

POLICIES AND PROCEDURES OF  
THE SAN LORENZO VALLEY WATER DISTRICT  
(Adopted FEBRUARY 4, 2016)

## REVISIONS

- 02/04/2016 - Policies and Procedures adopted by Resolution 27 (15-16)
- 08/04/2016 – Policies and Procedures Article V adopted by Resolution 5 (16-17)
- 09/01/2016 – Policies and Procedures Article VI adopted by Resolution 9 (16-17)

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## **Article I. GENERAL PROVISIONS**

### Section 1.01 General

- (a) The manager shall institute measures to continually monitor the sources and facilities of the District to assure the adequacy of such sources and facilities to supply the customers of the District, both present and prospective. Members of the District's staff shall be encouraged and directed to report to the manager any changes in the sources and facilities which might affect in any way the capability of the District to supply its customers, present and prospective. The Manager shall report to the Board of Directors as required from time to time by the Board of Directors, the status of the capability of the District's sources and facilities to supply the District's customers and meet the demands upon the waterworks system.
- (b) The manager shall review all applications for water service connections to determine whether such connections can be made to the District's system or any subsystem thereof without impairing the system's or subsystem's capability of supplying water in accordance with good waterworks management practices and shall report to the Board of Directors when, in his opinion, the addition of service connections to the District's system or any sub system thereof will reduce the level and quality of service to the near minimum of good waterworks management practices.
- (c) The planning and designing of repairs, replacement and improvements of District facilities shall be accomplished to provide for the orderly development of the waterworks system. Wherever feasible, such planning and designing shall provide for the orderly expansion of the District's waterworks system when it is foreseeable that such expansion is reasonably probable.
- (d) The manager shall communicate and consult with other public service agencies so that the District might cooperate beneficially with other agencies in water, sanitation, fire protection, resources management and recreation matters.

### Section 1.02 Water System

The District will operate and maintain a system plant, work and undertaking used for and useful in obtaining, conserving and disposing of water for public and private uses, including all parts of the enterprise, all appurtenances to it, and lands, easements, rights in land, water rights, contract rights, franchises, and the water supply, storage and distribution facilities and equipment.

### Section 1.03 Separability

If any section, subsection, sentence, clause, or phrase of this policy is for any reason held to be unconstitutional or otherwise invalid, such decision shall not affect the validity of the remaining portions of this policy.

### Section 1.04 Records

Current records shall be securely maintained in the offices of the District. Only designated employees shall have access to said records. The District shall control access to District records and maintain the records in an accurate and complete manner.

The District will establish and implement a record control system designed to prevent the loss, misplacement or alteration of District Records. Any person seeking to inspect public records shall comply with this record control system.

In compliance with the Public Record Request Act, any person, including a member of the Board, a District employee, a consultant or agent of the District, or a member of the public who desires to inspect District public records shall notify the District Manager.

The charge for researching, producing and identifying District records shall be the actual cost to the District. Said rates shall be made available to the requesting party following receipt by the District of the request for said services.

The charge for photocopying any District document or record shall be fifteen cents per standard or legal size page.

### Section 1.05 Employer-Employee Relations.

Policies for the administration of employer-employee relations under the Meyers-Milias-Brown Act entitled "Policies of the San Lorenzo Valley Water District for the Administration of Employer-Employee Relations" are hereby adopted and made a part of these policies.

### Section 1.06 Policy Regarding Access to Personnel Files.

It is the policy of the District to maintain the confidentiality of employee personnel files and records. Such files and records are not public records and access shall be limited to legitimate administrative and judicial purposes as set forth in this ordinance. Information contained in personnel files, which by law is of public record, such as compensation, shall also be maintained as a public record which the District shall maintain separately from the personnel files.

- (a) The District shall maintain all personnel files and records in a secured location with restricted access.
- (b) Upon request an employee shall be entitled to a copy of his or her complete personnel file and records.
- (c) No personnel files or records shall be removed from the District offices, except as compelled by judicial or administrative process or by any other specific provision of law.
- (d) Copies of such files or records may be made and/or released only in compliance with these Policies and Procedures.
- (e) The District shall not use or disclose or permit its employees, agents, members of the Board, or members of the public to have access to, or to use or disclose information contained in an employee's personnel file or records except as follows:
  - (i) The information may be disclosed to third parties if the employee (or his/her legal representative) signs a written, dated authorization for the District to disclose such information. Such authorization may state limitations of the type or use of information to be disclosed, and the names or functions of the person(s) or entities authorized to obtain such information.
  - (ii) Such information which is relevant in a lawsuit, arbitration, grievance, or other claim or challenge to which the District and the employee are parties may be used or disclosed in connection with that proceeding.
  - (iii) Information which is relevant to the administration of the District, including the administration and maintenance of employee benefit plans, health care plans, disability plans, worker's compensation, insurance plans, financial and/or retirement plans, and other similar programs, may be used or disclosed for such purpose by the designated District employee(s) responsible for administering and maintaining such plan or program.
  - (iv) The designation of such employee(s) authorized to have access to personnel files of non-classified employees for any stated purposes shall be by Board resolution.
  - (v) A Personnel Action Form shall be used to document administrative actions regarding employment status, compensation, benefits, and payroll deductions. Said forms shall be distributed to the employees responsible for administering such programs.
  - (vi) In an emergency situation, or when the employee is incompetent or incapacitated, medical information may be disclosed to a health care professional or facility to aid in the diagnosis or treatment of an employee.
  - (vii) Except as otherwise provided in these policies and procedures, access to the personnel files of non-classified employees shall be limited to the members of

