third-party attendees of such events must be verbally approved by the General Manager in advance to assure that the event is pursuant to District objectives and not social in nature.

Meetings of District personnel prior to or following outreach events where food and beverage are provided will be considered part of the outreach activities and as such will be covered by the District and not an incidental expense covered by the abovementioned travel per diem.

Expenses for such activities will be comprehensively documented. Supporting documentation will include a detailed check or invoice (not just a credit card receipt) and a clear accounting of the names, positions and affiliations of all attendees at the event.

E. Communications (Phone calls)

All necessary business calls and messages are reimbursable. It is expected that the least expensive method of communications (i.e. use of a mobile phone in lieu of hotel phone) that is consistent with the best interest of the District will be used whenever possible. The Board of Directors will be reimbursed $50.00 per month for District business related phone/fax costs. Each Director is also eligible for reimbursement of business related long distance calls from their personal phone that are not covered by an all-inclusive phone plan upon submittal of their phone bill. Staff receiving a cellular phone allowance will adhere to the District's Cellular Phone Allowance Policy.

F. Travel Requiring Advance Approval (District Executives)

When overnight lodging is required, a travel authorization form "Request for Travel/Training Approval" must be completed by the staff as follows:

1. The completed travel authorization form must list all actual and anticipated costs associated with attendance at the event, and required approvals per the Purpose and General Provisions section. Please include the account number to be used to pay for the associated expense costs and all background information describing the event and attendance arrangements.

2. When required the travel authorization form is submitted to the General Manager for final approval (Allowable Expenses -Section A).

3. If the General Manager's approval is granted, a copy of the request is submitted to the designated Finance personnel. If the request is denied, all paperwork is returned to the Department Manager.

G. Advances

The District will not provide cash advances for travel to board members or executives. Airfare will be paid directly by the District. Whenever possible, the District will prepay hotel,

tuition, etc. costs to vendors with an approved purchase requisition, therefore an advance for these costs will not be necessary.

H. Non-Use of Advance Paid Reservations

Whenever staff or Board member makes an advance paid reservation, or the District staff makes a reservation on behalf of the staff or Board member, whether for travel, lodging or meals (e.g. conference meal tickets), if the reservation or ticket is unused and the associated expense is not refundable and the staff or Board member utilizes alternative arrangements, the expense associated with such alternative arrangements will be reimbursable by the District at the General Manager's discretion.

I. Tipping

The District shall cover tipping up to 20% of cost of the meal or 15% of transportation service charges.

J. Non-reimbursable expenses

This document covers all reimbursable expenses. Any expenses not specifically mentioned will not be reimbursed without prior General Manager approval.

In no circumstances will the following be reimbursed:

- Hotel movie rentals
- Personal medical expenses not related to a workplace injury
- Personal entertainment such as sight-seeing, movies/theater, golf or other sports (except in the course of District outreach activities.

DISTRICT BOARD MEMBERS: COMPENSATION AND COMPENSABLE ACTIVITIES

A. Compensation.

Compensation for members of the Board of Directors is established in accordance with section 74208 of the California Water Code, and increases are authorized in accordance with Water Code Section 20202. Actual and necessary expenses incurred by a Board member in the performance of his duties required or authorized by the Board are reimbursed in accordance with Water Code Section 74208 and the terms of this policy.

B. Compensable Activities.

In accordance with Government Code Section 53232.1, a Board member's attendance at the following occurrences (activities) constitute the performance of official duties on behalf of the District which qualify a Board member to receive compensation and reimbursement of actual and necessary expenses but limited to 1 compensable activity per day and 10 compensable activities per month incurred thereto:

1. Regular, special or emergency meetings of the District Board of Directors.

2. Regular or special meetings of District Board committees, or an advisory body established by the Board of Directors, of which the Board member is a member thereof.

3. Agenda review meeting of President with General Manager, as well as, other meetings of Board members with the District's General Manager or Legal Counsel, as requested by the General Manager.

4. A conference or organized educational activity conducted in compliance with Government Code Section 54952.2(c), including but not limited to ethics training required by Government Code Section 53234 et seq. This includes conferences or educational activities organized by the Association of California Water Agencies (ACWA), the Association of Water Agencies of Ventura County (AWAVC), and the California Special Districts Association (CSDA). It shall also include any other training providers approved in advance by the Board of Directors. AWAVC events included within this policy are the Water Wise breakfast series, annual Symposium, Elected Official Night and Year-End Report Event; not included are the Annual BBQ or other events of a strictly social nature.

5. Meetings of the board of directors or board committees of governmental or non-governmental entities to which a Board member has been designated by the President, as the District's representative, liaison or alternate. Such designation shall be published at least annually at a District Board meeting. The entities include the Fox Canyon Groundwater Management Agency (FCGMA), Ventura County Local Agency Formation Commission (LAFCO); RiverPark Joint Powers Authority; the AWAVC Board of Directors and the AWAVC Water Issues Committee; Oxnard Chamber of Commerce Water Committee; ACWA; CSDA, and GSA. A District Board member who is a designated representative, liaison or alternate to a non-governmental entity, and who will be unable to attend a scheduled meeting, may request or ask the General Manager to designate another Board member to attend the meeting on his behalf, and attendance at the meeting shall be considered a compensable activity for such other Board member.

   Additionally, any preparatory meetings the Board member needs with the District's General Manager ahead of Board meetings or Board Committees entities in the paragraph above.

6. At the specific request of the District Board of Directors, Board President, or General Manager, meetings of the board of directors of the Pleasant Valley County Water District (PVCWD), FCGMA, or the Oxnard City Council, or the governing body of any local government entity during which there is discussion of specific matters related to the District.

7. Meetings by designated District Board members or alternates, with board members or executive management of the entities set forth in No. 5 during which there is substantial and substantive discussion of specific matters related to the District.

8. Attendance at public meetings hosted by the District (e.g. Section 10 HCP, Vern Freeman Fish Panel) at which there is a presentation of specific matters related to the District.

9. At the specific request of the District Board of Directors, Board President or General Manager, attendance at meetings with state or federal legislators, or officials of the state or federal administrations (e.g. California Department of

Water Resources, U.S. Bureau of Reclamation, etc.), or representatives from other entities during which there is discussion of specific matters related to the District.

ADMINISTRATION

This policy shall be administered by the General Manager. The key to prompt reimbursement is proper documentation. This includes a clear statement of the business purpose of the trip, a copy of the meeting/conference agenda, and receipts for business expenses.

Expenses rendered for reimbursement shall be itemized and sufficiently described as to the nature and intent of the expense. Expense reports should be prepared on a monthly basis and submitted to the Finance Division on prescribed forms. To receive reimbursement for authorized travel, please submit a "Travel Expense Claim" form to the Finance Division. A separate Travel Expense Claim is to be submitted for each trip taken. Original documents such as receipts or bills for all hotel charges, the last page of the airline ticket showing the itinerary and costs, usually called the "passenger receipt," and receipts for other expenses must be attached to the Travel Expense Claim for documentation. Credit card charge slips will not serve as adequate documentation for transportation, room or car rental expense. In the event a receipt is lost please provide a written explanation.

The traveler is required to sign the Travel Expense Claim certifying that the amounts included on the report are actual and reasonable.

It is the responsibility of each individual, as well as each person approving the Travel Expense Claim, to ensure that there is no appearance nor occurrence of extravagant and/or unsupported expenditures for travel. During the review of these reports, any questionable or incomplete reports may be returned to the individual in order to obtain additional approval or documentation to support expenses.

The Chief Financial Officer shall advise the General Manager of any outstanding matters relating to the administration of this policy.

Exceptions to this policy may be authorized by the General Manager for other staff and by the Board Treasurer if the exception applies to the General Manager.

The Chief Financial Officer or his/her designee shall provide overall oversight of the reimbursement of expenses, and shall provide a quarterly report to the Board Finance Committee detailing the expenses of the District of at least one hundred dollars ($100.00) for each individual charge for service or product received. Additionally in compliance with Government Code §53065.5, by September 30th of each year, the Finance Division will submit a detailed report to the Board's Finance Committee that discloses any reimbursement paid to any one employee or member of the Board by the District within the immediately preceding fiscal year of at least one hundred dollars ($100.00) for each individual charge for service or product received. The report shall be made available for public inspection at the first meeting of the Board of Directors following the Finance Committee submittal.

<u>For District Board Members:</u>

1. Expense reports of Board members shall be submitted to the General Manager, together with receipts, within a reasonable time after incurring the expense, and shall

document that the expenses have been incurred for the types of occurrences (activities) authorized by the Board for reimbursement of such expenses.

2. Members of the Board shall provide brief reports on meetings attended at the District's expense at the next regular meeting of the Board of Directors.

3. All documents relating to expenditures of Board members as set forth herein are public records subject to disclosure under the California Public Records Act.

