Central Marin Sanitation Agency

Financial Policies Manual

Board Adopted in full on November 13, 2018.

Individual Policy Revision Adoptions
***#550 – Annual Budget*: April 9, 2019**
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Central Marin Sanitation Agency

FINANCIAL POLICIES MANUAL

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POLICY #:	**501**
SECTION:	**FINANCIAL – FINANCIAL POLICIES**
SUBJECT:	**Policy Framework**
DATE:	**11/13/2018**

PURPOSE

Financial policies are key components to sound fiscal management and direct proactive steps toward effectively managing and conducting financial operations. This policy's Framework provides guidance and direction for developing financial policies. The development of these policies aligns with the Agency's Value statement "CMSA values sound financial practices to safeguard the Agency's assets."

The CMSA Financial Policy Manual guides the Board of Commissioners, General Manager, and Agency staff (i.e., all stakeholders) in shaping financial decisions and actions. These policies give directions for making informed choices regarding important aspects of quality public services, and on effectively handling and safeguarding financial and physical assets. They define, promote, control, and ensure participation by each stakeholder on his/her roles, responsibilities, and relationships with respect to financial matters and administration. It is accepted as standard business practice to have financial policies in place. They are also used as good training tools for new employees and for refreshing ongoing financial skills and operations.

POLICIES VS. PROCEDURES

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

POLICY FRAMEWORK

Agency staff shall develop, and the Board shall approve, financial policies that promote accountability, stability, and continuity. The policy development process also encourages active participation by specific stakeholders who have a vested interest in the Agency's financial planning, management, and operations.

Financial policies shall be actionable and shall set controls to be used for prudent financial decision-making, and shall standardize financial operations by defining roles and responsibilities. They shall define and outline appropriate financial management and behavior. All Agency employees may be subject to disciplinary actions under Personnel Policy, *Progressive Discipline* for violation of any financial policies. In their intent, they shall promote and incorporate long-term perspectives and strategic thinking by framing overall operational policies, goals, and objectives. They shall establish links to these broad organizational goals and objectives, while focusing on fiscal results and outcomes for the Agency.

Agency staff shall periodically bring the financial policies to the Board for review and consideration of making recommended changes.

POLICY #:	**502**
SECTION:	**FINANCIAL – INTERNAL CONTROLS**
SUBJECT:	**Internal Controls and Fraud Prevention**
DATE:	**11/13/2018**

POLICY

The Agency shall maintain a system of internal controls to safeguard assets, to manage assets efficiently and effectively, and to ensure reliable data.

PROCEDURES

This policy provides direction on managing the Agency's internal accounting methods and practices and to prevent fraudulent activities and misuse of Agency funds in accordance with California Government Code Section 6500, et seq.

I. Internal Controls

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

II. Internal Accounting Practices

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

Agency staff shall ensure that:

A. Each employee understands his/her role, responsibility, and accountability when conducting financial transactions for the Agency;

B. All transactions are properly authorized;

C. Accounting records and documentation are properly maintained;

D. Access to both assets and records are effectively controlled; and

E. General ledger accounts are periodically reviewed for their reasonableness, and for the validity and accuracy of the underlying items they represent.

If any of these practices are found to be improperly implemented or maintained, Agency staff shall take immediate remedial action to improve and/or change the practice.

III. Internal Review and Recommendations

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

IV. Public Fiduciary Liability

The General Manager shall recommend, for Board review and approval, methods for reducing and mitigating risks associated with potential public fiduciary liabilities such as claims made against the Agency for any alleged wrongful fiduciary act and/or breach of fiduciary duties for which the Agency might be responsible. The General Manager shall consult with the California Sanitation Risk Management Authority and other respected resources to make recommendations regarding the procurement of public official bonds, fiduciary liability insurance, and establishing other mechanisms for reducing and mitigating such risks.

V. Audits

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

VI. Segregation of Duties

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

VII. Operating Fund Account

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

VIII. Authorized Check Signers

Agency staff shall require that all checks disbursed from the Agency's operating account have two signatures and be for valid, documented, and approved expenses of the Agency. At no time or occasion shall blank checks be signed. The Board shall designate authorized check signers who may include the General Manager, Board members and alternates, and Agency staff. The General Manager shall seek Board authorization to update authorized check signers whenever a previously designated check signer is no longer affiliated with the Agency.

IX. Wire Transfers

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

X. Vault Security

Agency staff shall store vital Agency financial and administrative records, all cash, blank check stock, processed and voided checks, and spare door keys and access cards in the vault, which is a fire-resistant locked closet located in the front office area of the Administration building. The General Manager shall designate which Administration and Finance staff shall be given possession of the key to the vault.

XI. Payments to Agency and Bank Deposits

Agency staff shall deposit in the bank all payments to the Agency on a weekly basis based on appropriate financial procedures. Deposit of cash receipts shall be performed by designated staff and verified by the Personnel and Accounting Technician. Prior to the time in which the receipts are processed for bank deposit, Agency staff shall store checks and cash in the Agency vault.

XII. Petty Cash

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

XIII. RV Disposal Receipts

Agency staff shall securely maintain funds to conduct payment transactions for Recreational Vehicle (RV) customers utilizing the Agency facilities to offload wastewater. RV cash receipts will be reconciled to the sales/money receipts book monthly or at the same time as petty cash replenishment. At no time or occasion shall checks be cashed out or funds borrowed from held currency. Agency staff shall keep these RV funds in the Agency vault.

POLICY #:	**503**
SECTION:	**FINANCIAL – INTERNAL CONTROLS**
SUBJECT:	**Ethics**
DATE:	**11/13/2018**

POLICY

The Agency shall follow ethical standards in its financial matters to avoid abusive practices that could occur in both fact and appearance.

PROCEDURES

The Board of Commissioners, General Manager, and Agency staff shall serve as stewards of the public's resources, trust, and confidence, and thus shall be held to the high standards of ethical fiscal conduct in the public's interest as opposed to personal interests.

I. General

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

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

II. Violation of this Policy and Related Financial Policies

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

III. Reporting Unethical and Fraudulent Behavior

Agency staff shall report any observation in practice or appearance of a violation of the Agency's financial policies and procedures, including this policy, to their supervisor or the General Manager, who will investigate the matter. A verbal or written report will be considered a personnel matter and will be handled with strict confidentiality under the

Agency's Personnel Policies. If the suspect employee is the General Manager, Agency staff have a responsibility to contact the Chairperson of the Board of Commissioners.

IV. Whistleblower Provision

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

V. Use of Public Funds

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

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

Each Board member shall comply with Agency Board of Commissioners' *Reimbursement Policy for Travel/Expenses for Agency Officials*.

VI. Conflict of Interest

Government Code section 87300 requires every state and local government agency to adopt a Conflict of Interest Code to prohibit and prevent financial conflicts of interest. In addition to this *Ethics* policy, the Board has also adopted a Resolution and a Personnel Policy that address conflicts of interest.

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

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

VII. Bribery and Extortion

Federal and California law both prohibit bribery and extortion of or involving public officials and employees. Commissioners and Agency staff shall not ask, receive, or agree to receive a bribe, and shall not demand or extort money in return for the performance of their official duties. A bribe involves asking for, giving, receiving, and accepting anything of value for gaining present or prospective advantage, performance, and/or influence in any affairs of the Agency (California Penal Code sections 7(6) and 68).

VIII. Extra Compensation

Commissioners and Agency staff shall explicitly uphold the California Constitution, Article XI, section 10 that prohibits "*extra compensation*":

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

IX. Gifts to Employees and Officials

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

X. Honoraria Ban

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

XI. Gifts of Public Funds

Commissioners and Agency staff shall explicitly uphold California Constitution, Article XVI, section 6 that prohibits public agencies from making gifts of public funds:

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

XII. Receiving Private Donated Funds

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

POLICY #:	**510**
SECTION:	**FINANCIAL – FINANCIAL REPORTING**
SUBJECT:	**General**
DATE:	**11/13/2018**

POLICY

The Agency shall issue a Comprehensive Annual Financial Report prepared in accordance with Generally Accepted Accounting Principles, and it shall be reviewed by the Agency's independent financial auditor for consistency.

PROCEDURES

I. Comprehensive and Popular Annual Financial Reports

The Comprehensive Annual Financial Report (CAFR) shall be prepared in accordance with *Generally Accepted Accounting Principles (GAAP)* for government agencies and relevant Government Accounting Standards Board (GASB) statements. It shall be produced in three sections: introductory, financial, and statistical. The financial section shall include the Agency's audited financial report that was prepared by an independent firm of certified public accountants in accordance with *Generally Accepted Auditing Standards*.

The Agency will also prepare a Popular Annual Financial Report (PAFR) as a companion to the CAFR. The CAFR and PAFR will be submitted to the Government Finance Officers Association (GFOA) for evaluation and consideration of the Certificate of Achievement for Excellence in Financial Reporting and the Award for Outstanding Achievement in Popular Annual Financial Reporting, respectively.

The Board of Commissioners shall review and accept the CAFR by no earlier than the date of the auditor's opinion letter to the Agency, and no later than December 31st of the fiscal year end for which the report is prepared.

II. External Filings and Reporting

Agency staff shall comply with the required external filings and reports as listed in the table below.

Report Category/Report	Frequency
Financial Reporting:	
CAFR with audited financial statements	Annual
PAFR	Annual
State Controller's Special Districts Financial Transactions Report	Annual
Payroll Reporting:	
Federal and State Tax Withholding Deposits	Bi-weekly
Forms 941 (Federal) / DE 6 (State)	Quarterly

Report Category/Report	Frequency
Financial Reporting:	
Forms W2 (Federal) / W3 (Federal) / DE 7 (State)	Annual
State Controller's Government Compensation of California Report	Annual
Debt Reporting: (see *Continuing Disclosure Procedures for Agency-Issued Debt)*	
Audited Financial Statements from CMSA and each JPA member agency (MSRB)	Annual
Disclosures to bondholders and other interested parties (MSRB)	Event Driven
Other Reporting:	
Diesel fuel taxes (State)	Annual
Forms 1099 (Federal) / 1096 (Federal)	Annual

POLICY#:	**511**
SECTION:	**FINANCIAL – FINANCIAL REPORTING**
SUBJECT:	**Continuing Disclosure Procedures for Agency Issued Debt**
DATE:	**11/13/2018**

POLICY

The Agency shall comply with all debt-related continuing disclosure requirements by supplying certain financial information to credit rating agencies and other interested parties.

PROCEDURES

Each debt issued by the Central Marin Sanitation Agency (Agency) will have its own specific set of Continuing Disclosure Undertakings. This policy ensures that the Agency satisfies all debt-related disclosure requirements and identifies the responsible Agency staff.

The continuing disclosure procedures ("Continuing Disclosure Procedures" or "Procedures") of the Agency, presented below, are intended to (a) ensure that the Agency's Continuing Disclosure Documents (as defined below) are accurate and comply with all applicable federal and state securities laws, and (b) promote best practices regarding the preparation of the Agency's Continuing Disclosure Documents.

