

**WEST BASIN MUNICIPAL  
WATER DISTRICT  
ADMINISTRATIVE CODE**

**Resolution No. 1-16-1024**

**Adopted January 20, 2016**

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## **Part 1. GENERAL PROVISIONS**

### **CHAPTER 1. ADOPTION OF CODE**

#### **1-1.101 TITLE<sup>1</sup>**

This Code shall be known as the “WEST BASIN MUNICIPAL WATER DISTRICT ADMINISTRATIVE CODE.” It shall be sufficient to refer to this Code as the Administrative Code in applying any provision hereof.

This Code consists of resolutions and ordinances of the West Basin Municipal Water District (“District”), codified pursuant to the Municipal Water District Law of 1911.

#### **1-1.102 CONSTRUCTION AND INTERPRETATION OF CODE**

This Code and all District ordinances and resolutions shall be interpreted to refer to the appropriate or designated officer of the District.

#### **1-1.103 MAINTENANCE OF CODE<sup>2</sup>**

At least two copies of this Code shall be maintained on file in the District office as the official copies of this Code. Additional copies of this Code shall be distributed to the Directors and Departments of the District as prescribed by the General Manager.

Amendments to this Code shall be made by resolution. At least annually, the Secretary shall publish amendments to this code, including notations as to the ordinance or resolution numbers, motions, and dates on which amendments were adopted.

## **LIST OF CHANGES TO PART 1, CHAPTER 1. ADOPTION OF CODE**

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<sup>1</sup> Section 1-1.101 amended by Resolution 7-16-1042 on July 25, 2016.

<sup>2</sup> Section 1-1.103 amended by Resolution 7-16-1042 on July 25, 2016.

## **CHAPTER 2. RULES OF CONSTRUCTION**

### **1-2.101 SCOPE**

Unless this Code or the context is contrary, the general provisions, rules of construction, and definitions set forth in this chapter shall govern the construction of this Code.

### **1-2.102 REFERENCE TO CODE, ORDINANCES OR RESOLUTIONS<sup>1</sup>**

Whenever any reference is made to an ordinance or resolution, the reference is to an ordinance or resolution of the District.

Whenever a reference is made to a portion of this Code, or to an ordinance or resolution, the reference shall apply to amendments and additions.

### **1-2.103 ACTS BY DEPUTIES**

Whenever a power is granted to or a duty is imposed upon an officer or employee, the power may be exercised or the duty may be performed by a deputy, or employee authorized by the officer or employee, unless the statute, ordinance, resolution, or order of the Board expressly provides otherwise.

### **1-2.104 SEVERABILITY**

If any part of this Code is held to be invalid or unconstitutional, the decision shall not affect the validity of the remaining portions of this Code.

### **1-2.105 DEFINITIONS<sup>2</sup>**

For the purpose of this Code, unless otherwise apparent from context, certain words and phrases used in this Code are defined as follows:

- (a) “Auditor” refers to the Certified Public Accountancy firm engaged by the Board of Directors to perform the annual audit of the District’s financial activities.
- (b) “Board” refers to the Board of Directors of the West Basin Municipal Water District.

- (c) “Director” refers to a member of the Board.
- (d) “District” refers to West Basin Municipal Water District.
- (e) “Employee” refers to a District employee.
- (f) “General Counsel” refers to the attorney engaged to advise the District on the requirements of the law.
- (g) “General Manager” refers to the General Manager of the District.
- (h) “Officer” refers to Directors, President, Vice President, Secretary, Treasurer, General Manager, and General Counsel.
- (i) “President” refers to the President of the Board.
- (j) “Quarterly” means the first three calendar months of a year or succeeding three-month periods.
- (k) “Secretary” refers to the Secretary of the Board.
- (l) “Deputy Secretary” refers to the person appointed by the Board to act as Secretary, carrying out the duties and responsibility of that office.
- (m) “Treasurer” refers to the Treasurer of the Board.
- (n) “Deputy Treasurer” refers to the person appointed by the Board to act as Treasurer, carrying out the duties and responsibilities of that office.
- (o) “Vice President” refers to the Vice President of the Board.

## **LIST OF CHANGES TO PART 1, CHAPTER 2. RULES OF CONSTRUCTION**

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<sup>1</sup> Section 1-2.102 amended by Resolution 7-16-1042 on July 25, 2016.

<sup>2</sup> Section 1-2.105 amended by Resolution 7-16-1042 on July 25, 2016.



**Part 2. ADMINISTRATION**

**CHAPTER 1. BOARD OF DIRECTORS**

**ARTICLE 1. ARTICLES OF ELECTION OR APPOINTMENT**

**2-1.101 ELECTION**

Directors are elected to office in accordance with the provisions of the Municipal Water District Law of 1911.

**2-1.102 APPOINTMENTS<sup>1</sup>**

Subject to statutory requirements, when a vacancy occurs on the Board, the remaining Directors may fill such vacancy by appointment.

**2-1.103 OATH OF OFFICE<sup>2</sup>**

Persons elected to serve as a Director shall take office at noon on the first Friday in December succeeding their election. Persons appointed to serve as Director shall take the oath of office prior to assuming office. The Secretary shall administer the oath.

**2-1.104 DIVISIONS**

The District is divided into five divisions as shown on the Official Map of Division Boundaries on file at the Los Angeles County Registrar of Records. Each division is represented by one Director.

## **ARTICLE 2. ORGANIZATION AND BOARD OFFICERS**

### **2-1.201 GENERAL**

The Board is organized as set forth in this Article.

### **2-1.202 OFFICERS OF THE BOARD**

The Board shall reorganize in January of each year at its first regular meeting by electing one of its members as President. At the same time, the Board may also select a Vice President who shall be a Board member, a Treasurer and Secretary who may be members of the Board, and a Deputy Treasurer and Deputy Secretary, who will be District staff members. In order for the Board to make a change in the election policy of the Presidency, the Board must refer the matter to the Administration Committee for review and recommendation to the Board.

## **ARTICLE 3. POWERS AND DUTIES**

### **2-1.301 POWERS VESTED IN THE BOARD OF DIRECTORS**

Powers of the District shall be vested in the Board except for powers delegated to the Personnel Review Board and the General Manager in this Code.

### **2-1.302 GENERAL DUTIES OF THE BOARD OF DIRECTORS**

The Board shall:

- (a) Assure the District is well managed.
- (b) Assure the District is responsive to the interests of constituents.
- (c) Comply with the law.
- (d) Insist critical and strategic information to make decisions is available in a timely manner.
- (e) Assist staff by assessing issues from a broader perspective, providing outside perspective and guidance.
- (f) Safeguard the assets of the District.
- (g) Determine the objectives and policies of the District.
- (h) Select the officers and General Manager.
- (i) Assure plans meet objectives.
- (j) Check on results and review plans.
- (k) Establish policies to provide for the effective conduct of meetings.
- (l) Approve and adopt the annual budget and amendments.
- (m) In order for the Board to make changes to the Powers and Duties of the Board Officers, the Board must refer the matter to the Administration Committee for review and recommendation to the Board.

### **2-1.303 DUTIES AND ROLE OF BOARD OFFICERS<sup>3,4,5</sup>**

Board members have legal authority only when acting as a unit at scheduled meetings. Individual members of the Board have no independent authority. It is the duty

of all members of the Board to obey the law and rules, and to obey and execute all lawful orders of the body.

The following duties are delegated to officers as indicated:

- (a) The President may make and second motions and may participate and vote in all proceedings. The President shall have the primary, but not exclusive, responsibility for interpreting the policies, programs and needs of the District to the public. The President shall:
  - (1) Preside over all meetings of the Board.
    - (i) Open the meeting at the appointed time and determine that a quorum is present.
    - (ii) Announce each item on the agenda.
    - (iii) Call for motions.
    - (iv) Call for public participation when appropriate.
    - (v) Determine questions of order and enforce rules of decorum and discipline.
    - (vi) Ensure Directors have an equal opportunity during discussion. The President may be involved in discussion, but to no greater extent than other Directors.
    - (vii) State the motion and announce passage or failure.
  - (2) The President will appoint members of all standing Board Committees. These appointments must be ratified by majority vote (3) of the Board.
    - (i) Removal of a Committee member(s) must be ratified by a majority vote (3) of the Board.
    - (ii) Subsequent to the reorganization meeting, Board members will submit a list of preferences for Committee assignments.
    - (iii) After preferences for assignment are submitted, the President will make the committee appointment, and the Board will consider the ratification of said appointments. Changes can

- be made at any regular or special Board meeting by following normal appointment/removal procedures.
- (iv) All Board members will be assigned to at least one standing Committee.
  - (v) The President shall make all appointments of members to Ad Hoc Committees. These appointments do not require Board ratification.
- (3) Set the time and place for any special meeting of the Board of Directors.
  - (4) Adjourn meetings of the Board of Directors.
  - (5) Represent the District in public ceremonies.
  - (6) Serve as public spokesperson of the District and expressing approved policy of the District when called upon to do so.
  - (7) With regard to the election of LAFCO directors and alternate directors, the President will act as instructed by a majority of the board.
- (b) The Vice-President shall:  
Perform all the duties of the President during the temporary or permanent absence of the President.
  - (c) The Secretary shall:
    - (1) Record the actions of the Board, including director attendance and time of arrival and departure of all directors at District board and committee meetings.
    - (2) Prepare agendas and minutes.
    - (3) Receive documents addressed to the Board.
    - (4) Attest to the signature of the President on documents.
    - (5) Certify resolutions and minutes.
    - (6) Maintain records and documents of the District
    - (7) Publish and post notices.
    - (8) Maintain custody of District seal.

- (9) Receive and file statements with the Fair Political Practices Commission.
  - (10) Administer the oath of office to Directors.
  - (11) Call meetings to order in the absence of the President and Vice President and preside until an acting President is selected.
  - (12) Adjourn meetings in absence of a quorum.
  - (13) Attend committee meetings, schedule meetings, prepare agendas, minutes, and reports.
  - (14) Ensure public meetings are noticed in accordance with the Brown Act and all other laws governing such meetings.
  - (15) The Secretary may delegate the duties in this section to the Deputy Secretary.
- (d) The Treasurer shall:
- (1) Deposit, manage and invest the District money.
  - (2) Certify that checks presented for Board approval in payment of obligations of the District are correct and supporting documents available.
  - (3) Review and present monthly investment and disbursement reports, quarterly budget comparative and financial status reports to the Board.
  - (4) Co-sign disbursement vouchers when required.
  - (5) The Treasurer may, subject to the requirements of the District's Investment Policy, delegate his or her duties to the Deputy Treasurer.
  - (6) The Treasurer should represent that the District has proper liquidity for known upcoming obligations with a minimum of ninety (90) days cash on hand.
  - (7) The Treasurer shall oversee and monitor debt issuance proceeds and the investment of those proceeds including, but not limited to, project funds, reserve funds, and cost of issuance fund.

- (e) With the exceptions of items dealing with Code of Conduct violations, which need to be agendaized for the Ethics Committee meeting (Section 2-1.306(a)(1)), an individual Board member may request that an item be added to an agenda and the agenda item will reflect the name of the director making the request.

#### **2-1.304 INTERFERENCE IN ADMINISTRATIVE SERVICE**

The Board shall provide guidance and instruction to the General Manager at public meetings. Individual Directors shall not instruct the General Manager in the execution of his powers and duties. Except for the purpose of inquiry, the Board and individual Directors shall interact with the District staff solely through the General Manager and shall not give orders to any subordinate of the General Manager.

#### **2-1.305 COMPENSATION<sup>6</sup>**

Directors shall be compensated for each day's attendance at meetings of the Board and committees thereof, or for each day's work at direction of the Board, not exceeding a total of 10 days in any calendar month. Such amount may be established by ordinance or resolution. Directors will also be reimbursed for authorized travel and other expenses when on official duty or when acting on behalf of Board, as set forth below in section 2-1.306.

#### **2-1.306 CODE OF CONDUCT<sup>7,8,9,10,11,12,13</sup>**

The West Basin Municipal Water District is committed to upholding the highest ethical standards in all our business and professional operations and relationships. We will carry out our mission with unquestionable ethics and integrity, the cornerstone of achieving and maintaining credibility and ensuring public trust. We owe this, and no less, to the public we serve.

The ability of the District to achieve their mission is directly dependent on the day-to-day choices we make and our actions while representing the District. We are accountable for creating and maintaining credibility and trust with our customers, dealing fairly and honestly with our suppliers, contractors and consultants, and avoiding actual or

perceived conflicts of interest that may arise due to outside activities, employment, and gifts.

In addition to the standards set forth above, all employees and directors are expected to treat District directors, employees, and third parties with respect, dignity, and courtesy. Rude behavior, outbursts, and discourteousness will not be tolerated, and will be considered conduct unbecoming a District representative.

(a) Ethics Committee

- (1) The Ethics Committee of the West Basin Municipal Water District (“District”) shall be a standing committee and meet semi-annually or as needed, to address compliance issues related to this policy. Any violations of this Code, real or perceived, are to be immediately reported to the General Manager or an Ethics Committee member. Any suspected potential violations will be agendized at the next scheduled Ethics Committee meeting. On an annual basis, this Code will be reviewed by District Counsel to ensure compliance with statutory requirements.
- (2) The District encourages reporting all good faith suspected violations of this Code of Conduct. Until the Ethics Committee determines that an actual violation of this Code has occurred, the alleged violator is presumed to be innocent of the violation. There shall be no adverse consequences suffered by anyone making a good faith report of a suspected violation nor shall there be any adverse consequences suffered by anyone accused of violating these standards and subsequently found not to have violated this Code of Conduct. The identity of any persons reporting violations of this Code of Conduct shall be kept confidential.
- (3) The Ethics Committee shall be comprised of the following four members: Two West Basin Municipal Water District Directors, and two *ex-officio* members – the District’s General Manager and District Legal Counsel.



- (b) Ethics Training. Each Director shall receive at least two (2) hours of training in general ethics principles and ethics laws relevant to his or her public service every two (2) years. [Per Government Code Section 53235.1.]

The District shall inform the Directors annually of ethics training opportunities. Group study or self-study ethics curricula developed by the District must be approved by the Fair Political Practices Commission and the Attorney General and may include local ethics policies.

A local agency or an association of local agencies may offer one or more training courses, or sets of self-study materials with tests, which may be taken at home, in-person, or online.

All providers of ethics training courses shall provide the Directors with proof of participation forms, indicating the date of the training and the entity that provided the training. The District shall maintain these records for five (5) years.

- (c) Board/Staff Relationship. District staff report to the Board through the office of the General Manager. Board communications to employees shall be made through the office of the General Manager.

The Board of Directors sets policy for the District and provides direction to the General Manager. It is the job of the General Manager to implement the Board's policies and priorities.

- (d) District Property/ Equipment and Director's Mail. A Director can be assigned selected District equipment for use on District business. No Director shall use or permit the use of District equipment, telephones, materials or property for personal gain or profit. No Director shall request a District employee to perform services for their personal gain or profit. Each Director must protect and properly use any District asset within his or her own control, including information recorded on paper or in electronic form.

Directors of the District shall not use the District logo, stationery, or other facsimile thereof, for any solicitation or other political activity including, but not limited to, political contributions.

The office of the General Manager is directed to open all mail addressed to an individual Director as a member of the West Basin Municipal Water District Board of Directors, unless marked personal or confidential. If such mail is relevant to District operations, and not just the individual director addressee, it will be distributed to all five Directors.

- (e) Employment. Employment decisions such as hiring, promoting, evaluating, compensation and terminating employees are based on qualifications for the position, ability and performance. The District attempts to avoid favoritism, the appearance of favoritism and conflicts of interest in employment decisions and reserves the right to take action in such situations.

Hiring of new employees is the responsibility of the General Manager. All contacts or communications with individuals interested in employment with the District should be referred to the Human Resources Department.

- (f) Confidential Information. From time to time, Directors have access to confidential information. Medical information, hiring information, and information discussed in Closed Session meetings of the Board are examples of this type of information. With regard to this information:
- (1) A Director shall not use his or her position to obtain official information about any person or entity for any purpose other than the performance of official duties.
  - (2) A Director shall not intentionally, knowingly or recklessly disclose confidential information concerning the property, operations, policies employees or affairs of the District. This rule does not prohibit any disclosure that is no longer confidential by law, or the confidential reporting of illegal or unethical conduct to authorities designated by law.
- (g) Conflict of Interest

- (1) A Director shall not make, participate in making or in any way attempt to use his/her official position to influence a District decision in which he/she has a financial interest.
- (2) A Director shall disclose to the Board, at a public meeting, all affiliations to businesses, institutions, or organizations that participate in any District programs. A Director shall not make, participate in making, or use his/her official position to influence any District decision directly relating to any contract where the Board member knows or has reason to know that any party to the contract is a person or entity with whom the Board member, or any member of his/her immediate family, has engaged in any business transaction or transactions on terms not available to the public.
- (3) A conflict of interest can exist anytime a Director's position or decisions provide financial benefit or improper advantage. Directors will comply with the Political Reform Act, Government Code section 1090, *et seq.*, and all other applicable statutes and regulations.
- (4) A Director shall not, directly or indirectly, induce or attempt to induce any District employee to do any of the following:
  - (i) To participate in an election campaign, contribute to a candidate or political committee, or engage in any other political activity relating to a particular party, candidate or issues; or
  - (ii) To refrain from engaging in any lawful political activity.
- (5) A former Director shall not represent any person, group, or entity other than himself or herself or his/her spouse or minor children for a period of one year after the termination of his or her official duties as follows:
  - (i) Before the Board; or

- (ii) Before District employees having responsibility for making recommendations to, or taking any action on behalf of the District.

(h) Ex-Parte Communications

- (1) The District strives to ensure the protection of due process and fairness in its decision-making process. The District promotes transparency in its decision-making process and strives to ensure that all District decisions are made on the basis of information available to all District Board members and to the public. When making any contact with District employees or Directors all parties must exercise sound judgment and caution to prevent an actual or implied impression that such contacts will result in preferential treatment of the prospective contractor.
- (2) All communications received by District Directors regarding contractual matters pending before the Board shall be reported to the General Manager. District Directors who are contacted shall make no representations regarding the pending contractual matter other than the communication will be forwarded to the General Manager.

All such communications requesting clarification of further information concerning the pending contractual matter shall be responded to by a District employee in a manner that ensures all other bidders, proposers, vendors, or contractors receive identical responses.

All communications that are not handled as described above, are ex-parte communications which are prohibited. Board action that was the subject of the ex-parte communication may be revoked.

(i) Participation in Political Activities

(1) Definitions. For purposes of this section, the following definitions shall apply:

- (i) "Contribution" means a payment, a loan, an extension of credit, a forgiveness of a loan, a payment of a loan by a third party, or an enforceable promise to make a payment, except to the extent that full and adequate consideration is received, unless it is clear from the surrounding circumstances that it is not made for political purposes. An expenditure made at the behest of a candidate, committee, or elected officer is a contribution to the candidate, committee, or elected officer, unless full and adequate consideration is received for making the expenditure.

The term "Contribution" includes the purchase of tickets for events such as dinners, luncheons, rallies, and similar fund-raising events; the granting of discounts or rebates not extended to the public generally or the granting of discounts or rebates by television and radio stations and newspapers not extended on an equal basis to all candidates for the same office; and the payment of compensation by any person for the personal services or expenses of any other person if such services are rendered or expenses incurred on behalf of a candidate or committee without the payment of full and adequate consideration.

The term "contribution" further includes any transfer of anything of value received by a committee from another committee.

The term "contribution" does not include amounts received pursuant to an enforceable promise to the extent such amounts have been previously reported as a contribution. However, the fact that such amounts have been

received shall be indicated in the appropriate campaign statement.

The term "contribution" does not include volunteer personal services or payments made by any individual for his/her own travel expenses if such payments are made voluntarily without any understanding or agreement that they shall be directly or indirectly repaid to him/her.

A loan or extension of credit shall be considered a contribution from the maker and guarantor of the loan and shall be subject to the contribution limitations of this policy except that such limitations shall not apply to loans or extensions of credit made to the candidate by a commercial lending institution in the lender's regular course of business on terms available to members of the general public for which the candidate is personally liable.

- (ii) "Candidate" - For the purposes of this section, a person shall be considered a "candidate" when the filing of a statement of intention to be a candidate is filed with the Los Angeles County Registrar Recorder. All limitations on contributions shall apply from that date.
- (iii) "Person" - For the purposes of this section, "person" shall mean an individual, proprietorship, firm, partnership, joint venture, syndicate, business trust, company, corporation, association, committee, or any other organization or group of persons acting in concert.
- (iv) "Pending" means the time period between the District issuing a Request for Proposal or other formalized solicitation for the provision of contracting, management, or professional services, or for the furnishing of any material supplies, equipment, or real estate, and the approval date by the Board.

- (2) Contributions Made on Behalf of Another. No person shall make a contribution on behalf of another, or while acting as the intermediary or agent of another, without disclosing to the recipient of the contribution both the person's, intermediary's, or agent's own full name and street address, occupation and the name of the person's, intermediary's or agent's employer, if any, or the person's, intermediary's or agent's principal place of business if the person, intermediary, or agent is self-employed; the recipient of the contribution shall also be made aware of the full name and street address and occupation and the name of the employer, if any, or principal place of business, if self-employed, of the actual contributor.
  - (3) Assumed Name Contributions. No contribution shall be made, directly or indirectly, by any person or combination of persons acting jointly in a name other than the name by which they are identified for legal purposes, nor in the name of another person or combination of persons. No person shall make a contribution in his/her or its name of anything belonging to another person or received from another person on the condition that it is used as a contribution.
  - (4) Political Contributions. No person who has a potential new contract with the District, either for professional services or for the furnishing of any material, supplies, equipment or real estate to the District shall contribute directly or indirectly to a Director while that matter is pending before the District.
- (j) Installation Ceremonies
- Installation ceremonies for all newly elected Board members shall take place at a time and location accessible to the public. If more than one director is to be installed, one joint ceremony shall be conducted. Staff will use their best efforts to defray costs by soliciting private contributions to fund these ceremonies.

- (k) Review of Contracts. All contracts entered into by the General Manager under his authority pursuant to the Administrative Code shall be submitted to the District Board on a quarterly basis.
- (l) Expense Reimbursement. Payment for travel and other expenses shall be allowed when reasonably necessary to represent the interest of the District. Business expenses shall normally be paid as set forth below.
- (1) At least annually, the District will continue to publish the individual Director travel expenses whether paid by the District or reimbursed to the Director.
- (2) The District will conduct a survey at least every 3 years to assess per diem, allowances, and other expenses from comparable agencies.
- Expenditures for lodging, meals, transportation and other activities should provide for a reasonable level of comfort and convenience, but sound judgment shall be exercised to ensure the lowest overall reasonable cost to the District. All travel arrangements, including airfare, lodging, and car rental, should be made through a District employee, with pre-payment, whenever possible, especially for conference fees. District employees will work to ensure that travel is conducted at the lowest reasonably available cost to the District. When reimbursement is permitted, members will be reimbursed only up to the actual and necessary expenses incurred in performance of their official duties.
- A Director may request the District to pay for conference registration, commercial transportation (airline, or car rental) and hotel accommodations (room, tax, and hotel parking only). A District Director may incur other incidental costs and may seek reimbursement from the District with appropriate documentation. Incidental costs include business meals, parking, gas charges for car rentals and other allowable business travel expenses.
- (m) Expense Limits. An annual travel budget of \$15,000.00 per director per fiscal year shall be established and shall incorporate conference



registration, lodging/overnight travel, business meals, and transportation. This budgeted amount shall not include any expenses incurred for travel to Sacramento, California and Washington, D.C. to meet with District's legislative representatives.

Any amounts spent above the allowable limits for which the Director is seeking reimbursement shall be brought to the full Board for consideration.

(n) Travel Authorization

- (1) Actual and necessary travel expenses may be incurred in connection with official representation of the District in order to:
  - (i) Attend seminars, conferences, hearings, or other meetings directly related to the business of the District;
  - (ii) Interview persons, inspect facilities, or exchange professional information; or
  - (iii) Participate in other activities, as approved by the Board, requiring expenditures for travel, meals, and lodging that are necessary and in the best interests of the District.
- (2) Attendance at Conferences/Business Meetings – Out of State/Out of Country. Directors shall be entitled to reasonable expenses (which can include lodging and business meals) incurred for traveling to approved conferences, beginning one day prior to the start of the conference/business meetings and no later than one day following the conclusion of the conference, for travel outside the state and the United States.
- (3) Attendance at Conference/Business Meetings – In State. For travel in state, but outside of Los Angeles County, Directors shall be entitled to lodging for each night of the conference/meeting, plus one night's lodging for either one day prior or one day after the conference/meeting. Such entitlement shall be subject to the imputed income provisions of the INTERNAL REVENUE CODE.

Directors shall receive reimbursement for business meals incurred on the days spent traveling to the event/conference, and on the days of the conference/meeting. Directors shall receive compensation for mileage for travel to and from the conference/meeting. Such reimbursement shall be subject to be imputed income provisions of the INTERNAL REVENUE CODE.

(o) Authorized Expenses

Expenses in General. Authorized expenses normally include lodging/hotel accommodations, business meals, transportation (common carrier fares, rental of automobiles and parking fees) and conference registration. A Director may not submit a claim to the District for reimbursement of an expense reimbursed by another party. Any non-budgeted special event must receive prior Board approval and documentation shall be supplied to demonstrate the business purpose

(1) Lodging/Hotel Accommodations. Lodging shall be obtained at the most economical rate reasonably available. Government rates should be utilized, if available. Use of conference headquarters hotels is encouraged. Lodging in connection with a conference or organized educational activity shall not exceed the maximum group rate published by the group or activity sponsor, provided that lodging at the group rate is available.

Whenever possible, arrangements for hotel charges should be placed on the District credit card. If a Director uses his or her personal credit card, the charges will be reimbursed. It is the responsibility of the individual traveling to pay for personal incidentals (movies, snack bar fees, etc.) prior to check out of the hotel. Business center charges such as faxes, email, etc. are reimbursable if necessary to the performance of official duties and the business purpose is documented. Business calls to District facilities will be paid in full.

For events, meetings, and conferences that begin and conclude on the same day, the District will not pay or reimburse lodging/hotel accommodations that are within a 50 mile radius of the District Headquarters.

- (2) Business Meals. Meal expenses include the cost of meals, non-alcoholic beverages, applicable tax and reasonable tip. District Directors and employees have individual meal limits of up to \$100.00 per day for business meals that further the interests of the District. A meal receipt must be accompanied by an itemized account of charges. If the restaurant does not provide a computerized itemized receipt, a handwritten itemized receipt may be used. The meal receipt must include a description of the business purpose of the meal.
- (i) A business meal furnished by a District Director to another person will be reimbursed at the same dollar limits as are applied to District Directors. The Director shall indicate the business purpose and how the expenditure is necessary to promote District policies and programs. The meal receipt must also include the name, the affiliation and position of each guest, when claiming reimbursement for the business meal. To the extent that spouses or other travel companions accompany a Director on District related travel or to a District related event, the portion related to that person's attendance shall not be compensable by the District and must be paid for by the Director or promptly reimbursed to the District.
  - (ii) Directors are not entitled to meal reimbursement for attendance at a meeting or conference at which a meal is provided, unless approved by the Board.
  - (iii) Expenses for a solo meal (Director only), incurred when there is no overnight travel, will not be reimbursable. (Section IRC

§ 119.) Reimbursement will be paid for a Business Meal furnished by a Director to another person, even where there is no overnight travel. If overnight travel is involved, all Business Meals are reimbursable, regardless of whether Director is solo or with a guest.

(iv) If a Director requests meal reimbursement in a manner that does not comply with the requirements set forth in Section 16 and receives reimbursement from the District, the Director must reimburse the District any amounts received within thirty days of receipt.

(3) Transportation. Use of air, train, rental car, or private car shall be selected on the basis of the most reasonable and appropriate method, taking into consideration distance, time and total costs to the District. The following types of travel expenditures while on District business are allowable:

(i) Travel by Private Automobile. The driver must possess a valid California driver's license and carry automobile insurance. Any damage to the vehicle or service repairs are of a personal nature, and will not be reimbursed by the District.

Expenses incurred for use of personal vehicles are covered by the District's car allowance policy as set forth below, in Section 18. All automobile travel within Los Angeles County and within a fifty-mile radius of the District Headquarters is covered by the Director's car allowance policy in Section 18 below. Mileage incurred for travel beyond these limitations is reimbursable at the standard IRS mileage reimbursement rate. Mileage incurred for travel within these limitations is not reimbursable and rental vehicles are prohibited from being used for such travel.

- (ii) Air Travel. Travel shall be in coach class or equivalent service, unless the Board determines some physical problem or exceptional circumstance warrants travel in a higher class. Airline baggage fees, excluding excess weight fees, are allowable travel expenditures.
- (iii) Rental Vehicles.
  - a. Rental vehicles must be limited to “mid-sized, intermediate, or standard” vehicles. If a District credit card is used to rent such vehicles, Directors shall not purchase additional automobile insurance offered or provided by the rental car company. Rental vehicles are prohibited from being used for travel within a fifty-mile radius of the District headquarters. Use of rental vehicles shall be strictly limited for official District business, and not for personal purposes.
  - b. Rental vehicles shall only be used when such use is economical. Accordingly, reimbursement for use of a rental vehicle will not exceed the amount payable for mileage reimbursement (at the standard IRS mileage reimbursement rate) to the location of the conference, meeting, or event (“Event Location”). When travel includes air travel, rental vehicles shall not be used if the Event Location is in the same city as the destination airport. If travel to the Event Location includes travel outside of the city where the destination airport is located, use of a rental vehicle is appropriate, subject to the reimbursement limits set forth above in subsection a.

- (iv) Miscellaneous Travel. Taxi services, parking fees, and toll charges are reimbursable when reasonably necessary to accommodate travel needs.
- (4) Receipts. All requests for reimbursement must be accompanied by itemized receipts. If itemized receipts are lost or otherwise not available, a Director may request a waiver of this requirement by documenting the amount and purpose of the charge, and submitting the waiver request to the Board for consideration.
- (5) Conference Registration. Directors shall, whenever possible, register for conferences by using the District's credit card. Directors must be registered participants at any conference for which a director seeks expense reimbursement or per diem compensation.
- (6) Authorized Expenses for Metropolitan Representatives. All transportation costs incurred by the District's Metropolitan Water District of Southern California ("Metropolitan") representatives, for travel done on behalf of Metropolitan, shall be reimbursed by Metropolitan.
- The District's Metropolitan representatives, who are not District Directors, are entitled to an automobile allowance from the District or to receive mileage reimbursement from Metropolitan. Before an automobile allowance from the District is paid, the District shall deduct the amount of reimbursement for mileage received from the Metropolitan Water District.
- (7) Incoming Directors. Directors who have been elected but have not been sworn in shall be reimbursed for reasonable and prudent travel and conference expenses incurred while on District business, under the same requirements as sworn directors.
- (8) Authorized Expenses. The General Manager may authorize the purchasing of tickets for directors to attend certain community events related to District activities. Such events can include those

sponsored by local chambers of commerce, water associations, community based organizations, and environmental organizations.

The use of tickets received by the District for approved non-district sponsored events shall first be offered to District Directors and then to District staff. If District Directors and District staff are not available to use event tickets, they may be distributed at the general manager's discretion.

- (p) Unauthorized Expenses. Items of a personal nature are not reimbursable including: movies, entertainment, premium television services, alcoholic beverages, dry-cleaning, spas, gyms, barber, magazines, shoeshine, travel insurance, purchase of clothing or toiletries, loss of tickets, fines or traffic violations, excess baggage, spouse and/or guest accommodations, office equipment or other items of a personal nature.

If unauthorized expenses have been paid by the District, Directors will reimburse the District. If a Director does not reimburse District within 30 days of notice from District, reimbursement will be through expense reimbursement deductions by District staff.

- (q) Reimbursement Of Expenses – Procedure. All claims shall be submitted to the District for review within ninety (90) days after the subject event. Claims submitted after ninety (90) days, must be approved by the Board of Directors.

(1) Claims shall be submitted on forms supplied by the District. Such forms must include a description of the expense, name(s) of each guest, the affiliation and position of each guest, date incurred, and a description of the business purpose of the expense.

(2) Expenses incurred by a District Director but prepaid by the District or charged on a District credit card must be listed on the expense claim form and noted as paid by the District.

- (3) Fully documented and approved expenses will require at least 10 business days for processing, to allow time to verify compliance with expense procedures and to prevent errors.

(r) Director Allowances

- (1) District Directors may receive a monthly car allowance in the performance of their official duties in an amount established by the Board.
- (2) Board members and the West Basin Municipal Water District's Metropolitan representatives may receive a communications allowance in the performance of their official duties in an amount established by the Board. That monthly amount may cover the following equipment and services:
  - (i) Cellular Phone
  - (ii) Cellular Service
  - (iii) Fax Machine
  - (iv) Computer and Monitor
  - (v) Software
  - (vi) All-in-one printer, copier and scanner
  - (vii) Internet service
  - (viii) Dedicated phone line
  - (ix) Printer and fax machine

Board Members may elect to receive a flat monthly communications allowance. The monthly payment shall be in-lieu of the payment or reimbursement for any telephone calls, internet fees, equipment or media. Board Members who do not receive this monthly allowance are entitled to reimbursement of any communications related



expenses in connection with District business in accordance with the reimbursement procedures set forth above.

- (s) Compensation to Directors for Attendance at Meetings. It is the policy of the West Basin Municipal Water District to compensate its Directors for the time they dedicate to advancing the projects and activities of the District. Each Director is authorized to be compensated for up to 10 meetings per month. "Meetings" are defined as meetings of the Board, committee meetings, and such other meetings and events as reasonably necessary to further the interests of the District, subject to Board approval. Directors who attend a conference are expected to attend a reasonable and substantial portion of the lectures, seminars and presentations offered at the conference.

- (1) Approved Meetings. The District will pay each Director a "per diem" amount established by Ordinance No. 93-26 for each day's attendance at approved meetings as set forth in attached Exhibit "1." Meetings which are supported or sponsored by the District are determined to be "approved meetings."

The Ethics Committee will annually review and update, if necessary, Exhibit 1 "West Basin Approved Meetings" and bring a recommendation to the full Board for their consideration.

- (2) Reports. For all conferences and meetings (except meetings of the West Basin Municipal Water District, West Basin Financing Corporation, and West Basin Committees), Directors who attend such conferences and meetings at the expense of the District at the next regular meeting of the Board of Directors shall provide brief oral or written reports.
- (3) Metropolitan Water District Representatives Approved Meetings. The West Basin District Metropolitan representatives, who are not District Directors, are authorized to attend the meetings and events listed below on behalf of the District and for which compensation (a

per diem) will be paid by the District unless otherwise compensated by Metropolitan:

- (i) Board and Committee Meetings of the Metropolitan Water District
- (ii) Board Meetings of the West Basin Municipal Water District
- (iii) Board Meetings of the West Basin Financing Corporation
- (iv) Metropolitan Water District inspection trips
- (v) Conferences, meetings, and presentations as approved by Metropolitan Water District (with Metropolitan paying cost of travel, hotel and conference registration)
- (vi) Association of California Water Agencies – Semi-Annual Conference
- (vii) Colorado River Water Users Association – Annual Conference
- (viii) Southern California Water Committee Meetings
- (ix) West Basin Municipal Water District Annual Water Harvest

(4) Non-Compensable Meetings. The following are examples of non-compensable meetings that are not necessary to represent the interests of the District. Such non-compensable meetings include, but are not limited to the following:

- (i) Service club meetings where a Director is not making a presentation on behalf of the District;
- (ii) Meetings a Director has with other elected officials or their representatives, which are not reasonably necessary to represent District interests;
- (iii) Informal or non-scheduled meetings with District staff. A meeting will be considered to be “scheduled” when it is scheduled by District staff at least one day prior to the meeting.
- (iv) Meetings with other West Basin Directors;

- (v) Meetings with vendors/contractors;
  - (vi) Informal or non-scheduled meetings with staff of the Metropolitan Water District of Southern California;
  - (vii) Purely social or ceremonial events not pre-approved by the Board;
  - (viii) Parades, festivals, holiday events, retirement dinners, not preapproved by the Board; and
  - (ix) Meetings of a partisan political organization.
- (5) Number of Meetings
- (i) Each Director shall be compensated (a per diem) in the amount established by Ordinance 93-26 for each day's attendance at approved meetings of the West Basin Municipal Water District and conferences as described above, not exceeding a total of 10 meetings in each calendar month. Directors are prohibited from receiving compensation for more than one meeting in the same day.
  - (ii) Each Representative of the Metropolitan Water District of Southern California ("Metropolitan") appointed by the West Basin Municipal Water District, and who is not a West Basin Director shall be compensated (a per diem) in the amount established by Ordinance 93-26 for no more than 10 Metropolitan meetings or conferences in each calendar month, as described above.
  - (iii) Each West Basin Director who is also appointed by its respective Board as a Metropolitan Representative shall be compensated (a per diem) in the amount established by Ordinance 93-26 for each day's attendance at approved meetings of the West Basin Board and the Metropolitan Board and conferences as described above, not exceeding a total of 20 days in each calendar month. However, no more than 10

meetings per month for any one District are allowed. Each person who represents West Basin on the Metropolitan Board shall attend Metropolitan committee and Board meetings, and such other meetings as are reasonably necessary to adequately represent the interests of West Basin or the Metropolitan Board.

- (iv) Each West Basin Director who is also appointed as a Metropolitan Representative shall not receive more than the amount established by Ordinance 93-26 per day for attendance at meetings, even when such Director attends a Metropolitan committee or Board meeting on the same day.
- (6) Extraordinary or Emergency Meetings. If a need arises for a Director to attend or participate in a meeting not covered by this policy, and for which timely approval by the West Basin Board or West Basin Finance Committee is not practical, the Director must seek review and recommendation from the Finance Committee, or followed by Board approval at the next scheduled Board meeting.
- (7) Travel To and From Approved Meetings
- (i) Travel to Conferences/Business Meetings – Out of State/Out of Country. Directors are entitled to compensation for traveling to approved meetings, beginning one day prior to the start of the meeting and no later than one day following the conclusion of the meeting, for travel outside the state of California and the United States.
  - (ii) Travel to Conference/Business Meetings – In State. Directors are not entitled to receive compensation for time spent traveling to approved meetings within the State of California.
- (8) Compensation Submittal Requirements. All requests for compensation shall be submitted to the District for review within

ninety (90) days of meeting attendance. Requests submitted after ninety (90) days must be approved by the Board of Directors.

(t) Submittal and Review of Per Diem and Expense Claims

- (1) Per Diem Compensation Forms. At the end of each month, claims for per diem compensation are to be listed on the form provided by the District. The entries on this form shall be completed by the director and must clearly document each Director's attendance of the meeting, the purpose of each meeting, the location, and the names and affiliations of other parties who were in attendance.
- (2) Expense Reimbursement Forms. All claims for expense reimbursement, including travel expenses, must be included on the form provided by the District and must be completed by the director.
- (3) Administration. Each form is to be submitted to the District for processing. Upon receipt of the form, it will be reviewed to ensure that the claims adhere to the policies outlined above. Any claims submitted that do not fall under this policy's guidelines will be forwarded to the Finance Committee for review prior to payment. The Finance Committee will review all Directors' expenses monthly, during its regularly scheduled Committee meeting.
  - (i) Director's per diem and other expenses (2 separate checks) should be submitted to the District on the Fridays indicated on the monthly calendars by 12:00 noon and will be processed for reimbursement.
  - (ii) Fully documented and approved expenses will require at least 10 business days for processing to allow time to verify compliance with expense procedures and to prevent errors.
  - (iii) Payment may be mailed, direct deposited or will be available for pick up at the District offices.

(u) Public Awareness Guidelines

- (1) Introduction and Purpose. An important goal of the District's public outreach strategy is the promotion of water conservation, water education, and District programs. To achieve this public outreach goal, the District supports certain organizations and events on an annual basis through its budgetary process. In addition, the District also organizes and produces various events ("District Events") designed to promote water conservation, water education, and District programs. The District recognizes there are other organizations that organize, produce, or host events which offer opportunities for the District to promote water conservation, water education, and District programs. Such public events are considered "Community Outreach Events."
- (2) Budgeted, Pre-Approved Events, Conferences, and Programs. The District approves on an annual basis, through its budgetary process, participation and sponsorship in certain water related events, conferences, and programs, which bear a direct relationship to the District's operations and activities.
- (3) District Events
  - (i) The District may organize or produce District Events to promote water conservation, water education, and District programs, provided that such events are non-political or non-partisan.
  - (ii) Any District Event conducted within six months before any election of the District's board may not specially feature or call attention to any individual director. In the event that any board member is featured in any promotional material involving a District Event, all board members must be featured equally.
  - (iii) All Directors may attend any District Event.
- (4) Community Outreach Events

- (i) Requirements for Sponsorship. Upon request, the Board may decide to authorize participation in Community Outreach Events provided that such events: (1) provide the opportunity to promote water conservation, water education, or District awareness; and (2) are non-political or non-partisan.

The requesting party must complete the District's Public Outreach Expenditure Application ("Application") and provide clearly defined reasons for District participation in the Community Outreach Event, including details about how the Community Outreach Event promotes water conservation, water education and District programs.

The General Manager shall present the completed Application to the Board. Any request for expenditures for a Community Outreach Event must be approved by a majority of the Board at least 10 business days prior to the date of the event.

In the event a majority of the Board approves the requested expenditures, the District shall issue payment through credit cards and checks paid directly to the host organization. No cash disbursements shall be made to the Director or to the host(s) or organizer(s) of the Community Outreach Event.

The Community Outreach Event must include at least one of the following:

- a. A speaking opportunity for a District representative,
- b. A District booth or table at the event to distribute District information, or
- c. Advertisement to promote District programs. Advertisements shall not promote or include photographs of individual Directors, or in the

alternative, shall include photographs of all Directors. Mere use of the District's logo shall not constitute an "advertisement" for these purposes; at a minimum, any advertisement must include water conservation or education messaging.

Verification of a speaking event, booth or advertisement at the Community Outreach Event, including supporting documentation, must be obtained from the host(s) or organizer(s) of the Community Outreach Event and submitted to the General Manager at the time of the Application, but not later than 10 days after the Community Outreach Event.

- (ii) Proposed Expenditures. A pre-determined amount approved in every fiscal year budget is available to pay sponsorship or participation fees for designated Community Outreach Events. Any expenditure made for Community Outreach Events must be related to the promotion of water conservation, water education, and District programs.
- (iii) Limitations. Directors are prohibited from requesting District participation in or sponsorship of Community Outreach Events which: are scheduled to occur within a District division that is subject to an election; and which are scheduled to occur during the period beginning on the last date by which the subject director must file election papers with Los Angeles County, until the date of certification of the results of any such election. This restriction does not apply to District divisions in which a Director is unopposed in the election.

Directors who are defeated in any District election are prohibited from requesting participation in or sponsorship of a



Community Outreach Event after the date the results of the subject director's election is certified.

Directors shall not receive any gifts, free memberships, or any other fringe benefit from a recipient of District sponsorship, or support of a Community Outreach Event.

“EXHIBIT “1”<sup>1415</sup>

West Basin Approved Per Diem Meetings

- (a) West Basin Municipal Water District Board Meetings
- (b) West Basin Financing Corporation
- (c) West Basin Committee Meetings
- (d) City Council and other community meetings within the District where the Director is requested to attend, or is making a presentation on District projects
- (e) Meetings with local, state or federal elected officials or their staff
- (f) District sponsored education or conservation events
- (g) West Basin Water Association Meetings
- (h) Water Replenishment District of Southern California – Board Meetings and Committee Meetings
- (i) Water Research Foundation and WaterReuse Foundation
- (j) American Water Works Association conferences and subcommittee meetings
- (k) Association of California Water Agencies – semi-annual conferences
- (l) Association of California Water Agencies Region 8 Board Meetings
- (m) California Association of Sanitation Agencies
- (n) California Contract Cities Association – Conferences
- (o) California Special Districts Association
- (p) Chambers of Commerce (includes meetings of the chambers and meetings with board members and chamber staff):
 

|                                      |                        |
|--------------------------------------|------------------------|
| Carson                               | Lomita                 |
| Commerce                             | Los Angeles Area       |
| Culver City                          | Malibu                 |
| El Segundo                           | Manhattan Beach        |
| Gardena                              | Palos Verdes Peninsula |
| Greater Los Angeles African American | Redondo Beach          |
| Harbor City/Harbor Gateway           | South Bay Latino       |

|                        |                |
|------------------------|----------------|
| Hawthorne/Lawndale     | Topanga        |
| Hermosa Beach          | Torrance       |
| Inglewood/Airport Area | West Hollywood |
| LAX Coastal            |                |

- (q) Colorado River Water Users Association
- (r) Heal the Bay
- (s) Independent Cities Association Conferences
- (t) League of California Cities – Conferences
- (u) County of Los Angeles Local Agency Formation Commission (LAFCO) and California Association of Local Agency Formation Commission (CALAFCO) – when on District business
- (v) Metropolitan Water District of Southern California – Board Meetings, Committee Meetings, and Inspection Trips
- (w) National League of Cities
- (x) National Water Research Institute
- (y) South Bay Cities Council of Governments (include meetings of the Council and General Assembly)
- (z) Southern California Water Coalition Meetings
- (aa) Urban Water Institute, Inc.
- (bb) Water Education Foundation
- (cc) WaterReuse Association
- (dd) Congressional Black Caucus Foundation
- (ee) Water Environment Federation Technical Exhibition & Conference
- (ff) Bay Delta Stewardship Council
- (gg) Cal Desal
- (hh) Santa Monica Bay Restoration Commission
- (ii) Scheduled meetings with West Basin or Metropolitan Water District staff
- (jj) American Public Works Association
- (kk) California African American Water Education Foundation

## ARTICLE 4. MEETINGS AND MINUTES

### 2-1.401 GENERAL<sup>16</sup>

- (a) Meetings of the Board and advisory bodies shall be open to the public. No action shall be taken by secret ballot at a meeting.
- (b) The definitions contained in the Brown Act (Gov. Code § 54950 et seq.) shall be used for the purpose of this Article.

### 2-1.402 REGULAR AND SPECIAL MEETINGS<sup>17</sup>

- (a) The Board shall hold regular meetings on the fourth Monday of each month at the District's headquarters at 17140 South Avalon Boulevard, Carson, California, at a time designated by the Board. If the fourth Monday of the month is a District holiday, the Regular Board meeting will be held on the next business day, except for the Christmas Eve and Christmas Day holiday, in which case the Regular Board meeting will be held on the third Monday in December.
- (b) A regular meeting may be adjourned by the Board or by less than a quorum to another time. An adjourned regular meeting is a regular meeting if held within five days of the regular meeting. If the adjourned meeting is held more than five days after the regular meeting, a new agenda shall be posted.
- (c) Special meetings may be called by the President upon twenty-four hours' notice to each member.
- (d) An emergency meeting may be called without the twenty-four hour notice or agenda requirement if an emergency situation involves matters upon which prompt action is necessary due to disruption or threatened disruption of District facilities. An emergency situation includes a work stoppage, crippling activity, crippling disaster, mass destruction, terrorist act, threatened terrorist activity, or other activity that severely impairs public health, safety, or both, as determined by a majority of the Board members.

**2-1.403 RECORD OF PROCEEDINGS<sup>18</sup>**

- (a) The Secretary shall record minutes showing action taken by the Board in open session and by each advisory body. The minutes shall be available for public inspection when approved. If an audio or video recording of an open meeting is made at the direction of the Board, the recording shall be available for public inspection without charge on equipment made available by the District for 30 days after the recording, whereupon the recording may be erased or destroyed.
- (b) Any person attending an open meeting may record the proceeding with an audio or video recorder or a still or motion picture camera unless the Board finds the recording cannot continue without noise, illumination or obstruction of view constituting a persistent disruption of proceedings.

**2-1.404 RULES OF CONDUCT<sup>19,20</sup>****(a) Board Meeting Conduct**

- (1) The meetings of the Board of Directors shall be conducted by the President in a manner consistent with the policies of the District. Policy as set forth below in section 2-1.404(b) shall be used as a general guideline for meeting protocol.
- (2) All Board and Committee meetings shall commence at the time stated on the agenda and shall be guided by same.
- (3) The conduct of meetings shall, to the fullest possible extent, enable the Board to:
  - (i) Consider problems to be solved, weigh evidence related thereto, and make wise decisions intended to solve the problems; and,
  - (ii) Receive, consider and take any needed action with respect to reports of accomplishments of District operations.

- (iii) Closed sessions of the Board may, on occasion, be called. Closed sessions are closed to non-Board members, except for any person specifically invited to attend.
- (4) Provisions for permitting any individual or group to address the Board concerning any item on any meeting agenda, or to address the Board at a regular meeting or Committee meeting on any subject that lies within the jurisdiction of the Board of Directors, shall be as follows:
  - (i) Individuals wishing to address the Board must submit speaker cards to the Board Secretary prior to the Board's consideration and/or discussion of agenda items;
  - (ii) Speakers may not yield their time to other individuals;
  - (iii) Three minutes may be allotted to each speaker and a maximum of 15 minutes to each subject matter; and
  - (iv) No disruptive conduct shall be permitted at any Board meeting. Persistence in disruptive conduct shall be grounds for summary termination, by the President/Chairperson, of that person's privilege of address.
- (5) Willful disruption of any of the meetings of the Board of Directors shall not be permitted. If the President/Chairperson finds that there is in fact willful disruption of any meeting of the Board, he/she may order the disrupting parties out of the room and subsequently conduct the Board's business without them present.
  - (i) After clearing the room of disruptive individuals, the President may permit those persons who, in his/her opinion, were not responsible for the willful disruption to remain in the meeting room.

(b) Rules of Order for Board and Committee Meetings (Policy)

(1) General

(l) Action items shall be brought before and considered by the Board by motion in accordance with this Policy. These rules of order are intended to be informal and applied flexibly. The Board prefers a flexible form of meeting and, therefore, does not conduct its meetings under formalized rules such as Robert's Rules of Order.

a. If a Director believes order is not being maintained or procedures are not adequate, then he/she should raise a "Point of Order" – not requiring a second – to the President. If the ruling of the President is not satisfactory to the Director, then it may be appealed to the Board. A majority of the Board will govern and determine the "Point of Order."

(2) Obtaining the Floor

(i) Any Director desiring to speak should address the President and, upon recognition by the President, may address the subject under discussion.

(3) Motions

(i) Any Director, including the President, may make or second a motion. A motion shall be brought and considered as follows:

a. A Director makes a motion; another Director seconds the motion; and the President states the motion.

(ii) Once the motion has been stated by the President, it is open to discussion and debate. After the matter has been fully debated, and after the public in attendance has had an opportunity to comment, the President will call for the vote.

a. If the public in attendance has had an opportunity to comment on the proposed action, any Director may move to immediately bring the question being debated

to a vote, suspending any further debate. The motion must be made, seconded, and approved by a majority vote of the Board.

- (4) Secondary Motions. Ordinarily, only one motion can be considered at a time and a motion must be disposed of before any other motion or business is considered. There are a few exceptions to this general rule, though, where a secondary motion concerning the main motion may be made and considered before voting on the main motion.
- (i) Motion to Amend. A main motion may be amended before it is voted on, either by the consent of the Directors who moved and seconded, or by a new motion and second.
  - (ii) Motion to Table. A main motion may be indefinitely tabled before it is voted on by motion made to table, which is then seconded and approved by a majority vote of the Board.
  - (iii) Motion to Postpone. A main motion may be postponed to a certain time by a motion to postpone, which is then seconded and approved by a majority vote of the Board.
  - (iv) Motion to Refer to Committee. A main motion may be referred to a Board committee for further study and recommendation by a motion to refer to committee, which is then seconded and approved by a majority vote of the Board.
  - (v) Motion to Close Debate and Vote Immediately. As provided above, any Director may move to close debate and immediately vote on a main motion.
  - (vi) Motion to Adjourn. A meeting may be adjourned by motion made, seconded and approved by a majority vote of the Board before voting on a main motion.
- (1) Decorum



- (i) All persons in attendance will exercise professionalism, respect, courtesy, patience and civility toward each other and as between members of the Board, staff and the public.
  - (ii) The President shall take whatever actions are necessary and appropriate to preserve order and decorum during Board meetings, including public hearings. The President may eject any person or persons making personal, impertinent or slanderous remarks, refusing to abide by a request from the President, or otherwise persistently disrupting the meeting or hearing. Persons being ejected from the meeting will be escorted from the building.
  - (iii) The President may also declare a short recess during any time at any meeting.
- (6) Amendment of Rules of Order
- (i) By motion made, seconded and approved by a majority vote, the Board may, at its discretion and at any meeting: a) temporarily suspend these rules in whole or in part; b) amend these rules in whole or part; or, c) both.

#### **2-1.405 AGENDA<sup>21</sup>**

- (a) At least seventy-two hours before a regular meeting or at least twenty-four hours prior to a special meeting, the Secretary shall post an agenda containing a brief, general description of each item of business to be transacted or discussed at the meeting, including the items to be discussed in closed session. The posting shall be freely accessible to the public.
- (b) The agenda for all meetings shall include the opportunity for the public to address the Board prior to taking action. The agenda for regular and adjourned regular meetings shall include the opportunity for the public to address the Board on matters within the jurisdiction of the District but not on the agenda.

- (c) No action shall be taken on matters not on the posted agenda, except Board members may briefly respond to statements made or questions posed during public comment; request clarification; provide a reference to staff or other resources for factual information; request staff to report at a subsequent meeting; or direct staff to place a matter of business on a future agenda.
- (d) The Board may add matters to the agenda upon a majority finding that an emergency exists or on at least a two-thirds vote finding there is a need to take immediate action arising subsequent to the posting of the agenda. If less than five directors are present, the finding of the need for action shall be by unanimous vote.
- (e) The agenda shall describe matters to be discussed in closed session pursuant to the Brown Act.
- (f) The District shall provide a joint notice of both a public meeting and public hearing at least 45 days prior to proposing to enact or increase a general tax or assessment not subject to the notice and hearing provisions of Article XIII C or XIII D of the California Constitution.

#### **2-1.406 CLOSED SESSIONS<sup>22</sup>**

- (a) The Board may conduct a closed session pursuant to the requirements of the Brown Act (Gov. Code § 54950 et seq.).
- (b) The Board shall avoid taking action in closed session. Action may be taken in closed session when necessary to avoid prejudice to the District. Action taken in closed session and the vote, abstention or absence of each member shall be publicly reported as follows:
  - (1) A real estate agreement shall be reported when accepted by adverse parties. If final approval rests with the other party to the negotiations, the District shall disclose the approval and the substance of the agreement upon inquiry when the other party informs the District of approval.

- (2) Approval given to counsel to defend, or seek or refrain from seeking appellate review or relief, or to enter as an *amicus curiae* in litigation shall be reported at the meeting when the closed session is held. The report shall identify, if known, the adverse party or parties and the substance of the litigation. The announcement shall identify the action, the defendants, or other particulars once an action is formally commenced, unless it would jeopardize the District's ability to serve process or would jeopardize settlement negotiations.
  - (3) Approval given to General Counsel for a settlement of pending litigation shall be reported after the settlement is final. If final approval rests with another party or with the court, the District shall disclose the approval, and identify the substance of the agreement when the settlement becomes final.
  - (4) Disposition of claims discussed in closed session shall be reported in the same manner as pending litigation.
  - (5) Action taken to appoint, employ, dismiss, accept the resignation, or otherwise affect the employment status of a public employee shall be reported at the public meeting when the closed session is held. The report shall identify the title of the position and specify any change in compensation. However, a report of dismissal or of non-renewal of an employment contract shall be deferred until the first public meeting following the exhaustion of the employee's administrative remedies.
  - (6) Approval of an agreement concluding labor negotiations shall be reported after the agreement is final and has been accepted or ratified by the other party. The report shall identify the item approved and the other party or parties to the negotiation.
- (c) Reports required by this section may be oral or written. The Board shall provide the report and copies of approved documents to persons who have submitted a written request to the Board within twenty-four hours of the

posting of the agenda, or to persons who have made a standing request for all documentation as part of a request for notice of meetings, if the requester is present at the time the closed session ends. If the action results in substantive amendments to the related documents requiring retyping, the documents need not be released until the retyping is completed during normal business hours. The President shall orally summarize the substance of the amendments for the benefit of the document requester. The documentation shall be available on the next business day following the meeting, or, in the case of substantial amendments, when necessary retyping is complete.

- (d) After completing a closed session, General Counsel shall prepare a confidential memorandum stating the purpose of the closed session and the action taken. This memorandum is confidential and shall be filed in the office of the General Manager.

#### **2-1.407 MINUTES**

- (a) The Secretary shall prepare written minutes of each meeting reflecting all actions taken by the Board, the disposition of all items on the agenda, specific statements of Directors requested by them to be included when related to reasons for voting in a specific manner, and matters requested by a Director to be included as an agenda item for this meeting. The number and title of all ordinances and resolutions shall appear in the minutes.
- (b) Written minutes must be approved by the Board, signed by the President, attested by the Secretary, and the District's Corporate Seal affixed. The original copies of all minutes will be maintained in the Minute Books permanently maintained by the Secretary.

**ARTICLE 5. DIRECTORS' BENEFITS<sup>23</sup>****2-1.501 GENERAL ELIGIBILITY**

District Directors, their spouses and dependents are eligible for certain benefits set forth in this article.

**2-1.502 MEDICAL INSURANCE PLAN**

The District maintains membership in a group medical insurance plan selected and approved by the Board. Directors, their spouses, and dependents are eligible to participate in the group plan the first of the month following the Director's assumption of office. Premiums shall be paid by the District.

Participation in the plan shall be available to Directors and their dependents, and eligible retired Directors and their dependents.

- (a) Director means an elected or appointed member of the Board who currently serves.
- (b) Eligible Retired Director means a former Director age 55 years or older who assumed office before January 1, 1995, and served the District for at least twelve consecutive years; or a former Director age 55 years or older who assumed office prior to January 1, 1981, and served the District for at least two consecutive terms and is eligible for District retirement.
- (c) Dependent means the spouse, domestic partner, unmarried dependent children, and other family members eligible for coverage under the group plan document.
- (d) Retiree coverage shall continue for a retired Director's widow/widower should they remarry, subject to Medicare requirements. Coverage only applies to the widow/widower of the retired Director. In the event of legal divorce, the former spouse shall lose coverage and may exercise their COBRA rights. The District payment of group plan costs for eligible

dependents of retired Directors is defined by the plan contract.

- (e) The group medical plan shall be converted by the carrier to a Medicare secondary plan or substitute as determined by the Board when a retiree Director reaches age 65 and becomes eligible for such plan.

### **2-1.503 DENTAL CARE**

The District shall provide coverage in a group dental insurance plan selected and approved by the Board. Directors, their spouses and dependents are eligible to participate in the group plan the first of the month following the Directors' assumption of office. Premiums shall be paid by the District.

Participation in the plan shall be available to Directors and their dependents, and eligible retired Directors and their dependents in accordance with the same criteria established in Section 2-1.502.

### **2-1.504 VISION CARE**

The District does not maintain a separate group vision insurance plan. The District will reimburse eligible vision care expenses incurred by Directors or eligible retired Directors and dependents enrolled in the group medical plan subject to the limits and criteria described in Section 2-1.505.

### **2-1.505 HEALTH EXPENSE REIMBURSEMENT**

Effective the first day of medical coverage with the District, the Director may be reimbursed for eligible health care (medical, dental, vision, or hearing) expenses not covered by insurance.

- (a) The amount of District reimbursement shall be reduced by the amount of reimbursement from other benefit sources so the total amount received by the eligible Director does not exceed 100 percent of the covered expense.
- (b) A Third-Party Administrator will be utilized to process, approve and make payments in accordance with the plan document.

- (c) Reimbursement of expenses shall include insurance deductibles, co-payments, prescription medications, medical procedures prescribed by a physician, dental expenses, vision expenses, over the counter drugs, certain medical supplies and equipment, and other IRS eligible expenses. Cosmetic procedures, non-prescription drugs or treatment are not reimbursable expenses.
- (d) Each Director or eligible retired Director individually enrolled in the medical plan may be reimbursed for eligible health care expenses incurred that are not covered by the group medical plan or other coverage to a maximum of \$4,000 per calendar year. Payments will be made in accordance to the District's plan document. New Directors elected or appointed mid-year shall be eligible for a prorated expense reimbursement for the first year of their term. Directors who are not elected for a new term shall only be eligible for expense reimbursement through December 31<sup>st</sup> before leaving office.
- (e) Each Director or eligible retired Director enrolled as an individual plus one dependent in the medical plan may be reimbursed for eligible health care expenses incurred by the Director and dependent not covered by the group medical plan or other coverage to a maximum of \$8,000 per calendar year. Payments will be made in accordance to the District's plan document. New Directors elected or appointed mid-year shall be eligible for a prorated expense reimbursement for the first year of their term. Directors who are not elected for a new term shall only be eligible for expense reimbursement through December 31<sup>st</sup> before leaving office.
- (f) Each Director or eligible retired Director enrolled as an individual plus two or more dependents in the medical plan may be reimbursed for eligible expenses incurred by the Director and dependents not covered by the group medical plan or other coverage to a maximum of \$12,000 per calendar year. Payments will be made in accordance to the District's plan document. New

Directors elected or appointed mid-year shall be eligible for a prorated expense reimbursement for the first year of their term. Directors who are not elected for a new term shall only be eligible for expense reimbursement through December 31<sup>st</sup> before leaving office.

- (g) The District believes a professional relationship between health care professionals and the Directors should be maintained without interference. The District is not liable for acts or omissions by the health care professional, their employees or agents.

### **2-1.506 RETIREMENT PLAN FOR DIRECTORS**

A Director who becomes a “new” member of PARS for the first time on or after **January 1, 2013** (excluding the Metropolitan Water District of Southern California appointed Directors, and who was not a member of another California public retirement system prior to that date) will be enrolled in the PARS 2% @ 62 benefit formula (with Social Security) with three-year final compensation in accordance with the Public Employees' Pension Reform Act of 2013 (PEPRA). New members will be required to pay at least 50% of the normal retirement cost [Govt. Code Section 7522.30(c)].

