



# FINANCIAL POLICIES

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**Ross Valley Sanitary District**

Adopted by the Board of Directors on November 15, 2017  
Revised by the Board on December 18, 2019  
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# 1 INTRODUCTION

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## 1.1 POLICY OBJECTIVES

The financial policies of the District are intended to meet the following objectives:

- Provide a framework for fairly and accurately recording and reporting the financial transactions and financial position of the District.
- Provide the District's Board of Directors the tools required to meet their fiduciary responsibility.
- Provide guidance in the areas of:
  - Financial planning and management
  - Compliance with laws and industry best practices
  - Internal controls for business practices
- Ensure that the District's financial reports contain information that is useful to all stakeholders, which may include:
  - General public
  - District Board of Directors
  - Other legislative or oversight bodies
  - Bond holders and/or creditors
  - District management

## 1.2 POLICY REVIEW

The District will periodically review all financial policies to determine the need to make appropriate updates. Factors to consider when determining the need for updates include:

- Changes in or new GASB statements that are applicable to the District.
- Changes in the legal or other regulatory environment.
- Changes in personnel or other environmental factors within the District.
- Recommended improvements in accountability or efficiency.
- Changes in the financial and related business systems or practices.

Financial policies will be updated as needed; however, a full review and update will be performed every three to five years as a preliminary step in that year's budget development cycle.

## 1.3 POLICIES VS PROCEDURES

The focus of the financial policies is to provide concise and comprehensive direction from the Board with respect to the proper actions to take in managing and conducting the District's financial affairs. Each policy is organized to provide succinct, explicit, and current direction to designated stakeholders. These policies are linked to and complement financial procedures. Procedures are separately detailed with specific directions and steps for implementing the policies. Generally, policies tend to be less specific than procedures. Policies should pass the test of time, while procedures, keeping with the intent of the policies, may change more frequently to adapt to changes in operational needs and technology. Financial procedures are maintained by the Finance/Administration Department.

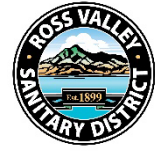


## 2 GUIDING PRINCIPLES OF FINANCIAL PLANNING

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The District's Board of Directors annually appoint two Board members to a Finance Committee who provide advance review of Board financial business. The Finance Committee is guided by the adopted Financial Policies and the following principles of sound financial planning:

- Use a 5-year revenue planning period based on a 10-year rolling financial forecast.
- Balance the operating budget over the budget planning period.
- Maintain the operating reserve at 50% of the annual operating expenses.
- Maintain an emergency reserve fund of \$2,000,000.
- Ensure adequate funding for the capital improvement program (CIP) during the planning period.
- Maintain a capital reserve equal to 50% of the annual average value of the future 5-year or 10-year CIP.
- To the reasonable extent possible, use Pay-Go funding for the CIP. Secure low-interest State Revolving Fund loans or issue debt to fund the balance of CIP projects.
- Target an average EDU rate increase of less than 4% per year



## 3 INTERNAL CONTROLS AND FRAUD PREVENTION

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The purpose of the *Internal Controls and Fraud Prevention Policy* is to provide direction on managing the District's internal accounting methods and practices and to prevent fraudulent activities and misuse of District funds in accordance with California Government Code §6500, et seq.

### 3.1 INTERNAL CONTROLS

District staff shall establish and maintain procedures, documents and systems of internal controls to safeguard financial assets, to manage financial assets in an accountable, secure, efficient, and effective manner, and to ensure accurate financial data. The Finance & Administrative Services Manager shall be responsible for this function.

### 3.2 INTERNAL ACCOUNTING PRACTICES

District staff shall perform internal accounting practices in accordance with Generally Accepted Accounting Principles (GAAP) for government agencies, including applicable Financial Accounting Standards Board (FASB) pronouncements, and all relevant Governmental Accounting Standards Board (GASB) pronouncements.

District staff shall ensure that:

- Each employee understands his/her role, responsibility, and accountability when conducting financial transaction for the District.
- All transactions are properly authorized.
- Accounting records and documentation are properly maintained.
- Access to both assets and records are effectively controlled.
- General ledger accounts are periodically reviewed for their reasonableness, and for the validity and accuracy of the underlying items they represent.

If any of these practices are found to be improperly implemented or maintained, District staff shall take immediate remedial action to improve and/or change the practice. (See *Ethics Policy*).

### 3.3 INTERNAL REVIEW AND RECOMMENDATIONS

The Finance & Administrative Services Manager shall perform a periodic review of all financial policies, procedures, and practices, and make recommendations for changes and updates to the General Manager. As appropriate, the General Manager shall make policy change recommendations to the Board of Directors for its review and approval, and/or direct District staff to make appropriate procedural changes.

### 3.4 PUBLIC FIDUCIARY LIABILITY

The General Manager shall recommend, for Board review and approval, methods for reducing and mitigating risks associated with potential public fiduciary liabilities such as claims made against the District for any alleged wrongful fiduciary act and/or breach of fiduciary duties for which the District might be responsible. The General Manager shall consult with the California Sanitation Risk Management Authority

(CSRMA) and other respected resources to make recommendations regarding the procurement of public official bonds, fiduciary liability insurance, and establishing other mechanisms for reducing and mitigating such risks.

### **3.5 AUDITS**

Internal control and financial audits shall be performed annually by an independent firm of certified public accountants and coordinated by the Finance & Administrative Services Manager in accordance with Generally Accepted Auditing Standards, the District's Joint Powers Agreement effective September 2006 (Section 11), and applicable State laws. The Finance & Administrative Services Manager shall incorporate the financial audit results into the financial section of the Annual Comprehensive Finance Report (ACFR). District staff shall implement auditor recommendations for improved internal controls. The Board shall annually review and approve the audits and accept the ACFR (See *Financial Reporting Policy*). In addition, based on the recommendation of the General Manager from an evaluative process, the Board shall periodically review and approve the selection of an independent auditor to perform the annual financial audit.

### **3.6 SEGREGATION OF DUTIES**

In implementing this policy and related procedures, District staff shall segregate financial transaction roles, responsibilities, and duties to the extent possible to safeguard assets against the risk of loss, mishandling, misuse, and fraud.

### **3.7 OPERATING FUND ACCOUNT**

The Board of Directors shall approve the selection of a federally insured banking institution that would be entrusted to securely handle and transact, at District staff direction, any funds deposited in the District's operating fund account. The General Manager shall periodically recommend to the Board the selection through an evaluative process of a new banking institution due to changes in current banking institution performance, banking market conditions, or for other benefits or advantages to the District. The evaluation shall include, but is not limited to, qualifications associated with banking services provided, fees charged, and financial and administrative benefits for the District. The Finance & Administrative Services Manager shall develop procedures to manage the daily and routine operations of the account and its cash balances.

### **3.8 AUTHORIZED CHECK SIGNERS**

District staff shall require that all checks disbursed from the District's operating account have two signatures and be for valid, documented, and approved expenses of the District. At no time or occasion shall blank checks be signed. The Board shall designate authorized check signers who may include the General Manager, Board Directors, and District staff. The General Manager shall seek Board authorization to update authorized check signers whenever a previously designated check signer is no longer affiliated with the District. All checks written on behalf of Ross Valley Sanitary District shall be signed by two of the following unique individuals: District General Manager, Assistant General Manager, Finance &

Administrative Services Manager, Operations & Maintenance Manager, Board President, or Board Treasurer.

Board members are not compensated for signing checks on behalf of the District as signatures required by this Policy shall not be deemed to qualify as a day of service which mandates compensation under Ordinance 80 adopted by the Board on July 19, 2017.

### **3.9 WIRE TRANSFERS**

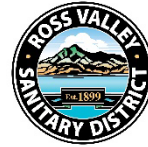
The District uses an operating account and investment accounts to properly manage its funds. The General Manager, Finance & Administrative Services Manager, and District staff appointed by the General Manager shall be authorized to transfer funds between these accounts. District staff shall accept wire transfer payments to its operating account for services rendered after review and approval by the Finance & Administrative Services Manager.

### **3.10 PAYMENTS TO DISTRICT AND BANK DEPOSITS**

District staff shall deposit in the bank all payments to the District on a bi-weekly basis based on appropriate financial procedures. Deposit of cash receipts shall be performed and verified by designated staff. Prior to the time in which the receipts are processed for bank deposit, District staff shall store checks and cash in a locked District cash box.

### **3.11 PETTY CASH**

District staff shall securely maintain petty cash funds for small cash transaction purposes. Disbursements from petty cash shall be pursuant to the District's *Procurement Policy* and associated procedures. At no time or occasion shall checks be cashed out of petty cash currency, or petty cash funds borrowed for any purpose. District staff shall keep petty cash in a locked box.



## 4 ETHICS AND CONFLICTS OF INTEREST

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### 4.1 POLICY OBJECTIVES

The Board of Directors, General Manager, and District staff shall serve as stewards of the public's resources, trust, and confidence, and thus shall be held to the high standards of ethical fiscal conduct in the public's interest as opposed to personal interests. The purpose of the *Ethics and Conflicts of Interest Policy* is to affirm required standards of conduct and practices with respect to financial roles and responsibilities.

The Board of Directors shall establish and maintain financial policies for standards of ethical responsibility. Directors and District staff should understand that improper financial and contractual activities could damage the reputation of, and confidence in, the District and its employees, and could result in serious adverse financial and legal consequences for the District.