the Board of Directors. Such access shall be limited to that part of the information contained in personnel files which is relevant to job qualification, performance, or evaluation. Access by the members of the Board to other information contained in a non-classified employee's file is permissible only upon a prior finding by the Board, except in an emergency, that there is a legitimate purpose for such disclosure. Such finding and subsequent authorized access by the Board may limit the manner, type, or use of the access or the disclosure.

- (viii) Except as otherwise provided in these policies and procedures, access to the personnel files of classified employees shall be limited to the manager and the employee's supervisor or supervisors.

## **Article II. PUBLIC FIRE PROTECTION**

### Section 2.01 Use of Fire Hydrants.

Fire hydrants are for use by organized fire protection agencies. Other parties desiring to use fire hydrants for any purpose must first obtain written permission from the District prior to use and shall operate the hydrant in accordance with instructions issued by the District.

### Section 2.02 Penalties.

The Board may provide penalties for the unauthorized use of hydrants. Unauthorized use of hydrants will be prosecuted according to law.

## Article III. SEWERAGE POLICIES

### Section 3.01 Facilities

- (a) Infiltration Test. Infiltration is the quantity of water entering a sewer line from the groundwater through such means as, but not limited to, defective pipe, pipe joints, connections or manhole walls. The infiltration test will be used if the static groundwater level is above the top of the constructed pipe. No pipe section will be accepted if the infiltration rate exceeds 100 gallons per inch diameter of pipe per mile length of pipe per 24 hours.
- (b) Leakage Test. Leakage is the quantity of water that has to be added to the section of pipeline being tested to maintain the specified test head. With a minimum of four feet of water head on the pipe line, the allowable leakage will be computed by the formula  $E = 0.00002 * L * D * H$  where:

E=the allowable leakage in gallons per minute of pipe tested

L=the length of pipe tested in feet.

D=the internal diameter of the pipe in inches.

H=the difference in elevation in the water surface in the upper manhole and the invert of the pipe at the lower manhole (feet).

- (a) Manhole Testing. Each manhole is to be tested by either w1 or w2 above depending upon the groundwater conditions at the site of the specific manhole.
  - (i) Manhole Test—Infiltration. All laterals or mains running through the manhole will be plugged with gasket caps or plugs securely fastened or blocked to prohibit water from leaving the manhole. The amount of infiltration will be measured over a seven-day period and if the amount accumulated does not exceed 1.7 percent of the total volume of the structure, the test will be considered approved.
  - (ii) Manhole Test—Leakage: The test will be the same as for infiltration except the manhole will be filled to the maximum water surface level and measurements made at the beginning and end of the seven-day test period. If the water loss computed between the two water level readings does not exceed 0.7 percent of the total volume of water in the structure, the test will be considered approved.
- (b) Sewer laterals. All sewer laterals connected to existing sewer mains must be compatible with the type of main line materials. Quality assurance will be considered met when: (1) the District receives a submittal from the contractor performing the work noting the type and class of pipe to be used for the lateral and connection to the main, (2) District personnel is present when attachment to the main is accomplished for visual inspection of the connection and (3) when an as-build drawing is submitted by the

contractor to the District showing the location of laterals connected to the main and all invert elevations of the work performed.

- (c) Obstruction Test. The obstruction test is to verify that the constructed main or lateral is constantly sloping to the treatment facility and that no physical damage has taken place during construction of the pipe line. The obstruction test will be accomplished by either method below by District personnel.
  - (i) Light Inspection. Examine the pipe internally by means of a light held at one end and a mirror held at the other. Repeat test with light and mirror interchanged. Repair or correction of any misalignments, protuberances, defective portions or other defect will be required.
  - (ii) Ball Test. When light test is not feasible, a ball test can be conducted by passing through the pipeline a round non-compressible ball which is one inch less in diameter than the internal diameter of the pipeline. In the event the ball is not able to pass through the pipeline, repair of defective pipe section will be required.
- (d) Quality assurance of the constructed lateral, main or manhole will be considered approved when the above tests are performed and all tests pass respective constraints and limits. Any deficiencies are to be corrected within five working days after the respective test. If the test fails after repairs are made the first time, the District Manager may, at his discretion, require the complete replacement of the constructed lateral, main or manhole.