(a) TIER I:

- (1) A Participant will become eligible for the Tier I Pension benefit under the plan if they:
- i. are in the position of Director on or before December 31, 2012;
  - ii. are at least 50 years of age;
  - iii. have completed five or more years of District service on or after July 1, 2002; and
  - iv. were not a California Public Employees' Retirement System (CalPERS) member prior to January 1, 2003.
- (2) The retirement formula computed at age 60 = 3% x years of service x final one-year average pay. For retirement at age 50, the benefit is 2.0% of final



pay multiplied by years of service. For each year over 50, that a participant is at retirement, the multiplier increases by 0.1% until it reaches maximum of 3.0% for retirement at ages 60 and older.

(b) TIER II:

(1) A Participant will become eligible for the Tier II Pension benefit under the plan if they:

- i. are in the position of Director;
- ii. are at least 55 years of age;
- iii. have completed 12 or more years of District service on or after July 1, 2002;
- iv. were elected/appointed after January 1, 1995 and prior to December 31, 2012; and
- v. are not eligible for another prior District benefit.

(2) The Supplemental (Tier II) benefit is a \$5,000 annual benefit which is increased with CPI-U beginning on July 1, 2003.

(c) TIER III (New Member):

(1) A Participant will become eligible for the Tier III Pension benefit under the plan if they:

- i. are elected/appointed Director on or after January 1, 2013;
- ii. are at least 52 years of age;
- iii. have completed five or more years of District service; and
- iv. were not a CalPERS member prior to January 1, 2003.

(2) The retirement formula computed at age 62 = 2% x years of service x final three- year average pay. For retirement at age 52, the benefit is 1.0% of final pay multiplied by years of service. For each year over 52, that a participant is at retirement, the multiplier increases by 0.1% until it reaches a maximum of 2.5% for retirement at ages 67 and older.

(3) The Director is required to pay at least 50% of the normal retirement costs.

Rate is based on the PARS actuarial valuation report, which the District is required to conduct every two years.

#### **2-1.507 DIRECTOR DEFERRED COMPENSATION PLAN**

The District provides a Section 457 deferred compensation plan for Directors. Directors may defer portions of their compensation pursuant to the Internal Revenue Code regulations and the governing plan document.

#### **2-1.508 GROUP LIFE INSURANCE**

The District provides a group term life insurance plan for Directors. The maximum amount of coverage is \$10,000, subject to age-related reductions. Coverage shall be terminated when the Director leaves office. Coverage is paid by the District.

#### **2-1.509 DIRECTOR EDUCATION PROGRAM**

The District reimburses a maximum of \$9,000 per fiscal year for the costs of tuition, applicable fees, and required books, for approved job-related coursework in order to obtain a Bachelor's or Master's Degree, and reimburses fully for associated examination fees for professional licenses/certificates and certification renewals. If the Director leaves office within 12 months of completion of the degree or acquisition of the professional license/certificate, the entire reimbursement must be repaid to the District, and 50% of the reimbursement is payable if the Director leaves within 24 months.

#### **2-1.510 EMPLOYEE ASSISTANCE PROGRAM (EAP)**

The District shall provide an Employee Assistance Program (EAP) for Directors. The cost of the program shall be paid by the District.

**LIST OF CHANGES TO PART 2, CHAPTER 1. BOARD OF DIRECTORS**

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- <sup>1</sup> Section 2-1.102 amended by Resolution 7-16-1042 on July 25, 2016.
  - <sup>2</sup> Section 2-1.103 amended by Resolution 7-16-1042 on July 25, 2016.
  - <sup>3</sup> Section 2-1.303 amended by Resolution 7-16-1042 on July 25, 2016.
  - <sup>4</sup> Section 2-1303 amended by Resolution 06-21-1134 on June 28, 2021.
  - <sup>5</sup> Section 2-1.303 amended by Resolution 10-22-1177.
  - <sup>6</sup> Section 2-1.305 amended by Resolution 7-16-1042 on July 25, 2016.
  - <sup>7</sup> Section 2-1.306 (Code of Conduct) amended by Resolution 3-16-1029 on March 29, 2016.
  - <sup>8</sup> Section 2-1.306 (Code of Conduct) amended by Resolution 9-16-1050 on September 30, 2016.
  - <sup>9</sup> Section 2-1.306(n) (Code of Conduct) amended by Resolution 11-17-1077 on November 27, 2017.
  - <sup>10</sup> Section 2-1.306(a) (1) amended by Resolution 5-19-1100 on May 29, 2019.
  - <sup>11</sup> Section 2-11.306 amended by Resolution 10-20-1119 on October 26, 2020.
  - <sup>12</sup> Section 2-1.306 amended by Resolution 06-21-1134 on June 28, 2021.
  - <sup>13</sup> Section 2-1.306 amended by Resolution 10-22-1177.
  - <sup>14</sup> Section 2-1.306 amended by Resolution 04-20-1110 on April 27, 2020.
  - <sup>15</sup> Section 2-1.306 amended by Resolution 07-20-1116 on July 27, 2020.
  - <sup>16</sup> Section 2-1.401 amended by Resolution 7-16-1042 on July 25, 2016.
  - <sup>17</sup> Section 2-1.402 amended by Resolution 7-16-1042 on July 25, 2016.
  - <sup>18</sup> Section 2-1.403 amended by Resolution 7-16-1042 on July 25, 2016.
  - <sup>19</sup> Section 2-1.404 amended by Resolution 7-16-1042 on July 25, 2016.
  - <sup>20</sup> Section 2-1.404 amended by Resolution 3-17-1066 on March 30, 2021.
  - <sup>21</sup> Section 2-1.405 amended by Resolution 7-16-1042 on July 25, 2016.
  - <sup>22</sup> Section 2-1.406 amended by Resolution 7-16-1042 on July 25, 2016.
  - <sup>23</sup> Sections 2-1.501 through 2-1.510 amended by Resolution 12-21-1149 on December 22, 2021.

## **Part 3. HUMAN RESOURCES**

### **CHAPTER 1. GENERAL MANAGER<sup>1</sup>**

#### **ARTICLE 1. POWERS, COMPENSATION AND DUTIES**

##### **3-1.101 GENERAL POWERS**

The General Manager is the chief executive of the District and has the power and authority set forth in this code and Municipal Water District Law of 1911, and all other applicable state laws.

##### **3-1.102 COMPENSATION**

The General Manager shall be paid a salary commensurate with the responsibilities of the chief executive established by resolution or contract. The General Manager shall be entitled to at least six months' salary commencing with the first day of employment notwithstanding removal by the Board of Directors within the six-month period, unless the General Manager shall die, resign, be convicted of a crime, resign without a thirty-day notice, or be discharged for cause, in which event compensation shall cease with the termination. The General Manager shall not be terminated, placed on administrative leave with or without pay or demoted except for cause within six months after two or more Directors assume office.

##### **3-1.103 AUTHORITY AND DUTIES**

The General Manager is responsible to the Board for the administrative affairs of the District. The General Manager shall:

- (a) Appoint, promote, transfer, alter compensation and job duties, demote, place on administrative leave with or without pay, suspend, and terminate subordinate employees.
- (b) Maintain a Human Resources system, including, but not limited to:
  - (1) All official employment-related documents, such as employment applications, position descriptions, annual evaluations, commendations, disciplinary actions, and individual personnel files

- containing all official employment-related documents.
- (2) Salary ranges, classification system and benefit schedules for staff positions.
  - (3) Have the authority to retain the services of legal counsel in matters of employment litigation or personnel issues.
- (c) Submit rules and regulations for contracting, purchasing, storing, distributing, or disposal of supplies, materials, and equipment to the Board for approval and adoption on an as-needed basis.
  - (d) Maintain or cause to be maintained, individual records for assets reflecting date of purchase, original cost, depreciation term, and method of depreciation.

### **3-1.104 EMERGENCY POWERS**

- (a) The General Manager may declare an emergency if the General Manager determines the District's ability to provide service is jeopardized by sudden catastrophic events. If an emergency exists, the General Manager may exercise the additional powers set forth in this section.
- (b) As soon as feasible, the President of the Board of Directors shall convene an emergency meeting of the Board to review the General Manager's determination.
- (c) The General Manager may purchase supplies, material, equipment and labor as necessary to repair damage to facilities of the District caused by sudden catastrophic events. The General Manager shall maintain good and accurate records of purchases made under the authority of this Section.

## **LIST OF CHANGES TO PART 3, CHAPTER 1. GENERAL MANAGER**

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<sup>1</sup> Section 3-1.101 through 3-1.104 amended by Resolution 11-20-1120 on November 23,2020.

## **CHAPTER 2. GENERAL MANAGER VACANCY<sup>1</sup>**

### **ARTICLE 1. ACTING GENERAL MANAGER**

#### **3-2.101 ACTING GENERAL MANAGER**

- (a) The General Manager shall designate, in writing, the authority to a member of the Senior Management staff to act on the General Manager's behalf during absences of more than three days.
- (b) The individual so designated shall act in the name of the General Manager, except when empowered by law or in writing by the Board or the General Manager to act on their own.

**LIST OF CHANGES TO PART 3, CHAPTER 2. GENERAL MANAGER VACANCY**

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<sup>1</sup> Section 3-2.101 amended by Resolution 11-20-1120 on November 23, 2020.



## **CHAPTER 3. DISTRICT COUNSEL<sup>1</sup>**

### **ARTICLE 1. POSITION AUTHORIZED**

#### **3-3.101 POSITION AUTHORIZED**

The Board shall engage an attorney by resolution or contract as General Counsel to advise and counsel the District on legal matters. The resolution of appointment of the Counsel shall include a fee schedule on either a retainer or billable hour basis for transactional work. Counsel shall:

- (a) Submit advice or opinion to the Board or General Manager when requested by the Board or General Manager.
- (b) Review and comment on matters in written or oral form.
- (c) Review notices, agendas, resolutions, ordinances, agreements, contracts and supporting materials in advance of meetings.
- (d) Attend meetings of the Board unless excused by the President of the Board.
- (e) Attend committee meetings on request of the General Manager or Committee Chair.
- (f) Attend other business meetings as requested by the General Manager.
- (g) When authorized by the Board, counsel shall represent the District and officers in their official capacity in judicial or quasi-judicial matters. If such a matter requires a response before a regular Board meeting, counsel shall protect the interests of the District before further Board action. Counsel shall submit a written report to the Board on such matters. The report shall describe the matter, evaluate the District's position, and offer an action plan and preliminary budget.

## **LIST OF CHANGES TO PART 3, CHAPTER 3. DISTRICT COUNSEL**

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<sup>1</sup> Section 3-3.101 amended by Resolution 11-20-1120 on November 23, 2020.

## **CHAPTER 4. GENERAL TERMS AND CONDITIONS OF EMPLOYMENT<sup>1</sup>**

### **ARTICLE 1. STAFFING AND COMPENSATION**

#### **3-4.101 STAFFING**

As part of the annual budget process, the Board shall review and approve the proposed labor budget necessary to perform District work. The General Manager shall retain the authority to modify positions and organizational structure as necessary during the fiscal year to accomplish District work within the budget approved by the Board for that fiscal year.

- (a) District employees appointed to management, supervisory, professional, and administrative classifications are placed in their positions as a result of either a promotion or internal and/or external competitive process.
- (b) The probationary period is a basis for determining the eligibility of an employee for regular status in a classification. An employee serving a probation period is subject completely to the evaluation of the appointing authority as to competence and fitness. All employees serve a probationary period as new hires to the District or as internal promotions to new positions for a period of one year (2,080 hours). The manager of the department in which the employee works may extend that probationary period an additional three months (520 hours), for the purposes of further evaluating the employee's performance, with the prior approval of the General Manager and in consultation with the Manager of Human Resources. The probationary period may also be extended the length of the employee's absences due to sick leave, vacation leave or other paid or unpaid leave. An employee may be terminated at any time during the probationary period without cause, and without the right to internal administrative review or appeal. Employees failing probation in a new position in which they were promoted shall return to their prior position in which they held regular status if the position is vacant. In the event the prior position is filled, the District will make all reasonable efforts

- to accommodate the employee pursuant to the provisions under Chapter 6. Employees successfully completing the requisite probationary period achieve regular status in their position.
- (c) Full-time employees normally work eighty hours (80) per pay period and are eligible for all District benefits (In accordance with Article 2).
  - (d) The General Manager shall have the authority, within the confines of the approved budget, to appoint and utilize a supplemental workforce of temporary or extra-help employees with no regular status as District employees, serving in an at-will capacity.
    - (i) Limited Term – An employee serving a limited term assignment works for a 12-month period (2080 hours) on a full-time basis and continued employment is contingent upon funding and operational need. Employees are eligible for all District benefits in accordance with Article 2 except those noted in Section 3-4.216.
    - (ii) Part-time - An employee serving in a part-time assignment works a fixed, scheduled workweek of at least twenty (20) hours per week but less than the forty-hour weekly standard. Part-time employees receive pro-rated vacation, holiday, and sick leave and are eligible for enrollment in California Public Employees' Retirement System (CalPERS) after working one thousand 1,000 hours.
    - (iii) Intern – An employee serving as an intern must be enrolled in a college or university as a sophomore or above in good standing. Interns may work up to nine hundred and ninety-nine (999) hours and are not eligible for District benefits (with the exception of those requirements under the Paid Sick Leave Law as referenced in Article 4 (Authorized Leaves), or enrollment in CalPERS.
  - (e) Under fill appointments may be made to higher level, budgeted positions. Compensation for such appointments will be subject to the approval of the General Manager in consultation with the Manager of Human Resources.

**3-4.102 RECRUITMENT COSTS AND ALLOWANCE**

The General Manager shall have the authority to approve reimbursement of interview expenses incurred by candidates upon the provision of receipts and verification. Such reimbursement is restricted to coach/economy airfare, auto mileage per IRS rate, reasonable expenses for meals, overnight stay, and airport transit.

Additionally, such situations where there is a documented recruitment and/or retention issue for a specific classification/job position, the General Manager shall have the authority to compensate a current employee for such a referral after the new employee has worked for the District for one year and successfully completed the terms of the probationary employment period. Such compensation shall not exceed \$500.

**3-4.103 REDUCTION IN FORCE**

The General Manager shall have authority to declare a Reduction in Force when lack of work, cost reduction, reorganization of responsibilities, withdrawal of funding or other business reasons dictates such a decision. Regular status, non-probationary employees to be laid off shall be provided a minimum ten-working-day notice in writing.

The District shall pay severance wages when regular status employees are terminated by reduction in force, reorganization, or deletion of position. Severance shall be: two weeks for each year of completed service to a maximum of fifty-two (52) weeks when an employee is terminated due to layoff.

All such payments shall require the execution of a General Release and Waiver agreement between the District and the employee prior to such payment.

**3-4.104 EMPLOYEE EVALUATIONS**

The General Manager shall develop an annual employee performance evaluation plan to assess employee performance in accomplishing District business and service goals, the department's service delivery, and the employee's position responsibilities.

- (a) Newly hired employees shall have a probationary period of one year (2,080 hours worked). Probationary employees shall receive a written acknowledgement of the completion of their probationary period. A new

hire employee may be released from employment without cause and without right of administrative review or appeal.

- (b) The supervisor/manager will request input regarding the individual's performance in writing from each employee prior to writing the performance evaluation and allow the employee ten (10) working days to respond. The employee response is voluntary, not mandatory.
- (c) The supervisor/manager shall review the evaluation in an oral dialogue with the employee, and present the employee with the written document to read and sign. Copies of the document with the signatures of the employee, the immediate supervisor/manager and the General Manager shall be provided to the employee and Human Resources for the latter to include in the employee's personnel folder.
- (d) An employee who disagrees with an evaluation may request a meeting for reconsideration with the General Manager within ten (10) working days of receipt of the evaluation and with prior notification to the individual's supervisor/manager. The General Manager shall be the final appeal for an employee evaluation.
- (e) Employees shall be reviewed at least once annually after they have successfully completed probation.

### **3-4.105 FAIR LABOR STANDARDS ACT APPLICATION/OVERTIME**

Pursuant to the requirements of the Fair Labor Standards Act (FLSA), employees whose work is FLSA exempt are subject to those regulations governing the workday and workweek as well as the administrative provisions with regard to approved leaves of absence and disciplinary actions. These positions are normally included in the FLSA exempt status: Executive/Supervisory, Administrative/Management, Computer Professional, and Learned Professional and are typically designated as "Salaried Employees."

Exempt employees are not entitled to overtime or compensatory time. The exempt employee may be required to work as many hours as necessary to complete

the assigned task without any additional compensation. Exempt employees are also offered latitude in daily starting and ending times.

Non-exempt employees are paid overtime wages or compensatory time off at one and one-half times their normal base rate of pay for all time worked beyond forty (40) hours in any one work week.

Hours worked do not include time for which persons are compensated but do not actually work (with the exception of observed District holidays), including but not limited to, sick leave, vacation pay and personal holidays.

Overtime compensation shall be paid in accordance with the requirements of federal and state law, as applicable to the public sector. Such compensation may take the form of cash payment or compensatory time off. All overtime work must receive the prior authorization of the employee's supervisor/manager. The District has the right to require overtime to be worked as necessary. Employees receiving overtime must designate on that week's timesheet whether the employee will be compensated in the form of cash payment or compensatory time off. The scheduling of compensatory time off must receive prior approval from the employee's supervisor/manager to insure business is not adversely impacted. Employees may not accrue more than forty (40) hours of compensatory time off at any given time. Any overtime hours worked by an employee who has accrued forty (40) hours of compensatory time off shall be paid to the employee in the form of cash payment.

All overtime worked must be reported to the District in writing. Employees and their supervisors may not maintain an informal method of recording and compensating overtime.

- (a) **Standby Pay:**  
An employee is on "Standby" and eligible for Standby Pay when scheduled in advance by management to be available for a call for services while in a non-working status during off duty hours. Only certain employees in non-exempt classifications may be placed on standby. This determination shall be made by the General Manager or their designee.
  - (1) An employee on Standby duty shall:

- (i) Be ready to respond in a reasonable time (within 1 hour of notification) to calls for service.
    - (ii) Be readily available at all hours by telephone, or other communication devices.
    - (iii) Refrain from intoxicants or other activities which might impair the employee's abilities to perform assigned duties.
  - (2) Employees who are assigned to Standby will be paid Standby Pay in the amount of 10 percent of their base hourly rate for qualifying hours.
  - (3) An employee shall not receive Standby Pay for hours during which the employee is being paid at the overtime rate.
  - (4) Standby will be assigned as equally as possible among those employees available to report to a call to return to work.
- (b) Call Back Pay:
- (1) "Call Back" is the unscheduled call to an off-duty employee requiring that they report to work.
  - (2) An employee is eligible for Call Back Pay when they are subject to call back to respond to emergencies or operational issues identified by the department manager or their designee.
  - (3) Call Back Pay shall be compensated at the overtime rate for hours worked beginning when they receive the phone call to report for duty until they return to their point of origin.
  - (4) Call Back Pay will be paid with a minimum of two hours of overtime unless the call back is within two hours of their regular shift. In those cases, employees are compensated with overtime until their regular shift starts. When the regular shift starts the employee will



receive regular base pay.

### **3-4.106 COMPENSATION**

The salary ranges for positions shall be reviewed on an annual basis. As part of the annual budget process, the General Manager shall recommend to the Board the allocation of total monies required for performance-based compensation, and salary range adjustments for recruitment and retention purposes.

- (a) New employees are hired within the range of the position based upon the applicant's qualifications including education, work experience, or critical talent.
- (b) New or promoted employees are eligible for a review of their compensation at the successful conclusion of their probationary period.
- (c) Employees are eligible for a review of their compensation via a merit review on an annual basis. In determining compensation factors, consideration will be given to the availability of District resources, the need for a competitive salary structure for recruitment and retention purposes, and individual performance. Should the hourly rate of an employee's current position exceed the maximum of the newly established range, that employee's hourly rate shall be "frozen" at their current hourly rate until such time as the maximum of the salary range exceeds that "frozen" rate.
- (d) The General Manager shall have authority to design and implement annual compensation programs within District resources to retain and recognize excellence in fulfilling District business and service goals.
- (e) Out-of-Class Pay:

Government (Gov.) Code section 20480 of the Public Employees' Retirement Law (PERL) defines an "out-of-class appointment" to mean an appointment to an upgraded position or higher classification by the District or governing board or body in a vacant position for a limited duration. For purposes of this section, a "vacant position" refers to a position that is vacant during recruitment for a permanent appointment. A vacant position

does not refer to a position that is temporarily available due to another employee's leave of absence.

Gov. Code section 20480 prohibits an out-of-class appointment by the District with employees serving a limited duration appointment in a vacant position from exceeding 960 hours worked within each fiscal year. This requirement applies to CalPERS Classic and New Members.

Employees who are placed in an out-of-class appointment may be granted additional compensation for the time actually worked. Such increase to the higher level shall be determined as if the assignment had been a promotion. Additional compensation shall not be made in any situation related to vacation, short-term illness or other temporary relief. The General Manager, in consultation with the Manager of Human Resources, shall have the final determination for approval. Additional compensation shall be determined by the General Manager, in consultation with the Manager of Human Resources, in increments between 2.5% and 7.0% for the higher level classification or the appropriate pay schedule.

(f) Additional Responsibilities Pay (Temporary Upgrade Pay):

Temporary Upgrade Pay, as defined by CCR 571(a)(3) is compensation to employees who are required by the District or governing board or body to work in an upgraded position/classification of limited duration. If an employee serves in an upgraded position, but the District is not recruiting to fill the position, the additional compensation may be reported as Temporary Upgrade Pay, but does not meet the definition of an out-of-class appointment. Where an appointment meets the definition of Temporary Upgrade Pay, but not out-of-class appointments, the compensation is reportable to CalPERS for Classic members only. However, the hours are not reportable for the purposes of the 960-hour limit on out-of-class appointments.

- (g) Increases in pay may be granted to recognize the temporary upgrade assignment of additional responsibilities that are significant in nature and

beyond the normal scope of position responsibilities and complexity. Additional compensation shall be determined by the General Manager, in consultation with the Manager of Human Resources, in increments between 2.5% and 7.0%.

### **3-4.107 OVERTIME (MOVED TO 3-4.105, FAIR LABOR STANDARDS ACT APPLICATION)**

### **3-4.108 REEMPLOYMENT**

An employee who has achieved regular status and terminates employment with the District and is subsequently rehired in the same classification within six months may retain the prior salary, vacation accrual rate, and retirement service credit in accordance with that allowed by CalPERS. Reemployment is at the sole discretion of the General Manager.

### **3-4.109 REST PERIODS**

Employees who work a minimum of four (4) hours per day are authorized to receive one paid fifteen (15) minute rest period. Employees who work six (6) hours or more per day are authorized to receive two paid fifteen minute rest periods, one in the morning before the meal break and one in the afternoon. Employees are expected to return from scheduled breaks and lunch breaks in a timely fashion.

A rest period also includes time at a workstation to make or receive a personal telephone call, eat a snack, attend to personal business or otherwise “relax.” Thus, those employees who take their breaks without actually leaving their workstation must maintain a professional atmosphere in the office at all times. Employees are expected to begin and conclude rest periods within the timeframe allotted.

### **3-4.110 TIMESHEETS**

Employees are required to submit time sheets at the close of each pay period. Completed time sheets are to be turned in to the Finance department by 4:00 p.m. on the last Thursday of the pay period or earlier if requested by the Finance department.

Time sheets must reflect the actual time worked charged to the categories where the work was performed; with the exception of Exempt Classifications where their work schedule has been modified. Time is coded to the nearest quarter hour. Falsification of time worked by an employee is subject to disciplinary action.

The employee's supervisor is responsible for reviewing the time sheets for accuracy prior to approval.

### **3-4.111 PAY PERIODS**

Employees are paid biweekly; twenty-six (26) times per calendar year. Payday is the first Wednesday following the end of the pay period (Sunday midnight). The workweek is defined as 12:01 a.m. Monday through midnight, Sunday. The District pays employees via direct deposit or by check.

The District only pays employees for hours previously worked or for accrued leave time. The District does not pay in advance of work to be done.

### **3-4.112 WITHHOLDINGS AND DEDUCTIONS**

The District may withhold monies from the employee's paycheck to cover legal and administrative obligations/practices. These obligations/practices may include state and federal income tax, social security, court-ordered attachments, or any voluntary benefit deductions. All monies deducted are accounted for on the employee's paycheck stub. Employees are to notify the Human Resources department of any changes in withholding status in writing and on the appropriate forms.

### **3-4.113 PERSONNEL RECORDS**

The District will maintain a confidential personnel file for each employee. At certain times information may be given to persons outside the District. Notification will be provided to the employee where legally required. These circumstances are:

- (a) In response to a subpoena, court order, or order of an administrative agency;
- (b) To a governmental agency as part of an investigation by that agency or District compliance with applicable law;

- (c) In a lawsuit, administrative proceeding, grievance, or arbitration in which the employee and District are parties;
- (d) In a worker's compensation proceeding;
- (e) To administer employee benefits plans;
- (f) To a health care provider;
- (g) To first aid or safety personnel, when necessary; or
- (h) To a prospective employer or other person requesting a verification of employment, when the employee provides a written release allowing the District to give out information. Without a release, the District shall only confirm employment by providing the dates of employment and last or present job title.

Employees are required to immediately advise the District, in writing, of any change in home address, telephone number, name, and tax withholding exemption information. Contact Human Resources for the appropriate forms to use. Employees are required to advise the District of the following events, which may impact benefits coverage for a spouse or dependents:

- (a) Divorce or legal separation.
- (b) Facts affecting a dependent's eligibility for insurance coverage, (i.e., a child reaches the maximum age of 26 for coverage, or is over 18 and ceases to be a full-time student, or is no longer claimed as a dependent for tax purposes.)
- (c) A determination from the Social Security Administration that the employee or covered dependent is disabled. The District must be advised of the disabled status within sixty (60) days from the date of the determination by the Social Security Administration.

Personnel records are confidential and access to personnel records shall be limited, as required by law, to those individuals within those specific legal restrictions and/or limitations. Letters of reference and other matters exempted by law shall be excluded from the right to inspection by the employee. Information may not be purged from the personnel records without District legal review per 3-1.103(b)(3). Employees

who wish to view their personnel record should submit a request in writing to the Human Resources Department, allowing twenty-four (24) hours' notice.

All employees must provide and permit copying of documentation which verifies their identity and authorization to work as required under federal law.

### **3-4.114 ALTERNATIVE WORK SCHEDULE (9/80)**

The District has adopted a 9/80 (9 days/80 hours) work schedule. The 9/80 work schedule shall not reduce service to the public, departmental effectiveness, and productivity. The specific components of the 9/80 alternative work schedule are set forth as follows:

- (a) The work schedule consists of eighty (80) consecutive hours, with nine (9) work days in a two (2) week pay period. The work schedule is comprised of four (4) nine (9) hour days per week and one (1) eight (8) hour work day every other week.
- (b) Employees working the 9/80 alternative work schedule shall have a thirty (30) minute unpaid lunch period added to the work day.
- (c) The workweek shall be defined (for Fair Labor Standards Act (FLSA) purposes) as beginning four (4) hours into the employee's eight (8) hour shift (i.e. halfway through shift) on the same day of week as their alternating regular day off, in such a manner that the workweek does not exceed 40 hours.
- (d) Employees are required to take the same alternating day off for the length of the 9/80 alternative work schedule to remain in compliance with the definition of a workweek under the FLSA guidelines. (For example, if an employee's regular alternative day off is Friday, the employee cannot switch the alternate day off to Thursday or any other day).
- (e) If a District holiday falls on a regularly scheduled 9/80 day off for the employee, and that holiday is not observed on an employee's regular workday, then the employee shall be credited with a banked holiday.

1. Eight (8) hours of holiday leave time will be tracked in a separate leave bank. The employee may use the banked holiday leave by the end of the fiscal year (June 30).
  2. The banked holiday must be used in an eight-hour increment within the fiscal year earned.
  3. If the banked holiday hours are not used by the end of the fiscal year (June 30), the banked time will be paid out at the hourly rate of the fiscal year in which it was earned. Payment shall be made by the second payday in July.
  4. If the employee separates from the District prior to June 30, the District will pay out any unused banked holiday hours at the hourly rate of the fiscal year in which it was earned.
- (f) Overtime will be all hours worked in excess of a non-exempt employee's regular work day or beyond forty (40) hours in the workweek, in compliance with Section 3-4.105 (Fair Labor Standards Act Application/Overtime). Time shall be reported to Payroll based on the regular two-week pay period. Overtime worked will be reported in the pay period in which it is worked.
- (g) The General Manager, in conjunction with the Human Resources and Finance Departments, has the general responsibility of overseeing the day-to-day implementation of this policy in accordance with payroll and legal requirements. Any requests for exceptions to this policy or request to change assigned schedule should be made in writing to the Human Resources department for review and approval. Only the General Manager, or their designee, in consultation with the Manager of Human Resources and the affected department manager/supervisor, may grant such an exception.

### **3-4.115 HYBRID TELEWORKING POLICY<sup>2</sup>**

#### **I. PURPOSE**

The purpose of the Hybrid Teleworking Policy is, to the extent feasible, allow employees the flexibility to perform District functions at an Alternative Worksite. The District will implement this Policy in keeping with the mission of the District. The General Manager has the discretion to make adjustments to, suspend, and/or discontinue use of this Policy if deemed necessary.

All Teleworking requests must be pre-approved by the employee's Department Manager, Human Resources Department, and General Manager on an annual basis.

## II. DEFINITIONS

- a) "Alternative Worksite" means the employee's home/place of residence. Exceptions to "Alternative Worksite" may be granted by the General Manager on a case-by-case basis.
- b) "Teleworking" means a work arrangement under which an employee works from their home/place of residence ("Alternative Worksite") for any period during their regularly scheduled work week.

## III. PROCEDURE

- a) To request a teleworking arrangement, employees must complete and submit a *Hybrid Teleworking Agreement* form to their department manager for consideration and approval. The employee's department manager will provide the completed form to the Human Resources Department.
- b) The employee's department manager, Human Resources and General Manager must approve and sign off on the requested work schedule.
- c) Teleworking is limited to no more than two days per week for an employee on a five-day work week (Monday-Friday) and no more than one day on a four-day work week (Monday-Thursday).
- d) The District will require all employees to be in the office on the same day in its



entirety once per week. Exceptions to the day in the office may be made as needed.

- e) Each department must be staffed during normal business hours Monday through Friday either in-house or remotely.
- f) Teleworking is voluntary and subject to meeting eligibility requirements. Teleworking is not permanent and may be discontinued at any time by the General Manager without prior notice. Teleworking is a privilege extended to positions where it will not impede the employee's ability to perform their job duties. The decision to terminate Teleworking is not subject to any grievance procedure or appeal process. A department manager may determine that some positions and/or individuals are not well suited for the Teleworking option.

#### **IV. ELIGIBILITY CRITERIA**

Teleworking is not suitable for all employees and/or positions. The General Manager or department manager have the discretion to determine the employees and positions who may telework utilizing criteria that includes, but is not limited to:

- a) Full-time employees at the discretion of the department manager based on operational needs.
- b) Teleworking does not impede other employees or work groups from performing their job duties, impact the District's business needs, or diminish the operations of the District.
- c) Teleworking does not reduce service to internal or external customers.
- d) Ability to work independently.
- e) Ability of the employee to perform their specific job duties from a location separate from the District office (i.e., Alternative Worksite) without diminishing the quantity or quality of the work performed.
- f) Job duties and requirements allow the employee to be away from the District's

worksite for a period of time during the workweek.

- g) Job can be done remotely without disruption to the flow of work and communication (e.g., availability by virtual meeting, phone, email, and shared servers can be accessed remotely).

## **V. EMPLOYEE RESPONSIBILITIES**

Employees must adhere to the provisions set forth in this Policy. Any deviation requires prior written approval from the District.

- a) All existing duties, obligations, responsibilities, and conditions of employment remain unchanged. The employee must meet the same standards of performance and professionalism expected in terms of job responsibilities, work product, and timeliness of assignments.
- b) Employees are obligated to comply with the District's Administrative Code while teleworking. Violation of the Administrative Code may result in disqualification from teleworking, and/or disciplinary action, up to and including termination of employment.
- c) Employees are responsible to create a functional, reliable, safe, and secure Alternative Worksite.
- d) Employees must work eighty hours per pay period and will maintain an accurate record of all matters on which they perform any work on behalf of the District. Employees are required to be accessible in the same manner during work hours while teleworking as if they are working at the office. Employees will be available by telephone and/or email to their supervisor/manager and other District Employees during the teleworking period as if they are working at the office.
- e) Regardless of the telework arrangement, employees may be required to come into the office or other work site during their regularly scheduled work hours in lieu of a telework day. If requested, employees must report to the office within two hours on a telework day upon being notified by phone or email by their

supervisor or management.

- f) Employees shall abide by practices, policies, and procedures for requests for sick, vacation, and other leaves of absence. Requests to work overtime, requests to work special events, declare vacation, or take other time off from work must be pre-approved in writing by their immediate supervisor. If the employee becomes ill while working under this policy, they shall notify their immediate supervisor immediately and record on their timesheet any hours networked due to incapacitation.
- g) Employees are not allowed to have work-related visitors (e.g., vendors, contractors, and consultants) to their Alternative Worksite for work-related reasons without express written permission from the General Manager or their designee.
- h) The policies and procedures relating to the District's mission and operations will remain in full force and effect while teleworking.
- i) Employees are responsible for any District equipment used at the Alternative Worksite. The use of District equipment is limited to District use and employees are responsible for ensuring the equipment is properly used and secured. The District is not responsible for personal equipment.
- j) If the District has provided District-owned equipment, employees are to follow the *District Property Asset Policy* for the use of such equipment. Employees are to report to Human Resources for any loss, damage, or unauthorized access to District-owned equipment, immediately upon discovery of such loss, damage, or unauthorized access.
- k) Unlicensed (Pirated) software may not exist or be installed on computers that are being used for teleworking, because it could compromise confidential District information and property.
- l) Employees shall exercise the same precautions to safeguard electronic and paper information, protect confidentiality, and adhere to the District's records

retention policies, especially as it pertains to the Public Records Act. Employees shall safeguard all sensitive and confidential information (both on paper and in electronic form) relating to District work they access from the Alternative Worksite or transport from their District worksite to the Alternative Worksite. Employees must also take reasonable precautions to prevent third parties from accessing or handling sensitive and confidential information they access from the Alternative Worksite or transport from their District worksite to the Alternative Worksite. Employees must return all records, documents, and correspondence to the District at the termination of this Policy or upon request by their Department Manager or Human Resources.

- m) Employees' salaries and benefits remain unchanged. Workers' Compensation benefits will apply only to injuries arising out of and in the course of employment as defined by the Workers' Compensation law. Employees must report any such work-related injuries to their immediate supervisor and Human Resources immediately. The District shall not be responsible for injuries or property damage unrelated to such work activities, including injuries to third persons when said injuries occur at the Alternative Worksite.

## **VI. ALTERNATIVE WORKSITE LOCATION**

- a) Teleworking will be performed from the employee's home/place of residence. The Alternative Worksite must be maintained in a safe condition, free from hazards and obstructions.
- b) Employees are to maintain a work environment wherein they can devote their time exclusively to work-related tasks during each workday. Employees agree to maintain a quiet, distraction-free work environment with reliable and secure internet and/or wireless access while teleworking. Employees are to ensure that dependent care does not interfere with their work responsibilities.
- c) Employees must comply with all the safety regulations that apply to an office. That means that the employee agrees to have a safe work environment free of clutter, exposed wiring, slippery surfaces, and other potential hazards.

Employees are required to have a smoke detector, fire extinguisher, unobstructed exits, proper ventilation, and other basic safety precautions.

## **VII. WORK SCHEDULES AND TIME WORKED**

- a) Teleworking employees must be available during the business hours of 7:30 a.m. to 5:00 p.m. to answer calls, respond to emails, attend virtual meetings, etc.
- b) Teleworking employees must report to the office within two hours upon receiving notification via phone or email from supervision or management.
- c) Non-exempt employees must take meal and rest breaks while teleworking, just as they would if they were reporting to work at the District office. Non-exempt employees may not telework outside their work schedule unless granted prior approval from their immediate supervisor.
- d) Requests to work overtime or take a leave of absence from work must be pre-approved in writing by each employee's immediate supervisor. Failure to comply with this requirement may result in the immediate cessation of the opportunity to telework and/or disciplinary action.
- e) Employees must promptly notify their immediate supervisor when unable to perform work assignments because of equipment failure or other unforeseen circumstances.
- f) Employees shall work on a full-time basis, according to their assigned teleworking arrangement. Employees are required to maintain an accurate record of all hours worked at their Alternative Worksite. Upon the request of their immediate supervisor, an employee should be able to provide a detailed accounting of all hours worked and tasks performed.

## **VIII. EMPLOYEE RESPONSIBILITY FOR TELEWORKING EXPENSES**

The following telework expenses will not be reimbursed:

- a) Alternative Worksite expenses such as electricity, insurance, home

maintenance, home modification for office purposes, and other similar personal expenses. (Employees should seek advice from a tax advisor if they have questions concerning the tax implications of working from home. The District is not responsible for substantiating any employee's claim of tax deductions for the operation of a home office used to perform work.)

- b) Materials or supplies needed to establish an Alternative Worksite (desk, chair, file cabinet, software, copier, etc.) and set-up/operating costs (telephone, internet services, home utilities, etc.).

The District will not reimburse or pay directly for home internet charges. The cost of accessing the internet from home will be considered a personal expense. "Home internet charges" include, but are not limited to, routers, modems, access fees/charges, and other related equipment and/or service expenses. Upon request, on a temporary basis, the District may provide a hotspot for those employees who require internet service in the event their internet connection goes down.

The following supplies for teleworking employees will be provided by the District: Basic office supplies (i.e., pens, notepads, paper, etc.), software and electronic equipment, and/or other necessary equipment. Items retrieved from the District should be used for business purposes only and maintained and returned in the same condition in which they were obtained, when possible.

All equipment that the District provides is District property. The District retains control over the property and reserves the right to monitor District property even when used at your Alternative Worksite. Employees must keep it safe and avoid any misuse. Equipment supplied by the District is to be used for business purposes only. The employee must sign the *District Property Asset Policy* and agree to take appropriate action to protect the items from damage or theft. Employees must take proper measures to secure District information, assets, and systems.

## ARTICLE 2. BENEFITS

### 3-4.201 GENERAL ELIGIBILITY

Full-time employees, including executive employees, are eligible for all benefits set forth in this article.

### 3-4.202 MEDICAL INSURANCE

The District shall provide coverage in a group medical insurance plan selected and approved by the Board. Eligibility for enrollment in the medical plan shall be the first day of the month following initial employment. Premiums may be paid by the District.

Participation in the plan shall be available to full-time employees, eligible retired employees, and their dependents.

- (a) "Eligible member" or "member" means a full-time employee, eligible retired employee, and their dependents.
- (b) "Dependent" means the spouse, domestic partner, unmarried dependent children and other family members eligible for coverage under the group medical plan document.
- (c) "Eligible retired employee" means an employee who is enrolled in the group medical plan at the time the employee separates from District employment for CalPERS retirement; and, (1) who is age 55 or older with ten (10) years of full-time consecutive District service, or (2) whose age plus CalPERS service (or CalPERS reciprocal service) equals 75 or above and has five (5) years of full-time consecutive District service. The District's payment of group medical plan costs for eligible dependents of retired employees is defined by the plan document.
- (d) The group medical plan shall be converted by the carrier to a Medicare secondary plan or substitute as determined by the Board if a retired member reaches age sixty-five (65) and is eligible for Medicare.
- (e) Retiree coverage shall continue for a retired employee's widow/widower

should they remarry, subject to Medicare requirements. Coverage only applies to the widow/widower of the retired employee.

- (f) In the event of legal divorce for a current or retired employee, the former spouse shall lose coverage and may exercise their COBRA rights.

### **3-4.203 DENTAL CARE**

The District shall provide coverage in a group dental insurance plan selected and approved by the Board. Eligibility for enrollment in the dental plan shall be the first day of the month following initial employment. Premiums may be paid by the District.

Participation in the plan may be available to full-time employees, eligible retired employees, and their dependents as provided above under Section 3-4.202.

### **3-4.204 VISION CARE**

The District does not maintain a separate group vision insurance plan. The District will reimburse eligible vision care expenses incurred by employees or eligible retired employees and their dependents enrolled in the group medical plan subject to the limits described in Section 3-4.205 below.

### **3-4.205 HEALTH EXPENSE REIMBURSEMENT (HRA)<sup>3</sup>**

Eligibility for health expense reimbursement shall commence on the first day of the month following initial employment. The employee or eligible retired employee may be reimbursed for health (medical, dental, vision, or hearing) care expenses not covered by insurance.

- (a) The amount of District reimbursement shall be reduced by the amount of reimbursement from other benefit sources so the total amount received by the employee does not exceed 100 percent of the covered expense.
- (b) A Third-Party Administrator will be utilized to process, approve and make payments in accordance with the plan document.
- (c) Reimbursement of expenses shall include insurance deductibles, co-payments, prescription medications, medical procedures prescribed by a



physician, dental expenses, vision expenses, over the counter drugs, certain medical supplies and equipment, and other IRS eligible expenses. Cosmetic procedures, non-prescription drugs or treatment are not reimbursable expenses.

- (d) Each employee enrolled as an employee only in the medical plan may be reimbursed for eligible expenses incurred that are not covered by the group medical plan or other coverage to a maximum of \$4,000 per calendar year. Payments will be made in accordance to the District's plan document. New employees hired midyear shall be eligible for a prorated expense reimbursement for the first year of employment.
- (e) Each employee enrolled as an employee plus one dependent in the medical plan may be reimbursed for eligible expenses incurred by the employee and dependent not covered by the group medical plan or other coverage to a maximum of \$8,000 per calendar year. Payments will be made in accordance to the District's plan document. New employees hired mid-year shall be eligible for a prorated expense reimbursement for the first year of employment.
- (f) Each employee enrolled as an employee plus two or more dependents in the medical plan may be reimbursed for eligible expenses incurred by the employee and dependents not covered by the group medical plan or other coverage to a maximum of \$12,000 per calendar year. Payments will be made in accordance to the District's plan document. New employees shall be eligible for a prorated expense reimbursement for the first year of employment.
- (g) An employee who retires from the District under CalPERS retirement: (1) who is age 55 or older with ten (10) years of full-time consecutive District service, or (2) whose age plus CalPERS service (or CalPERS reciprocal service) equals 75 or above and has five (5) years of full-time consecutive District service shall be eligible to receive the same health expense

reimbursement amount as active employees.

- (h) The District believes a professional relationship between health care professionals and the member should be maintained without interference. The District is not liable for acts or omissions by the health care professional, their employees or agents.
- (i) Consistent with the Affordable Care Act (ACA), HRA reimbursements are only available to the Board and/or employees who are enrolled in an ACA-compliant group health plan, other than the HRA.
- (j) At the end of each calendar year, employees and the Board may opt out of the HRA, waiving future reimbursement. Upon termination of employment, the remaining amounts in the HRA are forfeited.
- (k) Employees and the Board may permanently opt out of the HRA and waive future reimbursement from the HRA.

### **3-4.206 RETIREMENT PLAN**

The District participates in Social Security and contracts with the CalPERS for retirement benefits. The District's CalPERS benefits shall be applied as follows:

(a) TIER 1 (Classic Member):

An employee who is defined as a "classic member" under the Public Employee Pension Reform Act (PEPRA) (i.e. not defined as a "new member" under Gov. Code section 7522.04(f)) will be enrolled in the 3% @ 60 benefit formula with Social Security.

- (1) The retirement formula computed at age 60 = 3% x years of service x final compensation. For retirement earlier than age 60, the percentage is reduced by each quarter year of age to a minimum of 2% at age 50. Employees are eligible to retire at age 50 with five years of service credit.
- (2) Employer Paid Member Contribution (EPMC). The District pays the employee's 8% retirement contribution.

- (3) Final compensation is calculated for retirement based on highest compensation for 12 consecutive months reduced by \$133.33 (for Social Security).
  - (4) Post Retirement Survivor Allowance is 25% of the employee's unmodified allowance and is paid to an eligible survivor. The allowance continues if the spouse remarries.
  - (5) Military Service Credit allows the employee to purchase up to four years of active continuous military service as service credit for retirement purposes.
  - (6) Continuation of Death Benefits. The death benefits paid to a spouse of a member who died prior to retirement is continued if the spouse remarries.
  - (7) Sick Leave Service Credit. Unused accrued sick leave may be converted to service credit upon retirement.
- (b) TIER II (New Member):
- An employee who is defined as a "new member" under PEPRA, Gov. Code section 7522.04(f), will be enrolled in the CalPERS 2% @ 62 benefit formula (with Social Security) with three-year final compensation in accordance with PEPRA. New members will be required to pay at least 50% of the normal retirement cost [Gov. Code Section. 7522.30(c)].
- (1) The retirement formula computed at age 62 = 2% x years of service x three-year final compensation. For retirement earlier than age 62, the percentage is reduced by each quarter year of age to a minimum of 1% at age 52. Employees are eligible to retire at age 52 with five years of service credit.
  - (2) The employee is required to pay at least 50% of the normal retirement costs.
  - (3) Final compensation is calculated for retirement based on highest compensation for 36 consecutive months reduced by \$133.33 (for Social Security).

- (4) Post Retirement Survivor Allowance is 25% of the employee's unmodified allowance and is paid to an eligible survivor. The allowance continues if the spouse remarries.
- (5) Military Service Credit allows the employee to purchase up to four years of active continuous military service as service credit for retirement purposes.
- (6) Continuation of Death Benefits. The death benefits paid to a spouse of a member who died prior to retirement is continued if the spouse remarries.
- (7) Sick Leave Service Credit. Unused accrued sick leave may be converted to service credit upon retirement.

#### **3-4.207 RETIREMENT BUY-BACK**

In accordance with PEPRA, effective January 1, 2013, an employee of the District may no longer "buy back," on a pre-tax basis, previous eligible service for the purposes of retirement credit as allowable by CalPERS.

#### **3-4.208 EMPLOYEE DEFERRED COMPENSATION PLAN**

Employees may voluntarily defer portions of their compensation pursuant to the provisions of Section 457 of the Internal Revenue Code. Detailed information on deferred compensation is available from the Human Resources Department.

#### **3-4.209 FLEXIBLE SPENDING ACCOUNT (FSA)**

Employees may annually contribute to the Dependent Care Flexible Spending Account (FSA) plans. The employee may elect to annually contribute up to \$5,000 on a salary reduction basis to the Dependent Care FSA. The Flexible Spending plan document shall govern the administration of the program.

**3-4.210 MEDICAL EMERGENCY LEAVE (MOVED TO ARTICLE 4, AUTHORIZED LEAVES)****3-4.211 CALPERS LONG TERM CARE PROGRAM**

CalPERS provides an opportunity for employees and certain related family members to voluntarily obtain long-term care insurance at group rates, when made available by CalPERS. This program has been designed exclusively to protect California public employees and their spouses, siblings age 18 and over, parents, and parents-in-law from the potentially devastating cost of long-term custodial care. Premiums depend upon the ages of covered program participants and are paid entirely by the participant(s).

**3-4.212 GROUP LIFE INSURANCE**

The District provides a term Group Life Insurance Plan for employees, fully paid by the District subject to IRS tax regulations and applicable tax implications. The amount of coverage is equal to twice the annual base salary of the employee up to a maximum of \$150,000. This benefit is in effect only while the employee is employed with the District.

**3-4.213 DISABILITY INSURANCE**

The District provides employees with Short-Term and Long-Term Disability Insurance benefits for extended illness or injury, subject to the plan document and verification process. Premiums are fully paid by the District.

An employee who is disabled for more than 180 days on an unpaid leave shall not be eligible for the District's paid health premiums and benefits.

Disability insurance covers both work and non-work-related injuries and illness. Benefits are taxable and offset by workers' compensation temporary disability payments or a CalPERS disability retirement allowance.

(a) Short-Term Disability

- (1) Covers the first 180 calendar days of disability. Benefits are paid after a 60-day waiting period.

- (2) Maximum benefit is 66 2/3% of salary up to \$1,731 per week after waiting period.
- (b) Long-Term Disability
- (1) Benefits paid after 180 calendar days of disability.
  - (2) Maximum benefit is 66 2/3% of salary up to \$7,500 per month.
  - (3) Benefits paid to age 70 (based upon age when disability begins) for total disability.

### **3-4.214 WORKERS' COMPENSATION INSURANCE**

The District provides all employees with Workers' Compensation Insurance benefits for work-related illness or injury. An illness or injury is work-related when it arises out of and during the course of employment. The employee is responsible for immediately reporting any injury that is work-related to their supervisor and the Human Resources Department.

When an employee is unable to work because of a workers' compensation disability, the employee may use accrued sick leave to make up the difference between the employee's regular salary and workers' compensation benefits. The employee may also use accrued sick leave for any waiting period in which workers' compensation benefits are not payable.

Employees on leave without pay status do not accrue vacation, sick, or holiday leave.

The District shall not discharge, threaten, or discriminate in any way against an employee for filing a claim, intending to file a claim or an appeal with the Workers' Compensation Board, or receiving a workers' compensation disability award.

### **3-4.215 COBRA**

In accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the District provides continuing medical insurance coverage at group rates for former District employees or dependents who lose coverage. Eligibility and length of coverage are determined by law. Premiums for COBRA coverage are made entirely by the employee or dependent beneficiary who is receiving the benefit.

**3-4.216 EMPLOYEE DEVELOPMENT PROGRAM** <sup>4</sup>

In order to encourage employees to enhance their professional growth, the District has established a policy to reimburse employees for eligible tuition cost, through the Employee Development Program ("Program").

This program is intended to provide an opportunity to expand individual skills and knowledge to enhance job performance and career development. Completion of any degree, license or certificate does not guarantee promotion. The General Manager shall determine whether an employee is eligible to receive the reimbursement and may discontinue the reimbursement at any time if they determine that the employee is no longer eligible for the reimbursement.

(a) Job-Related Education & Professional Licenses and Certificates Program

Under Internal Revenue Code (IRC) Section 132(j)(8), amounts paid or expenses incurred by the District for the education and training of employees are excludable from gross income only if such amounts or expenses are considered a "working condition fringe benefit."

Job-related education is not taxable to the employee if the educational expenses qualify as a "working condition fringe benefit" and meet the definition of "job-related training" under Treasury Regulation 1.162-5 and are made to:

- (1) Maintain or improve the employee's skills for the employee's current position with the District,
- (2) Meet any specified educational requirements of the District, or
- (3) Meet any requirements necessary for the employee to retain their salary, status or employment.

Undergraduate or graduate coursework may qualify as job-related education if it meets any one of the three requirements listed above.

If educational courses are taken for general education purposes, or are needed to meet the minimum requirements of the job, or are part of a program of study that qualifies the employee for a new trade or business, then such courses do not qualify as working condition fringe benefits.

(b) Reimbursement Criteria

The Program is designed for employees seeking reimbursement for college or university expenses. Participation in this educational opportunity is voluntary. An employee may be reimbursed for course work toward obtaining one degree, a Bachelor's or Master's. Post graduate coursework, such as a Doctoral or second Bachelor's/Master's program is not eligible for reimbursement under this policy.

Employees who are seeking to obtain a professional license or certification, in order to maintain the requirements of their current job status, may have the cost for that license or certification paid by the District. Only those professional certificates and licenses uniquely required to perform job functions for the District, (as set forth in the employee's job description) will be approved either because of the technical skills required or because of legal requirements, or certificates or licenses that are considered of general benefit to the District. Any contact hours or re-certification units taken and/or paid for through a work-related workshop or conference will be an exception to the Program requirements.



(1) *Eligibility*

This program is subject to budgeted funds availability.

Only active, full-time employees who have completed the initial probationary period as referenced in section 3-4. 101(b), with the exception of those employees serving a promotional probation period and achieved regular status with the District, may be reimbursed for reasonable costs for tuition, registration fees, books and lab fees for educational courses related to District employment. Student association costs, health fees and any other additional non-educational fees are excluded from reimbursement. All other employees, including but not limited to part-time or limited term employees are excluded from this Program.

An employee must submit a written request to include the planned course of study for the Program by completing the required District Employee Development Program form. The form shall be submitted to the department manager, the Manager of Human Resources and the General Manager for pre-approval prior to the term(s) in which the employee is seeking reimbursement in order to be eligible for reimbursement for partial or full reasonable costs, subject to the following requirements:

- (i) Employee must be in good standing (e.g., regarded as having complied with all their explicit obligations, while not being subject to any form of disciplinary action or performance improvement plan).
- (ii) The course must be taken on the employee's own time with the exception of contact hours or re-certification units taken through a work-sponsored workshop/conference.
- (iii) The required education must serve a bona fide business purpose of

the District and must maintain or improve skills needed in the employee's present work.

- (iv) The course must be completed in an accredited program.
- (v) Employee shall complete the course with a passing grade of "C" or better.
- (vi) Funds received from outside sources, such as scholarships, grants, veterans or other educational benefits, must be applied toward the costs of the course before the District's reimbursement is applied.

(2) *Reimbursement Requirements*

- (i) Employee must successfully obtain the license or certification and/or completion of term/degree.
- (ii) The maximum amount eligible for reimbursement is \$9,000 per fiscal year.
- (iii) The District will reimburse employees for professional membership dues germane to their work as a District employee, subject to review and approval by the department manager.
- (iv) License and certification renewals, contact hours or re-certification units will be fully reimbursed by the District and are not subject to the \$9,000 eligibility amount.

(3) *Reimbursement Procedure*

The reimbursement request must be submitted for processing within the same fiscal year the course was completed. Accordingly, reimbursement will be paid within the same fiscal year the course was completed, if possible.

Upon satisfactory completion of the coursework, the employee shall

submit the necessary forms, a grade report or license/certificate, receipts and a copy of the Employee Development Program form to the Finance Department for processing. Once processed, the Finance Department will forward it to the Manager of Human Resources for approval.

The District will not reimburse or pay any part of expenses incurred if an employee separates employment from the District prior to completing requirements necessary to obtain degree, licenses, certifications, contact hours or re-certification units.

Reimbursed expenses may be considered taxable income and may be subject to tax withholding. The employee shall seek independent tax advice as the District is not liable for the determination.

The employee agrees that in the event they leave employment with the District (i.e., resignation or termination) within a 2-year period after completion of their last course and/or Program for which the employee was reimbursed, the employee will be required to pay back reimbursement amounts paid by the District as follows:

Separation within 1 year (12 months) - 100% of the reimbursement

Separation within 2 years (24 months) - 50% of the reimbursement

All payments shall be made within 90 days following separation from the District unless other arrangements are approved by the General Manager or designee.

### **3-4.217 EMPLOYEE ASSISTANCE PROGRAM (EAP)**

The District shall provide an Employee Assistance Program (EAP) for employees. The cost of the program shall be paid by the District.

**ARTICLE 3. [LEFT BLANK INTENTIONALLY]**

## **ARTICLE 4. AUTHORIZED LEAVES**

### **3-4.401 VACATION LEAVE**

The District provides vacation with pay to full-time and part-time employees. Part-time employees accrue pro-rated vacation leave based upon actual hours worked each week and years of service. Employees shall schedule vacation in advance and approval is subject to District operating needs. Vacation leave is accrued each pay period as follows:

| <u>YEARS OF CONTINUOUS SERVICE</u>  | <u>VACATION DAYS</u> | <u>MAX HOURS</u> |
|-------------------------------------|----------------------|------------------|
| 0 through 5 years (0 – 60 mos)      | 80 hrs per year      | 240 hours        |
| 6 through 10 years (61 – 120 mos)   | 120 hrs per year     | 320 hours        |
| 11 through 12 years (121 – 144 mos) | 128 hrs per year     | 336 hours        |
| 13 through 14 years (145 – 168 mos) | 136 hrs per year     | 352 hours        |
| 15 or more years (169 mos or more)  | 160 hrs per year     | 400 hours        |

Continuing monthly accruals can be maintained for a two-year period, but shall be limited by an employee's unused vacation days. The maximum vacation accrual shall be equivalent to eighty (80) hours plus the employee's two-year accrual rate. Once the employee reaches their maximum accrual rate, they will not continue to accrue vacation hours until their leave balance falls below the maximum accrual rate.

### **3-4.402 VACATION LEAVE CREDIT OPTION**

Employees appointed to a regular position may receive credit for previous experience for the purpose of establishing their vacation accrual rate. Such determination as to the comparability of previous experience and the amount of credit to be granted rests solely with the General Manager in consultation with the Manager of Human Resources.

**3-4.403 DISTRICT HOLIDAYS**

The District observes certain paid holidays. Part-time regular employees are entitled to pro-rated holiday leave based on their agreed upon schedule after working 1,000 hours. Employees are not expected to work on holidays. Employees must receive prior approval from their manager or supervisor to work designated holidays and may be compensated in straight time (or overtime if applicable) salary or in compensatory time off (for Non-Exempt employees). Observed District holidays are:

- January 1 (New Year's Day)
- Third Monday in January (Martin Luther King, Jr. Birthday)
- Third Monday in February (President's Day)
- Last Monday in March (Cesar Chavez' Birthday)
- Last Monday in May (Memorial Day)
- June 19 (Juneteenth)
- July 4 (Independence Day)
- First Monday in September (Labor Day)
- November 11 (Veteran's Day)
- Thanksgiving Day and the Friday following
- December 24 (Christmas Eve)
- December 25 (Christmas Day)
- December 31 (New Year's Eve)

If a holiday falls on a Saturday, the preceding Friday shall be observed, and if a holiday falls on a Sunday, the following Monday shall be observed. In the event that the Friday and/or Monday is/are designated holidays, the preceding Thursday and/or subsequent Tuesday shall be granted as District Holiday Leave.

One Personal Holiday will be granted to employees each calendar year. New employees will be granted one Personal Holiday upon satisfactory completion of their probationary period. The Personal Holiday must be scheduled by the employee with prior approval by their supervisor and must be used in an eight-hour increment within the calendar year. If the employee does not utilize their Personal Holiday during the calendar year in which it was earned, the Personal Holiday shall be forfeited.

**3-4.404 SICK LEAVE**

Sick leave is the authorized absence from work of an employee due to physical or mental injury or illness, pregnancy, contagious disease, or medical/optical/dental appointment. A medical certificate or adequate proof shall be provided by the employee applying for payment of sick leave when so requested by the manager or supervisor. Misrepresentation, falsification or inappropriate use of sick time subjects the employee to an investigation and potential disciplinary action as well as non-payment of the sick leave claim.

A regular or limited-term full-time employee who is unable to work because of injury or illness is eligible to use accrued sick leave. Sick leave is accrued at ninety-six (96) hours per twelve-month period. Part-time regular employees may be granted pro-rated accruals by the District.

- (a) All sick leave used by FLSA non-exempt employees shall be deducted from their accrued sick leave credit.
- (b) Sick leave for FLSA exempt employees shall be deducted from their accrued sick leave credit if they are absent for one full day or more.
- (c) On the 31st day of December of each year, employees who have accrued sick leave hours in excess of 960 hours shall be paid the excess hours above the 960-hour limit. Payments shall be made by the second payday in January.
- (d) An employee leaving employment may be paid up to 960 hours of accumulated but unused sick leave or it may be converted to CalPERS service credit upon retirement.
- (e) An employee unable to work because of a disability compensable under workers' compensation or the District's Short or Long-Term Disability insurance may use accrued sick leave to make up the difference between the employee's regular monthly salary and the compensation received under workers' compensation or disability insurance.
- (f) Sick leave may be used for:



- (1) For the employee's own diagnosis, care, or treatment of an existing health condition or preventative care.
- (2) For the diagnosis, care, or treatment of an existing health condition or preventative care for an employee's family member, including:
  - (i) Child (including a biological, adopted, or foster child, stepchild, legal ward, or a child to whom the employee stands in loco parentis.)
  - (ii) Spouse or Registered Domestic Partner
  - (iii) Parent (including biological, adoptive, or foster parent, stepparent, or legal guardian of an employee or the employee's spouse or registered domestic partner, or a person who stood in loco parentis when the employee was a minor child.)
  - (iv) Grandparent
  - (v) Grandchild
  - (vi) Sibling
- (3) To obtain any relief or services related to being a victim of domestic violence, sexual assault, or stalking including the following with appropriate certification of the need for such services:
  - (i) A temporary restraining order or restraining order.
  - (ii) Other injunctive relief to help ensure the health, safety or welfare of themselves or their children.
  - (iii) To seek medical attention for injuries caused by domestic violence, sexual assault, or stalking.
  - (iv) To obtain services from a domestic violence shelter, program, or rape crisis center as a result of domestic violence, sexual assault, or stalking.
  - (v) To obtain psychological counseling related to an experience of domestic violence, sexual assault, or stalking.
  - (vi) To participate in safety planning and take other actions to

increase safety from future domestic violence, sexual assault, or stalking, including temporary or permanent relocation.

An employee shall provide reasonable advance notification of their need to use accrued paid sick leave to their supervisor if the need for paid sick leave use is foreseeable (e.g., doctor's appointment scheduled in advance). If the need for paid sick leave use is unforeseeable, the employee shall provide notice of the need for the leave to their supervisor as soon as is practicable.

The General Manager shall have the authority to establish and amend a medical emergency leave program for employees of the District, subject to applicable law.

### **3-4.405 PAID SICK LEAVE LAW – SEASONAL/TEMPORARY EMPLOYEES**

The following policy applies only to temporary (interns) and seasonal employees:

The District will provide each employee with three (3) days or twenty-four (24) hours of paid sick leave at the beginning of each 12-month period. An employee is not eligible to begin using any accrued paid sick leave until after ninety (90) days of employment with the District.

In accordance with California's Paid Sick Leave Law, an employee may use three (3) days or twenty-four (24) hours of accrued paid sick leave in a 12-month period for one of the following reasons:

- (a) For the employee's own diagnosis, care, or treatment of an existing health condition or preventative care.
- (b) For the diagnosis, care, or treatment of an existing health condition or preventative care for an employee's family member, including:
  - (1) Child (including a biological, adopted, or foster child, stepchild, legal ward, or a child to whom the employee stands in loco parentis.)
  - (2) Spouse or Registered Domestic Partner
  - (3) Parent (including biological, adoptive, or foster parent, stepparent, or legal guardian of an employee or the employee's spouse or registered domestic partner, or a person who stood in loco parentis when the employee was a minor child.)