I. Definitions

"Continuing Disclosure Documents" means any documents filed with the Municipal Securities Rulemaking Board ("MSRB") pursuant to Continuing Disclosure Undertakings or otherwise, including: (a) annual continuing disclosure reports filed with the MSRB and (b) event notices and any other filings with the MSRB.

"Continuing Disclosure Undertakings" means any continuing disclosure agreements or certificates entered into by the Agency in order to assist an underwriter for the Agency's bonds or other evidences of indebtedness in complying with Rule 15c2-12 of the Securities Exchange Act of 1934, as amended.

"Official Statements" means preliminary and final official statements, private placement memoranda and remarketing memoranda relating to the Agency's securities, together with any supplements, for which a continuing disclosure obligation is required.

II. Disclosure Coordinator

A. *Appointment*. The Administrative Services Manager shall serve as the Disclosure Coordinator for the Agency. The Administrative Services Manager, with the approval of the General Manager, may designate another member of the Agency staff to serve as the Disclosure Coordinator.

B. *Responsibilities*. The Disclosure Coordinator is responsible for:

1) Preparing and filing the Continuing Disclosure Documents, to the extent such filings are not prepared and filed by the Disclosure Consultant. The Disclosure Consultant may be the Agency's Bond Counsel, Financial Advisor, or Trustee.

2) In anticipation of preparing Continuing Disclosure Documents, soliciting audited financial statements from CMSA's JPA member agencies and other "material" information (as defined in Securities and Exchange Rule 10b-5) from Agency departments.

3) Following up with others, including management of outside consultants assisting the Agency (if any), in the preparation and dissemination of Continuing Disclosure Documents to make sure that assigned tasks have been completed on a timely basis and making sure that the filings are made on a timely basis and are accurate.

4) Ensuring the timely filing of the Agency's Continuing Disclosure Undertakings with the MSRB by the Disclosure Coordinator, Consultant or other party.

5) Serving as a "point person" for personnel to communicate issues or information that should be or may need to be included in any Continuing Disclosure Document.

6) Monitoring compliance by the Agency with these Continuing Disclosure Procedures, including timely dissemination of the annual report and event filings as described in the Agency's Continuing Disclosure Undertakings.

7) Recommending changes to these Continuing Disclosure Procedures to the General Manager as necessary or appropriate.

8) Maintaining records documenting the Agency's compliance with these Continuing Disclosure Procedures.

9) Reviewing compliance with and providing appropriate certifications in connection with the various covenants in bond documents, such as maintenance of revenues and coverage tests. The Disclosure Coordinator shall review the bond documents to determine which covenants require an annual or regular certification and maintain a list.

III. <u>Continuing Disclosure Filings</u>

A. <u>Overview of Continuing Disclosure Filings</u>

Under the Continuing Disclosure Undertakings, the Agency is required to file annual reports for the Agency and each JPA member agency with the MSRB's Electronic Municipal Market Access ("EMMA") system in accordance with such agreements in each year. Such annual reports are required to include certain updated financial and operating information (or may refer to a publicly-available document), which varies among the different obligations issued by the Agency, and the Agency's audited financial statements.

The Agency is also required under the continuing disclosure undertakings to file notices of certain events with EMMA.

B. Annual Reports

The Disclosure Coordinator shall ensure that the preparation of the Agency's annual reports shall commence as required under each specific continuing disclosure obligation. Before the Agency's annual report is submitted to EMMA, the Disclosure Coordinator shall verify its content and accuracy. Prior to each filing, the Disclosure Coordinator will discuss any questions or concerns regarding the annual report with the General Manager and outside consultants as described in IV. D. below.

C. Event Filings

If any of the Disclosure Coordinator, General Manager or Administrative Services Manager becomes aware of any of the material events listed in any of the Continuing Disclosure Undertakings, such person shall notify the others and discuss the event to determine whether a filing is required or is otherwise desirable. The Disclosure Coordinator may contact outside consultants with any questions as described in III. D. *Uncertainty,* below.

D. Uncertainty

The Disclosure Coordinator may, after consultation with the General Manager and Administrative Services Manager, direct questions regarding this policy or disclosure to the disclosure counsel, bond counsel or Agency counsel or such other counsel or consultant he/she deems appropriate.

IV. Documents To Be Retained

The Disclosure Coordinator shall be responsible for retaining records demonstrating compliance with these Continuing Disclosure Procedures. The Disclosure Coordinator shall retain an electronic or paper file ("Disclosure File") for each continuing disclosure annual report that the Agency completes. Each Disclosure File shall include final versions of Continuing Disclosure Documents; written confirmations, certifications, letters and legal opinions described herein; and copies of these Continuing Disclosure Procedures and a list of individuals to whom they have been distributed and the dates of such distributions. The Disclosure File shall be maintained by the Agency for a period of five years from the later of the date of delivery of the securities referenced in the Continuing Disclosure Document, or the date the Continuing Disclosure Document is published, posted, or otherwise made publicly available, as applicable.

V. Education

The General Manager and the Administrative Services Manager shall ensure that the Disclosure Coordinator is properly trained to understand and perform his/her responsibilities. Such training may include training sessions conducted by consultants with expertise in municipal securities disclosure, attendance at conferences, or other appropriate methods identified by the General Manager or the Administrative Services Manager.

VI. Amendments

Any provision of these Continuing Disclosure Procedures may be waived or amended at any time by written confirmation of the General Manager upon consultation with the Administrative Services Manager.

POLICY #:	**520**
SECTION:	**FINANCIAL – REVENUE MANAGEMENT**
SUBJECT:	**General**
DATE:	**11/13/2018**

POLICY

The Board shall establish a multi-year revenue program to fund its operating, debt service, and capital improvement program needs.

PURPOSE

To provide staff direction on the management of the Agency's revenues with respect to its organizational budget, strategic plan, and Board direction.

BACKGROUND

JPA member agencies and San Quentin State Prison (satellite collection agencies) collect and transport wastewater to CMSA for treatment and disposal. Section 14 of the JPA binds the JPA members to pay the CMSA Regional Charges and specifies the manner in which CMSA determines the allocation of the Regional Charge.

The manner in which each Member Agency determines the CMSA Regional Charge for the property owners and businesses within its respective district is solely the purview of the Member.

The Agency's ability to receive revenues for non-regional charges is derived from the Agency's Sewer Use and Fee Ordinances and by contractual arrangements.

REVENUE SOURCES

CMSA's service charge is established by the Board of Commissioners based on the Agency's total funding requirements. These requirements take into account the Agency's necessary operational and capital expenses, other revenue sources, the use and level of reserve cash, debt service requirements, and long-term financial forecasts, among other considerations, when determining and approving the service charges.

I. Service Charges (Regional Charge)

The majority of Agency revenues are from Regional Service Charges collected from its JPA member agencies and contract revenues for CMSA wastewater services provided to San Quentin State Prison. In accordance with the JPA, the Board can base these charges on the number of equivalent dwelling units (EDUs), measured flow volume, or measured flow volume and wastewater quality (strength).

EDUs are calculated by each member agency for each property in its service area. An EDU is an estimation of an average wastewater flow discharged from one single-family household.

Businesses may contain multiple EDUs depending upon the volume of wastewater discharged, while industrial dischargers' EDUs are based on flow and strength. Each Member Agency provides the total EDU count for its service area to CMSA.

Collection agency flows are continuously measured by flow meters and recorded by the CMSA process control system, and can be totalized for any period of time. Flow measurements from existing flow meters on influent forcemains are used to quantify each collection agency's influent volumes. Flows are continuously measured for San Rafael Sanitation District, the Ross Valley interceptor, Sanitary District No. 2 of Marin County, and San Quentin State Prison, and are calculated for Ross Valley Sanitary District.

II. All Other Revenues

Other Agency revenues consist of capacity charges, contract service revenues, investment interest income, environmental compliance permit and inspection fees, septic hauler disposal fees, organic waste tipping fees, program expense reimbursements to CMSA, and miscellaneous charges for other services.

PROCEDURES

I. Service Charges

Service charges shall be billed to the member agencies at the beginning of each quarter, set at one-fourth of the annual budgeted amount. A service charge adjustment will be made with the fourth quarter invoice to reflect any changes between the service charge allocation amounts used to develop the budget and the actual amounts for each member agency, as described in each allocation procedure below.

The Board and its Finance Committee will review the Regional Charge allocations during the development of the Agency's annual budget. The annual budgeted service charge amount will be set to equal the net revenue needed to fund the Agency's annual operations and the current and future capital improvement program activities. Net revenue is defined to be total Agency budgeted revenues less estimated revenues for contract services, program services, interest income, fees from haulers, permits and inspections, and other operating revenues. Budgeted service charge revenues do not include revenues for debt service and capacity charges.

A. Service Charge Allocation using Equivalent Dwelling Units (EDU)

Member agency service charge payments to CMSA may be based on each member's previous year's actual EDU count that is reported to CMSA. The Board shall set the exact EDU rate for the Agency's service charge during the annual budget process for the upcoming fiscal year.

During the development of the annual budget, CMSA will use the prior year's reported actual EDU count to develop the revenue budget. By March 15th, the member agencies report their actual count of EDUs to CMSA for that fiscal year. Member agencies will provide supporting documentation to substantiate their reported counts. These documents must include:

1) Reports from the Marin County Auditor-Controller that summarizes the number of EDU (sanitary units) that each district has placed on the property tax roll.

2) Listing of EDUs for governmental or other entities that each district bills directly for sewer services charges. Typically, these are entities that are not on the County's property tax rolls.

3) Any variances between the reported actual EDU and the sum of EDU count from items 1 and 2. These could be EDU adjustments that the district granted to its ratepayers after the sanitary units were placed on the property tax rolls.

Staff will analyze the EDU count and supporting information received from each Member Agency and consult with each Member Agency as appropriate. The EDU data reported by the member agencies will be used to prepare the revenue presentation for the Third Quarter Budget Report that is provided to the Board in May. In the event complete EDU information is not available, staff will seek Board direction on how to calculate the fourth quarter invoices.

Once Agency staff has verified the reported actual EDU counts in the supporting documents, Finance staff will reconcile the EDU counts used in the budget with the actual reported EDU counts, and invoice each Member Agency accordingly.

B. Service Charge Allocation using Flow Volumes

The Board will establish the measurement period for using flow volumes to determine the service charge allocation. The minimum measurement period will be 12 months and the maximum period will be 36 months. The measurement period will be in 12-month increments.

1) <u>Allocation of Regional Charges by Flow Volume</u>

Once the upcoming revenue budget has been developed, the Finance staff prepares an allocation of the service charges based on the prior flow volumes in 12-month increments. Each satellite collection agency's allocation for the upcoming fiscal year will be included in the draft and adopted Agency budgets.

Percentage allocations are based only on volumetric flow measurements as recorded by CMSA flow meter data. The allocations are determined using the equations below:

$$Volume_{Total} = Volume_{SRSD} + Volume_{SD1} + Volume_{SD2}$$

$$\% \, Allocation_{Agency} = \frac{Volume_{Agency}}{Volume_{Total}}$$

$$Regional\ Charge\ Allocation_{Agency} = \% \, Allocation_{Agency} \ x \ CMSA\ Net\ Revenue_{Total}$$

2) Collection of Regional Charge

Once the Agency's budget has been adopted, the Agency will invoice each satellite collection agency for its respective portion of the regional charge on a quarterly basis starting on July 1 of each fiscal year. Each quarterly invoice will represent one-fourth of the allocated annual regional charge.