All contractor test procedures and replacements will be carried out by the contractor at his own expense.

- (a) Determination of Components. The determination of estimation of suspended solids or other components contained in sewage and liquid waste discharges shall be by one of the following methods.
  - (i) Sampling and analysis by District personnel.
  - (ii) Estimates determined by a study of waste producing operations leading to the discharge.

## **Article IV. CONTRACTS AND PURCHASING**

### Section 4.01 Qualification of Bidders.

The District may, and on contracts for which the estimated cost exceeds \$50,000 (Fifty Thousand Dollars) the District shall require that bidders establish that they are qualified and responsible to provide the services, equipment, and/or materials to perform the contract in a safe, efficient, reliable and timely manner. In order to evaluate those qualifications and to determine which low bid offers best response in quality, fitness and capacity to the District's requirements, prior to the award of the contract, the District shall require the low bidder or bidders to provide certain information as follows: (a) answer to questions contained in a standard form questionnaire and financial statement; (b) evidence of bonds and liability and workers' compensation insurance satisfactory to the District; (c) Evidence of a safety record acceptable to the District; (d) Necessary or appropriate licenses or certificates; and (e) an acceptable performance record with the District or any other public agency.

- (a) Questionnaire. The questionnaire shall include questions which will provide information which will provide a basis for the District to evaluate the bidder. Such information shall include, among other things, information relating to the experience of the bidder in projects of a similar type as the proposed project, and shall include references of previous employers. The questionnaire shall be signed by the bidder or an authorized designee under penalty of perjury.
- (b) Financial Statement. The financial statement shall include information as required by the District for the District's use in determining the bidder's financial ability to perform the contract satisfactorily and shall be signed by the bidder or an authorized designee under penalty of perjury.
- (c) Safety Record. The District may disqualify a bidder on the basis that the bidder's safety record is unacceptable. In evaluating the safety record, the District shall consider any violations of the CAL OSHA standards, the issuance of CAL OSHA citations, and the severity or liability exposure resulting from such citations.
- (d) Performance Record with the District or Other Public Agencies. In evaluating the qualifications of a bidder, the District shall consider the bidders' performance record with the District or other public agencies. Such evaluation shall include, among other things, consideration of the bidder's overall performance, safety, quality, timeliness and compliance with the contract. Such evaluation shall also consider any outstanding claims or lawsuits involving the District and the bidder.
- (e) Prequalification of Bidders. A prospective bidder shall have the option of prequalifying as a bidder on a given project. To exercise this option, a

bidder must complete and submit a package of the required qualification information, statements and evidences as set forth herein no later than fifteen days prior to the bid opening. The District Manager will issue a preliminary finding as to whether the prospective bidder is qualified within 10 days after the completed qualification package is received.

- (f) Appeal of Preliminary Findings. A bidder may appeal the District Manager's preliminary finding of disqualification to the Board of Directors. A disqualified bidder may submit a bid pending a determination by the Board of that bidder's qualifications. If that bidder is the low bidder the Board will consider the bidder's qualification and issue a finding prior to award of the contract.
- (g) Disqualification of Bidders. The Board may disqualify any bidder who fails to submit the completed questionnaire, financial statement, licenses, safety record, bonds, insurances, or other required information in a timely manner. The Board may disqualify any bidder whose information as required is not satisfactory and acceptable to the Board. A bidder may be disqualified on the basis that the bidder, any officer of such bidder, or any employee of such bidder who has a proprietary interest in such bidder, has been disqualified or prevented from bidding on or completing a federal, state, or local project because of a violation of law or a safety regulation.
- (h) Rejection of Bid. Upon disqualification of a bidder as set forth herein, the Board may reject that bidder's bid for the contract award.
- (i) Questionnaires and Financial Statements Are Not Public Records. The questionnaire and financial statements required herein are not public records and are not open to public inspection.

#### Section 4.02 Sealed Bids

- (a) Solicitation of Sealed Bids. Sealed bids shall be solicited by posting on the District's bulletin board, or by mailing to at least three or more prospective bidders, bid forms listing materials and specifications or services desired. The Board of Directors may also direct that additional solicitation or public notice be provided.
- (b) Contents of Bid Forms for Sealed Bids. In addition to stating the amount, quality and specifications of materials or contractual services desired, bid forms shall contain or be accompanied by written statements indicating the latest date when sealed bids will be received; the date they will be opened; the amount, if any, of good faith deposit or bid bond to accompany the bid; whether or not a completion or delivery date bond will be required, and an envelope clearly marked "Sealed Bid" in which the bid is to be returned.