- (4) Grandparent
  - (5) Grandchild
  - (6) Sibling
- (c) To obtain any relief or services related to being a victim of domestic violence, sexual assault, or stalking including the following with appropriate certification of the need for such services:
- (1) A temporary restraining order or restraining order.
  - (2) Other injunctive relief to help ensure the health, safety or welfare of themselves or their children.
  - (3) To seek medical attention for injuries caused by domestic violence, sexual assault, or stalking.
  - (4) To obtain services from a domestic violence shelter, program, or rape crisis center as a result of domestic violence, sexual assault, or stalking.
  - (5) To obtain psychological counseling related to an experience of domestic violence, sexual assault, or stalking.
- (d) To participate in safety planning and take other actions to increase safety from future domestic violence, sexual assault, or stalking, including temporary or permanent relocation.

An employee shall provide reasonable advance notification of their need to use accrued paid sick leave to their supervisor if the need for paid sick leave use is foreseeable (e.g., doctor's appointment scheduled in advance). If the need for paid sick leave use is unforeseeable, the employee shall provide notice of the need for the leave to their supervisor as soon as is practicable.

An employee who uses paid sick leave must do so with a minimum increment of two (2) hours of sick leave.

Paid sick leave will not be considered hours worked for purposes of overtime calculation. An employee will not receive compensation for unused accrued paid sick leave upon termination, resignation, or other separation from employment from the District.

If an employee separates from District employment and is re-hired by the District within one year of the date of separation, previously accrued and unused paid sick leave hours shall be reinstated to the extent required by law. However, if a rehired employee had not yet worked the requisite ninety (90) days of employment to use paid sick leave at the time of separation, the employee must still satisfy the ninety (90) days of employment requirement collectively over the periods of employment with the District before any paid sick leave can be used.

### **3-4.406 FAMILY AND MEDICAL CARE LEAVE**

To the extent not already provided for under current leave policies and provisions, the District will provide family and medical care leave for eligible employees as required by state and federal law. The following provisions set forth certain of the rights and obligations with respect to such leave. Rights and obligations which are not specifically set forth below are set forth in the Department of Labor regulations implementing the Federal Family and Medical Leave Act (“FMLA”), and the regulations of the California Family Rights Act (“CFRA”). Unless otherwise provided by this policy, “leave” under this policy shall mean leave pursuant to the FMLA and/or CFRA.

(a) Definitions

- (1) “12-Month Period” means a rolling 12-month period measured backward from the date leave is taken and continuous with each additional leave day taken.
- (2) “Single 12-month period” means a 12-month period which begins on the first day the eligible employee takes FMLA leave to take care of a covered service member and ends 12 months after that date.
- (3) “Child” under the FMLA means a child under the age of 18 years of age, or 18 years of age or older who is incapable of self-care because of a mental or physical disability. An employee’s child is one for whom the employee has actual day-to-day responsibility for care and includes, a biological, adopted, foster or step-child legal ward, or a child of a person standing in loco parentis. A person is in

loco parentis to a child if he or she assumes parental status and discharges parental duties. A child is “incapable of self-care” if they require active assistance or supervision to provide daily self-care in three or more of the activities of daily living or instrumental activities of daily living — such as, caring for grooming and hygiene, bathing, dressing and eating, cooking, cleaning, shopping, taking public transportation, paying bills, maintaining a residence, using telephones and directories, etc.

“Child” under CFRA includes those designated as a “Child” under the FMLA, and all adult children (regardless of whether they are dependent) and children of a domestic partner.

- (4) “Parent” means the biological, adoptive, step or foster parent of an employee, or an individual who stands or stood in loco parentis (in place of a parent) to an employee when the employee was a child. This term does not include parents-in-law.
- (5) “Spouse” means a husband or wife as defined or recognized under California State law for purposes of marriage. “Spouse” also includes registered domestic partners and same-sex partners in marriage.
- (6) “Domestic Partner,” as defined by Family Code §§ 297 and 299.2, shall have the same meaning as “Spouse” for purposes of CFRA Leave.
- (7) “Serious health condition” means an illness, injury, impairment, or physical or mental condition that involves:
  - (i) Inpatient care in a hospital, hospice, or residential medical care facility, including any period of incapacity (i.e., inability to work, or perform other regular daily activities due to the serious health condition, treatment involved, or recovery therefrom). A person is considered “inpatient” when a health care facility formally admits them to the facility with the

expectation that they will remain at least overnight, even if it later develops that such person can be discharged or transferred to another facility, and does not actually remain overnight; or

- (ii) Continuing treatment by a health care provider: A serious health condition involving continuing treatment by a health care provider includes any one or more of the following:
  - a. A period of incapacity (i.e., inability to work, or perform other regular daily activities) due to serious health condition of more than three full consecutive calendar days, and any subsequent treatment or period of incapacity relating to the same condition, that also involves:
    - 1. Treatment two or more times within 30 days of the first day of incapacity, unless extenuating circumstances exist by a health care provider, by a nurse, or by a provider of health care services (e.g., a physical therapist) under orders of, or on referral by a health care provider. The first in-person treatment visit must take place within seven days of the first day of incapacity; or
    - 2. Treatment by a health care provider on at least one occasion which must take place within seven days of the first day of incapacity and results in a regimen of continuing treatment under the supervision of the health care provider. This includes for example, a course of prescription medication or therapy requiring special equipment to resolve or alleviate the

health condition. If the medication is over the counter, and can be initiated without a visit to a health care provider, it does not constitute a regimen of continuing treatment.

- b. Any period of incapacity due to pregnancy or for prenatal care. This entitles the employee to FMLA leave, but not CFRA leave.
- c. Any period of incapacity or treatment for such incapacity due to a chronic serious health condition. A chronic serious health condition is one which:
  - 1. Requires periodic visits (defined as at least twice a year) for treatment by a health care provider or by a nurse;
  - 2. Continues over an extended period of time (including recurring episodes of a single underlying condition); and
  - 3. May cause episodic rather than a continuing period of incapacity (e.g., asthma, diabetes, epilepsy, etc.). Absences for such incapacity qualify for leave even if the absence lasts only one day.
- d. A period of incapacity which is permanent or long term due to a condition for which treatment may not be effective. The employee or family member must be under the continuing supervision of, but need not be receiving active treatment by, a health care provider.
- e. Any period of absence to receive multiple treatments (including any period of recovery therefrom) by a health care provider or by a provider of health care services under orders of, or on referral by, a health care

provider, either for restorative surgery after an accident or other injury, or for a condition that would likely result in a period of incapacity of more than three consecutive calendar days in the absence of medical intervention or treatment.

- (8) “Health Care Provider” means:
- (1) A doctor of medicine or osteopathy who is authorized to practice medicine or surgery by the State of California;
  - (2) Individuals duly licensed as a physician, surgeon, or osteopathic physician or surgeon in another state or jurisdiction, including another country, who directly treat or supervise treatment of a serious health condition;
  - (3) Podiatrists, dentists, clinical psychologists, optometrists, and chiropractors (limited to treatment consisting of manual manipulation of the spine to correct a subluxation as demonstrated by X-ray to exist) authorized to practice in California and performing within the scope of their practice as defined under California State law;
  - (4) Nurse practitioners and nurse-midwives, clinical social workers, and physician assistants who are authorized to practice under California State law and who are performing within the scope of their practice as defined under California State law;
  - (5) Christian Science practitioners listed with the First Church of Christ, Scientist in Boston, Massachusetts; and
  - (6) Any health care provider from whom an employer or group health plan’s benefits manager will accept certification of the existence of a serious health condition to substantiate a claim for benefits.



- (9) “Covered active duty” means: (1) in the case of a member of a regular component of the Armed Forces, duty during the deployment of the member with the Armed Forces to a foreign country, or (2) in the case of a member of a reserve component of the Armed Forces, duty during the deployment of member of the Armed Forces to a foreign country under a call or order to active duty under certain specified provisions.
- (10) “Covered Service Member” means (1) a current member of the Armed Forces, including a member of the National Guard or Reserves, who is undergoing medical treatment, recuperation, or therapy, is otherwise in outpatient status, or is otherwise on the temporary disability retired list, for a serious injury or illness; or (2) a veteran who is undergoing medical treatment, recuperation, or therapy, for a serious injury or illness and who was a member of the Armed Forces, including a member of the National Guard or Reserves, at any time during the period of five years preceding the date on which the veteran undergoes that medical treatment, recuperation, or therapy.
- (11) “Outpatient Status” means, with respect to a covered service member, the status of a member of the Armed Forces assigned to either: (1) a military medical treatment facility as an outpatient; or (2) a unit established for the purpose of providing command and control of members of the Armed Forces receiving medical care as outpatients.
- (12) “Next of Kin of a Covered Service Member” means the nearest blood relative other than the covered service member’s spouse, parent, son, or daughter, in the following order of priority: Blood relatives who have been granted legal custody of the covered service member by court decree or statutory provisions, brothers and sisters, grandparents, aunts and uncles, and first cousins, unless the

covered service member has specifically designated in writing another blood relative as their nearest blood relative for purposes of military caregiver leave under the FMLA.

- (13) “Serious Injury or Illness”: (1) in the case of a member of the Armed Forces, including a member of the National Guard or Reserves, means an injury or illness that was incurred by the member in the line of duty on active duty in the Armed Forces (or existed before the beginning of the member’s active duty and was aggravated by service in the line of duty on active duty in the Armed Forces) and that may render the member medically unfit to perform the duties of the member’s office, grade, rank, or rating; or (2) in the case of a veteran who was a member of the Armed Forces, including a member of the National Guard or Reserves, at any time during the period of five years preceding the date on which the veteran undergoes that medical treatment, recuperation, or therapy, means a qualifying injury or illness that was incurred by the member in the line of duty on active duty in the Armed Forces (or existed before the beginning of the member’s active duty and was aggravated by service in the line of duty on active duty in the Armed Forces) and that manifested itself before or after the member became a veteran.

### REASONS FOR LEAVE

Leave is only permitted for the following reasons:

- (a) The birth of a child or to care for a newborn of an employee;
- (b) The placement of a child with an employee in connection with the adoption or foster care of a child;
- (c) Leave to care for a child, parent, spouse, or domestic partner, or a domestic partner’s child who has a serious health condition;

- (d) Leave because of a serious health condition that makes the employee unable to perform the functions of their position (i.e., an employee is unable to perform any one or more of the essential functions of their position);
- (e) Leave for a “qualifying exigency” may be taken arising out of the fact that an employee’s spouse, son, daughter, or parent is on covered active duty or call to active duty status;
- (f) Leave to care for a spouse, son, daughter, parent, or “next of kin” who is a covered service member of the United States Armed Forces who has a serious injury or illness incurred in the line of duty while on active military duty or existed before the beginning of the member’s active duty and was aggravated by service in the line of duty on active duty in the Armed Forces (this leave can run up to 26 weeks of unpaid leave during a single 12-month period) (under the FMLA only, not the CFRA);
- (g) Leave to care for an adult child who is not capable of self-care, sibling, grandparent, or grandchild (under the CFRA only not FMLA, therefore this leave will not run concurrently with leave under the FMLA); or
- (h) Leave because of a qualifying exigency related to the covered active duty or call to covered active duty of an employee’s registered domestic partner in the United States Armed Forces (under the CFRA only not FMLA).

Employees who misuse or abuse FMLA and/or CFRA leave may be disciplined up to and including termination. Moreover, an employee who fraudulently obtains or uses FMLA/CFRA leave is not protected by the FMLA/CFRA’s job restoration or maintenance of health benefits provisions.

#### EMPLOYEES ELIGIBLE FOR LEAVE

An employee is eligible for leave if the employee:

- (a) Has been employed for at least 12 months; and
- (b) Has been employed for at least 1,250 hours during the 12-month period immediately preceding the commencement of the leave.

Eligible employees are entitled to up to a total of 12 workweeks (or 26 weeks to care for a covered service member) of leave during any 12-month period. Where FMLA leave qualifies as both military caregiver leave and care for a family member with a serious health condition, the leave will be designated as military caregiver leave first.

If leave is requested for the birth, adoption, or foster care placement of a child of the employee, leave must be concluded within one year of the birth or placement of the child. In addition, the basic minimum duration of such leave is two weeks. However, an employee is entitled to leave for one of these purposes (e.g., bonding with a newborn) for less than two weeks duration on any two occasions.

If leave is requested to care for a child, parent, spouse, or the employee their self with a serious health condition, there is no minimum amount of leave that must be taken. However, the employee must comply with the notice and medical certification provisions of this policy.

#### PARENTS/SPOUSES BOTH EMPLOYED BY THE DISTRICT

In any case in which two spouses are employed by the District and are entitled to FMLA leave, the aggregate number of workweeks of leave to which both may be entitled may be limited to 12 workweeks during any 12-month period if leave is taken for the birth or placement for adoption or foster care of the employees' child (i.e., bonding leave).

In any case in which two parents are employed by the District and are entitled to CFRA leave, each parent is individually entitled to 12 weeks of CFRA leave for bonding.

In any case in which spouses are both employed by the District are entitled to leave, the aggregate number of workweeks of leave to which both may be entitled may be limited to 26 workweeks during any 12-month period if leave is taken to care for a covered service member.

Except as noted above, these limitations do not apply to any other type of leave under this policy.

#### EMPLOYEE BENEFITS WHILE ON LEAVE

While on family and medical care leave, employees will continue to be covered by the District group health insurance to the same extent that coverage is provided while the

employee is on the job for up to 12 weeks each leave year. If the employee is disabled by pregnancy, coverage will continue to be covered for up to 4 months (i.e. 17 and 1/3 weeks) for each pregnancy. In the event an employee is disabled by pregnancy and also uses leave under the CFRA, the District will maintain the employee's health benefits while the employee is disabled by pregnancy (up to four months or 17 and 1/3 weeks) and during the employee's CFRA leave (up to 12 weeks).

If the employee fails to return to work for at least 30 consecutive days following the expiration of leave under this policy, the employee will be required to reimburse the District for the group health insurance premiums paid for by the District on behalf of the employee during the leave, unless the employee's failure to return is caused by the continuation, recurrence, or onset of a serious health condition or circumstances beyond the employee's control. The District shall have the right to recover premiums through deduction from any sums due the District (e.g. unpaid wages, vacation pay, etc.).

#### SUBSTITUTION OF PAID ACCRUED LEAVES

While on leave under this policy, as set forth herein, an employee may elect to concurrently use paid accrued leaves. Similarly, the District may require an employee to concurrently use paid accrued leaves after requesting FMLA and/or CFRA leave, and may also require an employee to use family and medical care leave concurrently with a non-FMLA/CFRA leave which is FMLA/CFRA-qualifying.

- (a) Employees Right to Use Paid Accrued Leaves Concurrently with Family Leave. Where an employee has earned or accrued paid vacation, administrative leave, compensatory time, or personal holiday leave, that paid leave may be substituted for all or part of any (otherwise) unpaid leave under this policy.

As for sick leave, an employee may elect or the District may require an employee to use accrued sick leave only if:

- (1) The leave is for the employee's own serious health condition;  
or

- (2) The leave is for another reason mutually agreed upon between the District and the employee.
- (b) The District's Right to Require an Employee to Use Paid Leave When Using FMLA/CFRA Leave. Employees must exhaust their accrued leaves concurrently with FMLA/CFRA leave to the same extent that employees have the right to use their accrued leaves concurrently with FMLA/CFRA leave, with two exceptions:
  - (1) Employees are required to use accrued compensatory time earned in lieu of overtime earned pursuant to the Fair Labor Standards Act; and
  - (2) Employees will only be required to use sick leave concurrently with FMLA/CFRA leave if the leave is for the employee's own serious health condition or another reason mutually agreed upon between the District and the employee.
- (c) District's Right to Require an Employee to Exhaust FMLA/CFRA Leave Concurrently with Other Leaves. If an employee takes a leave of absence for any reason which is FMLA/CFRA-qualifying, the District may designate that non-FMLA/CFRA leave as running concurrently with the employee's 12-week FMLA/CFRA leave entitlement.
- (d) District's and Employee's Rights If an Employee Requests Accrued Leave, Other Than Accrued Sick Leave, Without Mentioning Either the FMLA or CFRA. If an employee requests to utilize accrued vacation leave or other accrued paid time off, other than accrued sick leave, without reference to a FMLA/CFRA-qualifying purpose, the District may not ask the employee if the leave is for a FMLA/CFRA-qualifying purpose. However, if the District denies the employee's request and the employee provides information that the requested time off is for a FMLA/CFRA-qualifying purpose, the District may inquire further into the reason for the absence. If the reason is FMLA/CFRA-qualifying, the District may require the employee to exhaust accrued leave as described above in Section C.

## MEDICAL CERTIFICATION

Employees who request leave for their own serious health condition or to care for a child, parent, registered domestic partner, or spouse who has a serious health condition must provide written certification from the health care provider of the individual requiring care if requested by the District.

If the leave is requested because of the employee's own serious health condition, the certification must include a statement that the employee is unable to work at all or is unable to perform the essential functions of their position.

Employees who request leave to care for a covered service member who is a child, spouse, parent, or "next of kin" of the employee must provide written certification from a health care provider regarding the injured service member's serious injury or illness.

The first time an employee requests leave because of a qualifying exigency, the District may require the employee to provide a copy of the military member's active duty orders or other documentation issued by the military which indicates that the military member is on covered active duty or call to active duty status in a foreign country, and the dates of the military member's active duty service. A copy of new active duty orders or similar documentation shall be provided to the District if the need for leave because of a qualifying exigency arises out of a different active duty or call to active duty status of the same or a different military member.

- (a) Time to Provide a Certification. When an employee's leave is foreseeable and at least 30 days' notice has been provided, if a medical certification is requested, the employee must provide it before the leave begins. When this is not possible, the employee must provide the requested certification to the District within the time frame requested by the District (at least 15 calendar days), unless it is not practicable under the particular circumstances to do so despite the employee's diligent, good faith efforts.
- (b) Consequences for Failure to Provide an Adequate or Timely Certification. If an employee provides an incomplete medical certification, the employee will have seven calendar days to cure any such deficiency. However, if an

employee fails to provide a medical certification within the seven calendar days, the District may delay the taking of FMLA/CFRA leave until the required certification is provided.

- (c) Second and Third Medical Opinions. If the District has a good faith, objective reason to doubt the validity of a certification, the District may require a medical opinion of a second health care provider chosen and paid for by the District. If the second opinion is different from the first, the District may require the opinion of a third provider jointly approved by the District and the employee, but paid for by the District. The opinion of the third provider will be binding. An employee may request a copy of the health care provider's opinions when there is a second or third medical opinion sought.
- (d) Intermittent Leave or Leave on a Reduced Leave Schedule. If an employee requests leave intermittently (a few days or hours at a time) or on a reduced leave schedule to care for an immediate family member with a serious health condition, the employee must provide medical certification that such leave is medically necessary. "Medically necessary" means there must be a medical need for the leave and that the leave can best be accomplished through an intermittent or reduced leave schedule.

### EMPLOYEE NOTICE OF LEAVE

Although the District recognizes that emergencies arise which may require employees to request immediate leave, employees are required to give notice of their need for leave as soon as is practicable. Except for qualifying exigency leave, if leave is foreseeable, at least 30 days' notice is required. In addition, if an employee knows that they will need leave in the future, but does not know the exact date(s) (e.g. for the birth of a child or to take care of a newborn), the employee shall inform their supervisor as soon as possible that such leave will be needed. If the District determines that an employee's notice is inadequate or the employee knew about the requested leave in



advance of the request, the District may delay the granting of the leave until it can, in its discretion, adequately cover the position with a substitute.

For foreseeable leave due to a qualifying exigency, an employee must provide notice of the need for leave as soon as practicable, regardless of how far in advance such leave is foreseeable.

#### REINSTATEMENT UPON RETURN FROM LEAVE

- (a) Right to Reinstatement. Upon expiration of leave, an employee is entitled to be reinstated to the position of employment held when the leave commenced, or to an equivalent position with equivalent employment benefits, pay, and other terms and conditions of employment. Employees have no greater rights to reinstatement, benefits, and other conditions of employment than if the employee had been continuously employed during the FMLA/CFRA period.
- (b) Employee's Obligation to Periodically Report on Their Condition. Employees may be required to periodically report on their status and intent to return to work. This will avoid any delays to reinstatement when the employee is ready to return.
- (c) Fitness-for-Duty Certification. As a condition of reinstatement of an employee whose leave was due to the employee's own serious health condition, which made the employee unable to perform their job, the employee must obtain and present a fitness-for-duty certification from the health care provider that the employee is able to resume work. Failure to provide such certification will result in denial of reinstatement.
- (d) Reinstatement of "Key Employees." The District may, following FMLA leave only, deny reinstatement to a "key" employee (i.e., an employee who is among the highest paid 10 percent of all employed by the District within 75 miles of the work site) if such denial is necessary to prevent substantial and grievous economic injury to the operations of the District, and the employee

is notified of the District's intent to deny reinstatement on such basis at the time the District determines that such injury would occur.

### REQUIRED FORMS

Employees must fill out the following applicable forms in connection with leave under this policy:

- (a) "Request for Family or Medical Leave Form" prepared by the District to be eligible for leave. NOTE: EMPLOYEES WILL RECEIVE A DISTRICT RESPONSE TO THEIR REQUEST WHICH WILL SET FORTH CERTAIN CONDITIONS OF THE LEAVE.
- (b) Medical certification – either for the employee's own serious health condition or for the serious health condition of a child, parent, spouse, or domestic partner.
- (c) Authorization for payroll deductions for benefit plan coverage continuation.
- (d) Fitness-for-duty to return from Leave form.

### **3-4.407 PREGNANCY DISABILITY LEAVE (PDL)**

In accordance with the California Fair Employment and Housing Act, employees may request an unpaid leave of absence if disabled by pregnancy, childbirth, or a related medical condition. If absence for two weeks or more is expected, the employee must request a leave of absence. An employee who requires a pregnancy disability leave must submit a Pregnancy Disability Leave Form, indicating the date on which the leave will commence and the estimated duration of the leave. The District shall require a written medical certification from the employee's health care provider indicating: 1) the date of disability due to pregnancy; (2) the probable duration of the of the period of disability; and (3) a statement that the employee is unable to perform one or more of the essential functions of her position without undue risk to herself, successful completion of her pregnancy, or to others.

An employee who is disabled because of pregnancy, childbirth, or a related medical condition is entitled to an unpaid leave for up to the number of hours she would normally work within four calendar months (one-third of a year or 17 1/3 weeks). For a

full-time employee who works 40 hours per week, “four months” means 693 hours of leave entitlement, based on 40 hour per week times 17 1/3 weeks. An employee who works less than 40 hours per week will receive a pro rata or proportional amount of leave. Leave does not have to be taken in one continuous period of time but can be taken on an as-needed basis.

During an unpaid leave under this policy, an employee shall not accrue service time. An employee who is disabled by pregnancy may be transferred to a less strenuous or hazardous position or receive reasonable accommodation for conditions related to pregnancy, childbirth, or related medical conditions if requested with the advice of the employee’s health care provider.

An employee may be required to use or may elect to use any accrued sick leave during pregnancy disability leave. An employee may elect to use any accrued vacation time during the pregnancy disability leave. The use of paid leave time shall not extend the period of approved pregnancy leave.

An employee on pregnancy disability leave may continue to receive any group health insurance coverage that was provided before her leave, beginning on the date the pregnancy disability leave begins and continuing for up to four months in a 12-month period, at the same level and under the same conditions that coverage would have been provided if the employee had continued in employment continuously for the duration of the leave. The District may recover premiums it paid to maintain health coverage, if an employee does not return to work following pregnancy disability leave, unless the reason for the failure to return is a circumstance beyond her control or the use of the separate right to 12 weeks of bonding leave under the California Family and Medical Leave Act.

Upon the expiration of pregnancy leave, the employee will be reinstated to her original or a comparable position, so long as it was not eliminated for a legitimate business reason during the leave. If the employee's original position is no longer available, the employee will be assigned to a comparable, open position. If upon return from leave an employee is unable to perform the essential functions of her job because of a physical or mental disability, the District will initiate an interactive process with the employee in order to identify a potential reasonable accommodation.

The FMLA, CFRA, and PDL will be coordinated in accordance with legal requirements.

### **3-4.408 FITNESS FOR DUTY**

The District has the right to determine the physical and mental fitness of an employee to perform the duties of their job. Accordingly, the General Manager may require medical and/or psychological assessments of an employee. The District shall provide payment for such assessment(s), provide the time off with pay for such assessment(s), and have the ability to require the employee to fully cooperate with scheduled appointments or be subject to disciplinary action up to and including termination. Medical assessments are confidential management documents and shall be maintained separate and apart from all other personnel records with access limited to the General Manager and the Manager of Human Resources Manager.

Upon receipt of the Fitness for Duty report, the District will enter the Interactive Process in accordance with Section 3.6-202.

### **3-4.409 MEDICAL OFF-WORK / RETURN TO WORK CERTIFICATION**

The District reserves the right to request a Medical Certification in the event of employee's own illness and/or injury, as well as a Medical Return to Work Order upon the employee's return.

To assist employees in returning to work as soon as possible, the District will strive to accommodate medical work restrictions and/or provide a light duty assignment, if available. In the event of a work-related illness or injury, the District will direct the employee to the appropriate treating physician and will make every effort to provide work within the employee's medical restrictions.

### **3-4.410 BEREAVEMENT LEAVE**

Employees may take a paid leave of absence not to exceed ten working days for the death in the immediate family of the employee.

Immediate family of the employee includes:

- (a) spouse/registered domestic partner
- (b) child (including a biological, adopted, or foster child, stepchild, legal ward, or a child to whom the employee stands in loco parentis.)
- (c) parent (including biological, adoptive, or foster parent, stepparent, or legal guardian of an employee or the employee's spouse or registered domestic partner, or a person who stood in loco parentis when the employee was a minor child.)
- (d) grandparent
- (e) grandchild
- (f) mother-in-law/father-in-law
- (g) son-in-law/daughter-in-law
- (h) brother or sister
- (i) brother-in law/sister-in-law
- (j) nephew/niece
- (k) registered domestic partner's brother or sister
- (l) any relative living in the immediate household of the employee

Leave need not be taken in consecutive days, but shall be taken within four weeks of the date of death, with the exception of extenuating circumstances, as approved by the General Manager. The employee must indicate on their timesheet under comments their relationship with the deceased. The General Manager may grant additional time, but the time must be charged against the employee's leave benefits.

### **3-4.411 LEAVE OF ABSENCE**

An employee must submit a prior written request to the District's General Manager and Human Resources for any leave of absence without pay, or for paid absences of more than one month, indicating the date on which the leave will begin, reason for requesting the leave, and the anticipated date of return to work.

The General Manager shall have authority to grant a personal leave of absence when such leave is in the best interest of the District. Such leaves may be granted to

individuals medically incapacitated to perform job duties, to seek higher education, or for a reason judged valid by the General Manager.

Employees on a leave without pay status shall cease to accrue benefits including seniority/CalPERS Service Credit, vacation leave and sick leave, and shall not receive holiday pay. Employees shall be extended the opportunity to continue their healthcare coverage under COBRA. However, if such leave is due to medical reasons, reference Section 3-4.213 (Disability Insurance) and Section 3-4.406 (Family and Medical Care Leave), as it pertains to continuation of District paid health premiums and benefits.

An employee who is a victim of a crime (i.e., violent or serious felony, felony theft or felony embezzlement) may be absent from work, using their accrued leave, in order to attend judicial proceedings related to the crime.

#### **3-4.412 POLITICAL LEAVE**

Any employee who is a declared candidate for public office shall have the right to an unpaid leave of absence to campaign for office for a reasonable period as determined by the General Manager. Such leave is subject to the conditions governing leaves of absence in Section 3-4.410.

#### **3-4.413 JURY DUTY LEAVE**

The District recognizes serving on a jury is a responsibility of every citizen and encourages employees to serve when called. Employees called for jury duty—should request a postponement, if necessary, so jury service can be performed during a period causing the least inconvenience to the District. Upon receipt of the Notice of Jury Duty an employee will immediately notify the Department Manager. Employees serving on jury duty will be paid their regular salary from the District. Employees must provide proof of jury service documentation to Human Resources including remittance of jury fees, exclusive of mileage reimbursement. If an employee serves less than a full day of jury duty, the employee is required to report to work if there are at least four hours, including travel time, remaining in the employee's scheduled work day. While serving on jury duty, employees must contact their supervisor daily regarding their jury duty status. There will

not be any additional compensation or compensated time for jury service on an employee's 9/80 scheduled day off.

**3-4.414 WITNESS LEAVE**

Employees shall be entitled to a leave of absence from work when subpoenaed to testify as a witness, if issued by a court, agency or commission legally empowered to subpoena witnesses. Witness leave shall be charged against accrued leave balances. While serving on witness duty, employees must contact their supervisor daily regarding their witness duty status.

Employees called to testify as a witness on behalf of the District are not required to use their accrued leave balances as such time is considered work time.

**3-4.415 BLOOD DONATION LEAVE**

Employees who donate blood may receive up to two hours off with pay with prior approval from the Department Manager and proof of such donation. Those employees who are aphaeresis donors may have up to four hours off under the same circumstances.

**3-4.416 MILITARY LEAVE**

In accordance with the applicable state and federal law, a District employee may be entitled to the following rights concerning military leave:

- (a) Temporary Duty: Any employee who is a member of the reserve corps of the Armed Forces, National Guard or Naval Militia shall be entitled to temporary military leave of absence for the purpose of active military training provided that the period of ordered duty does not exceed 180 calendar days, including the time involved in going and returning from such duty.

While on paid status, an employee on temporary military leave shall receive the same vacation, holiday and sick leave and salary advances that would have been accrued had the employee not been absent, providing such employee has been employed by the District for at least one year immediately prior to the date such leave begins. In determining the one-year employment requirement, all time spent in recognized military service shall be counted. An exception to the above is that an uncompleted



probationary period must be completed upon return to the job. An employee meeting the above one-year employment requirement shall be entitled to receive their regular salary or compensation for the first 30 calendar days in any one fiscal year and shall be paid only for the employee's regularly scheduled workdays.

The compensation provisions do not include an employee's attendance at weekend reserve meetings or drills. Employees must use their own time to attend such meetings. Should the meetings unavoidably conflict with an employee's regular working hours, the employee is required to use vacation or holiday leave, leave without pay, or make up the time. The 30 calendar days compensation provisions also apply to an employee on military leave other than temporary military, who is ordered into active military duty or is inducted, enlists, enters, or is otherwise called into active military duty. A copy of military orders must accompany the request for such leave.

- (b) Active Duty: Employees who resign from their positions to serve in the Armed Forces of the United States or of this State, shall have a right of return to their former classifications, subject to physical and psychological examinations, on serving written notice to the General Manager within six months of the termination of their active service with the Armed Forces; provided that such right to return to former classifications shall not be granted to employees who fail to return to their position within twelve months after the first date upon which they could terminate their active service with the Armed Forces.

If the employee's former classification has been abolished, the employee shall be entitled to a classification of comparable functions, duties and compensation if such classification exists or to a comparable vacant position for which the employee is qualified. The right to return to a former classification shall include the right to be restored to such status as the employee would have had if the employee had not resigned. The employee

will not accrue vacation, sick leave or other benefits while absent from District employment, except as provided in the temporary duty provision. A copy of the employee's military orders must accompany the request for return to the former classification.

### **3-4.417 PAID TIME-OFF DONATION LEAVE**

Employees are allowed, subject to the conditions set forth below, to donate earned vacation, sick or personal holiday hours to other employees for prolonged absences from work due to the other employee's serious injury or prolonged illness. Serious injury or prolonged illness means an injury or illness that is expected to incapacitate the employee for an extended period of time.

In extreme cases of hardship, the General Manager may approve donations of vacation, sick or personal holiday hours to an employee whose absence from work is caused by the necessity to care for an immediate family member who has a serious injury or prolonged illness and who lives in the home of the employee or is directly and intimately dependent upon the employee for daily care giving. In such cases, the intent of this provision is not to provide the employee with time off to visit with the family member or serve the conveniences of the family member, but rather, to provide direct care and sustenance to that family member precipitated by the medical condition.

Such donations of paid time off may be permitted under the following conditions:

- (a) The General Manager must approve, in advance, the donation and receipt of vacation/sick/personal holiday hours.
- (b) Any eligible employee wishing to receive such donations (hereinafter referred to as the "receiving employee") must complete the Request for Paid Time Off Donation form, in addition to the Notice and Request for Family/Medical Care Leave form. Both forms must be signed by the employee and approved by the General Manager. A "receiving employee" shall only be eligible for receipt of donations of time as described in this Section if:

- (1) The employee is eligible to receive health and dental benefits from the District (certain part-time employees and at-will employees who do not receive benefits are not eligible for receipt of donated time).
  - (2) The employee would otherwise be eligible for receipt of their accrued leave balances but who, due to a serious injury or prolonged illness of himself or herself, or of a family member as approved by the General Manager, has exhausted, or is about to exhaust (within one week), their accrued leave balances.
- (c) Upon approval of an employee's request for donated time, Human Resources may, if requested to do so by the employee, post a notice of the need for leave donations for the affected employee.
- (d) Any employee who wishes to donate any of their accrued leave balances to an employee whose request for such donated time has been approved (hereinafter referred to as the "donating employee") must complete the Authorization for Paid Time Off Donation Form. This form must be signed by the donating employee and submitted to Human Resources for approval.
- (e) Only accrued leave balances may be donated. Donations are entirely voluntary and time is to be donated in whole hour increments.
- (f) The donated hours will be credited to the receiving employee on an hour-for-hour basis regardless of the pay rate of the donating employee.
- (1) To be eligible, the receiving employee must have exhausted all paid leave, or will foreseeably exhaust all such time (within one week).
  - (2) Donations of such hours are irrevocable by the donating employee. Any donated time remaining at the end of the

employee's leave of absence due to the serious injury or prolonged illness is for the sole use of the employee to whom the donation was made. A receiving employee shall accumulate hours of donated time on an as-needed basis, so that there is not an accumulation of hours beyond what is needed by the receiving employee. Donated hours shall be held by Human Resources and not credited to the receiving employee until all sick and vacation time and other leave bank hours have been used and the receiving employee is in need of the hours donated. If donations are made in excess of 160 hours, the donating employees shall be informed that no more hours are being accepted, but acknowledging the generosity of the donating employees.

- (3) Employee shall not earn sick or vacation accruals off of the donated hours when used.
- (g) Donated hours shall not be intermingled with earned vacation, sick or personal holiday hours, or any other leave bank time of the receiving employee. The Human Resources and Finance Department shall keep a separate account of the time donated or received.

Approval of paid time off donations is not subject to dispute/appeal.

### **3-4.418 VOTING LEAVE**

Pursuant to the provisions of the elections code of the state of California, employees who are voters and who do not have sufficient time, outside working hours, to cast their ballots may take time off from work to vote. Although the employee is entitled to take as much time off as is sufficient to cast their ballot, only two hours of actual working time will be compensated. If the employee on the third working day prior to the day of election knows or has reason to believe that time off will be necessary to be able to vote

on election day, the employee shall give the District at least two working days' notice that time off for voting is desired. Absent such notice, the request may be denied.

**LIST OF CHANGES TO PART 3, CHAPTER 4. GENERAL TERMS AND CONDITIONS  
OF EMPLOYMENT**

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<sup>1</sup> Article 1, Section 3-4.101 through 3-4.114, Article 2, Section 3-4.201 through 3-4.217, Article 3, Article 4, Section 3.4401 through 3.4-418 amended by Resolution 11-20-1120 on November 23, 2020.

<sup>2</sup> Section 3-4.115 added by Resolution No. 09-22-1174 on September 26, 2022.

<sup>3</sup> Section 3-4.205 amended by Resolution 12-21-1149 on December 22, 2022.

<sup>4</sup> Section 3-4.216 amended by Resolution 03-21-1123 on March 22, 2021.

## **CHAPTER 5. DISTRICT POLICIES<sup>1</sup>**

### **ARTICLE 1. DRUGS AND ALCOHOL**

#### **3-5.101 DRUGS AND ALCOHOL TESTING**

Pursuant to this policy, the District reserves the right to test employees, using appropriate testing procedures, for improper drug or alcohol usage. Access to test results is governed by statute.

#### **3-5.102 DRUG AND ALCOHOL USE**

The District does not tolerate the sale, possession, distribution, use or being under the influence of alcohol or illegal drugs at any time while at work on District premises or at other District work locations, or while performing District-related business elsewhere. Alcohol consumption may be permitted during specified social occasions and District events, but employees must not consume such amounts as to impair their senses, coordination, or judgment.

The District prohibits any employee from reporting to or working while under the influence of any prescribed drug or medication which may impair the employee's ability to perform their job duties safely and productively or which may otherwise impair their senses, coordination, or judgment. Any employee taking or reporting to work under the influence of any prescribed drug or other medication that adversely affects the employee's ability to perform work in a safe, productive, or efficient manner must advise the Manager of Human Resources prior to starting work. Management will consult with the employee in determining whether a reasonable accommodation of the employee's needs is appropriate or available.

Compliance with this policy is a condition of District employment. Accordingly, a violation of this policy could result in immediate disciplinary action, up to and including termination. If unlawful activity is suspected, the District will notify the appropriate law enforcement authorities.

If there is reasonable suspicion of drug or alcohol use which impacts the employee's performance, behavior, or safety on the job, the District reserves the right to

require the employee to undergo testing, and to consent to have the test results released to the District. An employee who refuses to take a drug test will be subject to immediate termination.

An employee who tests positive on a drug or alcohol test will be subject to disciplinary action up to and including termination.

- (a) Pre-employment Testing. As a pre-qualification to assuming any position involving the use of a District/personal vehicle or District equipment in the field, or involving any contact with children, prospective employees who have received and accepted a conditional offer of employment are required to provide a body substance sample (saliva, blood, or urine) for drug testing. This occurs in conjunction with the pre-employment medical examination.
- (b) Fitness for Duty or Reasonable Suspicion Testing. Employees whose duties involve wells, operation of heavy or potentially dangerous equipment or vehicles or work with children, may be referred for drug and alcohol testing if significant and observable changes in employee performance, appearance, behavior, or speech at work provide reasonable suspicion of being under the influence of drugs and/or alcohol. If such reasonable suspicion exists, the employee will be referred to a medical professional for a fitness for duty evaluation. The medical professional will evaluate the employee, and based on the evaluation, determine whether a test for drugs and/or alcohol shall be administered. A test for alcohol will only be administered on those employees for whom there is a reasonable suspicion of intoxication while performing safety sensitive functions or immediately before performance of safety sensitive functions. For such employees, the test will be performed within two (2) hours of the reasonable suspicion of intoxication with alcohol (or within eight (8) hours with a documented explanation as to why the test was not performed earlier). Employees should not consume drugs or alcohol while awaiting such tests.
- (c) Post-Accident Testing. Testing may be required when an accident occurs during a work shift, the nature of which creates reasonable suspicion of



impairment of ability or judgment due to alcohol or drugs. Post-accident alcohol tests shall be administered within two (2) hours following an accident or within eight (8) hours with a written documentation as to the reason it was not conducted earlier. A post-accident drug test shall be administered within thirty-two (32) hours following an accident. Therefore, employees involved in an accident shall not consume drugs and alcohol during the applicable window of time until the test is completed.

An “accident” is defined as an incident involving a vehicle where, as a result of damage: (i) a vehicle must be transported away from the site of the accident, or (ii) a vehicle cannot depart from the site in its usual manner without some repair and/or maintenance, or (iii) a vehicle can depart from the site in its usual manner but will later require some repair and/or maintenance for safe operation, and/or (iv) bodily injury occurs to the driver and/or another individual(s): which requires medical attention to said driver and/or another individual, and/or which results in death.

- (d) Notification of Conviction of Employee Required. Employees must notify their supervisor of any conviction under a criminal drug statute within five (5) days of the conviction. Disciplinary action shall not be taken based solely on the arrest. However, disciplinary action may be taken based on the failure to notify District of the conviction.
- (e) Testing Process.
- (1) The District will make every effort to protect the confidentiality of drug and/or alcohol test results.
  - (2) Non-compliance with a supervisor’s/manager’s request to submit to a fitness for duty test and/or drug or alcohol test under these policies, noncompliance with a supervisor’s/manager’s request that the employee leave the work area or any other reasonable request designed to safeguard the quality of care, the working environment and/or safety of the workplace, the employees or the public, is

viewed as insubordination and is subject to appropriate disciplinary action.

- (3) Employees who voluntarily self-disclose and request assistance or leave for treatment of alcohol and/or drug dependency may be granted leave. District will give such employees information about Employee Assistance Programs. District is not required to grant leave for current users of illegal drugs who are not seeking treatment.
- (4) Negative test results warrant re-instatement and pay for the time off work if the employee was terminated or suspended without pay solely based on prohibited drug or alcohol use, unless other factors warrant termination or discipline, such as an admission of current illegal drug use or poor performance.
- (5) Violation of this policy may lead to corrective action, up to and including immediate termination of employment. Such violation may also have legal consequences.
- (6) All test results will be reviewed by an appropriate licensed medical professional using sensitive accurate methodology to avoid false positive results and to ensure any positive results were not caused by legitimate use of prescription medication. An employee will have the opportunity to consult with a medical professional about a positive result. An employee will also have the opportunity to supply evidence of a legitimate prescription.
- (7) Test results are not revealed to outside agencies or employees unless required by law or legal process including licensing agencies, unless the information is placed at issue in a formal dispute between the employer and employee, to the extent necessary to administer an employee benefit plan (such as a health insurance plan), or where the information is needed by medical personnel to treat an employee during an emergency when the employee is unable to authorize disclosure. (31 C.F.R. 56.20(c).)

## **ARTICLE 2. HEALTH AND SAFETY**

### **3-5.201 HEALTH AND SAFETY**

The District is committed to providing the employees with a safe and healthful work environment. Employees are to immediately report any customer or visitor injury, or any on-the-job injury or illness to the Manager of Human Resources or Department Manager regardless of how minor it may seem.

The District's Injury/Illness Prevention Program and Emergency Evacuation Plan is maintained by the Manager of Human Resources and available for review.

### **3-5.202 INSPECTIONS**

The District reserves the right to inspect all packages and articles brought onto or taken from District premises. The District reserves the right to inspect all desks and lockers on District property. Inspections may be conducted for reasons such as inventory, to search for misplaced/missing items, and/or in circumstances involving reasonable suspicion of misconduct, violation of law, or District rules.

### **3-5.203 OUTSIDE EMPLOYMENT**

An employee shall not engage in any paid or self-employment, activity, or enterprise which is inconsistent, incompatible or in conflict with their District duties, functions, responsibilities, or that of the department in which they are employed at the District. In order to avoid perceived or actual conflicts of interest that may arise from outside employment, all employees must obtain written approval from the General Manager prior to undertaking any outside employment as described in this policy.

Any employee who wants to undertake a paid outside employment, activity, or enterprise must submit a written request to the Manager of Human Resources. The written request must include: the work hours and/or time required; job title or the nature of the activity; the work location; and the supervisor, manager and name of the employer or activity.

The General Manager will determine if the outside employment, activity, or

enterprise is compatible with the employee's employment at the District. If the General Manager determines such activity is compatible, or would be if any conditions or restrictions applied, they will authorize the activity and specify the conditions/ restrictions in writing, give the employee the Outside Employment Authorization, and place a copy in the personnel file. An outside employment authorization is valid only up to one year. Should the employee continue the outside employment, activity, or enterprise for a longer duration, they must make another request following the process in this policy.

An employee's outside employment, activity, or enterprise may be prohibited if it:

- (a) involves the use for private gain or advantage of District time, facilities, equipment, and supplies, or the badge, uniform, prestige, or influence of the District or employment at the District;
- (b) involves receipt or acceptance by the employee of any money or other consideration from anyone other than the District for the performance of an act which the employee would be required or expected to render in the regular course of their District employment;
- (c) involves the performance of an act in other than their capacity as a District employee which act may later be subject directly or indirectly to the control, inspection, review, audit, or enforcement by such employee or the department by which they are employed; or
- (d) involves time demands that would render the employee's performance of their regular District employment less efficient or dangerous to the employee.

### **3-5.204 NEPOTISM POLICY**

Relatives of District employees and District Board members shall not be employed in any position in which the employment of such relative has the potential for adversely impacting the safety, security, morale, or efficiency of supervision of other employees, or in which there may be created a potential conflict of interest.

It is the policy of the District that relatives of employees and The Board shall not be hired, promoted, or transferred into positions in which one relative may supervise,

directly or indirectly, any other relative or work in a capacity which would allow an employee to evaluate or control the terms, conditions, or performance circumstance of employment of a relative.

A “relative” shall be defined as a son, daughter, brother, sister, parent, grandparent, spouse, or domestic partner. Half-relatives, step-relatives and in-laws enumerated by marriage or domestic partnership are included in these restrictions.

The employee is responsible for immediately notifying Human Resources of an impending marriage, domestic partnership or an impending acquired relationship with another employee within the same department.

### **3-5.205 SOLICITATION**

In order to protect employees from annoyance, and interference with their work, the District has adopted the following rules concerning solicitation and distribution of literature:

- (a) No outsiders shall be allowed to solicit or distribute materials on District premises without approval by the General Manager.
- (b) Employees shall not engage in solicitation of any kind in public areas, or in working areas during working time without approval by the General Manager.
- (c) Employees shall not distribute literature in public areas or working areas at any time without approval by the General Manager.
- (d) As used in these rules, the term “working time” means the period of time that an employee is performing job duties. “Working time” does not include time allotted for break or lunch periods or periods before or after work.

### **3-5.206 NO SMOKING POLICY**

Smoking is prohibited inside all District buildings and District vehicles. Smoking is permitted in designated outdoor smoking areas. Cigarettes butts or other tobacco by-products should be properly disposed in the provided outdoor ashtrays or receptacles. The District promotes a smoke-free workplace environment. Accordingly, even in

designated outdoor smoking areas, employees shall be attentive to the sensitivities of the public and District employees who may object to smoking.

### **3-5.207 MOTOR VEHICLE SAFETY**

The District has established and maintains a Driving Record Review Program. As part of this program, it is enrolled in the Department of Motor Vehicles (DMV) Employer Pull Notice Program. This program allows employers driver record reports on its employees. Employees include full-time, part-time employees and supplemental work force.

The District obtains from the DMV a copy of the driving record of all of its employees who operate personal vehicles for the District's business.

- (a) As a public agency, the District is entitled to receive copies of driving records from the DMV without charge.
- (b) A copy of the employees driving record shall be obtained as soon as possible after the employee is hired and annually thereafter.
- (c) The District is responsible for ordering and interpreting all driving records.
- (d) To ensure uniformity in the application of recommendations to employees whose records are found to be unacceptable, the driver record review criteria was developed. (See: "8. Driver Record Review Criteria" in this section)
- (e) Occasionally other concerned employees or the general public may bring to the District's attention the fact that the employee may be jeopardizing the District's integrity and exposing it to undue liability through poor driving techniques and habits while driving on District business. All such complaints will be investigated immediately and action taken to correct the problem as follows:
  - (1) If it is established that the employee has poor driving techniques and/or habits, the District's corrective action may be followed.  
(Depending on the seriousness of the poor driving technique and/or

- habit, it may be desirable to enroll the employee in a “defensive driving” course.)
- (2) A second warning for the same poor driving technique and/or habit, within a three-year period, may require temporary suspension or temporary reassignment to a non-driving position and will be appropriately documented.
- (f) If the employee’s duties require driving a vehicle, the employee must maintain a driving record that will not cause the District’s insurance rate to be increased or for the employee to become uninsurable. Any such actions could lead to disciplinary action.
- (g) If the employee’s duties require driving a vehicle, the employee must provide proof of insurance at least annually.
- (h) Each employee shall comply with all laws regarding the use of cell phones, including but not limited to the use of a hands-free device while driving any vehicle as set forth below. If a designated employee is cited by law enforcement for use of a mobile device while driving, the repercussions of the ticket are the responsibility of that designated employee.
- (1) California Vehicle Code §23123(a) states that “A person shall not drive a motor vehicle while using a wireless telephone unless that telephone is specifically designed and configured to allow hands-free listening and talking, and is used in that manner while driving.”
  - (2) California Vehicle Code §23123.5(a) states that “A person shall not drive a motor vehicle while using an electronic wireless communication device to write, send, or read a text-based communication.”
  - (3) Should an employee need to make a telephone call or send or read an electronic message while driving, they should find a safe, designated area to park and make the call or use a hands-free speaking device such as an earpiece or ear bud.

- (i) The following criteria reflect the good risk management procedures used by the District in order to control its auto liability and physical damage exposures. The Manager of Human Resources will review the employee's Driver Record Report to determine which category the employee will fall into.

(1) Class I - Immediate Attendance in Defensive Driving Program.

- (i) Two points within 35 months;
- (ii) Any moving violation;
- (iii) Any accident; or
- (iv) Two \*\*Failure to Appear notices within 36 months.

(2) Class II - 12-Month Driving Probation. Any additional point violations within this probation period will trigger a Class III recommendation.

- (i) Three to five points within 36 months;
- (ii) Any accident in which the driver was charged with a \*\*\*public offense within 36 months, except for DUI, reckless driving, or speed contest violations (see Class III);
- (iii) Any \*chargeable accident while on District business;
- (iv) A violation for an expired license; or
- (v) Four \*\* Failure to Appear notices within 36 months.

(3) Class III - 120 Day Suspension of District Driving Privileges.

- (i) Four or more points within 24 months
- (ii) Six or more points within 36 months;
- (iii) DUI, reckless driving, or speed contest, NOT during District business;
- (iv) Five \*\* Failure to Appear notices within 36 months;
- (v) Two chargeable accidents within 24 months; or
- (vi) Any citation incurred while license is suspended.

\* Chargeable Accident -- when a driver has received a point violation.

\*\* Failure to Appear -- code 40508A

\*\*\* Public Offense - codes 23100 through 23249.58



**3-5.208 ELECTRIC VEHICLE CHARGING STATION USAGE**

The District has established and maintains Electric Vehicle Charging Stations for the benefit of its employees at designated District facilities. Employees who use the station must comply and have on file with the Human Resources department a signed Electric Vehicle Charging Program Agreement.

### **ARTICLE 3. ABSENTEEISM, CONFIDENTIALITY AND PRIVACY**

#### **3-5.301 ABSENTEEISM / TARDINESS**

Employees who cannot report to work or who will be late for work must notify their supervisor within an hour of the time they were due to report for duty. If the employee's supervisor is not available, the employee should contact Human Resources. The employee should indicate when they expect to return to work. Failure to notify the District when an unplanned absence occurs may result in disciplinary action and/or non-payment of leave time.

Employees are expected to return from scheduled breaks and lunch breaks in a timely fashion.

#### **3-5.302 ABANDONMENT OF POSITION POLICY**

An employee absent from work for three consecutive scheduled workdays without notifying the District will be considered to have abandoned their position. The employee will be given written notice, at their address of record, of the circumstances of the job abandonment, and an opportunity to be heard on the issue of the job abandonment. An employee who timely responds to the deadline listed in the written notice can arrange for an appointment with the Manager of Human Resources before final action is taken, to explain the absence and failure of notification. An employee separated for job abandonment will be reinstated upon proof of justification for such absence, such as severe accident, severe illness, false arrest, or mental or physical impairment which prevented notification. No employee separated for job abandonment has the right to a post-separation appeal.

#### **3-5.303 VENDOR RELATIONSHIPS**

Employees may not engage in any activity with a vendor that does business with the District that constitutes a conflict of interest with the employee's service to the District.

**3-5.304 COMPUTER AND TELECOMMUNICATIONS USE**

All employees are expected to properly use the District's network, computer and telecommunication resources and services in an efficient, effective, ethical, and lawful manner.

Network, computer and telecommunication resources and services include, but are not limited to: servers, workstations (including network and standalone computers, laptops, thin-clients, tablets, terminals, smartphones, voice-over-IP (VOIP) phones), licensed or open-source software, Internet, Intranet and Extranet networks, private and public cloud-based resources (including virtual and remotely controlled resources), application protocols (including http, https, nntp, nntp, smtp), social media, all bulletin board / bulletin board-like systems and services, electronic mail systems, voicemail, facsimile (including electronic fax), all accessed either directly or indirectly. Any other form of electronic or virtual communication currently in place or in the future, is also intended to be encompassed.

The following rules and conditions apply to all employees. Violations of this policy may result in disciplinary action, up to and including termination.

- (a) Employees must comply with all requirements regarding software licenses and copyrights involving the District's network, computer and telecommunication resources and services; and all other state and federal laws governing intellectual property.
- (b) Employees shall not send by e-mail or other form of electronic communication or displayed on or stored in District computers: fraudulent, harassing, embarrassing, intimidating, indecent, profane, obscene, pornographic, or sexually suggestive material of any kind, any content that may demean or offend another's race, religion, national origin, ancestry, disability, medical condition, marital status, gender, sexual orientation, veteran status, age or other protected classification under state and federal law. Employees encountering or receiving such material must immediately report the incident to the Human Resources Department.

- (c) Employees should be professional at all times in use of the District's network, computer and telecommunication resources and services (e.g. drafting e-mails). Employees have no expectation of privacy in their use of the District's network, computer and telecommunication resources and services. Accordingly, the District may, without prior notice, monitor, review, access or retrieve data from its network, computer and telecommunication resources and services.
- (d) Employees may not install software onto their individual computers or the network without first receiving express authorization to do so from the Information Technology (IT) Department.
- (e) Employees shall not forward emails that are clearly labeled as "confidential" by the sender to any other person or entity without the express permission of the sender.
- (f) Employees must include the following header on each page: "ATTORNEY-CLIENT PRIVILEGED/DO NOT FORWARD WITHOUT PERMISSION" for any e-mail from or to in-house counsel or any attorney representing the District."
- (g) Employees should not alter or copy a file that is the work of another user without first obtaining permission from that person.
- (h) Employees may not use computer and telecommunication devices for the transmission or storage of commercial or personal advertisements, solicitations, promotions, destructive programs (viruses and/or self-replicating code), or any other unauthorized use.
- (i) Employees are responsible for safeguarding their passwords for the system. Individual passwords should not be printed, stored online, or given to others and will be responsible for all transactions made using their passwords.

Access to any of the District's network, computer, or telecommunication systems (both physical and virtual) without the expressed, written consent from the Information Technology Division is strictly prohibited.

**3-5.305 CONFIDENTIALITY**

Employees may have access to, acquire and become acquainted with potentially confidential information and property relating to the District and its operations. All such confidential information obtained in the course of employment is to be used for conducting District business only. Employees are not to discuss or disclose confidential District information or property, either directly or indirectly, with or in the presence of persons outside the District, either during employment, or at any time thereafter, except as required by your supervisor. Confidential District information in any form, including but not limited to documents, tapes, lists, computer printouts, studies, reports, drafts, pictures, charts, maps, drawings, programs, equipment, scrap, blueprints, vendor lists, customer lists, client billing information, all financial reports, all payroll information, records, and may not be removed from the District facilities without the advance permission of a supervisor. Upon termination of employment, employees must return all District documents, equipment and materials and may not retain any copies of such materials.

Violation of this policy may result in discipline up to and including termination. Employees are to notify the Manager of Human Resources immediately if they discover violations of this policy.

**3-5.306 EMPLOYEE PRIVACY**

The District maintains and uses many facilities and communication systems, such as telephones, regular mail, special delivery services, e-mail, voice mail, fax machines, computers, etc., which are designed to make District operations effective and efficient.

The use of District facilities or communication systems is for the conduct of District business. Personal use of District facilities or communication systems for inappropriate purposes or in excess is prohibited. Employees should not expect privacy with respect to the use of any of the District's facilities or communication systems. The District periodically and without prior notice, monitors, reviews, and accesses such facilities and communication systems. Inspections may be conducted for such varied reasons as inventory, the search for misplaced/missing items, work measurement, and/or circumstances involving reasonable suspicion of employee misconduct. The District reserves the right when it determines that appropriate circumstances exist to:

- (a) Inspect all e-mail, mail, faxes, or deliveries sent to any District location, no matter to whom it is addressed.
- (b) Inspect all desks, workstations, and any District materials and spaces at any District facility.
- (c) Inspect all articles, packages, or other containers brought onto or taken from any District facility.
- (d) Capture and inspect all District computer, voice mail and electronic mail systems.
- (e) Cancel any employee's privilege to use any or all of its facilities or communication systems.

### **3-5.307 APPEARANCE AND GROOMING**

The appearance and grooming policy is designed to promote the District's legitimate and non-discriminatory goals to promote workplace safety and a professional image that is consistent with the employee's job duties and level of public contact. During working hours, employees are required to present a professionally appropriate appearance for the jobs they are performing. All clothing and footwear must be neat, clean, in good repair, and appropriate for the work environment and functions performed. Prescribed uniforms and safety equipment must be worn. Hair must be neat, clean, and well-groomed. Beards, mustaches, and sideburns must be maintained in neat and well-groomed fashion. Jewelry that does not pierce the skin is acceptable except where it constitutes a health or safety hazard. Good personal hygiene is required. If an employee has questions about the applicable appearance and grooming standards, the matter should be immediately raised with the employee's supervisor for consideration and determination.

## **ARTICLE 4. POLITICAL ACTIVITIES**

### **3-5.401 POLITICAL ACTIVITIES**

Employees are prohibited from engaging in any political activities during working hours or on District property. Employees may not solicit or receive political funds or contributions to promote the passage or defeat of any ballot measure that would affect working conditions during the working hours, or on District property. Employees may not directly or indirectly solicit political contributions from other officers or employees of the District unless the solicitation is part of a solicitation made to a significant segment of the public which may incidentally include officers from and employees of the District. Employees are prohibited from participating in political activities of any kind while in a District uniform or other District-issued clothing.

## **ARTICLE 5. CREDIT CARD USAGE POLICY**

### **3-5.501 CREDIT CARD USAGE**

The General Manager or their designee shall determine which employees are eligible for a District credit card. The following guidelines establish the District's policies and procedures for using District issued credit cards when making minor supply and service purchases on behalf of the District, and paying for travel expenses while travelling for District business.

- (a) The District credit card assigned to the employee will have the employee's name and West Basin MWD embossed on the card. Authorization to use this card is exclusive to the assigned individual employee only. Use of the card may be delegated to staff within the same department of the assigned employee pursuant to department manager's approval. The card may only be used for official District business only and may not be used for any personal purchases. Unauthorized purchases made with the card may result in immediate and permanent cancellation of the employee's card and discipline up to and including termination.
- (b) Prior to receiving a credit card, the employee must sign a "West Basin MWD" Credit Card Cardholder Agreement" form. In signing this form, the employee acknowledges:
  - (1) Receipt of the card,
  - (2) The credit limit; and
  - (3) An understanding of the rules/procedures of the West Basin MWD credit card policy.
- (c) The credit card shall only be used for authorized District purchases. All personnel with access to the District credit card shall exercise good judgment in the use and stewardship of the District resources, and all purchasing functions shall be conducted with absolute integrity and objectivity. Purchases are subject to public scrutiny; employees shall follow a strict rule of personal conduct that will not compromise the District in the



conduct of its business. Any employee intentionally and/or repeatedly making purchases in a manner that circumvents, ignores, or fails to comply with the District's Procurement Policies will be subject to disciplinary action. The card may not be used to purchase items deemed excluded purchases by the District (see "EXCLUDED PURCHASES"). With the exception of purchases related to District-related travel, training, or conferences, a single purchase transaction may be comprised of multiple items, but the total of the transaction including tax and shipping cannot exceed the threshold set forth in the Administrative Code section 5-1.104, (b). Any transactions over the set amount set forth in section 5-1.104, (b) must go through the PO Requisition process. All District purchasing policies and procedures apply to credit card purchases. The employee shall ensure that sufficient funds are available in the Department's budget before making any purchases. The department manager can assist in verifying that funds are available. If an emergency arises, which necessitates exceeding the maximum purchase limit established for the credit card, the employee must contact the Finance Department in order to increase the limit. Purchases must not be split to circumvent these credit card usage guidelines.

- (d) For transactions that exceed the authorized amount for procurement of goods may be processed through Accounts Payable. Employees should make their best efforts to process the transactions through Accounts Payable as opposed to using the credit card.
- (e) Employees must be able to explain the District-related purpose and necessity of all purchases made with the credit card. If the District determines that a purchase did not have a District-related purpose or that the purchase was unnecessary, the employee may be subject to discipline up to and including termination.
- (f) Any questions the employee may have regarding the credit card account such as account balance, a lost or stolen card, or the reason why a transaction was declined should be directed to the credit card administrator. If the employee does not receive the

credit card monthly statement in a timely manner, the employee shall contact the credit card provider and request the statement.

### **3-5.502 EXCLUDED PURCHASES**

- (a) The District credit card shall not be used for:
  - 1. Any personal expenses incurred during travel that are not reimbursable;
  - 2. Services;
  - 3. Computer hardware, software, or goods (Unless approved by the Information Technology Division);
  - 4. Personal items;
  - 5. Rental or lease of land or buildings.
- (b) If any personal charges are inadvertently charged to the District credit card, the employee shall include a check made payable to the District in an amount for the inadvertent charge at the same time the employee presents the credit card statement to the Finance Department for payment. Employees should make their best efforts to avoid inadvertent personal charges. Frequent inadvertent personal charges may jeopardize the employee's future use of a District credit card.
- (c) The credit card shall not be used for cash advances or purchases of items carried in inventory unless out of stock.

### **3-5.503 STATEMENT PROCEDURES**

Upon receipt of their monthly credit card statement, the employee is required to review and attest to the accuracy of the statement and forward it along with all receipts to Accounts Payable within 10 calendar days of receipt. The department manager will be responsible for any cardholder on leave or travel to ensure that their statement is reviewed and all appropriate receipts affixed.

If the department manager determines a purchase was not necessary or not related to District business, the department manager shall direct the employee to attempt to return the purchased item(s) for credit. If credit is received for the purchase, the

employee must provide evidence to the department manager that the District received credit for the return.