FRAUD PREVENTION/DETECTION POLICY

Effective July 1, 2019

BACKGROUND

This Fraud Prevention/Detection policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against United Water Conservation District. It is the intent of United Water Conservation District to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

POLICY

Management, along with the Board of Directors, is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of personal gain and/or deceiving another in order to damage them. Management will establish and maintain an effective internal control structure as a major deterrent and prevention of fraud.

Management, along with the Board of Directors, will maintain the principal elements of internal control:

- Control Environment – Maintain an environment where employees view internal control as the process to provide services to stakeholders and constituents;

- Accounting System – Maintain data needed for internal/external financial reports; and

- Sound Control Policy and Procedures – Maintain the reliability of data and to assure assets are protected against loss and misuse. Prevent fraudulent financial reporting and misstatements arising from misappropriation of assets of the District.

NATURE/PURPOSE

Management, along with the Board of Directors, shall set and retain the proper tone and create and maintain a culture of honesty and high ethical standards (zero tolerance) and establish appropriate controls to prevent, deter, and detect fraud. Resources committed to the District's care must be safeguarded to protect employees, stakeholders and constituents. The District must provide assurance that all assets are safeguarded, managed and accounted for, eliminate loss, theft, misuse and provide that all transactions are properly authorized.

OVERSIGHT

Board of Directors and Finance Committee. This oversight will prevent management override.

SCOPE

This policy applies to any irregularity, or suspected irregularity, involving employees as well as stakeholders, directors, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with United Water Conservation District.

Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to United Water Conservation District.

ACTIONS CONSTITUTION FRAUD

The term misappropriation and other fiscal irregularities refer to, but are not limited to:

- Any dishonest or fraudulent act;
- Misappropriation of funds, securities, supplies, or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiteering as a result of insider knowledge of the District's activities;
- Disclosing confidential and proprietary information to outside parties;
- Accepting or seeking anything of material value beyond exceptions, restrictions and reporting requirements subject to the "Political Reform Act" from contractors, vendors or persons providing services/materials to United Water Conservation District; and
- Intentional destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment and/or other District assets.

CAUSES OF FRAUD

Below are some known causes of fraud, but are not limited to:

- Financial stress;
- Perceived inequities in the organization; and
- Job dissatisfaction.

REPORTING

An employee who discovers or suspects fraudulent activity will contact the Chief Financial Officer immediately. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his or her attorney or representative, or any other inquirer should be directed to the Chief Financial Officer. If the Chief Financial Officer is the employee suspected of fraudulent activities, the employee should contact the General Manager.

TERMINATION

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the designated representative of the District and legal counsel and follow appropriate legal procedures (i.e. due process) included in the District's employee manual, before any such action is taken.

MANAGEMENT SET CONTROLS

In maintaining the internal control structure, management, along with the Board of Directors, will set a system of checks and balances periodically throughout the District to discourage, prevent and detect fraudulent activities. Management, along with the Board of Directors, will retain the following guidelines when establishing these set of controls:

- Establish and set controls necessary but not over burdensome for management or staff;

- The District will maintain a culture of honesty and maintain a harmonious tone while establishing and setting these checks and balances and controls; and

- The District's internal control will not impede providing services to stakeholders and constituents.

INCORPORATION INTO EMPLOYEE MANUAL

This policy will work in conjunction with the District's employee manual.

INTERNAL CONTROLS

The District and/or external auditors, as part of the Set of Controls process, will use the system of checks and balances and perform periodic reviews and testing as necessary to ensure compliance with this policy.

GROUNDWATER WELL REGISTRATION/ INACTIVE WELL POLICY

Effective July 1, 2019

BACKGROUND

California Water Code (CWC) Section 75541 requires that within six months after the establishment of a zone or zones, all water-producing facilities (wells) located within the boundaries of such zone/s shall be registered with the District. This CWC section also indicates that the District Board may require the installation of a water-measuring device satisfactory to the District. The District may choose to install the water-measuring device or have it installed by the well operator.

CWC, Section 75542 requires that any wells constructed or re-established after the establishment of a zone or zones register with the District within 30 days of completion or re-establishment. Similar to Section 75541 the District Board may require the installation of a water-measuring device satisfactory to the District. The District may choose to install the water-measuring device or have it installed by the well operator.

POLICY

Well Registration and Verification

In order for a well to be considered registered, the District shall receive a **completed** well registration form. Per CWC Section 75544, the registration form shall contain all of the following:

(a) Information as to the owner or owners of the land upon which each well is located;
(b) A general description and location of each well;
(c) The name and address of the person charged with the operation of each well;
(d) The name or names and addresses of all persons owning or claiming to own an interest in the well; and
(e) Such other information as the District requires and deems necessary.

The District will take the following steps to verify well registrations with the County of Ventura/Department of Water Resources (DWR):

(a) The Groundwater Department will request Well Permits from the County of Ventura on a quarterly basis (by the 10th day of December, March, June, and September) and forward to the Finance Division upon receipt;
(b) The Groundwater Department will request Well Completion Reports from the DWR on a quarterly basis (by the 10th day of December, March, June, and September) and forward to the Finance Division upon receipt; and
(c) Upon receipt of a Well Completion Report, the Finance Division will confirm well owner information to County Parcel records and record the well(s) in the Districts records.

Inactive/Destroyed Wells

The District will discontinue tracking inactive wells upon the following:

(a) Receipt of a completed Well Destruction Report; and

Reports from the County and or District records indicating that the well is unable to be located.

Failure to Register Wells

Failure to register wells with the District in a timely manner subjects the operator to compliance remedies granted by law, including but not limited to legal offenses, fines, and penalties.

IDENTITY THEFT PREVENTION PROGRAM

Effective July 1, 2019

This program is in response to and in compliance with the Fair and Accurate Credit Transactions (FACT) Act of 2003, and the final rules and guidelines for the FACT Act issued by the Federal Trade Commission and federal bank regulatory agencies in November 2007.

PROGRAM ADOPTION

The United Water Conservation District ("UWCD") developed this Identity Theft Prevention Program ("Program") pursuant to the Federal Trade Commission's Red Flags Rule ("Rule"), which implements Section 114 of the Fair and Accurate Credit Transactions Act ("FACT Act") of 2003, 16 C. F. R. § 681.2. The FACT Act requires that financial institutions and creditors implement written programs which provide for identification, detection, and response to patterns, practices, or specific activities ("red flags") that could detect identity theft.

This Program was developed with oversight and approval of the UWCD Board of Directors. After consideration of the size and complexity of UWCD's operations and account systems, and the nature and scope of UWCD's activities, the UWCD Board of Directors determined that this Program was appropriate for the United Water Conservation District.

PROGRAM PURPOSE AND DEFINITIONS

A. Fulfilling requirements of the Red Flags Rule

Under the Red Flag Rule, every financial institution and creditor is required to establish an "Identity Theft Prevention Program" tailored to its size, complexity and the nature of its operation. Each program must contain reasonable policies and procedures to:

1. Identify relevant Red Flags for new and existing covered accounts and incorporate those Red Flags into the Program;
2. Detect Red Flags that have been incorporated into the Program;
3. Respond appropriately to any Red Flags that are detected to prevent and mitigate Identity Theft; and
4. Ensure the Program is updated periodically, to reflect changes in risks to customers or to the safety and soundness of UWCD from Identity Theft.

B. Red Flags Rule definitions used in this Program

The Red Flags Rule defines "Identity Theft" as "fraud committed using the identifying information of another person" and a "Red Flag" as a pattern, practice, or specific activity that indicates the possible existence of Identity Theft.

According to the Rule, a government agency is a creditor subject to the Rule requirements. The Rule defines creditors "to include finance companies, automobile dealers, mortgage brokers, utility companies, and telecommunications companies. Where non-profit and government entities defer payment for goods or services, they, too, are to be considered creditors."

UWCD customers are charged fees for groundwater extraction from wells located on their properties and/or water delivered by pipeline. The customers are billed in arrears on either a monthly or semi-annual basis. Since UCWD defers payments for its utility services,

customers' accounts are effectively business credit accounts ("covered accounts") as defined by the Red Flag Rule. Under the Rule, a "covered account" is:

- Any account UWCD offers or maintains primarily for personal, family or household purposes, that involves multiple payments or transactions; and
- Any other account UWCD offers or maintains for which there is a reasonably foreseeable risk to customers or to the safety and soundness of UWCD from Identity Theft.

"Identifying information" is defined under the Rule as "any name or number that may be used, alone or in conjunction with any other information, to identify a specific person," including: name, address, telephone number, social security number, date of birth, government issued driver's license or identification number, alien registration number, government passport number, employer or taxpayer identification number, unique electronic identification number, computer's Internet Protocol address, or routing code. However, UWCD does not collect most of the aforementioned identifying information for its business credit accounts. Information collected by UWCD typically includes name, address, telephone number, assessor parcel number, and well number.