- (c) Submission of Sealed Bids. Sealed bids shall be submitted or mailed to the Secretary of the District, sealed in the envelope furnished by the District, accompanied with the amount of good faith deposit, if required, and accompanied by a statement under oath that the bidder has not been a party to any uniform or fixed price agreement.
- (d) Opening and Tabulation of Bids. All sealed bids shall be opened on the date set for opening and shall be tabulated and available for public inspection during regular business hours for a period of 30 days after opening.
- (e) Failure to Enter into Contract. Any successful bidder who fails to furnish an acceptable completion or delivery date bond as required or who fails to enter into a written contract with the District for a period of 10 days after notice of its approval by the District Counsel shall forfeit his good faith deposit or become liable to the District on his bid bond, if any, and the District may award the contract to the next lowest responsible bidder.

## **Article V. ELECTIONS AND PUBLIC VOTING**

### **Section 5.01 Conducting Proposition 218 Property Related Fees and Charges Proceedings**

- (a) Statement of Legislative Intent. It is the Board's intent to adopt procedures for property related fees and charges proceedings which are consistent and in compliance with Articles XIIC and XIID of the California Constitution and, with the Proposition 218 Omnibus Implementation Act (Government Code sections 53750 through 53754). It is not the intent of the Board to vary in any way from the requirements of Articles XIIC and XIID or the Proposition 218 Omnibus Implementation Act.
  
- (b) Procedures for new or Increased Property Related Fees and Charges. The District shall apply the following procedures for the establishment of new or increased property related fees or charges, such as, for example, increases to water use rates or, changes in the water use rate structures. Said procedures follow the requirements of Article XIID, section 6 of the California Constitution:
  - (i) The District shall identify each parcel upon which new or increased property related fees or charges are proposed for imposition.
  
  - (ii) The District shall calculate the amount of any proposed property related fees or charges.
  
  - (iii) The District shall provide written notice by mail of any proposed property related fees or charges to:
    - 1. the record owner(s) of each identified parcel upon which the fees or charges are proposed for imposition and
  
    - 2. the property mailing address of record for each identified parcel upon which the fees or charges are proposed for imposition,
  
  - (iv) Such written notice shall contain, as a minimum,
    - 1. the amount of the proposed property related fees or charges to be imposed upon each parcel, and
  
    - 2. the basis upon which the amount of the proposed property related fees or charges were calculated, and
  
    - 3. the reason for the proposed property related fees or charges, and
  
    - 4. the date, time and location for a public hearing on the proposed property related fees or charges.

- (c) Notice of Proposed Property Related Fees or Charges. The District shall apply the following procedures to provide property owner(s) with a notice of proposed property related fees or charges.
- (i) The record owner(s) and property mailing address of record of each parcel upon which new or increased property related fees or charges are proposed shall be determined from the last equalized secured property tax assessment roll. If the property tax roll indicates more than one owner, each owner shall receive notice.
  - (ii) Said notice shall be mailed at least forty-five (45) calendar days prior to the date set for a public hearing on the proposed property related fees or charges.
  - (iii) The notice provided by this section and in accordance with Article XIID, section 6 of the California Constitution shall supersede and be in lieu of any other statute requiring notice relative to the imposition or increase of any property related fees or charges, including but not limited to the notices required by California Government Code sections 53753(d) and 54954.6.
  - (iv) Failure of any person to receive notice shall not invalidate the proceedings.
  - (v) The cost of providing notice may be included as a cost of the property related fees and charges.
- (d) Public Hearing. The District shall apply the following procedures pursuant to a public hearing for proposed property related fees or charges:
- (i) The Board shall conduct a public hearing relative to any new or increased of property related fees or charges.
  - (ii) Said public hearing shall be conducted not less than forty-five (45) calendar days after mailing the notice of proposed property related fees or charges to the record owner(s) of each identified parcel upon which the fees or charges are proposed for imposition.
  - (iii) At the public hearing, the Board shall hear and consider all public testimony regarding the proposed property related fees or charges and, shall accept written protests against the proposed property related fees or charges from the record owner(s) of each identified parcel upon which the fees or charges are proposed for imposition until the close of the public testimony portion of the public hearing.
  - (iv) The Board may impose reasonable time limits on both the length of the entire hearing and the length of each speaker's testimony.
- (e) Property Related Fees and Charges Requiring a Protest Vote (NO vote only). The District shall apply the following procedures to protest pursuant to property related fees or charges requiring a protest vote.
- (i) Upon establishing the date for a public hearing, the Board will appoint an individual or group to act as an impartial arbiter to present the final protest

tabulation to the Board, determine acceptability of received protests and determine the lawful tenancy of any protests received. No sitting Board Member may be appointed arbiter.