### **3-5.504 DISPUTES**

If an item received through a purchase made with the credit card is defective or not the correct item purchased, the employee is responsible to attempt to return the item to the merchant for replacement or to request a credit on the purchase. If the merchant refuses to replace or correct the faulty item, or issue a credit, then the purchase of this item will be considered to be in dispute and will not be paid by the Finance Department until the dispute has been resolved with the credit card company.

### **3-5.505 FRAUDULENT CHARGES**

If the employee has reason to believe that the credit card has been fraudulently used, the employee must immediately contact the Finance Department, who will handle the matter directly with the credit card company.

### **3-5.506 SEPARATION OF EMPLOYMENT**

Credit cards are issued to individual employees. If an employee separates from District employment, their card must be forwarded to the Finance Department prior to the employee's separation in order to cancel the account and destroy the card and all receipt for items purchased but not yet paid for must be provided.

### **3-5.507 LOST OR STOLEN CREDIT CARDS**

Should any employee lose or have their credit card stolen, it is the employee's responsibility to immediately contact the credit card company. In addition, the employee must notify the Finance Department within one (1) working day after discovering that the card was lost or stolen. When appropriate, the District shall issue a replacement credit card to the employee.

## ARTICLE 6. SOCIAL MEDIA POLICY

### 3-5.601 SOCIAL MEDIA

The District understands that its employees use social media sites to share events in their lives, to communicate, and to discuss their opinions with others, including family, friends and co-workers. However, the use of social media may present certain risks and carries with it certain responsibilities. To assist employees in making responsible decisions about their use of social media, the District has established this policy and guidelines for appropriate use of social media.

In the rapidly expanding world of electronic communication, social media can mean many things. In general, social media encompasses the various activities that integrate technology, social interaction, and content creation. Through social media, individuals can create Web content, can organize, edit, or comment on content, as well as combine and share content on their own web site or on someone else's. Social media uses many technologies and forms, including Web feeds, blogs, wikis, photography and video sharing, web logs, journals, diaries, chat rooms, bulletin boards, affinity web sites, podcasts, social networking, fan sites, mashups, and virtual worlds.

(a) Understand Your Rights and Responsibilities in using Social Media Technology

- (1) Use good and ethical judgment. To the extent your social media use impacts District employees, customers, and vendors, follow District policies and regulations as applicable, including but not limited to those that protect individual privacy rights, anti-discrimination, retaliation, and harassment policies, the anti-workplace violence policy and other relevant District policies. Employees must avoid social media use that reasonably could be viewed as malicious, obscene, or threatening or that might constitute harassment or bullying toward other District employees, customers, and vendors. Examples of such conduct might include offensive posts that could contribute to a hostile work environment on the basis of race, religious creed, color, national origin, ancestry, physical or mental

disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation or any other status protected by law or District policy. Examples of threatening conduct include posting material that would make a reasonable person afraid for their safety or the safety of their family.

- (2) If the employee's conduct adversely affects their job performance; the performance of their co-workers; is detrimental to the mission and function of the District; or otherwise adversely affects members of the public served by the District, the District may take disciplinary action against the employee up to and including termination.
- (3) Employees are more likely to resolve work-related complaints by speaking directly with their co-workers or via other channels such as speaking with the Human Resources Department, or by filing an internal complaint or grievance, if applicable.
- (4) Employee shall strive for accuracy and full disclosure in any blog or post, include a link to the sources of information, and if the employee makes a mistake, correct the information, or retract it promptly. All employees are welcomed to follow the District's official media channels. However, we ask all employees to refrain from providing information to the community as a representative of the District through any media channels unless you have express authorization to do so. We further encourage employees who wish to post about the District to re-publish or re-share posts as they appear in the District's official media channels.
- (5) Employee shall not post any information or rumors that they know to be false about the District, their coworkers, or people working on behalf of the District.
- (6) Employee shall not disclose information that may violate the District or employee rights. For example, do not disclose another employee's

social security number, medical information or financial information in a manner that violates that person's rights.

- (7) If the employee prefers to keep their personal life separate from their professional or work life, use privacy settings to restrict personal information on public sites. The employee should also consider who they invite or accept to join their social network as those individuals will have access to the employee's profile, photographs, etc.
- (8) This policy is not intended to, and will not be applied to improperly restrict employees from engaging in concerted activity, including discussing their wages, hours and working conditions with other employees.

(b) Using Social Media at Work

- (1) Employees shall not use the District's electronic communication resources or work time for personal social media use.
- (2) Employee shall not use District email addresses to register on social networks, blogs or other online tools utilized for personal use.

(c) Media Contacts

Employees shall not speak to the media on the District's behalf without notifying the General Manager and Manager of Communications. All media inquiries should be directed to the General Manager and Manager of Communications.

## **LIST OF CHANGES TO PART 3, CHAPTER 5. DISTRICT POLICIES**

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<sup>1</sup> Article 1, Section 3-5.101 through 3-5.102, Article 2, Section 3-5.201 through 3-5.208, Article 3, Section 3-5.301 through 3-5.307, Article 4, Section 3-5.401, Article 5, Section 3-5.501 through 3-5.507, Article 6, Section 3-5.601 amended by Resolution 11-20-1120 on November 23, 2020.

## **CHAPTER 6. EQUAL OPPORTUNITY<sup>1</sup>**

### **ARTICLE 1. POLICY AGAINST DISCRIMINATION, HARASSMENT, OR RETALIATION; AND COMPLAINT PROCEDURE**

#### **3-6.101 PURPOSE**

The District has a strong commitment to prohibit and prevent discrimination, harassment, and retaliation in its workplace. The District has zero tolerance for any conduct that violates this policy. Conduct need not arise to the level of a violation of state or federal law to violate this policy. Instead a single act can violate this policy and provide grounds for discipline or other appropriate sanctions. This policy establishes a complaint procedure for investigating and resolving internal complaints. The District encourages all covered individuals to report-- as soon as possible-- any conduct that is believed to violate this policy. Any retaliation against a person for filing a complaint or participating in the complaint resolution process is prohibited. Individuals found to be retaliating in violation of this policy will be subject to appropriate sanction or disciplinary action up to and including termination.

#### **3-6.102 COVERED INDIVIDUALS AND SCOPE OF POLICY**

The individuals covered by this policy are: applicants, employees regardless of rank or title, elected or appointed officials, interns, volunteers, and contractors. This policy applies to all terms and conditions of employment, internships, and volunteer opportunities, including, but not limited to, selection, hiring, placement, promotion, disciplinary action, layoff, recall, transfer, leave of absence, compensation, and training.

#### **3-6.103 DEFINITIONS**

- (a) Protected Classification – This policy prohibits harassment or discrimination because of an individual's protected classification. "Protected Classification" includes race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression,



age, sexual orientation, or military and veteran status, or any other basis protected by law. (Gov. Code § 12940(a).) This policy prohibits discrimination, harassment, or retaliation because:

- (1) of an individual's protected classification;
  - (2) the perception that an individual has a protected classification; or
  - (3) the individual associates with a person who has or is perceived to have a protected classification.
- (b) Discrimination – This policy prohibits treating individuals differently because of the individual's actual or perceived protected classification as defined in this Policy. (Gov. Code § 12926(o).)
- (c) Harassment – Harassment includes, but is not limited to, the following types of behavior that is taken because of a person's actual or perceived protected classification:
- (1) Speech, such as epithets, derogatory comments, or slurs, and propositioning on the basis of a protected classification. This includes inappropriate comments about appearance, dress, or physical features, conduct inconsistent with gender identification, or race-oriented stories and jokes.
  - (2) Physical acts, such as assault, impeding or blocking movement, offensive touching, or physical interference with normal work or movement. This includes pinching, grabbing, patting, propositioning, leering, or making explicit or implied job threats or promises in return for submission to physical acts.
  - (3) Visual acts, such as derogatory posters, cartoons, emails, pictures, or drawings related to a protected classification.
  - (4) Unwanted sexual advances, requests for sexual favors and other acts of a sexual nature, where submission is made a term or condition of employment, where submission to or rejection of the conduct is used as the basis for employment decisions, or where the conduct is intended to or actually does unreasonably interfere with

an individual's work performance or create an intimidating, hostile, or offensive working environment. (Gov. Code §12940(j); 2 Cal.Code Regs § 11091(b)(1).) A single incident of harassing conduct can constitute harassment.

### **3-6.104 GUIDELINES FOR IDENTIFYING HARASSMENT**

Harassment includes any conduct which would be unwelcome or unwanted to an individual of the recipient's same protected classification. Use the following guidelines to determine if conduct is unwelcome or unwanted:

- (a) It is no defense that the recipient appears to have "consented" to the conduct at issue. A recipient may not protest for many legitimate reasons, including the need to avoid being insubordinate or to avoid being ostracized.
- (b) Simply because no one has complained about a joke, gesture, picture, physical contact, or comment does not mean that the conduct is welcome. Harassment can evolve over time. Small, isolated incidents might be tolerated up to a point. The fact that no one is complaining now does not preclude anyone from complaining if the conduct is repeated in the future.
- (c) Even visual, verbal, or physical conduct between two people who appear to welcome the conduct can constitute harassment of a third person who observes the conduct or learns about the conduct later. Conduct can constitute harassment even if it is not explicitly or specifically directed at an individual.
- (d) Conduct can constitute harassment in violation of this Policy even if the individual has no intention to harass. Even well-intentioned conduct can violate this Policy if the conduct is directed at, or implicates a protected classification, and if an individual of the recipient's same protected classification would find it offensive (e.g., gifts, over attention, endearing nicknames).

### **3-6.105 RETALIATION**

Any adverse conduct taken because a covered individual has opposed harassment or discrimination, or has participated in the complaint and investigation process described herein. "Adverse conduct" includes but is not limited to: taking sides because an individual has reported harassment or discrimination, spreading rumors about a complaint, shunning, and avoiding an individual who reports harassment or discrimination, or real or implied threats of intimidation to prevent an individual from reporting harassment or discrimination.

### **3-6.106 COMPLAINT PROCEDURE**

A covered individual who believes they have been harassed may make a complaint -- verbally or in writing -- to any supervisor, manager, or department head, without regard to any chain of command. Any supervisory or management employee who receives a harassment complaint should immediately notify the Manager of Human Resources. Upon receiving notification of a harassment complaint, the Manager of Human Resources will complete and/or delegate the following steps. If the Manager of Human Resources is accused or a witness to the events at issue, an individual with higher authority will complete and/or delegate the following steps.

- (a) Authorize and supervise the investigation of the complaint and/or investigate the complaint. The investigation will include interviews with:
  - (1) the complainant;
  - (2) the accused; and
  - (3) other persons who have relevant knowledge concerning the allegations in the complaint
- (b) Review the factual information gathered through the investigation to determine whether the alleged conduct constitutes harassment, discrimination, or retaliation giving consideration to all factual information, the totality of the circumstances, including the nature of the conduct, and the context in which the alleged incidents occurred.
- (c) Report a summary of the determination as to whether this policy has been violated to appropriate persons, including the complainant, the alleged

wrongdoer, the supervisor, and the department head. If discipline or sanctions are imposed, the level of discipline or sanctions will not be communicated to the complainant.

- (d) If conduct in violation of this policy occurred, take or recommend to the appointing authority prompt and effective remedial action. The remedial action will be commensurate with the severity of the offense.
- (e) Take reasonable steps to protect the complainant from further harassment, discrimination, or retaliation.

### **3-6.107 PROACTIVE APPROACH**

The District takes a proactive approach to potential policy violations and will conduct an investigation if its supervisory or management employees become aware that harassment, discrimination, or retaliation may be occurring, regardless of whether the recipient or third party reports a potential violation.

### **3-6.108 OPTION TO REPORT TO OUTSIDE ADMINISTRATIVE AGENCIES**

An individual has the option to report harassment, discrimination, or retaliation to the U.S. Equal Employment Opportunity Commission (EEOC) or the California Department of Fair Employment and Housing (DFEH). These administrative agencies offer legal remedies and a complaint process. The nearest offices are listed in the government section of the telephone book or employees can check the posters that are located on the District's bulletin boards for office locations and telephone numbers.

### **3-6.109 CONFIDENTIALITY**

Every effort will be made to assure the confidentiality of complaints made under this policy. Complete confidentiality cannot occur, however, due to the need to fully investigate and the duty to take effective remedial action. As a result, confidentiality will be maintained to the extent possible. An employee who is interviewed during the course of an investigation is prohibited from attempting to influence any potential witness while the investigation is ongoing. An employee may discuss their interview with a designated representative. The District will not disclose a completed investigation report except as it

deems necessary to support a disciplinary action, to take remedial action, to defend itself in adversarial proceedings, or to comply with the law or court order.

### **3-6.110 RESPONSIBILITIES**

- (a) Each non-manager or non-supervisor is responsible for:
  - (1) Treating all individuals in the workplace or on worksites with respect and consideration.
  - (2) Modeling behavior that conforms to this policy.
  - (3) Participating in periodic training.
  - (4) Fully cooperating with the District's investigations by responding fully and truthfully to all questions posed during the investigation.
  - (5) Taking no actions to influence any potential witness while the investigation is ongoing.
  - (6) Reporting any act they believe in good faith constitutes harassment, discrimination, or retaliation as defined in this policy, to their immediate supervisor, or department head, or the Manager of Human Resources
- (b) In addition to the responsibilities listed above, each manager and supervisor is responsible for:
  - (1) Informing employees of this policy.
  - (2) Taking all steps necessary to prevent harassment, discrimination, or retaliation from occurring, including monitoring the work environment and taking immediate appropriate action to stop potential violations, such as removing inappropriate pictures or correcting inappropriate language.
  - (3) Receiving complaints in a fair and serious manner, and documenting steps taken to resolve complaints.
  - (4) Following up with those who have complained to ensure that the behavior has stopped and that there are no reprisals.
  - (5) Informing those who complain of harassment or discrimination of

their option to contact the EEOC or DFEH regarding alleged policy violations.

- (6) Assisting, advising, or consulting with employees and the Manager of Human Resources regarding this policy and complaint procedure.
- (7) Assisting in the investigation of complaints involving employee(s) in their departments and, if the complaint is substantiated, recommending appropriate corrective or disciplinary action in accordance with these policies, up to and including discharge.
- (8) Implementing appropriate disciplinary and remedial actions.
- (9) Reporting potential violations of this policy of which they become aware, regardless of whether a complaint has been submitted.
- (10) Participating in periodic training and scheduling employees for training.

## **ARTICLE 2. REASONABLE ACCOMMODATION AND INTERACTIVE PROCESS FOR DISABILITIES PROCEDURE**

### **3.6-201 PURPOSE**

The District may require that prior to and after appointment employees be subject to physical and/or psychological examinations. Such examinations shall be performed by a physician stipulated by the District and shall be at the District's expense.

### **3.6-202 EMPLOYEES PHYSICALLY OR PSYCHOLOGICALLY DISABLED**

This section shall apply to all employees. No employee shall hold any position in a class where they are physically or psychologically unable to perform the essential duties of such position, with or without reasonable accommodation if disabled, and/or without threat to the health or safety of self or others.

### **3.6-203 DISABILITY DISCRIMINATION/REASONABLE ACCOMMODATION POLICY**

This section shall apply to all employees. Discrimination based on disability directed at an applicant for employment or a current employee who is otherwise qualified for the position is prohibited. The District provides employment-related reasonable accommodations to qualified individuals with disabilities within the meaning of the California Fair Employment and Housing Act and the Americans with Disabilities Act.

An employee who engages in discrimination against another employee with a disability is subject to disciplinary action, up to and including termination.

This policy applies to the job application and examination processes and to all terms and conditions of employment including, but not limited to, hiring, placement, promotion, disciplinary action, layoff, recall, transfer, leave of absence, compensation, and training.

The prohibitions include:

- (a) Limiting, segregating, or classifying a job applicant or employee in a way that adversely affects their opportunities or status because of the applicant's or employee's disability;

- (b) Participating in a contract that has the effect of subjecting an applicant or employee of the District with a disability to discrimination. Such contracts could include those with employment agencies, employee organizations, unions, benefits providers, or training programs;
- (c) Using standards, criteria or methods of administration that could have the effect of discrimination on the basis of disability, and which are not job-related and consistent with business necessity;
- (d) Discriminating on the basis of disability against a qualified individual with a disability in regard to compensation, fringe benefits, promotion, job assignments and training;
- (e) Failing to make reasonable accommodations to known physical or mental limitations of an otherwise qualified applicant or employee unless the District can show that the accommodation would impose an undue hardship;
- (f) Using selection criteria that exclude disabled persons, unless the criteria are job-related and consistent with business necessity; and
- (g) Failing to select and administer employment tests in a manner that ensures that the test results accurately reflect the applicant's or employee's skills or aptitude for a particular job.

This policy also prohibits retaliating against any individual because the person has opposed any act or practice that is discriminatory or because that individual made a charge, testified, assisted, or participated in any manner in an investigation or proceeding to enforce this policy.

Furthermore, it is a violation of this policy to coerce, intimidate, threaten, harass, or interfere with any individual in the exercise of enjoyment of or because that individual aided or encouraged any other individual in the exercise of any right granted or protected by this policy.



**3.6-204 REASONABLE ACCOMMODATIONS**

- (a) Request for Accommodation. Absent undue hardship or direct threats to the health and safety of employee(s), the District provides employment-related reasonable accommodations to qualified individuals with disabilities, both applicants and employees, to enable them to perform essential job functions.
- (b) Reasonable Documentation of Disability. Following receipt of the request, the Manager of Human Resources or designee may require the applicant or employee to provide reasonable medical documentation confirming the existence of the disability and the need for reasonable accommodation, along with the name and credentials of the individual's health care provider.
- (c) Fitness for Duty Examination. The District may require an employee to undergo a fitness for duty examination at the District's expense to determine whether the employee can perform the essential functions of the job with or without reasonable accommodation where there is significant evidence that the employee's ability to perform one or more essential functions of their job has declined; or could cause a reasonable person to question whether an employee is still capable of performing one or more of their essential job duties, or is still capable of performing those duties in a manner that does not harm any person. The District may also require that a District-approved physician conduct the examination.

During the course of a fitness for duty examination, the District will not seek or use information regarding an employee's medical history, diagnoses, or course of treatment without an employee's written authorization.

- (d) Interactive Process Discussion. After receipt of reasonable documentation of disability, a fitness for duty report, and/or the District learns there is a need for a reasonable accommodation, the District will arrange for a discussion, in person or via telephone conference call, with the applicant or employee, and their representative(s), if any. The purpose

of the discussion is to work in good faith to consider all feasible potential reasonable accommodations. The District will document these communications in writing.

- (e) Case-by-Case Determination. The District determines, in its sole discretion, whether reasonable accommodation(s) can be made, and the type of accommodation(s) to provide after receipt of interactive communications and information including but not limited to potential accommodations that employee has suggested, consideration as to whether additional discussions with the employee would be helpful, and an employee's preferences. The District will not provide accommodation(s) that would pose an undue hardship upon District finances or operations, or that would endanger the health or safety of the employee or others. The District will inform the employee of its decision as to reasonable accommodation(s) in writing.

### **3.6-205 COMPLAINT PROCEDURES**

A qualified job applicant or employee with a disability who believes that they have been discriminated against on the basis of disability may make a complaint preferably in writing as soon as possible after the incident. The procedure for investigation of complaints is set forth in the Harassment/Retaliation Policy.

## **LIST OF CHANGES TO PART 3, CHAPTER 6. EQUAL OPPORTUNITY**

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<sup>1</sup> Article 1, Section 3-6.101 through 3-6.110, Article 2, Section 3-6.201 through 3-6.205 amended by Resolution 11-20-1120 on November 23, 2020.

## **CHAPTER 7. EMPLOYEE CONDUCT<sup>1</sup>**

### **ARTICLE 1. CONDUCT AND DISCIPLINE**

#### **3-7.101 CONDUCT**

Employees are the agents of the District and serve the public. All employees shall demonstrate the highest standards of ethics and conduct. The District requires all employees to be courteous, considerate, to be accurate in their statements, and to exercise sound judgment in the performance of their work duties. No employee shall unlawfully grant any special consideration, treatment, or advantage to any person beyond that which is available to every other person in similar circumstance.

To meet this above stated requirement, employees must:

- (a) Be responsive, efficient, courteous, and impartial in the performance of their job, assuring fair and equal treatment of all persons, claims and transactions coming before them in their official capacities.
- (b) Never accept or engage in employment or activities that may appear to be, or are incompatible with public duties, whether on or off duty. Employees of the District should not become involved or affiliated with any agency or entity that receives funds from the District, either directly or indirectly, where that association or affiliation may create a conflict of interest, or an appearance of a conflict of interest or impropriety.
- (c) Disclose all financial interests which may constitute a conflict of interest with official duties, and disclose the nature and extent of personal interests in any business entity engaging in any transaction with the District to the extent required under the District's Conflict of Interest Code.
- (d) Refuse to accept gifts, favors, services or promise of future benefit from any person or entity doing business with the District, such as, but not limit to, vendors, contractors, developers, agents, attorneys, or others where such gift, favor, service, or promise could compromise independence of judgment or action as a public official or employee. Any such gifts must be reported on the Statement of Economic Interest Form for applicable employees as referenced in the District's Conflict of Interest Code.

**3-7.102 RULES OF CONDUCT**

Failure to adhere to the rules of conduct shall constitute grounds for disciplinary action, up to and including termination. Grounds for discipline include, but are not limited to, the following:

- (a) Furnishing gifts and entertainment at District expense unless approved by the General Manager.
- (b) Inefficient or careless performance of job responsibilities or inability to perform duties satisfactorily.
- (c) Failure to promptly report to your supervisor an on-the-job injury or accident involving an employee, client, visitor, equipment, or property.
- (d) Negligence that results in injury to personnel, a visitor, or a client.
- (e) Falsification of records in the transaction of District business.
- (f) Unauthorized signing or altering another employee's time sheet.
- (g) Unauthorized, unreported, or excessive absence or tardiness; abuse of sick leave, or failure to request and obtain an approved leave of absence or an extension in a timely manner; misrepresentation of reasons in applying for any leaves of absence, sick leave, or other time away from work.
- (h) Insubordination, including refusal or failure to perform assigned work or a direct order.
- (i) Selling, possessing or being under the influence of alcohol or illegal drugs during working hours or while on District or customer premises or business.
- (j) Gambling at District facilities.
- (k) Sleeping while on duty.
- (l) Fighting or provoking a fight, or engaging in acts of violence or threatening behavior, or interfering with others in the performance of their jobs.
- (m) Making malicious, false, or derogatory statements that may damage the integrity or reputation of the District, its employees, or clients.
- (n) Misrepresentation or withholding of pertinent facts in securing or maintaining employment.

- (o) Rude, unprofessional, or discourteous conduct toward supervisors, fellow employees, customers, or visitors.
- (p) Any action which endangers the health or safety of others.
- (q) Misuse, unauthorized use or removal of District-owned material, equipment, or property.
- (r) Abuse of break times and meal periods.
- (s) Possession, display, or use of explosives, firearms, or other dangerous weapons during work hours or at District or client premises at any time.
- (t) Engaging in any activity that is in conflict with the best interests of District.
- (u) Transacting personal business during working hours.
- (v) Failure or refusal to follow general policies, rules and procedures of District, or instructions of supervisory or authorized personnel.
- (w) Disclosing or discussing confidential matters to outsiders or other employees who do not have a business need for the information.
- (x) Making any false, incomplete, or misleading statement or attempting any deception in response to questioning during any Departmental investigation into allegations of wrongdoing by any District employee; or failing to cooperate in any investigation or proceeding resulting from a complaint filed by any employee or member of the public alleging wrongdoing by any employee of the District. Failure to cooperate shall include failing to disclose the existence of facts or documents within the person's knowledge or possession, destroying documents or other things relevant to the investigating or processing or failing to make oneself available to testify at any hearing or proceeding which is conducted during business hours of the District, or refusing to answer questions posed while being questioned during any investigation or while testifying in any proceeding or otherwise attempting to hinder, frustrate or obstruct any investigation or proceeding being conducted by the District. Any employee being questioned about their knowledge relative to any allegation of violating this provision may request a representative of their choosing present during such questioning.

- (y) Retaliation against any other District employee or member of the public who reports, discloses, divulges, or otherwise brings to the attention of appropriate authority any facts or information relative to alleged violation of any law, ordinance, or the District's Administrative Code, occurring on the job or related thereto.
- (z) Abusive conduct including malicious verbal, visual or physical actions, or the gratuitous sabotage or undermining of a person's work performance.
- (aa) Other failure of good behavior either during or outside of duty hours which is of such nature that it causes discredit to the District, the appointing authority, or the person's employment.

Violation of any rules, regulations, policies, and practices specified in this Administrative Code are grounds for disciplinary action up to and including termination.

### **3-7.103 DISCIPLINE/APEALS PROCESS**

The District shall provide regular, non-probationary full-time employees, except the General Manager and limited-term employees, with the following procedural due process rights when discipline (e.g., suspension without pay, demotion, reduction in pay and termination) is proposed. Employees who may serve at the pleasure of the General Manager are only entitled to those rights consistent with their "at will" status.

Human Resources will provide an employee a "written notice of proposed disciplinary action" by registered mail or personal delivery at least ten working days before discipline is to be imposed. The District may elect to place the individual on paid or unpaid administrative leave pending the outcome of an investigation that may lead to disciplinary action

- (a) The written notice shall include a statement of the reason for the proposed discipline, the date the proposed action is intended to become effective, copies of all materials or documents being used to support the proposed discipline, the opportunity to respond either orally or in writing to the proposed discipline, and the employee's right to representation. An employee's failure to respond prior to the effective date of the proposed

action is a waiver of the right to appeal the action.

- (b) An employee may respond either orally or in writing within ten working days of the employee's receipt of the notice of proposed disciplinary such action to Human Resources. In the case a complaint involves Human Resources, the General Manager shall designate a member of the Management to handle the matter.
- (c) If the employee seeks to respond to the proposed action within ten working days, the General Manager shall review the written record and meet with the employee.
- (d) The General Manager shall provide the employee and Human Resources with a written decision. The General Manager may decide to take no disciplinary action, modify the proposed discipline, or impose the proposed disciplinary action. The General Manager's decision is final and without any right of further appeal to the Personnel Review Board (as set forth below in Section 3-7.104) unless the discipline involves suspensions of thirty working days or more without pay, reduction in pay, termination, or demotion.
- (e) Human Resources shall issue a final written notice of disciplinary action consistent with the General Manager's decision. The written notice shall set forth the level of the discipline, the facts and reasons that support the discipline and shall include copies of all materials or documents being used to support the discipline. In cases of suspensions of 30 days or more without pay, demotion, or termination, the notice of disciplinary action shall also inform the employee of the employee's opportunity to appeal the disciplinary action before the Personnel Review Board.
- (f) An employee who is suspended for thirty working days or more without pay, has a reduction in pay, is demoted, or terminated may request an appeal hearing before the Personnel Review Board by filing a written "notice of appeal" within ten working days of the final notice of disciplinary action. The written notice of appeal shall include the reasons for the appeal and the relief requested by the employee. The notice of appeal shall be filed with



the Board Secretary.

- (g) The Board Secretary shall make every reasonable effort to schedule a hearing before the Personnel Review Board no sooner than ten calendar days and not more than thirty calendar days after receipt of the notice of appeal. The parties may stipulate to a longer period of time in which to hear the appeal.
- (h) The Personnel Review Board shall rule on the admission or exclusion of evidence but shall not be bound by technical rules of evidence.
- (i) Each party shall have these rights: To be represented by legal counsel or other person of their choice; to call and examine witnesses; to introduce evidence; to cross-examine opposing witnesses on any matter relevant to the issues even though that matter was not covered in the direct examination; to impeach any witness regardless of which party first called them to testify; and to rebut the evidence against them. If the respondent does not testify on their own behalf, they may be called and examined as if under cross-examination.
- (j) Oral evidence shall be taken only on oath or affirmation.
- (k) The hearing shall proceed in the following order, unless the Personnel Review Board, for special reason, otherwise directs:
  - (1) The party imposing discipline shall be permitted to make an opening statement.
  - (2) The appealing party shall be permitted to make an opening statement.
  - (3) The party imposing disciplinary action shall produce the evidence.
  - (4) The party appealing from such disciplinary action may then open their defense and offer their evidence in support thereof.
  - (5) The parties may then, in order, respectively offer rebutting evidence.
  - (6) Closing arguments or written closing briefs shall be provided.
  - (7) The Personnel Review Board shall render a written decision as soon after the conclusion of the hearing or within 60 working days after

conducting the hearing. The Personnel Review Board may sustain, reverse, or modify the decision of the General Manager. Such decision shall set forth which charges, if any, are sustained and the reasons therefore. The District will mail a copy of the final written findings and decision, along with a proof of service of mailing that confirms that each of the parties and each of the parties' representatives were mailed the final written findings and decision. It shall be the responsibility of the employee to inform the District of their address. A copy of the decision shall also be provided to the Manager of Human Resources.

#### **3-7.104 PERSONNEL REVIEW BOARD**

The Personnel Review Board is the hearing body for all employee appeals and is comprised of the Directors of the West Basin Municipal Water District. The Personnel Review Board shall act by a majority vote.

**LIST OF CHANGES TO PART 3, CHAPTER 7. EMPLOYEE CONDUCT**

1 Chapter 7 Article 1 Section 3-7.101 through 3-7.104 amended by resolution 11-20-1120 on November 23, 2023

## **CHAPTER 8. TRAVEL, EXPENSES AND REIMBURSEMENT FOR DISTRICT EMPLOYEES (EMPLOYEE TRAVEL POLICY)<sup>1</sup>**

### **ARTICLE 1. EXPENSES AND REIMBURSEMENT**

#### **3-8.101 PURPOSE**

This policy applies to all District staff employees, and is intended to establish uniform procedures by which employees shall report and be reimbursed for expenses incurred in connection with authorized travel on behalf of the District.

This policy provides for economical and efficient travel in order to derive the greatest benefit from the trip at the most effective cost. It does not allow employees to be financially enriched as a result of travel nor be required to utilize their own funds as a result of authorized District travel. Employees are responsible for exercising good judgment in requesting, arranging, and fulfilling a travel request to mitigate costs to the District.

#### **3-8.102 GENERAL PROVISIONS**

- (a) **Itemized Receipts:** Employees are responsible to provide itemized receipts from the service provider, including but not limited to, restaurant, grocery store, or convenience store.
- (b) **Travel Authorization Form:** Employees should have a Travel Authorization Form signed before travel.
- (c) **Loss or No Travel Receipts:** If travel receipts are not provided, employees will not be reimbursed for the amount spent or will be required to reimburse the District for unsubstantiated charges to a District credit card. Employees may request a waiver of this requirement by documenting the amount and purpose of the charge and then submitting the request for a waiver to the General Manager. The General Manager or their designee shall review the submitted request for a waiver for approval.
- (d) **Personal Losses:** The District will not be responsible for any personal losses while employees are traveling on District business.

- (e) Non-District Employee Co-traveler: Under no circumstances will the District reimburse an authorized traveler for additional expenses incurred as the result of the simultaneous but unauthorized travel of spouse, fellow employee, or other companion.
- (f) Third Party Travel Reimbursement: An employee may not submit a claim to the District for reimbursement paid by another party.
- (g) Travel Time: Employees shall be entitled to reasonable expenses incurred for traveling to approved conferences/trainings/meetings, beginning one day prior to the start of the conference/training/meeting, and no later than one day following the conclusion of the conference/training/meeting for travel outside the state and the United States. For travel in state, but outside of Los Angeles and Orange Counties, employees shall be entitled to such reasonable expenses for either one day prior or one day after the conference/training/meeting. For events/meetings/conferences that begin and conclude on the same day, the District will not pay or reimburse lodging/hotel accommodations that are within a 50-mile radius of the District Headquarters.
- (h) Income Tax Implications: The District precludes overnight hotel stays within Los Angeles and Orange Counties, as this would be within the employee's tax home (50 miles from the point of departure - District office). However, in extenuating cases where the employee benefits from a District paid overnight hotel stay within Los Angeles and Orange Counties, the employee may request from the General Manager reimbursement of expenses related to the overnight stay. The employee will be subject to applicable income taxes. Meals will only be reimbursed when there is overnight travel per IRS code (Section 9 IRC § 119.)
- (i) Policy Compliance: All travel related expenses incurred on behalf of the District shall be conducted in accordance with the Employee Travel Policy. District shall comply with the Policy to ensure responsible and prudent

expenditure of public funds and the preservation of public trust. Violations of the Policy will result in disciplinary action up to and including dismissal.

### **3-8.103 TRAVEL AUTHORIZATION**

(a) General Manager Travel Authorization.

- (1) The General Manager may travel within the United States for District-related business at District expense without prior approval by the Board.
- (2) The General Manager may only travel outside the United States for District-related business with the Board's advance approval. The President may authorize such travel when unusual circumstances make it impractical to obtain the Board's approval in advance. The General Manager shall notify the members of the Board of such authorization at the next regular Board meeting.
- (3) The General Manager shall complete the Travel Authorization Form to substantiate all travel related costs and include all itemized receipts.

(b) Employee Travel Authorization.

- (1) Overnight Travel: Employees may travel within the United States for District-related business with the General Manager or designee's authorization or outside the United States with Board approval.
- (2) Same day travel: Employee's may travel same day for a meeting, conference, or training with their Department Manager's authorization.
- (3) Employee shall complete the Travel Authorization Form to substantiate all travel related costs and include all itemized receipts.

### **3-8.104 NON-AUTHORIZED TRAVEL**

Payment for unauthorized travel reimbursement claims shall not be made.

### 3-8.105 AUTHORIZED EXPENSES

Employees shall be entitled to reasonable expenses incurred (as set forth elsewhere in this Chapter) for traveling to approved conferences. Authorized expenses normally include lodging/overnight travel, conference/training registration fee, business meals, business mileage, transportation, and allowable miscellaneous expenses.

- (a) Lodging/Overnight Travel. Lodging shall be obtained at the most economical rate reasonably available and should not exceed the published conference room rate. Government rates should be utilized, if available. Use of conference headquarters hotels is encouraged.

Employees shall submit an itemized lodging bill for which the District will pay actual costs of the lodging which includes room rate, applicable taxes, and other related lodging fees. Itinerary schedule and conference/training registration form should accompany the Travel Authorization Form.

Whenever possible, arrangements for hotel charges should be placed on the District credit card. If an employee uses their personal credit card, the authorized charges will be reimbursed with the appropriate itemized receipts. It is the responsibility of the employee traveling to pay for personal incidentals (movies, snack bar fees, etc.) prior to check out of the hotel.

- (b) Conference/Training Registration Fee. Employees shall make every effort to plan ahead to take full advantage of the early registration. As noted above, itinerary schedule and conference/training registration form should accompany the Travel Authorization Form.
- (c) Business Meal. Meal expenses include the cost of meals and non-alcoholic beverages applicable tax and reasonable tip. The District employee meal limits per day are: Breakfast \$20.00, Lunch \$30.00, and Dinner \$50.00. An itemized meal receipt must include a description of the business purpose of the meal and the names of the guests when claiming reimbursement for meals that include guests.

- (1) Business Related Meal.
  - (i) A meal furnished by a District employee to other District employees must document who is in attendance, specific purpose of the meeting that describes the circumstance for the meeting. Meals will be reimbursed at the dollar limits set forth above.
  - (ii) A business meal furnished by a District employee to another person, who is not a District employee, will be reimbursed at the same dollar limits as are applied to District employees. The employee shall indicate the business purpose and how the expenditure is necessary to promote District policies and programs. The meal receipt must also include the name, the affiliation and position of each guest, when claiming reimbursement for the business meal.
  - (iii) To the extent that spouses or other travel companions accompany an employee or the guest on District related travel or to a District related event, the portion related to that person's attendance shall not be compensable by the District.
- (2) Employee Reimbursed Meals.
  - (i) Meals will only be reimbursed when there is overnight travel per IRS code (Section 9 IRC § 119.)
  - (ii) All meal reimbursements shall state the business purpose of the meal and provide an original itemized receipt.
  - (iii) Employees will not be reimbursed for meals that are otherwise covered by the conference registration fee.
  - (iv) The employee is responsible to reimburse the District at the time the reimbursement travel claim is submitted for any unauthorized meals charged on a District credit card.
  - (v) The District will not reimburse for non-meal snacks (candy, chips, etc.) or drinks (coffee, tea, soda, or alcoholic drinks).



- (d) Business Mileage.
- (1) Travel by Private Automobile. The driver must possess a valid California Driver's license and carry automobile insurance as referenced in the District's Motor Vehicle Safety Policy. Any costs related to damage to the vehicle or service repairs are the sole responsibility of the employee, and will not be reimbursed by the District.
  - (2) Mileage reimbursement shall be provided to the owner of the vehicle that travels for District-related business. Mileage reimbursement shall be at the prevailing IRS established rate. Mileage reimbursement shall not be provided to employees who receive an auto allowance.
  - (3) For those employees who travel while conducting District business or who are representing the District, the District will reimburse mileage from point of departure to point of destination.
  - (4) If an employee wishes to drive rather than fly to a destination, he/she may do so. The District will reimburse the lesser of the mileage rate to and from the site or the amount of the airline coach fare. The employee shall indicate this preference at the time of submission of the Travel Authorization Form along with documentation of the estimated airline ticket price.
- (e) Transportation. Use of air, train, rental car, or private car shall be selected on the basis of the most reasonable and appropriate method, taking into consideration distance, time and total costs to the District.
- The following types of travel expenditures while on District business are allowable:
- (1) Air Travel. Travel shall be in coach class or equivalent service, unless the General Manager determines that an exceptional circumstance warrants travel in a higher class.
  - (2) Train. Travel shall be in coach class or equivalent service.

- (3) Rental Vehicles. When rental vehicles are used, the least expensive or appropriate vehicle is to be used. Employees shall not purchase additional automobile insurance offered or provided by the rental car company.

Rental vehicles shall only be used when such use is economical. Accordingly, reimbursement for use of a rental vehicle will not exceed the amount payable for mileage reimbursement (at the standard IRS mileage reimbursement rate) to the location of the conference, meeting, or event ("Event Location"). When travel includes air travel, rental vehicles shall not be used if the Event Location is in the same city as the destination airport. If travel to the Event Location includes travel outside of the city where the destination airport is located, use of a rental vehicle is appropriate,

- (4) Taxi and/or ride share services parking fees and toll charges will be reimbursed upon presentation of the original receipt.

- (f) Allowable Miscellaneous Expenses. Certain miscellaneous expenses are reimbursable, if District related and the business purpose is documented, such as:

- (1) Business center charges (i.e., faxes, email, etc.).
- (2) Business calls to District facilities.
- (3) Airline baggage fee (excluding excess weight fee).

### **3-8.106 UNAUTHORIZED EXPENSES**

Items of a personal nature are not reimbursable including: movies, entertainment, snack bar purchases, premium television services, alcoholic beverages, dry-cleaning, spas, gyms, barber, magazines, shoeshine, travel insurance, purchase of clothing or toiletries, loss of tickets, fines or traffic violations, excess baggage fee, spouse and/or guest accommodations, office equipment, tips for baggage or maid service and other items of a personal nature.

If unauthorized expenses have been paid by the District (i.e., via credit card), the employee will be responsible for reimbursement to the District within thirty (30) calendar days of submittal of the expense form either by personal check or cash.

### **3-8.107 REIMBURSEMENT OF EXPENSES**

All claims for reimbursement of expenses shall be submitted within ninety (90) days after the expense is incurred. Reimbursement for claims submitted after ninety (90) days must be approved by the Board of Directors.

- (a) Claims shall be submitted on forms supplied by the District. Such forms must include a description of the expense, names (if appropriate), date incurred, and a description of the business purpose of the expense. Appropriate back-up documentation shall be included.
- (b) Expenses incurred by the employee but prepaid by the District or charged on a District issued credit card shall be listed on the expense claim form and on a copy of the back-up documentation, and shall be noted as paid by the District.
- (c) Unauthorized expenses charged on a District credit card shall be noted and deducted on the Travel Authorization Form. If the unauthorized expense exceeds the allowable reimbursements, the employee will be required to reimburse the District within thirty (30) calendar days of submittal of the expense form.

**LIST OF CHANGES TO PART 3, CHAPTER 8. TRAVEL, EXPENSES AND REIMBURSEMENT FOR DISTRICT EMPLOYEES (EMPLOYEE TRAVEL POLICY)**

1. Chapter 8 Article 1 Section 3-8.101 through 3-8.107 amended by resolution 11-20-1120 on November 23, 2023

**Part 4. FINANCIAL MATTERS**  
**CHAPTER 1. ADMINISTRATIVE MATTERS**  
**ARTICLE 1. GENERAL<sup>1</sup>**

**4-1.101 INTERNAL CONTROLS**

Management has the responsibility to establish and maintain an adequate system of internal controls to ensure assets are not exposed to undue risk, transactions are recorded properly in the financial system, and financial information is timely and reliable.

- (a) The Chief Financial Officer (CFO) is responsible for implementing effective internal controls and procedures. Management and staff in leadership roles are responsible for the application of internal controls within their areas of responsibility in order to safeguard assets.
  - (1) Duties are separated so that no one person has complete control over more than one key function (authorizing, approving, disbursing, receiving or reconciling).
  - (2) Duties are separated so that one person's work serves as a check on another person's work.
  - (3) Transactions are approved by the person who has been delegated the approval authority and are consistent with West Basin policies.
- (b) Responsibility for physical/custody of assets is separated from record keeping accounting for those assets.
- (c) All levels of management are responsible for strengthening internal controls when weaknesses are detected.
- (d) All internal controls are subject to examination by external auditors who are required to report on the adequacy of the internal controls.
- (e) The CFO is responsible for prompt corrective action on all internal control weaknesses and recommendations made by external auditors.

#### **4-1.102 BASIS OF ACCOUNTING**

West Basin uses an accrual basis of accounting where revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### **4-1.103 EXTERNAL FINANCIAL AUDIT**

An annual audit will be made of the financial records by external auditors who are accountable to the Finance Committee. The auditors will have access to directly communicate with the Finance Committee if staff is unresponsive or if the auditors consider such communication necessary to fulfill their legal and professional responsibilities.

- (a) The auditor shall be a certified public accountant licensed to practice within the State of California.
- (b) The auditor's staff assigned to the audit shall have specialized governmental auditing training and should have experience in auditing municipal water districts.
- (c) The audit firm shall have a demonstrated commitment to a state and local government audit practice and have appropriate resources available to conduct the audit engagement.

#### **4-1.104 FINANCIAL REPORTING**

Financial Statements are prepared in conformity with generally accepted accounting principles (GAAP).

- (a) External Reporting
  - (1) Each year a Comprehensive Annual Financial Report (CAFR) will be prepared in accordance with GAAP. The CAFR is required to be submitted to the State Controller's Office within six months of fiscal year end.
  - (2) When required, a Single Audit report shall be completed and filed with the State Controller and other required entities.

- (3) An annual compensation report shall be filed each year with the State Controller.
  - (4) An annual financial transaction report shall be filed each year with the State Controller.
  - (5) As required by the Continuing Disclosure Certificate, a continuing annual disclosure report shall be completed each year and filed with EMMA within 270 days of fiscal year end.
- (b) Internal Reporting
- Periodically, staff is to submit various financial reports to the Board of Directors (Board) to keep them apprised of the financial condition and future needs of the District. At a minimum, these reports include:
- (1) Monthly Demands List which reflects all wires, ACH's, transfers and checks showing the payee, description, payment date, amount, and check number);
  - (2) Quarterly Budget to Actuals report that includes a summary of revenues and expenses by major category on a year-to-date basis as well as a projection for the fiscal year. The report shall include a brief explanation for each item showing a large variance to budget and a calculation of all-in debt coverage.
  - (3) Quarterly Debt and Swap report to report those items in accordance with the debt management and swap policies.
  - (4) Monthly Cash & Investment report that lists each security, its description, maturity date, coupon and yield-to-maturity rate, the PAR amount, original cost, market value, credit rating, and a monthly list of securities sold, matured, and purchased).
  - (5) Water Sales report that reflects the most recent sales activity by category.
  - (6) Annual Expense Disclosure report in accordance with California Government Code Section 53065.5.

**4-1.104 EXPENDITURE APPROVALS**

All disbursements are required to have a written record in the form of a third-party invoice or notice, expense report or internally generated check request. The respective project manager and department manager are required to sign off on the written record to attest to the receipt of the materials or services and are in conformance with the terms of the contract or purchase order. A second authorizing signature may be required and shall be in conformance to the limit thresholds established within the requirements set in the Administrative Code Part 5. Section 5-1.104.

**4-1.105 ANNUAL OPERATING BUDGET**

The annual operating budget is prepared and administered under the direction of the General Manager.

**(a) Objective**

- (1) The operating budget should achieve a balanced budget where revenues are equal to expenses plus an amount set aside towards the District's designated funds.
- (2) The operating budget shall be submitted to the Board not less than 60 days prior to the start of the fiscal year.
- (3) The Board should seek to adopt the Operating Budget prior to commencing the next fiscal year.
- (4) The operating budget shall achieve minimum debt service coverage of 1.75.

**(b) Process**

The operating budget shall be developed using direction by the Board of Directors through the Strategic Business Plan. The budget is to identify income sources by category, expenses by line-item within District programs, debt service, and salary and related benefits, along with a listing of positions.



(c) Amendments

Any amendment adding to the original operating budget must be brought to the Board for review and require a majority vote of the Board.

(d) Reporting

The General Manager shall prepare and submit quarterly operating budget versus actual reports with explanation of significant variances.

#### **4-1.106 LONG-TERM FINANCIAL PLANNING**

Long-Range Financial Planning assists West Basin to think about the long-term impacts of decisions made today and how it can begin positioning itself now to meet future challenges and opportunities.

(a) Objective

By planning today, West Basin can better protect and maintain its assets, develop policies, and align itself with the strategic goals and strategies.

(b) Scope & Considerations

A forecast of revenues, operating and capital expenditures will consider the following factors for at least 5 years into the future; 1) Water demand, 2) Rates & charges, 3) Operating expense increases (including labor & benefits), 4) Capital projects, 5) Operations and maintenance associated with capital projects, 6) Replacements & refurbishments, 7) Designated funds and 8) Debt service coverage. In addition, consideration shall be given to the amount, type and timing of long-term debt or other sources of financing for large capital projects.

#### **4-1.107 RATES & CHARGES**

(a) Objective

The Board shall establish rates and charges sufficient to recover all operating costs, debt service costs, and designated funds.

(b) Process

At least annually, the Board shall review the rates and charges. The rates and charges for the following fiscal year shall be adopted in conjunction with the preparation and adoption of the annual operating budget.

**ARTICLE 2. INVESTMENT POLICY<sup>2,3,4</sup>****4-1.201 POLICY**

This investment policy is intended to outline the guidelines and practices to be used in effectively managing West Basin Municipal Water District (District's) available cash and investment portfolio. District monies not required for immediate cash requirements will be invested in compliance with the California Government Code Section 53600, *et seq.*

**4-1.202 SCOPE**

This policy applies to the investment of the District's general fund accounted for in the annual budget. Funds of the District will be invested in compliance with the provisions of, but not necessarily limited to the California Government Code Section 53601 *et seq.* and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of bond proceeds shall be subject to the conditions and restrictions of bond documents and are not governed by this policy.

**4-1.203 PRUDENCE**

The Board of Directors and Treasurer adhere to the guidance provided by the "prudent investor rule," California Government Code Section 53600.3, which obligates a fiduciary to ensure that "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. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

#### **4-1.204 OBJECTIVES**

In accordance with California Government Code Section 53600.5, and in order of importance, the Treasurer shall adhere to the following three criteria:

- (a) Safety of Principal. Investments shall be undertaken which first seek to ensure the preservation of principal in the portfolio. The Treasurer shall ensure each investment transaction is evaluated or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral, and shall diversify the portfolio to reduce exposure to loss. Diversification of the portfolio will be used in order to reduce exposure to principal loss.
- (b) Liquidity. Investments shall be made whose maturity date is compatible with cash flow requirements and which will permit easy and rapid conversion into cash without substantial loss of value.
- (c) Return on Investment. Investments shall be undertaken to produce an acceptable rate of return after first considering safety of principal and liquidity and the prudent investor standard.

#### **4-1.205 DELEGATION OF AUTHORITY**

The Board of Directors is responsible for the investment of West Basin Municipal District's funds. The Board hereby delegates responsibility for investment transactions for the investment program to the Treasurer or the Deputy Treasurer, for a one-year period. The appointed Treasurer may be a board member or staff member and the Deputy Treasurer shall be a District staff member.

The Treasurer may delegate the day-to-day execution of investments to a registered investment advisor, via written agreement approved by the Board. The Advisor in coordination with the Treasurer or Deputy Treasurer will manage on a daily basis the District's investment portfolio pursuant to the specific and stated investment objectives of the District. The Advisor shall follow the policy and such other written instructions provided by the Treasurer or Deputy Treasurer, and assist in security settlement.

**4-1.206 INVESTMENT PROCEDURES<sup>5</sup>**

The Treasurer and Deputy Treasurer shall establish written operational procedures pertaining to the investment of District funds. These procedures shall be compliant with the parameters and limits set forth by this investment policy. The procedures should regulate actions regarding: safekeeping, SIFMA repurchase agreements, wire transfer agreements, banking service contracts, and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer and Deputy Treasurer

**4-1.207 ETHICS AND CONFLICTS OF INTEREST**

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

West Basin board members and employees shall disclose any potential conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions, to the Treasurer, Deputy Treasurer, and District Counsel for review.

**4-1.208 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

For brokers/dealers of government securities and other investments, the Treasurer shall select only brokers/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA) or other applicable self-regulatory

organizations.

Before engaging in investment transactions with a broker/dealer, the Treasurer shall obtain a signed verification form that attests the individual has reviewed the District's Investment Policy, and intends to present only those investment recommendations and transactions to the District that is appropriate under the terms and conditions of the Investment Policy.

The Board of Directors may engage the services of one or more external managers to assist in the management of the District's investment portfolio. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. External managers may also use their own list of internally approved broker-dealers subject to its approval by the District. Such managers must be registered under the Investment Advisers Act of 1940.

#### **4-1.209 AUTHORIZED AND SUITABLE INVESTMENTS<sup>6,7,8,9</sup>**

The District is governed by the California Government Code, Sections 53600, *et seq.* Within the context of these limitations, the investments listed below are authorized. Those investments not identified in Section 53600 or Section 16429.1 are considered to be ineligible. Credit criteria and maximum percentages listed in this section are calculated at the time the security is purchased.

The Treasurer or Deputy Treasurer shall review the portfolio on a monthly basis for compliance with the sector, issuer, and credit ratings established in this section of the Policy. In the event that any security is found to be non-compliant, staff will prepare a report for the Board that details the compliance issue and provide analysis and a recommendation to bring the portfolio back into compliance with the Policy.

If a security owned by the District is downgraded by a nationally recognized statistical rating organizations (NRSRO) to a level below the quality required by this Investment Policy, it shall be the District's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. The Treasurer or Deputy Treasurer will use discretion in determining

whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.

- (a) Time Deposits. The Treasurer may invest in certificates of deposit issued by bank or savings and loans chartered by the United States or California. The maximum term for time deposits or bank certificates of deposit shall be five (5) years. The amount invested in time certificates of deposit shall not exceed 30% of the portfolio. Time certificates of deposit shall meet the conditions in either paragraph (1) or paragraph (2):
  - (1) Time certificates of deposit shall meet the requirements for deposit under Government Code Section 53630 et seq. The Treasurer may waive collateral requirements if the institution insures its deposits up to the Federal Deposit Insurance Corporation (FDIC) limit.
  - (2) Fully insured time certificates of deposit placed through a deposit placement service shall meet the requirements under Government Code Section 53601.8.
- (b) Local Agency Investment Fund (“LAIF”) Deposits. Deposits for the purpose of investment in the Local Agency Investment Fund of the State Treasury may be made up to the maximum amount permitted by State Treasury policy.
- (c) Negotiable Certificates of Deposit. The Treasurer may invest in negotiable certificates of deposit as follows:
  - (1) To be eligible, a certificate of deposit must be issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. (Government Code Sections 53601 (i).)
  - (2) Eligibility for deposits shall be limited to those financial

- institutions which maintain a long-term rating in a category of “A” or its equivalent or higher by one of the nationally recognized statistical rating organizations (NRSRO).
- (3) Regardless of sector, no more than 5% of the portfolio may be invested in any one issuer (excluding Treasuries, Federal Agency, and Supranational issuers). The amount invested shall be subject to the capital limitations of Government Code Section 53638.
  - (4) The amount invested in negotiable certificates of deposit shall not exceed 30% of the total portfolio.
  - (5) The maximum maturity shall be limited to five (5) years.
- (d) Bankers’ Acceptances. The Treasurer may invest in bankers’ acceptances as follows:
- (1) Investment in a prime banker’s acceptance shall not exceed 15% of the portfolio in effect immediately after any such investment is made.
  - (2) Eligibility shall be limited to those securities issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by one or more of the NRSRO.
  - (3) No more than 15% of this category of investments may be invested in any one commercial bank’s acceptances.
  - (4) Regardless of sector, no more than 5% of the portfolio may be invested in any one issuer (excluding Treasuries, Federal Agency and Supranational issuers).
  - (5) The maximum maturity shall be limited to 180 days. (Government Code Sections 53601(g).)
- (e) Commercial Paper. The Treasurer may invest in commercial paper as follows:



- (1) Only commercial paper of prime quality of the highest ranking or of the highest letter and numerical rating as provided for by a NRSRO. (Government Code Sections 53601(h).)
  - (2) Eligible paper is further limited to issuing corporations that are organized and operating within the United States as a general corporation and having total assets in excess of \$500,000,000.
  - (3) Eligible issuer's debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a NRSRO.
  - (4) Investments in commercial paper shall not exceed 25% of the portfolio.
  - (5) Regardless of sector, no more than 5% of the portfolio may be invested in any one issuer (excluding Treasuries, Federal Agency and Supranational issuers).
  - (6) The term shall not exceed 270 days.
- (f) United States Treasuries. The Treasurer may invest in United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest. (Government Code 53601 (b)).
- (g) Federal Agencies. The Treasurer may invest in Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. The maximum percent of agency callable securities in the portfolio will be 20%. (Government Code 53601 (f).)
- (h) Money Market Funds. The Treasurer may invest in shares of

beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (Government Code Section 53601 (I).)

The following criteria will be used in evaluating companies:

- (1) Attain the highest-ranking letter and numerical rating provided by not less than two nationally recognized rating services; or
  - (2) Have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five (5) years' experience managing money market mutual funds and with assets under management in excess of \$500,000,000.
  - (3) The maximum purchase price of shares shall not exceed 20% of the portfolio.
- (i) California Municipal Obligations. The Treasurer may invest in bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.
- (1) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.
  - (2) For obligations without a fixed rate of interest, these obligations must have an unconditional demand feature, guarantee or put within the maximum maturity limitations
  - (3) Eligibility shall be limited to those obligations that maintains

- a long-term rating in a category of “A” or its equivalent or higher or a short-term rating in the highest category by a Nationally Recognized Statistical Rating Organization (NRSRO).
- (4) Any bonds, notes, warrants, or other evidences of indebtedness of the District:
    - (i) District obligations that maintain short-term ratings will be tendered to the trustee for cancellation no later than the 5th anniversary of their purchase.
  - (5) Investments in California municipal securities shall not exceed 10% of the portfolio.
  - (6) Regardless of sector, no more than 5% of the portfolio may be invested in any one issuer (excluding Treasuries, Federal Agency and Supranational issuers).
- (j) State Municipal Obligations.
- (1) Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.
  - (2) Eligibility shall be limited to those obligations that maintain a long-term rating in a rating category of “A” or its equivalent or higher or a short-term rating in the highest category by a Nationally Recognized Statistical Rating Organization (NRSRO).
  - (3) Investments in State municipal securities shall not exceed 10% of the portfolio.
  - (4) Regardless of sector, no more than 5% of the portfolio may be invested in any one issuer (excluding Treasuries, Federal

Agency and Supranational issuers).

- (k) Corporate Notes.
- (1) Medium-term notes, defined as all corporate and depository institution debt securities issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.
  - (2) Notes eligible for investment under this subdivision shall be rated in a category of "A" or its equivalent or better by an NRSRO
  - (3) Purchases of medium-term may not exceed 30% of the District's portfolio.
  - (4) Regardless of sector, no more than 5% of the portfolio may be invested in any one issuer (excluding Treasuries, Federal Agency and Supranational issuers).
- (l) Supranationals. The District may invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.
- (1) Eligibility shall be limited to obligations which are dollar denominated and for purchase and sale within the United States.
  - (2) Obligations eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by a NRSRO.
  - (3) Purchases of supranationals may not exceed 30% of the District's investment portfolio.
- (m) Asset-Backed and Mortgage-Backed Securities. The District may invest in a mortgage passthrough security, collateralized

mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond.

- (1) Securities eligible for investment under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO.
  - (2) Eligible securities shall have a maximum maturity of five years or less.
  - (3) Purchases of securities eligible under this subdivision shall not exceed 20% of the District's investment portfolio.
  - (4) Regardless of sector, no more than 5% of the portfolio may be invested in any one issuer (excluding Treasuries, Federal Agency and Supranational issuers).
- (n) Joint Powers Authority Pool: Shares of beneficial interest issued by a joint powers authority organized pursuant to Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (r), inclusive, of Code Section 53601. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
- (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
  - (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive, of Code Section 53601.
  - (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

**4-1.210 PROHIBITED INVESTMENTS<sup>10</sup>**

Under the provisions of California Government Code Sections 53601.6 and 53631.5, the District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, mortgage-derived, interest-only strips or any investment that may result in a zero-interest accrual if held to maturity, except as provided in the subsequent paragraph.

Notwithstanding the prohibitions stated in the above paragraph, effective January 1, 2021, the District may invest in securities issued by, or backed by, the United States government that could result in zero- or negative-interest accrual if held to maturity, in the event of, and for the duration of, a period of negative market interest rates. The District may hold these instruments until their maturity dates. Securities described in this paragraph may not be purchased after January 1, 2026.

**4-1.211 INVESTMENT POOLS/MUTUAL FUNDS DUE DILIGENCE**

A thorough investigation of any investment pool or mutual fund is required prior to investing, and on a continual basis. The Treasurer or a staff member delegated by the Treasurer will complete a standard questionnaire that addresses the following issues to determine the safety and appropriateness of a prospective investment pool or mutual fund:

- (a) A description of eligible investment securities, and a written statement of investment policy and objectives.
- (b) A description of interest calculations and how it is distributed, and how gains and losses are treated.
- (c) A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
- (d) A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
- (e) A schedule for receiving statements and portfolio listings.

- (f) A description of how reserves, retained earnings, etc. are utilized by the pool or fund
- (g) A fee schedule, and when and how is it assessed.

#### **4-1.212 SAFEKEEPING AND CUSTODY<sup>11</sup>**

All deliverable securities purchased must be delivered versus payment (“DVP”) basis, and held in safekeeping pursuant to a safekeeping agreement.

#### **4-1.213 DIVERSIFICATION<sup>12</sup>**

The District’s investments shall be diversified by:

- (a) Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities, Federal Agency and Supranational issuers).
- (b) Limiting investment in securities that have higher credit risks.
- (c) Investing in securities with varying maturities.
- (d) Continuously investing a portion of the portfolio in readily available funds such as money market funds to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
- (e) The duration of the portfolio will be approximately equal (plus or minus 20%) to the duration of the District’s benchmark.

#### **4-1.214 MAXIMUM MATURITIES<sup>13</sup>**

To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. No investments may be acquired that exceed five (5) years.

#### **4-1.215 INVESTMENT TRANSACTIONS<sup>14</sup>**

Information concerning investment opportunities and market developments will be gained by maintaining contact with the financial community. Confirmations of all investment transactions will be maintained by the Finance Department for the annual

audit. When practical, the Treasurer shall solicit more than one quotation on each trade.

#### **4-1.216 EXCHANGE OF SECURITIES<sup>15</sup>**

An exchange of securities is a shift of assets from one instrument to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. In no instance shall an exchange be used for speculative purposes. Any such exchange shall be simultaneous (same day execution of sale and purchase), and shall require the approval of the Treasurer.

#### **4-1.217 INTERNAL CONTROL<sup>16</sup>**

The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures. The Treasurer may, at any time, further restrict the securities approved for investment as deemed appropriate.

#### **4-1.218 PERFORMANCE STANDARDS<sup>17</sup>**

The District's portfolio is managed with the objective of obtaining a market rate of return, commensurate with identified risk constraints and cash flow characteristics. Because the composition of the portfolio fluctuates, depending on market and credit conditions, various appropriate indices selected by the Treasurer will be used to monitor performance.

#### **4-1.219 REPORTING<sup>18</sup>**

If the Board delegates responsibility of the investment program to the Treasurer or Deputy Treasurer, the Treasurer or Deputy Treasurer will present a monthly report of those transactions to the Executive Secretary of the Board of Directors via the General Manager indicating the types of investment by fund, institution, date of maturity, and amount of deposit, and shall provide the current market value of all securities with a maturity of more than twelve (12) months, rates of interest, and expected yield to maturity. The Treasurer shall also submit a monthly summary report



to the Board of Directors via the General Manager showing investment activity and the status of cash by depository.

#### **4-1.220 INVESTMENT POLICY ADOPTION<sup>19</sup>**

The Treasurer may, at any time, further restrict the securities approved for investment as deemed appropriate. This policy shall be reviewed at least annually by the Board of Directors.

Additionally, the Treasurer shall annually send a copy of the current Investment Policy to all approved dealers. Each dealer is required to return a signed statement indicating receipt and understanding of the District's investment policies.

#### **4-1.221 DEFINITIONS<sup>20,21, 22</sup>**

- (a) Agencies: Federal agency securities and/or Government-sponsored enterprises.
- (b) Asset-Backed Securities (ABS): Bonds or notes backed by financial assets. Typically, these assets consist of receivables other than mortgage loans. The most common structures are backed by auto loans or credit card receivables, but can be backed by other obligations as well, such as equipment leases, airplane leases, home equity loans and student loans.
- (c) Bankers' Acceptance (BA): A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.
- (d) Benchmark: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.
- (e) Broker: A broker brings buyers and sellers together for a commission.
- (f) Callable: A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline, the issuer will likely call its current securities and reissue them at a lower rate of interest.