IDENTIFICATION AND DETECTION OF RED FLAGS

In order to identify relevant Red Flags, UWCD considers the types of accounts that it offers and maintains, the methods it provides to open its accounts, the methods it provides to access its accounts, and its previous experiences with Identity Theft. The Federal Trade Commission identifies many red flags, including the following, in each of the listed categories:

A. Notifications and Warnings from Credit Reporting Agencies

UCWD neither requests nor receives customer information (i.e. consumer reports) from consumer credit agencies. Therefore this provision of the Red Flag Rule is inapplicable.

B. Suspicious Documents

Red Flags

- Other documents with information that is not consistent with existing customer information (such as if a person's signature on a check appears forged); and
- Application for service that appears to have been altered or forged.

C. Suspicious Personal Identifying Information

Red Flags

- Identifying information presented that is inconsistent with other information the customer provides;
- Identifying information presented that is inconsistent with other sources of information;
- Identifying information presented that is the same as information shown on other applications that were found to be fraudulent;
- Identifying information presented that is consistent with fraudulent activity (such as an invalid phone number or fictitious billing address);
- An address or phone number presented that is the same as that of another person;

- A person fails to provide complete personal identifying information on an application when reminded to do so; and
- A person's identifying information is not consistent with the information that is on file for the customer.

D. Suspicious Account Activity or Unusual Use of Account

Red Flags

- Change of address for an account followed by a request to change the account holder's name;
- Payments stop on an otherwise consistently up-to-date account;
- Account used in a way that is not consistent with prior use (example: very high activity);
- Mail sent to the account holder is repeatedly returned as undeliverable;
- Notice to UWCD that a customer is not receiving mail sent by UWCD;
- Notice to UWCD that an account has unauthorized activity;
- Breach in UWCD's computer system security; and
- Unauthorized access to or use of customer account information.

E. Alerts from Others

Red Flag

Notice to UWCD from a customer, identity theft victim, law enforcement or other person that it has opened or is maintaining a fraudulent account for a person engaged in Identity Theft.

PREVENTING AND MITIGATING IDENTITY THEFT

In the event UWCD personnel detect any identified Red Flags, the appropriate staff member will be notified and take one or more of the following steps, depending on the degree of risk posed by the Red Flag:

A. Prevent and Mitigate

- Continue to monitor an account for evidence of Identity Theft;
- Contact the customer;
- Change any passwords or other security devices that permit access to accounts;
- Not open a new account;
- Close an existing account;
- Reopen an account with a new number;
- Notify the District's Chief Financial Officer;
- Notify law enforcement; or determine that no response is warranted under the particular circumstances.

B. Protect customer identifying information

In order to further prevent the likelihood of identity theft occurring with respect to accounts, UWCD will take the following steps with respect to its internal operating procedures to protect customer identifying information:

- Ensure complete and secure destruction of paper documents and computer files containing customer information;
- Ensure that office computers are password protected and that computer screens lock after a set period of time;
- Maintain appropriate custody of documents containing customer information;
- Ensure computer virus protection is up to date; and
- Require and keep only the kinds of customer information that are necessary.

PROGRAM UPDATES

This Program will be periodically reviewed and updated to reflect changes in risks to customers and the soundness of UWCD from Identity Theft. At least one time each year, the Program Administrator will consider UWCD's experiences with Identity Theft situations, changes in Identity Theft methods, changes in Identity Theft detection and prevention methods, changes in types of accounts UWCD maintains and changes in UWCD's business arrangements with other entities. After considering these factors, the Program Administrator will determine whether changes to the Program, including the listing of Red Flags, are warranted. If warranted, the Program Administrator will update the program. The Program will be reviewed and approved with all other District financial policies by the Board of Directors annually.

PROGRAM ADMINISTRATION

A. Oversight

Responsibility for developing, implementing and updating this Program lies with the Program Administrator. The Program Administrator is appointed by the General Manager. The Program Administrator will be responsible for the Program administration, for ensuring appropriate training of staff on the Program, for reviewing staff reports regarding the detection of Red Flags and the steps for preventing and mitigating Identity Theft, determining which steps of prevention and mitigation should be taken in particular circumstances and considering periodic changes to the Program. The Program Administrator will prepare an annual report on the effectiveness of this program including number of red flag incidents and how resolved, and any changes needed to the policy as a result of incidents or changes in law or program operation.

B. Specific Program Elements and Confidentiality

For the effectiveness of Identity Theft Prevention Programs, the Red Flag Rule envisions a degree of confidentiality regarding UWCD's specific practices relating to Identity Theft detection, prevention and mitigation. Therefore, under this Program, knowledge of such specific practices is to be limited to the Program Administrator and those employees who need to know them for purposes of preventing Identity Theft. Because this Program is to be adopted by a public body and thus publicly available, it would be counterproductive to list these specific practices here. Therefore, only the Program's general red flag detection, implementation and prevention practices are listed in this document.

INVESTMENT POLICY

Effective July 1, 2019

The purpose of this policy is to provide guidelines for the prudent investment of the District's temporarily idle cash, outline policies for maximizing efficiency of the District's cash management system and emphasize the preservation of capital. The ultimate goal is to enhance the economic status of the District while protecting its cash resources.

I. GOVERNING AUTHORITY

The investment program shall be operated in conformance with federal, state, and other legal requirements, including Government Code sections 53600 – 53609.

II. SCOPE

This policy applies to the investment of all funds held directly by the District. Funds held and invested by trustees or fiscal agents are excluded from this policy; however, such funds are subject to the regulations established by the State of California pertaining to investments by local agencies.

1. *Pooling of Funds*
Except for cash in certain 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 based on their respective participation and in accordance with generally accepted accounting principles.

III. GENERAL OBJECTIVES

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

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, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VII of this Investment Policy
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the District will do business in accordance with Section V
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b. Interest Rate Risk

The District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- 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
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see Section VIII).

2. *Liquidity*

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

3. *Yield*

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

In an effort to evaluate the performance of the investment activity of the District, as it pertains to this policy, the District's cash management portfolio shall be designed with the objective of regularly meeting or exceeding a performance benchmark, which could be the average return on three-month U.S. Treasury Bills, the California Local Agency Investment Fund (LAIF) or the County of Ventura Investment Pool.

IV. STANDARDS OF CARE

1. *Prudence*

The standard of prudence to be used by investment officials shall be the "prudent person" standard (Civil Code Section 2261, et seq.) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but

for investment, considering the probable safety of their capital as well as the probable income to be derived."

2. *Ethics and Conflicts of Interest*
Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the District.

3. *Delegation of Authority*
The District's Chief Financial Officer has been authorized to recommend to the General Manager investment transactions on behalf of the District. The disbursement of funds for the placement of individual investments undertaken by these officers will generally be approved in advance by the Finance Committee. If, in the opinion of the Chief Financial Officer and the General Manager, investment opportunities become available that the District should take advantage of before the Finance Committee is able to convene, the Committee will be notified, via FAX, 24 hours in advance of any disbursement of funds. A full report of the investment decision will be given to the Committee at the next scheduled meeting. In any event, such investment decisions will be within the guidelines set forth in this policy. The District may, upon approval by the Board of Directors utilize an investment management service. Any investment management service used must follow the District's Investment Policy outlined herein and as directed by the Board of Directors.

The Finance Committee shall consist of three members of the Board of Directors (as appointed by the President of the Board), the General Manager or the Deputy General Manager, and the Chief Financial Officer. The Committee should meet as required to determine general strategies, the existing portfolio and to monitor results. The Committee shall include in its deliberations such topics as portfolio diversification, maturity structure, potential risks to District funds, brokers and dealers, the target rate of return on investments, and any other topics as it may determine or as directed by the Board of Directors. All actions of the Committee shall be reported to the full Board of Directors at the next regular Board meeting.

V. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

The District shall transact business only with Federal Deposit Insurance Corporation (F.D.I.C.) insured institutions, and licensed securities dealers as described in Government Code Section 53601.5. In selecting financial institutions for the investment of District funds, the Chief Financial Officer shall consider the creditworthiness of institutions. The Chief Financial Officer shall monitor, from time to time, financial institutions' credit characteristics and financial history throughout the period in which the District's funds are deposited or invested.

The following investment firms and financial institutions are authorized by United Water Conservation District to hold investments in the above authorized investment media:

- California Pooled Local Agency Investment Fund (LAIF)

- Ventura County Investment Pool
- Union Bank
- Morgan Stanley Dean Witter
- UnionBanc Investment Services (wholly owned subsidiary of Union Bank of California)
- Bank of the West

Bond proceeds issued by the District and held by a trustee or fiscal agent are invested in accordance with the statutory provisions governing the issuance of the bonds, indebtedness or lease installment agreement approved by the District.