Prior to the issuance of the fourth quarterly invoice, the Administrative Services Manager (ASM) will recalculate the current fiscal year's regional charge allocation based on the flow volumes for the most current April 1 to March 31 measurement period. The adjustment between the budgeted and current regional charge allocation will be reflected on the invoice for the fourth quarter.

C. Service Charge Allocation using Volume/Quality (Flow/Strength)

1) Calculation of annual volume of the wastewater generated from each satellite collection entity.

Each April, the Technical Services (TS) staff will provide Finance staff with the annual volume of wastewater generated from each satellite collection entity for the previous April 1 to March 31 period or prior 36-month period.

2) Calculation of annual wastewater quality (strength) from each satellite collection entity.

Quality is defined as the amount (lbs.) of Total Suspended Solids (TSS) and Biological Oxygen Demand (BOD) in a collection agency's wastewater transported to CMSA. Quality samples will be periodically collected by Technical Services staff and analyzed in the CMSA laboratory. Each April, the TS department will provide Finance staff with the wastewater quality information for each satellite collection entity.

3) Allocation of regional charges by flow volume and strength.

Once the upcoming revenue budget has been developed, the Finance staff will prepare an allocation of the regional charges based on the selected April 1 to March 31 time period. Each satellite collection agency's allocation for the upcoming fiscal year will be included in the draft and adopted Agency budgets.

The Agency's Annual Net Revenues will be assigned to flow, BOD and TSS based on the allocations developed in 2013 (Bartle Wells) and accepted by the Board in April 2013: Flow – 50.6%, BOD – 24.7%, and TSS – 24.7%

Using the percentage allocations listed above and influent flow and quality data, unit costs (i.e., $/1,000 gallons of flow, $/lb of BOD and $/lb of TSS) are then used to allocate CMSA's Regional Charge to each collection agency based on its respective flow, BOD, and TSS costs, using the following equations:

$$Net\ Revenue_{Total} = Revenue_{Flow} + \ Revenue_{BOD} + \ Revenue_{TSS}$$

$$Unit\ Cost_{Flow} = \frac{Revenue_{Flow}}{Total\ Gallons}$$

$$Unit\ Cost_{BOD} = \frac{Revenue_{BOD}}{Total\ Pounds\ BOD}$$

$$Unit\ Cost_{TSS} = \frac{Revenue_{TSS}}{Total\ Pounds\ TSS}$$

$$Regional\ Charge\ Allocation_{Agency} = Unit\ Cost_{Flow}\ x\ Flow_{Agency} + \ Unit\ Cost_{BOD}\ x\ BOD_{Agency} + \ Unit\ Cost\ x\ TSS_{Agency}$$

4) Collection of regional charge.

Once the Agency's budget has been adopted, the Agency will invoice each satellite collection agency for its respective portion of the regional charge on a quarterly basis starting on July 1 of each fiscal year. Each quarterly invoice will represent one-fourth of the allocated annual regional charge.

Prior to the issuance of the fourth quarterly invoice, Finance staff will recalculate the current fiscal year's regional charge allocation based on the flow volumes and quality for the most current April 1 to March 31 period. The adjustment between the budgeted and current regional charge allocation will be reflected on the invoice for the fourth quarter.

II. Debt Service Charge

Per the Payment Agreements for Treatment Services (debt service agreements) between CMSA and the member agencies, each member agency's proportional EDU share of the debt service shall be billed and collected semi-annually during each fiscal year. The payment shall be based on the EDU counts referenced in the Memorandum of Understanding, dated September 21, 2016, that uses the 10-year average fixed EDU counts per member for debt service cost allocation purposes. Each Member Agency's semi-annual payment share shall be calculated to include the actual debt service amount and bond coverage requirements. An adjustment will be made in the subsequent fiscal year's debt service payment for the recalculation of the prior year's debt service payment based on the actual EDU count information.

III. Capacity Charge

A one-time capacity charge shall be collected by the appropriate Member Agency for an initial connection to the wastewater collection system in the CMSA service area. This charge shall be set by the Board by ordinance. Each member agency shall collect both the CMSA capacity charge and the Member Agency's connection fee. After collection, the Member Agency shall remit the capacity charge portion to CMSA.

The number of connections that occur each fiscal year is unpredictable because connections vary due to new construction or other activities that would trigger a connection fee. Thus, the Board shall consider various economic factors when budgeting capacity charge revenue for the fiscal year. The Board shall approve through the annual budget process and Agency staff shall account for use of capacity charges to fund capital projects per California Government Code Section 66006.

IV. Permit and Inspection Fees

The Board shall set by ordinance specific fees that Agency staff will collect for services related to environmental, public health, and regulatory responsibilities under the Agency's jurisdiction--see the *Sewer Use Ordinance* and the *Fee Ordinance*. When setting a fee, the timeframe in which the fee is valid shall be set and the fee will be calculated to recover the full cost of the services as described below under V. *Fees for Service*.

V. Fees for Service

Fees charged to outside agencies for Agency provided services under contract shall be based on mutually agreed-to terms, under which the Agency recovers the full cost of providing such services. The principles of cost accounting shall apply for recovery of direct materials, direct labor, and administrative overhead. Labor charges shall be recovered using the weighted labor rate that includes the cost of salaries and benefits and other considerations. Contract revenues shall be billed monthly, while program revenues are billed periodically pursuant to each specific agreement.

VI. Accounts Receivable

According to *Generally Accepted Accounting Principles* (GAAP), Agency staff shall record a receivable for sewer service charges, capacity charges, permit and inspection fees, and other fees for service when the revenue is due to the Agency. The Finance department will conduct a monthly reconciliation of accounts receivable and identify outstanding payments due to CMSA. Accounts receivable shall be accrued to the proper accounting period based upon the date the services were performed.

POLICY #:	**521**
SECTION:	**FINANCIAL – REVENUE MANAGEMENT**
SUBJECT:	**Agency Service Contracts**
DATE:	**11/13/2018**

POLICY

All Agency service contracts shall sufficiently recover the full cost of providing such service.

PROCEDURE

The General Manager will receive all written requests from public entities for CMSA services and will ask the appropriate Department Manager to conduct a feasibility review for the provision of the requested services. The General Manager will then determine if the Agency has the existing resources, staff expertise, and capacity to provide the services being requested. The Agency will recover the full costs for all services provided including staff compensation and benefits, and Agency overhead. If a mutually beneficial contract is feasible, a draft proposal will be brought to the Board of Commissioners for review, discussion, and consideration of authorization to negotiate an agreement with the public entity requesting CMSA's services.

The General Manager will present the negotiated agreement to the CMSA Board for consideration of approval. Once approved by the Board, the agreement will be executed by CMSA after the designated official of the entity requesting CMSA services has executed the agreement.

POLICY #:	**530**
SECTION:	**FINANCIAL – TREASURY**
SUBJECT:	**General**
DATE:	**11/13/2018**

POLICY

The Board shall appoint a Treasurer to oversee the management and reporting of controllable financial assets in accordance with Agency policy and California law.

PROCEDURES

This policy provides direction for managing the Agency's treasury and investments, and to ensure fiduciary responsibility and prudent review, planning, and approval of treasury transactions.

I. Treasurer Appointment

Based on the General Manager's recommendation, the Board of Commissioners shall appoint a Treasurer to manage, secure, control, account, audit, report, and develop effective procedures for controlling and handling financial assets and investments to the benefit of the Agency in accordance with the CMSA Joint Exercise of Powers Agreement and Government Code 6505.5, et seq.

II. Treasurer Report

Agency staff shall prepare monthly Treasurer Reports containing summary information for each operating account in use by the Agency. The reports shall contain information with respect to Agency cash receipts, cash disbursements, and account balances. The reports shall also include an Operating Account Disbursement Register Report that lists and describes all operating account cash disbursements during the reporting month. The Board shall review and accept the Treasurer Report.

III. Schedule of Investments

Agency staff shall prepare a monthly Schedule of Investments report containing a summary of the Agency's investment accounts activity including each individual investment. The Board shall review and approve the Schedule of Investments.

IV. Bank Reconciliation

Agency staff shall perform a monthly reconciliation of the Agency's operating bank account, investment accounts, and bond fund accounts. The Agency staff person preparing the accounts payable shall not perform the bank reconciliation.

POLICY #:	**531**
SECTION:	**FINANCIAL – TREASURY**
SUBJECT:	**Investments**
DATE:	**03/12/2020**

POLICY

Every spring, the General Manager and Treasurer shall submit to the Board of Commissioners this *Investments* policy, where the Board shall review any changes in the policy and approve it at a public meeting.

PURPOSE

This policy provides guidelines for prudent investment of the Agency's cash. This policy covers all funds and investment activities under the direction of the Agency in accordance with California Government Code Sections 53600, et seq.

OBJECTIVES

The Agency shall design and manage investments with a high degree of professionalism worthy of the public trust. The primary objectives, in order of priority of the Agency's investment activities, shall be:

I. Safety

Safety of principal is the foremost objective. All investments of the Agency shall be made in a manner that seeks to ensure preservation of capital.

II. Liquidity

The investment portfolio shall remain sufficiently liquid to enable the Agency to meet any cash flow requirements which might be reasonably anticipated.

III. Yield

Investment return becomes a consideration only after the basic measurements of safety and liquidity have been met.

PRUDENCE

The Agency shall follow Section 53600.3 of the California Government Code that identifies as trustees those entities, i.e. California Asset Management Program (CAMP) and Local Agency Investment Fund (LAIF), authorized to make investment decisions on behalf of a local agency. Trustees are fiduciaries and are therefore subject to the prudent investor standard when making investment decisions on behalf of the Agency. Investments shall be made 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.

DELEGATION OF AUTHORITY

The Board of Commissioners shall delegate authority to invest the Agency's funds for a one-year period to the Treasurer, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. Subject to review, the Board may renew the delegation of authority each year. No person may engage in an investment transaction except as provided under the limits of this policy.

The Treasurer may delegate day-to-day investment decision-making and execution authority to an Investment Advisor. The Advisor shall follow this policy and such other written instructions as are provided.

The Treasurer and the delegated staff acting in accordance with this policy and associated procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

INTERNAL CONTROLS

The Treasurer shall establish a system of controls to regulate the activities of internal staff and any external investment advisors, and be responsible for all transactions undertaken by these persons. No person may engage in an investment transaction except as provided under the terms of this policy, other Treasury and Internal Controls policies, and the associated procedures established by the Treasurer and General Manager.

ETHICS AND CONFLICTS OF INTEREST

All participants in the investment process shall seek to act responsibly as custodians of the public trust according to this policy and the *Ethics* policy. Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment recommendations and decisions.

TYPES OF AGENCY INVESTMENTS

The Agency shall be governed by California Government Code Sections 53600, et seq. Within the investments permitted by the Government Code, the Agency seeks to further restrict eligible investments to those listed below. In the event an apparent discrepancy is found between this policy and the Government Code, the more restrictive parameters shall take precedence.