- (ii) At the conclusion of the public testimony portion of the public hearing, the arbiter shall finalize tabulation of the written protests received, including those received during the public hearing.
  - (iii) If it is not possible to tabulate the written protests on the day of the public hearing, or if additional time is necessary for public testimony, the Board may continue the public hearing to a later date to receive additional testimony, or to finish tabulating the written protests.
  - (iv) The arbiter shall provide the Board with a final tabulation of written protests.
  - (v) Upon final tabulation of written protests, if written protests against the proposed property related fees or charges are presented by a majority of the properties upon which the fee or charge would be imposed (50% + 1), the Board shall not impose the property related fees or charges.
  - (vi) All protests must be in writing and returned by mail or hand delivered to the District at the address indicated on the Notice of Proposed Property Related Fees or Charges, or hand delivery to the arbiter at the public hearing. Protests must be received by the District not later than the close of the public testimony portion of the public hearing on the proposed property related fees or charges.
  - (vii) All written protests must be dated, contain a description of the property such as physical address and/or Assessor's Parcel Number, and be signed by the owner or account holder of record.
  - (viii) An account holder of record includes lawful tenants occupying the property and holding an account in good standing with the District for the property in question. The District reserves the right to require that the account holder of record provide proof of lawful tenancy of the property in question. Said proof may include a copy of a legal rental contract or a utility bill other than water or sewer. Other proof of lawful tenancy may be allowed, at the arbiter's discretion. In these proceedings the arbiter's decision regarding lawful tenancy is final.
  - (ix) Protest ballots may be made using the template provided by the District. As long as the protest ballot contains all of the specified information it does not need to be on the District-provided template.
  - (x) Only one (1) written protest shall be counted for each individual parcel.
  - (xi) All written protest are a "public record" as that phrase is defined by the California Public Records Act (Government Code, §6252) and shall be open to public inspection after final tabulation of the written protest.
- (f) Property Related Fees or Charges Requiring a Ballot Proceeding (YES or NO vote).

Procedures Pursuant to Article XIID, section 6 (c), of the California Constitution, whenever proposed property related fees or charges are required to be submitted and approved by ballot proceedings, the District shall apply the following procedures:

- 1st The District shall conduct a ballot proceeding when required by Article XIID, section 6(c), of the California Constitution.
- 2nd Ballots shall be mailed to all property owners of record of each identified parcel upon which property related fees or charges are proposed for imposition at least forty-five (45) calendar days prior to the date for a public hearing on the ballot proceedings. The ballot shall comply with California Government Code Section 53753(c). The mailing address of record owner(s) shall be determined from the last equalized secured property tax assessment roll.
- 3rd The Board shall conduct a public hearing on the ballot proceedings. The public hearing shall be conducted not less than forty-five (45) calendar days after mailing the ballots to record owner(s) of each identified parcel upon which the fees or charges are proposed for imposition. At the public hearing, the District shall consider public testimony and tabulate the written ballots.
- 4th The District shall not impose property related fees or charges if there is a majority protest. A majority protest exists if, upon the conclusion of the public hearing, written ballots submitted and not withdrawn, in opposition to the property related fees or charges exceeds the written ballots submitted, and not withdrawn, in favor of the property fees or charges.
- 5th All ballots must be returned by mail to the District at the address indicated on the ballot, or hand delivered to the District Secretary at the ballot proceedings public hearing. Ballots must be received by the District not later than the close of the public testimony portion of the public hearing on the ballot proceedings. Ballots must be sealed in the envelope provided by the District.
  - (i) Each ballot must be signed by the owner of record under penalty of perjury.
  - (ii) A tenant of real property shall not, solely by virtue of such tenancy, have the power or authority to submit a ballot.
  - (iii) If a parcel has multiple owners, any owner may request a proportional ballot. If the ownership interest of the owner is not shown on the last secured property tax assessment roll, such request must include evidence satisfactory to the arbiter, of the owner's proportional rights to the parcel. The District will provide the proportional ballot to the owner at the address shown on the last equalized secured property tax assessment roll. Any request for a ballot to be mailed to another location must be made in writing and, must include evidence satisfactory to the arbiter, of the identity of the person requesting the ballot. Each proportional ballot will be marked to show the date on which the ballot was issued, to identify it as a proportional ballot, and to indicate the owner's proportional rights in the parcel. The District will keep a record of each proportional ballot provided to an owner.