Directors and District staff shall conduct him/herself in his/her official business dealings in practice and appearance according to ethical fiscal standards, regulatory requirements, and the public trust. District staff shall develop and implement methods and controls for preventing, avoiding, and reducing potential ethical fiscal improprieties, conflicts, and fraudulent behavior, and to ensure procedures and structures are in place to properly implement this policy. The General Manager, as necessary, will periodically schedule appropriate ethics training for Board Directors and designated District staff as required by the California Government Code.

### 4.2 VIOLATION OF THIS POLICY AND RELATED FINANCIAL POLICIES

The General Manager or designee shall investigate any allegation and/or observation of improprieties that would violate this policy and other financial policies. If a violation is determined to have occurred, the General Manager shall handle the matter under the District's Personnel Policies, which may result in disciplinary action.

### 4.3 REPORTING UNETHICAL AND FRAUDULENT BEHAVIOR

Directors and District staff shall report any observation in practice or appearance of a violation of the District's financial policies, procedures, and resolutions including this Policy to a supervisor or the General Manager, who will investigate the matter. A verbal or written report will be considered a personnel matter and will be handled with strict confidentiality under the District's personnel policies. If the suspect employee is the General Manager, District staff have a responsibility to contact the President of the Board of Directors.

As a member of the California Sanitation Risk Management Authority (CSRMA), the District is a participant in the WeTip Corporate Ethics Hotline program ([www.wetip.com](http://www.wetip.com)). Information regarding fraud or misconduct related to agency activities can be anonymously reported 24/7/365 to a live operator at 1-800-78-CRIME (1-800-782-7463).



#### 4.4 WHISTLEBLOWER PROVISION

District staff who report unethical or fraudulent behavior are protected by the provisions in the California Government Code §8547 - §8547.12, Article 3, known as the “California Whistleblower Protection Act.”

#### 4.5 USE OF PUBLIC FUNDS

District staff shall make expenditures of District funds only after the transaction has been properly reviewed, approved and authorized as established by *Internal Controls, Financial Planning, Procurement, and Asset Management* policies and related procedures. District staff shall only receive funds for authorized and approved District activities as established by *Internal Controls, Revenue Management, and Financial Planning* policies and related procedures. District staff shall not spend or receive public funds for any “public purposes” they choose; all funds of the District shall be utilized solely for Board adopted purposes (California Government Code §8314).

District staff shall be prohibited from the practice and appearance of potentially fraudulent activities that could involve, and are not limited to, the following activities: borrowing District funds, accounting or recordkeeping that results in borrowing schemes, contract or bid rigging, pilfering or petty theft, unapproved reimbursement of funds, unauthorized disposal or taking possession of surplus or unused District property and supplies, double accounting or making double payments, false claims, payroll and benefit fraud, and false programming or hacking of electronic and automated financial systems and transactions.

Directors and District staff shall comply with the District’s *Administrative and Personnel Policy Book*.

#### 4.6 CONFLICT OF INTEREST

Government Code §87300 requires every state and local government agency to adopt a Conflict of Interest Code to prohibit and prevent financial conflicts of interest.

Directors and District staff shall not make, participate in making, or in any way attempt to use their official positions to influence a District decision in which they know or have reason to know that they have a financial interest (California Government Code §87100, et seq.). In addition, Board Directors and District staff shall not be financially interested in contracts they enter on behalf of the District. Board Directors and District staff shall avoid contractual improprieties that could occur both in practice and appearance (California Government Code §1090, et seq.).

Directors and District staff shall not engage in any employment or enterprise for compensation that is inconsistent, incompatible, or in conflict with their official duties and responsibilities associated with the District (California Government Code §1126). Each Board member and designated District staff, as stated in the District’s Conflict of Interest Code, shall file Form 700, Statement of Economic Interests, with the Marin County Office of Elections. The General Manager shall make the statements available for public inspection and reproduction (California Government Code §81008).

#### **4.7 BRIBERY AND EXTORTION**

Federal and California law both prohibit bribery and extortion of or involving public officials and employees. Directors and District staff shall not ask, receive, or agree to receive a bribe, and shall not demand or extort money in return for the performance of their official duties. A bribe involves asking for, giving, receiving, and accepting anything of value for gaining present or prospective advantage, performance, and/or influence in any affairs of the District (California Penal Code §67 and §68).

#### **4.8 EXTRA COMPENSATION**

Directors and District staff shall explicitly uphold the California Constitution, Article XI, Section 10 that prohibits “*extra compensation*”:

*“...A local government body may not grant extra compensation or extra allowance to a public officer, public employee, or contractor after service has been rendered or a contract has been entered into and performed in whole or in part or pay a claim under an agreement made without authority of law.”*

#### **4.9 GIFTS TO EMPLOYEES AND OFFICIALS**

Directors and District staff shall explicitly follow the California Political Reform Act (Government Code §86203, §89503 and §89506) and relevant U.S. Internal Revenue Service codes and pronouncements that set forth the rules and provisions that must be followed by public employees and officials related to the receipt of gifts and applicable taxes. These laws limit the value of gifts that may be accepted by Board Directors and District employees. Government codes cover a broad subject area regarding gifts including, but not limited to, the maximum value of gifts that public employees and officials may receive (amounts are set by the California Fair Political Practices Commission), lobbyist limitations, special rules for gifts of travel, exceptions to the gift limitations, and other regulations regarding gifts. See the California Fair Political Practices Commission website [www.fppc.ca.gov](http://www.fppc.ca.gov) for more information.

#### **4.10 HONORARIA BAN**

Directors and District staff shall explicitly follow California Government Code §89502, which prohibits public officials from accepting honoraria. Honoraria is defined as any payment made in consideration for any speech given, article published, or attendance at any public or private conference, convention, meeting, social event, meal, or like gathering.

#### **4.11 GIFTS OF PUBLIC FUNDS**

Directors and District staff shall uphold California Constitution, Article XVI, Section 6 that prohibits public agencies from making gifts of public funds:

*“... shall have no power... to make any gift or authorize the making of any gift of any public money or thing of value to any individual, municipal or other corporation whatever the purpose...”*

#### **4.12 RECEIVING PRIVATE DONATED FUNDS**

The Board of Directors shall receive donated funds and/or property of value from private individuals, corporations, and organizations on behalf of the District when such funds or property are directly related to the mission, public purpose, and operations of the District. The Board shall not receive such donations in exchange for compensation, services, and/or any item of value that would benefit the donator in fact, practice, or appearance, other than those derived from tax-exempt donations prescribed in Federal and State tax laws. The General Manager shall review, approve, and accept items of de minimus value on behalf of the District. The Board shall review and consider accepting all other donations.



## 5 BUDGETING AND LONG-TERM FINANCIAL PLANNING

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### 5.1 BUDGET GUIDELINES

The budget is the central financial planning document, which embodies all revenue and expenditure decisions. It establishes the level of service to be provided by the District and reflects the Board of Directors' collective prioritization of resource utilization. The District is committed to long-term capital and financial planning, maintaining appropriate reserve levels, and employing prudent practices in governance, management, and budget administration. To this end, the District has established the following general budget guidelines:

- ***Use of funds for financial planning*** – The budget is presented with two “funds,” Operating and Capital. Revenues and expenditures are budgeted separately for each and planned inter-fund “transfers” are shown.
- ***Operating expenses*** – Current Operating revenues will be sufficient to support current Operating expenditures. Revenue estimates will be realistic and debt financing will not be used to support current operating expenses.
- ***Resources greater than budgeted expenditures*** – Resources (fund balances) greater than budgeted expenditures in either fund are to be considered “one-time” resources and shall not be used to fund ongoing service delivery programs. Priority for such funds will be placed on:
  - Ensuring that target reserve balances are met, or
  - Used to minimize future service rate increases and/or fund one-time service goals.
- ***Budget adoption level*** – Budget adoption by the District’s Board of Directors is at the fund level. Any changes in planned revenues or expenditures at the fund level requires Board approval.
- ***Full-time equivalent (FTE) budgeting*** – As a tool for Board consideration, all adopted budgets of the District will list the actual and proposed FTE allocation on a department basis.
- ***Level of Service Objectives*** – To aid in the prudent management of the District, level of service objectives will be established, monitored, and reviewed for consideration in establishing required financial resources.

### 5.2 ANNUAL BUDGET ADOPTION

The budget is to be prepared in accordance with the basic guidelines and presented for adoption prior to the beginning of each fiscal year (July 1). At least thirty (30) days prior to the adoption deadline, the Board will have considered all approved updates to rates and fees and made any adjustments as needed to align the budget and level of service objectives. All adjustments will conform to applicable state law, including the State Constitution, Government Code, and District Ordinances.

### **5.3 MANAGEMENT REVIEW**

It is the responsibility of District management to manage expenditures within budget and periodically review actual financial results compared to budget. Analysis of any significant variances will be provided to the Board at least quarterly.

### **5.4 BUDGET AMENDMENTS**

In the event of unforeseen or unanticipated circumstances, amendments to the adopted fiscal year budget may be necessary. Budget amendments shall be considered when funds are justified, available, and necessary to maintain the District's ongoing operational and financial performance, and service expectations as directed by the Board.