The Agency's portfolio shall be diversified by security type and institution to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase.

I. United States Treasury Issues

United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. There is no limitation as to the percentage of the portfolio that may be invested in this category.

II. Federal Agency Obligations

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. There is no limitation as to the percentage of the portfolio that may be invested in this category; however, not more than 30 percent of the portfolio shall be placed in any one Agency. Furthermore, purchases of callable Federal Agency obligations are limited to a maximum of 20 percent of the portfolio. In addition, purchases of Federal Agency mortgage-backed securities issued by or fully guaranteed as to principal and interest by government agencies are limited to a maximum of 20 percent of the portfolio.

III. Medium-Term Notes

Medium-term notes, defined as all corporate and depository institution securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or depository institutions licensed by the United States or any state and operating within the United States. Eligible investment shall be rated A by one or more nationally recognized rating service. A maximum of 30 percent of the portfolio may be invested in this category. The amount invested in medium-term notes with any one issuer in combination with any other investments from that financial institution or issuer shall not exceed 20 percent of the portfolio.

IV. Municipal Securities

Bonds, notes, warrants, or other evidences of indebtedness issued by the State of California or any California local agency. Securities eligible for purchase shall be rated A, as rated by one or more nationally recognized statistical-rating organization. A maximum of 30 percent of the Agency's portfolio may be invested in this category.

V. Negotiable Certificates of Deposit

Negotiable certificates of deposit (NCD) issued by a nationally- or state-chartered bank, a savings association or a federal association, a state or federal credit union, or a state-licensed branch of a foreign bank. No investments shall be made in a bank or credit union if a member of the Board, or any person with investment decision making authority also serves on the board of directors, or any committee appointed by the board of directors of the bank or credit union issuing the NCD. Purchases are limited to institutions which have long-term debt rated A or higher with a nationally recognized rating service; and/or have short-term debt rated at least A with a nationally recognized rating service. NCD may not exceed two years in maturity. A maximum of 30 percent of the portfolio may be invested in this category. The amount invested in NCD with any one financial institution in combination with any other investments from that financial institution or issuer shall not exceed 20 percent of the portfolio.

VI. Banker's Acceptances

Banker's Acceptances, otherwise known as bills of exchange or time drafts, are those which are drawn on and accepted by a commercial bank. Purchasers are limited to issuers whose short-term debt is rated A-1/P-1. Banker's Acceptances cannot exceed a maturity of 180 days. A maximum of 25 percent of the portfolio may be invested in this category. Furthermore, the amount invested in Banker's Acceptances with any one financial institution in combination with any other investments from that financial institution or issuer shall not exceed 20 percent of the portfolio.

VII. Commercial Paper

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

A. The entity meets the following criteria:

1) Is organized and operating in the United States as a general corporation.
2) Has total assets in excess of five hundred million dollars ($500,000,000).
3) Has debt other than commercial paper, if any, that is rated AA or higher by a nationally recognized statistical-rating organization.

B. The entity meets the following criteria:

1) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
2) Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
3) Has commercial paper that is rated AA-1 or higher, or the equivalent, by a nationally recognized statistical-rating organization.

Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10 percent of the outstanding paper of an issuing corporation. A maximum of 25 percent of the portfolio may be invested in this category. Furthermore, the amount invested in commercial paper with any one issuer in combination with any other investments from that financial institution or issuer shall not exceed 20 percent of the portfolio.

VIII. Repurchase Agreements

A. Repurchase agreements are to be used solely as short-term investments not to exceed 30 days. The Agency may enter into repurchase agreements with primary government securities dealers rated AA or better by two nationally recognized rating services. Counterparties should also have:

1) A short-term credit rating of at least A-1/P-1;

2) Minimum assets and capital size of $25 billion in assets and $350 million in capital;

3) Five years of acceptable audited financial results; and

4) A strong reputation among market participants.

B. The following collateral restrictions shall be observed:

1) Only U.S. Treasury securities or Federal Agency securities are acceptable collateral. All securities underlying repurchase agreements shall be delivered to the Agency's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement.

2) The total market value of all collateral for each repurchase agreement shall equal or exceed 102 percent of the total dollar value of the money invested by the Agency for the term of the investment.

3) For any repurchase agreement with a term of more than one day, the value of the underlying securities shall be reviewed on an on-going basis according to market conditions. Market value shall be calculated each time there is a substitution of collateral.

4) The Agency or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to repurchase agreement. The Agency shall have properly executed a Public Securities Association agreement with each counter party with which it enters into repurchase agreements. A maximum of 25 percent of the portfolio may be invested in this category.

IX. Time Certificates of Deposit

Time Certificates of Deposit (TCDs) placed with commercial banks and savings and loans. The purchase of TCDs from out-of-state banks or savings and loans is prohibited. The amount on deposit shall not exceed the shareholder’s equity of the financial institution. To be eligible for purchase, the financial institution shall have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided Government Code Section 53635.2. TCDs are required to be collateralized as specified under Government Code Section 53630, et seq.

The Agency, at its discretion, may waive the collateralization requirements for any portion that is covered by federal insurance. The Agency shall have a signed agreement with the depository per Government Code Section 53649. TCDs may not exceed one year in maturity. A maximum of 20 percent of the portfolio may be invested in this category. Furthermore, the amount invested in TCDs with any one financial institution in combination with any other investments from that financial institution or issuer shall not exceed 20 percent of the portfolio.

X. Passbook Savings Accounts

Passbook savings accounts placed with commercial banks and savings and loans. To be eligible to receive deposits, the financial institution shall have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided Government Code Section 53635.2. Passbook savings accounts are required to be collateralized as specified under Government Code Section 53630 et. seq.

The Agency, at its discretion, may waive the collateralization requirements for any portion that is covered by federal insurance. The Agency shall have a signed agreement with the depository per Government Code Section 53649. A maximum of 20 percent of the portfolio may be invested in this category. Furthermore, the amount invested in passbook savings accounts with any one financial institution in combination with any other investments from that financial institution or issuer shall not exceed 20 percent of the portfolio.

XI. Money Market Funds

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

A. The company shall have met either of the following criteria:

1) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

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

A maximum of 10 percent of the portfolio may be invested in this category.

XII. California Asset Management Program (CAMP)

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (n), inclusive of to Government Code Section 53601. There is no limitation as to the percentage of the portfolio that may be invested in this category.

XIII. State of California Local Agency Investment Fund (LAIF)

There is no limitation as to the percentage of the portfolio that may be invested in this category. However, the amount invested may not exceed the maximum allowed by LAIF.

Authorized Investments

The Treasurer and/or the authorized Investment Advisor shall have the authority to invest the Agency's financial resources as shown in the table below.

Investment Type	Authorized for the Investment Advisor	Authorized for the Agency Treasurer
United States Treasury Issues	X	X
Federal Agency Obligations	X	X
Medium-Term Notes	X	
Municipal Securities	X	X(1)
Negotiable Certificates of Deposit	X	X(2)
Banker's Acceptances	X	
Commercial Paper	X	
Repurchase Agreements	X	
Time Certificates of Deposit	X	X
Passbook Savings Accounts	X	X
Money Market Funds	X	X
CAMP	X	X
LAIF	X	X

(1) Municipal Securities must have an AAA rating.

(2) Negotiable Certificates of Deposit must have a minimum AA rating for long-term notes and AA-1 for short term notes.

TERM OF INVESTMENTS

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

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

PROHIBITED INVESTMENTS

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

I. No investment shall be made that has either (a) an embedded option or characteristic which could result in a loss of principal if the investment is held to maturity, or (b) an embedded option or characteristic which could seriously limit accrual rates or which could result in zero accrual periods.

II. No investment shall be made that could cause the portfolio to be leveraged.

III. Any security that could result in zero interest accrual if held to maturity shall not be made.

BANKS AND SECURITIES DEALERS

The Treasurer, with the concurrence of the General Manager, is authorized to make investments based on the recommendations of the Board approved investment advisor. For investments made by an investment advisor, the Board authorizes the investment advisor to use broker/dealers and financial institutions that the investment advisor has reviewed and approved for investment purposes. The investment advisor's approved list shall be made available to the Agency upon request.

PURCHASE, PAYMENT, DELIVERY, AND SAFEKEEPING

A competitive bid process shall be used to place all investment transactions. All security transactions entered into by or on behalf of the Agency shall be conducted on a delivery vs. payment basis. All securities shall be held in the Agency's name by a third party custodian designated by the Treasurer.

The only exception to the foregoing shall be depository accounts and securities purchases made with:

I. Local government investment pools;

II. Time certificates of deposit, and,

III. Money market mutual funds, since the purchased securities are not deliverable.

Evidence of each of these investments shall be held by the Treasurer.

PERFORMANCE

The Agency seeks to attain market rates of return on its investments throughout economic cycles, consistent with constraints imposed by its safety objectives and cash flow consideration. The Treasurer shall continually monitor and evaluate the portfolio's performance.

REPORTING

The Treasurer shall submit a monthly investment report to the Board. The report shall include the following information for each individual investment: description of investment instrument, issuer name, maturity date, credit rating, yield to maturity, purchase price, par value, current market value and the source of the valuation.

The report also shall:

I. State compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance,

II. Include a description of any of the Agency's funds, investments or programs that are under the management of contracted parties, including lending programs, and

III. Include a statement denoting the ability of the Agency to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money may not be available.

The report shall include a list of monthly investment transactions. This monthly report shall be submitted with the Board's monthly meeting agenda for public review.

POLICY #:	**532**
SECTION:	**FINANCIAL – TREASURY**
SUBJECT:	**Reserve**
DATE:	**11/13/2018**

POLICY

To maintain liquidity, stabilize rates, provide for contingencies, and prevent deficit cash position, the Agency shall maintain operating, capital, emergency, and insurance reserves in accordance with the procedures below. The Agency shall report reserve balances by designation in its monthly investment report to the Board.

PROCEDURES

Establishment of reserves ensure that the Agency has sufficient funding available to meet its operating and capital obligations, and provides better alignment of the Agency's resources identified in long-term financial plans to the funding requirements for the 10-Year Capital Improvement Plan. Adequate reserves promote the Agency's bond ratings in the capital markets; provide financing flexibility; avoid potential restrictive debt covenants; mitigate current and future risk; and ensure the JPA member agencies stable service charges.

I. General

The Agency's reserves shall be held in the Agency's Local Agency Investment Fund (LAIF) or California Asset Management Program (CAMP) accounts, either as short- or long-term investments in accordance with the Agency's *Investment* policy.

II. Reserve Fund Designations

Reserve designations better links the Agency's available cash resources, as reported in the Agency's Financial Statements, to the Annual Budget and Capital Improvement Program. The integration of reserve designations makes the annual budget a more comprehensive document because it accounts for the accumulation and usage of all available resources instead of just the anticipated revenues and expenditures for that fiscal year. This expanded budget view can be used to explain future sewer service charges or capital borrowing to all interested stakeholders. The establishment of cash reserve designations also enhances long-term planning and management of the Agency's financial resources.