- (iv) The District will accept only official ballots with original signatures. Photocopies will not be accepted.
- (v) Upon receipt of a written request, signed by the owner and delivered to the District, the District may issue a duplicate ballot to any property owner whose original ballot was lost, withdrawn, destroyed, or never received. The duplicate ballot will be marked to show the date on which it was issued, and to identify it as a duplicate ballot or a duplicate proportional ballot. The above procedure also applies to duplicate ballots or duplicate proportional ballots that are lost, withdrawn, destroyed or never received.
- (vi) A ballot proceeding relative to property related fees or charges is not an election.
- (vii) All ballots are a “public record” as that phrase is identified by the California Public Records Act (Government Code, §6252) and shall be open to public inspection after final tabulation of the ballots.
- (viii) To complete a ballot, a person must:
  - 1. Mark the appropriate box supporting or opposing the proposed property related fees or charges; and
  - 2. Sign, under penalty of perjury, the statement on the ballot that the person completing the ballot is the owner of the parcel or the owner’s authorized representative.

Only one box may be stamped or marked on each ballot. All incomplete or improperly marked ballots shall be disqualified from balloting. The District shall retain all disqualified ballots.

- (ix) After submitting a ballot to the District the person who signed the ballot may withdraw the ballot by submitting a written statement to the District directing the District to withdraw the ballot. Such statement must be received by the District prior to close of the public testimony portion at the ballot proceedings public hearing. When ballots for the proposed property related fees or charges are tabulated, the District shall segregate withdrawn ballots from all other submitted ballots. The District shall retain all withdrawn ballots and shall indicate on the face of such withdrawn ballots that they have been withdrawn.
- (x) In order to change the contents of a ballot that has been submitted, the person who submitted the ballot must:
  - 1. Request that such ballot be withdrawn; and
  - 2. Request that a duplicate ballot be issued and return the duplicate ballot fully completed.

Each of these steps must be completed according to the procedures set forth herein.

- (xi) Tabulating Ballots. Pursuant to Article XIID, section 6(c), of the California Constitution, whenever proposed property related fees or chargers are required

to be submitted and approved by ballot proceedings, the District shall apply the following procedures:

- (xii) The Board will appoint an individual or group to act as an impartial arbiter to present the final ballot tabulation to the Board, determine acceptability of received ballots and settle disputes regarding ballots received. No sitting Board Member may be appointed arbiter.
- (xiii) The arbiter shall determine the validity of all ballots. All ballots submitted, and not withdrawn, shall be accepted as valid except those in the following categories:
  - 1. A photocopy of a ballot;
  - 2. A ballot that does not contain an original signature;
  - 3. A letter or other form of a ballot that is not an official ballot provided by the District;
  - 4. An unsigned ballot, or ballot signed by an unauthorized individual;
  - 5. A ballot that lacks an identifiable mark in the box of a “yes” or “no” vote or, with more than one box marked;
  - 6. A ballot not sealed in the envelope provided by the District.
  - 7. A ballot received after the close of the balloting time period;
  - 8. A ballot that appears tampered with or otherwise invalid based upon its appearance or method of delivery or other circumstances.

The decision of the arbiter, after consultation with legal counsel, that a ballot is invalid shall be final and may not be appealed to the Board.

- (xiv) In the event of a dispute regarding whether the signer of a ballot is the owner of the parcel to which the ballot applies the arbiter will make such determination from the last equalized secured property tax assessment roll and any evidence of ownership submitted to the District prior to the close of the public testimony portion of the ballot proceeding public hearing. The arbiter will be under no duty to obtain or consider any other evidence as to ownership of the property. Determination of ownership by the arbiter will be final and conclusive.
- (xv) In the event of a dispute regarding whether the signer of a ballot is an authorized representative of the owner of the parcel, the arbiter may rely on the statement on the ballot signed under penalty of perjury that the person completing the ballot is the owner’s authorized representative and any evidence submitted to the District prior to close of the public testimony portion of the ballot proceedings public hearing. The arbiter will be under no duty to obtain or consider any other evidence as to whether the signer of the ballot is an authorized representative of the owner(s). Determination of an authorized representation by the arbiter will be final and conclusive.

- (xvi) For properties with more than one owner of record, ballots will be accepted from each owner of record. In the event that more than one of the record owners of a parcel submits a ballot, each ballot shall be tabulated in proportion to the respective record of ownership, established to the satisfaction of the District, by documentation provided by those record owners. If only one owner of record votes, that vote shall be tabulated on behalf of the entire parcel.
- (xvii) A property owner's failure to receive a ballot shall not invalidate the ballot proceedings conducted pursuant to this resolution and Article XIID, section 6(c) of the California Constitution.