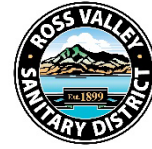
The Board shall approve budget amendments (except those authorized by the General Manager as noted below) that would increase the total aggregate fiscal year budget, based on the evaluation and recommendation of the General Manager that the proposed amendment meets the intent and purpose of this policy.

The General Manager shall establish and approve procedures for department managers to 1) request budget transfers within the adopted operating and capital budgets that do not increase the total aggregate fiscal year budget, and 2) to request budget amendments that would increase the total aggregate fiscal year budget subject to the General Manager's and/or Board's review and approval.

In the event of an emergency, the General Manager can approve budget amendments that would increase the District's annual budget, with the conditions that, 1) these amendments are necessary to maintain the District's ongoing and routine operations, and 2) the aggregate amounts of the amendments cannot exceed \$100,000. The General Manager shall notify the President of the Board about the situation and the reason for the budget amendment, and report to the Board about these actions at its next scheduled meeting.

### **5.5 FINANCIAL PLANNING**

The District maintains a rolling five-year financial forecast that estimates resources and expenditure trends for the five years beyond the current budget period. The rolling forecast will be included in each annual budget report. This financial forecast will be used to assess the long-term impacts of current policy and budget decisions.



## 6 FINANCIAL REPORTING GUIDELINES

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### 6.1 POLICY OBJECTIVES

The District identifies the following characteristics as key to properly presented financial statements:

- **Understandable** – Information is expressed as simply as possible.
- **Reliable** – Information is verifiable, free from bias, faithfully represented, and comprehensive.
- **Relevant** – Information can make a difference in a user’s assessment of a problem, condition, or event.
- **Timely** – Information is issued soon enough after the reported events to affect decisions.
- **Consistent** – Once adopted, an accounting principle or reporting method is used for all similar transaction and events. If a change is required, then full disclosure of the nature, reason, and effect of the change is made.
- **Comparable** – Information allows users to make comparisons among governments (e.g., of the costs of specific functions or components of revenue).

The District’s financial reporting policy objectives include:

- Financial reporting should assist in fulfilling the District’s duty to be publicly accountable and should enable users to assess that accountability by:
  - Providing information to determine whether current-year revenues were sufficient to pay for current-year services.
  - Demonstrating whether resources were obtained and used in accordance with the District’s legally adopted budget and demonstrating compliance with other finance-related legal or contractual requirements.
  - Providing information to assist users in assessing the service efforts, costs, and accomplishments of the District.
- Financial reporting should assist users in evaluating the annual operating results of the District by:
  - Providing information about sources and uses of financial resources.
  - Providing information about how it financed its activities and met its cash requirements.
  - Providing information necessary to determine whether its financial position improved or deteriorated as a result of the year’s operations.
- Financial reporting should assist users in assessing the level of service that can be provided by the District and its ability to meet its obligations as become due by:
  - Providing information about its financial position and condition.
  - Providing information about its physical and other nonfinancial resources having useful lives that extend beyond the current year, including information that can be used to assess the service potential of those resources.
  - Disclosing legal or contractual restrictions on resources and the risk of potential loss of resources.

## **6.2 GENERAL LEDGER**

It is the responsibility of District management to develop and maintain an appropriate accounting system, which utilizes an organized set of general ledger accounts. Accounts will be grouped by number and title to facilitate accurate recording and reporting of financial transactions. Access to the general ledger for maintenance and update will be limited to the assigned responsible financial management personnel.

## **6.3 MONTHLY REPORTING**

Interim financial statements will be produced and submitted monthly to the Board of Directors for review. These financial statements are unaudited and are to be used solely to monitor the District's financial progress throughout the fiscal year. The interim financial statements are not to be presented to outside parties for the purpose of incurring debt, investing, or other activities where a user may place legal reliance on the document.

At minimum, the interim financial reports should include all of the following:

- Summary of key statistics such as cash on hand, total revenue, and total expenditures
- A statement of revenue and expenditures by fund
- A cash flow projection
- A check register listing

## **6.4 SEMI-ANNUAL FINANCIAL PERFORMANCE REPORT**

A financial performance report will be produced at the mid-point of each fiscal year and presented to the Board of Directors at the next regular board meeting. The report will compare year-to-date actual versus budget by category of financial item (e.g., revenue, salaries and benefits, capital, etc.) and will provide a detailed explanation of any significant variances. This report is a communication tool for management to provide the Board and general public with information about financial performance and significant actions taken related to financial management of the District.

## **6.5 ANNUALLY AUDITED FINANCIAL STATEMENTS**

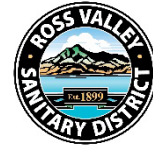
The District will engage a qualified independent auditor/audit firm to perform an annual audit of the District's financial records and internal controls. The final product will comply with all governing laws, regulations, and pronouncements from the Governmental Accounting Standards Board (GASB).

The independent auditor will be selected through a competitive request for proposals process and will be engaged for three years, dependent upon performance. Qualifications and proposals will be reviewed by management and recommendations made to the Board of Directors for selection of a qualified independent auditor. At the discretion of the Board, an auditor approved for a three-year contract can have that contract extended by up to two years. Rotation of lead auditors or firms should be considered every five years but in no case any longer than six consecutive fiscal years. [Government Code §12410.6]

## **6.6 ANNUAL COMPREHENSIVE FINANCIAL REPORT**

It is the District's intent to provide more than the minimum required annual reports. To support that intent, the District will produce a Annual Comprehensive Financial Report (ACFR), a report that provides additional narrative and statistical information to assist in providing context to the standard financial reports. To ensure consistency and comparability, the District will submit the ACFR to the Government Financial Officers Association (GFOA) for consideration of their Award of Financial Reporting Achievement.





## 7 MINIMUM AND TARGET RESERVES

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The following reserve policies are grouped into “minimum” reserves and “target” reserves. The minimum reserves are meant to be sustained at all times over the course of a financial planning period. On the other hand, a target reserve has more flexibility and is meant to provide a targeted reserve level for the end of a planning period but doesn’t necessarily need to be sustained at all times over the course of a planning period.

### 7.1 OPERATING RESERVE

Ross Valley Sanitary District maintains cash and investments necessary to meet the liquidity needs for the District’s day-to-day operations. Furthermore, the District will maintain unrestricted cash and investments as required by any debt covenants.

The targeted operating fund reserve is designed to ensure coverage for the cash flow (liquidity) requirements of day-to-day operations between April and December when the District experiences a prolonged gap in revenue receipts from the County.

Liquidity needs are calculated as follows: on June 30 of each year the District will maintain a level of cash and investments, less those amounts held in reserve by a fiscal agent, in an amount at least equal to one half of the operating expenses budgeted for the coming fiscal year. This target fund balance is exclusive of all other reserve targets.

**Primary funding source:** Sewer Service Charges

### 7.2 CAPITAL IMPROVEMENT RESERVES

Ross Valley Sanitary District maintains a reserve for capital improvement in order to satisfy annual cash flow requirements and ensure continuity in executing the Capital Improvement Plan (CIP).

The purpose of this reserve is to smooth the inherent volatility of the capital spending program. This reserve should be drawn down during years of higher-than-average capital spending. Conversely, and very importantly, the District should build this reserve during years when capital spending is below average. Having such a reserve is an integral component of a PayGo model.

The target reserve is equal to fifty percent (50%) of the average annual capital expenditures forecasted in the current 5-Year or 10-Year Capital Improvement Plan (CIP). This target reserve balance is exclusive of all other reserve targets.

**Primary funding source:** Ad Valorem Tax, Capacity Fees, Net Operating Fund Revenue

**Secondary funding source:** Debt Financing

### **7.3 EMERGENCY RESERVES**

Ross Valley Sanitary District maintains an emergency reserve for use during operational or financial emergencies. Emergencies constitute significant unforeseen events that have a dramatic and immediate impact on the operations, assets or financial condition of the District. In the event funds from this reserve are used, a plan to replenish the funds used during a fiscal year will be developed and approved through the budgeting process in the following fiscal year. The target amount of the reserve should be calculated to be at least equal to ten percent (10%) of the budgeted annual operating expenses, but not less than two million dollars (\$2,000,000). This target balance is exclusive of all other reserve targets.

**Primary Funding Source:** Sewer Service Charges

### **7.4 OTHER POST-EMPLOYMENT BENEFITS RESERVES**

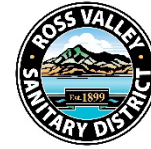
Ross Valley Sanitary District maintains an Other Post-Employment Benefits (OPEB) reserve to fund future payments of retiree post-employment health benefits. This is a restricted reserve and may not be utilized for any other purpose. The target balance is exclusive of all other reserve targets. The funds in this reserve are held in trust with the CalPERS California Employers' Retiree Benefit Trust (CERBT) fund. Annual contributions to this reserve are based on the most recent actuarial analysis with the policy goal of fully funding the liability in the most fiscally responsible manner.

### **7.5 PENSION PREFUNDING TRUST RESERVES**

Ross Valley Sanitary District maintains an additional Pension Prefunding Trust reserve to fund future payments of retiree pension payments. This is a restricted reserve and may not be utilized for any other purpose. The target balance is exclusive of all other reserve targets. The funds in this reserve are held in trust with the CalPERS California Employer's Pension Prefunding Trust (CEPPT) fund. Annual contributions to this reserve are based on the recent actuarial analysis with the policy goals of smoothing the volatility in the required pension contribution rates and fully funding the liability in a fiscally responsible manner.