- (g) Certificate Of Deposit (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.
- (h) Collateral: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.
- (i) Commercial Paper: An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.
- (j) Coupon: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.
- (k) Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.
- (l) Debenture: A bond secured only by the general credit of the issuer.
- (m) Delivery Versus Payment: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.
- (n) Discount: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.
- (o) Discount Securities: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value (e.g. U.S. Treasury Bills).
- (p) Duration: The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a security to changes interest rates.
- (q) Fair Value: The amount at which an investment could be exchanged in a

current transaction between willing parties, other than in a forced or liquidation sale.

- (r) Federal Deposit Insurance Corporation (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per deposit.
- (s) Federal Funds Rate: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.
- (t) Financial Industry Regulatory Authority (FINRA): A self-regulatory organization (SRO) that assists the SEC in regulating financial markets, notably exchanges and companies that deal with securities. Among other duties, FINRA enforces rules, arbitrates disputes, and provides training and licensing services. It was created in 2007 with the merger of the National Association of Securities Dealers and the NYSE regulatory board.
- (u) Government Securities: An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds." This category also includes debt issued by Federal Agencies and Government-Sponsored Enterprises.
- (v) Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.
- (w) Local Government Investment Pool (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.
- (x) Market Value: The price at which a security is trading and could presumably be purchased or sold.
- (y) Maturity: The date upon which the principal or stated value of an

investment becomes due and payable.

- (z) Money Market: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.
- (aa) Mutual Fund: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:
  - (1) Report standardized performance calculations.
  - (2) Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
  - (3) Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
  - (4) Maintain the daily liquidity of the fund's shares.
  - (5) Value their portfolios on a daily basis.
  - (6) Have all individuals who sells SEC-registered products licensed with a self-regulating organization (SRO) such as the Financial Industry Regulatory Authority (FINRA).
  - (7) Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.
- (bb) Portfolio: Collection of securities held by an investor.
- (cc) Primary Dealer: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.
- (dd) Qualified Public Depositories: A financial institution which does not claim

exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

- (ee) Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.
- (ff) Safekeeping: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.
- (gg) Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.
- (hh) Securities & Exchange Commission: Agency created by Congress to protect investors in securities transactions by administering securities legislation.
- (ii) Structured Notes: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.
- (jj) Supranational Bonds: Bonds issued by a supranational organization. A supranational organization is an international organization or union, whereby member states transcend national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping. Examples include the European Union, the World Bank, and the International Monetary Fund.
- (kk) SWAP: Trading one asset for another.
- (ll) Treasury Bills: A non-interest bearing discount security issued by the U.S.

Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

- (mm) Treasury Bonds: Coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.
- (nn) Treasury Notes: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.
- (oo) Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.
- (pp) Yield: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

**ARTICLE 3. SMALL AND COMMUNITY BANK INVESTMENT PROGRAM****4-1.301 POLICY**<sup>23,24,25,26,27,28,29,30</sup>

Section I. Funds may be invested in Small and Community Banks within West Basin's service area if they qualify under one of the following criteria:

- (a) Small banks with asset-size threshold levels as defined by the Community Reinvestment Act's definition of "small institution"; or
- (b) Community banks that meet all of the following:
  - (1) Have outstanding loans and core deposits;
  - (2) Hold less than 10% of total assets in foreign offices;
  - (3) If total assets exceed the definition of "small institution" then:
    - i. Loan to assets must equal or exceed 33%;
    - ii. Core deposits to assets equal or exceed 50%;
    - iii. More than 1 office, but fewer than 75;
    - iv. No single office with deposits greater than \$5 billion.
- (c) On a case-by-cases basis, the Board may choose to include a financial Institution that exceeds the "small institution" asset limit, but demonstrates significant contributions to the West Basin service area and community.

Section II. To ensure a diverse outreach to those banks who meet the spirit of small and community bank, West Basin will initially seek to invest with banks who met the criteria of (a) or (b) above, and then expand to other banks with a larger asset size. The initial investment will be up to the FDIC limit of \$250,000. Should there be additional program funding available, the District may extend the investment up to \$1,500,000. Funding for this Program shall not exceed \$7,000,000 of West Basin's portfolio.

Upon the West Basin Board's review of community involvement, the staff member serving as Treasurer or Deputy Treasurer will negotiate the terms of the investment.

Institutions who are candidates for participation in West Basin's Small and Community Bank Program shall disclose any financial or personal relationships with any West Basin Board Member, employee, or their families, that constitute a potential conflict of interest. More specifically, but without limitation, such institutions shall disclose any compensation or material gain given to the aforementioned parties derived from the institution's participation in the Small and Community Bank Program. West Basin board members and employees shall disclose any potential material interests in participating small bank financial institutions to the Treasurer, Deputy Treasurer, and District Counsel for review.

Section III. Any Small or Community Bank that qualifies under Section I for the District's program must adhere to all of the following:

- (a) For investments up to \$250,000, a bank shall provide no more than a two page written summary of their community involvement and will not be required to make an annual presentation to the Board
- (b) For Investments greater than \$250,000
  - (1) The bank must certify and provide applicable supporting evidence that it meets one of the qualification criteria listed in Section I;
  - (2) The bank must provide certification and supporting information that indicates at least \$50,000,000 in loans, or 25% of the bank's outstanding loans, is invested within West Basin's service area;
  - (3) The bank must provide a copy of the latest published CRA Rating report to District staff.
- (c) All new banks that seek investment greater than \$250,000 from West Basin shall make a presentation that include the following items:
  - a) Brief bank overview noting any significant bank activity (i.e. acquisitions, closures);
  - b) Asset Balance as of the last quarter;
  - c) Current CRA Rating;



- d) Summary of loan by zip code within the service area and loan types;
  - e) Statement of the Banks involvement on education, community outreach, small and local business outreach.
- (d) Participating banks with investments greater than \$1,000,000, must make their annual presentations within 30 days after a Certificate of Deposit matures. For banks with multiple maturities, the presentation must be made within 30 days of the latest maturing Certificate of Deposit's maturity date within the calendar year. If the annual presentation is not made within the 30-day timeframe, West Basin may request the return of its funds.
- (1) For those banks with multiple maturities, this review only needs to occur one time during that year.
  - (2) In subsequent years, participating banks with investment amounts from West Basin greater than \$250,000 and up to \$1,000,000 will be required to submit a no more than a two-page summary of their banks involvement on education, community outreach, and local business outreach. In addition, the bank must provide a copy of the latest published CRA report.
  - (3) On an annual basis, staff will present to the Board all community involvement reports received in the past 12 months.

## **ARTICLE 4. DESIGNATED FUNDS POLICY**

### **4-1.401 INTRODUCTION**

West Basin Municipal Water District's Board of Directors ("Board") has developed a Strategic Business Plan to provide continuous direction for planning, budgeting, implementing, evaluating and reporting. The Strategic Business Plan sets the overall policy direction and strategic priorities established by the Board. In order to achieve the Strategic Business Plan, the Board developed goals, objectives and strategies in the areas of Water Reliability, Water Quality, Customer Service, Sound Financial & Resource Management and Environment.

One of the objectives of the Strategic Business Plan is to complete and maintain a long range financial plan. A long range financial plan provides an agency a financial outlook while addressing the agency's business objectives. Among other things, the long range financial plan ensures an entity develops or modifies financial policies to sustain fiscal integrity into the future.

A Designated Funds Policy ("Policy") is a part of West Basin Municipal Water District's ("West Basin") financial policies. The Policy will help to ensure that adequate designated fund balances are established for protection and furtherance of West Basin's mission.

### **4-1.402 ROLES AND RESPONSIBILITIES**

The Policy shall be initially adopted by the Board and reviewed annually to ensure designated funds and targets are established to achieve an appropriate overall minimum target balance. Future updates, if necessary, to the Policy require the approval by the Board.

The Chief Financial Officer is the designated administrator of the Policy. The Chief Financial Officer shall have the day-to-day responsibility and authority for implementing and managing the Policy.

**4-1.403 PURPOSE<sup>31</sup>**

Designated funds are defined as “fund(s) maintained to account for specific purposes and are not externally restricted.”

Prudent financial planning and fiscal responsibility includes anticipating and preparing for future funding needs as well as unexpected emergencies. The Policy establishes designated funds for long term organizational and operational stability and to help minimize significant rate fluctuations due to unforeseen cash flow requirements.

Adequate designated funds further serve to boost the confidence of external interested parties such as creditors, bondholders, and rating agencies that place a high degree of importance on strong, healthy fund balances as a cushion against steep revenue declines, and unexpected and uncontrollable expenses.

**4-1.404 TYPES OF FUNDS<sup>32</sup>**

West Basin maintains two major types of funds, either restricted reserves or unrestricted reserves. Unrestricted reserves are maintained within the general fund and consist of designated and undesignated funds. Each designated fund is established with a target amount and a target date (see section 6.0) and any funds in excess of the cumulative target amounts will be considered undesignated funds. Both designated and undesignated funds can be used for any lawful purpose at the discretion of the Board.

Restricted reserves consist of funds with external restrictions imposed by creditors, grantors, contributors, or by laws or regulations that can only be used for specified purposes. Restricted reserves are not governed by this policy.

**4-1.405 TARGET LEVELS**

Using a target amount approach to funding West Basin’s designated funds will provide more rate certainty and predictability. Each Board approved designated fund will be established with a target amount and target date, if applicable. The target amounts are based on West Basin’s experience, the current operating budget, outstanding long-term debt, and/or capital improvement plan. The sum of all the targets will provide an overall target amount which will serve as a trigger for the Board to consider options when funding levels fall near or below the overall target. If water sales decline and reserve levels approach the minimum level, the Board would have time to consider reducing operating costs and or capital costs before increasing water rates. If reserve

levels exceed the minimum, the Board may consider setting aside monies into the Standby Charge Defeasance Fund in order to retire outstanding debt in the future and eliminate the annual standby charge or placing the undesignated funds into a System Expansion Fund or a Rate Stabilization Fund.

#### **4-1.406 DESCRIPTION OF FUNDS<sup>33</sup>**

As part of the annual budget development, the designated funds, their purpose and targets will be evaluated to determine the appropriate minimum cash balance. The current designated funds can be divided into three main categories: Core categories, Standby Charge Defeasance Fund and Other categories.

(a) Core Categories

- (1) Operating Liquidity: Provides for a variety of potentially competing purposes such as paying operating expenses during temporary revenue shortfalls, expenses not originally budgeted and fluctuations in revenues and expenses caused by timing of billing cycles and/or timing of debt service.
  - (i) Target Amount: Daily budget operating expenses x 180 days (operating expense includes program expenses and debt service but excludes the pass-through costs from water purchases and charges from Metropolitan Water District of Southern California (MWD)).
  - (ii) Target Date: Annual (June 30<sup>th</sup> of each fiscal year).
- (2) Operating Contingency: Provides protection in the event of variability against budgeted expenses as unforeseen developments can occur which cause actual expenses to exceed the budget (e.g. Recycling O&M).
  - (i) Target Amount: 5% of Recycling O&M budget.
  - (ii) Target Date: Annual (June 30<sup>th</sup> of each fiscal year).
- (3) Capital Contingency: Provides a cushion for unexpected capital cost increases and/or unanticipated capital projects.
  - (i) Target Amount: 10% of 3-year average of capital budget.

- (ii) Target Date: Annual (June 30<sup>th</sup> of each fiscal year).
  - (4) Rehabilitation & Replacement (R&R): As West Basin's assets continue to age, there will be increasing demands to replace its facilities. As a general rule, maintenance costs for an asset become more expensive as that asset ages, and eventually the economic decision is made to replace the asset. Although preventive maintenance is intended to increase the predictability of equipment replacement, unanticipated equipment failure is unavoidable. As part of its annual Operating Budget, West Basin includes money for anticipated R&R projects. This Fund will cover all emergency repairs and expenditures in excess of the amount included in the annual Operating Budget for R&R.
    - (i) Target Amount: 1% of all depreciable assets as of the fiscal year-end.
    - (ii) Target Date: Annual (June 30<sup>th</sup> of each year).
- (b) Standby Charge Defeasance Fund: A separate fund so that the Board may consider eliminating the standby charge if it determines that the original estimate of 70,000 to 100,000 acre-feet per year (AFY) of recycled water production will be or has been met and sufficient funds are available in the Standby Charge Defeasance Fund to pay off all remaining debt associated with those deliveries. Contributions to the Standby Charge Defeasance Fund are subject to Board discretion to cease making contributions to this fund or to re-allocate funds from this fund to other designated funds.
  - (1) Target Amount – Remaining principal, accrued interest and prepayment penalties, if any.
  - (2) Target Date – Not Applicable.
- (c) Other Categories
  - (1) System Expansion: A sinking fund in which revenues in excess of operating and maintenance costs, debt service and deposits to

required reserves are set aside for future needs. Since it is not feasible or practical for West Basin to entirely fund construction of large-scale new capital facilities with current revenues or assets, a portion of future costs will be set aside and the remaining balance will be funded through issuance of long-term debt.

- (i) Target Amount: 5% cash financing for future large-scale capital projects.
  - (ii) Target Date: Based on projected start of construction date.
- (2) Rate Stabilization: Provides monies to help manage the level of water revenue fluctuations from year to year. This fund operates as a buffer during any period where there are unexpected decreases in revenues or an unexpected rate increase from Metropolitan Water District (MWD) occurs.
- (i) Target Amount: 100% of one (1) year of potable, recycled and desalter water sales.
  - (ii) Target Date: Not Applicable.

#### **4-1.407 OBJECTIVES<sup>34</sup>**

As described in Section 6.0 above, West Basin has three main categories of designated funds, a Core category, Standby Charge Defeasance and Other category.

- (a) The Core category is made up of four separate designated funds, each with its own target amount and with the same target date (June 30<sup>th</sup>). The sum of the four target amounts will be used to achieve a minimum cash target balance. This minimum cash target balance will be calculated annually and used to update the West Basin's long range financial plan as well as the upcoming fiscal year's operating budget.
- (b) The minimum cash target balance, as described in Section 7.1, must be met before any monies are placed into the designated funds in the Other category described in Section 6.3.

- (c) The Standby Charge Defeasance fund will be reviewed annually (Section 6.2). The Board may set aside up to 100% of surplus net revenues. The target amount will change from time to time as outstanding debt is paid or new debt is issued and will be excluded from the minimum cash target determined in Section 7.1. A target date will not be established as the amount of funding will vary from year to year as it is based on surplus net revenues, if any, the Board sets aside.
- (d) The designated funds which are included in the Other category (Section 6.3) will also be reviewed annually to determine the appropriate target amount and target date, if applicable.

#### **4-1.408 DEFINITIONS**

- (a) Actual Debt Coverage is calculated based on net revenue divided by annual debt service at the completion of any one fiscal year.
- (b) Budgeted Debt Coverage is calculated based on net revenues divided by annual debt service as determined in the adopted Fiscal Year budget.
- (c) Debt Service is the principal and interest payment on bonds or other debt instruments used to finance capital facilities.
- (d) Surplus Net Revenues is calculated as annual debt service multiplied by the difference between the actual debt coverage and the budgeted debt coverage.
- (e) Net Revenue is the difference between revenues and operating expenses. Revenues include all water revenues, Metropolitan Water District local resources program incentive, fixed revenue, conservation or other income. Operating expenses include water purchases and operating expenses, but excludes non-cash items like depreciation or amortization. For the purpose of this definition, net revenue will exclude capital grants and capital reimbursements.

- (f) Standby Charge is an annual charge paid by property owners in West Basin's service area to fund the debt service obligation on West Basin's water recycling facilities.



## **ARTICLE 5. SWAP POLICY<sup>35</sup>**

### **4-1.501 POLICY<sup>36</sup>**

The purpose of this Swap Policy (“Policy”) is to establish parameters and provide guidance as to the future use, negotiation, execution, management, and reporting on interest rate swaps and related instruments.

An interest rate swap is an agreement between two parties (“counterparties”) to exchange periodic interest payments. The interest payments are based on a principal amount (“the notional amount”). No principal amount is actually exchanged between the counterparties; only interest is exchanged. As an example, in a common interest rate swap, one party pays interest on the notional amount at a variable or “floating” rate, while the other party pays interest on the notional amount at a fixed rate.

Interest rate swaps and related instruments can be beneficial and effective interest rate management tools in assisting an agency to achieve its financial purpose as further described in Section 4-1.503.

### **4-1.502 AUTHORITY<sup>37,38</sup>**

West Basin Municipal Water District (“West Basin”), either directly or through its financing corporation, is authorized to issue bonds or other obligations and to enter into swaps to better manage its assets and liabilities and take advantage of market conditions to lower overall costs and reduce interest rate risk.

The Board of Directors (“Board”) shall have the final authority for approval of each swap. However, the Executive Manager of Finance / Chief Financial Officer (“CFO”), subject to Board approval, shall have the authority to enter into each swap. Each swap shall be structured by the CFO and members of the financing team. The CFO shall have the day-to-day responsibility for implementing and managing the swap.

The Policy shall be initially adopted by the Board and reviewed periodically. Future updates, if necessary, to the Policy require the approval by the Board.

West Basin shall be authorized to enter into swaps (including amendments, terminations, novations or other changes) only after certain determinations as required by statute have been made by the Board of Directors. West Basin shall be authorized to

enter into swaps only with qualified counterparties. Qualified counterparties shall be determined pursuant to the criteria set forth in this Policy.

#### **4-1.503 PURPOSE**

The issuance of bonds or other obligations involves interest rate payment obligations and risks. A variety of financial instruments are available to reduce, offset or hedge these obligations and risks. It is the policy of West Basin to utilize such financial instruments to better manage its assets and liabilities. West Basin may execute a swap if the transaction can be expected to result in one or more of the following:

- (a) Reduce exposure to changes in interest rates on a particular financial transaction or portfolio of financial transactions.
- (b) Achieve lower net cost of borrowing with respect to West Basin's debt obligations.
- (c) Manage variable interest rate exposure consistent with prudent debt practices and policies adopted by the Board.
- (d) Optimization of capital structure including modification of timing and amounts of scheduled debt service payments.

West Basin may utilize the following financial products after identifying the objectives to be realized and assessing the potential risks:

- (a) Interest rate swaps, including (1) pay fixed/receive floating swaps, (2) pay floating/receive fixed swaps and (3) pay floating/receive floating swaps. Swaps may include option features, such as for the extension, cancellation, or index conversion of the swap.
- (b) Interest rate caps, floors, and collars.
- (c) Stand-alone options to enter into swaps (swaptions) on a particular date, series of dates, or during a particular period of time in the future.

West Basin will only enter into a swap transaction to hedge interest rate risks or lower the carrying cost of debt, and will not enter into any leveraged swaps (leverage means where the index or notional amount is a multiple of a factor greater than one).

**4-1.504 CONFORMANCE WITH DODD-FRANK<sup>39</sup>**

West Basin intends that this policy conforms to the requirements relating to legislation and regulations for over-the-counter derivatives transactions under Title VII of the Wall Street Transparency and Accountability Act of 2010, as supplemented and amended from time to time (herein collectively referred to as “Dodd-Frank”). Pursuant to such intent, it is the policy of West Basin that:

- (a) Each swap advisor to be engaged by the Authority will function as the designated qualified investment representative of the Authority, sometimes referred to as the “Designated QIR”;
- (b) Each swap advisor agrees to meet and will continue to meet the requirements specified in Commodity Futures Trading Commission Regulation 23.450(b)(1) or any successor regulation thereto (herein referred to as the “Representative Regulation”);
- (c) Each swap advisor will provide a written certification to West Basin to the effect that such swap advisor agrees to meet and will continue to meet the requirements specified in the Representative Regulation;
- (d) West Basin will monitor the performance of each swap advisor consistent with the requirements specified in the Representative Regulation as further described below;
- (e) West Basin will exercise independent judgment in consultation with its swap advisor in evaluating all recommendations, if any, presented by any counterparty with respect to transactions authorized pursuant to this Swap Policy; and
- (f) West Basin will rely on the advice of its swap advisor with respect to transactions authorized pursuant to this Swap Policy and not rely on recommendations, if any, presented by any counterparty with respect to transactions authorized pursuant to this Swap Policy.

**4-1.505 EVALUATION OF PROPOSED TRANSACTIONS<sup>40</sup>**

When evaluating a proposed transaction involving the use of swaps, West Basin

will review and consider the following:

- (a) Assessment of the inherent risks of the transaction.
- (b) Alternate financing options and a comprehensive evaluation of the potential risks and expected benefits of the transaction relative to such other options.
- (c) Procurement process and the suitability of the contemplated counterparties to the swap, taking into account any existing exposure to such counterparties.
- (d) Impact on West Basin's credit and liquidity profile and how other financial obligations, existing or expected, may be impacted.
- (e) Analysis of the impact on the net variable rate interest exposure from the transaction and any potential budgetary impact.
- (f) Cost and availability of on-going resources for the effective operations and risk management of the swap.
- (g) If the transaction includes option components, analysis of circumstances under which the option will likely, or not likely, be exercised and the consequences of each outcome.
- (h) Index utilized by the swap and its appropriateness for the District and its debt portfolio.

#### **4-1.506 USE OF AN INDEPENDENT SWAP ADVISOR**

West Basin will utilize a qualified independent swap advisor to assist with the evaluation and execution of swap transactions, as well as with the ongoing monitoring and valuation of its portfolio of outstanding swap transactions. West Basin will periodically evaluate the performance and services of its swap advisor. The swap advisor will meet all necessary registration, qualification and other requirements as set by the appropriate rules and regulations relating to the swap markets. The swap advisor will make necessary representations related to its status as a swap advisor to conform to appropriate rules and regulations, including each of the following:

- (a) The swap advisor and its principals and/or senior staff will have a

- demonstrated specialized experience with respect to swap transactions to allow them to evaluate swap transactions and related risks;
- (b) The swap advisor will have required industry and regulation registrations and/or licenses and will not be subject to any statutory disqualifications related to such registrations;
  - (c) The swap advisor will be independent of any swap dealer or a major swap participant that may be acting as a counterparty to West Basin, and as such:
    - (1) The representative of the swap advisor providing advice to West Basin is not, and will not have been within one year of representing West Basin, associated with the counterparty in a capacity that involved solicitation or acceptance of swap transactions or that supervised such activities;
    - (2) There is no principal relationship between the swap advisor and the counterparty;
    - (3) The swap advisor will disclose, in a timely manner, any conflicts of interest that could reasonably affect its judgment or decision-making ability with respect to West Basin's swap transactions and will have policies and procedures designed to manage and mitigate any conflicts of interest;
    - (4) The swap advisor is not affiliated with, is not directly or indirectly controlled by, in control of, or under common control with the counterparty; and
    - (5) The swap advisor was not referred, recommended, or introduced to West Basin by the counterparty within one year of the swap advisor's representation in connection with a swap transaction;
  - (d) The swap advisor will agree to undertake a duty to act in the best interest of West Basin, and to meet all of the business conduct rules and regulations set forth by appropriate regulatory agencies or self-regulatory organizations;

- (e) For each transaction, the Swap Advisor will provide detailed, written materials outlining benefits and risks of the swap transaction and evaluating appropriateness and fair pricing in accordance with any guidelines provided by West Basin; and
- (f) The swap advisor will be subject to restrictions on certain political contributions imposed by appropriate regulatory agencies or self-regulatory organizations.

#### **4-1.507 QUALIFIED SWAP COUNTERPARTIES<sup>41</sup>**

West Basin will be authorized to enter into swap transactions only with Qualified Swap Counterparties. The term “Qualified Swap Counterparties” shall mean any commercial or investment bank or any other financial institution that (1) has a demonstrated record of successfully executing swap transactions, and (2) at the time West Basin enters into the swap, is rated, or has its payment obligations under a Swap Agreement guaranteed by an affiliated entity (parent or subsidiary) which is rated, in each case at least “A1” or “A+”, or equivalent by any two of the nationally recognized rating agencies (i.e. Moody’s, Standard and Poor’s, or Fitch). West Basin will structure interest rate swap agreements to protect itself from credit deterioration of counterparties, including the use of both events-based and ratings-based termination events, collateral posting requirements or other forms of credit enhancement. Such protection shall include any terms and conditions which West Basin deems necessary to protect its interests.

#### **4-1.508 COUNTERPARTY TERMINATION EXPOSURE<sup>42,43</sup>**

In order to diversify West Basin’s counterparty credit risk and to limit its credit exposure to any one counterparty, West Basin will compute the “Maximum Net Termination Exposure” prior to executing a swap.

The “Maximum Net Termination Exposure” is the aggregate termination payment for all existing and projected swap transactions that would be paid by or to an individual counterparty. The aggregate termination payment is equal to (1) the potential worse-case termination payment based on the market value of all existing swaps as of the first day of

the month prior to the execution of any proposed swap transaction, plus (2) the potential worst-case termination payment of the proposed transaction. The potential worst-case termination payment shall be calculated assuming interest rates, as measured by the related index or benchmark interest rates, increased or decreased by two standard deviations from the sample mean over the last 10 years.

West Basin shall not enter into any swap transaction if after giving effect to, and as of the date of entering into, such swap transaction where the Maximum Net Termination Exposure for the swap counterparty would exceed 25% of West Basin's unrestricted cash balance (100% of West Basin's unrestricted cash X 25% per counterparty).

West Basin shall not enter into any swap transaction if after giving effect to, and as of the date of entering into, such swap transaction where the Maximum Net Termination Exposure for all swap counterparties would exceed 100% of West Basin's unrestricted cash balance.

#### **4-1.509 TERMINATION AND ASSIGNMENT PROVISIONS**

West Basin shall consider including in all swap agreements provisions granting West Basin the right to optionally terminate all or a portion of an Agreement at any time over the term of the Agreement and the right to assign an Agreement to a third party. West Basin may exercise its right to optionally terminate a swap agreement if it determines that it will (1) produce a benefit to West Basin, either through receipt of a payment from a termination, or if a termination payment is made by West Basin, in conjunction with a conversion to a more beneficial debt obligation, (2) result in a more beneficial mix of fixed and variable rate debt consistent with prudent debt practices and policies adopted by the Board, or (3) otherwise reduce risk as determined by the CFO.

A termination payment to or from West Basin may be required in the event of early termination of an agreement due to a default or decrease in the credit rating of either West Basin or the swap counterparty and a change in swap rates. If (1) the event of default or termination event is due to the swap counterparty and (2) a termination payment would be owed by West Basin, before deciding to exercise its right to terminate a swap

transaction, the CFO shall evaluate whether it is financially advantageous for West Basin to enter into a replacement swap transaction. Such replacement swap transaction could allow West Basin to avoid making a termination payment or allow a replacement swap counterparty to make an upfront payment to West Basin in an amount that will substantially offset the termination payment that West Basin will be making to the original swap counterparty

The CFO shall make a recommendation to the board regarding the termination, assignment or replacement of an interest rate swap based on the above stated principles and conditions. The board may authorize the CFO to execute any termination and/or deliver on behalf of West Basin any replacement swap transaction so long as the counterparty of such replacement swap transaction is a Qualified Swap Counterparty.

#### **4-1.510 TERM AND NOTIONAL AMOUNT OF SWAP AGREEMENT<sup>44</sup>**

West Basin shall determine the appropriate term and size for an interest rate swap on a case-by-case basis. In connection with the issuance or carrying of bonds, the outstanding notional amount of a swap agreement should relate to the amortization of the related existing or anticipated debt of West Basin and the term shall not extend beyond the latest final maturity date of the related existing or anticipated bond.

To the extent possible or practical, the total net notional amount of all swaps related to an issue of bonds should not exceed the amount of the related outstanding bonds or other outstanding variable rate debt. For purposes of calculating the net notional amount, credit shall be given to any swaps that offset a specific bond transaction.

In no case shall West Basin execute an interest rate swap agreement with a term of greater than 10 years.

#### **4-1.511 FORM OF SWAP AGREEMENTS**

Each swap transaction and swap agreement executed by West Basin shall contain terms and conditions as set forth in the International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement. The agreements shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, and provisions as the



CFO deems necessary or desirable. The CFO may use legal counsel and/or outside professional advisors to assist in preparation of the swap documents.

**4-1.512 COLLATERAL REQUIREMENTS<sup>45</sup>**

As part of any swap agreement, unless otherwise approved by the Board, West Basin shall require collateralization or other credit enhancement to secure any or all swap payment obligations. As appropriate, the CFO shall require collateral or other credit enhancement to be posted by each swap counterparty with the following considerations:

- (a) Each swap counterparty to West Basin shall be required to post collateral if the credit rating of the swap counterparty or its guarantor is not in the two highest rating categories (AAA, AA) by at least two of the nationally recognized rating agencies.
- (b) Collateral shall consist of cash, U.S. Treasury Securities, or Agency Securities which are rated at equivalent ratings of U.S. Treasury Securities, by any two of the nationally recognized rating agencies.
- (c) Collateral shall be deposited with a third-party custodian, or as mutually agreed upon between West Basin and each swap counterparty.
- (d) A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the swap agreement.
- (e) The market value of the swap and the collateral shall be determined on at least a weekly basis.
- (f) West Basin will determine reasonable threshold limits for the initial deposit and for increments of collateral posting thereafter.
- (g) The CFO shall determine on a case by case basis whether other forms of credit enhancement are more beneficial to West Basin.

**4-1.513 AMENDMENT OR ASSIGNMENT OF SWAP TRANSACTION OR SWAP AGREEMENT<sup>46</sup>**

The CFO may recommend and the board may approve an amendment of any existing swap transaction if such amendment does not cause an increase on the effective date of the amendment in the Maximum Net Termination Exposure of West Basin to 1) more than 100% of West Basin's unrestricted cash balance and 2) more than 25% of West Basin's unrestricted cash balance per counterparty, after adjusting

for any upfront payments either made or received by West Basin or if such amendment decreases the Maximum Net Termination Exposure. The CFO may further recommend and the Board may approve an amendment to any existing swap which is made to address a market change to material characteristics of the swap, such as its reference index.

West Basin shall be authorized to enter into any assignment or novation of a swap transaction from one swap counterparty to another swap counterparty with the approval of the board and if the CFO determines that the swap counterparty to which such swap transaction is assigned is a Qualified Swap Counterparty. West Basin shall be authorized to enter into a swap agreement with the swap counterparty to which any swap transaction is assigned so long as such terms and conditions do not have the impact of increasing on the effective date of such assignment or novation the Maximum Net Termination Exposure of West Basin to 1) more than 100% of West Basin's unrestricted cash balance, more than 25% of West Basin's unrestricted cash balance per counterparty under the assigned or novated swap transaction. West Basin shall be authorized to enter into a swap agreement with the swap counterparty to which any swap transaction is assigned if such assignment decreases the Maximum Net Termination Exposure, and 3) in all material respects, the business terms of the swap transaction are the same or improved.

#### **4-1.514 REPORTING REQUIREMENTS**

Written records noting the status of all swap transactions will be maintained by West Basin and provided to the Board at least on a quarterly basis and shall include the following information:

- (a) Highlights of all material changes to the swap agreements or new agreements entered into by West Basin and a summary of any agreements that were terminated.
- (b) Basic term sheet containing trade date, effective date and termination date of each of the swap agreements, as well as key terms such as: notional amount, rate paid by each counterparty, day count basis, payment dates, and amortization/accretion schedules. This term sheet

will also contain counterparty contact information.

- (c) Mark-to-market valuation and performance of the swap to date, performed by an independent third party advisor.
- (d) For each swap counterparty, shall provide the total notional amount position, the average life of each agreement, the available capacity to enter into a swap, and the remaining term of each agreement.
- (e) The credit rating of each swap counterparty and the guarantor insuring the swap payments.
- (f) Actual collateral posting by the swap counterparty, if any, per agreement and in total by swap counterparty.
- (g) Information concerning any default by a swap counterparty to West Basin and the results of the default, but not limited to the financial impact to West Basin, if any.
- (h) Follow GASB procedures for reporting the swaps on West Basin's annual financial statements, including the provisions of GASB 53.

#### **4-1.515 DEFINITIONS<sup>47</sup>**

- (a) Collateral: Assets pledged to secure an obligation. The assets are potentially subject to seizure in the event of default.
- (b) Counterparty: A principal to a swap or other derivative agreement, as opposed to an agent such as a broker.
- (c) GASB: Governmental Accounting Standards Board
- (d) Interest Rate Cap: An instrument that pays off on each settlement date based on the market value of a reference rate and a specified contract rate; effectively establishing a maximum on a variable rate.
- (e) Interest Rate Collar: An instrument that provides protection within a band of interest rates. (A combination of purchasing an Interest Rate Cap and selling an Interest Rate Floor).
- (f) Interest Rate Floor: An instrument that pays off on each settlement date based on the market value of a reference rate and a specified contract

rate.

- (g) Interest Rate Swap: A contract between two parties to exchange cash flows over a predetermined length of time. Cash flows are calculated periodically based on a fixed or variable interest rate against a set notional amount. Principal is not exchanged.
- (h) Notional Amount: The stipulated principal amount for a swap transaction used to determine the interest payments on a swap.
- (i) Swap: An agreement between two parties evidenced by a single document in which the parties agree to exchange periodic (net) payments for an agreed period of time based upon a notional amount of principal.
- (j) Swaption: An option on a swap. The swaption purchaser has the right to enter a specific swap for a defined period of time. This option can be exercised on a specific exercise date or series of exercise dates.

**ARTICLE 6. DEBT MANAGEMENT POLICY<sup>48</sup>****4-1.601 PURPOSE<sup>49,50,,51,52</sup>**

The purpose of this Debt Management Policy (“Policy”) is to establish parameters and provide guidance as to the issuance, management, continuing evaluation of and reporting on all debt obligations.

This policy affirms the commitment of the Board of Directors (the “Board”) of West Basin Municipal Water District (the “District”) in the practices of sound financial management which includes the timely repayment of all debt, borrowing at the lowest possible net cost of capital while balancing risks associated with any actions or inactions, preserving financial flexibility, maintaining strong credit ratings, providing timely disclosure, and maintaining good investor relations. The Policy is in accordance with current legislative requirements and incorporates industry best practices.

**4-1.602 GOALS AND OBJECTIVES<sup>53,54,55</sup>**

A debt management policy sets forth the guidelines for the issuance of debt and the management of outstanding debt. The Policy establishes parameters which recognize the District’s specific capital requirements, its ability to repay financial obligations, and the existing legal, economic, financial and debt market conditions. Specifically, the Policy is intended to assist the District in the following:

- (a) Evaluating critical debt issuance options, including the types of debt that may be issued and incurred by the District;
- (b) Integrating debt issuance with the District’s capital improvement program, budget and long-range financial plan in order to maintain appropriate capital assets for present and future needs;
- (c) Promoting sound financial management through accurate and timely information on financial conditions;
- (d) Protecting and enhancing the District’s credit rating; and
- (e) Ensuring the legal use of District financing authority through an effective system of internal controls.

**4-1.603 ROLES AND RESPONSIBILITIES<sup>56</sup>**

The Executive Manager of Finance is the designated administrator of the Policy. The Executive Manager of Finance shall have the day-to-day responsibility and authority for structuring, implementing, and managing the District's debt and finance program in an ethical and prudent manner.

The Board acknowledges that changes in the capital markets and other unexpected events may, from time to time, create situations and opportunities that are not contemplated by this Policy and may require adjustments or exceptions to the guidelines of the Policy. In such circumstances, the ability of the District to be flexible is important; however, any authorization granted by the Board to proceed with a financing or financial product not expressly permitted by the Policy must be accompanied by an acknowledgement of the Board that the actions to be taken by the District are not specifically authorized by the Policy in force at that time. The Policy shall be initially adopted by the Board and reviewed annually. Future updates, if necessary, to the Policy require the approval by the Board.

**4-1.604 LONG-RANGE FINANCIAL PLAN<sup>57,58,59</sup>**

A Long-Range Financial Plan shall be prepared by the Executive Manager of Finance for consideration and approval by the Board. The Long-Range Financial Plan will be updated at least once every fiscal year, consist of a future planning horizon of at least five years and may be accomplished through the District's annual budget adoption process. In addition to capital project costs, the Long-Range Financial Plan shall include the following:

- (a) Description of all sources of funds;
- (b) Description of operating expenses;
- (c) Debt service requirements;
- (d) Timing of capital expenditures;
- (e) Impact of new capital projects on District's debt burden;
- (f) Designated fund levels; and
- (g) Minimum debt service coverage target

**4-1.605 DEBT FINANCING**<sup>60,61,62,63</sup>

The District may meet its financing needs through debt financing. When considering debt financing the District will review and select the most appropriate means based on suitability, risk profile and market conditions. All debt will be entered into in compliance with the terms and covenants of any affected outstanding obligations.

- (a) Revenue Obligations. Long-term revenue obligations issued through the District, a financing corporation, joint powers agency or other entity should be used to finance and refurbish capital facilities, projects and certain equipment where it is determined to be cost effective and fiscally prudent. Long-term revenue obligations will not be used to fund operations of the District. The scope, requirements, and demands of the Budget, reserve levels, the Long-Range Financial Plan, and the ability or need to expedite or maintain the programmed schedule of approved capital projects, will also be factors in the decision to issue long-term debt. Revenue obligations will be structured to achieve the lowest possible net cost to the District given market conditions while balancing risks, considering the Long-Range Financial Plan, and the nature and type of security to be provided.

The District's debt capacity will not exceed legal or contractual limitations, such as rate covenants or Additional Debt Tests imposed by existing financing covenants. Prior to the issuance of any new revenue obligations, the impact of debt service payments on total annual fixed costs will be analyzed.

As users of the District facilities will benefit from long-term capital investments in future years, it is appropriate that future revenues pay a share of the costs and more closely match the term of repayment to the expected economic useful life of the project being financed.

- (b) Commercial Paper. Commercial paper and similar financing products including, but not limited to, revolving bank credit agreements and letters



of credit are cash management programs that the District may use to provide interim and long-term funding for capital expenditures that will ultimately be funded from another source such as future rate revenue, grants, other external funding or long-term debt. Such a program may be implemented directly by the District or through a financing corporation or other entity. If implemented through a financing corporation or other entity a tax revenue anticipation note or other instrument will be delivered by the District as security for the program. Periodic issuances or retirements of commercial paper notes or similar financing products within a Board approved program would not require further Board action once the program is implemented.

The Executive Manager of Finance is responsible for implementing and managing the District's commercial paper or similar financing program. The Executive Manager of Finance will work closely with commercial paper dealers, if any, to develop a marketing strategy for the initial sale and subsequent roll-over of maturing amounts.

- (c) Fixed and Variable Rate Obligations. The District typically issues fixed rate obligations. When appropriate, however, the District may choose to issue variable rate obligations (including Commercial Paper), or securities that pay a rate of interest that varies according to a predetermined formula or results from a periodic remarketing or auction of securities. The maximum level of net variable rate obligations incurred shall not exceed the lesser of the District's unrestricted reserves or 20% (the "Maximum Variable Percentage") of outstanding debt. To determine the amount of "net" variable rate obligations, the District will add obligations subject to variable rates including the principal amount of fixed rate obligations which are subject to fixed-to-variable rate interest rate Swaps and will subtract the amount of the District's short-term investments (maturities of less than 12 months) as well as the principal amount of variable rate obligations which are the subject of variable-to-fixed rate interest rate

Swaps which the District's financial adviser reasonably believes will result in essentially fixed interest rates to the District.

Variable rate exposure can provide a means to enhance asset/liability management. The primary goal of asset/liability management is to mitigate the impact of increased interest costs in a rising interest rate environment, and mitigate the impact of decreased interest income in a declining interest rate environment. The Executive Manager of Finance will review the net variable rate exposure of the overall debt portfolio on a quarterly basis and at any time that additional debt is issued.

In selecting and retaining remarketing agents for variable rate debt, the District should choose remarketing agents that diversify its exposure and foster competition. The Executive Manager of Finance will regularly review the performance of the individual remarketing agents in relation to other remarketing agents, similar programs, and market indices.

- (d) Grant Anticipation Notes. The District may issue short-term notes to be repaid with the proceeds of State or Federal grants if appropriate for the project and in the best interest of the District. Generally, grant anticipation notes ("GAN's) will only be issued if there is no other viable source of up-front cash for the project. Prior to embarking on selling GAN's the District must identify a secondary source of repayment for the GAN's in the event that expected grant funding does not occur.
- (e) Lease Financings. Lease obligations are a routine and appropriate means of financing certain types of equipment, but are generally not appropriate for long-term financing of capital assets such as land or facilities. Leases should be considered where lease financing will be more beneficial than funding from reserves or current revenues. The useful life of capital equipment, the term and conditions of the lease, the direct impact on debt capacity and budget flexibility will be evaluated prior to the implementation of a lease program. Cash flow sufficiency, capital

program requirements, lease program structures and cost, and market factors will be considered in conjunction with Pay-As-You-Go strategies in lieu of lease financing.

- (f) State Revolving Fund Loans. The District may enter into loan agreements with the State Revolving Fund (SRF), which provides a low or zero interest loan program made available for specific construction projects. SRF loans are generally structured such that the District is required to contribute a percentage of the total project cost and receives loan proceeds from the State of California for the balance. The SRF loan interest rate is calculated by taking half of the True Interest Cost (TIC) of the most recent sales of State General Obligation Bonds. The term of the loans can be up to 30 years. SRF Loans may provide additional assistance in the form of principal forgiveness. Principal forgiveness must be specified at the execution of the loan agreement for the amount forgiven to be counted against the total loan required to be provided by the SRF. In connection with any SRF Loan financing, the District will carefully review the terms, covenants and provisions of the loan to make sure they are preferable over other funding alternatives, and also to ensure they do not conflict with the terms and covenants of the District's other outstanding obligations.
- (g) Water Infrastructure Finance and Innovation Act (WIFIA) Loans. The WIFIA program is a federal credit program administered by EPA for eligible water and wastewater infrastructure projects. The minimum project size is \$20 million and a WIFIA loan can fund up to 49% of an eligible project cost with a maximum final maturity date of 35 years after the date of substantial project completion. The District will evaluate the use and applicability of WIFIA for qualifying capital projects.

The District will monitor its debt portfolio and debt financed assets to ensure continued compliance with tax law requirements.

#### **4-1.606 DEBT REFINANCING**<sup>64,65,66,67</sup>

Refunding obligations are issued to retire all or a portion of an outstanding debt

issue. Economic refundings refinance high coupon debt at lower interest rates to effectuate debt service savings. Alternatively, an issuer can conduct a refunding for reasons other than costs savings, such as to restructure debt service payments, to change the type of debt instruments, or to modernize financing documents by removing undesirable covenants.

The District will target current refundings (refundings within 90 days of the call date) that produce net (including cash contributions and foregone interest earnings) present value savings of at least 3% of the refunded par amount of each maturity being refunded. Refundings producing less than 3% net present value savings for each maturity being refunded will be considered for other purposes, such as removing restrictive covenants, reducing risk, altering the overall debt repayment schedule of the District, releasing revenues, and ease of administration.

The District will target advance refundings (refundings that occur greater than 90 days prior to the call date) that produce net (including cash contributions and foregone interest earnings) present value savings of at least 5% of the refunded par amount of each maturity being refunded, and achieve at least 70% escrow efficiency (where escrow efficiency is defined such that present value savings is greater than or equal to 70% of the sum of negative arbitrage and net present value savings). Refundings producing less than 5% net present value savings for each maturity being refunded may be considered for other purposes, such as removing restrictive covenants, reducing risk, altering the overall debt repayment schedule of the District, releasing revenues, and ease of administration.

The Executive Manager of Finance will monitor refunding opportunities for all outstanding debt obligations on a periodic basis applying established criteria in determining when to issue refunding debt and bring forth the recommended opportunities with appropriate resolutions and related documentation.

#### **4-1.607 DEBT STRUCTURE CONSIDERATIONS**<sup>68,69,70,71</sup>

- (a) Maturity of Debt. The final maturity of the debt shall not exceed, and preferably be less than, the remaining useful life of the assets being

financed, and to comply with Federal tax regulations, the average life of a financing shall not exceed 120% of the average life of the assets being financed.

- (b) Debt Service Structure. In general, debt service payments for any new money debt issue will be structured to create approximately level debt service payments over the life of the debt. The Executive Manager of Finance may also structure the amortization of principal to wrap around existing obligations or to achieve other financial planning goals. Deferring the repayment of principal should be avoided except in select instances where it will take a period of time before project revenues are sufficient to pay debt service. Refundings will generally be structured to achieve level savings, but may be designed to tailor the receipt of savings in certain years depending on near-term financial needs, structure of the debt being refunded and/or market conditions.
- (c) Lien Structure. Senior and subordinate liens will be utilized in a manner that will maximize the most critical constraint, either cost or capacity, thus allowing for the most beneficial leverage of revenues.
- (d) Capitalized Interest. The District may elect to fund capitalized interest in connection with the construction of certain projects when revenues from the project will not be available until completion.
- (e) Reserve Funds. A reserve fund for a debt issuance may be beneficial for rating or marketing reasons, depending on market conditions. If required, such reserve fund can be funded with cash or a surety policy from 1) the proceeds of a debt issue, 2) the reserves of the District, or 3) a surety policy issued in lieu of using debt proceeds or reserves. A cash reserve fund will be invested pursuant to the investment restrictions associated with the respective financing documents. For each debt issue, the Executive Manager of Finance will evaluate whether a reserve fund is required for rating or marketing purposes and the benefits of funding or maintaining the reserve requirement with cash or a surety policy, in

addition to determining the benefits of borrowing the necessary funds or using cash reserves.

- (f) Redemption Provisions. In general, the District will have the right to optionally redeem debt at par no later than 10 years after issuance. Redemption provisions will be established on a case-by-case basis, taking into consideration market conditions and the results of a call option analysis prior to the time of sale. Because the issuance of non-callable debt may restrict future financial flexibility, cost will not be the sole determinant in the decision to issue non-callable debt.
- (g) Credit Enhancement and Liquidity. Credit Enhancement on District financings will only be used when net debt service is reduced by more than the cost of the enhancement. In connection with variable rate obligations and certain interim financing (such as commercial paper), a liquidity or LOC provider may be necessary. The District should seek to diversify its exposure to banks when selecting institutions to provide liquidity or Credit Enhancement for variable rate debt.

Bond insurance will be used when it provides an economic advantage to a particular debt maturity or the entire issue. The District will evaluate the availability and cost/benefit of credit enhanced debt versus unenhanced debt prior to issuing any debt.

In managing its variable rate debt portfolio, the Executive Manager of Finance will regularly monitor the market for Credit Enhancement, particularly liquidity facilities provided by Credit Enhancement providers and alternative variable rate products and the use of alternative variable rate instruments that do not require Credit Enhancement.

#### **4-1.608 METHOD OF SALE<sup>72</sup>**

The District will select a method of sale that is the most appropriate when considering the financial, market, transaction-specific and Issuer-related conditions. There are three basic methods of sale: Competitive Sale, Negotiated Sale and Private

Placement. Each type of debt sale has the potential to provide the lowest cost given the right conditions. The Executive Manager of Finance will recommend to the Board the most appropriate method of sale in light of prevailing financial, market and transaction-specific conditions. If a negotiated sale is expected to provide overall benefits, the selection of the senior managing underwriters and the co-managers shall be made from the approved pool of underwriters selected through the process described below.

#### **4-1.609 INVESTMENT OF PROCEEDS**<sup>73,74,75</sup>

Bond proceeds will be deposited and recorded in separate accounts to ensure funds are not comingled with other forms of District funds. The District's Trustee or Fiscal Agent will administer the disbursement of bond proceeds pursuant to each certain Indenture of Trust or Fiscal Agent Agreement, respectively. To ensure proceeds from bond sales are used in accordance with legal requirements invoices are reviewed by the Executive Manager of Finance prior to payment. Requisition for the disbursement of bonds funds will be approved by the District's Executive Manager of Finance or designated alternate. Responsibility for general ledger reconciliations and records is segregated from the invoice processing, cash receipting, and cash disbursement functions.

The Executive Manager of Finance will be tasked with monitoring the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued and exercising best efforts to spend bond proceeds in such a manner that the District will meet one of the spend-down exemptions from arbitrage rebate. Tax- exempt bonds will not be issued unless it can be demonstrated that 85% of the proceeds can reasonably be expected to be expended within the three-year temporary period.

The District shall competitively bid the purchase of securities, investment agreements, float contracts, forward purchase contracts and any other investment products used to invest proceeds of a financing. The District shall comply with all applicable Federal, State, and contractual restrictions regarding the use and investment of financing-related funds. The primary investment objectives are safety, liquidity, and yield. The District's independent investment advisor must be a registered Investment

Advisor. The District shall diversify invested proceeds in order to reduce risk exposure to providers, types of investment products and types of securities held. The District will require that all fees resulting from investment services or sale of products to the District be fully disclosed to the District (including fees paid by third parties) to ensure that there are no conflicts of interest and investments are being purchase at a fair market price, consistent with the District's Investment Policy

#### **4-1.610 CREDIT/RATINGS OBJECTIVES<sup>76</sup>**

The District's objective is to maintain or improve its credit ratings as a way of reducing financing costs and maintaining access to the capital markets. The Executive Manager of Finance shall be responsible for implementing and managing the District's credit rating agencies relations program. This effort shall include providing the rating agencies with the District's annual budget, financial statements and other information they may request. Full disclosure of operations will be made to the credit rating agencies. The Executive Manager of Finance shall also coordinate periodic meetings with the rating agencies and communicate with them prior to each debt issuance.

#### **4-1.611 INVESTOR RELATIONS<sup>77</sup>**

The Executive Manager of Finance shall be responsible for implementing and managing the District's investor relations program. The Executive Manager of Finance shall respond to inquiries from institutional and retail investors. If necessary, the Executive Manager of Finance shall periodically meet or conduct conference calls with key institutional investors in order to familiarize the institutional investors with the District's financial history and financial projections. Such communication shall be made only if permitted under applicable federal securities laws.

#### **4-1.612 DISCLOSURE AND ARBITRAGE REBATE COMPLIANCE<sup>78</sup>**

The District will comply with all financing covenants to maintain the validity of the issuance of debt, including, but not limited to tax-exemption, Arbitrage Rebate compliance, insurance provisions, reporting and monitoring requirements. The District will ensure compliance with all continuing disclosure requirements as part of its ongoing



debt program. Any instance of noncompliance will be reported to the Board.

#### **4-1.613 CONSULTANTS<sup>79,80</sup>**

The District shall procure professional services when required to assist in execution of financing transactions and to advise on non-transaction work.

- (a) Municipal Advisor. The District will retain an independent registered municipal advisor (financial advisor) through a competitive process administered by the Executive Manager of Finance at least every five years. Selection of the District's financial advisor should be based on the following:
- (1) Experience in providing consulting services to complex Issuers;
  - (2) Meets all regulatory requirements;
  - (3) Knowledge and experience in structuring and analyzing large complex issues;
  - (4) Ability to conduct competitive selection processes to obtain investment products and financial services;
  - (5) Experience and reputation of assigned personnel; and
  - (6) Fees and expenses.

The District expects that its municipal advisor will provide objective advice and analysis, maintain confidentiality of District financial plans, and fully disclose any potential conflicts of interest. The District's municipal advisor will serve as its Independent Registered Municipal Advisor.

The District's municipal advisor will further assist the District with engaging additional third parties for particular transactions such as trustee/paying agent, printer, verification agent, among others.

- (b) Bond Counsel. For all debt issues, the District will engage and retain an external bond counsel through a competitive process administered by the Executive Manager of Finance at least every five years. All debt issued by the District will include a written opinion by a nationally recognized bond counsel affirming that the District is legally authorized to issue the

debt, stating that the District has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal income tax status. Bond Counsel may also draft the Official Statement in lieu of having a separate disclosure counsel.

- (c) Disclosure Counsel. The District may engage and retain, when appropriate, Disclosure Counsel through a competitive process administered by the Executive Manager of Finance to prepare official statements for debt issues. Disclosure Counsel will be responsible for ensuring that the official statement complies with all applicable rules regulations and guidelines. Disclosure Counsel will be a nationally recognized firm with extensive experience in public finance.
- (d) Underwriters. For negotiated sales, underwriters will be required to demonstrate sufficient capitalization and experience related to the debt issuance. The Executive Manager of Finance may establish a pool of qualified underwriters through a competitive process for periods up to five years and may designate one or more firms as eligible to be senior managers and potentially one or more firms as eligible to be co-managers. In addition, the Executive Manager of Finance may select one or more underwriters through a Request for Proposal process for a specific transaction without establishing a pool. Criteria to be used in the appointment of qualified underwriters will include:
- (1) Quality and applicability of financing ideas;
  - (2) Demonstrated ability to manage complex financial transactions;
  - (3) Demonstrated ability to structure debt issues efficiently and effectively;
  - (4) Demonstrated ability to sell debt to institutional and retail investors;
  - (5) Demonstrated willingness to put capital at risk;
  - (6) Experience and reputation of assigned personnel;

- (7) Past performance and references; and
- (8) Fees and expenses.

The Executive Manager of Finance will regularly monitor the performance of the members of the underwriting pool and recommend changes as appropriate.

- (e) Remarketing Agent / Commercial Paper Dealer. In connection with variable rate transactions or commercial paper programs, the District may engage a remarketing agent or commercial paper dealer, as appropriate. Such remarketing agent or commercial paper dealer will be selected based on demonstrated experience and capabilities serving in this role.

#### **4-1.614 REPORTING REQUIREMENTS**<sup>81,82,83</sup>

The Executive Manager of Finance will report to the Board of Directors on a quarterly basis the following information:

- (a) A summary of outstanding debt obligations to include the series name, original amount of issuance, outstanding principal amount, issue date, maturity dates, interest rates, and annual debt service;
- (b) The amount of the net variable rate obligation, percentage as compared to outstanding debt and the corresponding variable rate capacity;
- (c) When applicable, a comparison of variable rates to SIFMA or by remarketing agent, if West Basin has more than one agent, to other remarketing agents, with similar programs and market indices; and
- (d) Other Considerations if applicable:
  - (1) Refunding opportunities
  - (2) Credit Enhancement
  - (3) Reportable conditions
  - (4) New debt issuances.

**4-1.615 SB 1029 COMPLIANCE<sup>84,85,86</sup>**

SB 1029, signed by Governor Brown on September 12, 2016, requires issuers to adopt debt policies addressing each of the five items below.

- (a) The purposes for which the debt proceeds may be used.
- (b) The types of debt that may be issued.
- (c) The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.
- (d) Policy goals related to the issuer's planning goals and objections.
- (e) The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

**4-1.616 COMPLIANCE WITH CDIAC REGULATIONS<sup>87, 88</sup>**

The Executive Manager of Finance will comply with the regulations set forth under Title 4 Business Regulations, Division 9.6 California Debt and Investment Advisory Commission (CDIAC).

**4-1.617 DISCLOSURE POLICY**

The District maintains a separate Disclosure Procedures Policy under Section 4-1.9 of the Administrative Code

**4-1.618 DEFINITIONS<sup>89,90,91</sup>**

- (a) Additional Debt Test: A legal earnings test governed by the provisions of a financing document which must be satisfied before revenue obligations secured by the same Pledged Revenues can be issued. Typically, the test requires that historical or estimated future revenues exceed total debt service (existing and proposed) by a certain ratio.
- (b) Amortization: The required repayment of principal associated with the issue of revenue obligations.

- (c) Arbitrage Rebate: With regard to tax-exempt revenue obligations, arbitrage refers to taxable earnings on proceeds that are greater than earnings would have been at the arbitrage yield. IRS regulations require Issuers to calculate and pay rebate to the United States Treasury on arbitrage earned on proceeds of tax-exempt securities.
- (d) Bond Counsel: An attorney (or firm of attorneys) retained by the Issuer to render a legal opinion on the legality and security of a securities offering and its tax exemption or taxability. Bond counsel may prepare authorizing resolutions or ordinances, installment purchase agreements, Indentures, official statements, and other documents required to allow for access the capital markets.
- (e) Bond Insurance: An insurance policy guaranteeing the timely payment of principal and interest of all, or a portion, of revenue obligations. In exchange for a Bond Insurance premium, a bond insurer's guarantee can result in a higher credit rating and a lower net borrowing cost for an Issuer.
- (f) Bond Proceeds: All funds received from the bond sale inclusive of premium and discount.
- (g) Capitalized Interest: A portion of the proceeds of an issue used to pay interest on the revenue obligations for a specified period of time.
- (h) Commercial Paper: Short-term (1 to 270 days) promissory notes issued to provide for interim financing of projects or other short-term financing needs through the construction period. Following the completion of the projects, principal and interest due on commercial paper is sometimes redeemed by issuing long-term refunding revenue obligations.
- (i) Competitive Sale: A sale of securities by an Issuer in which broker/dealers submit bids to purchase the securities.
- (j) Covenants: The enforceable promise by an Issuer to perform or refrain from performing certain actions. With respect to municipal finance obligations, covenants are generally stated in the financing documents.
- (k) Credit Enhancement: Credit support purchased by the Issuer to provide

enhanced access to the capital markets, frequently resulting in lower expected net borrowing costs. The most common Credit Enhancements consist of Bond Insurance, direct or standby Letters of Credit, and lines of credit.

- (l) Debt Service: The sum of the principal and interest from revenue obligations. Debt service may be presented on periodic basis, such as on a twelve month period, fiscal year or calendar year basis.
- (m) Defeasance: The establishment of an Escrow that is sufficient to make all remaining debt service payments including redemption premium, if any, to owners of revenue obligations. The incurrence of refunding revenue obligations is typically accompanied by a defeasance of the refunded revenue obligations.
- (n) Escrow: A fund established to hold cash and securities pledged to pay debt service on a revenue obligation.
- (o) Indenture: Legal document describing the terms and conditions of a revenue obligations offering, the rights of the owner thereof, and the obligations of the Issuer to the such owners.
- (p) IRS: Internal Revenue Service.
- (q) Issuer: A state, political subdivision, agency, or authority that borrows money through the sale of securities.
- (r) Leases: Municipal lease agreements are used to finance the purchase or use of real or personal property. Lease agreements can be structured as lease purchase agreements whereby the municipality owns the asset at the end of the lease term or as operating leases whereby the municipality has the option to purchase the asset at the end of the lease term at fair market value. The security for lease obligations is typically general fund revenues but could be a more limited revenue source. Lease agreements can be funded by private companies, such as vendors or finance companies, or through the capital markets.
- (s) Letters of Credit (LOC)– A commitment, usually from a commercial bank,

used to provide additional security for notes, installment purchase agreements, commercial paper or other revenue obligations which honor demands for timely payment of debt service upon compliance with pre-established conditions and/or the occurrence of certain events. Draws, if any, are repaid to the bank based on the terms and conditions of the letter of credit terms.

- (t) Municipal Advisor: A consultant who advises an issuer on finance-related matters, such as structure, timing, marketing, pricing, documentation, and credit ratings. The consultant may also provide advice relating to capital planning and investment management.
- (u) Negotiated Sale: A sale of securities by an issuer whereby the Issuer selects one underwriter to negotiate the terms of the purchase and reoffering of debt obligations to investors by the underwriter or a group of underwriters.
- (v) Notes: A short-term obligation of the Issuer to repay a borrowing payable from a defined source of anticipated revenue.
- (w) Official Statement: A document distributed by an Issuer which discloses material information about the proposed issue including the purpose of the issue, source of repayment, financing covenants as well as financial, economic, demographic and legal characteristics of the Issuer. An Official Statement is one of the sources that investors rely upon to determine the credit quality of an issue.
- (x) Pay-As-You-Go: An Issuer uses existing revenues to fund a project as opposed to funding costs with debt obligations.
- (y) Pledged Revenues: The moneys obligated for the payment of debt service and other deposits required by the financing documents. A typical revenue pledge obligates all revenues received for the payment of debt service subject to deductions for maintenance or operating expenses.
- (z) Preliminary Official Statement: A preliminary version of the Official Statement used by the Issuer or underwriter to describe the proposed

issue of municipal obligations prior to the determination of interest rates and offering prices. A preliminary official statement is one of the sources that investors rely upon in basing their investment decisions.

- (aa) Present Value: The value of future cash flows in today's dollars.
- (bb) Present Value Savings: Present Value of the differences between two cash flows.
- (cc) Private Placement: Securities sold directly to institutions or private investors by a direct negotiated sale instead of a public offering.
- (dd) Rating Agencies: Independent firms specializing in providing credit analysis to the investment community. The three primary rating agencies that provide municipal credit ratings are Fitch Ratings, Moody's Investors Service, and Standard & Poor's.
- (ee) Ratings: Evaluations of the credit quality of obligations usually made by independent rating services. Ratings generally measure the likelihood of payment of debt service. Higher credit ratings represent lower default risk to investors and typically lower borrowing costs to Issuers.
- (ff) Redemption: The repayment of principal on outstanding debt at a specified price and date(s).
- (gg) Reserve Fund (or Debt Service Reserve Fund): A fund established at the time revenue obligations are issued to provide additional security in the event that revenues are insufficient to satisfy debt service requirements. A debt service reserve fund can be funded from proceeds of revenue obligations or cash, and in certain circumstances with a surety policy issued by a credit enhancer. Federal tax regulations limit the size of debt service reserve funds funded with tax-exempt proceeds.
- (hh) Swap: An agreement between two parties to exchange future payments. The most common Swaps for municipal Issuers are interest rates Swaps whereby one party agrees to pay the other a fixed rate, while the other party pays the first party a floating rate. Swaps will be entered into and managed in accordance with the District's Swap Policy under Section 4-



1.5 of the Administrative Code.

- (ii) Underwriter: A broker/dealer that purchases new offerings of securities from the Issuer and resells them to investors.
- (jj) Variable Rate Obligations: A security whose interest rate changes at pre-set intervals over the life of the obligation. Periodic changes in interest rates result from changes in an index or the supply and demand dynamics of a remarketing or auction.
- (kk) Variable Rate Capacity: The difference between the maximum net variable rate limitation and the net variable rate obligations.
- (ll) Water Infrastructure Finance and Innovative Act (WIFIA) Loans: The WIFIA program is a federal credit program administered by EPA for eligible water and wastewater infrastructure projects. The WIFIA program can fund development and implementation activities for eligible projects, including wastewater conveyance and treatment projects that are eligible for the Clean Water SRF; drinking water treatment and distribution projects that are eligible for the Drinking Water SRF; enhanced energy efficiency projects at drinking water and wastewater facilities; brackish or seawater desalination, aquifer recharge, alternative water supply, and water recycling projects; drought prevention, reduction, or mitigation projects; acquisition of property if it is integral to the project or will mitigate the environmental impact of a project.