## Article VI. Finances

### Section 6.01 Investments

#### (b) Introduction

The purpose of this Article is to establish formal policies for the prudent investment of the District's unexpended cash. The main objectives of this Article are:

1. Establish guidelines for the investment of all funds belonging to or in the custody of the District in a manner conforming to all state and local statutes governing the investment of public funds, and
2. Provide an optimal combination of safety, liquidity and yield for District Investments.

#### (c) Basic Policies

- (i) **PRUDENCE:** District funds shall be invested under the "prudent investor standard" (California Government Code Section 53600.3) which essentially states that all investments shall be made with care, under circumstances then prevailing, that a prudent person acting in like capacity would use with funds of like character to safeguard capital and maintain liquidity.
- (ii) **DELEGATION OF AUTHORITY:** Authority to manage the District investment program is delegated to the District Manager. The District Manager is encouraged to consult with the Budget and Finance Committee in between monthly reports to the Board as required by this Article.

No person may engage in an investment transaction except as provided under this Article.

- (iii) **OBJECTIVES:** The objectives of the District's investment activities in priority order are as follows:

1st **SAFETY** – Safety of principal is the foremost objective of the investment program. The District's investment portfolio shall be designed and undertaken in a manner that seeks to ensure the preservation of the principal invested.

2nd **LIQUIDITY** – The District's investment portfolio shall be designed to remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated. The liquid needs of the District shall be commensurate with the constraints of anticipated cash flow requirements.

3rd **RETURN ON INVESTMENTS** – The District's investment portfolio shall be designed with the objective of attaining the maximum possible rate of return commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio.

- 4th PERFORMANCE STANDARDS: Investments shall only be made as allowable by law with specific reference to California Government Code Section 53600, et seq., and any other applicable provisions of law.
- (iv) AUTHORIZED AND ACCEPTABLE INVESTMENTS: District funds shall be invested only in the following investment instruments and within any limits indicated:
- 1st LAIF – The Local Agency Investment Fund (LAIF) is an investment pool established and controlled by the State of California to afford smaller agencies the benefits of a large investment portfolio, including higher interest rates and greater diversification.
- 2nd COUNTY OF SANTA CRUZ INVESTMENT POOL – This is an investment pool established and controlled by the County of Santa Cruz to afford smaller agencies the benefits of a larger investment portfolio, including higher interest rates and greater diversification. Authority for the County of Santa Cruz Investment Pool is delegated to the County of Santa Cruz Treasurer.
- 3rd CERTIFICATES OF DEPOSIT – These are receipts for funds deposited in a bank, or savings and loan, or broker deposits for a specific term and rate of interest. The principal and accrued interest shall be insured by the Federal Deposit Insurance Corporation (FDIC). The principal and accrued interest in any one insured depository institution shall not exceed the limit amount insured by FDIC.
- 4th PASSBOOK SAVINGS ACCOUNTS – This is a regular liquid savings account. The principal and accrued interest shall be insured by the Federal Deposit Insurance Corporation (FDIC). The principal and accrued interest in any one insured depository institution shall not exceed the limit amount insured by FDIC.
- 5th U.S. TREASURY OBLIGATIONS – These are negotiable debt obligations of the U.S. Government which guarantee that all interest and principal payments will be paid on time. Among these are Treasury Bills, Notes and Bonds.
- 6th With Board approval, repurchase bonds issued by the District or accelerate payback of loans incurred by the District, including bonds payable solely from a revenue producing property owned, controlled or operated by the District.
- 7th Registered warrants, treasury notes or bonds of the State of California, including bonds payable solely from a revenue producing property owned, controlled or operated by the State of California, or by a department, board, agency or authority of same.
- (v) DIVERSIFICATION: The purpose of diversification is to reduce overall portfolio risks while attaining market yields. The District will diversify its investments by security type and institution, especially when there is no decrease in yield. Pursuant to California Government Code Section 53601(i) certificates of deposit invested outside of an authorized pool shall not exceed thirty percent (30%) of the District's total investment portfolio.
- (vi) MATURITY OF INVESTMENTS: In order to minimize the impact of market risk, generally it is intended, that all investments will be held until maturity. Projected cash flow requirements are the primary factor to be used in determining investment maturity terms. After cash flow needs have been met, yield

considerations will be the next factor in determining maturity terms, with the expectations that longer maturity periods will generally yield greater returns on investments. Investments may be sold before maturity if required for cash flow or appreciation purposes.

The maximum maturity term of any investment shall not exceed five years.