### **7.6 FUNDING OF RESERVES**

Ross Valley Sanitary District makes every attempt to maintain target levels in all reserves. Funds held in reserve accounts may be used for District purposes provided that any funds used shall be replenished within twelve (12) months of use. If reserves are depleted, a plan for replenishment will be developed and included in the next fiscal year's budget.



## 8 REVENUE AND CASH MANAGEMENT

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### 8.1 POLICY OBJECTIVES

The District's *Revenue and Cash Management Policy* is intended to meet the following key objectives:

- Define existing sources and uses of revenue.
- Identify appropriate methods for estimation of revenues for planning purposes.
- Assist the Board and District management in understanding and managing revenue flows.

### 8.2 FUNDS

The District has established two internal funds to assist in the management of revenues and other resources. Those funds are:

- **Operating Fund** – This fund's primary revenue source is the sewer service charge, which is collected via the property tax rolls. Activities supported by this fund include operation and maintenance of the District's infrastructure and any administrative costs required to administer and manage those activities.
- **Capital Fund** – This fund is supported through multiple revenue sources; however, primary sources are ad valorem property tax, sewer service charge, and proceeds from financing. Activities supported by this fund include replacement or improvement of infrastructure, debt service, and other asset acquisition (maintenance equipment, etc.).

### 8.3 REVENUE SOURCES

As a single-purpose special district, Ross Valley Sanitary District operates as an enterprise fund. Within an enterprise fund, a fee is charged for specific services, which is then used to support the activities required to provide that service.

- **Annual Sewer Service Charge** – Pursuant to the requirements of Article XIII D, Section 6 of the California Constitution, this fee is set by Ordinance with a four-fifths vote of the District's Board of Directors (Board) after proper public notice and hearing. The District consists of two rate zones: Larkspur and Ross Valley. The rates established for each zone may differ in order to balance the total annual fees paid by the ratepayers in each zone. The Ordinance may include a fee schedule for multiple years (up to five). This fee is structured to support the Operating Fund and partially support the Capital Fund.
- **Ad Valorem Tax** – Property owners within the District's legal boundaries pay a base property tax to the County of Marin. The District is allocated a portion of that tax by the County. The County does not allocate ad valorem tax from Larkspur rate zone to the District. Until such a time as the allocation of this tax is equal between the two rate zones, the sewer service charge will reflect a proportionally higher charge in the Larkspur zone. Ad valorem tax revenue is allocated to the Capital Fund.
- **Capacity Fees** – Capacity fees are imposed on new connections and increased demand to the wastewater collection system. The fee amount is established by Ordinance with a four-fifths vote

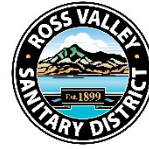
of the Board after proper public notice and hearing. These fees are allocated solely to the Capital Fund.

- **Miscellaneous Fees** – These include inspection fees, administrative fees, plan fees, etc. These fees are allocated to the Operating Fund.
- **Other Sources** – These include interest earned, rebates, and other miscellaneous items. These funds are allocated to the appropriate fund according to the revenue source.

## 8.4 CASH RECEIPTS

Most cash receipts for the District are wired directly into the District’s primary operating account at the bank. This includes ad valorem property taxes and approximately 97% of the sewer service charges. Cash is received directly for permit fees, public sewer extensions, and other miscellaneous items as well as for payments of the sewer service charge for some direct-bill customers. The following measures are in place to ensure security and proper recording of cash receipts:

- A locking cash box is used to hold all cash received at the District office.
- All checks are immediately marked “For Deposit Only” to the RVSD main operating bank account.
- Deposits of all cash and checks received are made bi-weekly.
- All cash and checks received are matched with a receipt or invoice to ensure proper recording in the general ledger.
- Staff responsible for receipt of cash and checks are not the same persons who are responsible for the reconciliation of deposits or recording of cash receipts in the general ledger.



## 9 DEBT MANAGEMENT

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This policy is intended to comply with Government Code §8855(i), effective on January 1, 2017, and shall govern all debt undertaken by the District. This policy sets forth debt management objectives for the District, establishes overall parameters for issuing and administering the debt portfolio, and provides policy guidelines to decision makers. The District recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the District’s sound financial position.
- Ensure the District has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- 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 strategic goals and objectives and Capital Improvement Plan (CIP) or budget, as applicable.

### 9.1 PAY-AS-YOU-GO VS. DEBT FINANCING

The District recognizes that future ratepayers will benefit from long-lived capital investments and that it is appropriate that they pay a share of the asset cost through future debt repayment. However, the District shall have a preference to finance capital improvements using pay-as-you-go financing and shall issue long-term debt only to finance capital improvements that cannot be readily financed from current revenues. The District will limit total debt outstanding, as a ratio of operating expenses, to a level that sustains or improves its bond rating. The intended use of debt shall be described in and integrated into the District’s Capital Improvement Plan and any long-range financial forecasts. Long-term debt financing shall not be used to fund operating costs.

### 9.2 PERMITTED DEBT BY TYPE

The District may legally issue both short-term and long-term debt using the debt instruments described below or issue any other long or short-term instruments approved by and deemed appropriate by the Board of Directors to meet the capital financing needs of the District. The District, in consultation with the District’s Counsel, Bond Counsel and Municipal Advisors, shall determine the most appropriate instrument for a proposed debt issuance.

#### ***General Obligation Bonds***

The District is empowered, under the Sanitary District Act of 1923, to levy taxes on all taxable property within its boundaries for the purpose of paying its voter approved general obligation bonds subject to the limitations in the California Revenue and Taxation Code and the California Constitution. The District is authorized to sell general obligation bonds under Section 6640 through 6655 of the Act, subject to the approval of a two-thirds majority of those voting in a local election.

### ***Installment Sale Agreement (ISA)***

The District is authorized by the laws of the State of California and Section 6670.1 of the Act to acquire certain improvements to the District's system and to finance construction or improvements through the execution of installment sale agreements. An installment sale agreement can be a vehicle for a public borrowing through one of two ways:

1. **Certificates of Participation (COPs)** -- Certificates of Participation provide debt financing through a lease or installment sale agreement. In a certificates of participation financing, a financing entity such a JPA enters into a lease or an installment sale agreement with the District. The financing entity sells certificates representing participations in annual payments of principal and interest under the lease or ISA.
2. **Joint Exercise of Powers Authority (JPA) Revenue Bonds** -- In an installment sale revenue bond financing, the District enters into an installment sale agreement with a JPA which in turn issues bonds payable solely from the installment sale payments. The Ross Valley Public Financing Authority is a JPA that was formed by the District for this purpose and is governed by the District's Board of Directors.

### ***Loans, Letters of Credit, Lines of Credit, Sate Loans***

The District may from time to time borrow through a loan with a commercial bank, Letter of Credit, Lines of Credit with a commercial bank, state revolving loan program or other governmental agency. Each loan will have a specific purpose. Voter approval is not required for obtaining a loan is such loan is structured as an Installment Sale Agreement through a COP or JPA.

### ***Refunding Bonds***

Bonds may be refinanced (refunded) on or before the call date and as permitted by federal tax law for the purpose of providing a net positive economic benefit to the District.

## **9.3 LENGTH OF DEBT OBLIGATIONS**

The debt repayment period should not exceed the expected useful life of the facilities or equipment being financed and should coincide with the stream of benefits provided by the projects being financed. When the District finances capital projects by incurring debt, the debt repayment period should be no longer than the expected useful life of the project being financed.

## **9.4 DEBT SERVICE COVERAGE POLICY**

The District shall, each fiscal year, strictly comply with covenants regarding the coverage of annual debt service by net revenues embodied in the terms of outstanding debt obligations. Over and above that, the District intends to maintain an average annual debt service coverage ratio of 150%, but no less than 125%.

## **9.5 TIMING AND SIZE OF BOND ISSUES**

For the sale of new money bonds, the timing and size of the issue will be influenced by:

1. Limitations of tax rules regarding size, generally limited to three years of capital expenditures
2. Transaction costs for each sale
3. Negative cost of carry if reinvestment rates are less than the cost of funds

## **9.6 REFUNDING BONDS**

Bonds may be refinanced (refunded) on or after at the call date (“current refunding”) or in advance of the call date by putting refunding proceeds in an invested escrow account pending the call date (“advance refunding”). The authorization by the District for a bond refund shall include verification by the Board that a net positive financial benefit will accrue from the transaction.

## **9.7 USE OF CREDIT ENHANCEMENTS**

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

## **9.8 BOND RATING**

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

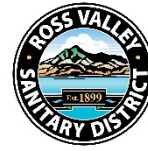
## **9.9 FINANCIAL DISCLOSURE**

The District shall fully disclose financial and pertinent credit information as it relates to the District’s outstanding securities, including continuing disclosure obligations pursuant to bond covenants.

## **9.10 INTERNAL CONTROLS**

To ensure debt proceeds are used as intended, the District shall implement internal control procedures that include at least the following:

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



## 10 INVESTMENTS

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The Board of Directors of the Ross Valley Sanitary District has adopted this policy in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the District. All District funds will be invested in accordance with this policy and with applicable sections of the California Government Code §53106 through §53659.