Changes or additions to the approved list of investment media, institutions and firms may be recommended from time to time by the Chief Financial Officer to the General Manager for presentation to the Board's Finance Committee and then to the full Board of Directors, for approval. When considering additional institutions or firms, priority should be given to firms with local representatives, who have offices within the District boundaries.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following, as appropriate:

- Audited Financial Statements demonstrating compliance with State and federal capital adequacy guidelines
- Proof of State registration
- Certification of having read and understood and agreeing to comply with the District's Investment Policy
- Evidence of adequate insurance coverage
- Other information as determined necessary by staff or the Board of Directors

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the Chief Financial Officer.

VI. INTERNAL CONTROLS

The Chief Financial Officer shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the General Manager, the Finance Committee and the independent auditor. The controls shall be designed to prevent losses of public funds arising from fraud, collusion, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by District staff.

VII. SUITABLE AND AUTHORIZED INVESTMENTS

1. *Investment Types* (Government Code Section 53601 – Exhibit A)

The following investment media have been approved by United Water Conservation District:

- *Government Investment Pools*
- *U. S. Government* Securities - generally limited to Treasury Bills, Treasury Notes, Bonds or other direct obligations which carry the full faith and credit of the United States Government.
- *U.S. Government Agencies* – generally limited to items issued by a federal agency or a United States government-sponsored enterprise, such agencies include, but are not limited to, the Federal Farm Credit Bank (FFCB), Student Loan Marketing

Association (SLMA), and the Federal National Mortgage Association (FNMA) and those issued by the Federal Housing Administration (FHA). The "prudent investor" rule shall apply for a single agency name, as U.S. Government backing is implied rather than guaranteed.

- *Certificates of Deposit (CD)* of domestic banks and savings and loan fully insured by the federal government or collateralized
- Approved *Bank Demand Deposit* Accounts
- Approved domestic Bank *Overnight Sweep Accounts*
- *Money Market Funds* that are rated no less than AAA, AAA or similar rating under any revised rating format by Standard & Poor's or Moody's.

2. *Collateralization*

The District's cash held in its bank demand deposit accounts (including checking accounts and non-negotiable Certificates of Deposit) or bank overnight sweep accounts shall be collateralized by the financial institution with securities having a market value of at least 110% of the amount of deposits.

VIII. INVESTMENT PARAMETERS

1. *Diversification*

The District will diversify its investment portfolio to control the risks of loss resulting from over-concentration of assets in a specific maturity, specific issue or a specific class of securities. Maturities should be staggered to provide for liquidity and stability of income.

- No less than twenty-five percent (25%) of the portfolio should be invested in LAIF or other securities, which can be liquidated on one day's notice.
- No more than one-third (33%) of the District's portfolio shall be held by any single investment firm or institution, or as otherwise limited by Government Code Section 53601. The sole exceptions shall be the State of California Investment Pool (LAIF) or Obligations of the U.S. Government.
- No more than fifteen percent (15%) of the District's temporarily idle cash should be left in the District's general checking account or sweep instruments for more than 5 business days.
- Sufficient funds may be maintained in the District's general checking account to minimize monthly bank charges. The savings in monthly bank charges, over time, should be sufficient to offset the lost investment earnings potential of these excess funds retained in the general checking account. Generally, the State Local Agency Investment Fund and Obligations of the U.S. Government are the most favored investment choices for the District.

2. *Maximum Maturities*

To the extent possible, the District shall attempt to match its investments with anticipated cash flow requirements. Generally, the District's temporarily idle operating cash shall be invested in instruments whose average maturity does not exceed one year, except after review and approval by the Finance Committee, a portion of the District's portfolio may be invested in authorized investment instruments (i.e. securities and/or certificates of deposit) for up to but not to exceed three-years. Investments with maturities exceeding one year shall be disclosed to the Board of Directors at the next meeting of the entire Board. All District investments are intended to be held to maturity.

IX. REPORTING

The Chief Financial Officer, through the General Manager, will provide the Board of Directors with monthly reports of investments. Such reports will provide at least the following:

- The type of investment, name of issuer, date of maturity, par and dollar amount invested in each security or investment.
- The weighted average maturity of the investments.
- Any funds, investments, or programs, including loans that are under the management of contracted parties.
- The market value as of the date of the report, and the source of this valuation for any security.
- A description of the compliance with the statement of investment policy.
- A statement denoting the ability of the District to meet its expenditure requirements for the next six months.

X. APPROVAL OF INVESTMENT POLICY

This policy may be presented to and reviewed by the Board of Directors on an annual basis in a regularly scheduled Board meeting.

53601. This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies, other than local agencies that have the same governing body. However, Section 53635 shall apply to all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies. The legislative body of a local agency having moneys in a sinking fund or moneys in its treasury not required for the immediate needs of the local agency may invest any portion of the moneys that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

(a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

(b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(c) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

(d) Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

(e) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

(f) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

(g) Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40 percent of the agency's moneys that may be invested pursuant to this section. However, no more than 30 percent of the agency's moneys may

be invested in the bankers' acceptances of any one commercial bank pursuant to this section.

This subdivision does not preclude a municipal utility district from investing moneys in its treasury in a manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).

(h) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

(1) The entity meets the following criteria:
   (A) Is organized and operating in the United States as a general corporation.
   (B) Has total assets in excess of five hundred million dollars ($500,000,000).
   (C) Has debt other than commercial paper, if any, that is rated "A" or higher by an NRSRO.

(2) The entity meets the following criteria:
   (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
   (B) Has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond.
   (C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

(i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decision-making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

(j) (1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

(2) Investments in repurchase agreements may be made, on an investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102

percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

(3) Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met:

(A) The security to be sold using a reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale.

(B) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio.

(C) The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(D) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.

(4) (A) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may be made only upon prior approval of the governing body of the local agency and shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

(B) For purposes of this chapter, "significant banking relationship" means any of the following activities of a bank:

(i) Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness.

(ii) Financing of a local agency's activities.

(iii) Acceptance of a local agency's securities or funds as deposits.

(5) (A) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

(B) "Securities," for purposes of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity.

(C) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

(D) "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral

are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

(E) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.

(F) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

(k) Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by an NRSRO. Purchases of medium-term notes shall not include other instruments authorized by this section and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

(l) (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (q), inclusive, and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.

(2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).

(3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (k), inclusive, and subdivisions (m) to (q), inclusive, and with assets under management in excess of five hundred million dollars ($500,000,000).

(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria:

(A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.

(B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).

(5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include commission that the companies may charge and shall not exceed 20 percent of the agency's moneys that may be invested pursuant to this section.

However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

(m) Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

(n) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(o) A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision shall not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section.

(p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.

(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

(q) United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA" or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

PROCUREMENT POLICY

Effective July 1, 2019

OVERVIEW

This policy is written to document the policies and procedures that shall be followed when purchasing goods or services. All purchases of materials, supplies, equipment and services required by the District shall be made in accordance with the following, and pursuant to applicable provisions of the Government Code. This policy will be reviewed with new members of the Board of Directors and new District Department Heads/Managers as soon as possible after they assume responsibility. This policy shall also be reviewed as part of the annual budgeting process.

OBJECTIVES

- Purchase the best product or service at the most favorable price
- Establish authority, responsibility, accountability for purchasing activity
- Provide an environment of fair competition and impartiality in purchasing process
- Set objective decision-making procedures for District staff to follow when procuring materials or services
- Communicate organization goals/policies as they relate to purchasing

QUOTATIONS FOR GOODS, SERVICES AND EQUIPMENT; PROFESSIONAL SERVICES; PUBLIC WORKS PROJECTS

The District shall invite bid proposals or quotations for goods, services and equipment as required by applicable provisions of California Law. Invitations to bid shall include all information required by law and grant requirements. District personnel shall always use their best judgment in receiving either oral or written quotations. For expenditures over $10,000, the District shall solicit, if available, three (3) written quotations or bids. Generally, the purchase will be made from the lowest responsible bidder. The District in its sole discretion reserves the right to reject all bids or quotations. In the event bids or quotations are not received or, in the District's sole discretion are unacceptable, the District reserves the right to have the work done by its own forces.

PROFESSIONAL SERVICES

The District may in its discretion, but is not required to, utilize a request for proposal process or other formal process for the selection of consultants to provide professional services. Selection of professional services consultants shall be made in the District’s sole discretion based on demonstrated competence, professional qualifications and other criteria which the District deems relevant.

PUBLIC WORKS PROJECTS

Water conservation districts like United are not included within, and are not subject to, competitive bidding requirements in the Public Contract Code. The District reserves the right in its discretion to determine whether it will seek competitive bids for public works projects.

EXCEPTIONS TO COMPETITIVE BIDDING

Competitive bidding may be waived in the case of an emergency or when:

- The items or services to be furnished are in such short supply that there is no competition.

- Where the specifications or other restrictions limit the number of prospective suppliers.

- Where the skill or knowledge of a particular individual is sought.