- (vii) **REPORTING:** The District Manager shall provide to the Board of Directors monthly investment reports that provide a clear picture of the status of the current investment portfolio, as required by California Government Code Section 53607 and in compliance with the recommendations provided in California Government Code 53646.
- (viii) **ETHICS AND CONFLICTS OF INTEREST:** Officers and employees involved in the District's investment process shall not conduct personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions.
- (ix) **INVESTMENTS POLICIES ADOPTION:** In accordance with California Government Code Section 53607 the District's investments policies shall be adopted annually by resolution of the Board of Directors at a public meeting.

## Section 6.02 Reserves

### (d) Purpose of Reserve Policy

Adequate designations of reserve funds set aside for various legitimate purposes are critical to the successful and stable, short and long-term operation of the San Lorenzo Valley Water District (the "District").

Adequate reserves for the District operations ensure that customers experience both stable rates for service and the security that the District can respond to emergencies, especially regarding water and wastewater quality issues. Adequate reserves ensure that the District will at all times have sufficient funding available to meet its operating, capital and debt service cost obligations, together with future debt or capital obligations, as well as any unfunded mandates, including costly regulatory requirements.

The District manages its working capital in a manner that allows the District to fund costs consistent with its annually updated capital improvement program and budgeted financial plan, and that avoids significant rate fluctuations due to changes in cash flow requirements. The ability of the District to maintain reserve funds is a critical factor in providing reliable service, mitigating rate increases, and ensuring overall financial strength.

Annually, during the budget adoption process, the District Board should review and approve the appropriate levels and uses for reserve funds based upon the needs of the District.

This Reserve Fund Policy (the “Policy”) was developed to clearly identify specific designated reserves and reserve funds. It is the intent of this Policy to clearly identify both reserve fund categories and purposes, and set target levels for reserves that are consistent with the District’s mission statement, the uniqueness of the District, and the philosophy of the District’s Board.

(e) Fund Balance Classifications

The Governmental Accounting Standards Board (GASB) issued GASB Statement Number 54 (Statement 54), Fund Balance Reporting and Governmental Fund Type Definitions in February 2009. Statement 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

- (i) Nonspendable – consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.
- (ii) Restricted: Amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- (iii) Committed: Amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint.
- (iv) Assigned: Amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.
- (v) Unassigned: Residual classification for the government’s general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

(f) Designated Reserve Funds

(i) Restricted - Debt Service Reserve Fund

The District requires that this fund be maintained at a level sufficient to fund any current debt covenant requirements. Whether funds are held by

the debt trustee during the term of the debts or if it is held internally. These are to be used in the event that the District is unable to meet its required semi-annual debt service obligation. Debt covenant requirements will be updated on an as needed basis for any new or retired obligations.

(ii) Committed - Capital Reserve Fund

This fund pays for the replacement of existing facilities and equipment as it reaches the end of its useful life or for major repairs that extend the useful life of facilities. This fund will also cover any emergency repairs to insure a timely response by the District to natural disasters and/or other emergencies. This insures timely acquisition, replacement and upgrade of the District's water system infrastructure and capital assets.

Expenditures from this reserve fund which are subsequently recovered, either partially or fully, from FEMA, OES, insurance and/or any other sources, said revenue shall be utilized solely for the purpose of refunding the Capital Reserve Fund.

The fund level for the Capital Reserve Fund is a target level equal to \$2,000,000, unless otherwise directed by the Board at a public meeting. If current funds are below the target level of \$2,000,000, the Board can designate a plan to replenish the fund.

(iii) Committed - Operational Reserve Fund

This fund is established to cover unexpected cash flow shortages, expense or losses. These might be caused by delayed payments, unexpected building repairs, or economic conditions. Reserves should not be used to make up for income shortfalls, unless the District has a plan to replace the income or reduce expenses in the near-term future, which would require Board designation. In short, reserves should be used to solve timing problems, not deficit problems.

A commonly used reserve goal is 3-6 months' expenses. The fund level for the Operational Reserve Fund is a target level equal to \$1,500,000, unless otherwise directed by the Board at a public meeting. If current funds are below the target level of \$1,500,000, the Board can designate a plan to replenish the fund.

- Assigned – none at this time
- Nonspendable – none at this time
- Unassigned – none at this time

(g) Annual Review

The District Manager shall perform a review and analysis of each designated reserve funds for presentation to the Board at a public meeting upon the occurrence of the following:

- Upon consideration by the Board of the annual budget.
- Upon any significant change to and/or expenditure(s) from a designated reserve fund.
- Upon determination that a fund balance is less than the established target level, without a near term replenishment plan.
- As part of the annual review, a summary of the funds and fund level(s) shall be listed out, as well as the anticipated levels for that fiscal year.