This *Investment Policy* replaces any previous investment policy or investment procedures of the District.

### 10.1 SCOPE

The provisions of this policy shall apply to all financial assets of the District except bond funds governed by bond documents, as accounted for in the District's Annual Comprehensive Financial Report. Bond funds shall be invested separately at the direction of the District and managed pursuant to the definition of Permitted Investments under the specific bond trust indenture. All other excess cash shall be pooled for investment purposes and subject to this policy. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Investment income shall be distributed to the individual funds not less than annually.

### 10.2 OBJECTIVES

The District's funds shall be invested in accordance with all applicable District codes and resolutions, California statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

- Preservation of capital and protection of investment principal.
- Maintenance of sufficient liquidity to meet anticipated cash flows.
- Attainment of a market rate of return (yield).
- Diversification to avoid incurring unreasonable market risks.

### 10.3 POLICY REVIEW

The policy shall be adopted by the Board of Directors. It shall be reviewed regularly to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification and its relevance to current law and economic trends. Amendments to the *Investments Policy* shall be approved by the Board of Directors.

### 10.4 DELEGATION OF AUTHORITY

The management responsibility for the District's investment program is delegated annually by the Board of Directors to the Treasurer, as provided for in California Government Code §53607. The District's General Manager serves as the Treasurer and shall work in conjunction with the Finance & Administrative Services Manager to conduct investment transactions and to manage the operation of the investment



portfolio. No person may engage in an investment transaction except as expressly provided under the terms of this policy.

The General Manager or designee shall develop administrative procedures and internal controls, consistent with this policy, for the operation of the District's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the District. The District may engage the support services of outside investment advisors with respect to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the District's financial resources.

## **10.5 PRUDENCE**

The standard of prudence to be used for managing the District's investment program is California Government Code §53600.3, the prudent investor standard which states

*“When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”*

The District's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The District recognizes that no investment is totally without risk and that the investment activities of the District are a matter of public record. Accordingly, the District recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the District.

The General Manager or designee and authorized investment personnel acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion to the Board of Directors and appropriate action is taken to control adverse developments.

## **10.6 AUTHORIZED SECURITIES AND TRANSACTIONS**

All investments and deposits of the District shall be made in accordance with California Government Code §53600, et seq. Any revisions or extensions of these code sections will be assumed to be part of this policy immediately upon being enacted. Within the investments permitted by the Government Code, the District further restricts eligible investments to those listed below. In the event of any discrepancy between this policy and the Government Code, the more restrictive parameters shall take precedence.

The District's portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Where this section

specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase.

INVESTMENT TYPE	MAXIMUM REMAINING MATURITY	MAXIMUM SPECIFIED % OF PORTFOLIO	MINIMUM QUALITY REQUIREMENTS
Local Agency Bonds (RVSD bonds)	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations: CA and Others	5 years	None	None for CA; AA or better for other States
CA Local Agency Obligations	5 years	None	AA
Commercial Paper: Pooled Funds	270 days or less	20% of RVSD's investible funds	Highest letter and number rating
Negotiable Certificates of Deposit	5 years	15%	Highest letter and number rating
Placement Service Deposits	5 years	\$250,000 per deposit per institution	FDIC insured
Repurchase Agreements	90 days	None	None
Medium-term Notes	5 years or less	5% (with not more than 20% in any one institution)	"A" rating category or better
Mutual Funds and Money Market Mutual Funds	N/A	20% (no more than 10% invested in any one mutual fund; limitation does not apply to money market mutual funds)	Multiple <sup>1</sup>
County Pooled Investment Funds- Marin County Pool	N/A	None	None
Joint Powers Authority Pool (CAMP, CalTrust)	N/A	None	Multiple <sup>2</sup>
Local Agency Investment Fund (LAIF)	N/A	None	None

<sup>1</sup>A money market mutual fund must receive the highest ranking by not less than two nationally recognized rating organizations **or** retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investment in money market instruments with assets under management in excess of \$500 million.

<sup>2</sup>A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investment in instruments authorized by Section 53601, subdivisions (a) to (o).

The foregoing list of authorized securities and transactions shall be strictly interpreted. Any deviation from this list must be preapproved by the Board of Directors.

Securities that have been downgraded to a level that is below the minimum ratings described herein may be sold or held, at the District's discretion. The portfolio will be brought back into compliance with Investment Policy guidelines as soon as is practical.

### **10.7 TERM OF INVESTMENTS**

It is the objective of the District to accurately monitor and forecast revenues and expenditures so that the District can invest funds to the fullest extent possible. Funds of the District shall be invested in accordance with sound treasury management principles.

Where this Policy does not specify a maximum remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase agreement, that at the time of the investment has a term remaining to maturity in excess of five years, unless the Board has granted express authority to make that investment either specifically or as part of an investment program approved by the Board no less than three months prior to the investment.

### **10.8 INVESTMENT DIVERSIFICATION**

The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets and the District's anticipated cash flow needs.

### **10.9 PROHIBITED INVESTMENTS**

Any investment in a security not specifically listed above, but otherwise permitted by the California Government Code, is allowed. Government Code §53601.6 specifically disallows investments in invoice floaters, range notes, or interest-only strips that are derived from a pool of mortgages. In addition to the limitations in Government Code §53601.6, this policy further restricts investments as follows:

1. No investment shall be made that has either (a) an embedded option or characteristic which could result in a loss of principal if the investment is held to maturity, or (b) an embedded option or characteristic which could seriously limit accrual rates or which could result in zero accrual periods.
2. No investment shall be made that could cause the portfolio to be leveraged.
3. Any security that could result in zero interest accrual if held to maturity shall not be made.

### **10.10 BANKS AND SECURITIES DEALERS**

The General Manager or designee is authorized to make investments based on the recommendations of the Board approved investment advisor whose recommendations shall adhere to this policy. Any approved investment advisor shall annually review the District's *Investments Policy*. The investment advisor may request the Board approve recommended changes to this policy as permitted by the California Government Code §53106 through §53659. For investments made by an investment advisor, the Board authorizes the investment advisor to use broker/dealers and financial institutions that the

investment advisor has reviewed and approved by the General Manager or designee. The investment advisor's approved list shall be approved and reviewed annually by the District and reported to the Board of Directors.

### **10.11 PORTFOLIO PERFORMANCE**

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the District's investments shall be monitored quarterly and compared to a nationally published index that most closely corresponds to the portfolio's composition and weighted average effective maturity.

### **10.12 REPORTING**

Semi-annually, the General Manager or designee shall submit to the Board of Directors a report of the investment earnings and performance results of the District's investment portfolio. The report shall include the following information:

1. A description of the investment the District holds as of the reporting date.
2. A market value as of the date of the report (or the most recent valuation available) and the source of the valuation.
3. Period-over-period change in the market valuation from the current reporting period to the former reporting period.



## 11 PROCUREMENT POLICY

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All purchases of goods and services purchased on behalf of Ross Valley Sanitary District must be made within the applicable provisions of the California Public Contracts Code, California Government Code, and the District's administrative and financial policies. No District employee may commit payment for goods or services without adherence to the applicable District policies and State laws. District employees are expected to use good judgment, proper regard and the greatest discretion for taxpayer dollars when making purchases for the District.

### 11.1 DESIGNATION OF PURCHASING AGENT

The General Manager is the designated Purchasing Agent for the District and is charged with the duties and powers described by the applicable laws of the state relating to purchasing agents, this policy, and applicable resolutions of the Board of Directors. When it is not feasible or practical for the General Manager to serve as Purchasing Agent, the Finance & Administrative Services Manager will serve as Purchasing Agent.

### 11.2 AUTHORITY TO COMMIT FUNDS

Only the Board of Directors, the General Manager/Purchasing Agent, or their designee may commit District funds for the purchase of goods, equipment or services for District benefit. Said commitment of District funds may be made only where the person making the commitment is authorized to do so by a specific provision of this policy. Except in cases of emergency as hereinafter provided, or in cases where the Board of Directors has made specific provision, no purchase of property by any governing body or person other than the Board of Directors, the General Manager/Purchasing Agent, or their designee will be binding on the District or constitute a lawful charge against District funds. Authorization levels are defined by position or management level in this policy.

### 11.3 DELEGATION OF AUTHORITY

The Purchasing Agent may delegate the authority for the purchase of goods and supplies and for the procurement of professional service to the District's managers as described herein.

### 11.4 UNAUTHORIZED PURCHASES

Unauthorized purchases are not considered an obligation of the District and the individual making such purchases will be held personally liable for the cost of the purchase. Unauthorized purchases are defined to include any of the following:

- Any procurement made not in conformance with these policies, including any actions to circumvent the delegation of procurement authority.
- Any procurement where the good or service is intended for personal use and not intended for use by the District.

## **11.5 DUTIES OF THE PURCHASING AGENT**

The Purchasing Agent or his/her designee will:

- Monitor and coordinate District purchases for all materials, supplies, services, furnishings, equipment and other property in accordance with rules and regulations prescribed by District ordinances, resolutions, policies, and procedures, and as otherwise provided for by law.
- Engage independent contractors to perform services for the District in accordance with the provisions of this policy.
- Engage independent contractors to construct, repair or furnish any building or structure consistent with the authority vested in the Purchasing Agent by this policy.
- When authorized, sell or dispose of surplus property of the District.
- Perform such other services as the Board of Directors may from time to time by resolution require.