## **ARTICLE 7. CAPITALIZATION POLICY<sup>92</sup>**

### **4-1.701 PURPOSE**

The purpose of this Capitalization Policy (“Policy”) is to set requirements and establish a threshold for expenses incurred to acquire assets that are used in operations and have initial minimum useful lives extending beyond a certain length of time. Qualified expenses that meet the minimum useful life requirements and are valued above the threshold are to be recorded as a capital asset. Expenses valued below the threshold are charged as an operational expense as incurred.

The Policy affirms the commitment of the Board of Directors (the “Board”) of West Basin Municipal Water District (the “District”) in the practices of sound financial management which is included in the District’s long-term strategic plan.

### **4-1.702 GOALS & OBJECTIVES**

The Policy is intended to clarify capitalizable costs versus expenses and provides guidelines for the capitalization, depreciation, impairment, replacement, retirement, and disposal of capital assets to comply with the requirements of Governmental Accounting Standard Board (GASB) statements related to capital assets, and other industry best practices.

The Policy is intended to provide guidance and set rules of operation for the District in the following areas:

- Define capital assets
- Clarify capitalizable costs versus expenses
- Set the threshold of a capital asset
- Determine the estimated minimum useful life of a capital asset
- Determine the depreciation/amortization method of a capital asset
- Describe procedures for impairment of capital assets
- Describe procedure for replacement and retirement of capital assets
- Describe procedure for disposal of capital assets

**4-1.703 ROLES AND RESPONSIBILITY**

The Executive Manager of Finance is the designated administrator of the Policy. The Executive Manager of Finance shall, in accordance with this Policy, have the responsibility and authority for determining which District assets shall be capitalized. The Policy shall be initially adopted by the Board and reviewed periodically to reflect changes from GASB updates, and other guidance. Future updates to the Policy require approval by the Board.

**4-1.704 DEFINE CAPITAL ASSETS**

District capital assets include land, buildings, building improvements, furniture, machinery and equipment, water treatment plants, pump stations, capacity rights, distribution systems and all other tangible, intangible, donated, and leased assets that are used in operations and that have initial minimum useful lives extending beyond three (3) fiscal years.

To be considered for capitalization, an asset must meet the following requirements:

- Be acquired (purchased, constructed, donated, or leased) and used in operations and not for investment or sale
- Have an economic minimum useful life of at least 3 years or extends the economic minimum useful life of an existing asset by at least three (3) years
- The cost of each asset/component unit of the asset must be greater than or equal to \$10,000
- Assets that are donated to the District will be recorded at their fair market value at the time of donation. Those assets can only be capitalized if they are used in operations and meet the minimum useful life and threshold requirements
- In some instances, other agencies may acquire or construct capital assets and ask the District to maintain them. The agency that owns the assets should report and capitalize them. If ownership of the assets is difficult to establish (e.g. sidewalks), the agency responsible for managing the assets (e.g. maintenance) should report and capitalize them.

If the capitalization dollar threshold is not met, exceptions may be taken into consideration if a group of similar assets were purchased all together (e.g., purchased all new furniture at once). In this case, even the individual component of the various assets within the group may have different minimum useful life (e.g., tables have 20-year life vs chairs have 10-year life), the group of the assets will be capitalized as a single asset with the shortest minimum useful life (e.g., new furniture, 10 years).

#### **4-1.705 DEFINE CAPITALIZABLE COSTS VS EXPENSES**

The majority of the District's capital assets are designed and constructed specifically for its water recycling facilities. Most of the projects follow this order: feasibility study, management and Board approval, design, construction, and placement of assets into service.

##### ***When to Begin Capitalizing Costs***

Costs should be capitalizable only after management believes it is probable that the project (or study) will eventually result in an operational asset. These determinations (probability of completion and placement in service) must be made by management based on their best belief and knowledge of the facts and circumstances.

##### ***Costs to be Capitalized***

Once a project has been determined to be capitalizable, all project/study related costs should be capitalized. Capitalizable costs include the cost to purchase or construct an asset and any ancillary charges necessary to place the asset into its intended location and condition for use.

Ancillary charges includes legal and title fees, closing costs, appraisal and negotiation fees, surveying fees, land preparation costs, demolition costs, audit and accounting fees, and transportation charges.

Internal costs such as labor and benefits of employees can be capitalized only if the costs reflect the labor of individuals who worked on a given construction project. This excludes indirect labor and benefits from being capitalized.

Costs such as consultant costs and construction management costs that are related to design, construction, or acquisition of a group of capital assets should be capitalized and allocated to each individual component unit.

In certain circumstances, regulatory permits may require certain specific regulatory activities such as public notices, public meetings, etc. Costs specifically identified with the regulatory process may be capitalized. Prudent judgment should be taken to avoid capitalizing project promotion activities that may have been required by the regulatory process but that are in essence community education costs regarding the project.

Constructed capital projects should be recorded as individual component units with different minimum useful lives once the project is completed and placed in service.

Capital assets acquired for nominal amounts should be handled as donations for accounting purposes but be recorded based on the appropriate fair value the government would have had to pay to acquire the assets.

Costs associated with the application development stage of computer software development can be capitalized, but only if they are incurred after management and the Board approve the project.

Costs related to infrastructure improvements and refurbishments can be capitalized only if the costs provide additional value by either:

- lengthening a capital asset's estimated minimum useful life (e.g. an asset has original life of 40 years, remaining life of 20 years, extended life to 25 years after improvements or refurbishments)

Or

- Increasing a capital asset's ability to provide service (e.g. increase in production capacity from 40MG to 50MG).

Cost related to infrastructure replacement can be capitalized and the new component should be depreciated over the specific time frame that conforms to when the District next expects to replace that item. The cost and accumulated depreciation of the replaced component should be removed. This can be estimated by engineers by approximating when the replaced component was installed and approximating the cost of the component that was installed at this time.

Certain projects may contain both an improvement and repair/maintenance. Care should be given to distinguish actions that lengthen the minimum useful life of an asset from those that merely avoid shortening it.

***Costs to be Expensed***

**Costs Prior to Management Approval:** If at the onset of the project (or study) it is the judgment of management that it is not probable that the project/study will ultimately result in an operational asset, then the project/study costs should be expensed until the point in time that management believe it is probable that the project or study will result in an operational asset.

**Feasibility Study:** A feasibility study is a formal evaluation of a potential project. Feasibility Study costs prior to management approval should remain expensed.

**Expensing Costs That Were Previously Capitalized:** If a project thought to be probable of completion and expected to be placed in service is later found to be unlikely to result in an operational asset, all costs related to that project should be expensed as an operating expense in the year that information about the change in expectations occurs.

**Other Costs:** General and administrative costs such as indirect labor and benefits should never be capitalized. Overhead costs should be expensed in the period they are incurred.

Costs incurred during the construction of the capital asset such as community education, marketing, and outreach should be expensed in the period they are incurred.

Training on how to use a capital asset is not a capitalizable cost because it is not a part of the cost to place the asset into its intended location and condition for use and does not provide benefit throughout the useful life of the capital asset.

Repairs and Maintenance are expenses that retain the capital asset's value and should be expensed in the period incurred. Maintenance activities are defined by GASB as "those activities that allow assets to continue to be used during their originally established useful life".

**Costs Related to Intangible Assets:** On occasion, another party will own a capital asset while the District has capacity rights in that asset. Capacity rights meet the definition of intangible assets (assets that lack physical substance or are nonfinancial in nature) under GASB Statement No. 51. GASB Statement No. 51 also provides that intangible assets are a form of capital assets and should be reported as a component of capital

assets in the financial statements. Although an agency may not own a facility outright, it should record its investment in capacity rights as a capital asset on its balance sheet.

**Costs Related to Leased Assets:** GASB 87 defines the cost of the intangible (right-to-use) lease asset equal to the value of lease liability + lease prepayments made for future periods + any direct ancillary costs necessary to place asset into service (excluding debt issuance costs). District shall capitalize the lease assets if they meet the minimum useful life, threshold and the definition of a lease.

#### **4-1.706 THRESHOLD OF A CAPITAL ASSET**

The District establishes \$10,000 as the threshold minimum value for capitalization. In compliance with GASB34 requirements, the District's capital assets are reported at historical cost.

Any items below this amount should be expensed in the fiscal year the cost is incurred. On a periodic basis, staff will evaluate the capitalization threshold to determine the appropriate minimum value.

#### **4-1.707 ESTIMATED MINIMUM USEFUL LIFE**

Estimated minimum useful life of the District's capital assets is normally determined by using its own past experience with similar assets. In situations where the documentation of past experience for a given type of capital asset is not adequate for this purpose, the District shall use published industry averages. At the same time, the District shall make whatever adjustments are needed to estimated useful lives that were obtained from other sources to ensure that such estimates are appropriate to its own particular circumstances.

If improvements are made on non-cancellable multi-year leases, the capital improvements cost can be capitalized but only be depreciated up to the lease term.

#### **4-1.708 DEPRECIATION/AMORTIZATION**

The District uses straight-line method with no salvage value for all depreciable capital assets.

The District only capitalizes and depreciates the assets that are completed and in service. Depreciation does not apply to assets that are completed but not in service.

Intangible right-to-use assets with finite lives should be amortized over the shorter of the useful life or the underlying lease term.

#### **4-1.709 PROCEDURES FOR IMPAIRMENT OF CAPITAL ASSETS**

Under GASB Statement No. 42, impairment occurs when there is a significant decline in the service utility of a capital asset. To qualify, a decline in service utility is typically defined as:

- Significant (in relation to the asset's current service utility)
- Unexpected (not part of the normal life cycle of the asset or foreseeable at the time the asset was acquired)
- Permanent

These conditions arise from a variety of causes including physical damage, changes in laws that negatively affect service utility, and technological developments that cause obsolescence.

The District should evaluate its capital assets on an annual basis. The method of calculation for impairment depends on whether the impaired asset will remain in use. If the capital asset will continue to be used in operations, its carrying amount must be decreased in an amount proportionate to the loss in service utility. If the capital asset is determined to be an impairment or no longer in service, it should be disposed of at each year-end.

#### **4-1.710 PROCEDURES FOR REPLACEMENT AND RETIREMENT OF CAPITAL ASSETS**

The District should evaluate its capital assets on an annual basis. An asset that is retired or replaced from service no longer qualifies as a capital asset (it no longer is used in operations). It should be removed from capital asset lists and the loss should be recognized in the current fiscal year if the asset still has its carrying value. When a capital asset is replaced, the value of the new asset and its estimated useful life will be added.



#### 4-1.711 RECORDKEEPING

Invoices related to the capital assets shall be retained in accordance with the Record Retention Schedule within the District's Records Management Policy or a specific length of time required by the contracts, agreements, and legal requirements.

#### 4-1.712 DEFINITIONS

- (a) **Capital Assets**: Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful life extending beyond a 3-year reporting period.
- (b) **Capitalization Threshold**: Dollar value at which a District elects to capitalize tangible or intangible assets that are used in operations and that have initial minimum useful life extending beyond a 3-year reporting period. Generally, capitalization thresholds are applied to individual items rather than groups of items unless the result would be to exclude items that would clearly be material to the financial statements in the aggregate.
- (c) **Depreciation**: The systematic and rational allocation of the estimated historical cost of a capital asset, or if donated, the fair market value of the capital asset at the time of donation, over its estimated useful service life.
- (d) **Donated Asset**: An asset that the District receives in a nonreciprocal transfer, which means the District provides nothing in return for receiving the donated asset. The cost of a donated asset shall be based on the appropriate fair market value the District would have had to pay to acquire the donated asset.
- (e) **Estimated Useful Life**: The period of time over which an asset's cost will be depreciated.
- (f) **Fair Market Value**: An amount that a willing buyer would pay to a willing seller, both in a free market, for an asset.
- (g) **GASB**: Established in 1984, the Governmental Accounting Standards Board (GASB) is the independent, private-sector organization based in Norwalk,

Connecticut, that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP).

- (h) **GASB 34**: This Statement establishes new financial reporting requirements for state and local governments throughout the United States and can be found at [https://www.gasb.org/jsp/GASB/Document\\_C/DocumentPage?cid=1176160029121&acceptedDisclaimer=true](https://www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176160029121&acceptedDisclaimer=true)
- (i) **GASB 42**: This Statement establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries and can be found at:  
[https://www.gasb.org/jsp/GASB/Document\\_C/DocumentPage?cid=1176160028905&acceptedDisclaimer=true](https://www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176160028905&acceptedDisclaimer=true)
- (j) **GASB 51**: This Statement is to establish accounting and financial reporting requirements for intangible assets and can be found at:  
[https://www.gasb.org/jsp/GASB/Document\\_C/DocumentPage?cid=1176159972237&acceptedDisclaimer=true](https://www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176159972237&acceptedDisclaimer=true)
- (k) **GASB 87**: This Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and can be found at:  
[https://www.gasb.org/jsp/GASB/Document\\_C/DocumentPage?cid=1176169170145&acceptedDisclaimer=true](https://www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176169170145&acceptedDisclaimer=true)
- (l) **Historical Cost**: The actual exchange value in dollars at the time the asset was acquired. It is measured by cash or cash equivalent price of obtaining the asset and charges necessary to bring it to its intended location and to place the asset in its intended condition for use.
- (m) **Infrastructure**: The structures that support a society, such as roads, water supply, wastewater, power grids, flood management systems, telecommunications (Internet, telephone lines, broadcasting), and so forth.
- (n) **Impairment**: Significant, unexpected decline in the service utility of a capital asset.

- (o) **Improvement**: Addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or increase its capacity. The cost of the addition or change normally is added to the book value of the asset.
- (p) **Intangible Asset**: An asset that lacks physical substance or is nonfinancial in nature. All intangible assets not specifically excluded by the provisions in this policy should be classified as capital assets. If there are no factors that limit the useful life of an intangible asset, GASB 34 provides that the intangible asset be considered to have an indefinite useful life. Intangible assets with indefinite useful lives should not be amortized unless their useful life is subsequently determined to no longer be indefinite due to a change in circumstances.
- (q) **Leased Asset**: An asset that is based on the principle that a lease finances the right to use the underlying asset. The treatment for lease assets should be following the guidance of GASB 87, but first the asset has to meet the requirements of capitalization.
- (r) **Replacement**: The substitution of a new facility or component of an existing facility.
- (s) **Straight-Line Depreciation Method**: Is determined by the following formula:  
(Cost-Salvage value) / Estimated useful life = Depreciation per period.
- (t) **Tangible Asset**: Long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

## **ARTICLE 8. STANDBY CHARGE POLICY**

### **4-1.801 PURPOSE**

The Standby Charge Program was initially established in 1991, amended the following year and currently follows California Government Code Section 54984. The Standby Charge is considered annually by the Board for re-adoption based on review of progress towards the initial estimates for the recycled water program and the need to continue the annual collection to partially pay the annual debt service.

### **4-1.802 BACKGROUND<sup>93</sup>**

The drought of 1987-92 led to voluntary water rationing due to restrictions in available imported water supplies. During that time period West Basin Municipal Water District (West Basin), the imported water wholesaler for southwest Los Angeles County, was only delivering 20 percent of committed imported water purchases, creating a shortage in water supply for the region. Immediate action was called for to help alleviate drought impacts. Residents and businesses were conserving but it was not enough to make up for the shortfall in imported water supplies. Because there is no way to predict the length of drought and when it may reoccur, West Basin explored several alternatives to meet the water supply demands of its service area. As part of that effort, the West Basin Board made the visionary decision to develop a world class water recycling program that would encourage commercial, industrial and landscape users to replace a portion of their potable water usage with customer tailored recycled water, treated to meet individual needs. Connecting these types of users to a recycled water supply would conserve millions of gallons of the region's drinking water per day.

To assist in creating a new local drought-proof supply, West Basin implemented a Standby Charge to help West Basin achieve and finance a water recycling program. The new recycled water program would include a treatment plant, distribution pipelines and appurtenances, along with water conservation and brackish groundwater desalting projects.

West Basin set an original target to ultimately produce 70,000-100,000 acre-feet per year (AFY) of recycled water to conserve potable drinking water supplies.

#### **4-1.803 STANDBY CHARGE**

The Standby Charge has been in place since Fiscal Year (FY) 1991-92 and was originally set at \$10 per parcel on parcels less than one acre and a rate of \$10 per acre or portion thereof, for parcels greater than one acre. In FY 1992-93, the Standby Charge was modified to a variable charge to reflect the benefits associated with different types of land users. The methodology for determining the variable charge is described in West Basin's engineer's report that was originally prepared in 1992 and reviewed annually.

The Standby Charge rates are as follows:

- (a) \$16 per dwelling unit for a multi-unit residential property;
- (b) \$24 per parcel for parcels less than one acre and a rate of \$24 per acre or portion thereof, for parcels greater than one acre for single family and duplex properties; and
- (c) For other than residential parcels, a rate of \$120 per parcel for parcels less than one acre and a rate of \$120 per acre or portion thereof, for parcels greater than one acre.

#### **4-1.804 ROLES AND RESPONSIBILITIES**

The Standby Charge Policy is reviewed and considered annually for adoption by the Board. Future updates to the Standby Charge Policy will require approval by the Board.

The Chief Financial Officer is the designated administrator of the Standby Charge Policy. The Chief Financial Officer has the day-to-day responsibility for managing and monitoring the Standby Charge Program. The General Manager is responsible for implementing the Board's policy and ensuring compliance.

**4-1.805 DEFINITIONS<sup>94, 95</sup>**

- (a) Actual Debt Coverage is calculated based on net revenue divided by annual debt service at the completion of any one fiscal year.
- (b) Budgeted Debt Coverage is calculated based on net revenue, as determined in the adopted Fiscal Year budget, divided by annual debt service.
- (c) Debt Service are those portions of the principal amount of all outstanding bonds or other debt instruments required to be redeemed or paid, and interest payments on bonds or other debt instruments used to finance capital facilities.
- (d) Designated Funds are unrestricted funds that can be used for any lawful purpose at the discretion of the Board of Directors.
- (e) Cash Available for Capital Projects and Other Purposes is calculated as the difference between Net Revenues and Debt Service.
- (f) Net revenue is the difference between revenues and operating expenses. Revenues include all water revenues, capital contributions, conservation revenue, grants (excluding non-cash grants) or other non-operating revenues. Operating expenses include water purchases and operating program expenses, but excludes non-cash items like depreciation, amortization or unrealized gains or losses.
- (g) Standby Charge is an annual charge paid by property owners in West Basin's service area to fund the debt service obligation on West Basin's water recycling facilities.
- (h) Standby Charge Defeasance Fund is a Board designated fund where monies will be set aside to accumulate to an amount sufficient to pay the remaining debt service.
- (i) Surplus Net Revenues is calculated when the actual debt coverage exceeds the budgeted debt coverage and represents the difference between actual and budgeted Cash Available for Capital Projects and Other Purposes less capital grants and capital reimbursements.

**4-1.806 ANNUAL REVIEW OF THE STANDBY CHARGE<sup>96,97</sup>**

When the Standby Charge was initially established, certain assumptions were presented to the Board and the public about the recycled water program, including the future need for the Standby Charge.

Those initial assumptions include:

- (a) The timing to construct the needed recycled water facilities to meet the estimate of future delivery of 70,000-100,000 AFY and the related debt necessary to support those efforts;
- (b) The expected timing of when the recycled water deliveries would occur;
- (c) The expected increased cost of imported water; and
- (d) The cost to produce recycled water.

Annually, West Basin staff reviews the original goals and assumptions with the Board to determine the continuance of the Standby Charge. This information is to be considered part of West Basin's annual budgeting process and Standby Charge proceedings. At a minimum, the Standby Charge proceedings are to follow the California Government Code Section 54984 and shall occur prior to the Board considering re-adoption of the Standby Charge each year.

**4-1.807 CONSIDERATION OF STANDBY CHARGE CONTINUATION<sup>98,99</sup>**

The Board may consider eliminating the Standby Charge if it determines that the original estimate of 70,000 to 100,000 AFY will be or has been met and all of the associated debt to meet those deliveries has been paid.

If the actual debt coverage exceeds budgeted debt coverage, the Board may set aside up to 100% of the monies; hereafter referred to as Surplus Net Revenue.

If the actual debt coverage falls below the budgeted debt coverage, no monies can be set aside.

The Board has created a designated fund, the Standby Charge Defeasance Fund, in which any Surplus Net Revenue is deposited, per the Board's direction.

Once sufficient monies have been set aside in the Standby Charge Defeasance Fund to pay the remaining principal, accrued interest and prepayment penalties, if any, the Board may consider eliminating the Standby Charge.

**4-1.808 ANNUAL REPORTING REQUIREMENT<sup>100</sup>**

As part of initiating the Standby Charge proceedings each year, staff will provide an annual report of the following matters:

- (a) A calculation of the Surplus Net Revenue based on the final audited financial statements;
- (b) An account summary of the Standby Charge Defeasance Fund; and
- (c) An analysis that compares the balance of the Standby Charge Defeasance Fund to the remaining principal and any accrued interest or prepayment penalties.

**4-1.809 FURTHER INFORMATION**

Request for information pertaining to the Standby Charge Program can be obtained through filing a Public Records Request. A form is available by contacting West Basin or visiting [www.westbasin.org](http://www.westbasin.org).

West Basin Municipal Water District  
Attention: Board Secretary  
17140 S. Avalon Blvd., Suite 210  
Carson, CA 90746



**ARTICLE 9. DISCLOSURE PROCEDURES<sup>101,102,103</sup>****4-1.901 PURPOSE**

The purpose of this Disclosure Procedures Policy (the “Policy”) is to memorialize and communicate procedures in connection with obligations, including notes, bonds and certificates of participation, issued by or on behalf of the West Basin Municipal Water District (the “District”) so as to ensure that the District continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

The Policy shall be reviewed periodically. Future updates, if necessary, to the Policy require approval by the Board of Directors of the District.

**4-1.902 BACKGROUND**

The District from time to time issues certificates of participation, revenue bonds, notes or other obligations (collectively, “Obligations”) in order to fund or refund capital investments, other long-term programs and working capital needs. Obligations may be issued directly by the District, on behalf of the District by the West Basin Financing Corporation or through joint powers agencies (collectively, the “Issuer”). In offering Obligations to the public, and at other times when making certain reports, the District and/or the Issuer (if other than the District) must comply with the “anti-fraud rules” of federal securities laws. (“Anti-fraud rules” refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission (“SEC”) under those Acts, particularly “Rule 10b-5” under the 1934 Act.)

- (a) Core Requirement. The core requirement of these rules is that potential investors in Obligations must be provided with all “material” information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the District and/or the Issuer (if other than the District) must not omit material information which would be necessary to provide to investors a complete and transparent description of the Obligations and the District’s financial condition. In the

context of the sale of securities, a fact is generally considered to be “material” if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the securities being offered.

- (b) Disclosure Documents. When the District issues Obligations, the two central disclosure documents which are prepared are a preliminary official statement (“POS”) and a final official statement (“OS”, and collectively with the POS, “Official Statement”). The Official Statement generally consists of (i) the forepart (which describes the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing, the leased premises (in certificate of participation financings) and other matters particular to the financing, (ii) a section which provides information on the District, including its financial condition as well as certain operating information (“District Section”), and (iii) various other appendices, including the District’s audited financial report, form of the proposed legal opinion, and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding the Obligations.

#### **4-1.903 DISCLOSURE PROCESS**

When the District determines to issue Obligations directly or through an Issuer, the Executive Manager of Finance shall request the involved departments to commence preparation of the portions of the Official Statement (including particularly the District Section) for which they are responsible. While the general format and content of the Official Statement may not normally change substantially from offering to offering, except as necessary to reflect major events, the Executive Manager of Finance and other relevant staff are responsible for reviewing and preparing or updating certain portions of the District Section which are within their particular areas of knowledge. Once the Official Statement has been substantially updated, the entire Official Statement shall be shared with the General Manager for review and input. Additionally,

all participants in the disclosure process are separately responsible for reviewing the entire Official Statement.

Members of the financing team, including the Bond Counsel and a financial advisor, assist staff in determining the materiality of any particular item and in the development of specific language in the District Section. The financing team shall review the official statement to affirm all pertinent information has been disclosed.

The Executive Manager of Finance or a member of the financing team at the direction thereof shall schedule one or more meetings or conference calls of the financing team and the underwriter of the Obligations, and the underwriter's counsel to discuss the Official Statement and the District Section. Such communications may occur via electronic means rather than by meetings or conference calls. During this part of the process, there is substantial contact among District staff and other members of the financing team to discuss issues which may arise, determine the materiality of particular items and ascertain the prominence in which the items should be disclosed.

Prior to distributing a POS to potential investors, the District shall have a due diligence call to address questions and obtain final comment.

The POS shall be provided to the District Board of Directors in advance of approval to afford the Board of Directors an opportunity to review the POS, ask questions and make comments. Through a District resolution, the POS is approved by the Board of Directors which authorizes certain senior staff to make additional corrections, changes and updates to the POS in consultation with General Counsel and Bond Counsel.

At the time the POS is posted for review by potential investors, senior District officials execute certificates deeming certain portions of the POS complete (except for certain pricing terms) as required by SEC Rule 15c2-12.

Any changes or developments since posting of POS shall be reflected in the final OS and shall be delivered to the actual investors in the Obligation. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, (a) one or more senior District (and under certain circumstances the Issuer) officials execute certificates stating that certain portions of the OS, as of the date of each OS and as of the date of closing, does not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the OS in light of the circumstances under which they were made, not misleading; (b) General Counsel provides an opinion letter (generally addressed to the underwriters) advising that information contained in the District Section of the OS (or specified portions thereof) as of its date did not, and as of the date of the closing, does not contain any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. General Counsel does not opine to the underwriters or to other third parties as to any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and certain other customary matters.

#### **4-1.904 DISTRICT SECTION**

The Policy shall be provided to all members of senior staff and any other member of the District that is involved in the District's disclosure obligations.

The information contained in the District Section shall be prepared by staff under the direction of the Executive Manager of Finance, with the assistance of the financing team. The following principles govern the work of the respective staffs that contribute information to the District Section:

- (a) District staff involved in the disclosure process is responsible for being familiar with its responsibilities under federal securities laws as described above.
- (b) District staff involved in the disclosure process should err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult General Counsel, Bond

Counsel or members of the financing team if there are questions regarding whether an issue is material or not.

- (c) Care should be taken not to shortcut or eliminate any steps outlined in the Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the District should consider revisions to the Procedures.
- (d) The process of updating the District Section from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of the District Section at the time of each update, everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.
- (e) The District must make sure that the staff involved in the disclosure process is of sufficient seniority such that it is reasonable to believe that, collectively, they are in possession of material information relating to the District, its operations and its finances.

#### **4-1.905 TRAINING**

Periodic training for the staff involved in the preparation of the Official Statement (including the District Section) shall be coordinated by the Executive Manager of Finance. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in the District Section. The training sessions also provide an overview of federal laws relating to disclosure, situations in which disclosure rules apply, the purpose of the Official Statement and the District Section, a description of previous SEC enforcement actions and a discussion of

recent developments in the area of municipal disclosure. Staff are to contact the Executive Manager of Finance or Bond Counsel at any time if they have questions.

#### **4-1.906 ANNUAL CONTINUING DISCLOSURE REQUIREMENTS**

In connection with the issuance or execution and delivery of Obligations, the District has entered into a number of contractual agreements (“Continuing Disclosure Certificates”) to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure Certificates. The District must comply with the specific requirements of each Continuing Disclosure Certificate. The District’s Continuing Disclosure Certificates generally require that the annual reports be filed within 270 days after the end of the District’s fiscal year, and event notices are generally required to be filed within 10 days of their occurrence. Filing is centralized on the MSRB’s Electronic Municipal Market Access (“EMMA” web site and portal.

Specific events which require “material event” notices are set forth in each particular Continuing Disclosure Certificate. Timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations) shall be made.

The Executive Manager of Finance shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure Certificates.

An amendment to SEC rule 15C2-12 (the “Rule”) became effective as to underwriters of publicly offered municipal securities on February 27, 2019 (the “Effective Date”). As a result, we would expect that the respect to any debt offered publicly by the District or an Issuer after the Effective Date to which the Rule applies, the District will be required to enter into a continuing disclosure certificate pursuant to which it will agree to provide notice on EMMA of the incurrence of any “financial obligation” if material and will be obligated to disclose default on and certain other information with respect to any “financial obligation” regardless of when the financial obligation was incurred.

The Rule provides a general definition of a “financial obligation.” While the impetus for the proposed changes to the Rule was a perception by the SEC and others that municipal issuers were increasingly entering into bank or other private placement debt, the final amendment to the Rule defines “financial obligation” more broadly to include “a debt obligation, derivative instrument or a guarantee of either a debt obligation or a derivative instrument.”

To date the SEC has provided limited guidance on the specific application of the definition of “financial obligation”. The SEC release accompanying the final amendment does suggest a key concept is that a “financial obligation” involves the borrowing of money. In public comments representatives of the SEC have declined to provide a definition of a “guarantee” but did indicate that the SEC will not look to state law definitions of a “guarantee” or “debt”.

The District will need to monitor agreements or other obligations entered into by the District or the Issuer after the Effective Date, and any modifications to such agreements or other obligations, carefully to determine whether they constitute “financial obligations” under the Rule and, if material, would need to be disclosed on EMMA within 10 business days of execution or incurrence.

In addition, if the District or the Issuer receives a notice of default or an event of default or of an acceleration, termination event, modifications of or other similar event on any agreement or other obligation after the Effective Date, the District will need to determine whether such obligation constitutes a financial obligation (regardless of when originally incurred) and whether such default or other event reflects financial difficulty (i.e., reduction in overall liquidity, creditworthiness or debt owner’s rights).

A. Types of agreement or other obligations which are likely to be “financial obligations” under the Rule include:

1. Bank loans or other obligations which are privately placed;
2. State of federal loans;
3. Commercial paper or other short term-term indebtedness for which no offering document has been filed on EMMA;

4. Letters of credit, surety policies or other credit enhancement with respect to the District's publicly offered debt;
5. Letters of credit, including letters of credit which are provided to third parties to secure the District or Issuer's obligation to pay or perform (an example of this is standby letter of credit delivered to secure the District obligations for performance under a mitigation agreement);
6. Capital leases for property, facilities, fleet or equipment; and
7. Agreements which guarantee the payment or performance obligations of a third party (regardless of whether the agreements constitute guarantees under California law).

B. Types of agreement which could be a "financial obligation" under the Rule include:

1. Payment agreements which obligate the District or the Issuer to pay a share of another public agency's debt service (for example, an agreement with a joint powers agency whereby the District or the Issuer agrees to pay a share of the joint powers agency's bonds, notes or other obligations);
2. Service contracts with public agency or a private party pursuant to which the District or Issuer is obligated to pay a share of such public agency or private party's debt service obligation (for example, certain types of P3 arrangements);
3. Water purchase or other similar agreements pursuant to which the District or the Issuer is obligated to pay amounts expressly tied to the other party's debt service obligations, regardless of whether service is provided or not; and
4. Water purchase or similar agreements which include a rate component that expressly passes through debt service or capital obligation of the other party.



C. Types of agreements which may be a “financial obligation” subject to the Rule include:

1. Any agreement the payments under which are not characterized as an operation and maintenance expenses for accounting purposes if such agreement could be characterized as the borrowing money;

Debt management staff will continue with General Counsel and bond counsel to refine the definition of financial going forward based on future SEC guidance, if any.

#### **4-1.907 INFORMATION/STATEMENTS AVAILABLE TO THE PUBLIC**

The Office of Municipal Securities (“OMS”) released a bulletin on February 7, 2020 which states that, in the view of the OMS, the antifraud provisions of SEC Rule 10b-5 apply to all municipal issuer statements that provide information that is reasonably expected to reach investors and the trading markets regardless of the intended primary audience and the medium of delivery. The following sections provide guidance to District staff and officials with respect to information and statements relating to the District that could reach the investment market outside of the context of Official Statements or in Annual Reports.

(a) Information on the District Website. The SEC has noted that, in circumstances where it is not apparent to the reasonable person that the posted materials or statements on a public company’s website speak as of a certain date or earlier period, previously posted materials or statements that have been put on a public company’s website should be separately identified as historical or previously posted materials or statements, and located in a separate section of the website.

When placing or updating information or reports on the District website, historical information should be clearly identified and located in separate section of the website. For example, when uploading the District’s Annual Comprehensive Financial Reports (ACFR), the most recent ACFR should be clearly identified and posted in a separate section from prior year ACFRs.

Hyperlinks to third-party websites on the District’s website should be avoided when possible. If hyperlinks to third-party websites are included on the District’s

website, an appropriate disclaimer to the effect that the District has not verified and is not responsible for the information on such third-party website should be included. In addition, statements as to why the District is including the hyperlink on its website, the nature of the hyperlink, and use of disclaimers, “exit notices,” or “intermediate screens” should be included or employed, as appropriate. District staff are encouraged to reach out to debt management staff and General Counsel for guidance with respect to the inclusion of hyperlinks to third-party websites on the District’s website.

In summaries of events or developments with respect to the District included on the District’s website, consideration should be given as to whether such summaries provide sufficient context so as to not be misleading. If additional information is necessary to provide sufficient context to the summary, a hyperlink to such information should be used.

(b) Public Reports. The SEC has cited certain reports, including those that are produced by the District (ACFRs, budgets, and other financial reports), as information reasonably expected to reach investors and the trading markets, and therefore subject to the antifraud provisions, even if not filed with EMMA.

Reports produced by the District, including staff reports for agenda items and those that may be provided to other governmental bodies or regulators should include appropriate disclaimer language. District staff should contact debt management staff and General Counsel for disclaimer language before any reports that could reasonably reach investors are finalized and made available to the public.

(c) Statements Made by District Officials. When making public statements, including verbal statements, District elected officials and staff should give consideration as to whether such statements can reasonably be expected to reach investors and if so, whether such statements could be materially misleading. District officials are encouraged to clearly identify when a public statement relating to the District is a personal expression of opinion. District elected officials and staff should contact debt management staff and General Counsel for guidance if there is a question as to whether statements, including verbal statements, can be reasonably expected to reach investors and whether such statements could be materially misleading.



**LIST OF CHANGES TO PART 4, CHAPTER 1. ADMINISTRATIVE MATTERS**

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1 Article 1 of Chapter 1 of Part 4. Financial Matters amended by Resolution 11-16-1053 on November 28, 2016.  
2 Article 2 of Chapter 1 of Part 4 Investment Policy is amended by Resolution 12-21-1145 on December 22, 2021.  
3 Sections 4-1.201-4-1.221 amended by Resolution 12-21-1145 on December 22, 2021.  
4 Article 2 of Chapter 1 of Part 4 is amended by Resolution 01-23-1185 on January 23, 2023.  
5 Section 4-1.206 amended by Resolution 02-18-1080 on February 26, 2018.  
6 Section 4-1.209 amended by Resolution 3-17-1065 on March 30, 2017.  
7 Section 4-1.209 amended by Resolution 02-18-1080 on February 26, 2018.  
8 Section 4-1.209 amended by Resolution 01-20-1108 on January 27, 2020.  
9 Section 4-1.209 amended by Resolution 01-21-1121 on January 25, 2021.  
10 Section 4-1.210 amended by Resolution 01-21-1121 on January 25, 2021.  
11 Section 4-1.212 amended by Resolution 02-18-1080 on February 26, 2018.  
12 Section 4-1.213 amended by Resolution 02-18-1080 on February 26, 2018.  
13 Section 4-1.214 amended by Resolution 02-18-1080 on February 26, 2018.  
14 Section 4-1.215 amended by Resolution 02-18-1080 on February 26, 2018.  
15 Section 4-1.216 amended by Resolution 02-18-1080 on February 26, 2018.  
16 Section 4-1.217 amended by Resolution 02-18-1080 on February 26, 2018.  
17 Section 4-1.218 amended by Resolution 02-18-1080 on February 26, 2018.  
18 Section 4-1.219 amended by Resolution 02-18-1080 on February 26, 2018.  
19 Section 4-1.220 amended by Resolution 02-18-1080 on February 26, 2018.  
20 Section 4-1.222 amended by Resolution 3-17-1065 on March 30, 2017.  
21 Section 4-1.221 amended by Resolution 02-18-1080 on February 26, 2018.  
22 Section 4-1.221 amended by Resolution 01-20-1108 on January 27, 2020.  
23 Section 4-1.301 amended by Resolution 2-16-1027 on February 22, 2016.  
24 Section 4-1.301 amended by Resolution 6-16-2040 on June 27, 2016.  
25 Section 4-1.301 amended by Resolution 6-16-1040 on June 27, 2016.  
26 Section 4-1.301 amended by Resolution 10-17-1075 on October 23, 2017.  
27 Section 4-1.301 amended by Resolution 11-17-1078 on November 27, 2017.  
28 Section 4-1.301 amended by Resolution 01-21-1121 on January 25, 2021.  
29 Section 4-1.301 amended by Resolution 12-21-1146 on December 22, 2021.  
30 Section 4-1.301 amended by Resolution 01-23-1193 on January 23, 2023.  
31 Section 4-1.403 amended by Resolution 2-16-1027 on February 22, 2016.  
32 Section 4-1.404 amended by Resolution 2-16-1027 on February 22, 2016.  
33 Section 4-1.406 amended by Resolution 2-16-1027 on February 22, 2016.  
34 Section 4-1.407 amended by Resolution 2-16-1027 on February 22, 2016.  
35 Article 5 of Chapter 1 of Part 4 Swap Policy is amended by Resolution 12-21-1147 on December 22, 2021.  
36 Section 4-1.501 amended by Resolution 2-17-1057 on February 27, 2017.  
37 Section 4-1.502 amended by Resolution 2-16-1027 on February 22, 2016.  
38 Section 4-1 502 amended by Resolution 01-20-1107 on January 27, 2020.  
39 Section 4-1.504 amended by Resolution 2-16-1027 on February 22, 2016.  
40 Section 4-1.505 amended by Resolution 2-16-1027 on February 22, 2016.  
41 Section 4-1.506 amended by Resolution 2-16-1027 on February 22, 2016.  
42 Section 4-1.507 amended by Resolution 2-16-1027 on February 22, 2016.  
43 Section 4-1.507 amended by Resolution 2-17-1057 on February 27, 2017.  
44 Section 4-1.509 amended by Resolution 2-16-1027 on February 22, 2016.  
45 Section 4-1.511 amended by Resolution 01-20-1107 on January 27, 2020.  
46 Section 4-1.512 amended by Resolution 2-16-1027 on February 22, 2016.

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- 47 Section 4-1.514 amended by Resolution 2-17-1057 on February 27, 2017.
- 48 Article 6 of Chapter 1 Part 4 amended by Resolution 12-21-1148 on December 22, 2021.
- 49 Section 4-1.601 amended by Resolution 2-16-1027 on February 22, 2016.
- 50 Section 4-1.601 amended by Resolution 2-17-1058 on February 27, 2017.
- 51 Section 4-1.601 amended by Resolution 2-18-1081 on February 26, 2018.
- 52 Section 4-1.601 amended by Resolution 01-21-1121 on January 25, 2021.
- 53 Section 4-1.602 amended by Resolution 2-17-1058 on February 27, 2017.
- 54 Section 4-1.602 amended by Resolution 02-18-1081 on February 26, 2018.
- 55 Section 4-1.602 amended by Resolution 01-21-1121 on January 25, 2021.
- 56 Section 4-1.603 amended by Resolution 01-21-1121 on January 25, 2021.
- 57 Section 4-1.604 amended by Resolution 2-17-1058 on February 27, 2017.
- 58 Section 4-1.604 amended by Resolution 02-18-1081 on February 26, 2018.
- 59 Section 4-1.604 amended by Resolution 01-21-1121 on January 25, 2021.
- 60 Section 4-1.605 amended by Resolution 2-16-1027 on February 22, 2016.
- 61 Section 4-1.605 amended by Resolution 2-17-1058 on February 27, 2017.
- 62 Section 4-1.605 amended by Resolution 02-18-1081 on February 26, 2018.
- 63 Section 4-1.605 amended by Resolution 01-21-1121 on January 25, 2021.
- 64 Section 4-1.606 amended by Resolution 2-16-1027 on February 22, 2016.
- 65 Section 4-1.606 amended by Resolution 2-17-1058 on February 27, 2017.
- 66 Section 4-1.606 amended by Resolution 02-18-1081 on February 26, 2018.
- 67 Section 4-1.606 amended by Resolution 01-21-1121 on January 25, 2021.
- 68 Section 4-1.607 amended by Resolution 2-16-1027 on February 22, 2016.
- 69 Section 4-1.607 amended by Resolution 2-17-1058 on February 27, 2017.
- 70 Section 4-1.607 amended by Resolution 02-18-1081 on February 26, 2018.
- 71 Section 4-1.607 amended by Resolution 01-21-1121 on January 25, 2021.
- 72 Section 4-1.608 amended by Resolution 01-21-1121 on January 25, 2021.
- 73 Section 4-1.609 amended by Resolution 2-17-1058 on February 27, 2017.
- 74 Section 4-1.609 amended by Resolution 02-18-1081 on February 26, 2018.
- 75 Section 4-1.609 amended by Resolution 01-21-1121 on January 25, 2021.
- 76 Section 4-1.610 amended by Resolution 01-21-1121 on January 25, 2021.
- 77 Section 4-1.611 amended by Resolution 01-21-1121 on January 25, 2021.
- 78 Section 4-1.612 amended by Resolution 01-21-1121 on January 25, 2021.
- 79 Section 4-1.613 amended by Resolution 2-16-1027 on February 22, 2016.
- 80 Section 4-1.613 amended by Resolution 01-21-1121 on January 25, 2021.
- 81 Section 4-1.614 amended by Resolution 2-17-1058 on February 27, 2017.
- 82 Section 4-1.614 amended by Resolution 02-18-1081 on February 26, 2018.
- 83 Section 4-1.614 amended by Resolution 01-21-1121 on January 25, 2021.
- 84 Section 4-1.616 added by Resolution 2-17-1058 on February 27, 2017.
- 85 Section 4-1.616 amended by Resolution 02-18-1081 on February 26, 2018.
- 86 Section 4-1.616 amended by Resolution 01-21-1121 on January 25, 2021.
- 87 Section 4-1.617 "Compliance with CDIAC Regulations" added by Resolution 02-18-1081 on February 26, 2018.
- 88 Section 4-1.617 amended by Resolution 01-21-1121 on January 25, 2021.
- 89 Section 4-1.615 amended by Resolution 2-17-1058 on February 27, 2017.
- 90 Section 4-1.615 amended by Resolution 02-18-1081 on February 26, 2018.
- 91 Section 4-1.615 amended by Resolution 01-21-1121 on January 25, 2021.
- 92 Article 7 of Chapter 1 Part 4 amended by Resolution 3-21-1122 on March 22, 2021.
- 93 Section 4-1.802 amended by Resolution 2-17-1059 on February 27, 2017.
- 94 Section 4-1.805 amended by Resolution 2-17-1059 on February 27, 2017.
- 95 Section 4-1.805 amended by Resolution 4-18-1088 on April 23, 2018.
- 96 Section 4-1.806 amended by Resolution 2-17-1059 on February 27, 2017.
- 97 Section 4-1.807 amended by Resolution 4-18-1088 on April 23, 2018.
- 98 Section 4-1.807 amended by Resolution 2-17-1059 on February 27, 2017.
- 99 Section 4-1.807 amended by Resolution 4-17-1088 on April 23, 2018.
- 100 Section 4-1.808 amended by Resolution 2-17-1059 on February 27, 2017.

<sup>101</sup> Article 9 of Chapter 1 of Part 4 added by Resolution 08-16-1048 on August 22, 2016.

<sup>102</sup> Article 9 Section 4-1.901 through 4-1.907 is amended by Resolution 01-21-2021 on January 25, 2021.

<sup>103</sup> Article 9 Section 4-1.901 through 4-1.907 is amended by Resolution 01-23-2023 on January 23, 2023.

## **CHAPTER 2. RISK MANAGEMENT, CLAIMS, LITIGATION**

### **ARTICLE 1. RISK MANAGEMENT**

#### **4-2.101 POLICY**

The District seeks to manage risks of loss to the extent physically and financially practicable by:

- (a) The establishment and maintenance of a suitable work and service environment so employees and the public can enjoy safety and security in their daily pursuits.
- (b) The preservation of assets and service capabilities from loss, destruction, or depletion.

#### **4-2.102 RISK RETENTION & PROCUREMENT OF INSURANCE**

- (a) The District policy shall be to procure insurance for risks of loss involving a combination of property damage and third party claims exceeding the reserves for emergency repairs and claims to the extent insurance is available at a reasonable cost.
- (b) To the extent practicable and financially feasible, the District shall transfer risks to third parties through appropriate contractual provisions.

## **ARTICLE 2. CLAIMS**

### **4-2.201 CLAIMS STATUS**

Claims against the District for money or damages, including claims, covered by Chapter 1 (commencing with 900) and Chapter 2 (commencing with Section 910) of Part 3 of Division 3.6 of the Government Code or other statute shall be presented and processed in accordance with the statute. All claims identified in California Government Code section 905 as being exempt from claim filing requirements must be presented as a claim to the District and processed in accordance with this Article (California Government Code section 935).

### **4-2.202 PRESENTATION OF CLAIM**

Claims, and amendments to claims, shall be presented personally or mailed first class delivery to the Secretary at the District's office.

### **4-2.203 CONTENTS OF CLAIM**

A claim shall be presented by the claimant or by a person acting on the claimant's behalf and shall show:

- (a) The name and post office address of the claimant;
- (b) Post office address to which the person presenting the claim desires notice to be sent;
- (c) The date, place and other circumstances of the occurrence or transaction giving rise to the claim asserted;
- (d) The general description of the indebtedness, obligation, injury, damage or loss incurred so far as may be known at the time of presentation of the claim;
- (e) The name or names of the public employee or employees causing the injury, damage, or loss if known;
- (f) The amount claimed as of the date of presentation of the claim, including the estimated amount of any prospective injury, damage, or loss insofar as



it may be known at the time of presentation of the claim, together with the basis of computation of the amount claimed; and

- (g) The signature of the claimant or some person on the claimant's behalf.

#### **4-2.204 INSUFFICIENT CLAIM**

- (a) The General Manager shall notify the claimant if the claim fails to include the information required by statute or this Article. Such notice shall be given within twenty days after the claim is presented. The claimant shall file an amended claim within ten days of the General Manager's notice.
- (b) The amended claim shall be considered in lieu of the original claim. If an amended claim is not filed, the original claim shall be presented to the Board for action.

#### **4-2.205 TIME FOR PRESENTATION OF CLAIM**

A claim relating to a cause of action for death or for injury to person or to personal property or growing crop shall be presented not later than six months after accrual of cause of action. A claim relating to any other cause of action shall be presented not later than one year after the accrual of the cause of action.

#### **4-2.206 REJECTION FOR LATENESS**

The General Manager shall reject late claims.

#### **4-2.207 LEAVE TO PRESENT LATE CLAIM**

When a claim is not filed on time, an application shall be made for leave to present a late claim. Government Code Section 911.4(b), Section 911.6 through 912.2, inclusive, and Sections 948.4 and 946.6 are applicable to such requests. The deadline for filing an application under this section shall be as specified in Government Code Sections 911.2, 911.6, and 946.6.

**4-2.208 TIME FOR ACTION**

The Board shall act on the claim, amended claim, and application to file late claim within forty-five days after the application the claim or amended claim has been presented.

**4-2.209 NOTICE OF INSUFFICIENCY OR REJECTION OF CLAIM**

Written notice of action taken by the Board acting on a claim or application to file a late claim shall be given to the person who presented the claim by the General Manager within ten days of the Board's action.

**4-2.210 CLAIM AS PREREQUISITE TO SUIT**

- (a) No action for money or damages may be brought against the District, its officers or employees on a cause for action until a claim has been acted on by the Board.
- (b) No action may be brought against the District, its officers or employees on any cause of action for which a claim is required by this Article unless such action is commenced within six months after the claim is acted upon by the Board, or is deemed to have been rejected by the Board. The action may be filed within one year of action on the claim only if required by statute.

**4-2.211 CLAIMS UNDER \$2,500**

The General Manager may allow, compromise, or settle any claim if the amount to be paid does not exceed \$2,500. The General Manager shall advise the Board when there has been allowance, settlement, or compromise of a claim under this Section.

**4-2.212 REVIEW OF CLAIMS**

District Counsel shall examine claims and lawsuits and provide the Board with a written report describing the claim or lawsuit, evaluating the claim or lawsuit, and recommending goals, attorney assignment, and a target budget for each lawsuit.

### **ARTICLE 3. LITIGATION AND RELATED MATTERS**

#### **4-2.301 AUTHORITY TO CONTEST ADMINISTRATIVE MATTERS**

The General Manager may contest a claim, order, finding or decision made, charge, citation, or penalty assessed or proposed by an administrative agency against the District. The General Counsel may, upon request of the General Manager, represent the District in such contest and seek review by a court of law. General Counsel may do things necessary or proper in the conduct of any such contest or action including, without limitation, conducting ancillary proceedings, compromising and settling, dismissing, or appealing a decision or judgment rendered in any such contest or action.

#### **4-2.302 PROSECUTION OF CLAIMS**

The General Manager may take action necessary or proper to obtain payment of a claim by the District. With approval of the General Counsel, the General Manager may institute an action within the jurisdictional limits of the small claims court. The General Manager may request the General Counsel to institute an action in a court of competent jurisdiction to recover damages in any amount for injury to person or property or to institute other actions in which the amount sought to be recovered does not exceed \$10,000. The General Manager may compromise, settle or dismiss a small claims action, conduct ancillary proceedings, or appeal a judgment rendered in such action.

#### **4-2.303 LITIGATION, LEASES, ENCROACHMENTS**

At the request of the General Manager, the General Counsel may bring an action to enforce the terms of written and oral leases or remove unauthorized encroachments upon District property and do all things necessary or proper in such action including, without limitation, to conduct ancillary proceedings, to settle or dismiss the action, or to appeal a judgment.

**4-2.304 DEFENSE OF LAWSUITS**

- (a) The District shall indemnify and defend officers or employees named as a defendant or respondent in a lawsuit arising within the course and scope of employment if the officer or employee did not act with fraud or malice.
- (b) An officer or employee named in a lawsuit arising within the course and scope of employment who wishes to obtain indemnity and defense from the District shall file a written request with the Secretary within three days of service of the complaint or petition. District Counsel shall provide the Board with a written report and recommendation with respect to the request. The Board may approve or deny the request or the Board may agree to defend and reserve the decision on the indemnity pending the outcome of the case.
- (c) If the District agrees to defend, the employee or officer shall fully cooperate with the attorney assigned to the case by the Board. The failure to fully cooperate can result in the revocation of the agreement to indemnify and defend.
- (d) The officer or employee may obtain reimbursement in accordance with the law if the Board refuses to indemnify and defend.

**4-2.305 JUDICIAL REVIEW OF CERTAIN DECISIONS**

The provisions of Code of Civil Procedure Section 1094.6 shall be applicable to the judicial review of the decisions of the Board by administrative mandamus.

**4-2.306 WRITING OFF UNCOLLECTIBLE CLAIMS**

The General Manager, with the advice of the General Counsel, may determine claims and accounts receivable are not collectible and direct such items written off to adjust accounts, provided write-off of items in excess of \$5,000 shall be approved by the Board. The General Manager shall make an annual report to the Board regarding exercise of the authority granted under this provision.

**LIST OF CHANGES TO PART 4, CHAPTER 2. RISK MANAGEMENT, CLAIMS,  
LITIGATION**

## CHAPTER 3. CONFLICT OF INTEREST DISCLOSURE

### 4-3.101 CONFLICT OF INTEREST: DISCLOSURE CODE<sup>1</sup>

- (a) Incorporation of FPPC Regulation 18730 (2 California Code of Regulations, Section 18730) by Reference. The Political Reform Act (Government Code Section 81000, *et seq.*) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. 18730), which contains the terms of a standard conflict of interest code. After public notice and hearing, it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, are hereby incorporated into the conflict of interest code of this agency by reference. This regulation, designation of officials and employees, and establishment of economic disclosure categories shall constitute the conflict of interest code of this agency.
- (b) Place of Filing of Statements of Economic Interests. All officials and employees required to submit a statement of economic interests shall file their statements with the General Manager, or his or her designee. The District shall make and retain a copy of all statements filed by its Directors and General Manager, and forward the originals of such statements to the Executive Office of the Board of Supervisors of Los Angeles County.

The agency shall retain the originals of statements for all other Designated Positions named in the agency's conflict of interest code. All retained statements, original or copied, shall be available for public inspection and reproduction (Gov. Code Section 81008).

(c) Disclosure Categories. The following categories are established for the purpose of conflicts of interest disclosure:

(1) Category 1: Persons in this category shall disclose all interests in real property within the jurisdiction. Real property shall be deemed to be within the jurisdiction if the property or any part of it is located within or not more than two miles outside the boundaries of the jurisdiction, or within two miles of any land owned or used by the District.

Persons are not required to disclose a residence, such as a home or vacation cabin, used exclusively as a personal residence; however, a resident in which a person rents out a room or for which a person claims a business deduction may be reportable.

(2) Category 2. Persons in this category shall disclose all investments and business positions.

(3) Category 3. Persons in this category shall disclose all income (including loans, gifts, and travel payments) and business positions.

(4) Category 4. Persons in this category shall disclose all business positions, investments in, or income (including loans, gifts, and travel payments) received from business entities that manufacture, provide or sell services and/or supplies of a type utilized by the District and associated with the job assignment of designated positions assigned this disclosure category.

(5) Category 5. Persons in this category shall disclose all income (including loans, gifts, and travel payments) from any West Basin Municipal Water District employee, any representative or association of such employee; and business positions or income (including loans, gifts, and travel payments) from any entity owned or controlled by such employee or his/her spouse or other financial dependent.

(6) Category 6. Individuals who perform under contract the duties of any designated position shall be required to file Statements of Economic

Interests disclosing reportable interest in the categories assigned to that designated position.

In addition, individuals who, under contract, participate in decisions, which affect financial interests by providing information, advice, recommendation, or counsel to the agency, which could affect financial interest, shall be required to file Statements of Economic Interests, unless they fall within the Political Reform Act's exceptions to the definition of consultant. The level of disclosure shall be as determined by the General Manager of the District.

- (d) Designated Positions. The following officers and employees shall file Statements of Economic Interests for the specified disclosure categories:

| <u>Designated Employees</u>        | <u>Disclosure Category</u> |
|------------------------------------|----------------------------|
| Directors                          | 1, 2, 3                    |
| General Counsel                    | 1, 2, 3                    |
| General Manager                    | 1, 2, 3                    |
| Assistant General Manager          | 1, 2, 3                    |
| Chief Financial Officer            | 2, 3                       |
| Technical Resource Manager         | 1, 4                       |
| Principal Water Resources Engineer | 1, 4                       |
| Operations Manager                 | 1, 4                       |
| Human Resources Manager            | 4, 5                       |
| Board Secretary                    | 4                          |
| Communications Manager             | 4                          |
| Associate General Manager          | 1, 2, 3                    |
| Recycled Water Program Manager     | 4                          |



|   |   |
|---|---|
| Senior Water Efficiency Specialist      | 4 |
| Public Information Specialist I         | 4 |
| Public Information Specialist II        | 4 |
| Government Affairs Program Manager      | 4 |
| Engineering Supervisor                  | 4 |
| Senior Environmental Quality Specialist | 4 |
| Operations Analyst                      | 4 |
| Operations Engineer                     | 4 |
| Records Management Coordinator          | 4 |
| Senior Operations Engineer              | 4 |
| Budget and Finance Officer              | 4 |
| Buyer                                   | 4 |
| Principal Operations Engineer           | 4 |
| Information Technology Officer          | 4 |
| Procurement Officer                     | 4 |
| Public Information Officer              | 4 |
| Water Resources Engineer I              | 4 |
| Water Resources Engineer II             | 4 |
| Senior Water Resources Engineer         | 4 |
| Consultants/New Positions*              | 6 |

\* Consultants/new positions are included in the list of designated positions and shall disclose pursuant to the broadest disclosure category in the code, subject to the following limitations:

The General Manager or his or her designee may determine in writing that a particular consultant or new position, although a “designated position,” is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with disclosure requirements in this section. Such written determination shall include a description of the consultant’s or new position’s duties and, based upon that description, a statement of the extent of disclosure requirements. The General Manager or his or her designee’s determination is a public record and shall be retained for public inspection in the same manner and location as this conflict-of-interest code. (Gov. Code section 81008.)

## **LIST OF CHANGES TO PART 4, CHAPTER 3. CONFLICT OF INTEREST DISCLOSURE**

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<sup>1</sup> Section 4-3.101 amended by Resolution No. 2-18-1079 on February 26, 2018.

## Part 5. PROPERTY

### CHAPTER 1. PROCUREMENT POLICY<sup>1</sup>

#### 5-1.101 POLICY<sup>2</sup>

(a) In accordance with this Procurement Policy, the District will procure Goods and Services in support of its administrative, operational, and capital improvement requirements. It is the intent of the District to engage in procurements that ensure ii will receive Goods and Services of the appropriate quantity, of a satisfactory level of quality, delivered in a timely manner, and at a price that represents the best value to the District and its ratepayers. Furthermore, ii will employ procurement processes that are fair and equitable and will allow providers of Goods and Services the greatest opportunity to participate and compete for the District's procurement engagements.

(b) The Procurement Policy will be reviewed on a periodic basis not less than once every three (3) years. Updates to the policy, when required, will be presented to the Board of Directors for approval and incorporated into the policy by Resolution of the Board.

#### 5-1.102 DEFINITION OF TERMS<sup>3,4</sup>

The following definitions shall apply to this chapter:

- (a) Agreement. A contractual document issued by the District for engagements involving the provision of Services, typically delivered over an extended period of time.
- (b) Amendment / Change Order / Revision. Modification of the terms of an existing Contract.
- (c) Authority to Approve (Approval Authority). Authority to designate funding for a specific procurement.
- (d) Authority to Commit (Commitment Authority). Authority to execute a Contract for a specific designated procurement.
- (e) Bid. A sealed price offer to perform work in accordance with

specifications, conditions, and other requirements included in a Request for Bid (RFB).

- (f) Bidder. Contractor or Supplier that submits a Bid in response to a Request for Bid or an Invitation for Quote.
- (g) Consideration – A benefit that is bargained for and exchanged by both parties to a Contract.
- (h) Consultant. An individual, firm, or entity that provides Professional Services.
- (i) Contract. A written document establishing terms and conditions between buyer and seller for the provision of Goods or Services (Professional or Non-Professional), and includes Professional Service Agreements (PSA), General Service Agreements (GSA) and Purchase Orders (PO).
- (j) Contractor. An individual, firm, or entity that provides Non-Professional Services.
- (k) Cooperative Procurement. Any procurement conducted on behalf of two or more public agencies in order to obtain the benefit of volume purchasing and/or reduction in administrative expenses.
- (l) Critical Acquisition. Acquisition of supplies, Goods and equipment that is unplanned, unexpected, and which is essential to the continued operation of District facilities (including satellite facilities), but do not rise to the level of “Emergency” as defined in Section 5-1.105.
- (m) Critical Repairs. Repairs performed on District facilities (including satellite facilities) that are unplanned, unexpected, and which are essential to the continued operation of the District facilities (including satellite facilities), but do not rise to the level of “Emergency” as defined in Section 5-1.105. Such repairs may include acquisition and installation of replacement parts.
- (n) Critical Services. Services performed on District facilities (including satellite facilities) that are unplanned, unexpected, and which are essential to the continued operation of the District facilities (including

satellite facilities), but do not rise to the level of “Emergency” as defined in Section 5-1.105.

- (o) District. District, when used in this policy document, means West Basin Municipal Water District.
- (p) Formal Competitive Solicitation. A written request for a Bid, Proposal, or Quotations in accordance with written terms and conditions included in the request. This applies to procurements for Goods and Professional Services greater than \$50,000 or \$35,000 for Public Works Construction.
- (q) General Services Agreement (GSA). A written agreement for the provision of Non-Professional Services by Contractors or Consultants. Typically, the GSA will be used for longer term engagements and a Purchase Order (defined below) will be used for the procurement of Services that are short term or “one time” engagements.
- (r) Goods. Refers to all types of tangible personal property including materials, supplies, and equipment.
- (s) Informal Competitive Solicitation. A written request for a Bid, Proposal, or Quotation in accordance with written terms and conditions included in the request. This applies to procurements from \$10,000 up to \$50,000 excluding Public Works Construction.
- (t) Invitation for Quote (IFQ). A written request for the submission of a price Quotation to provide Goods in accordance with specifications, conditions, and other requirements included in the request.
- (u) Material Change. A change to essential terms in a Contract including, but not limited to, Consideration, scope of services, insurance and indemnity obligations, and assignment.
- (v) Non-Professional Services. Services provided by a Contractor, including, but not limited to, trade, janitorial, maintenance, and construction Services.
- (w) Professional Services. Services provided by any specifically trained or experienced person, firm or corporation specializing in financial,

economic, accounting, engineering, information technology, legal, architectural, public relations, or other specialized disciplines. Services may include the provision of a report, study, plan, design, specification, document, program, advice, recommendation, analysis, review, opinion, inspection, investigation, audit, brokering or representation of the District before or in dealings with another party.

- (x) Professional Services Agreement (PSA). A written agreement for the provision of Professional Services by Consultants and other Professional Service providers.
- (y) Proposal. A formal plan submitted by a Consultant that addresses the District's specifications, conditions, and other requirements included in a Request for Proposal (RFP).
- (z) Proposer. Consultant that submits a Proposal in response to a Request for Proposal.
- (aa) Public Works Construction. The erection, construction, alteration, repair, or improvement of any public structure, building, road, or other public improvement of any kind.
- (bb) Public Works Construction Agreement. Agreement for the erection, construction, alteration, repair, or improvement of any public structure, building, road, or other public improvement of any kind and awarded in compliance with competitive Bidding statutes as a means of protecting the public from misuse of public funds.
- (cc) Purchase Order (PO). A commercial document issued by the District to a Supplier indicating types, quantities, delivery requirements, and agreed prices for the Goods the Supplier will provide the District. A PO may also be issued to a Contractor or Consultant for the procurement of Services that are short term or "one time" engagements.
- (dd) Quotation (Quote). A formal document setting out the cost for Goods or Services.
- (ee) Request for Bid (RFB). Primarily used for construction, a written request

for the submission of a sealed price bid to perform work in accordance with specifications, conditions, and other requirements included in the request.