- “Piggy-backing” or consolidating its procurement with that of another agency or entity constituted for governmental purposes; provided that the commodities or contractual services to be procured have been subjected to competitive bidding by said other agency or entity and documentation of such competitive bidding exists.

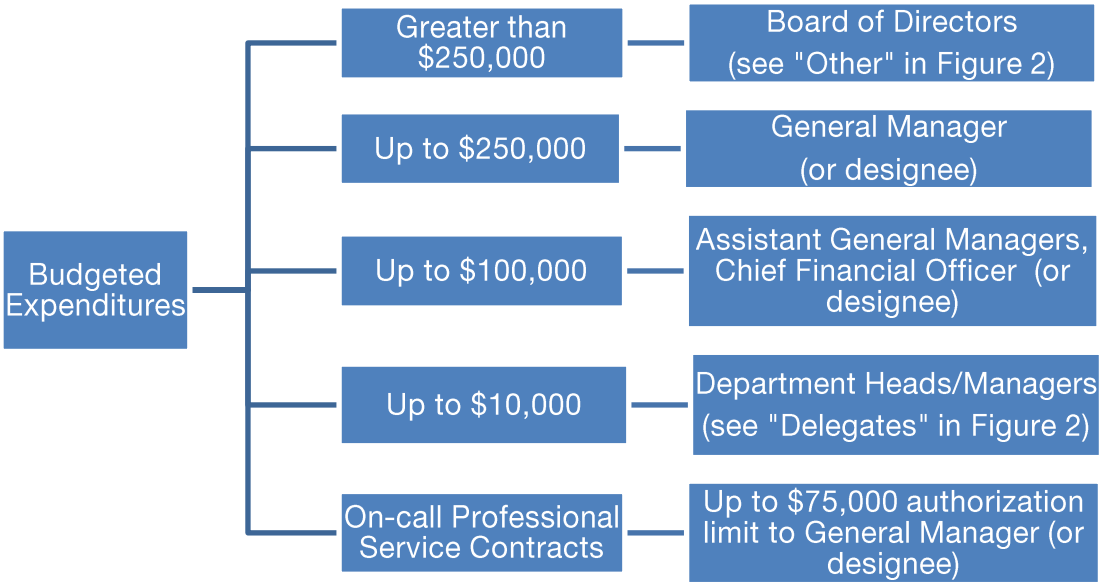
PURCHASING AUTHORITY

The Board of Directors adopts an annual budget, which includes detail of all capital items, professional fees for services and all other expenditures. Items referred to hereafter as "budgeted" refer to expenditures that have been appropriated in the adopted budget or approved for expenditure by the Board after the budget is adopted for the current fiscal year.

Authority to approve expenditures shall be determined as shown in the diagrams below. Expenditures shall not be broken down or divided into sub-groups for purposes of avoiding the guidelines.

The General Manager and Chief Financial Officer may designate their approval authority in their absence. Designation must be made in writing and a log of designations of authority will be maintained by the Executive Assistant.

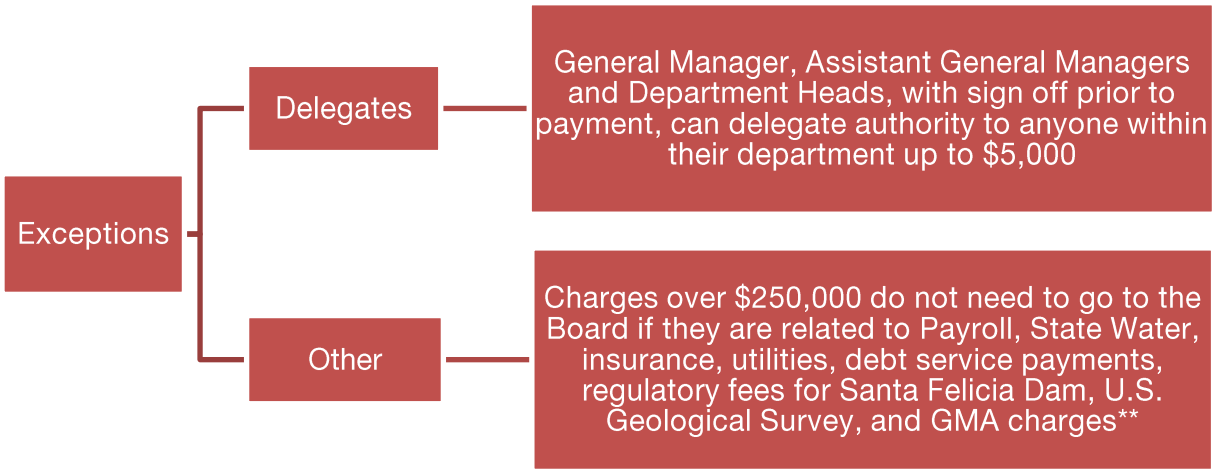
Figure 1. Purchase Authority Levels for Budgeted Expenditures



A contract amendment that is a budgeted expenditure and relates to an original contract with an amount below the General Manager's authority may be executed by the General Manager provided that the total amount of the contract and amendment(s) do not exceed the General Manager's authority. For example, a contract amendment of $50,000 to a $200,000 contract may be executed by the General Manager. However, a contract amendment of $50,000 to a $210,000 (total contract value of $260,000) must be approved by the Board.

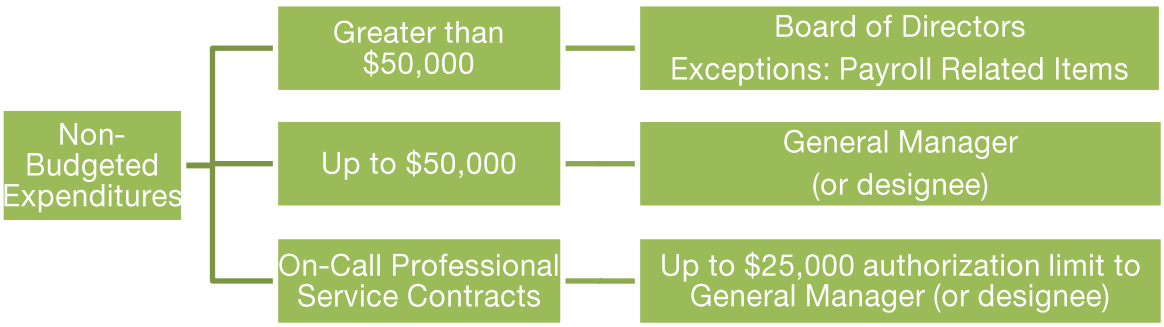
A contract amendment that is a budgeted expenditure and relates to an original contract with an amount exceeding the General Manger's authority, may be executed by the General Manager up to his approval level, not exceeding 50% of the original contract amount. For example, a contract amendment to a $400,000 contract may be made up to $200,000. Contract amendments for non-budgeted expenditures are subject to the limits set forth in the Appropriations section of the Budget Amendment Policy.

Figure 2. Exceptions to Purchase Authority Levels



** Charges related to payroll are approved during the payroll process. Charges related to all other items in the above list are approved at the department head level.]

Figure 3. Purchase Authority Levels for Non-Budgeted Expenditures



CREDIT CARDS

The General Manager or designee may acquire credit cards in the name of the District for use by designated District personnel. The District shall maintain a written log of credit cards. Employees assigned credit cards will sign an acknowledgement form (Exhibit A) agreeing to the limitations of the card use as described below.

Credit cards:

- May be used to charge necessary supplies and equipment, authorized travel, food and lodging for the person in possession of the credit card and any other District employee.

- May be used for the purchase of gas, oil, supplies, and repairs for District vehicles.

- May be used to purchase meals.

- May be acquired for vendors (i.e. Staples, Lowes, etc.) with approval by the General Manager.

- May not be used for personal benefit or personal use.

- May not be issued to members of the Board of Directors. They will be reimbursed according to the District's established Reimbursement Policy.

- Must be returned to the district upon termination or resignation prior to receiving their last paycheck.

Misuse of the credit card privilege can result in disciplinary action, including termination.

Receipts for all credit card expenditures must be promptly turned into the Finance Division along with appropriate documentation stating the purpose of the expenditure.

Credit card limits are as follows:

General Manager	$12,500
Assistant General Managers	$10,000
Chief Financial Officer	$2,000
Chief Engineer	$2,000
Human Resources Manager	$2,000
Operations & Maintenance Manager	$2,000
Senior Park Services Officer	$1,000
Senior Ecologist	$1,000
Travel Card	$10,000

The travel card is to be used for conference/seminar registration, airline, hotel and car rental costs for the Board of Directors, General Manager, employees or other designated individuals of the District. This card is kept in the District headquarters vault.

Supervisors approve credit card charges for all staff and the Chief Financial Officer approves the General Manager's credit card charges.