III. Development, Management, Oversight, and Reporting of Reserves

The development, management, and oversight of Agency reserves is intended to be aligned with the development, management, and oversight of the Agency budget. During the annual budget development process, the Treasurer develops an initial projection of the Agency expenses and revenues for the upcoming year. The General Manager and Treasurer will propose allocations to and from the reserves based on this reserve policy, Agency priorities, and/or direction from the Board. The accumulation and uses of the reserves are a component of the annual budget and are subject to Board review and approval. The annual budget will also report the final status of the reserves for the prior year based on the audited financial statements.

Consistent with the established *Annual Budget* policy, the General Manager, with approval from the Chair of the Board, is authorized to expend up to $100,000 directly from any of the unrestricted reserve accounts in the event of an emergency situation that would directly and critically affect the Agency's operations. The General Manager shall report to the Board the circumstances requiring the expenditures at its next meeting. Otherwise, Board approval is required prior to any transfer or expenditures of reserve funds that were not previously budgeted.

Board authorization is required to establish any new reserve designations.

IV. Reserve Types

Two major categories of reserve funds have been established: Restricted Reserves and Unrestricted Reserves.

A. <u>Restricted Reserves</u>

These reserves represent assets that are legally or contractually obligated for a specific purpose. Typically, the Board does not have the authority to modify or remove these restrictions or reserves.

B. <u>Unrestricted Reserves</u>

These reserves represent assets for future spending plans. The Board does have the authority to establish, modify, or remove these reserves.

Deductions (i.e., payments) from either reserve type shall follow documented Agency administrative and procurement policies and procedures. Any addition of new or removal of existing reserve types will require an update to this policy and subsequent Board approval.

V. Designations for Reserves

The Agency has established the following designations for the restricted and unrestricted reserves.

A. Designations for Restricted Reserves

1) <u>Capacity Charges</u>: The CA Government Code requires separate accounting of capacity charges and the application of interest to outstanding balances. The Agency shall use capacity charges on a first-in-first-out basis to finance current year capital projects. In the event that the amount collected in any given year exceeds capital project expenses, the Agency would have to hold the excess funds for future use. Should this situation occur, the excess funds will be placed in this Capacity Charge Reserve. Staff would then recommend these funds as a proposed

funding source for the following fiscal year's Capital Improvement Program.

2) Coverage from Debt Service: This is a contractually obligated requirement from revenue bond rate covenants and represents 25% of the debt service payment that is collected from the JPA member agencies semi-annually. The expenditure of these funds is solely for the Capital Improvement Program.

Funds are added to this reserve after each debt service contribution from the member agencies. Funds received in the fiscal period collected cannot be expended in that same fiscal year. Funds remain in this reserve until budgeted; these funds are preferentially used to fund approved projects from the Capital Improvement Program.

The distinction between this restricted reserve and the unrestricted Capital Improvement Program Reserve is in the source of funding. The Reserve for Coverage for Debt Service is considered to be restrictive due to Bond Indenture requirements that limit its usage to capital expenditures. The Capital Improvement Program Reserve is considered to be unrestrictive because its source is from service charges and/or other general purpose revenues and thus could be available to fund non-Capital expenses.

B. Designations for Unrestricted Reserves

The source of funds for these reserves is from service charges and/or other general purpose revenues. When funds are available for unrestricted reserves, they should be allocated to maintain the reserve requirements in the following preferential order. All allocations to reserves are subject to Board review and approval.

1) Operating Reserve for Economic Uncertainties: This reserve represents three months funding for general Agency operations. Funding will be adjusted annually to maintain three months of operational funding.

2) Capital Improvement Program: This Reserve funds projects and initiatives from the Capital Improvement Program. The target funding level will be determined in conjunction with the Agency's 10-Year Capital Improvement Program and financial model.

The distinction between this reserve and the Coverage from Debt Service Reserve is the source of funding. This reserve is considered to be unrestricted because its source is from service charges and/or other general purpose revenues and thus could be available to fund non-Capital expenses at the Board's discretion. The Coverage from Debt Service Reserve is considered to be restricted due to Bond Indenture requirements that limit its usage to capital expenditures.

3) <u>Self-Insurance Reserve and Deductibles</u>: This reserve represents the deductible portion for the various insurance policies carried by the Agency. The Agency funds insurance premiums from the operating budget; however the operating budget would not be able to absorb the deductible portion for insurance claims that are filed. The funding level is $100,000 and should be adjusted if there are changes to policy coverages or deductibles.

4) <u>Contingency, Emergency, and Future Designations</u>: This reserve serves as a contingency for unforeseen or unanticipated emergencies and other to-be-determined items. The funding level is $250,000.

POLICY #:	**540**
SECTION:	**FINANCIAL – EXPENDITURE MANAGEMENT**
SUBJECT:	**General**
DATE:	**11/13/2018**

POLICY

The Agency shall provide for authorized transactions only in accordance with expense categories adopted in the annual budget.

PROCEDURES

The budget adopted by the CMSA board serves as the policy document governing Agency expenditures. Operating expenditures are managed and categorized as Agency-wide, by department, and by major or special funding sources as shown in the Adopted Budget.

I. Employee Compensation and Benefits

Agency staff shall follow applicable federal and state laws and regulations for administering the Agency's employee compensation and benefits. The specifics of Agency compensation and benefits are defined in Agency documents, such as:

A. Personnel Policies and Procedures manual;

B. Memorandums of Understanding and other agreements with employee groups;

C. Agreements with CalPERS for health and retirement benefits; and

D. Agreements with other benefits providers.

Agency staff shall perform payroll processing on a bi-weekly basis covering a two-week period beginning on Sunday, ending on Saturday, with payment on the following Friday. Other types of payroll transactions such leave cash-out will also be processed in conjunction with the bi-weekly payroll schedule. All payroll changes shall require a completed personnel action form with authorization by the appropriate managers and employees, where applicable, prior to any changes being made in the payroll system.

II. Accounts Payable

Agency staff shall adhere to the following policies when conducting Agency procurement and expenditure activities: *Policy Framework, Signature Authority, Contracting,* and *Purchasing.*

All expenditures will include the appropriate support documentation (e.g., purchase order, invoice, account statement, receipt, and packing slip) and shall be approved by the Department Manager and/or General Manager. According to Generally Accepted Accounting Principles (GAAP), Finance staff shall review and record in a timely manner all accounts payable to ensure the proper recognition of expenses and liabilities. Finance staff shall charge payables to the proper accounting period based upon the date the services were provided and perform a monthly reconciliation of accounts payable.

III. Petty Cash

Agency staff shall maintain a petty cash account that can be used for cash transactions. Disbursements from petty cash shall be pursuant to the *Purchasing policy*.

POLICY #:	**541**
SECTION:	**FINANCIAL – EXPENDITURE MANAGEMENT**
SUBJECT:	**Travel, Training, and Other Business Expense Reimbursements**
DATE:	**11/13/2018**

POLICY

The Agency shall reimburse employees for authorized business-related expenses for travel, training, and other business purposes using authorized amounts.

PROCEDURES

This policy defines the authorization, payment, and reimbursement of travel, training, and other business expenses incurred by Agency staff while conducting Agency business.

I. GENERAL

The General Manager shall establish procedures for authorizing, paying, restricting, and reimbursing employees for travel, training, and other business-related expenses. Travel per diem rates shall be adjusted at the beginning of each calendar year based on the change in the Consumer Price Index-Urban/San Francisco-Oakland-San Jose for the prior February-to-February period, rounded up to the nearest $0.50. The Board shall review and approve the per diem rates when they exceed 120% of the February 2015 rates.

The per diem rates for meals, gratuities, and incidentals as of February 1, 2018 are as follows:

TRAVEL PERIOD	FEBRUARY 1, 2018 PER DIEM	MAXIMUM PER DIEM RATE (120% of FEB. 2015)
Overnight Travel per 24-hour period	$91.00	$101.00
Travel between 12 and 24 hours	$68.00 or 75% of Overnight Travel Rate	$76.00
Daily travel less than 12 hours	Breakfast $13.00 Lunch $17.00 Dinner $26.00	Breakfast $14.50 Lunch $18.00 Dinner $29.00

An employee who has been issued a State of California Purchase Card (Agency credit card) shall also comply with the *Purchasing policy*, when using the purchase card for travel and training related expenses. Each employee is responsible for the expenses that he/she incurs while traveling on Agency business. The employee is encouraged to consult with their supervisor should they have any questions about travel related expenses.

II. Required Authorization

Agency staff shall obtain supervisory, department manager, and/or General Manager approval, as prescribed in the established procedures, prior to incurring any Agency expenses related to travel or other business functions. When alternatives are available, the Agency will pay for the least cost alternative.

All Agency staff shall provide a full accounting for all meeting and travel related expenses, with receipts, regardless of whether the expense was advanced or prepaid by the Agency or incurred directly by the employee. The accounting will be submitted to the employee's supervisor, department manager, Administrative Services Manager, and/or General Manager for approval. The Administrative Services Manager will review the accounting and determine the reimbursement to the employee or the repayment for advances to the Agency, whichever is applicable.

The decision of the General Manager shall be final in situations where there are conflicts of opinion regarding the appropriateness of reimbursements.

III. Federal Income Tax Withholding (FITW)

This policy and related procedures shall comply with the IRS definition of reimbursements and accountable expenditures per *IRS Publication 463*. Advances or reimbursements made to employees for purposes specified in this policy are generally not subject to FITW, and thus not reported as other compensation on the employee's annual W2-Wage and Tax Statement. Any employee who does not follow this policy when requesting an advance and/or reimbursement will be solely responsible for any federal and state tax liabilities that result from the receipts of Agency funds.

POLICY #:	**550**
SECTION:	**FINANCIAL – FINANCIAL PLANNING**
SUBJECT:	**Annual Budget**
DATE:	**04/09/2019**

POLICY

The Board of Commissioners shall adopt a comprehensive balanced annual or biennial budget for the Agency prior to the start of the fiscal year (July 1 to June 30).

PROCEDURE

The annual budget is a document specifying the allocation of Agency resources for the priorities approved by the Board of Commissioners for the fiscal year. The adoption of a fiscal year budget by the CMSA Board is a statutory requirement for California public agencies, and is also specified in the Agency's Joint Powers Agreement.

The annual budget that is presented to the Board for adoption shall include the following components:

- Departmental budgets with three-year budget comparisons: prior fiscal year, current fiscal year approved budget and projected expenditures, and proposed budget for the upcoming fiscal year;
- Descriptions and explanations of specific revenues and expenditure categories and line-items;
- Funding for the Agency's annual OPEB (retiree medical expenses) contribution, pursuant to the Agency's OPEB Funding Plan.
- Identification of Agency staff responsible for routinely monitoring, tracking, and making transaction decisions with respect to specific budget categories and/or line-items within each department budget;
- Allocation of Regional/Sewer Service Charges to JPA Members and San Quentin;
- Allocation of Debt Service Charges to JPA Members and San Quentin;
- 10-Year Capital Improvement Program with budget allocations for capital projects and initiatives;
- Proposed accumulations and uses for Agency reserves; and
- 10-Year Financial Forecast.