## **11.6 RULES AND PROCEDURES**

The Purchasing Agent is charged with the authority and responsibility for coordinating and managing the procurement of goods, supplies, equipment, and services according to applicable law and this policy. This authority includes the responsibility to establish rules and procedures to ensure that applicable laws, regulations and procurement policies are followed.

## **11.7 LOCAL BUSINESS PARTICIPATION**

Local business participation in District contracts is encouraged. The District staff will make every reasonable effort to contract with and obtain price quotations from local businesses for labor, supplies, and materials on all contracts that are not required by law or this policy to be competitively awarded. On all public contracts that are required by law to be competitively bid, the District staff will make every reasonable effort to encourage the participation of local businesses. All notices inviting bids will include language to the effect that it is the District's policy to encourage bidders to utilize local business whenever possible on District projects.

## 11.8 PURCHASING AUTHORIZATION LEVELS

District Position	Maximum Amount Authorized for Purchases				
	Supplies	Maintenance	Professional Services	Professional Services Related to Construction	Construction
Board of Directors	Any	Any	Any	Any	Any
General Manager (Budget)*	\$25,000	\$35,000	\$35,000	\$35,000	\$60,000
General Manager (Other)	\$25,000	\$25,000	\$25,000	\$25,000	\$60,000
Dept Managers	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Superintendent	\$6,000	\$6,000	None	None	None
Supervisor	\$3,000	\$3,000	None	None	None

Note: Authorization for emergency purchases is covered in the Section *Emergency Procurement*.

\* Purchases for items specifically listed in the District-approved budgets, i.e., studies, services, equipment, etc., may be approved for purchase by the General Manager pursuant to the terms of this policy.

\* For purposes of this section, "Maintenance Work" includes all of the following: routine, recurring, and usual work for the preservation or protection of any publicly owned or publicly operated facility for its intended purposes; minor repainting; landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems.

## 11.9 RECURRING CHARGES

The Purchasing Agent may identify vendors and contractors who provide recurring services and exclude them from the standard purchasing process. Some examples of appropriate exclusions would include suppliers of annual software subscription services (e.g., SmartCovers, Innovzye), equipment lease agreements (e.g., Dell Computers, Enterprise Fleet), utility services, freight carriers, postal service, and payments to the District's risk management pool, California Sanitation Risk Management Authority (CSRMA), and to the Central Marin Sanitation Agency (CMSA). This is at the discretion of the Purchasing Agent, who will maintain a list of vendors designated as "Recurring."

## 11.10 PURCHASE OF GOODS AND MATERIALS UNDER \$10,000

Competitive quotes for the purchase of goods and materials are not required when the total cost of such goods is under ten thousand dollars (\$10,000). The Purchasing Agent may delegate the authority to purchase goods and materials under ten thousand dollars (\$10,000) to specific District positions, including managers and supervisors.

### **11.11 PURCHASE OF GOODS AND MATERIALS \$10,000 OR OVER**

- Except as otherwise provided by the policy, at least three quotes will be solicited for the purchase of those goods and materials with a cost of ten thousand dollars (\$10,000) and above, with the contract for purchase awarded to the best value quote. Quotes shall be documented.
- Except as allowable through the *Sole Source Procurement* section of this policy, bid/quote specifications should be written to allow for competition and not to exclude all but one kind or type of product, and should describe the performance requirements rather than its formulation, description or design.
- The Purchasing Agent may delegate the authority to purchase goods and materials over ten thousand dollars (\$10,000) to District managers.
- The District reserves the right to reject any or all quotes when, after consideration of all relevant circumstances, such action is considered in the best interest of the District. The District further reserves the right to re-quote any purchase of goods or materials, regardless of any prior actions to request quotes.

### **11.12 PROCUREMENT OF PROFESSIONAL SERVICES**

Professional services are consulting, or professional/technical services not provided by District employees. Professional services include, but are not limited to, financial, economic, accounting, legal, medical, therapeutic, and administrative services.

### **11.13 PROFESSIONAL SERVICES FOR SELECT PROFESSIONS**

Per California Government Code §4526, the selection of a vendor to provide architectural, landscape architectural, engineering, environmental, land surveying, or construction project management professional services will be made on the basis of demonstrated competence and on the professional qualifications necessary for the satisfactory performance of the services required. For these selected professions, there are special procedures for acquiring these services.

### **11.14 CRITERIA FOR USE OF PROFESSIONAL SERVICE CONTRACTS**

Contracted professional service may be used only under any one of the following conditions:

- Urgent need which cannot be met by District employees.
- Temporary, intermittent, or irregular services which cannot be performed effectively by District employees.
- Special or highly technical skills which cannot be obtained from District employees.
- Need for an independent opinion, appraisal, audit, or similar services.
- Lack of sufficient personnel to accomplish the work in the required time frame.



### **11.15 SELECTION OF VENDORS FOR PROFESSIONAL SERVICES – GENERAL**

Vendors for professional services other than those identified in California Government Code §4526 are to be selected as follows:

1. Vendor selection will be based on a competitive process whenever reasonably feasible. Professional services may be competitively solicited through informal Requests for Quotes (RFQ) and information Requests for Proposals (RFP) or through formal sealed competitive proposals. The type of service to be contracted for, the anticipated award amount, and the potential risks involved affect the decision whether to use informal or formal purchasing procedures.
2. Professional service contracts may be awarded without competitive solicitation when there is only one person or vendor available or capable of providing the required service, when there are limitations in the availability of potential contractors, when the services required are of such a specialized nature that precludes competitive solicitation, or when other conditions exist such that the appropriate awarding authority determines that it is in the District’s best interest to waive competitive solicitation for the required professional services.

### **11.16 SELECTION OF VENDORS FOR SELECT PROFESSIONAL SERVICES**

Vendor selection for professional services of private architectural, landscape architectural, engineering, environmental, land surveying, or construction project management firms, as defined in California Government Code §4525 will follow the procedure outlined below:

1. Prospective vendors are requested to submit proposals and statements of qualifications to the District for the required services or proposed project. Proposals and statements of qualifications may be solicited through trade publications and by other means of advertisement. Pricing will be submitted separate from the proposal and will not be considered in the initial review process.
2. District staff will evaluate the proposals, statements of qualifications, and performance data submitted by firms regarding the proposed project, and, when available, select the firms with the top three rated proposals for further evaluation.
3. Based upon the pricing submitted separately from the proposal, District staff will negotiate a contract with the firm submitting the top-rated proposal. Should the District be unable to successfully negotiate a contract with the firm submitting the top-rated proposal, at a price the District deems fair and reasonable, then negotiations with that individual or firm will be terminated. The District will then commence negotiations with the firm submitting the next highest rated proposal. Should the District be unable to negotiate a satisfactory contract with the firm submitting the second highest rated proposal, the District will terminate the negotiations and undertake negotiations with the firm submitting the next highest rated proposal. Should the District be unable to negotiate a satisfactory contract with any of the selected firms, the District will select additional firms in order of the ratings of their proposals and qualifications until an agreement is reached.

### **11.17 SOLE SOURCE PROCUREMENT – COMPETITION IS PRESUMED**

All reasonable attempts should be made to identify multiple vendors or multiple brands prior to any approval of sole source procurement.

### **11.18 SOLE SOURCE PROCUREMENT DEFINED**

Sole source procurement is any acquisition which, by virtue of the specifications required or by the clear and specific restrictions imposed by a provider, restricts the procurement to one vendor or to one brand.

### **11.19 ALLOWABLE JUSTIFICATIONS FOR SOLE SOURCE PROCUREMENT**

Sole source procurements are allowed under the following conditions or when procuring the following goods or services:

- Goods or materials where cost is under ten thousand dollars (\$10,000).
- Professional services performed by vendors on jobs less than twenty-five thousand dollars (\$25,000).
- Maintenance work performed by contractors on jobs less than twenty-five thousand dollars (\$25,000), as long as the price from the contractor is within ten percent (10%) of a District Engineer's or independent engineer's estimate of probable cost.
- Property or services, the price of which is fixed by law.
- Training seminars or other classes for personnel.
- Materials, supplies or equipment or services that can only be obtained from one supplier, generally because of technological, specialized or unique character.
- The product is unique in design and/or has features which are required for a specific application.
- The product must be compatible with existing equipment.
- The product or service is available only from the manufacturer's authorized representative.
- Automotive and heavy equipment repairs.
- When, in the judgment of the Purchasing Agent, it is in the best interest of the District to negotiate, without engaging in competitive bidding process, an extension of an existing contract for goods or services based upon satisfactory performance, as long as such negotiated price is fair and reasonable.
- Purchases made from other public agencies by use of joint powers agreement, cooperative purchasing programs, pooling agreements, and other recognized types of agreements used by government agencies for the purpose of combining purchasing requirements in order to reduce cost, increase efficiency, or reduce administrative expenses.
- Goods or services on, or provided by vendors on, the California Multiple Award Schedules (CMAS) list, subject to the limitations and provisions of the CMAS program, or other comparable cooperative purchasing program lists.
- Materials, supplies or services that are acquired from a vendor based on a contractual arrangement with the vendor that was established pursuant to a California government competitive bid process.