PURCHASE ORDERS

A purchase order will be created and electronically approved for all expenditures in excess of $2,500 for which a fixed price is known or can be reasonably estimated prior to receiving the invoice. Purchase orders should be approved electronicallyby appropriate level of management prior to making the actual purchase or commitment of funds. In the case of purchase orders for amounts over the General Manager's approval limits, the Clerk

of the Board will electronically approve the purchase order at the Board level after the item has been approved at a Board meeting.

It is the responsibility of each department manager to verify that the funding amount of the requested purchase is available before authorizing the purchase order.

After a purchase order has been approved by the appropriate level of management, only department head approval is required for payment of invoices related to those purchase orders.

PETTY CASH FUND

A Petty Cash fund of $300 will be established for the District headquarters and $100 at El Rio. Expenditures up to $20 may be made for postage, freight, permit fees, licenses and similar charges, and employee expenses. In each instance a written receipt for payment is required. The Chief Financial Officer or their designee will be responsible for the Petty Cash Fund in the District headquarters and the Chief Water Treatment Officer will be responsible at El Rio.

PREVAILING WAGES

State Law requires that contractors pay their workers "prevailing wages" when a project is a "public work". The meaning of "public works" is defined in the California Labor Code Section 1720-1743. Therefore, the district will affirmatively state in all "public works" contracts over $1,000 that contractors are required to pay their workers "prevailing wages".

GRANT COMPLIANCE

Grant-required language will be incorporated in bid documents, professional services agreements, equipment supply contracts and construction contracts as needed. District contracts will provide language required to be in all subcontracts and disclosure of an audit requirement.

REQUIREMENTS FOR EXPENSES OVER $40,000

The mini-Brooks Act (Government Code Sec. 4526-4529) requires the Qualification Based Selection (QBS) process be followed when selecting specific design professionals for projects over $40,000.

The District’s standard construction contract shall be used for construction jobs expected to exceed $40,000

REQUIREMENTS FOR PROFESSIONAL SERVICES

The District’s standardized agreement for professional services, made available on the District’s shared network, must be utilized. A request for any change order to the signed agreement must be submitted in writing.

UWCD CREDIT CARD HOLDER AGREEMENT

Employee: _____Department:_____
(Cardholder)

The Cardholder has been issued a District credit card and hereby agrees to comply with all terms and conditions set forth in the District's Procurement policy, including but not limited to:

1. **Official Use Only**. Charging personal expenses on District cards is a misuse of public funds—even if the intent is to reimburse the District at a later time—and may result in disciplinary action, including termination, at the General Manager's discretion.

2. **Timely, Accurate and Supported Payments**. Credit card payments will be processed on a timely basis, and adequate supporting documentation (such as vendor order forms, receipts, invoices and credit card receipts) will be retained for all charges and submitted to the Finance Division.

3. **Disputed Charges.** The vendor and issuing bank will be notified immediately of any disputed charges.

4. **Lost or Stolen Cards.** The issuing bank and the Finance Division will be notified immediately of a lost or stolen card. Failure to do so could make the Cardholder responsible for any fraudulent use of the card.

5. **Surrender Upon Request or Separation.** The credit card will be immediately surrendered upon separation from the District or upon request of the department head. Use of the credit card for any purpose after its surrender is prohibited. The bottom section of this form will be signed upon return of the credit card.

6. **Credit Card Limit.** The credit limit of this card is $_____.

_____
Cardholder Signature Date

RETURN OF CREDIT CARD UPON SEPARATION FROM DISTRICT EMPLOYMENT

I HEREBY SURRENDER the credit card issued to me by the United Water Conservation District to the Human Resource Administrator. I declare that all outstanding charges on the credit card are for official District business and will be paid through established procedures.

_____ _____
Cardholder Signature Date Human Resources Date

RECORDS MANAGEMENT
RETENTION AND DESTRUCTION POLICY
Effective July 1, 2019

PURPOSE

Establish guidelines to be used by the District in records retention, archiving, scanning and disposal. The procedures listed in this policy below will be used for the maintenance for the District's vital records and the disposal of those records when they no longer serve a public, fiscal, operational, administrative or historical value and that are not expressly required by law.

SCOPE

This District Records Management Retention and Destruction policy applies to the retention of all District vital records. This policy's intent is to comply with all governing local, state and federal laws and regulations and that the destruction or disposition of said records will not adversely affect any interest of the District or public.

BACKGROUND

Local agencies must comply with governing local, state and federal laws and regulations for the storage, accessibility, reproduction, and destruction of public records and documents. State and other governing laws ensure that permanent public records remain permanent, that legal records are not altered, that historic documents are not lost or destroyed, and that local agencies do not retain nonpermanent materials unnecessarily.

Assembly Bill 474 allows a special district's legislative body to dispose of records that are not expressly required by law to be preserved by either:

1) Authorizing the destruction of any category of records if it does both of the following:

    - Adopts a resolution finding that destruction or disposition of the category of records will not adversely affect any interest of the district or public; and

    - Maintains a list, by category, of the types of records destroyed or disposed of that reasonably identifies the information contained in the records.

2) Adopt and comply with a record retention schedule that meets the Secretary of State's guidelines that classifies all of the district's records by category, and that establishes a standard protocol for their destruction or disposition.

A district does not need to duplicate a record that is destroyed under the above provisions.

Under three conditions, a district can also authorize the destruction of records that are not expressly required by law to be preserved:

1. The document is reproduced so that it does not allow any changes to the original document;
2. The reproduction device accurately reproduces the original and does not permit changes; and
3. The reproduction is conveniently accessible, with provisions for preserving, examining, and using files.

For the purposes of this section, every reproduction shall be deemed to be an original record.

RETENTION PROCEDURES:

1. A Records Custodian will be designated by the Chief Financial Officer to administer the destruction or disposition of financial records, and an Administrative Records Custodian will be designated by the Chief Financial Officer to administer the destruction or disposition of other District administrative records.

2. Retention Schedules shall be established for financial and administrative records and approved by the Board of Directors that identify record retention periods.

3. Records Management Inventories shall be established and maintained for inventorying all new and existing financial records and all new and existing administrative records maintained by the District.

4. The records custodians will complete authorization forms to document the disposition of District records.

5. Financial and administrative historical destruction records logs will be maintained and updated regularly.

6. This policy will be suspended or modified in the event that an unsuspected legal or administrative question ever arises regarding the need to retain certain documents or is the subject of any pending request made pursuant to the California Public Records Act. This policy will be reinstituted accordingly once the issue has been resolved.

7. No altering, mutilating, concealing or falsifying of original documents shall be performed by the District or any employee of the District.

8. This policy will be uniformly and consistently followed by all District employees and officers.

9. New and existing employees of the District will be regularly educated on procedures and importance of this policy.

10. Only Chief Financial Officer and authorized Finance Division employees will have access to payroll, credit, financial information and other sensitive financial information and only the Chief Financial Officer, Executive Coordinator and Human Resources Administrator will have access to personnel information. Other District administrative records covered under the scope of this policy may be accessible to additional District personnel, depending upon the specific nature of the document(s).

RETENTION SCHEDULES:

1. 180 days/6 months after completion of the fiscal year, the Financial and Administrative Records Management Inventories shall be reviewed in conjunction with the respective Retention Schedules and the necessary steps taken to file, archive, scan and dispose of records that no longer serve a public, fiscal, operational, administrative or historical value and that are not expressly required by law.

2. The financial and administrative records custodians will complete authorization forms to document the disposition of applicable records.

3. A Board resolution will be requested for destruction of records for the reproduced document image (scanned image) of the original document after the retention period has expired.

4. The financial and administrative historical destruction logs will be updated regularly.

5. All paper media and disks (CDs) will be shredded or properly destroyed after all required actions of this policy have been fulfilled.

6. As deemed necessary, the Financial and Administrative Records Management Inventories and Retention Schedules can be added to by staff for new inventory.

7. As deemed necessary, District records may be removed from the respective Records Management Inventories with the appropriate destruction procedures followed.

8. Current active District records will be scanned on a regular basis. Inactive records will be scanned as determined by the Retention Schedules after the annual fiscal year audit is completed.

BOARD AUTHORIZATION

The Board will review this policy annually with all other policies. By approval of this policy, the Board authorizes destruction of records in accordance with the current records retention policy and/or resolution for destruction of records for the reproduced document image (scanned image) of the original after the retention period has expired.

INTERNAL CONTROLS

Quarterly reviews by the Financial and Administrative Records Custodians will be made to make sure this policy is being uniformly and consistently followed. The Records Custodians will provide quarterly written reports to the Chief Financial Officer detailing the status of compliance with this policy. The District will cease this Management Retention and Destruction Policy upon reasonable anticipation of litigation or is the subject of any pending request made pursuant to the California Public Records Act. This policy will be reinstituted accordingly once the issue has been resolved.

RESERVE POLICY

Effective July 1, 2019

OBJECTIVES

Minimum reserve levels should be maintained:

a) At a level required by loan or operating agreements; or
b) At levels sufficient to absorb unpredictable revenue shortfalls or unforeseen emergency expenditures and to ensure fiscally prudent/desired cash flow levels.