I. Budget Development

The annual budget represents the Agency's financial blueprint to maintain effective wastewater operations that comply with the Agency's various operating permit requirements. The budget describes the funding requirements and operating costs associated with providing wastewater services, and the maintenance, replacement, and improvement of the facility infrastructure and assets. It shall include, but is not limited to, the following sections:

A. Revenue Budget

The Revenue Budget shall detail and describe each salient revenue category, including, but not limited to, sewer service charges, capacity charges, permit fees, revenues from contract and program services, fees for wastewater and organic waste disposal at Agency facilities, and revenues for debt service payments and coverage.

B. Expenditure Budget

The Expenditure Budget shall be organized by department. Specific line-items for each department shall be detailed, described, and explained for each salient operating expenditure category, including, but not limited to, salaries, benefits, professional services and studies, permits and fees, materials and supplies, facilities maintenance, equipment, treatment plant operations, and miscellaneous administrative expenses.

Included in the Expenditure Budget is the annual Actuarially Determined Contribution (ADC) for Other Post-Employment Benefits (OPEB) pursuant to the most recent GASB 75 actuarial valuation report. The annual ADC consists of medical benefit reimbursement payments to retirees as well as transfers to the OPEB trust.

C. 10-Year Capital Improvement Program (CIP)

The CIP shall include the proposed capital expenditure budget for the upcoming fiscal year as well as the planned projects and initiatives for the following nine fiscal years. Each project shall be clearly described. The Board shall approve the following fiscal year proposed projects as part of the annual budget approval, and conceptually approve the projects shown in the following nine fiscal years.

D. 10-Year Financial Forecast

The Forecast shall present a multi-year comparison of the previous fiscal year's actual performance, current fiscal year's projected performance, and a ten-year projection of future revenues by all sources, expenditures, and the accumulation and use of reserves. The forecast shall guide the Board in determining current and future operating and CIP funding to meet the Agency's financial and operational needs and objectives.

At the discretion of the Board, the annual budget may also include policy statements, directives, and funding plans that explain and describe operational, capital, and/or organizational approaches for managing and handling the Agency's business and assets. Statements regarding performance accomplishments, objectives, and measurements may be included.

The General Manager shall present a draft annual budget to the Board for review no later than the May Board meeting, prior to the start of each fiscal year. The Board shall consider approving the annual budget at the June Board meeting, prior to the start of each fiscal year.

II. Budget Reporting

During the fiscal year, the Agency's actual revenues and expenditures shall be tracked to the appropriate budget line-items to manage the Agency's financial and operational condition. Quarterly budget status reports of revenues, and operating and capital expenditures by category shall be provided to the Board for its review.

III. Budget Transfers

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

IV. Budget Amendments

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

The Board shall approve budget amendments that would increase the total aggregate fiscal year budget, based on the evaluation and recommendation of the General Manager that the proposed amendment meets the intent and purpose of this policy.

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

V. OPEB Funding Plan

The OPEB trust is maintained with the California Employers' Retiree Benefit Trust (CERBT). The purpose of the CERBT is to provide future funding of post-retirement medical benefits for eligible retirees. Transfers to the CERBT are irrevocable and monies in it may only be used to pay eligible medical benefits.

The OPEB Funding Plan includes funding, investment earnings, and medical expense transactional activity by year for a 20-year period. The original OPEB Funding Plan Worksheet, approved by the Board on April 9, 2019, and any adjusted worksheets will be included in the Agency's budget. The Plan will require annual monitoring to ensure it is meeting the objectives of CERBT earnings paying future medical benefits, while not becoming overfunded. Overfunding is anticipated when the CERBT has greater than $2.2 million in 20 years.

<u>CERBT Funding</u>: The CERBT will be funded annually with the Net ADC amount from the GASB 75 Actuarial Valuation Report. Agency funding will continue until the CERBT has adequate funds to pay future retiree medical expenses, without becoming overfunded.

<u>CERBT Use</u>: When the CERBT is projected to have adequate funds and avoid the overfunding level, it will be used to fund retiree medical benefits which include CalPERS medical premiums and retiree medical expense reimbursements.

<u>Plan Adjustments</u>: Based on the annual monitoring, staff will adjust the investment earnings interest rate, retiree medical cost, and the projected medical expense rate increase, and make necessary Plan funding and/or investment strategy changes to meet the Plan objectives.

POLICY #:	**551**
SECTION:	**FINANCIAL – FINANCIAL PLANNING**
SUBJECT:	**Capital Improvement Program**
DATE:	**11/13/2018**

POLICY

A Capital Improvement Program shall be prepared as an integral part of each adopted budget.

PROCEDURE

The Capital Improvement Program (CIP) describes and explains the Agency's capital projects, delineated by type of capital project and funding source, over ten fiscal years (including the upcoming fiscal year). The CIP is a planning document that provides the Agency with an opportunity to evaluate and assess its capital needs from financial, engineering, operational, and planning perspectives.

I. General

The Agency's CIP Committee will prepare an updated 10-year CIP during the budget development process for each fiscal year. A 10-year CIP provides the Board, JPA member agencies, customers, public financing institutions, and other stakeholder groups with a sufficient long-term perspective on CMSA's infrastructure improvements and capital financial needs. It also acts as a planning document that projects future project costs on a reasonable escalated basis for the fiscal years in which the costs are planned to be expended. The Board shall review the 10-Year CIP as part of the annual budget process, and the first year of the 10-Year CIP shall be incorporated into the Agency's Annual Budget for adoption. The later years of the 10-Year CIP will be incorporated into the Agency's 10-Year Financial Forecast.

II. CIP Schedules, Project Descriptions, and Reporting

The CIP Committee shall prepare a CIP schedule which will include a description of each capital activity, an explanation of the need for the project, estimated project costs, and proposed project delivery method. During the fiscal year, Agency staff shall track and monitor actual capital expenditures against the appropriate budgeted projects to assist in managing the individual capital accounts. Agency staff shall provide periodic CIP status reports to the Board for its information, review, and possible management direction.

The projects and initiatives in the CIP are grouped into the following four categories:

A. Facilities Improvements: roofing, paving, coating/sealing, etc.

B. General Equipment: vehicles, lab and communications equipment, etc.

C. Treatment of Liquids: flow meters, turntable drives, pumps, etc.

D. Treatment of solids and energy generation: digesters, sludge pumps, heat exchangers, cogeneration system, emergency generator, biogas treatment systems, boilers, etc.

The determination of the types of projects, initiatives and activities that are included in the CIP can be based on the following characteristics:

A. Procurement of equipment, vehicles or fixed assets

B. Replacement of existing equipment/infrastructure with similar items

C. Engineering study, pre-design work, and design of new processes or facilities

D. New modifications to existing facilities

POLICY #:	**552**
SECTION:	**FINANCIAL - FINANCIAL PLANNING**
SUBJECT:	**10-Year Financial Forecast**
DATE:	**11/13/2018**

<u>POLICY</u>

The Agency shall prepare a ten-year financial forecast with each annual budget.

<u>PROCEDURE</u>

The 10-Year Financial Forecast is a long-term examination of the Agency's projected operating status. It provides a strategic perspective and direction for the budget process and serves as a long-term financial planning document.

Agency staff shall prepare a 10-year forecast of the Agency's financial resources that includes a status and projection of revenues by source, expenditures, capital requirements, and accumulation and use of reserves. The forecast is a multi-year comparison of actual revenues and expenditures from the prior fiscal year, a projection of the current fiscal year revenues and expenditures, and a 10-year projection of future resources and expenditures. Agency staff shall present the forecast for Board review as part of the annual budget process and the forecast shall also be included in the Agency's annual budget.

I. Guidance

The forecast will delineate revenues by source, operating expenditure by category, and total annual capital expenditures. Projections and analytical assumptions that are used in the forecast will be guided by Board directives, analyses of anticipated operational changes, Agency contract obligations, economic trends and indices, and financial data from prior fiscal years, along with other relevant financial and analytical perspectives. Balances of revenue and expenditures will be evaluated to determine application and availability of restricted and unrestricted cash reserves in the forecast as well as to meet Board directives regarding the reserve fund balance.

The forecast will assist the Board in determining the required current and future sewer service charge revenues to meet the Agency's financial and operational needs and objectives.

The Board may request periodic revisions to the forecast apart from the annual budget process to assist with decisions on the future direction of the Agency.

POLICY #:	**553**
SECTION:	**FINANCIAL – FINANCIAL PLANNING**
SUBJECT:	**Debt Financing and Management**
DATE:	**11/13/2018**

POLICY

The Agency may use long-term debt to finance capacity expansions and major capital replacement or rehabilitation subject to the requirements described below.

PROCEDURE

This policy is designed to ensure that when the Agency issues debt, or borrows from private or governmental sources, that the debt load is managed prudently to maintain the Agency's sound fiscal condition and protect its credit quality.

I. General

The General Manager shall make recommendations to the Board of Commissioners concerning debt financing to fund the Agency's capital improvement program needs. Generally, recommendations shall be presented prior to the Agency's annual budget development process. Recommendations may be made at other times during the fiscal year to meet immediate Agency capital improvement needs and/or as relevant debt financings are made available to the Agency.

The Administrative Services Manager shall be responsible for managing, implementing, and overseeing debt management for the Agency. These duties shall include, but are not limited to, developing an effective debt management program, accounting and analyzing debt, and coordinating with the General Manager and department managers to determine and recommend the need for debt financing to meet the Agency's capital improvement needs. Agency staff shall ensure that the Agency's debt financing and issuances are consistent with the Agency's Joint Powers Agreement, and applicable federal and state financing and tax laws.

II. Conditions for Debt Financing

Based on the recommendation of the General Manager, the Board shall approve borrowing or debt issuance to finance major capital projects. The Board shall consider long-term and short-term debt financing mechanisms as appropriate to meet the objectives of the Agency's capital needs. The Board shall limit debt to financing the costs of planning, design, engineering, regulatory permit requirements, land acquisition, environmental review, infrastructure, equipment, debt issuance, and any other project costs permitted by federal, state, and local laws for public agencies.

When making a determination to proceed with debt structuring and financing, the Board shall consider the Agency's financial condition, sources of funding for the annual debt service payment, the Agency's ability to repay the debt without fiscal disruption to its effective operations and maintenance, economic trends affecting the Agency, financial benchmarks of other similar public agencies, and any existing and overlapping Agency debt. The Board shall consider the least costly financing mechanisms available, such as federal and state loan programs, when planning debt issuances and financing opportunities to take advantage of financial market conditions when possible.

The Board will approve debt financing for capitalized expenditures based on the economic value and useful life of an asset. The term or the maturity of the debt financing should be consistent with the useful life of the asset to be financed.

The Board shall consider and approve cost-effective credit enhancements such as debt insurance or letters of credit as mechanisms to improve credit ratings and guarantees for principal and interest payments.

The Board shall consider debt refunding to refinance outstanding debt that would reduce interest costs to the Agency, and/or remove any burdensome, restrictive, or irrelevant debt covenants. When approving debt refunding, the Board shall consider present value savings and other benefits to the Agency of restructuring the debt.

III. Investment of Debt Proceeds

Agency staff shall explicitly follow its *Investments policy* and any indenture documents or debt issuance agreements that are part of the debt financing program when investing debt proceeds.

IV. Commingling of Debt Proceeds with Operating Funds

Debt proceeds shall not be commingled with operating funds.