## **11.20 SURPLUS PROPERTY - DECLARATION**

Only the Purchasing Agent has the authority to determine whether property owned by the District no longer has any useful value to the District. The Purchasing Agent has the authority to declare equipment and other property surplus if the equipment has a current estimated market value of five thousand dollars (\$5,000) or less. If the current estimated market value exceeds five thousand dollars (\$5,000), or the property is recorded as a fixed asset, the Board of Directors has the sole authority to declare the property surplus.

## **11.21 DISPOSAL OF SURPLUS PROPERTY**

The Purchasing Agent is responsible for ensuring that the sale, lease, transfer, exchange, and disposal of surplus property is conducted in such a manner as to realize the maximum value possible from the sale or disposal of surplus property. The Purchasing Agent will sell, lease, transfer, dispose of, or exchange surplus property in the manner authorized by the District Board of Directors, or as described below:

1. The Purchasing Agent may contract with an auctioneer to conduct a District public auction, or with an auction service to arrange for the disposal of surplus property.
2. For items valued at five thousand dollars (\$5,000) or less, the Purchasing Agent may conduct a publicly advertised cash-only “garage sale” or may authorize disposal at a scrap or recycling facility in exchange for the scrap/recycling value. Sale proceeds will be deposited into the District’s Operating Fund.
3. Surplus items that have no value, or when the labor, transportation and administrative cost to dispose of a surplus item exceeds the item’s value, the Purchasing Agent may discard the surplus item or otherwise dispose of the items, including giving the item to a school or charity within Marin County.

## **11.22 TRADE-IN ALLOWANCE**

When purchasing property for which it is not required to advertise for bids, the Purchasing Agent is authorized to solicit and accept advantageous trade-in allowances for District property which has previously been declared surplus. Competitive bids for the purchase of property by the District may include a request for trade-in of equipment that has previously been declared surplus.

## **11.23 PROHIBITION AGAINST PURCHASE BY EMPLOYEES**

The General Manager and District managers are prohibited from purchasing any District surplus property. Additionally, employees assigned any of the following duties within the District will not, either directly or indirectly, bid or purchase surplus District property:

- Purchasing functions
- Responsible for surplus declarations
- Access to privileged information regarding the item or equipment or the value thereof, which is not available to all prospective bidders
- Assigned to the department having custody of the surplus property

### **11.24 PROCEEDS FROM DISPOSITION OF SURPLUS PROPERTY**

Proceeds from the Disposition of surplus property will be deposited into the District’s Operating Fund for use by the District. The disposal of surplus land is subject to Government Code §54220 et seq.

### **11.25 FORMAL BIDDING FOR CONSTRUCTION**

The District complies with all sections of the California Public Contract Code as they apply to agencies organized under the Sanitary District Act of 1923 (California Health & Safety Code, §6400 through §6830). The General Manager and District Engineer are responsible for ensuring compliance with bidding for public projects as defined by the Public Contract Code.

### **11.26 UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT**

The Uniform Public Construction Cost Accounting Act adopted by the Board of Directors (Ordinance 110) provides for informal bidding procedures for projects defined by the Act and in accordance with the limits listed in Section 22032 of the Public Contract Code.

Effective January 1, 2019, these limits are as stated here:

- Public projects of \$60,000 or less may be performed by the employees of a public agency by force account, by negotiated contract, or by purchase order.
- Public projects of \$200,000 or less may be let to contract by informal procedures as set forth in the Public Contract Code.
- Public projects of greater than \$200,000 shall, except as otherwise provided in the Public Contract Code, be let to contract by formal bidding procedure.

### **11.27 EMERGENCY PROCUREMENT – AUTHORITY TO AWARD**

In the event of an emergency, District funds may be spent for a project without following the statutory procedures for competitive bidding pursuant to the provisions of this policy.

### **11.28 EMERGENCY DEFINED**

For the purpose of this policy, “emergency” is defined as follows:

1. A sudden unexpected occurrence that poses a clear and eminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services; and
2. The necessity is such that time does not permit following the normal bid process of Public Contract Code §20804.

### **11.29 BOARD ACTION**

In the event of an emergency, the District, upon the adoption by the Board of a four-fifths vote of a resolution declaring an emergency pursuant to this policy and Public Contract Code §20806, may take any directly related and immediate action required by the emergency and procure the necessary equipment, services, and supplies for those purposes without giving notice for bids to let contracts. If the Board of Directors orders any action as a result of an emergency, the Board of Directors will review the emergency

action at its next regularly scheduled meeting and at every regularly scheduled meeting thereafter until the action is terminated, to determine, by four-fifths vote, whether there is a need to continue the action.

### **11.30 GENERAL MANAGER'S AUTHORITY TO ACT**

If the nature of the emergency does not permit a Board meeting to adopt a Resolution of Emergency, the General Manager may take the action as set forth in this policy. If the General Manager orders any action pursuant to this section, the General Manager will report to the Board of Directors, at its next meeting, the reasons justifying why the emergency does not permit a delay resulting from a competitive solicitation for bids and why the action was necessary to respond to the emergency. The Board of Directors will initially review the emergency action taken by the General Manager no later than seven days after the action, or at its next regularly scheduled meeting if that meeting will occur not less than fourteen (14) days after the action and at least at every regularly scheduled meeting thereafter, until the action is termination, to determine, by four-fifths vote, whether or not there is a need to continue the action unless the General Manager has terminated the action.

### **11.31 TERMINATION OF EMERGENCY ACTION**

When the Board of Directors reviews the emergency action, it will terminate the action at the earliest possible date that conditions warrant, so that the remainder of the emergency action may be completed by giving notice for bids to let contracts.

### **11.32 PROTEST AND APPEAL OF PROCUREMENT ACTIONS**

Vendors may protest any procurement actions involving formal sealed bids and competitive sealed proposals. The following procedures apply:

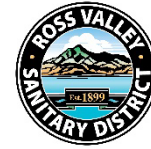
1. Any directly affected party who is aggrieved in connection with the solicitation or award of a purchase order or contract issued through a formal sealed bid procedure may protest the procurement action taken.
2. Such protests must be filed in writing with the District within five working days from the time of the occurrence giving rise to the protest. Protest received after this time will not be considered.
3. Any protest will include the date and action taken resulting in a protest, and identify the material issue, including a detailed explanation of the basis for the protest, and the remedy sought. Specification related protests must be fully supported by technical data test results, or other pertinent information.

### **11.33 RESOLUTION PROCESS**

Upon receipt of protest, the Purchasing Agent or designee will convene, at the earliest possible convenience, discussions between the protesting party and the appropriate District staff to seek informal resolution and/or to clarify the issues. If the protest is not resolved by mutual agreement, the Purchasing Agent or designee will provide a written response to the protesting party within fifteen (15) working days following the information meeting. The response will state the Purchasing Agent's or designee's decision the facts supporting the decision and will inform the protesting party of its right to appeal the decision to the Board of Directors.

In the event the informal resolution procedure is unsuccessful, the protesting party may request an appeal hearing before the Board of Directors by filing a written request with the General Manager no later than five working days after notification of the Purchasing Agent's or designee's decision. Any appeal hearing will be scheduled within thirty (30) working days from the date the request is received by the General Manager. The General Manager will notify the appellant of the scheduled hearing date by placing such notice in the U.S. Mail, 1st class, not less than ten working days from the date of hearing. The appellant will have the right to testify at the hearing, to be represented by counsel, to present witnesses on his/her behalf, and to present oral and written documents and evidence on the issue. The hearing will be conducted in an informal manner and the rules of evidence will not apply. After the conclusion of the hearing, the Board of Directors will make findings of fact and a decision concerning the issue(s).

In the event of a timely protest under this section, the District will not proceed further with the solicitation or the award of the contract or purchase order until the protest is resolved, unless the Purchasing Agent, in consultation with the manager of the requisitioning department and District Counsel, makes a written determination that the award of the purchase order or contract without further delay is necessary to protect a substantial interest of the District.



## 12 CREDIT CARD AND PURCHASING CARD USE POLICY

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### 12.1 CREDIT CARDS

The following positions are authorized to use a general-purpose District credit card issued in their name. Each cardholder is responsible for entering into a Cardholder Agreement with the District. A copy of the Cardholder Agreement is kept in the cardholder's personnel file. Each cardholder must surrender the card immediately upon retirement, termination, or upon request of the General Manager. Use of the card after privileges are revoked is prohibited.

Position	Credit Limit
General Manager	\$15,000
Dept. Managers	\$ 7,500
Superintendent	\$ 5,000
Supervisor	\$ 3,000
Clerk of the Board	\$ 3,000
Senior Admin Coordinator	\$ 3,000
First On-Call Staff	\$ 1,000

### 12.2 RESPONSIBILITIES OF THE DISTRICT

The District assumes responsibility for the payment of all charges incurred on the credit cards.

### 12.3 RESPONSIBILITIES OF THE EMPLOYEE/CARDHOLDER

Each cardholder is responsible for the security of the card and for all purchases made with the card. Each cardholder is required to review and attest to the accuracy of each monthly statement. A receipt/invoice is required to substantiate every purchase made using the credit card. Receipts/invoices must contain the following information:

- Description of items/services purchased
- Quantity purchased
- Price per item
- Amount of sales tax and shipping
- Total purchase amount

Employees are to use the District credit card for purchases related solely to District business. Lost or stolen cards must be reported to the credit card company and the Finance & Administrative Services Manager or General Manager within one day of discovery. Failure to comply with District's Financial Policies may result in the credit card being placed on hold and/or cancelled.