- (ff) Request for Proposal (RFP). A written request for the submission of a Proposal in accordance with specifications, conditions, and other requirements included in the request.
- (gg) Request for Qualification (RFQ). A request for Consultants or Contractors to submit their qualifications to prequalify and short-list them for a specific project.
- (hh) Requisition. A document generated by staff to identify and establish a requirement for, and request authorization of, the procurement of Goods or Services, or Amendments to the terms of an existing Contract. Approved Requisitions are converted to the appropriate Contract document (PSA, GSA, PO, or Amendment).
- (ii) Responsible Bidder. A Contractor that meets the District's standards with respect to a reasonable expectation that the Contractor has the management, technical, financial, equipment, and human resources available to ensure adequate performance of the work described in a Solicitation.
- (ij) Responsive Bidder. A Contractor that provides a Solicitation response that satisfactorily addresses all the requirements specified in a Solicitation.
- (kk) Service(s). The labor, intellectual property or other work product provided by a Contractor or Consultant that is not tangible personal property.
- (ll) Single Source Procurement. Procurement of a Good or Service where multiple sources of supply exist but competition is circumvented and one source is held in preference over the others.
- (mm) Sole Source Procurement. Procurement of a Good or Service where only one viable provider of such Good or Service exists. Typical examples include original equipment and manufacturer's replacement



parts, patent and copyright restrictions, proprietary processes, and warranty compliance issues.

- (m) Solicitation. The process of inviting Vendors to bid or propose on opportunities to provide goods and services to the District.
- (oo) Subcontractor. A Contractor who is awarded a portion of an existing Contract by a Prime Contractor. The Subcontractor performs work under a Contract with a Prime Contractor.
- (pp) Supplier. A provider of Goods.
- (qq) Vendor. A term commonly used to refer to any provider of Goods or Services including Contractors, Consultants, and Suppliers.

### **5-1.103 PROCUREMENT SOLICITATION PROCESS<sup>5,6</sup>**

- (a) Informal Competitive Solicitations for Goods, Professional Services, and Non-Professional Services. For Informal Competitive Solicitations with a total cost of \$50,000 or less (refer to section 5-1.104), a minimum of three (3) written price Quotations or Proposals shall be competitively solicited. If less than three price Quotations or Proposals are obtained, it must be demonstrated that competition was attempted, and the circumstances of the Solicitation shall be documented and included with the price Quotations or Proposals received.
- (b) Formal Competitive Solicitations for Goods. When applicable, Formal Competitive Solicitations for Goods with a total cost over \$50,000 (refer to Section 5-1.104) shall be posted on the District's internet-based Bid management system, and advertised as otherwise required by law. Whenever possible and practical, a minimum of 14 calendar days shall be provided for responses.
  - (1) The Formal Competitive Solicitation process requires a written Invitation for Quote (IFQ) covering the following (as applicable):
    - (i) Instructions to Bidders.
    - (ii) Detailed scope of supply including Goods specifications,

quantity requirements, and delivery requirements.

- (iii) The District's Purchase Order Terms and Conditions.
  - (2) Recommendation for Purchase Order award will be based on the lowest Bid submitted by a Responsible and Responsive Bidder.
  - (3) Board Review. Bidders responding to a Formal Competitive Solicitation from the District shall have the right to address the District's Board of Directors before the Board authorizes any Purchase Order for the proposed Goods. The staff will provide written notice to all such Bidders of the recommendation that staff will present to the Board. The notice will provide a seven (7) day calendar day period to allow any such Bidder the opportunity to address the Board at the next meeting at which the Board plans to authorize the Purchase Order.
- (c) Formal Competitive Solicitations for Professional and Non-Professional Services. Formal Competitive Solicitations with a total cost over \$50,000 (refer to Section 5-1.104) shall be posted on the District's internet-based Bid management system and as otherwise required by law. Whenever possible and practical, a minimum of fourteen (14) calendar days shall be provided for responses.
- (1) The Formal Competitive Solicitation process requires a written Request for Proposal (RFP) covering the following (as applicable):
    - (i) Instructions to Proposers
    - (ii) Scope of work
    - (iii) A list of basic questions regarding each firm (address, number of personnel, qualifications, experience, etc.).
    - (iv) A description of the method of selection used by the District.
    - (v) An explanation of the District's insurance requirements.
    - (vi) A sample Agreement which the Proposer will be required to execute, if selected.
  - (2) All Proposals submitted in response to a Formal Competitive

Solicitation will be reviewed by District staff.

- (i) Interviews will be conducted by a District staff panel with the most qualified Proposers and their proposed project team to assure a mutual understanding of the project and to obtain additional details related to their capabilities. Interviews for engagements in excess of \$500,000 will be conducted by a panel consisting of District staff and a third party with relevant expertise. The Board may excuse this interview requirement prior to the receipt of any Proposals.
  - (ii) Based upon the evaluation of Proposals and interviews (as applicable) each panelist will assign a score to the Proposer. The District shall compile the panelists' scores and rank the Proposers by score, considering all of the information obtained.
- (3) The following criteria, as applicable, shall be considered in the RFP evaluation of qualified Proposers to provide Services:
- (i) Project approach and schedule.
  - (ii) Specialized experience and technical competence of the Proposer and their project team relative to the type of Services required and the complexity of the project.
  - (iii) Suitability of the Services proposed to meet the District's needs.
  - (iv) Specific experience and qualifications of identified team members and their familiarity with the types of problems applicable to the project.
  - (v) Time commitment of key staff.
  - (vi) Past record of performance on Agreements with the District, other public agencies, and private industry, include control of costs, quality of work, and ability to meet schedules.

- (vii) Fee proposal for the proposed Services.
    - (viii) Other key factors as appropriate for the type of Service.
  - (4) Recommendation of a Proposer for Agreement award will be based on the composite score assigned by the evaluation panel. This recommendation represents the evaluation panel's assessment of the Proposer's ability to provide the best value to the District.
  - (5) Board Review. Proposers responding to a Formal Competitive Solicitation from the District shall have the right to address the District's Board of Directors before the Board authorizes any Agreement for the proposed Services. The staff will provide written notice to all such Proposers of the recommendation that staff will present to the Board. The notice will provide a seven (7) calendar day period to allow any such Proposer the opportunity to address the Board at the next meeting at which the Board plans to authorize the Contract.
  - (6) In the event that a Formal Competitive Solicitation will be awarded on a price basis only, the award shall be made to the lowest Responsible, Responsive Proposer.
- (d) Formal Competitive Solicitations for Public Works Construction. The procurement of Public Works Construction by the District shall be governed by the provisions of the California Public Contracts Code. Formal Competitive Solicitations with a total cost of \$35,000 or more (refer to Section 5-1.104) will be posted on the District's internet-based bid management system, and advertised as otherwise required by law. Whenever possible and practical, a minimum of fourteen (14) calendar days shall be provided for responses.
  - (1) The Formal Competitive Solicitation process requires a written Request for Bid (RFB) covering the following (as applicable):
    - (i) Instructions to Bidders.

- (ii) Detailed scope of work including plans and specifications.
    - (iii) An explanation of the District's insurance requirements.
    - (iv) A sample Agreement which the Bidder will be required to execute if selected.
  - (2) Recommendation for Contract award will be based on the lowest Bid submitted by a Responsible and Responsive Bidder.
  - (3) Board Review. Bidders responding to a Formal Competitive Solicitation from the District shall have the right to address the District's Board of Directors before the Board authorizes any Agreement for the proposed Services. The staff will provide written notice to all such Bidders of the recommendation that staff will present to the Board. The notice will provide a seven (7) calendar day period to allow any such Bidder the opportunity to address the Board at the next meeting at which the Board plans to authorize the Contract.
- (e) Prequalification of Bidders.<sup>7</sup>
- (1) The General Manager may designate Public Works projects or parts thereof that require specialized skills or cost in excess of five million dollars (\$5,000,000) to be subject to prequalification of Bidders.
  - (2) To become a prequalified Bidder, a Contractor must submit to the District a prequalification application consisting of a standardized questionnaire, financial statement, and statement of experience. The forms for the questionnaire, financial statement, and statement of experience will be provided as part of the pre-qualification Bidding packet.
  - (3) The questionnaires and financial statements submitted by prospective Contractors are not public records and are not subject to public inspection. Records of the names of Contractors applying for prequalification status are public

records and subject to disclosure. Documents submitted by a prospective Contractor will be submitted under penalty of perjury.

- (4) The District will rate prospective Contractors in accordance with the rating system based on (1) the requirement of California Public Contract Code § 20101; and (2) the model guidelines and standardized questionnaire created by the State of California Department of Industrial Regulations, as modified at the District's discretion to address the needs of the particular project, or projects, to which they are to be applied. The District will devise the questions, process, and scoring for the rating system, so as to best evaluate a Contractor's ability to successfully complete a particular project. This information will be provided as part of the prequalification bidding packet. The rating system will be applied uniformly and objectively to all prospective Contractors, which have submitted properly completed documents in accordance with this Policy.

The District may determine that only a certain number of the top scoring pass-rated Contractors shall be considered prequalified for a specific project. This determination shall be made prior to issuing the Request for Qualifications (RFQ) for the specific project.

- (5) When the District uses this prequalification process, the only Contractors eligible to submit Bids are prequalified Contractors. Further, such Contractors shall submit Bids only naming a prequalified Subcontractor when Subcontractors are prequalified. Any Bid received listing an unqualified Subcontractor will automatically be disqualified as nonresponsive. No Bid shall be accepted for the project from unqualified Contractors.

- (6) A Contractor's prequalification status will immediately terminate if:
- (i) the Contractor fails to give the District written notice of changes in the information previously provided within ten(10) days before a Bid opening;
  - (ii) the Contractor's license is suspended or terminated by the California State Licensing Board;
  - (iii) the Contractor is convicted of any crime of moral turpitude;
  - (iv) the Contractor's application contains materially false information; or
  - (v) the Contractor's control over a Public Works Construction Contract, whether within the District's jurisdiction or otherwise, is terminated for cause.
- (7) The District shall give written notice to each Contractor of the prequalification determination for that Contractor. A Contractor may appeal a rating of "not qualified," including a decision to revoke a previous qualified rating. There is no appeal from a finding that a Contractor is not prequalified because of a failure to submit required information or failure to submit required information in a timely manner.
- (i) A Contractor may appeal the decision as follows:
    - a. By giving written notice of appeal to the General Manager no later than ten days after receipt of the not qualified rating.
    - b. The notice of appeal shall contain at least the following:
      - i. The name, address and telephone number of the person making the appeal;
      - ii. A description of the determination which is the subject of the appeal, and the date of the District's determination; or

- iii. A brief description of the grounds for the appeal.
    - (ii) The District will provide the Contractor with a written statement of the basis for the not qualified determination and supporting evidence received from others or adduced as a result of investigation.
    - (iii) Within 14 days of sending the response to the Contractor, the General Manager shall hear the appeal. The hearing shall be an informal one. The Contractor may rebut evidence which is the basis for the determination and present evidence why the Contractor is qualified.
    - (iv) The General Manager or designee may affirm the earlier determination or reverse the determination and assign a different rating. This decision will be in writing containing a summary of the facts that led to the decision. The decision of the General Manager is final. A Contractor shall have no right to appeal that decision to the Board.
  - (8) The General Manager may cancel the prequalification process at any time during the prequalification process, even after receiving and scoring applications. If the prequalification process is cancelled, the normal competitive bidding rules will apply. The District assumes no liability for the cost a prospective Contractor may have incurred by applying for prequalification, and the submittal of a prequalification application is a waiver to claim any such cost or losses due to cancellation of the process.
- (f) Exceptions to Competitive Solicitation Requirements.<sup>8</sup>
  - (1) Exemptions. The following procurements are exempt from the competitive Solicitation process: books, periodicals, regional media advertising, seminars, conferences, travel, subscriptions, postage,



utilities, bank charges, memberships, travel reimbursements, employment agencies, legal services, and permits.

- (2) Sole Source Procurements. The competitive Solicitation process is waived for procurements where the required Good or Service is available from only one viable source (Good or Service provider). Negotiations shall be conducted with the provider of the Good or Service to achieve the most favorable pricing terms of sale.

(g) Rejection of all Bids or Proposals<sup>9</sup>

The Board of Directors authorizes the General Manager, on behalf of the District, to reject any and all Bids, including but not limited to, fiscally unacceptable, non-conforming, unbalanced, or conditional Bids; and to waive any and all irregularities in the Bids and Solicitation process to the extent permitted by law. The District may reject as non-responsive Bids in which Bidders fail to submit their Bid in accordance to the Request for Bids. Similarly, the Board authorizes the General Manager, on behalf of the District, to reject any and all Proposals or waive any and all irregularities for Goods or Services.”

**5-1.104 PROCUREMENT AUTHORITY OF GOODS AND SERVICES**<sup>10,11</sup>

(a) Procurement Authority

- (1) Procurement Authority shall be exercised and performed by the Board of Directors. This authority includes both the Authority to Approve procurements and the Authority to Commit the District to procurements. The Board of Directors may delegate certain authorities to the District’s management and staff. These delegated authorities shall be exercised and performed in accordance with applicable federal, state, and local laws and the policies contained herein.
- (2) Approval Authority shall be managed through Requisition approval process. The Requisition approval process, as delegated by the

Board of Directors, shall be governed by the guidelines set forth in the following sections 5-1.104, (b)-(e).

- (3) Commitment Authority, as delegated by the Board of Directors, shall be exercised and performed by the General Manager. Commitment Authority may be delegated to appropriate staff (designated alternate/ delegate) at the discretion of the General Manager.
- (b) Procurement of Goods. The District may procure Goods as authorized below:
- (1) Procurement of Goods with a total cost over \$1,000:
    - (i) Requires a Requisition approved by the responsible Department Manager
    - (ii) Requires a Purchase Order
  - (2) Procurement of Goods with a total cost up to \$10,000:
    - (i) Requires at least one price Quotation
    - (ii) Requires a Requisition approved by the responsible Department Manager
    - (iii) Requires a Purchase Order executed by the General Manager or designated alternate (delegate)
  - (3) Procurement of Goods with a total cost over \$10,000 and up to \$50,000:
    - (i) Requires Informal Competitive Solicitation process with at least three competitive price Quotations
    - (ii) Requires a Requisition approved by the responsible Department Manager and the General Manager (or the General Manager's delegate)
    - (iii) Requires a Purchase Order executed by the General Manager or designated alternate (delegate)
  - (4) Procurement of Goods with a total cost of over \$50,000:
    - (i) Requires Formal Solicitation process and Board approval

- (ii) Requires a Requisition approved by the responsible Department Manager and the General Manager (or the General Manager's delegate)
  - (iii) Requires a Purchase Order executed by the General Manager or designated alternate (delegate)
- (5) Amendments / Change Orders / Revisions: Material Changes to a Contract document require authorization. Approval and execution are subject to the thresholds established above and based on the final value of the Contract document after the change is incorporated.
- (c) Leasing of Goods. Leasing of Goods is subject to the same requirements established for the procurement of Goods, as defined in Section (b) above.
- (d) Procurement of Professional Services. The District may procure Professional Services as authorized below:
  - (1) Professional Services of any value:
    - (i) Requires a Professional Services Agreement.
    - (ii) Oral/Non-written engagements are strictly prohibited.
  - (2) Procurement of Professional Services up to \$10,000:
    - (i) Requires a single Proposal and price Quotation
    - (ii) Requires a Requisition approved by the responsible Department Manager
    - (iii) Requires a Professional Services Agreement executed by the General Manager or designated alternate (delegate) and District Counsel
  - (3) Procurement of Professional Services over \$10,000 and up to \$50,000:
    - (i) Requires an Informal Competitive Solicitation with at least three competitive Proposals/Quotations
    - (ii) Requires a Requisition approved by the responsible Department Manager and the General Manager (or the General Manager's delegate)

- (iii) Requires a Professional Services Agreement executed by the General Manager or designated alternate (delegate) and District Counsel
- (4) Procurement of Professional Services over \$50,000:
  - (i) Requires Formal Solicitation and Board approval
  - (ii) Requires a Requisition approved by the responsible Department Manager and the General Manager (or the General Manager's delegate)
  - (iii) Requires a Professional Services Agreement executed by the General Manager or designated alternate (delegate) and District Counsel
- (5) Amendments / Change Orders / Revisions: Material Changes to a Contract document require authorization. Approval and execution are subject to the thresholds established above and based on the final value of the Contract document after the change is incorporated.
- (e) Procurement of Non-Professional Services. The District may procure Non-Professional Services as authorized below:
  - (1) Non-Professional Services of any value:
    - (i) Requires a Contract document (PO or GSA) Oral/non-written engagements are strictly prohibited
  - (2) Procurement of Non-Professional Services up to \$10,000:
    - (i) Requires a single Proposal and price Quotation
    - (ii) Requires a Requisition approved by the responsible Department Manager
    - (iii) Requires a General Services Agreement executed by the General Manager or designated alternate (delegate) and District Counsel or a Purchase Order executed by the General Manager or designated alternate (delegate)
  - (3) Procurement of Non-Professional Services over \$10,000 and up to \$50,000:

- (i) Requires an Informal Competitive Solicitation with at least three competitive Proposals/Quotations
  - (ii) Requires a Requisition approved by the responsible Department Manager, and the General Manager (or the General Manager's delegate)
  - (iii) Requires a General Services Agreement executed by the General Manager or designated alternate (delegate) and District Counsel or a Purchase Order executed by the General Manager or designated alternate (delegate)
- (4) Procurement of Non-Professional Services over \$50,000:
- (i) Requires Formal Solicitation process and Board approval
  - (ii) Requires a Requisition approved by the responsible Department Manager and the General Manager (or the General Manager's delegate)
  - (iii) Requires a General Services Agreement executed by the General Manager or designated alternate (delegate) and District Counsel or a Purchase Order executed by the General Manager or designated alternate (delegate)
- (5) Amendments / Change Orders / Revisions: Material Changes to a Contract document require authorization. Approval and execution are subject to the thresholds established above and based on the final value of the Contract document after the change is incorporated.
- (f) Public Works. The procurement of Goods and Services for the construction of public works by the District shall be governed by the provisions of the California Public Contract Code. Engagements of \$35,000 or greater for works of public improvement are subject to the Public Contract Code and are subject to the following thresholds:
- (1) Procurement of Public Works Construction of \$35,000 or more:
- (i) Requires Formal Competitive Solicitation process and Board approval

- (ii) Requires a Requisition approved by the Responsible Department Manager and the General Manager (or the General Manager's delegate)
  - (iii) Requires a Public Works Construction Agreement executed by the General Manager or designated alternate (delegate) and District Counsel
- (2) Amendments / Change Orders / Revisions: Material Changes to a Contract document require authorization. Approval and execution are subject to the thresholds established above and based on the final value of the Contract document after the change is incorporated. Change Orders within preapproved funding amounts require execution by cognizant District staff, the Department Manager and the General Manager or designated alternate (delegate)
- (g) Cooperative Procurement.  
As an alternative to the competitive bidding process, the District may also consider utilizing a Cooperative Purchasing Agreement. Cooperative Agreements are created after the products or Services have undergone a formal competitive Solicitation process, often by a lead public agency, and offer reduced pricing due to economies of scale with volume discount pricing. No further competitive bidding will be required when using a Cooperative Agreement.
- (h) Requirement Splitting. Splitting or separating quantities of Goods or portions of Services to avoid more stringent competitive Solicitation requirements or more stringent Approval of Commitment Authority levels is strictly prohibited.

#### **5-1.105 EMERGENCY PURCHASES AND SERVICES<sup>12,13</sup>**

In the event of an emergency, the General Manager may make immediate purchases of Goods and Services pursuant to California Public Contract Code requirements, and Part 3, Chapter 1, Section 3-1.104 of this Code, and all other applicable statutes and regulations. Emergency purchases include any purchase required to

prevent imminent danger or to prevent or mitigate the loss or impairment of life, health, property, or essential public Services. Every effort shall be made to obtain advance approvals or to obtain approvals as soon as possible following the purchase.

Any expenditure for these types of repairs will be brought to the Board of Directors at the next regularly scheduled Board meeting for ratification.

#### **5-1.106 PROCUREMENT OF CRITICAL GOODS AND SERVICES<sup>14</sup>**

When expenditures are made for the procurement of Critical Goods and Services, staff will use its best efforts to conform to the Informal Competitive Solicitation process set forth in section 5-1.103(A); and shall not exceed \$250,000 per each Critical Repair or Critical Acquisition.

Any expenditure for these types of repairs will be brought to the Board of Directors at the next regularly scheduled Board meeting for ratification.

#### **5-1.107 SINGLE SOURCE PROCUREMENT OVER THRESHOLD<sup>15,16</sup>**

Single Source procurements in excess of \$10,000, as defined in Section 5-1.104 above, should be utilized only in circumstances where competitive Solicitation is not in the best interest of the District. Significantly compelling reasons should form the justification for procurements of this type. Single Source procurements require the approval of the Board of Directors.

#### **5-1.108 CONTRACT TIME EXTENSIONS<sup>17,18</sup>**

The General Manager may extend the term of a District Agreement so long as the Contract has not expired and there are no other Material Changes to the Agreement, such as, Consideration, scope of Services, insurance, and indemnity requirements. This provision applies to time extensions only.

#### **5-1.109 POLICY COMPLIANCE<sup>19,20</sup>**

All procurements of Goods and Services pursued on behalf of the District shall be conducted in accordance with this Procurement Policy. District staff shall comply with

this Policy to ensure the responsible and prudent expenditure of public funds and the preservation of the public trust. Violations of this Policy will result in disciplinary action up to and including dismissal.

**5-1.110 EXCEPTIONS TO THIS POLICY** <sup>21,22,</sup>

The Board of Directors authorizes the General Manager to effect procurements, or other activities of special circumstance, free of this Procurement Policy when the General Manager has determined that such action would be in the best interest of the District, and when such action is not in conflict with applicable local, state, or federal laws. The General Manager shall not delegate this authority. The General Manager will report any exceptions taken to the Board of Directors.



**LIST OF CHANGES TO PART 5, CHAPTER 1. PROCUREMENT POLICY**

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- <sup>1</sup> Section 5-1.101 through 5-1.110 amended by Resolution 07-20-1115 on July 27, 2020.
  - <sup>2</sup> Section 5-1.101 amended by Resolution 07-20-1115 on July 27, 2020
  - <sup>3</sup> Section 5-1.102 amended by Resolution 8-16-1046 on August 22, 2016.
  - <sup>4</sup> Section 5-1.102 amended by Resolution 07-20-1115 on July 27, 2020.
  - <sup>5</sup> Section 5-1.103 amended by Resolution 8-16-1046 on August 22, 2016.
  - <sup>6</sup> Section 5-1.103 amended by Resolution 07-20-1115 on July 27, 2020.
  - <sup>7</sup> Section 5-1.103(e) amended by Resolution 2-17-1060 on February 27, 2017.
  - <sup>8</sup> Section 5-1.103(f) added by Resolution 2-17-1060 on February 27, 2017.
  - <sup>9</sup> Section 5-1.103(g) added by Resolution 6-18-1090 on June 25, 2018.
  - <sup>10</sup> Section 5-1.104 amended by Resolution 8-16-1046 on August 22, 2016.
  - <sup>11</sup> Section 5-1.104 amended by Resolution 07-20-1115 on July 27, 2020.
  - <sup>12</sup> Section 5-1.105 amended by Resolution 8-16-1046 on August 22, 2016.
  - <sup>13</sup> Section 5-1.105 amended by Resolution 07-20-1115 on July 27, 2020.
  - <sup>14</sup> Section 5-1.106 amended by Resolution 07-20-1115 on July 27, 2020.
  - <sup>15</sup> Section 5-1.107 added by Resolution 8-16-1046 on August 22, 2016.
  - <sup>16</sup> Section 5-1.107 amended by Resolution 07-20-1115 on July 27, 2020.
  - <sup>17</sup> Section 5-1.108 amended by Resolution 8-16-1046 on August 22, 2016.
  - <sup>18</sup> Section 5-1.108 amended by Resolution 07-20-1115 on July 27, 2020.
  - <sup>19</sup> Section 5-1.109 amended by Resolution 8-16-1046 on August 22, 2016.
  - <sup>20</sup> Section 5-1.109 amended by Resolution 07-20-1115 on July 27, 2020.
  - <sup>21</sup> Section 5-1.110 amended by Resolution 8-16-1046 on August 22, 2016.
  - <sup>22</sup> Section 5-1.110 amended by Resolution 07-20-1115 on July 27, 2020.

## CHAPTER 2. SMALL AND LOCAL BUSINESS ENTERPRISE PROGRAM

### 5-2.101 POLICY<sup>1,2</sup>

The District encourages the utilization of either small or local businesses as defined by section 5-2.102. To promote the participation of Small or Local Business Enterprises in the competitive solicitation process, the District has established a program that provides incentives to encourage small or local Vendors to participate in District Solicitations.

The goal of the program is to reduce barriers and to take advantage of the economic benefits and enhanced community participation their utilization provides. In addition, the District encourages all Prime Contractors/Consultants/Suppliers (the "Prime(s)") to utilize small or local business Subcontractors, Subconsultants and Subsuppliers (Sub(s)), whether at a first tier or a lower tier Sub level. Lower tier Subs must provide services and/or materials directly related to the project or they will not qualify to meet the goal.

### 5-2.102 DEFINITION OF TERMS<sup>3,4</sup>

The Definitions outlined in Chapter 1, Section 5-1.102 of this Code, along with the following definitions shall apply to this chapter:

- (a) Local Business Enterprise (LBE): To be considered as a Local Business Enterprise, a firm must provide evidence, in the form of a business license, that the Vendor is located at a fixed commercial or residential address where administrative, clerical, professional or other productive work is performed relative to its commercial purpose. The Vendor must be located either within the District's service area or within 25 miles of the District's Carson headquarters for a minimum of one year.
- (b) Participation Goal: The District sets a 10% annual target for SBE and LBE participation.
- (c) Prime(s): Abbreviation for Prime Contractor/Consultant/ Supplier
- (d) Prime Consultant: Consultant who has a Professional Services Agreement with the District and has the full responsibility for its completion. A Prime

Consultant may employ and manage one or more subconsultants to carry out specific parts of the Contract.

- (e) Prime Contractor: Contractor who has a Non-Professional Services Agreement with the District and has the full responsibility for its completion. A Prime Contractor may employ and manage one or more subcontractors to carry out specific parts of the Contract.
- (f) Small Business Enterprise (SBE): To be considered as a Small Business Enterprise and to encourage maximum participation, the District will accept a Vendor that meets and is certified to the federal U.S. Small Business Administration (SBA) size standards or the SBE standards set by the California Department of General Services (DGS). In addition, the District will accept a Vendor's self-certification of any local agency within the State of California. All certifications are subject to verification.
- (g) Subs: Abbreviation for Sub Contractor/Consultant/Supplier
- (h) Subconsultant: A Consultant who is awarded a portion of an existing Contract by a Prime Consultant. The Subconsultant performs work under a contract with a Prime Consultant.
- (i) Subcontractor: A Contractor who is awarded a portion of an existing Contract by a Prime Contractor. The Subcontractor performs work under a contract with a Prime Contractor.
- (j) Subsupplier: A Supplier who contracts with a Prime Supplier/Consultant/Contractor to provide goods.

### **5-2.103 VENDOR REGISTRATION AND CERTIFICATION<sup>5,6</sup>**

To be considered as an SBE or LBE, interested Vendors must be certified by the due date of the Quote, Proposal, or Bid. Prior to the Contract award, the SBE or LBE shall be verified and may be audited by the District. In addition, interested Vendors are strongly encouraged to register with the District's online Solicitation system.

**5-2.104 GOODS<sup>7,8</sup>**

For the purpose of evaluation of Informal and Formal competitive Quotations, the Quotations of SBEs or LBEs will be reduced by 3%. If the participant is both a small and a local business, the Quotation will be reduced by 6%. If, after this adjustment, the SBE or LBE is determined to be the most competitive Quotation, the actual Contract amount will be the amount originally quoted.

If a Prime Supplier includes a SBE or LBE as a Sub(s) in its Quote, the District will reduce the Prime's Quotation by 1% for participation from either SBE or LBE Sub(s) only if at least 30% of the total compensation paid by the District under the terms of the contract are allocated to and received by the SBE or LBE Sub(s).

**5-2.105 EVALUATION FOR PROFESSIONAL SERVICES<sup>9,10</sup>**

All Formal and Informal Proposals for Professional Services will be evaluated on a 100-point scale. A value of three (3) additional points will be added to the evaluation scores of SBE or LBE participants who propose as Prime Consultants on Professional Services Agreements. If the participant is both a SBE and LBE, the Vendor will be awarded six (6) points.

If a Prime Consultant includes a SBE or LBE as a Sub(s) in its Proposal, the District will award one (1) point for participation from either SBE or LBE (Sub)s only if at least 30% of the total compensation paid by the District under the terms of the contract are allocated to and received by the SBE or LBE Sub(s).

In the event the proposed Services will be evaluated on a price basis only, the price Proposals of SBE or LBE will be reduced by 3% (6% if both SBE & LBE) based on the percentage of SBE or LBE participation consistent with the policy described in the paragraph above. If, after this adjustment, the SBE or LBE is determined to be the most competitive price Proposal, the actual Contract amount will be the amount originally proposed.

**5-2.106 NON-PROFESSIONAL SERVICES<sup>11,12</sup>**

All Formal and Informal Proposals for Non-Professional Services will be evaluated on a 100-point scale. A value of three (3) additional points will be added to the evaluation

scores of SBE or LBE who propose as Prime Contractors on Non-Professional Services Contracts. If the participant is both a SBE and LBE, the firm will be awarded six (6) points.

If a Prime Contractor includes a SBE or LBE as a Sub(s) in its Proposal, the District will award one (1) point for participation from either SBE or LBE Sub (s) only if at least 30% of the total compensation paid by the District under the terms of the contract are allocated to and received by the Small or Local Business Enterprise.

In the event the proposed Services will be evaluated on a price basis only, the price Proposals of SBE or LBE will be reduced by up to 3% (6% if both SBE & LBE) based on the percentage SBE or LBE participation consistent with the policy described in the paragraph above. If, after this adjustment, the SBE or LBE is determined to be the most competitive price Proposal, the actual Contract amount will be the amount originally proposed.

#### **5-2.107 PUBLIC WORKS CONSTRUCTION<sup>13,14</sup>**

If a Prime Contractor intends to employ Subcontractors, and the amount of the Contract is less than \$3 million dollars, as determined by West Basin's engineer's estimate, the Prime Contractor will be required to a) attend the pre-bid meetings; and b) advertise for Subcontractor bids from SBEs or LBEs in one or more daily or weekly newspapers, trade association publications, trade journals, or other relevant media or demonstrate a communication log of its direct contact with small and local businesses.

If a Prime Contractor intends to employ Subcontractors, and the amount of the Contract is \$3 million dollars or more, as determined by West Basin's engineer's estimate, the Prime Contractor must, in addition to the requirements set forth above: a) provide written notice of its interest in receiving subcontractor Proposals to those SBEs or LBEs having an interest in participating in the work. These notices of interest must be provided not less than 10 calendar days prior to the date the Proposals are required to be submitted to the District; and b) the Prime Contractor must follow-up the initial Solicitations by contacting the interested SBEs or LBEs to determine whether the LBEs were interested

in performing specific portions of the project. Such follow up contact must be made not less than 3 calendar days prior to the date the Bid is required to be submitted.

#### **5-2.108 SHELTERED BIDDING<sup>15,16</sup>**

Sheltered bidding is designed to improve opportunities and build capacity for the SBE and LBE Vendors to compete for work with other like Vendors. The District is strongly encouraged to utilize sheltered bidding for ecompetitive Solicitations up to \$50,000. The District Project Manager will make a good faith effort to request Solicitations only from eligible SBE or LBE Vendors and are encouraged to use the online Solicitation system to identify these SBE and LBE participants.

#### **5-2.109 SBE AND LBE PARTICIPATION REQUIREMENTS<sup>17,18</sup>**

To encourage participation of SBEs and LBEs, the District sets a 10% annual target for the Participation Goal for all eligible expenditures. The eligible expenditures will not include potable water charges (purchased for resale), debt service, permits, employee reimbursement, travel, sponsorships, memberships, and regulated utilities (electric, gas, water or telephone).

#### **5-2.110 UTILIZATION OF SMALL BUSINESS ENTERPRISE AND LOCAL BUSINESS ENTERPRISE<sup>19,20</sup>**

During the term of the Contract, the Prime is required to utilize all Subs listed on the Quote, Proposal, or Bid. Any substitution of any Sub(s) requires approval from District management. If there is a substitution, the Prime shall provide documentation, to the satisfaction of the District management that a reasonable effort was made to replace with another SBE or LBE Vendor

#### **5-2.111 CONTRACT AMENDMENTS<sup>21,22</sup>**

If the District approves a Change Order or Contract Amendment, the SBE or LBE participation goals may, at the discretion of management, apply to the Change Order or Contract Amendment. If the additional work includes scope that was initially assigned to

the SBE or LBE, then the SBE or LBE should receive a proportional amount of the added work.

#### **5-2.112 CONTRACT COMPLIANCE<sup>23,24</sup>**

The Prime(s) shall report the dollar value of payments to small or local Sub(s) on a monthly basis and at project close-out and will be subject to verification.

If the Sub SBE or LBE firm listed on a Prime's Quote, Proposal, or Bid loses its status prior to Contract award, the Prime will not receive SBE or LBE status for the District unless the Sub becomes eligible or the Prime replaces the affected SBE or LBE dollar amount/percentage and submits to the District for approval in order to proceed with the Contract award.

If the Sub(s) SBE or LBE firm listed on a Primes Quote, Bid, or Proposal loses its status during the term of the Contract, work performed on that Contract after the Sub loses its certification will continue to be credited toward meeting the District's Participation Goal. However, the firm may not be able to receive SBE or LBE status on future projects unless the firm is subsequently re-certified as an SBE or LBE.

Substitution of any SBE or LBE Sub(s) listed on a Prime's Quote, Proposal, or Bid must be approved by the District's management. Nothing herein shall be construed to supersede or limit the requirements for contractor substitutions provided in Section 4100 et seq. of the California Public Contract Code.

The District may conduct site visits and interviews with the Subs to verify proper and full utilization of SBEs and LBEs to meet Contract requirements. Primes and Subs shall fully cooperate with such monitoring.

Failure to comply with the SBE/LBE requirements may be considered a breach of contract.

#### **5-2.113 PERIODIC REVIEW<sup>25,26</sup>**

The District will seek periodic comments from Primes and Subs on the effectiveness of the program. District staff shall report to the Board on the effectiveness

of the program and include information on Contracts issued in the preceding fiscal year, and the payments to all SBE or LBE Contractors, Consultants, and Suppliers.

The District may, at its discretion, perform random audits of the program participants to ensure that the appropriate utilization of small and local businesses. The audit may include, but not be limited to, the verification of small and local business certification status, and interviews.



## **LIST OF CHANGES TO PART 5, CHAPTER 2. SMALL AND LOCAL BUSINESS ENTERPRISE PROGRAM**

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- <sup>1</sup> Section 5-2.101 amended by Resolution 02-18-102 on February 26, 2018.
  - <sup>2</sup> Section 5-2.101 amended by Resolution 09-20-1118 on September 28, 2020.
  - <sup>3</sup> Section 5-2.102 amended by Resolution 02-18-1082 on February 26, 2018.
  - <sup>4</sup> Section 5-2.102 amended by Resolution 09-20-1118 on September 28, 2020.
  - <sup>5</sup> Section 5-2.103 "Vendor Registration and Certification" added by Resolution 02-18-1082 on February 26, 2018.
  - <sup>6</sup> Section 5-2.103 amended by Resolution 09-20-1118 on September 28, 2020.
  - <sup>7</sup> Section 5-2.104 amended by Resolution 02-18-1082 on February 26, 2018.
  - <sup>8</sup> Section 5-2.104 amended by Resolution 09-20-1118 on September 28, 2020.
  - <sup>9</sup> Section 5-2.105 amended by Resolution 02-18-1082 on February 26, 2018.
  - <sup>10</sup> Section 5-2.105 amended by Resolution 09-20-1118 on September 28, 2020.
  - <sup>11</sup> Section 5-2.106 amended by Resolution 02-18-1082 on February 26, 2018.
  - <sup>12</sup> Section 5-2.106 amended by Resolution 09-20-1118 on September 28, 2020.
  - <sup>13</sup> Section 5-2.107 amended by Resolution 02-18-1082 on February 26, 2018.
  - <sup>14</sup> Section 5-2.107 amended by Resolution 09-20-1118 on September 28, 2020.
  - <sup>15</sup> Section 5-2.108 "Sheltered Bidding" added by Resolution 02-18-1082 on February 26, 2018.
  - <sup>16</sup> Section 5-2.109 amended by Resolution 09-20-1118 on September 28, 2020.
  - <sup>17</sup> Section 5-2.109 "SBE and LBE Participation Requirements" added by Resolution 02-18-1082 on February 26, 2018.
  - <sup>18</sup> Section 5-2.109 amended by Resolution 09-20-1118 on September 28, 2020.
  - <sup>19</sup> Section 5-2.110 "Utilization of Small Business Enterprise and Local Business Enterprise" added by Resolution 02-18-1082 on February 26, 2018.
  - <sup>20</sup> Section 5-2.110 amended by Resolution 09-20-1118 on September 28, 2020.
  - <sup>21</sup> Section 5-2.111 "Contract Amendments" added by Resolution 02-18-1082 on February 26, 2018.
  - <sup>22</sup> Section 5-2.111 amended by Resolution 09-20-1118 on September 28, 2020.
  - <sup>23</sup> Section 5-2.112 "Contract Compliance" added by Resolution 02-18-1082 on February 26, 2018.
  - <sup>24</sup> Section 5-2.112 amended by Resolution 09-20-1118 on September 28, 2020.
  - <sup>25</sup> Section 5-2.113 "Periodic Review" added by Resolution 02-18-1082 on February 26, 2018.
  - <sup>26</sup> Section 5-2.113 amended by Resolution 09-20-1118 on September 28, 2020.

## CHAPTER 3. ECONOMIC OUTREACH

### 5-3.101 POLICY

In 1996, a majority of California voters passed Proposition 209, which amended the California Constitution (at Article 1, Section 31) to prohibit public agencies from granting preferential treatment to any individual or group on the basis of race, sex, color, ethnicity or national origin to public contracting. This prohibition does not apply to action which must be taken to establish or maintain eligibility for any federal program, where ineligibility would result in a loss of federal funds. When action must be taken to establish or maintain such eligibility, the District will follow the guidelines set forth below:

### 5-3.102 DEFINITION OF TERMS

The following definitions shall apply to this chapter:

- (a) Economic Outreach Plan. A set of specific and result-oriented procedures designed to achieve equal employment opportunity.
- (b) Disadvantaged Business Enterprise (DBE). A small business concern with at least 51 percent owned by women or members of a minority group or disabled persons and who management and daily business operations are controlled by one or more of the women or members of a minority group who own it.
- (c) Disabled Person. A qualified individual with a disability as defined by the Americans with Disabilities Act of 1990.
- (d) Feasible. Capable of being accomplished economically within a reasonable period of time.
- (e) Minority. A person who is a citizen and a lawful permanent resident of the United States and who is:
  - (1) African American
  - (2) Hispanic American
  - (3) Asian-Pacific American
  - (4) Native American/Native Hawaiian

- (5) Members of other groups or other individuals found to be economically and socially disadvantaged under the Small Business Act, as amended.
- (f) Workforce Investment Board (WIB). A private or public agency devoted to assisting the recruitment and placement of disadvantaged persons or businesses.
- (g) Workforce. The number and demographics of the labor force living within the District's service area.

### **5-3.103 APPLICATION OF POLICY**

When required to establish or maintain eligibility for federal funds, the District shall to the extent feasible:

- (a) Encourage Consultants to use the Services of the WIB or similar agencies to recruit disadvantaged persons and businesses.
- (b) Assure qualified and certified disadvantaged business enterprises are afforded maximum practicable opportunities to compete for procurement and construction awards consistent with the financial constraints of the District and with the rights of non-minority firms to compete equally for District awards.
- (c) Set a goal of 10 percent of the dollar value of Contracts executed during a fiscal year for the participation of DBEs either as prime Contractors or as subcontractors, as follows: at least 3.5 percent shall be allocated for minority-owned businesses, 3.5 percent for certified women-owned businesses, and 3 percent for disabled businesses where applicable.
- (d) Require competitors for District awards who claim DBE status to be CalTrans certified at the time of submitting bids or qualifications for Contract award. Qualification for DBE status by the District shall recognize the differing job-market availabilities in each of the occupational categories due to differing working category propensities of different ethnic groups and genders.

- (e) The District shall keep on file reports, records and affirmative action plans sufficient to ascertain compliance with this policy and with the requirements of federal law. The District shall submit such reports to the appropriate state or federal agency as required by law.

**LIST OF CHANGES TO PART 5, CHAPTER 3. ECONOMIC OUTREACH**

## CHAPTER 4. DISPOSAL OF SURPLUS PROPERTY

### 5-4.101 POLICY

- (a) Definitions. The following terms shall apply to this policy:
- (1) District Property. Property to which title is vested in the District, regardless of the types of funds used to purchase the property and whether it was obtained by gift or transfer from another entity.
  - (2) Personal Property. Any movable item subject to ownership, including but not limited to materials, supplies, equipment, tools, and apparatus.
  - (3) Real Property. Land, and generally whatever is erected or growing upon or affixed to land, including structures that cannot be removed from the land.
  - (4) Surplus Property. All District owned property that is no longer needed or useable for District purposes.
  - (5) De Minimis Value. Surplus personal property is considered de minimis when its fair value is below the cost required for handling, record keeping, storage removal, and other costs associated with its trade or sale.
  - (6) No Value. Any surplus personal property that has minimal value due to spoilage, obsolescence or other cause or where the cost of disposal of such property would exceed the recovery value. Property has no value when it has reached the end of its useful life, or is otherwise deemed to be broken, unserviceable, junk, scrap or no longer suitable for its original purpose.
  - (7) Fair Value. The price at which a willing buyer and a willing seller settle a sale of property. Recent transactions or advertisements can be used as an estimate to establish fair value.

- (8) Useful Life. The life expectancy during which property is estimated to be in service before it wears out, becomes obsolete or is no longer fit for its original purpose.
- (9) Take Away Program. A program by which the District offers excess property to the general public at no cost, on the sole condition that the acquirer provide for its physical removal. Excess property offered in a take-away program must have no resale value and shall typically consist of furniture, low-value and/or damaged supplies and other miscellaneous items. The disposition of excess property through a take-away program must be more cost-effective than the cost of other forms of disposition.
- (10) Computer Asset. All computers, parts and equipment appurtenant thereto, including but not limited to desktop computers, laptops, servers, software, printers, fax machines and copiers.
- (11) Non-Profit Organization. An organization exempt from taxation under the provisions of the Internal Revenue Code, 26 U.S.C. § 501(c)(3).

#### **5-4.102 PROCEDURE FOR DISPOSAL OF SURPLUS PROPERTY<sup>1</sup>**

Whenever the District has real or personal property no longer needed for District purposes, the General Manager may dispose of said property as follows:

- (a) Board approval is required for the disposal of single-item surplus good with a current market value greater than \$5,000.
- (b) Board approval is required for the disposal of any multiple-items (lot) of surplus Goods with a current market value greater than \$25,000.
- (c) Professional or Contract Services may be used for the disposal of surplus items, and a formal solicitation shall not be required for said Services. Fees for said Services shall be paid from respective surplus disposal proceeds.
- (d) Any surplus item(s) may be:

- (1) Sold for cash; or
  - (2) Used for trade or exchange
- (e) If after a reasonable effort to sell surplus personal property, such property remains unsold, it may be disposed of as follows:
- (1) By donation to a non-profit organization(s) or a public agency(s) located in the District's service area;
  - (2) By disposal to a certified recycler or refuse disposal company; or
  - (3) By disposal through a take-away program.
- (f) No Value Personal Property. When surplus personal property has no value, it may be disposed of as follows:
- (1) By sale for scrap or salvage value;
  - (2) By disposal to a certified recycler or refuse disposal company; or
  - (3) By disposal through a take-away program.
- (g) De Minimus Value Personal Property. When the estimated value of surplus personal property is *de minimis*, such property may be donated as follows:
- (1) To a non-profit organization(s);
  - (2) To a public agency(s) located in the District's service area.
- (h) Demolition/Deconstruction of District Facilities. The District recognizes that when contracts are let for the deconstruction or demolition of District facilities, there may be some undetermined surplus value in the deconstructed or demolished facility. In such circumstances, the requirements of sections (a) and (b) above are excused, but District contracts let for such deconstruction or demolition shall ensure the District receives the reasonable value of any salvageable materials recovered in the deconstruction or demolition.
- (i) Surplus Computer Assets.
- (1) Any surplus computer asset may be sold for cash or used for trade or exchange.



- (2) If after a reasonable effort to sell a computer asset, such property remains unsold, it may be disposed of in accordance with section B.5 of this provision.
- (3) If a computer asset has no value, it may be disposed of in accordance with section B.6 of this policy.
- (4) Computer assets that are of *de minimis* value may be disposed of in accordance with section B.7 of this policy.
- (5) Prior to disposal of any computer asset containing a hard drive, the custodial department must do one of the following:
  - (i) wipe the hard drive clean of all sensitive data;
  - (ii) remove and destroy the hard drive; or
  - (iii) send the equipment to a certified e-waste recycler who will shred or destroy the hard drive.
- (j) Board approval is required to declare any and all real property as surplus and/or to sell any and all surplus real property, as provided for under California law (i.e. Government Code section 54221, et seq.).
- (k) Board approval is required to authorize the General Manager to negotiate any and all sale prices and terms for the sale of surplus real property.
- (l) All net proceeds received from surplus activities shall be deposited into the District's designated funds.

## **LIST OF CHANGES TO PART 5, CHAPTER 4. DISPOSAL OF SURPLUS PROPERTY**

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<sup>1</sup> Section 5-4.102 amended by Resolution 9-16-1049 on September 30, 2016.

## **CHAPTER 5. ACQUISITION OF REAL PROPERTY INTERESTS**

### **5-5.101 POLICY**

- (a) The Board of Directors shall approve the acquisition of real property interests and authorize acceptances of conveyances for recordation. The General Manager shall execute certificates of acceptance of conveyances and cause conveyances to be recorded.
- (b) Notwithstanding the foregoing, the General Manager may approve the acquisition of real property interest and authorize acceptances of conveyances for record and record conveys if the acquisition is at no cost and necessary for construction or operation of District facilities. Acquisitions approved by the General Manager shall be reported to the Board.
- (c) Real property interests may also be acquired by the District pursuant to the Eminent Domain Law.

**LIST OF CHANGES TO PART 5, CHAPTER 5. ACQUISITION OF REAL PROPERTY INTERESTS**

## **CHAPTER 6. FACILITIES USE POLICY**

### **5-6.101 PURPOSE**

The purpose of this policy is to provide guidelines for the use of West Basin Municipal Water District's (District) facilities by both staff and outside organizations. It is intended to ensure that the use of the facility is granted in a fair and equitable manner for meetings, activities, and events, which are recreational, social, or civil in nature, offering services of interest, and need to the community.

### **5-6.102 DESIGNATED DISTRICT FACILITIES AVAILABLE FOR PUBLIC USE**

District facilities designated to be available for approved public use include the Board room in the Donald L. Dear Building Headquarters and the large conference room at the Edward C. Little Water Recycling Facility.

### **5-6.103 AUTHORIZED USERS**

Agencies and organizations eligible for consideration to use designated District facilities shall be assigned in the following priority, at the discretion of the General Manager:

- a) West Basin Municipal Water District.
- b) Local governmental agencies, political subdivisions of the state of California, or organizations which provide or promote public water or wastewater service issues.
- c) Nonprofit organizations.
- d) Other groups.

**5-6.104 REASONABLE RULES AND REGULATIONS**

The General Manager may make reasonable rules and regulations for use by eligible agencies and organizations, provided that no use shall be inconsistent with the use of the facilities for District purposes or shall interfere with, or be disruptive to, the regular conduct of District business.

**5-6.105 FEE ASSESSMENT**

Use of designated District facilities may be subject to a charge related to administrative and other expenses based upon the Board's approval of a Facility Use Fee Schedule.

**5-6.106 APPLICATION FOR ROOM RESERVATION**

Government agencies and non-profit organizations making an application for use of District facilities must do so in writing using an application furnished by the District. Individuals applying for use of any facilities must certify that they are an authorized representative of the agency or organization. All facilities are reserved on a first-come, first-served basis, without regard to prior use, according to the priorities of authorized users in 5-6.103. Interested organizations shall pay all applicable fees at least fourteen (14) working days prior to the event.

**5-6.107 HOURS OF OPERATION AND OTHER USE REQUIREMENTS**

Hours of operation are limited to District recognized work days, subject to availability. The District may limit the hours of use by approved users to not more than four (4) days per month and not more than four (4) hours per use. Observed holidays are those included in the District's Administrative Code Section 3-4.403. No use shall be scheduled on observed holidays without written District approval.

The applicant must check-in with the District's on-site representative at the beginning time of the reservation and must be present for the duration of the event. The applicant must also checkout with on-site representative at the conclusion of the reservation. The District reserves the right to preempt uses, subject to reasonable notification to the approved user, in the event the facilities are needed for official District business.

#### **5-6.108 MAINTENANCE OF FACILITIES**

User shall be responsible for maintaining any used facility in the condition in which it is maintained by the District, including the arrangement of furniture and equipment. User may request to use the District's available audio/visual equipment for presentations. User shall be responsible for the repair and replacement of any furniture and equipment, or any other District property damaged by the User, during the User's scheduled use. The District reserves the right to require approved Users to use the District's security services during certain uses as the District deems necessary. Expenses incurred as a result of security requirement will be borne by the approved User.

#### **5-6.109 PROHIBITED USERS AND USES**

The use of District facilities for any profitable or illegal activity is prohibited. Prohibited uses include, but are not limited to, the following: (1) Any use which interferes with, or is disruptive to, the regular conduct of District business; (2) Any use which promotes unlawful discrimination; (3) Any use which denies the use of the facility to any person because of race, religion, creed, national origin or ancestry, gender, sexual orientation, physical or mental disability; (4) Any use which involves the consumption of alcoholic beverages, tobacco, narcotics, or illegal substances of any kind; (5) Any use of the facilities by minors without continuous adult supervision; or (6) Gambling or any illegal activity.

## 5-6.110 INSURANCE REQUIREMENTS

Any agency or organization wishing to use designated District facilities shall be reasonably responsible, in the opinion of the general manager, to control, limit or cover any liability or damages which may arise out of the group function. If any activity results in damage or destruction to District property, the agency or organization involved shall pay an amount necessary to restore damaged property.

Upon approval of an application, the User may not transfer, assign, or sublet use of the District facility(ies) or apply for use on behalf of another person or organization. The User shall procure and maintain for the duration of the use of the District facility(ies), insurance against claims for injuries to persons or damages to property which may arise from or in connection with the use of the facility(ies) and the activities of the User, its guests, agent's representatives, or employees. The User shall provide and maintain the following commercial general liability, and workers' compensation liability insurance:

- a) **Coverage** - Coverage shall be at least as broad as the following:
  1. **General Liability** - Insurance Services Office (ISO) Commercial General Liability Coverage (Occurrence Form CG 0001) with limit of at least two million dollars (\$2,000,000) per occurrence or the full per occurrence limits of the policies available, whichever is greater for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit, either the general aggregate limit shall apply separately to the project/location (with the ISO CG 2503, or ISO CG 2504, or insurer's equivalent endorsement provided to West Basin Municipal Water District) or the general aggregate limit shall be twice the required occurrence limit.



2. **Workers' Compensation Insurance** -. The User shall provide workers' compensation as required by the State of California, with Statutory Limits and Employer's Liability Insurance with limit of no less than **\$1,000,000** per accident for bodily injury or disease. **Waiver of Subrogation:** The User agrees to waive all rights of subrogation against West Basin Municipal Water District, its elected or appointed officers, officials, agents, volunteers, and employees for losses paid under the terms of this policy which arise from work/activities performed by the User.
  3. If the User maintains broader coverage and/or higher limits than the minimums shown above, West Basin Municipal Water District requires and shall be entitled to the broader coverage and/or higher limits maintained by the User. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to West Basin Municipal Water District.
- b) **Required Provisions** - The general liability policy is to contain, or be endorsed to contain, the following provisions:
1. **Additional Insured Status:** West Basin Municipal Water District, its directors, officers, employees, and authorized volunteers are to be given insured status insurance (at least as broad as ISO Form CG 20 12), as respects: liability arising out of the use of the facilities, work or activities performed by or on behalf of the User including materials, parts, or equipment furnished in connection with such work or activities, and automobiles owned, leased, hired, or borrowed by the User. The coverage shall contain no special limitations on the scope of protection afforded to West Basin

Municipal Water District, its directors, officers, employees, or authorized volunteers.

2. **Primary Coverage:** For any claims related to the use of the District facility(ies), the User's insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects to the District's officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the District, its officers, officials, employees, or volunteers shall be excess of the User's insurance and shall not contribute with it.
- c) **Verification of Coverage** - User shall furnish the District with original certificates and amendatory endorsements effecting coverage required by the above provisions. All certificates and endorsements are to be received and approved by the District *at least five days* before the User use of the facility(ies) commences activities.

Failure to provide the required insurance certification prior to usage is grounds for cancellation of reservation and revocation of User privileges. The District does not provide supervision during scheduled uses of the facilities by approved Users and shall not be responsible for loss or damage to property or persons.

- d) **Waiver.** Waiver of these requirements will be considered at the discretion of the office of the general manager.

#### 5-6.111 INDEMNIFICATION

The User shall indemnify and hold harmless and defend the District, its directors, officers, employees, or authorized volunteers, and each of them from and against any

and all liability, loss, damage, expense, costs (including without limitation costs and fees of litigation), of every kind or nature arising out of or in connection with User's use of facilities or its failure to comply with any of its obligations contained in the agreement.

#### **5-6.112 REVISION AND REVOCATION**

The privilege of using designated District facilities is subject to revision and is revocable by and in the discretion of the Board at any time. District related meetings and activities have priority, and all reserved dates are revocable, subject to reasonable notification to the approved User.

**LIST OF CHANGES TO PART 5, CHAPTER 6. FACILITIES USE POLICY**

## **Part 6. ENVIRONMENTAL**

### **CHAPTER 1. ENVIRONMENTAL REVIEW OF DISTRICT PROJECTS**

#### **ARTICLE 1. ENVIRONMENTAL**

##### **6-1.101 GENERAL<sup>1</sup>**

(a) District projects shall be undertaken with due regard for the environmental consequences. This article implements the regulations adopted by the Secretary of Resources (hereinafter "State Guidelines") to be followed by local agencies to implement the California Environmental Quality Act (CEQA). The State Guidelines are incorporated by this reference.

(b) This article applies to discretionary activities directly undertaken by the District, discretionary activities financed in whole or in part by the District, and private activities, which require discretionary approval from the District.

(c) Any designated 'project' shall require the General Manager or their designee to comply with current CEQA guidelines as outlined in Public Resources Code 21000–21189 and the State Guidelines (California Code of Regulations, Title 14, Division 6, Chapter 3, Sections 15000– 15387).

##### **6-1.102 WATER CONSERVATION**

The District shall encourage water conservation to the maximum extent feasible including the promotion of expanded use of reclaimed water.

**LIST OF CHANGES TO PART 6, CHAPTER 1. ENVIRONMENTAL REVIEW OF  
DISTRICT PROJECTS**

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<sup>1</sup> Section 6-1.101 amended by Resolution No. 6-18-1091 dated June 25, 2018.

## CHAPTER 2. CEQA

### ARTICLE 1. ENVIRONMENTAL REVIEW OF DISTRICT PROJECTS

#### 6-2.101 PROCESS<sup>1</sup>

(a) The District shall consider environmental documents prepared for a project before taking action on the project.

(b) As a “lead agency”, the District shall decide whether to prepare environmental documents and which environmental document to prepare, as follows:

- (1) The General Manager will first determine whether the activity is a project. The activity is not a project if the District lacks discretion to disapprove or modify the proposed activity. Nothing further is required if the activity is not a project.
- (2) If the activity is a project, the General Manager will next determine if the project is exempt. A notice of categorical exemption will be filed if the activity is exempt.
- (3) If the project is not exempt, the General Manager will prepare an initial study to determine whether the project may have a significant effect on the environment.
- (4) If the initial study discloses the project is not expected to have a significant effect on the environment, the General Manager will prepare a negative declaration.
- (5) If the initial study discloses that project is expected to have a significant effect on the environment, the General Manager will prepare an environmental impact report (EIR).

(c) When another agency is the lead agency, the District may be a “responsible agency.” As a responsible agency, the General Manager will comment on the environmental documents prepared by the lead agency and use the environmental documents prepared by the lead agency during the District’s decision-making process.

(d) The Board shall consider approval of a negative declaration, shall review and consider the final environmental documents, and shall making findings of significant environmental impact and of any overriding considerations prior to approving a project.

### **6-2.102 LEAD AGENCY PROCESS<sup>2</sup>**

(a) Where a project is to be carried out or approved by more than one public agency, one public agency shall be responsible for preparing an EIR or negative declaration for the project. This agency is the lead agency. The determination of which agency will be the lead agency shall be governed by the criteria set forth in the State Guidelines.

(b) An agency which will carry out a project but which is not the lead agency is a responsible agency. The decision-making body of each responsible agency shall consider the lead agency's EIR or negative declaration prior to acting upon or approving the project. The responsible agency shall assume the role of the lead agency only when conditions set forth in the State Guidelines exist.

(c) The determination of the lead agency on whether to prepare an EIR or a negative declaration shall be final and conclusive on all persons, including responsible agencies, unless the decision is challenged under CEQA, circumstances or conditions change, or a responsible agency becomes a lead agency.

(d) If there is a dispute over which of several agencies should be the lead agency for a project, the disputing agencies shall resolve the dispute in accordance with the State Guidelines.

### **6-2.103 ACTIVITIES NOT SUBJECT TO CEQA REVIEW<sup>3</sup>**

(a) The following activities are not "projects" within the meaning of CEQA and this Part:

- (1) A project involving only feasibility or planning studies for possible future actions which the District has not approved, adopted, or



funded. Such projects still require consideration of environmental factors.

(b) The District shall incorporate written findings in the record of any proceeding in which an exemption under this section is claimed setting forth with specificity the basis for the claim of exemption. In addition to the categorical exemptions specified in the California Code of Regulations Section 15300 *et seq.*, the following activities are exempt from the requirements of CEQA:

- (1) Approval of individual utility service connections and disconnections.
- (2) Leasing of District owned, existing property where the use of the premises is not significantly changed.
- (3) Construction of a pipeline of less than one mile in length within a public street or highway or any other public right-of-way or the maintenance, repairs, restoration, reconditioning, relocation, replacement, removal or demolition of an existing pipeline. For the purposes of this subsection, "pipeline" includes subsurface facilities but does not include any surface facility related to the operation of the underground facility.
- (4) Projects to maintain, repair, restore, demolish, or replace property or facilities damaged or destroyed as a result of a disaster in a disaster stricken area in which a state of emergency has been proclaimed by the governor pursuant to the California Emergency Services Act commencing with Government Code Section 8550.
- (5) Emergency repairs to public service facilities necessary to maintain service.
- (6) Specific actions necessary to prevent or mitigate an emergency.
- (7) Projects which are rejected or disapproved.
- (8) The establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges for the purpose of: Meeting operating expenses, including employee wage rates and

fringe benefits; Purchasing or leasing supplies, equipment, or material; Meeting financial reserve needs and requirements, or Obtaining funds for capital projects necessary to maintain service within existing service areas.

#### **6-1.104 INITIAL STUDY<sup>4</sup>**

(a) Unless an activity is not subject to review or an exemption applies (or unless the District can determine the project will clearly have a significant effect, and an EIR is ordered), during the first step in the CEQA process, the General Manager shall prepare an initial study to determine if the project may have a significant effect on the environment.

(b) If the project is to be carried out by a private person or private organization, the person or organization carrying out the project shall submit data and information, which will enable the District to prepare the initial study.

(c) As soon as the District has determined that an initial study will be required for the project, the District shall consult informally with all responsible agencies and trustee agencies responsible for resources affected by the project to obtain the recommendations of those agencies as to whether an EIR or a negative declaration should be prepared.

#### **6-2.105 DETERMINING SIGNIFICANT EFFECT<sup>5</sup>**

(a) In evaluating the significance of the environmental effects of a project, the General Manager shall consider both primary (or direct) and secondary (or indirect) consequences. Social and economic changes alone resulting from a project shall not be treated as significant effects on the environment. If physical changes cause or result from adverse economic or social changes, the economic or social changes may be used as the basis for determining that the physical changes are significant.

(b) The General Manager shall find that a project may have a significant effect on the environment and require an EIR where any of the following conditions occur:

- (1) The project has the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal, or eliminate important examples of the major periods of California history or prehistory.
- (2) The project has the potential to achieve short-term environmental goals to the disadvantage of long-term environmental goals.
- (3) The project has possible environmental effects, which are individually limited but cumulatively considerable. As used in this subsection, "cumulatively considerable" means that the incremental effects of an individual project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.
- (4) The environmental effects of a project will cause substantial adverse effects on human beings, either directly or indirectly.

#### **6-2.106 NEGATIVE DECLARATION<sup>6</sup>**

(a) A Negative Declaration shall be prepared for a project which could potentially have a significant effect on the environment, but which the General Manager finds on the basis of an Initial Study will not have a significant effect on the environment.