V. Terms of Debt Issuance

a) *Authorized Debt* – the Agency is authorized to issue debt of any type or character available to California special districts.

b) *Terms of Debt* – debt maturity shall not exceed the useful life of the project; new debt shall be parity with existing debt; new debt shall be callable; debt may be refunded for savings or covenant removal; the Agency shall comply with all covenants, coverage tests and arbitrage requirements; amortization shall be level payments; and minimum debt is $2M.

c) *Debt Coverage* – the Agency shall set minimum debt coverage at 125% to provide funding for pay-as-you-go recurring capital replacement.

d) *Debt Affordability* – the Agency shall benchmark its debt level with rating agency ratios, debt per capita, or with other local agencies to monitor and measure debt affordability.

e) *Debt Issuance Process* – transactions may be negotiated or competitively bid depending upon nature, use, understandability, and whether or not revenuegenerating. The Agency shall select a financing team for its debt issuance needs.

f) *Prohibited Uses* – the Agency shall not use long-term debt to fund current operating costs; the Agency shall not refinance long-term debt with short-term debt due to exposure risk.

POLICY #:	**554**
SECTION:	**FINANCIAL – FINANCIAL PLANNING**
SUBJECT:	**Risk Management and Insurance**
DATE:	**11/13/2018**

POLICY

The Agency shall maintain adequate insurance coverage for all of its insurance needs.

PROCEDURE

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

POLICY #:	**555**
SECTION:	**FINANCIAL - FINANCIAL PLANNING**
SUBJECT:	**Multi-Year Revenue Plan**
DATE:	**11/13/2018**

POLICY

CMSA shall develop and adopt a multi-year revenue plan to provide adequate funding for Agency operations, capital activities, and debt service, as well as maintaining Board designated reserve levels.

PROCEDURE

I. Beginning in the last year of the current Board adopted revenue plan, staff and the Board's Finance Committee will prepare a revenue plan development schedule that is designed so that a new revenue plan will be adopted prior to each JPA agency Board's consideration of their next fiscal year's draft budget.

II. The Committee will consider using the following revenue plan guiding principles when developing the Agency's revenue plan alternatives.

- Use a 5-year revenue planning period based on a 10-year rolling financial forecast
- Balance the operating budget over the planning period
- Maintain the operating reserve at 25% of the annual operating expenses
- Ensure adequate funding for the capital improvement program during the planning period
- Maintain a CIP reserve at an amount equal to the annual average value of the 10-year CIP
- When feasible, use current revenues to fund CIP projects
- Secure low-interest State Revolving Fund loans or issue debt to fund the balance of CIP projects
- Target a CMSA average EDU rate increase of less than 4% per year
- Keep the CMSA Board and JPA managers briefed on the Finance Committee's work

III. Revenue plan alternatives, considering the above guiding principles or Board amended principles, will be developed by the Committee and presented to the Board for review and discussion, and ultimately, selection of a preferred alternative.

IV. The Board adopted revenue plan will be communicated to the JPA member agencies, and incorporated into the Agency's upcoming fiscal year's budget and revised 10-year financial forecast

POLICY #:	**560**
SECTION:	**FINANCIAL – PROCUREMENT MANAGEMENT**
SUBJECT:	**Signature Authority**
DATE:	**11/13/2018**

POLICY

This policy establishes signature authority for the Agency's procurement types listed below.

PROCEDURES

This policy defines the signature approval levels within the Agency for the following types of procurement transactions:

- Purchase Orders
- Professional Services Agreements
- Maintenance Service Agreements and Contracts
- Equipment Procurement
- Materials & Supply Contracts
- Construction Contracts and Change Orders

I. Procurement Transactions

The General Manager shall approve procurement transactions equal to the amount specified by the California Uniform Construction Cost Accounting Commission (CUCCAC) for utilizing alternative bidding procedures for public project work. The table below shows each procurement transaction type with its governing CUCCAC Tier and the General Manager's signature authority for each transaction type. By ordinance, the Agency established bid cost thresholds and procedures in accordance with CUCCAC. Dollar amounts indicated are the CUCCAC limits as of the effective date of this policy, and will be adjusted over time as the CUCCAC limits are updated.

Transaction Type	CUCCAC Tier	General Manager Authority
Purchase Orders	Tier I	Less than $60,000
Professional Services Agreements	Tier I	Less than $60,000
Maintenance Service Contracts	Tier I	Less than $60,000
Equipment Procurement	Tier I	Less than $60,000
Material & Supply Contracts	Tier I	Less than $60,000
Construction Contracts – Administrative	Tier I	Less than $60,000
Construction Contracts – Informally Bid	Tier II	Between $60,001 and $200,000
Construction Contracts – Formally Bid	Tier III	Must be approved by CMSA Board

The Board of Commissioners shall approve procurement transactions greater than the current CUCCAC Tier amounts and shall approve all formally bid construction contracts. The General Manager shall establish the signature authority amount limits for Agency staff.

II. Construction Change Order Limits

The construction change order (CCO) approval and signatory authority limits shall be as indicated in the table below:

Construction Amount Tier	General Manager Change Order Limits
1) <u>Less Than $300,000</u> a) Change Order Limit b) CCO limit if schedule impacted*	 $30,000 $55,000
2) <u>$300,000 to $1,000,000</u> a) CCO limit b) CCO limit if schedule impacted*	 10% of construction contract amount 20% of construction contract amount
3) <u>Greater Than $1,000,000</u> a) CCO limit b) CCO limit if schedule impacted*	 $100,000 $200,000
4) Emergency situations for any size project	CMSA Board Chair approval if schedule impacted*, with subsequent ratification by CMSA Board

* As determined by CMSA staff.

A. <u>Reporting to the Board</u>

The Board shall receive the following change order reports from the General Manager, as appropriate:

1) CCO aggregate amount if it approaches the specified limit;

2) Periodic change order and contract update; and

3) An economic analysis of the project costs at the construction contract's completion.

III. Payment Transactions

The General Manager or designee shall approve payments up to the signature authority limits under Procurement Transactions, above. The General Manager shall approve all professional services and contractual progress payments regardless of amount after the contract(s) is approved and awarded.

Agency staff designated as responsible for specific line-items and/or categories in the adopted Agency's annual budget shall be responsible for reviewing single payments, which are related to the transactions covered by this policy, other Procurement Management policies and related procedures. These Agency staff shall approve single payments up to the signature authority established by the General Manager. Approval shall be based on justifying and verifying that the related work, services, and/or materials and supplies are completed per the scope of the procurement document.

POLICY #:	**561**
SECTION:	**FINANCIAL – PROCUREMENT MANAGEMENT**
SUBJECT:	**Contracting**
DATE:	**07/14/2020**

POLICY

The Agency shall award construction, maintenance, and service contracts using appropriate and transparent procedures that comply with state laws and other Agency policies and procedures.

PROCEDURE

This policy provides direction regarding how contracts and purchase orders should be awarded, processed, and approved to ensure integrity and consistency with established Agency policies and legal requirements. It also ensures that the most efficient, cost-effective, transparent, and accountable processes are used to select the most qualified service provider, and the most cost-effective materials and supplies vendor.

I. Approval

This *Contracting* policy is used in conjunction with the *Signature Authority* policy.

II. General Procedures and Processes

The General Manager shall establish the contracting procedures for the Agency. The Agency will standardize the contract development and engagement process to ensure selection of a responsive and responsible contractor and/or supplier to meet the purpose of this policy and that comply with relevant state laws.

These procedures will ensure proper contract awarding, and negotiated and sole source procurements, which include, but are not limited to, scope of work, quotations, proposals, bids, determining contractor and vendor qualifications, selecting proprietary sources, and emergency procurement.

The General Manager shall ensure that the contracting and purchase order processes are conducted in an efficient, transparent, and cost-effective manner. In doing so, effective and appropriate planning, timing, specifications, terms and conditions, pricing strategies, risk management, consolidating, and multiple quoting of contracts and purchases shall be considered. At the General Manager's discretion, the contract terms, conditions and forms may be reviewed by legal counsel before the contract is executed.

III. Contracting and Procurement Processes

Agency staff shall follow contracting processes according to the Uniform Public Construction Cost Accounting Act (UPCCAA and California Public Contract Code 20800), et seq. for Sanitary Districts. Construction projects performed under contract shall be evaluated under the following bidding parameters:

A. If the estimated cost of a project is less than the Tier I amount (refer to the *Signature Authority* policy) the General Manager will execute a Maintenance Contractor Service Agreement for the defined services.

B. If the estimated cost of a project is within the Tier II amount, the project will be informally bid and the General Manager has the authority to execute a construction contract agreement.

C. If the estimated cost of a project exceeds the Tier III amount, the project will be formally bid and the construction contract is subject to Board approval.

IV. Professional Services Agreements

Agency staff shall follow the following parameters for evaluating professional services contracts. Selection of consultants for professional service agreements shall be based upon demonstrated experience and competence, and shall consider and evaluate the consultant's suggested approach, scope of work, proposed team members and availability, proposed fees, relevant experience, and other qualifications that are in the best interest of the Agency.

A. For those services within the General Manager's signature authority, the General Manager has the discretion to negotiate an agreement directly with a consultant unless he/she determines that it is in the best interest of the Agency to conduct a formal request for proposal (RFP) process.

B. For those services that exceed the General Manager's signature authority, the consultant shall be selected by an RFP process. The contract shall be awarded to the most qualified service provider by the CMSA board.

The table below links the professional services agreement fee, selection process, and contract approval authority with the Uniform Construction Cost Accounting Act's financial tiers.

UCCAA Tier	Professional Services Agreement Fee*	Approval	Service Provider Selection Process
Tier I	Less than $60,000	General Manager	GM discretion – task order, single proposal, or multiple proposals
Tier II	Between $60,001 and $200,000	Board	Letter RFQ and/or RFP issued to at least two firms with selection based on evaluative process
Tier III	Greater than $200,000	Board	Formal RFQ and/or RFP package issued to at least three firms with selection based on evaluative process

* Fees ranges will automatically adjust as the UCCAA tiers are changed by the state legislature.

V. Maintenance Service Contracts

Agency staff shall follow the following parameters for evaluating maintenance service contracts. Maintenance services are those activities defined by UPCCAA as, (1) routine, recurring and usual work for the preservation or protection of a publicly owned or operated facility for its intended purposes, (2) minor repainting, (3) landscape maintenance, or (4) work performed to keep, operate, and maintain publicly owned waste disposal systems.

A. For those CUCCAC Tier I maintenance services within the General Manager's signatory authority, the General Manager has the discretion to negotiate an agreement directly with a service provider unless he/she determines that it is in the best interest of the Agency to conduct a formal request for quotes from multiple service providers.

B. For those maintenance services that exceed the General Manager's signature authority, the service provider shall be selected by a request for quotes or bidding process. The maintenance contract shall be awarded by the CMSA Board to the service provider with the lowest cost that can provide the defined scope of services and meet CMSA's qualification requirements.

VI. Equipment, Materials, and Supplies Procurement

Agency staff shall conduct the following processes for procuring equipment, materials and supplies.