### 12.4 AUTHORIZATION TO ESTABLISH CREDIT CARD ACCOUNTS

The General Manager is authorized to select a provider of credit card services and establish accounts that comply with the restrictions set forth in this policy.

## **12.5 REVIEW AND APPROVAL OF CHARGES**

All individual cardholder credit card statements will be reviewed and approved by the General Manager or their designee prior to payment. No statement will be approved by the cardholder of the card for which that statement is reporting.

## **12.6 PURCHASING CARDS (P-CARDS)**

Purchasing cards may be authorized by the General Manager for any position of the District where need is demonstrated. Each cardholder must surrender the card immediately upon retirement, termination, or upon request of the General Manager. Use of the card after privileges are revoked is prohibited.

## **12.7 RESTRICTIONS**

Purchasing cards are restricted to a maximum total credit limit of three thousand dollars (\$3,000), with a per transaction limit of five hundred dollars (\$500). Purchasing cards will be restricted for use with businesses that provide materials and services required for District activities. Restaurants, grocery stores, hotels, and general retail establishments will be excluded.

## **12.8 RESPONSIBILITIES OF THE DISTRICT**

The District assumes responsibility for the payment of all charges incurred on the purchasing cards.

## **12.9 RESPONSIBILITIES OF THE EMPLOYEE/CARDHOLDER**

Each cardholder is responsible for the security of the card and for all purchases made with the card. Each cardholder is required to review and attest to the accuracy of each monthly statement. A receipt/invoice is required to substantiate every purchase made using the credit card. Receipts/invoices must contain the following information

- Description of items/services purchased
- Amount of sales tax and shipping
- Quantity purchased
- Total purchase amount
- Price per item

Employees are to use the District credit card for purchases related solely to District business. Lost or stolen cards must be reported to the credit card company and the Finance & Administrative Services Manager or General Manager within one day of discovery. Failure to comply with District Financial Policies may result in the purchasing card being placed on hold and/or cancelled.

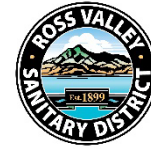
## **12.10 AUTHORIZATION TO ESTABLISH CREDIT CARD ACCOUNTS**

The General Manager is authorized to select a provider of purchasing card services and establish accounts that comply with the restrictions set forth in this policy.

## **12.11 REVIEW AND APPROVAL OF CHARGES**

All individual cardholder statements will be reviewed and approved by the General Manager or their designee prior to payment. No statement will be approved by the cardholder of the card for which that statement is reporting.





## 13 CAPITAL ASSET MANAGEMENT

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### 13.1 POLICY OBJECTIVES

The District's capital asset management policy covers all capital assets, including land and improvements, buildings and improvements, vehicles, machinery, equipment, infrastructure and all other tangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period and an original cost generally in excess of five thousand dollars (\$5,000).

The objective of this policy is to provide a framework to ensure capital assets are valued and recorded properly according to Governmental Accounting Standards Board Statement No. 34 (GASB 34). This policy also sets standards for maintenance and security of all capital assets and inventory.

### 13.2 RESPONSIBILITY

The General Manager or his or her designee is authorized and responsible for developing procedures to manage and value assets according to the terms of this policy. This responsibility includes monitoring compliance with those procedures and practices and taking corrective action to ensure compliance, including the update of procedures or the discipline of employees.

### 13.3 SECURITY

Assets are to be stored in such a manner as to be secure from theft or damage. Depending on the nature of the asset, it may be stored in a locked facility and protected from the weather and climate conditions, or it may be stored out of doors in the District's corporate yard behind a gate that is locked during non-business hours.

Most infrastructure assets are located in public areas within the District's service area. The largest portion of those assets are underground pipes; however, the District has a number pumping and lift stations containing key equipment. The pumping and lift stations are to be kept locked and secured to prevent public access.

### 13.4 REPORTING CAPITAL ASSETS

Capital assets should be reported at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition – such as freight and transportation charges, site preparation costs, and professional fees.

### 13.5 INFRASTRUCTURE ASSETS

Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include pipelines, pump stations and equipment, and appurtenances. Repairs and/or maintenance valued at five thousand dollars (\$5,000) or more, which extends the life of the system or subsystem should be considered a capitalized asset. Additions and improvements to infrastructure assets, valued at five thousand dollars (\$5,000) or more, should be capitalized. Additions or improvements

increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized and therefore, expensed.

Capitalization policies should find an appropriate balance between ensuring that all material capital assets, collectively, are capitalized while minimizing the cost of record keeping for capital assets.

### **13.6 CONTRIBUTED INFRASTRUCTURE ASSETS**

Infrastructure assets that are donated or otherwise granted to the District will be valued based on estimated fair market value at the time of the donation or grant.

### **13.7 INFRASTRUCTURE ASSETS DEPRECIATION**

Infrastructure asset depreciation is computed using the straight-line method over the following estimated useful lives of assets:

Sewer Lines	50 Years
Pump Stations & Equipment	15 Years
Land/Easements	Indefinite (not depreciated)
Buildings	40 Years

The District will budget for the adequate maintenance of infrastructure assets and facilities to protect the public investment and maximum the asset's useful life.

### **13.8 CAPITAL IMPROVEMENT PLAN FOR MAJOR INFRASTRUCTURE ASSETS**

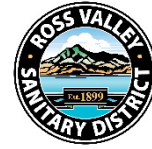
The District will prepare, adopt and update annually a multi-year Capital Improvement Plan that identifies and sets priorities for all major infrastructure assets to be acquired, constructed or replaced by the District. The Capital Improvement Plan shall be included in the Adopted Budget and list all major capital projects (new assets). Major infrastructure assets are those costing more than fifty thousand dollars (\$50,000). The Capital Improvement Plan shall forecast the funding necessary to support the acquisition, construction, and replacement of assets identified in the plan.

### **13.9 OTHER CAPITAL ASSETS**

Other capital assets are tools, equipment, furniture, vehicles, and other non-infrastructure/non-inventory tangible property with an initial cost of five thousand dollars (\$5,000) or more and a useful life of more than one year. Any upgrade or other maintenance work that either adds significant value or significantly extends the asset beyond its original estimated useful life will be added to the remaining value of the asset and capitalized over the newly estimated useful life. Depreciation is computed using the straight-line method over the following estimated useful lives of assets:

Vehicles and Major Equipment	5 – 10 Years
Office Equipment	5 Years

Other capital assets will be identified and counted annually. As part of the process, other capital assets no longer in use will be identified and evaluated for disposal in accordance with applicable District policy.



## 14 INVENTORY MANAGEMENT AND VALUATION

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### 14.1 RESPONSIBILITY

The General Manager or his or her designee is authorized and responsible for developing procedures to manage and value inventory according to the terms of this policy. This includes procedures to ensure monitoring and compliance with the policy.

### 14.2 INVENTORY DEFINED

Inventory is defined as materials or parts used by the District in the construction or capitalized repair of its infrastructure assets. This includes individual items that have a cost equal to or greater than five hundred dollars (\$500). It does not include tools, vehicles, generators, miscellaneous hardware such as screws and bolts, or other supplies used in maintenance and inspections.

### 14.3 SECURITY OF INVENTORY

Inventory is to be stored in such a manner as to be secure from theft or damage. Depending on the nature of the inventory item, it may be stored in a locked facility and protected from the weather and climate conditions, or it may be stored out of doors in the District's corporate yard behind a gate that is locked during non-business hours.

### 14.4 RECORDING OF INVENTORY TRANSACTIONS

District employees authorized to handle inventory will record all additions and uses of inventory as they occur. These inventory usage records will be provided to the Finance Department for entry into the accounting system on an annual basis. The accounting system will track the perpetual inventory.

### 14.5 PHYSICAL INVENTORY

A complete physical inventory will be conducted at least once annually, as close to the fiscal year end as possible. Interim physical inventories or cycle counts may be performed as considered necessary by District management. Any differences between the perpetual inventory quantity shown in the accounting system and the physical count should be investigated and documented, and proper adjustments should be made to ensure the perpetual inventory record is correct.

### 14.6 VALUATION

The District values inventory on a First-In, First-Out (FIFO) basis.



## 15 RISK MANAGEMENT AND INSURANCE

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### 15.1 PURPOSE

The purpose of this *Risk Management and Insurance Policy* is to provide direction to District staff on managing the District's liability, property, fixed assets, vehicles, and employee-related risks in a reliable, economical, and beneficial manner.

### 15.2 POLICY

The General Manager shall be responsible for managing all aspects of risks encountered by the District. As such, District staff shall coordinate and obtain appropriate levels of insurance coverage and implement other risk management and mitigating strategies and safety management approaches, as recommended by the California Sanitation Risk Management Authority (CSRMA). Acceptable risk management strategies need to be in compliance with applicable Federal and State laws and California Occupational Safety and Health Administration (CalOSHA) regulations. Insurance coverage and risk management strategies shall include, but are not limited to, liability, property, vehicles, workers' compensation, hazards, general safety, and loss control, and may consist of self-insurance programs when economical and cost effective.