Four important factors should be considered when determining an appropriate minimum reserve level:

a) The reliability of each fund's revenue sources. A fund that depends upon less reliable revenue sources may need to maintain significantly higher levels of reserves than those that rely upon more stable sources of revenue;
b) The timing of cash inflows and outflows. Funds whose cash flows are less consistent may need higher cash reserves to maintain liquidity than those with regular cash inflows and outflows;
c) Frequently the District must "front" costs for work that will be reimbursed at a later date (i.e. grants, emergencies, etc.); and
d) Recognition that funds must be accumulated for the completion/construction of Board approved capital improvement projects. These funds are often expended over multiple years and not necessarily in one fiscal year. These project designated/committed funds do not constitute a portion of the minimum reserve level set for each fund.

The District currently has the following reserve policies, as adopted by the Board of Directors and/or by agreement with specific customers:

GENERAL/WATER CONSERVATION FUND

The District's goal should be to maintain a General/Water Conservation Fund undesignated reserve balance of no less than $4 million and no more than $5 million. This reserve balance should provide rate stabilization capabilities, funding for one-time unanticipated expenditures, necessary operational capital during negative cash flow periods and emergency funds that are necessary for the repair/maintenance of District facilities that have been damaged or destroyed by a natural disaster, major accident or mechanical malfunction, etc. In some cases these emergency expenditures may be reimbursable to the District by FEMA/OES or other agencies.

- The Water Conservation Fund Groundwater Extraction Charge is reviewed annually in conjunction with the budget process and should be adjusted as appropriate to maintain reserve goals since the Board has no control over the amount of ad valorem property tax receipts.

- Inclusion of the depreciation expense in the groundwater extraction charge shall be used only to accumulate replacement funds for planned capital purchases/replacements. The Board will designate and approve these funds for this purpose.

- Whenever possible, investment earnings (interest) if not needed for operation expenses, should be set aside (designated) to fund all or a portion of the revenue requirement of one-time expenditures (i.e. capital purchases or capital improvement projects).

- Any amount of funds above the reserve policy should be designated by the Board for one-time costs only.

The Board of Directors may, as part of the annual budget discussions, determine that a reserve level greater than $5 million is necessary in order to protect the District against uncontrollable conditions such as environmental mandates, economic impacts, State fiscal emergencies and/or the need to accumulate funds for future large purchases or capital improvement projects.

STATE WATER PROJECT FUND

The State Water Project costs run until 2035. Each fiscal year, the District determines the amount to be raised for voter approved debt by reviewing the State Water Fund reserve level less annual expenditures appropriations for variable and fixed State Water costs, assume that the District's entire 5,000 AF allocation will be available and purchased each year. The District then requests a tax rate to be computed and assessed by the Ventura County Auditor by August 1 of each fiscal year.

The State Water Project Fund reserve balance will have two components. The first reserve component, identified as the Full Allocation Water Purchase (FAWP), will be the cumulative balance of all water purchase costs for each year when the District is unable to acquire 5,000 AF. The FAWP component, will be adjusted annually to reflect the monies not spent on water purchases up the District's 5,000 AF allocation, due to lack of water availability. The reserve maximum will be calculated by multiplying the AF of water not purchased since 2008, by the most recent rate per AF of Article 21 or Table A water, whichever is higher. Any fund balance at the end of each fiscal year will first be allocated to the FAWP reserve up to the maximum reserve amount.

The second reserve component shall be a reserve of up to $1,000,000 for all projected annual State Water costs. Whenever funds exist in excess of this maximum reserve goal, the excess should be used in lieu of voter approved property tax assessment to pay annual SWP costs or to purchase additional state water, so long as the annual average for water purchased since 2008 does not exceed the 5,000 AF allocation per year.

FREEMAN FUND

A reserve level of $800,000 - $1,000,000 should be the goal for operations and maintenance. Additionally, with the 20-year Bureau of Reclamation loan for the construction of the Freeman Diversion Dam paid off, the funds previously collected to cover the annual debt service (approximately $1.2 million) will now be designated for the design and construction of a new fish passage facility in order to comply with the ESA and for future rehabilitation costs for the Freeman Diversion Dam until designation is sufficient to cover the estimated project costs. These funds are in addition to the operating reserve level goal of $800,000 - $1,000,000. If events occur which cause the reserve level to drop below the goal, rates will be adjusted, if necessary, to rebuild reserves to the required level. Any excess reserves may be set aside for one-time expenditures (i.e. capital purchases or capital improvement projects).

OXNARD-HUENEME PIPELINE FUND

Per "Water Supply Agreement for Delivery of Water Through the Oxnard/Hueneme Pipeline" Amendment No. 1 (dated January 2002): The level of cash reserves in the Fund will be set at $750,000, increased annually by the Consumer Price Index (CPI) – All Urban Consumers (Los Angeles-Riverside-Orange Co., CA area or any successor index area that replaces this area for Ventura County). This index is provided by the Bureau of Labor & Statistics and should represent the February-to-February annual adjustment, rounded off to the highest hundredth (i.e. 2.689% would be 2.69%). This reserve (adjusted annually by the CPI) includes one-third that can be used for annual rate stabilization and if used, can be built back up over a 2-year period with minor rate or expenditure adjustments. The O/H Pipeline charges will be established on an annual basis in accordance with SECTION 5 of the Agreement to maintain reserves at this level. In the event that the current level of reserves are depleted by more than thirty percent (30%) in any fiscal year because of expenditures on an emergency or unbudgeted item, United and All Contractors agree to meet and confer about developing a plan, which may include but not be limited to temporary rate increases, surcharges, capital contributions or other reasonable methods that will restore the reserves to the above described levels or some other level that United and Contractors or future Contractors with cumulative entitlement of seventy five percent (75%) of the allocated peak capacity may determine.

Interest income earned on the Fund reserves shall remain in the Fund.

1) All Contractors accept and acknowledge that a $750,000 reserve (plus the annual CPI adjustment) may be insufficient to fund major improvements or to make repairs to the Pipeline in the event of catastrophic emergencies.

2) In the event that United, pursuant to SECTION 10B of the agreement, expends funds that completely deplete the cash reserves of the Fund, then United shall have no further obligation to expend funds from any source for the O/H Pipeline. Upon the exhaustion or anticipated imminent exhaustion of the Fund, United shall notify All Contractors, Future Contractors and Emergency Contractors, in writing, requesting payment of the cost of unbudgeted expenses. Each Contractor shall have five (5) days after delivery of the notice to respond with a written notice stating whether they will pay funds to the Fund in their proportionate or some other greater or lesser amount of the cost of the unbudgeted expenses. Each Contractor shall have thirty (30) days after delivery of the notice from United to pay the required funds to the Fund. If the funds required to pay the unbudgeted expenses are not committed within the five (5) day period specified herein, each Contractor, Future Contractor and Emergency Contractor that fails to make timely payment as provided in this subsection shall indemnify United from and against all liabilities, expenses or damages of any kind, including, but not limited to, attorneys' fees and costs of defense, that may be incurred by United as a result of failing to expense funds, make the repairs and continue to operate the O/H Pipeline or supply water, if operation or supply is prevented, and all other matters resulting from the failure to expend funds pursuant to the provision of SECTION 10C. If and when the full amount of the unbudgeted expenses are paid to the Fund, United shall immediately resume its duties under this Agreement and each Contractor, Future Contractor and Emergency Contractor shall be relieved from the aforementioned indemnity obligation except to the extent that the obligation may have arisen or may later arise because of the failure of United to expend funds, make repairs, continue to operate or supply water as a result of the exhaustion or anticipated eminent exhaustion of the Fund. At the time, United,

and each Contractor, Future Contractor and Emergency Contractor agree to meet and confer pursuant to SECTION 18 of the Agreement to determine how and when the reserves of the Fund are going to be restored to the level set pursuant to SECTION 12F of the Agreement.

PLEASANT VALLEY PIPELINE FUND

Per a Water Delivery Contract between United Water Conservation District and Pleasant Valley County Water District (signed in 1995), the level of cash reserves to be maintained in the PV Pipeline Enterprise Fund will be set at the prior three (3) year running average of Operations and Maintenance expenditures including depreciation, less adjustments for extraordinary items.

- If damage to the system occurs in excess of the amount of the established reserves, UWCD and PVCWD agree to meet and confer about the nature, extent and necessity of such repairs. PVCWD must first agree to pay for such agreed upon repairs, which will be financed from future rates, and then UWCD will arrange to have the repairs accomplished as quickly as possible. UWCD and PVCWD will also agree on the repayment schedule, which will rebuild reserves to the required level.