A. For the purchase of equipment, materials, and/or supplies whose costs are within the General Manager's signatory authority, such procurements shall be performed under the *Purchasing* policy.

B. For the purchase of equipment, materials, and/or supplies that require the Board's approval, contracts or purchase orders shall be awarded to a vendor/supplier using the Agency's Equipment Procurement and Material Procurement policies, unless sole source procurement is justified and approved by the Board.

VII. Cooperative Agreements

The General Manager shall determine when the Agency may enter into intergovernmental cooperative agreements to achieve economies of scale, promote Agency goals and objectives, or where it is financially advantageous.

Cooperative agreements may be used when the Agency can join contractually with other public agencies to meet mutual contractual needs. Such agreements may be bid or negotiated together with the cooperating agencies, or utilize new or existing contracts that allow for cooperative arrangements.

VIII. Contract Amendment Authority

Agency staff shall have the following authority to amend or modify terms, conditions, and provisions in approved contracts and agreements, if the change benefits the Agency.

A. Staff approved contracts: Administrative and technical changes are authorized if they do not impact the total contract cost. If there is a cost impact, the sum of the contract amount and the additional cost does not exceed the limits in the Signature Authority Policy.

B. Board approved contracts: In construction contracts, any change is authorized if it doesn't result in a cost impact that exceeds the contract's construction change order authority limit in the Signature Authority Policy. For all other contracts, any change is authorized if it doesn't result in cost increase beyond the contracting authority in the Signature Authority Policy.

Amendments that exceed the staff delegated signature authority shall be brought to the CMSA Board for consideration.

POLICY #:	**562**
SECTION:	**Financial – Procurement Management**
SUBJECT:	**Purchasing**
DATE:	**11/13/2018**

POLICY

Procurement shall use appropriate non-contracted selection methods for purchasing activity as described below.

PROCUREMENT METHODS

This policy is associated the *Signature Authority* policy. The process for complying with each method of procurement is explained below.

I. Blanket Purchase Order

At the beginning of each fiscal year, finance staff shall establish and distribute a list of blanket purchase order (open account) numbers, based on requests by department managers, to be used for purchases less than $500. Agency staff shall communicate to the vendor the specific assigned purchase order (PO) number when making purchases to ensure the number is on all vendor invoices and related documents.

In lieu of creating an open account, vendors may provide business credit cards to the Agency. With discretion, the General Manager shall approve applications for these types of cards after review by the Administrative Services Manager. The cards shall be used for purchases of less than $500, and may only be used at the business where the card was issued. Department managers shall designate the employees who are allowed to use these types of cards when purchases need to be made. Until an invoice is received, the designated employees or finance staff shall keep a record of the purchase to provide supporting documentation for payment processing. These cards shall be governed by the Use of Card policies stated under the Purchase Card section below.

II. Purchase Order

Agency staff shall use a purchase order for purchases for, 1) vendors with open accounts in amounts greater than or equal to $500, or, 2) vendors without open accounts. All purchase orders shall be in writing using the appropriate form and documentation, have the appropriate approvals, and be submitted to the vendor for processing.

III. Petty Cash

Agency staff may use petty cash for purchases of $50 or less with vendors unable to establish an open account with the Agency and for necessary small infrequent expenses. These expenses may include supplies, parts, bridge tolls, attendance at offsite meetings and trainings, and multi-Agency meetings. All requests for petty cash disbursements shall be in writing using the appropriate form and approved by the department manager. The General Manager may authorize a petty cash disbursement greater than $50 if it is determined to be a prudent and appropriate payment or reimbursement method, and in the best interest of the Agency. Petty cash disbursements are made by the Administrative Assistant, Administrative Services Manager, or other employees designated by the General Manager.

IV. State of California Purchase Card Program

The Board of Commissioners shall approve the number and type of management, supervisory, and administrative positions that are authorized to use purchase cards. The General Manager shall issue the cards to the specific employees and establish procedures for the appropriate use for making Agency-specific purchases when the above purchasing methods are impractical, inefficient, or not applicable. Monthly credit limits shall be set at $3,000 for supervisors/designated staff and $5,000 for department managers.

The Administrative Services Manager will serve as the administrator of the Agency's purchase cards, and will manage the Agency's account in accordance with the requirements of the Purchase Card Program and the Agency's policies, including, but not limited to, assigning purchase cards and purchase limits to authorized employee card holders, collecting and cancelling cards as needed, and reviewing purchase card transactions.

A. Use of Card

The cardholder shall be the only person authorized to sign for purchased items and shall be the only person to authorize telephone and online transactions using the purchase card. Cardholders shall not give or authorize use of their card to another employee without the General Manager's approval. The employee who is assigned a purchase card is responsible for safeguarding the card as well as ensuring proper use of the card.

Department managers ensure that purchase card use in their respective departments is consistent with this policy and other related procedures. Each cardholder is responsible for keeping a record of the purchase to document purchases on the purchase card's account statement. An approved purchase order is required before using the purchase card for any transactions over $500, except for employee-related travel where a "Pre-Authorization for Employee Travel" form is required. An approved travel preauthorization is required when using the purchase card for transactions related to training or travel on Agency business. Department managers are ultimately responsible for monitoring and approving all purchase card transactions within their department.

The Purchase Card shall <u>not</u> be used for the following purchases:

1) Professional services (labor costs)

2) Contract services

3) Capital/construction costs

4) Cash advances/personal use

5) Purchase of firearms, liquor, or cigarettes

6) Per diem meal allowance

7) Items for personal, non-Agency use

B. <u>Lost or Stolen Card</u>

If an Agency purchase card is lost or stolen, the cardholder shall immediately report this to the Administrative Services Manager so that he/she can notify the Purchase Card Program.

C. <u>Misuse of the Card</u>

Any misuse of the purchase card or violations of the Purchase Card Program guidelines or this policy, including, but not limited to, personal use of the purchase card, shall result in the loss of purchase card privileges. All cardholders are subject to disciplinary actions for misuse and misappropriations of Agency funds. Cardholders who use or allow use of the card for personal purposes shall reimburse the Agency for all incurred charges.

ATTACHMENT A

Positions Authorized to Have Purchase Card

Department	Position	Limit
Administration	General Manager	$10,000
Administration	Administrative Services Manager	$5,000
Administration	Treatment Plant Manager	$5,000
Administration	Health and Safety Manager	$3,000
Technical Services	Technical Services Manager	$5,000
Technical Services	Laboratory Director	$3,000
Maintenance	Maintenance Supervisor	$3,000
Maintenance	Assistant Maintenance Supervisor	$3,000
Maintenance	Lead Mechanical Technician	$3,000
Maintenance	E/I Technician (1)	$3,000
Operations	Operations Supervisors (2)	$3,000

POLICY #:	**570**
SECTION:	**FINANCIAL - ASSET MANAGEMENT**
SUBJECT:	**General**
DATE:	**11/13/2018**

<u>POLICY</u>

The Agency shall utilize an asset management system to properly manage its capital assets.

<u>PROCEDURES</u>

I. General

The General Manager or designee shall ensure that Agency staff utilizes the established asset management systems and asset management procedures in an effective and efficient manner.

II. Asset Plans

Agency staff shall develop asset plans for the Agency's infrastructure assets and equipment for the cost-effective operation, maintenance, and management of these assets. Asset plans shall be developed and maintained within the asset management system for all assets with an original cost equal to or greater than the capitalization threshold. An asset plan shall include asset age, service history, optimum preventive maintenance and rehabilitation/renewal during its lifecycle, standard maintenance/operations procedures, cost of operating, and other salient asset attributes. The asset plans shall be used as the basis to develop and implement specific operations and maintenance, and capital improvement plans, and to analyze long-term funding and prepare condition assessments.

For new assets that are procured or constructed, Agency staff shall retain all relevant asset plan data (i.e., cost, manufacturer, type, size, operations and maintenance manuals, and standard operating/maintenance procedures). Agency staff shall ensure that contractors and/or consulting engineers provide necessary asset management information prior to the filing of Notice of Completion and approving final payment to the contractor.

III. Capital Asset Condition

Agency staff shall periodically assess the condition of capital assets. The assessment shall provide physical and financial information concerning the condition of assets, estimated remaining useful life, estimated operations and maintenance costs, and projected replacement costs (if applicable). The data shall be used when developing the Agency's Capital Improvement Plan, and other financial models for analyzing and determining future funding of capital assets.

IV. Asset Inventory Control

The Administrative Services Manager, along with department managers, shall develop and implement effective procedures and systems to inventory and track the Agency's capitalized assets

V. Facilities Maintenance

Agency staff shall perform effective planning and maintenance of capital assets, which shall include preventive and corrective maintenance and repair of facilities and infrastructure to protect the Agency's capital investments and minimize future maintenance and replacement costs.

VI. Materials Management

Agency staff shall maintain inventories of parts, materials, and supplies to effectively meet its maintenance and repair needs. The Agency will develop and implement inventory management procedures. Procurement of parts and supplies that are placed into inventory shall conform to the *Purchasing Management* and *Expenditure Management* policies.

VII. Disposal of Surplus Assets

Agency staff shall recommend to the General Manager the disposal of assets when they have exceeded their service life, are obsolete, where the value of replacement is less than rehabilitation costs, and/or they no longer serve the Agency's operational needs. The General Manager shall approve disposal of a surplus asset valued at $7,500 or less. The Board shall approve disposal for a surplus asset valued at greater than $7,500.

POLICY #:	**571**
SECTION:	**FINANCIAL – ASSET MANAGEMENT**
SUBJECT:	**Assets Accounting**
DATE:	**11/13/2018**

POLICY

All capital assets of the Agency shall be accounted for following *Generally Accepted Accounting Principles* (GAAP).

PROCEDURE

I. General

The General Manager and Administrative Services Manager shall ensure that capital assets are appropriately accounted for by funding source and asset category and that appropriate procedures are developed and implemented to meet the requirements of this policy. Department managers and Agency staff shall ensure proper budgeting and purchasing guidelines are followed for capital assets, and that these assets are adequately controlled, secured, and used for appropriate Agency purposes.

II. Capitalization Threshold

For financial accounting and reporting purposes, the capitalization threshold shall be $5,000 or higher for each asset with an expected life of at least five years following the date of acquisition.

III. Assets

Agency staff shall account and report all assets with an original cost equal to or greater than the capitalization threshold. Such assets include those newly constructed, installed, or acquired items or significant additions, improvements, or replacements to existing assets which would significantly prolong the asset's useful life. All costs associated with purchase, design, planning, permitting, construction, installation, and acquisition shall be considered including, but not limited to, direct labor, materials and supplies, design, engineering, other professional fees, contractor charges, legal fees, site preparation, installation, associated overhead and administrative costs, taxes, freight and transportation, applicable CMSA staff time, and other expenditures and charges directly attributable to asset acquisition. For assets acquired through debt financing methods, expenses associated with costs of issuance and capitalized interest shall be considered. Capital assets donated to the Agency shall be capitalized at their estimated fair market value plus any associated costs, as described above, at the date of receipt.

Expenditures related to routine repairs that maintain the existing condition of the asset or restores it to normal operating efficiency shall not be capitalized, regardless of the amount, and shall be recorded as repair and maintenance expenses in that fiscal year.