(b) Before completing a Negative Declaration, General Manager shall consult with responsible agencies.

(c) A Negative Declaration shall include:

- (1) A brief description of the project, including a commonly used name for the project if any;
- (2) The location of the project and the name of the project proponent;
- (3) A finding that the project will not have a significant effect on the environment;

- (4) An attached copy of the Initial Study documenting reasons to support the finding;
- (5) Mitigation measures, if any, included in the project to avoid potentially significant effects.

(d) Notice of the preparation of a Negative Declaration shall be provided to the public twenty-one (21) days prior to consideration by the Board. The noticed review period shall be long enough to provide members of the public with sufficient time to respond to the proposed finding before the Negative Declaration is approved. Notice shall be given to all organizations and individuals who have previously requested such notice and shall be given by at least one of the following procedures as selected by the General Manager:

- (1) Publication by the District no fewer times than required by Section 6061 of the Government Code in a newspaper of general circulation in the area affected by the proposed project.
- (2) Posting of notice by the District on and off site in the area where the project is to be located.
- (3) Direct mail notice shall be given to owners of property contiguous to the project as such owners are shown on the latest equalized assessment roll.

(e) The Board may approve the Negative Declaration if it finds on the basis of the initial study and comments received that there is no substantial evidence the project will have a significant effect on the environment. The Board shall then consider the Negative Declaration together with comments received during the public review process prior to approving the project.

(f) After the Negative Declaration is approved, the Board Secretary shall file a Notice of Determination with the County Clerk of the County or Counties in which the project will be located. If the project requires a discretionary approval from a state agency, the Notice of Determination also shall be filed with the Secretary for Resources.

(g) The provisions of this section 6-2.303 shall apply in the same manner to declarations deemed "mitigated negative declarations."

**6-2.107 ENVIRONMENTAL IMPACT REPORT<sup>7</sup>**

(a) An Environmental Impact Report shall be prepared if the General Manager determines there is substantial evidence the project may have a significant effect on the environment.

(b) The draft and final EIR shall be prepared in accordance with CEQA and the State Guidelines.

(c) The Board shall certify the final EIR has been completed in compliance with CEQA and the Board has reviewed and considered the information contained in the EIR prior to approving the project.

(d) The Board shall not approve or carry out a project for which an EIR has been completed which identifies one or more significant effects of the project unless the Board makes one or more written findings for each of those significant effects, accompanied by a statement of the facts supporting each finding. The possible findings are:

- (1) Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant environmental effects as identified in the final EIR.
- (2) Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the District. Such changes have been adopted by such other agency or can and should be adopted by such other agency.
- (3) Specific economic, social, or other considerations make infeasible the mitigation measures or project alternatives identified in the final EIR.

(e) The District shall not approve or carry out a project as proposed unless the significant environmental effects have been reduced to an acceptable level. Mitigation measures and a program to monitor the mitigation measures shall be described in the findings. As used in this Section, the term "acceptable level" means that:

- (1) All significant environmental effects that can feasibly be avoided have been eliminated or substantially lessened as determined through findings as described in subsection (d); and,
- (2) Any remaining, unavoidable significant effects have been found acceptable.

(f) Where the decision of the Board allows the occurrence of significant effects which are identified in the final EIR but are not mitigated, the Board must state in writing the reasons to support its action based on the final EIR or other information in the record. This statement may be necessary if the Board also makes findings. If the Board makes a statement of overriding considerations, the statement should be included in the record of the project approval and should be mentioned in the notice of determination.

(g) The District shall file a Notice of Determination following each project approval for which an EIR was considered.

(h) The District shall include the final EIR as part of the regular project report which is used in the existing project review and budgetary process, if such a report is used. The District shall retain one or more copies of the final EIR as public records for a reasonable period of time. The District shall require a copy of the certified, final EIR to be filed with each responsible agency. When the Board has approved a project after requiring measures to mitigate or avoid significant environmental impacts, the General Manager shall monitor compliance with such measures by periodic review of the final EIR.

#### **6-2.108 CONSULTATION<sup>8</sup>**

(a) The General Manager shall respond to consultation by lead agencies to assist lead agencies in preparing environmental documents.

- (1) Where the General Manager disagrees with the lead agency's proposal to prepare a negative declaration for a project, the General Manager should identify the significant environmental effects that could result from the project and recommend an EIR be

prepared or the project be modified to eliminate the significant effects.

- (2) As soon as possible, but not longer than 45 days after receiving a notice of preparation from the lead agency, the General Manager shall send a written reply by certified mail which specifies the environmental information germane to the District's statutory responsibilities over the proposed project.

(b) The General Manager shall comment on draft EIRs and Negative Declarations for projects which the District will be asked to approve. The comments may deal with any aspect of the project or its environmental effects.

(c) If the General Manager believes the final EIR or Negative Declaration prepared by the lead agency is not adequate for use by the District, the District must take the issue to court within 30 days after the lead agency files a Notice of Determination, or prepare a subsequent EIR if permissible under the State Guidelines.

(d) Prior to reaching a decision on the project, the Board must consider the environmental effects of the project as shown in the EIR or Negative Declaration.

(e) When an EIR has been prepared for a project, the Board shall not approve the project as proposed if the Board finds feasible alternatives or feasible mitigation measures within its powers that would substantially lessen a significant effect the project would have on the environment. When considering alternatives and mitigation measures as a responsible agency, the Board is more limited than when acting as a lead agency. The District has responsibility for mitigating or avoiding only the environmental effects of those activities which the Board decides to carry out, finance, or approve.

(f) The Board shall make the findings required by the State Guidelines for each significant effect of the project and shall make the required findings if necessary.

(g) The Board Secretary should file a notice of determination in the same manner as a lead agency, except the notice does not need to state the EIR or Negative Declaration complies with CEQA. The notice should state that the Board considered the EIR or negative declaration as prepared by the lead agency.

**6-2.109 TIME LIMITS<sup>9</sup>**

(a) The District shall determine whether a project application is complete within 30 days from the receipt of the application. If no written determination of the completeness of the application is made within that period, the application will be deemed complete on the 30th day.

(b) When the District acts as the lead agency, the District shall determine within 45 days after accepting an application as complete, whether it intends to prepare an EIR or a negative declaration.

(c) When the District acts as a responsible agency, the District shall provide a response to a notice of preparation to the lead agency within 45 days after receipt of the notice.

(d) When the District acts as the lead agency, the District shall convene a meeting with agency representatives to discuss the scope and content of the environmental information a responsible agency will need in the EIR within 30 days of the date that the meeting is requested. The meeting may be requested by the lead agency, a responsible agency, a trustee agency, or by the project applicant.

(e) The public review period for a draft EIR should not be less than 30 days nor longer than 90 days, except in unusual circumstances.

(f) The public review period for a Negative Declaration shall be a reasonable period of time that is sufficient to allow members of the public to respond to the proposed finding before the Negative Declaration is approved. The General Manager shall allow other public agencies and members of the public at least 14 days within which to comment upon any Negative Declaration which the District proposes to adopt

(g) When a draft EIR or Negative Declaration is submitted to the State Clearinghouse for review, the normal review period is 45 days for draft EIRs and 30 days for Negative Declarations. The State Clearinghouse may set shorter review periods when requested by the lead agency due to exceptional circumstances.



(h) With a private project, the Negative Declaration must be completed and ready for approval within 105 days from the date when the lead agency accepted the application as complete.

(i) With a private project, the lead agency shall complete and certify the final EIR within one year after the date when the lead agency accepted the application as complete.

(j) An unreasonable delay by an applicant in providing information requested by the lead agency for the preparation of a Negative Declaration or an EIR shall suspend the running of the time periods described herein for the period of the unreasonable delay.

(k) At the request of an applicant, the lead agency may waive the one year time limit for completing and certifying a final EIR or the 105-day period for completing a Negative Declaration if:

- (1) The project will be subject to CEQA and to the National Environmental Policy Act.
- (2) Additional time will be required to prepare a combined EIR-EIS or combined Negative Declaration-finding of no significant impact as provided herein, and
- (3) The time required to prepare the combined document will be shorter than the time required to prepare the documents separately.

(l) The time limits for taking final action on a permit for a development project may also be waived where a combined EIR-EIS will be prepared.

(m) The time limits for processing permits for development projects under Government Code Section 65950-65960 shall not apply if federal statutes or regulations require time schedules which exceed the state time limits.

#### **6-2.110 PROJECTS WITH SHORT TIME PERIODS FOR APPROVAL<sup>10</sup>**

(a) An application for a project is not received for filing under a permit statute or ordinance until such time as the environmental documentation required by CEQA has been completed and the following conditions are met:

- (1) The enabling legislation for a program, other than Chapter 4.5 (commencing with Section 65920) or Division 1 of Title 7 of the Government Code, requires the District to take action on an application within a specified period of time that is six months or less, and
- (2) The enabling legislation provides that the project will become approved by operation of law if the District fails to take any action within such specified period, and
- (3) The project involves the issuance of a lease, permit, license, certificate, or other entitlement for use.

(b) In any case described in this section, the environmental document shall be completed or certified and the decision on the application shall be made within one year from the date on which an application requesting approval of such project has been received and accepted as complete for CEQA processing by such agency. This one-year time limit may be extended once for a period not to exceed 90 days upon consent of the District and the applicant.

## **ARTICLE 2. LEAD AGENCY**

### **6-2.201 GENERAL**

This part describes the ways in which the lead agency for a particular project will be identified.

### **6-2.202 LEAD AGENCY CONCEPT**

- (a) Where a project is to be carried out or approved by more than one public agency, one public agency shall be responsible for preparing an EIR or negative declaration for the project. This agency shall be called the lead agency.

- (b) Except as provided below, the decision-making body of each responsible agency shall consider the lead agency's EIR or negative declaration prior to acting upon or approving the project.
- (c) The determination of the lead agency of whether to prepare an EIR or a negative declaration shall be final and conclusive on all persons, including responsible agencies, because only one EIR or negative declaration will be prepared for the project unless:
  - (1) The decision is challenged as provided in S21167 of the Public Resources Code.
  - (2) Circumstances or conditions change as provided below, or
  - (3) A responsible agency becomes a lead agency as provided below.

#### **6-2.203 CRITERIA FOR IDENTIFYING THE LEAD AGENCY**

- (a) Where two or more public agencies will be involved with a project, the determination of which agency will be the lead agency shall be governed by the criteria set forth in the State Guidelines.
- (b) Where a responsible agency is called on to grant an approval for a project subject to CEQA for which another public agency was the appropriate lead agency, the responsible agency shall assume the role of the lead agency only when conditions set forth in the State Guidelines are found to exist.
- (c) If there is a dispute over which of several agencies should be the lead agency for a project, the disputing agencies shall resolve the dispute in accordance with the State Guidelines.

### **ARTICLE 3. INITIAL REVIEW OF PROJECTS**

#### **6-2.301 GENERAL**

This part describes the process used by the District when acting as a lead agency in analyzing a project before the District has decided whether to prepare an EIR or negative declaration.

#### **6-2.302 STEP ONE: REVIEW FOR EXEMPTION**

- (a) As part of the preliminary review, the District shall determine whether a particular activity is exempt from CEQA.
- (b) Possible exemptions from CEQA include:
  - (1) The activity is not a project as defined herein.
  - (2) The project has been granted an exemption by statute or by categorical exemption.
  - (3) The activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.
- (c) The District shall prepare a list of the projects often handled by the District that the District has determined to be exempt. This listing shall be used in preliminary review.
- (d) After determining that a project is exempt, the District may prepare a notice of exemption as provided herein.

#### **6-2.303 PRELIMINARY REVIEW**

- (a) After accepting an application as complete and determining that the project is subject to CEQA, the District shall begin the formal environmental evaluation of the project. Accepting an application as complete does not

limit the authority of the District to require the applicant to submit additional information needed for environmental evaluation of the project.

- (b) If the District can determine that an EIR will be required for a project, the District may skip further initial review of the project and begin work directly on the EIR process described below. In the absence of an initial study, the District shall still focus the EIR on the significant effects of the project and indicate briefly its reasons for determining that other effects would not be significant or potentially significant.

#### **6-2.304 STEP TWO: INITIAL STUDY**

- (a) Unless an exemption applies (or unless the District can determine that the project will clearly have a significant effect), as determined on the first step in the CEQA process, the District shall conduct an initial study to determine if the project may have a significant effect on the environment. All phases of project planning, implementation, and operation must be considered in the initial study of the project. To meet the requirements of this section, the District may use an initial study or a similar analysis prepared pursuant to the National Environmental Policy Act. If any aspect of the project, either individually or cumulatively, may cause a significant effect on the environment, regardless of whether the overall effect of the project is adverse or beneficial, the District shall either:
  - (1) Prepare an EIR or
  - (2) Use a previously prepared EIR which the District determines would adequately analyze the project at hand.
- (b) The purposes of an initial study are to:
  - (1) Identify whether a project may have any potential environmental impacts thereby enabling the lead agency to decide whether to prepare an EIR or negative declaration;
  - (2) Enable an applicant or District to modify a project, mitigating adverse impacts before an EIR is written; and

- (3) Assist in the preparation of an EIR.
- (c) An initial study shall contain in brief form:
    - (1) A description of the project including the location of the project;
    - (2) An identification of the environmental setting;
    - (3) An identification of environmental effects by use of a checklist, matrix, or other method;
    - (4) A discussion of ways to mitigate the significant effects identified, if any;
    - (5) An examination of whether the project would be consistent with existing zoning, plans, and other applicable land use controls;
    - (6) The name of the person or persons who prepared or participated in the initial study.
  - (d) If the project is to be carried out by a private person or private organization, the person or organization carrying out the project shall submit data and information which will enable the District to prepare the initial study.
  - (e) As soon as the District has determined that an initial study will be required for the project, the District shall consult informally with all responsible agencies and all trustee agencies responsible for resources affected by the project to obtain the recommendations of those agencies as to whether an EIR or a negative declaration should be prepared.

### **6-2.305 DETERMINING SIGNIFICANT EFFECT**

In evaluating the significance of the environmental effects of a project, the District shall consider both primary or direct and secondary or indirect consequences. Social and economic changes resulting from a project by themselves shall not be treated as significant effects on the environment. If physical changes cause or result from adverse economic or social changes, the economic or social changes may be used as the basis for determining that the physical changes are significant.

**6-2.306 MANDATORY FINDINGS OF SIGNIFICANCE**

The District shall find that a project may have a significant effect on the environment and thereby require an EIR to be prepared for the project where any of the following conditions occur:

- (a) The project has the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal, or eliminate important examples of the major periods of California history or prehistory.
- (b) The project has the potential to achieve short-term environmental goals to the disadvantage of long-term environmental goals.
- (c) The project has possible environmental effects which are individually limited but cumulatively considerable. As used in the subsection, "cumulatively considerable" means that the incremental effects of an individual project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.
- (d) The environmental effects of a project will cause substantial adverse effects on human beings, either directly or indirectly.

## **ARTICLE 4. NEGATIVE DECLARATION PROCESS**

### **6-2.401 GENERAL CONTENTS**

This part describes the process for preparing and processing a negative declaration when the District is acting as the lead agency.

### **6-2.402 STEP THREE (ALTERNATIVE): DECISION TO PREPARE A NEGATIVE DECLARATION**

A proposed negative declaration shall be prepared for a project subject to CEQA then either:

- (a) The initial study shows that there is no substantial evidence that the project may have a significant effect on the environment, or (b) The initial study identifies potentially significant effects but the project applicant has revised the project proposal to avoid the effects or to mitigate the effects to a point where clearly no significant effects would occur. Changes in a project which will allow use of a proposed negative declaration shall be limited to:
  - (1) Revisions in the project plans made by the applicant, or
  - (2) An enforceable commitment from the applicant to include the mitigation measures in the project.
- (b) Where a negative declaration is prepared under subsection (b), the District shall make a finding that the project as approved will not have a significant effect on the environment.

### **6-2.403 CONSULTATION**

Before approving a negative declaration, the District shall consult with all responsible agencies and trustee agencies concerned with the project. This consultation may take place during the public review period for the proposed negative declaration.

- (a) A brief description of the project, including a commonly used name for the project if any;



- (b) The location of the project preferably shown on a map and the name of the project proponent;
- (c) A proposed finding that the project will not have a significant effect on the environment;
- (d) An attached copy of the initial study documenting reasons to support the finding; and
- (e) Mitigation measures, if any, included in the project to avoid potentially significant effects.

**6-2.404 PROJECTS WITH NO SIGNIFICANT ENVIRONMENTAL IMPACTS  
(NEGATIVE DECLARATION)**

- (a) General. A Negative Declaration shall be prepared for a project which could potentially have a significant effect on the environment, but which the Agency finds on the basis of an Initial Study will not have a significant effect on the environment.
- (b) Consultation. Before completing a negative declaration, Agency shall consult with all responsible agencies. This consultation may take place during the public review period provided herein.
- (c) Contents. A Negative Declaration shall include:
  - (1) A brief description of the project; including a commonly used name for the project if any;
  - (2) The location of the project and the name of the project proponent;
  - (3) A finding that the project will not have a significant effect on the environment;
  - (4) An attached copy of the Initial Study documenting reasons to support the finding;
  - (5) Mitigation measures, if any, included in the project to avoid potentially significant effects.
- (d) Notice.
  - (1) Notice of the preparation of a Negative Declaration shall be provided to the public twenty-one (21) days prior to review by the

Board of Directors. Notice shall be given to all organizations and individuals who have previously requested such notice and shall be given by at least one of the following procedures as selected by the General Manager:

- (i) Publication, no fewer times than required by Section 6061 of the Government Code, by the Agency in a newspaper of general circulation in the area affected by the proposed project.
  - (ii) Posting of notice by the Agency on and off site in the area where the project is to be located.
  - (iii) Direct mail notice shall be given to owners of property contiguous to the project as such owners are shown on the latest equalized assessment roll.
- (2) The alternatives for providing notice specified in subsection (1) shall not preclude the Agency from providing additional notice by other means if the Agency so desires, nor shall the requirements of this section preclude the Agency from providing the public notice at the same time and in the same manner as public notice required by any other laws for the project.
- (e) Public Review. The noticed review period shall be long enough to provide members of the public with sufficient time to respond to the proposed finding before the negative declaration is approved.

#### **6-2.405 CONSIDERATION OF COMMENTS**

Prior to approving the project, the Board shall consider the negative declaration together with any comments received during the public review process. The Board shall approve the negative declaration if it finds on the basis of the initial study and any comments received that there is no substantial evidence that the project will have a significant effect on the environment.

**6-2.406 NOTICE OF DETERMINATION**

- (a) After deciding to carry out or approve a project for which a negative declaration has been approved, the District shall file a notice of determination.
- (b) The notice of determination shall include:
  - (1) An identification of the project including its common name where possible and its location.
  - (2) A brief description of the project.
  - (3) The date on which the District approved the project.
  - (4) The determination of the District that the project will not have a significant effect on the environment.
  - (5) A statement that a negative declaration has been prepared pursuant to the provisions of CEQA.
  - (6) The address where a copy of the negative declaration may be examined.
- (c) The notice of determination shall be filed with the county clerk of the county or counties in which the project will be located. If the project requires a discretionary approval from any state agency, the notice of determination also shall be filed with the Secretary for Resources.

## **ARTICLE 5. EIR PROCESS**

### **6-2.501 GENERAL**

This part describes the procedures to be followed by the District as a lead agency in preparing an EIR for a project. To the extent possible, the EIR process should be combined with the existing planning, review, and project approval process used by each public agency.

### **6-2.502 STEP THREE (ALTERNATIVE): DECISION TO PREPARE AN EIR**

If the District determines that there is substantial evidence that the project may have a significant effect on the environment, the District shall prepare or cause to be prepared an environmental impact report.

### **6-2.503 DETERMINATION OF SCOPE OF EIR**

- (a) Immediately after deciding that an environmental impact report is required for a project, the District shall send to each responsible agency a notice of preparation stating that an environmental impact report will be prepared. This notice shall also be sent to every federal agency involved in approving or funding the project and to each trustee agency responsible for natural resources affected by the project.
  - (1) The notice of preparation shall provide the responsible agencies with sufficient information describing the project and the environmental effects to enable the responsible agencies to make a meaningful response. At a minimum, the information shall include:
    - (i) Description of the project.
    - (ii) Location of the project indicated either on an attached map (preferably a copy of a U.S.G.S. 15' or 7-1/2' topographical map identified by quadrangle name, or by a street address in an urbanized area), and
    - (iii) Probable environmental effects of the project.

- (2) The notice of preparation shall be sent by the District as either certified mail or any other method of transmittal which provides it with a record that the notice was received.
  - (3) The District may begin work on the draft EIR immediately without awaiting responses to the notice of preparation. The draft EIR in preparation may be revised or expanded to conform to responses to the notice of preparation. A District shall not circulate a draft EIR for public review before the time period for responses to the notice of preparation has expired.
- (b) Within 45 days after receiving the notice of preparation under subparagraph (c), each responsible agency shall provide the District with specific detail about the scope and content of the environmental information related to the responsible agency's area of statutory responsibility which must be included in the draft EIR. The response at a minimum shall identify the significant environmental issues and possible alternatives and mitigation which the responsible agency will need to have explored in the draft EIR. If a responsible agency fails by the end of the 45 day period to provide the District with either a response to the notice or a well justified request for additional time, the District may presume that the responsible agency has no response to make.
  - (c) In order to expedite the consultation, the District, a responsible agency, a trustee agency, or a project applicant may request one or more meetings before representatives of the agencies involved to assist the District in determining the scope and content of the environmental information which the responsible agency may require. Such meetings shall be convened by the District as soon as possible, but no later than 30 days, after the meetings were requested. On request, the Office of Planning and Research will assist in convening meetings which involve state agencies.
  - (d) When one or more state agencies will be a responsible agency or a trustee agency, the District shall send a notice of preparation to each state

responsible agency and each trustee agency with a copy to the State Clearinghouse in the Office of Planning and Research. The State Clearinghouse will ensure that the state responsible agencies and trustees reply to the lead agency within the required time.

- (e) When the notice of preparation is submitted to the State Clearinghouse, the state identification number issued by the Clearinghouse shall be the identification number for all subsequent environmental documents on the project. The identification number should be referenced on all subsequent correspondence regarding the project, specifically on the title page of the draft and final EIR and on the notice of determination.

#### **6-2.504 EARLY PUBLIC CONSULTATION**

Prior to completing the draft EIR, the District may also consult directly with any person or organization it believes will be concerned with the environmental effects of the project. This early consultation may be called scoping. Scoping will be necessary when preparing an EIR/EIS jointly with a federal agency.

#### **6-2.505 PREPARING THE DRAFT EIR**

- (a) The draft EIR shall be prepared directly by or under contract to the District. The required contents of a draft EIR are discussed below.
- (b) The District may require the project applicant to supply data and information both to determine whether the project may have a significant effect on the environment and to assist the District in preparing the draft EIR. The requested information should include an identification of other public agencies which will have jurisdiction by law over the project.
- (c) Any person, including the applicant, may submit information or comments to the District to assist in the preparation of the draft EIR. The submittal may be presented in any format, including the form of a draft EIR. The District must consider all information and comments received. The information or comments may be included in the draft EIR in whole or in part.

- (d) The District may choose one of the following arrangements or a combination of them for preparing a draft EIR.
  - (1) Preparing the draft EIR directly with its own staff.
  - (2) Contracting with another entity, public or private, to prepare the draft EIR.
  - (3) Accepting a draft prepared by another entity, either the applicant, a consultant retained by the applicant, or any other person. In this third situation, the District may not use the draft as its own without independent review and analysis.
  - (4) Using a previously prepared EIR.
- (e) The draft EIR which is sent out for public review must reflect the independent judgment of the District. The District is responsible for the adequacy and objectivity of the draft EIR.

#### **6-2.506 NOTICE OF COMPLETION**

- (a) As soon as the draft EIR is completed, a notice of completion must be filed with the Secretary for Resources.
- (b) The notice of completion shall include:
  - (1) A brief description of the project.
  - (2) The proposed location of the project.
  - (3) An address where copies of the draft EIR are available, and
  - (4) The period during which comments will be received on the draft EIR.
- (c) A form for the notice of completion is included in the appendices.
- (d) The notice of completion will provide the basis for information published by the Secretary for Resources in an EIR Monitor. Where the EIR will be reviewed through the state review process handled by the State Clearinghouse, the cover form required by the State Clearinghouse will serve as the notice of completion, and no notice of completion need be sent to the Resources Agency.

**6-2.507 CONSULTATION CONCERNING DRAFT EIR**

- (a) The District shall consult with and request comments on the draft EIR from:
  - (1) Responsible agencies.
  - (2) Trustee agencies with resources affected by the project, and
  - (3) Other state, federal, and local agencies which exercise authority over resources which may be affected by the project.
- (b) The District may consult directly with any person who has special expertise with respect to any environmental impact involved.

**6-2.508 PUBLIC REVIEW OF DRAFT EIR**

- (a) The District shall provide public notice of the availability of a draft EIR at the same time as it sends a notice of completion to the Resources Agency. Notice shall be given to all organizations and individuals who have previously requested such notice and shall also be given by at least one of the following procedures:
  - (1) Publication at least one time by the District in a newspaper of general circulation in the area affected by the proposed project.
  - (2) Posting of notice by the District on and off the site in the area where the project is to be located.
  - (3) Direct mailing to owners of property contiguous to the project as those owners are shown on the latest equalized assessment roll.
- (b) The alternatives for providing notice specified in subsection (a) shall not preclude District from providing additional notice by other means if the District so desires, nor shall the requirement of this section preclude the District from providing the public notice required by this section at the same time and in the same manner as public notice otherwise required by law for the project.
- (c) In order to provide sufficient time for public review, review periods for draft EIRs should not be less than 30 days nor longer than 90 days except in unusual situations. The review period for draft EIRs for which a state



agency is a responsible agency shall be at least 45 days unless a shorter period is approved by the State Clearinghouse.

- (d) The District shall use the State Clearinghouse to distribute draft EIRs and negative declarations to state agencies for review and should use area-wide clearinghouses to distribute the documents to regional and local agencies.
- (e) To make copies of EIRs available to the public, the District should furnish copies of draft EIRs to appropriate public library systems. Copies should also be available in offices of the District.
- (f) The District should compile listings of other agencies, particularly local agencies, which have jurisdiction by law and/or special expertise with respect to various projects and project locations. Such listings should be a guide in determining which agencies should be consulted with regard to a particular project. (g) Public hearings may be conducted on the environmental documents, either in separate proceedings or in conjunction with other proceedings of the public agency. Public hearings are encouraged, but not required as an element of the CEQA process.

#### **6-2.509 EVALUATION OF AND RESPONSE TO COMMENTS**

- (a) The District shall evaluate comments received from persons who reviewed the draft EIR and shall prepare a written response.
- (b) The written response shall describe the disposition of significant environmental issues raised. In particular, the major issues raised when the District's position is at variance with recommendations and objections raised in the comments must be addressed in detail giving reasons why specific comments and suggestions were not accepted. There must be good faith, reasoned analysis in response. Conclusionary statements unsupported by factual information will not suffice.
- (c) The response to comments may take the form of a revision to the draft EIR or may be a separate section in the final EIR.

**6-2.510 FINAL EIR**

- (a) The District shall prepare a final EIR before approving the project. The contents of a final EIR are specified herein.
- (b) The District may provide an opportunity for review of the final EIR by the public or by commenting agencies.
- (c) The final EIR shall be presented to the Board of Directors to certify that the final EIR has been completed in compliance with CEQA and that the Board of Directors has reviewed and considered the information contained in the EIR prior to approving the project.

**6-2.511 FINDINGS**

- (a) The District shall not approve or carry out a project for which an EIR has been completed which identifies one or more significant effects of the project unless the District makes one or more written findings for each of those significant affects, accompanied by a statement of the facts supporting each finding. The possible findings are:
  - (1) Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant environmental affects as identified in the final EIR.
  - (2) Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the District. Such changes have been adopted by such another agency or can or should be adopted by such another agency.
  - (3) Specific economic, social, or other considerations make feasible to mitigate measures or project alternatives identified in the final EIR.
- (b) The findings required by subsection (a) shall be supported by substantial evidence in the record.
- (c) The finding in subsection (a)(2) shall not be made if the District has concurrent jurisdiction with another agency to deal with identified feasible mitigation measures or alternatives.

- (d) The District shall not approve or carry out a project as proposed unless the significant environmental affects have been reduced to an acceptable level. Mitigation measures and a program to monitor the mitigation measures shall be described in the findings. Project approval shall be conditioned upon implementation of the mitigation measures.
- (e) As used in this Section, the term "acceptable level" means that:
  - (1) All significant environmental affects that can be feasibly avoided have been eliminated or substantially lessened as determined through findings as described in subsection (a), and
  - (2) Any remaining, unavoidable significant affects have been found acceptable under the following section.

#### **6-2.512 STATEMENT OF OVERRIDING CONSIDERATIONS**

Where the decision of the District allows the occurrence of significant effects which are identified in the final EIR but are not mitigated, the District must state in writing the reasons to support its action based on the final EIR and/or other information in the record. This statement may be necessary if the agency also makes a finding under Section 7-5.111(a)(2) or (a)(3). If the District makes a statement of overriding considerations, the statement should be included in the record of the project approval and should be mentioned in the notice of determination.

#### **6-2.513 NOTICE OF DETERMINATION**

The District shall file a notice of determination following each project approval for which an EIR was considered. The notice shall include:

- (a) As identification of the project including its common name where possible and its location;
- (b) A brief description of the project;
- (c) The date when the District approved the project;
- (d) The determination of the District whether the project in its approved form will have a significant effect on the environment;
- (e) A statement that an EIR was prepared and certified pursuant to the

- provisions of CEQA;
- (f) A description of the mitigation measures and method of monitoring the mitigation measures;
  - (g) Whether a statement of overriding considerations was adopted for the project;
  - (h) The address where a copy of the EIR and the record of project approval may be examined.

#### **6-2.514 DISPOSITION OF A FINAL EIR**

- (a) The District shall include the final EIR as part of the regular project report which is used in the existing project review and budgetary process if such a report is used.
- (b) The District shall retain one or more copies of the final EIR as public records for a reasonable period of time.
- (c) The District shall require the applicant to file a copy of the certified, final EIR with each responsible agency.
- (d) When the District has approved a project after requiring measures to mitigate or avoid significant environmental impacts, the District monitor compliance with such measures by periodic review of the final EIR.

#### **6-2.515 LATER EIR**

- (a) Where an EIR has been prepared for a program, plan, policy or ordinance, the lead agency for a later project for which a subsequent EIR is otherwise required may examine the significant effect of the later project by using a tiered EIR if the later project is consistent with the prior project and land use plans and zoning.
- (b) The tiered EIR need not examine effects which the lead agency determines were mitigated or avoided or which were examined in sufficient detail in the prior EIR to enable mitigation or avoidance by the site specific revisions or conditions in connection with the approval of the later project.
- (c) An initial study shall be prepared to determine whether the later project may

cause significant effects not examined in the prior EIR.

## **ARTICLE 6. RESPONSIBLE AGENCY**

### **6-2.601 GENERAL**

This part describes the activities of the District when acting as a responsible agency.

### **6-2.602 CONSULTATION**

- (a) The District shall respond to requests for consultation by the lead agency in order to assist the lead agency in preparing adequate environmental documents for the project.
  - (1) In response to consultation, the District shall explain its reasons for recommending whether the lead agency should prepare an EIR or negative declaration for a project. Whether the District disagrees with the lead agency's proposal to prepare a negative declaration for a project, the District should identify the significant environmental impacts which it believes could result from the project and recommend whether an EIR be prepared or that the project be modified to eliminate the significant effects.
  - (2) As soon as possible, but not longer than 45 days after receiving a notice of preparation from the lead agency, the District shall send a written reply by certified mail. The reply shall specify the scope and content of the environmental information which would be germane to the District's statutory responsibilities in connection with the proposed project. The lead agency shall include this information in the EIR.
- (b) Prior to the close of the public review period for a draft EIR or mitigated negative declaration, the District shall either submit complete and detailed performance objectives for mitigation measures which would address the significant environmental affects identified by the District, or refer the lead agency to appropriate readily available guidelines or reference documents.

- (c) The District shall designate employees or representative to attend meetings requested by the lead agency to discuss the scope and content of the EIR.
- (d) If the District believes that the final EIR or negative declaration prepared by the agency is not adequate for use by the District, the District must either:
  - (1) take the issue to court within 30 days after the lead agency files a notice of determination;
  - (2) be deemed to have waived any objection to the adequacy of the EIR or negative declaration, or
  - (3) prepare a subsequent EIR if permissible under the state guidelines.
- (e) Prior to reaching a decision on the project, the District must consider the environmental affects of the project as shown in the EIR or negative declaration. A new or supplemental EIR can be prepared only as provided in the state guidelines.
- (f) When an EIR has been prepared for a project, the District shall not approve the project as proposed if the District finds any feasible alternative or feasible mitigation measures within its powers that would substantially lessen any significant effect the project would have on the environment. When considering alternatives and mitigation measures, the District is more limited than a lead agency. The District has responsibility for mitigating or avoiding only the environmental effects of those activities which it decides to carry out, finance, or approve.
- (g) The District shall make the findings required by the state guidelines for each significant effect of the project and make the required findings if necessary.
- (h) The District should file a notice of determination in the same manner as a lead agency except that the District does not need to state that the EIR or negative declaration complies with CEQA. The District should state that it considered the EIR or negative declaration as prepared by a lead agency.

## **ARTICLE 7. TIME LIMITS**

### **6-2.701 GENERAL**

This part describes time limits in the CEQA process.

### **6-2.702 REVIEW OF APPLICATION FOR COMPLETENESS**

The District shall determine whether an application for a permit or other entitlement for use is complete within 30 days from the receipt of the application. If no written determination of the completeness of the application is made within that period, the application will be deemed complete on the 30th day.

### **6-2.703 INITIAL STUDY**

When the District acts as the lead agency, the District shall determine within 45 days after accepting an application as complete, whether it intends to prepare an EIR or a negative declaration.

### **6-2.704 RESPONSE TO NOTICE OF PREPARATION**

When the District acts as a responsible agency, the District shall provide a response to a notice of preparation to the lead agency within 45 days after receipt of the notice.

### **6-2.705 CONVENING OF MEETINGS**

When the District acts as the lead agency, the District shall convene a meeting with agency representatives to discuss the scope and content of the environmental information a responsible agency will need in the EIR within 30 days after receiving a request for the meeting. The meeting may be requested by the lead agency, a responsible agency, a trustee agency, or by the project applicant.



**6-2.706 PUBLIC REVIEW**

- (a) The public review period for a draft EIR should not be less than 30 days nor longer than 90 days except in unusual circumstances.
- (b) The public review period for a negative declaration shall be a reasonable period of time sufficient to allow members of the public to respond to the proposed finding before the negative declaration is approved.
- (c) When a draft EIR or negative declaration is submitted to the State Clearinghouse for review, the normal review period is 45 days for draft EIRs and 30 days for negative declarations. The State Clearinghouse may set shorter review periods when requested by the lead agency due to exceptional circumstances.

**6-2.707 COMPLETION OF NEGATIVE DECLARATION**

With a private project, the negative declaration must be completed and ready for approval within 105 days from the date when the lead agency accepted the application as complete.

**6-2.708 COMPLETION OF CERTIFICATION OF EIR**

With a private project, the lead agency shall complete and certify the final EIR within one year after the date when the lead agency accepted the application as complete.

**6-2.709 SUSPENSION OF TIME PERIODS**

An unreasonable delay by an applicant in providing information requested by the lead agency for the preparation of a negative declaration or an EIR shall suspend the running of the time periods described herein for the period of the unreasonable delay.

**6-2.710 PROJECTS WITH FEDERAL INVOLVEMENT**

- (a) At the request of an applicant, the lead agency may waive the one year time limit for completing and certifying a final EIR or the 105 day period for completing a negative declaration if:

- (1) The project will be subject to CEQA and to the National Environmental Policy Act.
  - (2) Additional time will be required to prepare a combined EIR-EIS or combined negative declaration-finding of no significant impact as provided herein, and
  - (3) The time required to prepare the combined document will be shorter than the time required to prepare the documents separately.
- (b) The time limits for taking final action on a permit for a development project may also be waived where a combined EIR-EIS will be prepared.
- (c) The time limits for processing permits for development projects under Government Code Section 65950-65960 shall not apply if federal statutes or regulations require time schedules which exceed the state time limits.

#### **6-2.711 PROJECTS WITH SHORT TIME PERIODS FOR APPROVAL**

- (a) An application for a project not received for filing under a permit statute or ordinance until such time as the environmental documentation required by CEQA has been completed. This section will apply where all of the following conditions are met:
- (1) The enabling legislation for a program, other than Chapter 4.5 (commencing with Section 65920) of Division 1 of Title 7 of the Government Code, requires the District to take action on an application within a specified period of time that is six months or less, and
  - (2) The enabling legislation provides that the project will become approved by operation of law if the District fails to take any action within such specified period, and
  - (3) The project involves the issuance of a lease, permit, license, certificate, or other entitlement for use.
- (b) In any case described in this section, the environmental document shall be completed or certified and the decision on the application shall be made

within one year from the date on which an application requesting approval of such project has been received and accepted as complete for CEQA processing by such agency. This one-year time limit may be extended once for a period not to exceed 90 days upon consent of the District and the applicant.

## **ARTICLE 8. CONTENTS OF ENVIRONMENTAL IMPACT REPORTS**

### **6-2.801 GENERAL**

This part describes the subjects which must be addressed in EIRs.

- (a) Environmental Impact Reports shall contain the information outlined in this part, but the format of the document may be varied. Each element must be covered, and when these elements are not separated into distinct sections, the document shall state where in the document each element is discussed.
- (b) The EIR may be prepared as a separate document, or as part of a project report. If prepared as a part of the project report, it must still contain one separate and distinguishable section providing either analysis of all the subjects required in an EIR or as a minimum, a table showing where each of the subjects is discussed.

### **6-2.802 DRAFT EIR: CONTENTS**

Each draft EIR shall contain the following:

- (a) Table of contents or index;
- (b) Summary;
- (c) Project description;
- (d) Description of environmental setting;
- (e) Environmental impact, including: any significant environmental effect of the proposed project; any significant environmental effects which cannot be avoided if the proposal is implemented; mitigation measures proposed to minimize the significant effects; alternatives to the proposed action; the relationship between local short-term uses of man's environment and the maintenance and enhancement of long-term productivity; any significant irreversible environmental changes which would be involved in the proposed action should it be implemented; and the growth inducing impact of the proposed action;
- (f) Effects not found to be significant;

- (g) Organizations and persons consulted;
- (h) Air and water quality aspects; and
- (i) Significant cumulative impacts.

#### **6-2.803 DRAFT EIR: LIMITATIONS**

The relationship between local short-term uses of man's environment and the maintenance and enhancement of long-term productivity and any significant irreversible environmental changes which would be involved in the proposed action should it be implemented need be included only in EIRs prepared in connection with any of the following activities:

- (a) The adoption, amendment, or enactment of a plan, policy, or ordinance of a public agency.
- (b) The adoption by a local agency formation commission of a resolution making determinations.
- (c) A project which will be subject to the requirement for preparing an environmental impact statement pursuant to the requirements of the National Environmental Policy Act of 1969.

#### **6-2.804 FINAL EIR: CONTENTS**

The final EIR shall include:

- (a) The Draft EIR or a revision of the draft.
- (b) Comments and recommendations received on the Draft EIR either verbatim or in summary.
- (c) A list of persons, organizations, and public agencies commenting on the Draft EIR.
- (d) The responses of the Lead Agency to significant environmental points raised in the review and consultation process.

**ARTICLE 9. CONSIDERATIONS IN PREPARING EIRS**

**6-2.901 GENERAL**

The State Guidelines set forth general principles and factors to guide in the preparation of EIRS. Such principles and factors shall be utilized by the District.

**6-2.902 INCORPORATION OF OTHER DOCUMENTS**

To the extent feasible, the District shall permit EIR to incorporate all or portions of other public records including previous EIRs discussing all or a portion of the project.

## **ARTICLE 10. SPECIAL SITUATIONS**

### **6-2.1001 GENERAL**

The District shall utilize special provisions of the State Guidelines in dealing with the following types of projects:

- (a) Redevelopment projects,
- (b) Housing and neighborhood commercial facilities in urbanized areas,
- (c) Residential projects pursuant to a specific plan,
- (d) Residential projects consistent with a community plan or zoning, and
- (e) State mandated local projects.

## **ARTICLE 11. REVIEW AND EVALUATION OF EIRs AND NEGATIVE DECLARATIONS**

### **6-2.1101 GENERAL**

This part describes basic considerations and procedures involved in the review of draft EIRS and negative declarations.

### **6-2.1102 PURPOSE OF REVIEW**

The purposes of review of EIRs and negative declarations include:

- (a) Sharing expertise,
- (b) Disclosing agency analyses,
- (c) Checking for accuracy,
- (d) Detecting omissions,
- (e) Discovering public concerns, and
- (f) Soliciting counter proposals,
- (g) Encouraging public participation.

### **6-2.1103 PUBLIC HEARINGS**

- (a) The District shall approve, certify and review a negative declaration at a duly convened public meeting. A public hearing need not be conducted with respect to the adoption of a negative declaration.
- (b) The District shall approve, certify, review and consider a draft or final EIR at a duly convened public meeting. A public hearing shall be conducted to receive comments concerning a draft EIR. A public hearing need not be conducted concerning the adoption of a final EIR.
- (c) When a public hearing is required, the hearing shall be preceded by at least 15 days prior notice. Such notice shall be given by posting in at least three public places within the District and by publication at least once in a newspaper of broad circulation within the District.



**6-2.1104 REVIEW AND COMMENT**

- (a) The District shall allow other public agencies and members of the public at least 14 days within which to comment upon any negative declaration which the District proposes to adopt.
- (b) The District shall allow other public agencies and members of the public at least 30 days within which to comment upon any draft EIR which the District proposes to adopt.
- (c) The Executive Director may establish a longer period of receipt of comments when, in his judgment, a longer period will facilitate the purposes of this article, provided, in no event shall the period for comment cause the entire review process to exceed the maximum time limits set forth herein.
- (d) When an EIR or negative declaration is submitted to the State Clearinghouse for review, the review period set by the District shall be at least as long as the period provided in the state review system operated by the State Clearinghouse. In the state review system, the normal review period is 45 days for EIRs and 30 days for negative declarations. In exceptional circumstances, the State Clearinghouse may set shorter review periods when requested by the lead agency. The number of copies of an EIR or negative declaration submitted to the State Clearinghouse shall not be less than ten unless the State Clearinghouse approves a lower number in advance. While the lead agency is encouraged to contact the regional and district offices of state responsible agencies, the lead agency must, in all cases, submit documents to the State Clearinghouse for distribution in order to comply with the review requirements of this section.

**6-2.1105 REVIEW AS RESPONSIBLE AGENCY**

(a) The General Manager shall review environmental documents prepared by other agencies acting as a lead agency and shall submit comments to the lead agency within the time limits established by the lead agency.

(b) Such review by the General Manager shall center upon the possible impacts of the project insofar as the District's operations are concerned. The Executive

Director shall also comment upon the appropriateness of using a negative declaration rather than an EIR.

**6-2.1106 PROJECTS OF STATEWIDE, REGIONAL, OR AREA-WIDE SIGNIFICANCE**

- (a) Projects meeting the criteria in this section shall be deemed to be of statewide, regional, or area-wide significance. A draft EIR or negative declaration prepared by the District on a project described in this section shall be submitted to the State Clearinghouse and should be submitted also to the appropriate metropolitan area council of governments for review and comment.
- (b) The District shall determine that a proposed project is of statewide, regional, or area-wide significance if the project meets any of the following criteria:
  - (1) A proposed local general plan, element, or amendment thereof for which an EIR was prepared. If a negative declaration was prepared for the plan, element, or amendment, the document need not be submitted for review.
  - (2) The project has the potential for causing significant effects on the environment extending beyond the city or county in which the project would be located. Examples of the effects include generating significant amounts of traffic or interfering with the attainment or maintenance of state or national air quality standards. Projects subject to this subsection include:
    - (i) A proposed residential development of more than 500 dwelling units.
    - (ii) A proposed shopping center or business establishment employing more than 1,000 persons or encompassing more than 500,000 square feet of floor space.

- (iii) A proposed commercial office building employing more than 1,000 persons or encompassing more than 250,000 square feet of floor space.
  - (iv) A proposed hotel/motel development of more than 500 rooms.
  - (v) A proposed industrial, manufacturing, or processing plant, or industrial park planned to house more than 1,000 persons, occupying more than 40 acres of land, or encompassing more than 650,000 square feet of floor area.
- (3) A project which would result in the cancellation of an open space contract made pursuant to the California Land Conservation Act of 1965 (Williamson Act) for any parcel of 100 acres or more.
  - (4) A project located in and substantially impacting on an area of critical environmental sensitivity for which an EIR and not a negative declaration was prepared.
  - (5) A project which would substantially affect sensitive wildlife habitats including but not limited to riparian lands, wetlands, bays, estuaries, marshes, and habitats for rare and endangered species as defined by Fish and Game Code Section 903.
  - (6) A project which would interfere with attainment of regional water quality standards as stated in the approved area-wide waste water management plan.
  - (7) A project which would provide housing, jobs, or occupancy for 500 or more people within 10 miles of a nuclear power plant.

#### **6-2.1107 FAILURE TO COMMENT**

If any public agency or person who is consulted with regard to an EIR fails to comment within a reasonable time as specified by the lead agency, it shall be assumed, absent a request for a specific extension of time, that such agency or person has no comment to make.

#### **6-2.1108 RETENTION AND AVAILABILITY OF COMMENTS**

Comments received through the consultation process shall be retained for a reasonable period and available for public inspection at an address given in the final EIR. Comments which may be received independently of the review of the draft EIR shall also be considered and kept on file.

#### **6-2.1109 COMMENTS ON INITIATIVE OF PUBLIC AGENCIES**

Every public agency may comment on environmental documents dealing with projects which affect resources with which the agency has special expertise regardless of whether its comments were solicited or whether the effects fall within the legal jurisdiction of the agency.

**ARTICLE 12. PROJECTS ALSO SUBJECT TO THE NATIONAL ENVIRONMENTAL  
POLICY ACT (NEPA)**

**6-2.1201 GENERAL**

This part describes exemptions from CEQA granted by the legislature and/or State Guidelines.

## **ARTICLE 13. EXEMPTIONS**

### **6-2.1301 GENERAL**

This part describes exemptions from CEQA granted by the legislature and/or State Guidelines.

### **6-2.1302 NOTICE OF EXEMPTION**

When the District decides that a project is exempt from CEQA and the District approves or determines to carry out the project, the District or the applicant may file a notice of exemption with the County Clerk. The notice shall be filed, if at all, after approval of the project. Such a notice shall include:

- (a) A brief description of the project,
- (b) A finding that the project is exempt, including a citation to the State Guidelines section under which it is found to be exempt; and
- (c) A brief statement of reasons to support the finding.

### **6-2.1303 ONGOING PROJECT**

The District shall use the special provisions of the State Guidelines dealing with projects approved prior to November 23, 1970, December 5, 1972 or April 5, 1973.

### **6-2.1304 FEASIBILITY AND PLANNING STUDIES**

A project involving only feasibility or planning studies for possible future actions which the District has not approved, adopted, or funded does not require the preparation of an EIR or negative declaration but does require consideration of environmental factors.

### **6-2.1305 MINISTERIAL PROJECTS**

- (a) Ministerial projects are exempt from the requirements of CEQA.
- (b) In the absence of any discretionary provision contained in the relevant local ordinance, it shall be presumed that the following actions are ministerial:
  - (1) Issuance of building permits.

- (2) Issuance of business licenses.
  - (3) Approval of final subdivision maps.
  - (4) Approval of individual utility service connections and disconnections.
  - (5) Leasing of District owned, existing property where the use of the premises is not significantly changed.
  - (6) Any project of less than one mile in length within a public street or highway or any other public right-of-way for the installation of a new pipeline or the maintenance, repair, restoration, reconditioning, relocation, replacement, removal or demolition of an existing pipeline. For the purposes of this subsection, 'pipeline' includes subsurface facilities but does not include any surface facility related to the operation of the underground facility.
- (c) Where a project involves an approval that contains elements of both a ministerial action and a discretionary action, the project will be deemed to be discretionary and will be subject to the requirements of CEQA.

#### **6-2.1306 EMERGENCY PROJECT**

The following emergency projects are exempt from the requirements of CEQA.

- (a) Projects to maintain, repair, restore, demolish, or replace property or facilities damaged or destroyed as a result of a disaster in a disaster stricken area in which a state of emergency has been proclaimed by the Governor pursuant to the California Emergency Services Act, commencing with Government Code Section 8550.
- (b) Emergency repairs to public service facilities necessary to maintain service.
- (c) Specific actions necessary to prevent or mitigate an emergency.

#### **6-2.1307 PROJECTS WHICH ARE DISAPPROVED**

CEQA does not apply to projects which a public agency rejects or disapproves.

#### **6-2.1308 RATES, TOLLS, FARES, AND CHARGES**

- (a) CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by the District which the District finds are for the purpose of:
  - (1) Meeting operating expenses, including employee wage rates and fringe benefits,
  - (2) Purchasing or leasing supplies, equipment, or materials,
  - (3) Meeting financial reserve needs and requirements, or
  - (4) Obtaining funds for capital projects, necessary to maintain service within existing service areas.
- (b) Rate increases to fund capital projects for the expansion of a system are subject to CEQA.
- (c) The District shall incorporate written findings in the record of any proceeding in which an exemption under this section is claimed setting forth with specificity the basis for the claim of exemption.

#### **6-2.1309 RESPONSES TO REVENUE SHORTFALLS**

- (a) CEQA does not apply to actions taken prior to January 1, 1978 by the District.
  - (1) To implement the transition from the property taxation system in effect prior to June 1, 1978, to the system provided for by Article XII A of the California Constitution (Proposition 13), or
  - (2) To respond to a reduction in federal funds.
- (b) This exemption is limited to projects directly undertaken by any public agency and to projects which are supported in whole or in part through contracts, grants, subsidies, loans, or other forms of assistance from one or more public agencies where the projects:
  - (1) Initiate or increase fees, rates, or charges charged for any existing public service, program, or activity, or
  - (2) Reduce or eliminate the availability of an existing public service program, or activity, or



- (3) Close publicly owned or operated facilities, or
- (4) Reduce or eliminate the availability of an existing publicly owned transit service, program, or activity.

## ARTICLE 14. CATEGORICAL EXEMPTIONS

### 6-2.1401 GENERAL

This part lists certain types of projects which are exemptions from further environmental review by the State Guidelines.

### 6-2.1402 LIMITATIONS

- (a) Classes 3, 4, 5, 6 and 11 set forth below are qualified by consideration of where the project is to be located. A project that is ordinarily insignificant in its impact on the environment may in a particularly sensitive environment be significant. Therefore, these classes are considered to apply in all instances, except where the project may impact on an environmental resource of hazardous or critical concern where designated, precisely mapped, and officially adopted pursuant to law by federal, state, or local agencies.
- (b) All exemptions for these classes are inapplicable when the cumulative impact of successive projects of the same type in the same place, over time is significant, for example, annual additions to an existing building under Class 1.
- (c) A categorical exemption shall not be used for an activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances.

### 6-2.1403 CATEGORICAL EXEMPTION

The following categorical exemption class is established as set forth in the State Guidelines:

- (a) Class 1: Consists of operation, repair, maintenance or minor alteration of existing facilities involving negligible or no expansion of use.
- (b) Class 2: Consists of replacement or reconstruction of existing structures and facilities where the new structure will be located on the same site as

the structure replaced and will have substantially the same purpose and capacity as the structure replaced.

- (c) Class 3: Consists of construction and location of limited numbers of new, small facilities or structures; installation of small new equipment and facilities in small structures; and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure.
- (d) Class 4: Consists of minor public or private alterations in the condition of land, water, and/or vegetation which do not involve removal of mature, scenic trees except for forestry and agricultural purposes.
- (e) Class 5: Consists of minor alterations in land use limitations in areas with an average slope of less than 20 percent, which do not result in any changes in land use or density.
- (f) Class 6: Consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource.
- (g) Class 9: Consists of activities limited entirely to inspection, to check for performance of an operation, or quality, health, or safety of a project.
- (h) Class 11: Consists of construction, or placement of minor structures accessory to (appurtenant to) existing commercial, industrial, or institutional facilities, including but not limited to:
  - (1) On-premise signs;
  - (2) Small parking lots;
  - (3) Placement of seasonal or temporary use items such as lifeguard towers, mobile food units, portable restrooms, or similar items in generally the same locations from time to time in publicly owned parks, stadiums, or other facilities designed for public use.
- (i) Class 12: Consists of sales of surplus government property except for parcels of land located in an area of statewide, regional, or area-wide

concern. However, even if the surplus property to be sold is located in any of those areas, its sale is exempt if:

- (1) The property does not have significant values for wildlife habitat or other environmental purposes, and
  - (2) Any of the following conditions exists:
    - (i) The property is of such size or shape that it is incapable of independent development or use; or
    - (ii) The property to be sold would qualify for an exemption under any other class of categorical exemption in these guidelines; or
    - (iii) The use of the property and adjacent property has not changed since the time of purchase by the public agency.
- (j) Class 13: Consists of the acquisition of lands for fish and wildlife conservation purposes including preservation of fish and wildlife habitat, establishing ecological reserves under Fish and Game Code Section 1580, and preserving access to public lands and waters where the purpose of the acquisition is to preserve the land in its natural condition.
- (k) Class 15: Consists of the division of property in urbanized areas zoned for residential, commercial, or industrial use into four or fewer parcels when the division is in conformance with the General Plan and zoning, no variances or exceptions are required, all services and access to the proposed parcels to local standards are available, the parcel was not involved in a division of a larger parcel within the previous 2 years, and the parcel does not have an average slope greater than 20 percent.
- (l) Class 19: Consists of only the following annexations:
  - (1) Annexations to the district of areas containing existing public or private structures developed to the density allowed by the current zoning or pre-zoning of either the gaining or losing governmental agency whichever is more restrictive, provided, however, that the

extension of utility services to the existing facilities would have a capacity to serve only the existing facilities.

- (2) Annexations of individual small parcels of the size for facilities exempted by State Guidelines Section 15103, New Construction of Small Structures.
- (m) Class 20: Consists of changes in the organization or reorganization of local governmental agencies where the changes do not change the geographical area in which previously existing powers are exercised.
  - (n) Class 23: Consists of the normal operations of existing facilities for public gatherings for which the facilities were designed, where there is a past history of the facility being used for the same or similar kind of purpose. For the purposes of this section, "past history" shall mean that the same or similar kind of activity has been occurring for at least three years and that there is a reasonable expectation that the future occurrence of the activity would not represent a change in the operation of the facility. Facilities included within this exemption include, but are not limited to, racetracks, stadiums, convention centers, auditoriums, amphitheaters, planetariums, swimming pools, and amusement parks.
  - (o) Class 25: Consists of the transfers of ownership of interests in land in order to preserve open space. Examples include but are not limited to:
    - (1) Acquisition of areas to preserve the existing natural conditions,
    - (2) Acquisition of areas to allow continued agricultural use of the areas,
    - (3) Acquisition to allow restoration of natural conditions, and
    - (4) Acquisition to prevent encroachment of development into flood plains.
  - (p) Class 27: Consists of the leasing of a newly constructed or previously unoccupied privately owned facility by a local or state agency where the local governing authority determined that the building was exempt from CEQA. To be exempt under this section, the proposed use of the facility:

- (1) Shall be in conformance with existing state plans and policies and with general, community, and specific plans for which an EIR or negative declaration has been prepared,
- (2) Shall be substantially the same as that originally proposed at the time the building permit was issued,
- (3) Shall not result in a traffic increase of greater than 10 percent of front access road capacity, and
- (4) Shall include the provision of adequate employee and visitor parking facilities.
- (5) Examples of Class 27 include, but are not limited to:
  - (i) Leasing of administrative offices in newly constructed office space,
  - (ii) Leasing of client service offices in newly constructed retail space, and
  - (iii) Leasing of administrative and/or client service offices in newly constructed industrial parks.

## **ARTICLE 15. DEFINITIONS**

### **6-2.1501 GENERAL**

The definitions contained in the State Guidelines apply to terms used throughout these guidelines unless a term is otherwise defined in a particular section.

## LIST OF CHANGES TO PART 6, CHAPTER 2. CEQA

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- <sup>1</sup> Section 6-2.101 amended by Resolution No. 6-18-1091 on June 25, 2018.
  - <sup>2</sup> Section 6-2.102 amended by Resolution No. 6-18-1091 on June 25, 2018.
  - <sup>3</sup> Section 6-2.103 added by Resolution No, 6-18-1091 on June 25, 2018.
  - <sup>4</sup> Section 6-2.104 added by Resolution No, 6-18-1091 on June 25, 2018.
  - <sup>5</sup> Section 6-2.105 added by Resolution No, 6-18-1091 on June 25, 2018.
  - <sup>6</sup> Section 6-2.106 added by Resolution No, 6-18-1091 on June 25, 2018.
  - <sup>7</sup> Section 6-2.107 added by Resolution No, 6-18-1091 on June 25, 2018.
  - <sup>8</sup> Section 6-2.108 added by Resolution No, 6-18-1091 on June 25, 2018.
  - <sup>9</sup> Section 6-2.109 added by Resolution No, 6-18-1091 on June 25, 2018.
  - <sup>10</sup> Section 6-2.110 added by Resolution No, 6-18-1091 on June 25, 2018.



## **Part 7. RECORDS MANAGEMENT<sup>1</sup>**

### **CHAPTER 1. GENERAL**

#### **ARTICLE 1. RECORDS MANAGEMENT PROGRAM**

##### **7-1.101 PURPOSE AND SCOPE**

This Article establishes a Records Management Program (RMP) that provides systematic control of records regardless of format or location, from creation or receipt and identification by the Employee through processing, use, distribution, maintenance, storage, retrieval and final disposition by either destruction or perpetual retention.

Objectives of the RMP:

- (a) Identify District records to facilitate access to information required to conduct business.
- (b) Provide protocols to ensure compliance with the California Public Records Act (Government Code sections 6250 et seq.);
- (c) Establish procedures for the maintenance and preservation of District records in accordance with the District's Records Retention Schedule;
- (d) Promote awareness among District staff of the importance of the RMP and provide consistency in the storage, retention and destruction of the District records;
- (e) Ensure the preservation of records subject to a Legal Hold because of ongoing, threatened or anticipated litigation, claim, audit, proceeding or governmental or District investigation, until the matter is resolved or the need for such records has ceased;
- (f) Protect the integrity of the District's records.

Administration of the RMP:

- (a) The RMP is administered under the authority of the Board of Directors, and its implementation is overseen by the Records Management Coordinator, as supervised by the General Manager's designee.

- (b) All Department Heads are responsible for ensuring that the approved Records Retention Schedule is implemented in their respective departments.
- (c) All District employees are responsible for complying with the requirements of the District's Records Management Manual and Records Retention Schedule.

The scope of the RMP includes:

- (a) Receipt, preservation and disposition of District Records.
- (b) Public inspection of District records.
- (c) Maintenance of, and compliance with, the approved Records Retention Schedule and Records Management Manual.
- (d) Use of appropriate technology to facilitate records' storage and retrieval.

The RMP manages District records in all storage media including paper, microfilm, and other hardcopy formats, optical images, electronic records and any other storage media.

The RMP applies to District's Board of Directors, employees and representatives.

District staff shall comply with the RMP to ensure proper maintenance and disposition of District records. Violation of the RMP will result in disciplinary action up to and including dismissal.

#### **7-1.102 DEFINITIONS**

- (a) Historical Records – records that have continuing value to the District after the business or legal recordkeeping requirements have been met. Historical records relate to the formation, major events, or growth and development of the District.
- (b) Legal Hold – a situation in which the destruction of a record is temporarily suspended and the record is retained past the assigned period due to an investigation, litigation or audit in which the records may be needed.
- (c) Record – recorded information, regardless of medium or characteristics, created or received by the District that provides evidence of its operations,

or its compliance with statutes and regulations. A Record can be in various formats, including hardcopy, electronic, and audio/video, can be recorded in various media, including paper, computer disk, optical image, etc.

- (d) Records Management Manual - a source of instruction and reference for creating, preparing, processing, storing and disposing of records.
- (e) Records Retention Schedule (RRS) – a list of District records organized by Record Series, including approved retention periods and other attributes.
- (f) Representatives – any contractor, agent, or other service provider (including any temporary worker whose services are provided by a third party contractor) that has express or implied responsibility to maintain District records in the course of its services to the District.

## **ARTICLE 2. PUBLIC INSPECTION**

### **7-1.201 PUBLIC RECORDS**

All public records of the District are available for review by the public in accordance with the California Public Records Act, as set forth in Government Code section 6250, et seq.

## **ARTICLE 3. RETENTION AND DESTRUCTION OF RECORDS**

### **7-1.301 PURPOSE AND SCOPE**

This Article provides criteria for the retention and destruction of District records. This Article may be cited as the District's "Regulations for the Retention and Destruction of District Records."

### **7-1.302 RECORDS RETENTION SCHEDULE**

District has adopted a Records Retention Schedule that provides direction for maintenance and disposition of records in all formats and storage locations. The retention periods identified on the RRS are the time period for which each of the series of records must be maintained before being destroyed unless a Legal Hold requires that their destruction be suspended. The time periods are established based on business needs, industry best practices and applicable government recordkeeping requirements. The RRS has been reviewed and has received concurrence of Department Managers, Legal Counsel and the Board of Directors. It shall be maintained by the Records Management Coordinator.

### **7-1.303 DESTRUCTION OF RECORDS**

The Records Management Coordinator must prepare a Records Destruction Certificate for District records that have met the required retention periods and are not classified as Historical Records or subject to a Legal Hold. Destruction process can only be implemented after review and approval of the following:

- Department Manager
- Chief Financial Officer
- Legal Counsel
- General Manager OR his/her designee

## **LIST OF CHANGES TO PART 7, CHAPTER 1. GENERAL**

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<sup>1</sup> Part 7. Records Management amended by resolution 3-17-1063 on March 30, 2017.