- PVCWD agreed to pay an amount equal to the debt service payment each and every year until the debt issued to construct the second reservoir is paid in full, even in the event that no water is delivered in any particular year or years. At its option, PVCWD may elect to use any available excess Operations and Maintenance (O&M) reserves, described above, to make the debt service payment. In the event that O&M reserves are depleted or are unavailable for use to make a debt service payment, PVCWD shall make the payment from any source it has available.

- In the event operating reserves exceed the above stated cash reserve level, UWCD will confer with PVCWD to determine if the excess funds are to be returned to PVCWD, used to offset operations and maintenance rates and/or designate for specific projects/costs related to the Pleasant V Pipeline.

PUMPING TROUGH PIPELINE FUND

A reserve level of $250,000 - $300,000 should be the goal for operations and maintenance. If events occur which cause the reserve level to drop below the goal, rates will be adjusted, if necessary, to rebuild reserves to the required level. Any excess reserves may be set aside for one-time expenditures (i.e. capital purchases or capital improvement projects).

VEHICLE AND EQUIPMENT REPLACEMENT AND MAINTENANCE/REPAIRS SCHEDULE AND POLICY

Effective July 1, 2019

PURPOSE

Establish guidelines to be used by the District for addition/replacement and maintenance of vehicles and equipment by utilizing acquisition and replacement criteria and purchasing procedures that promote cost effectiveness, employee safety and environmental benefits. The guidelines set are based on criteria that allow employees to perform their assigned work and minimize "down time" due to frequent or regular major repairs and maintenance resulting from declining conditions of District vehicles and equipment due to age, mileage, hours of operation, wear and tear, etc. While vehicle and equipment appearance/condition should not be a primary decision criteria it can be used in some circumstances that are clearly documented and reviewed by the Board.

ACQUISITION OF VEHICLES/EQUIPMENT

Acquisition of vehicles and equipment – All vehicle/equipment acquisitions must be approved by the Board of Directors either through the annual budget process or through a supplemental budget appropriation request if the funds were not allocated previously. For non-replacement vehicle/equipment purchases, the justification must include why the new acquisition is needed, how it will be used and how it will help the District meet its mission objectives. If the vehicle was approved in the budget adoption process, staff must get the Board's approval prior to making the actual expenditure. Acquisitions of replacement vehicles/equipment must meet certain mileage, age, or usage criteria as identified below:

Vehicle/Equipment Replacement Criteria -

Full Ton/3/4 Ton Diesel	120,000 miles/12 years
Full Ton/3/4 Ton Gas	120,000 miles/12 years
Small Truck	120,000 miles/12 years
Sedan/SUV (Jeep)	100,000 miles/12 years
Scraper	7,000 hours/18 years
Bulldozer	7,000 hours/20 years
Backhoe	7,000 hours/20 years
Grader	8,500 hours/25 years
Frontload Tractor	7,000 hours/20 years
Dump Truck	100,000 miles/20 years
Water Truck	100,000 miles/20 years

Even when a vehicle meets the replacement criteria above, managers should evaluate the vehicle operation performance. If the vehicle is sound and in good working condition, runs satisfactorily and the continued operation of the vehicle is cost effective, the vehicle should be retained.

Vehicles/equipment that does not meet the replacement criteria may be considered for early replacement if it can be shown that it is not cost effective to continue operating and maintaining the unit (excessive maintenance costs and the vehicles/equipment down-time for maintenance is disruptive to the District's operations) or its specifications no longer meet the requirements of the job it was purchased to perform. Approval by the Board of Directors is required for early replacement.

Lease/Buy Options – Large equipment only

Scraper, Grader, and Backhoe – As recommended by Department Manager and approved by the General Manager

Purchasing the Vehicle/Equipment – In purchasing a new vehicle/equipment staff will:

- Purchase through the State, if time allows, and it is cost effective and price competitive.
- Prepare vehicle/equipment specifications and secure at least two price quotes unless available only through a sole vendor, with appropriate justification.
- If purchased from a dealership, award to the lowest cost proposal. Cost proposals from dealerships within the District's service area, whenever possible will be given a 5% cost preference (if they are within 5% of the lowest cost proposal, they will be awarded the purchase).

Purchasing Used Vehicles/Equipment

Department Managers may authorize the purchase of a used vehicle in lieu of a new one if they can justify that it is in the District's best interest and cost effective. When purchasing a used vehicle/equipment manager will:

- Provide a complete justification and description of vehicle/equipment (year, mileage, condition etc.).
- Estimated remaining life of used vehicle/equipment.
- Price quote and seller information.

Standardization of Vehicles/Equipment –

- Priority should be given to the purchase of alternative fuel or hybrid vehicles when a refueling/recharging station (if necessary) is conveniently accessible and when operations of such vehicles does not hinder the District ability to perform work. Requests for purchases of conventional fuel vehicles will include a statement explaining why an alternative fuel or hybrid vehicle is not being recommended by staff as a part of the purchase authorization request to the Board of Directors.
- Department managers are responsible for final determination of the types of vehicles/equipment and specifications needed to perform the necessary operations.
- All District vehicles will be white except those assigned to management employees (General Manager will have final approval).
- Department managers will determine whether vehicle/equipment should be powered by diesel, gasoline or alternative fuel options. Diesel is preferred for heavy equipment.

- Full-ton or ¾ ton pick-ups only should be purchased - no ½ ton pick-ups due to the frequent need to tow other equipment. Light duty trucks will only be purchased on recommendation by the department manager.

Disposing of Vehicles/Equipment – Refer to the District's "Disposition of Surplus Assets Policy".

Spare/Extra vehicles/equipment –

Upon recommendation by the appropriate department manager, the number of "spare" or extra vehicles/equipment will be based on the benefit they provide versus the cost of their maintenance. Retaining vehicles/equipment as spares must be approved by the General Manager. "Spare" or extra vehicles/equipment provide back-ups while repairs are being made or for seasonal workers, as necessary. The District should maintain no more than two (2) spare vehicles at any one time. Approved spare vehicles are not eligible for replacement. Unless otherwise approved, all replaced vehicles/equipment must be disposed of according to the District's "Disposition of Surplus Assets Policy", within a 12 month timeline of being replaced. The Finance Division will do an annual (spring quarter) inventory of approved spare vehicles to ensure compliance with this section.

MAINTANANCE OF VEHICLES/EQUIPMENT

- Preventative Maintenance (PM) and major repairs of all District vehicles/equipment is the responsibility of the employee assigned the vehicle/equipment. If not assigned, the appropriate supervisor will be responsible to ensure proper preventative maintenance is done.
- Each employee/supervisor with vehicle/equipment assignments will maintain and keep up to date a complete log in the vehicle/equipment of all maintenance or repairs performed (including date and mileage) and the associated costs. Supervisors will maintain a centralized log of all preventative maintenance and repairs and review this log on monthly basis to ensure timely PM and early detection of problems.
- Preventative Maintenance (i.e. oil and oil filter changes, tire pressure and other fluids checked/filled as necessary, etc.) should be performed every 3,000-5,000 miles depending on usage (frequent stopping and starting, excessive dust and towing or use of regular oil would indicate a need to perform PM at the 3,000 mile mark. 5,000 mile interval PM can be done if synthetic oil is used).
- Preventative maintenance may be done in the District's El Rio shop, if approved by supervisor or at "quick-stop" oil change establishments. Major repairs or warranty work must be done at an appropriate dealership/shop.
- Owner's Manual suggested servicing schedule should be followed to ensure proper maintenance of all vehicles/equipment.

The General Manager is authorized to deviate from this policy when doing so is cost effective, furthers the District mission objectives and is consistent with the intent and purpose of this policy.

VERIFICATION OF GROUNDWATER PRODUCTION STATEMENT

Effective July 1, 2019

Pursuant to Water Code section 75611 each operator of a water-producing facility within the District boundaries, unless permanently abandoned under Water Code section 75614, shall file with the District on or before the 31st day of January and on or before the 31st day of July in each year, a statement setting forth the total production in acre-feet of water for the preceding six-month period. In order to verify the reported production amount, the District's Finance Division requires each statement to include a current photograph of the meter for each listed water-producing facility in the statement. Photographs may be mailed along with the groundwater production statement to the District office at 106 N. 8th St., Santa Paula, CA 93060 or may be emailed to gwreporting@unitedwater.org. For identification purposes, either the account number or the well number must be included in the subject line of the email.

In the event a statement is submitted without the required photograph, the Finance Division will send the operator a request for a photograph no later than 30 days following the date the report is submitted. The operator will have 30 days after the request is mailed to provide the District with a current photograph. Failure to provide a photograph within 30 days after a mailed request by the District shall constitute sufficient grounds to warrant a District inspection of each water producing facility listed in the statement pursuant to the procedures set forth in Water Code section 75634.5. Alternatively, the failure of an operator to provide the required photograph with a production statement shall constitute sufficient probable cause to permit the District to cause an investigation and report, and to fix the amount of water production pursuant to Water Code section 75619.