



Midpeninsula Regional
Open Space District

ACTION PLAN AND BUDGET COMMITTEE MEETING

R-25-58
May 13, 2025

AGENDA ITEM 3

AGENDA ITEM

Annual Review of Fiscal Management Policies for Fiscal Year 2025

GENERAL MANAGER'S AND CONTROLLER'S RECOMMENDATIONS

1. Review a proposed amendment to Board Policy 3.02 – *General Accounting, Internal Control and Capital Asset Policy*.
2. Review a proposed amendment to Board Policy 3.03 – *Public Contract Bidding, Vendor and Professional Consultant Selection, and Purchase Policy*. Pending full Board approval, this updated policy would go into effect on July 1, 2025
3. Affirm Board Policy 3.08 - *Investment Policy*.
4. Affirm Board Policy 3.09 - *Debt Management Policy*.
5. Forward all the policies and the proposed amendments to the full Board of Directors for consideration of their approval and affirmation.

SUMMARY

Midpeninsula Regional Open Space District (District) staff completed the annual review of the following existing fiscal management policies: *Banking Relationship Management* (3.01), *General Accounting, Internal Control and Capital Asset Policy* (3.02), *Public Contract Bidding* (3.03), *Budget and Expenditure Authority Policy* (3.04), *Capital Expenditure and Depreciable Fixed Assets* (3.05), *Initial and Continuing Disclosures Relating to Bond Issuances* (3.06), *Fund Balance Policy* (3.07), *Investment Policy* (formerly known as *Statement of Investment*) (3.08), *Debt Management* (3.09), *District Grantmaking Program* (3.10), and *Closing Measure AA Portfolios and Amending the Expenditure Policy* (3.11). Based on this review, the General Manager and Controller recommend: 1) amendments to Board Policy 3.02 pertaining to the Government Accounting Standard Board (GASB) Statement Number 87 (GASB 87), 2) amendments to Board Policy 3.03 to update the General Manager's signature authority pursuant to Public Resources Code section 5549(b)(2) and 3) affirmation that Board Policies 3.08 and 3.09 remain current. All other policies are deemed current, with no changes proposed and no Board affirmation required.

DISCUSSION

Each year, the General Manager and Chief Financial Officer together with the Controller review the District's fiscal management policies in preparation for an annual review and affirmation by the Action Plan and Budget Committee (ABC) who then forwards the item to the full Board of Directors (Board) for their consideration. The 2025 review began as part of the budget cycle this past spring and will continue into the coming months.

At this time, the General Manager and Controller recommend changes to two policies. All other policies are deemed current, with no changes proposed. See details below, as well as tracked changes in Attachments 1 and 2, which show the proposed text deletions in ~~strike-through~~ and additions in underline.

3.01 Banking Relationship Policy

No changes proposed.

3.02 General Accounting, Internal Control and Capital Assets Policy

The proposed changes establish a capitalization threshold for leases, a requirement of the Government Accounting Standard Board (GASB) Statement Number 87 (GASB 87). The threshold will determine whether a lease is capitalized or expensed. If a lease meets the threshold, it will be recognized in the balance sheet as an asset if the District is the lessor or a liability if the District is the lessee.

3.03 Public Contract Bidding

Review and approve the proposed changes to Board Policy 3.03 - *Public Contract Bidding, Vendor and Professional Consultant Selection, and Purchasing* to increase the General Manager's expenditure authority by 2% pursuant to California Public Resources Code section 5549(b)(2). The proposed policy change would go into effect on July 1, 2025, at which time the General Manager's authority to enter into contracts would increase from \$52,000 to \$53,000.

3.04 Budget and Expenditure Authority Policy

No changes proposed.

3.06 Initial and Continuing Disclosures Relating to Bond Issuances

No changes proposed. Staff consulted with the District's Disclosure Counsel.

3.07 Fund Balance Policy

No changes proposed.

3.08 Investment Policy

No changes proposed. The Board is requested to affirm the current policy.

3.09 Debt Management Policy

No changes proposed. The Board is requested to affirm the current policy.

3.10 District Grantmaking Program

No changes proposed.

3.11 Closing Measure AA Portfolios and Amending the Expenditure Policy

No changes proposed.

PRIOR BOARD AND COMMITTEE REVIEW

This item is presented annually to the ABC for review and input prior to forwarding on to the full Board. The last annual review of the Fiscal Management Policies by the ABC occurred on May 21, 2024 ([R-24-61](#), [minutes](#)).

FISCAL IMPACT

None

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

This proposed action is not a project under the California Environmental Quality Act and no environmental review is required.

NEXT STEPS

Pending review and affirmations from the ABC, the proposed policy amendments would be forwarded to the full Board for their consideration. Once approved by the Board, the revisions would enter into force. Staff will perform the next annual review during Fiscal Year 2025-26.

Attachment:

1. Board Policy 3.02 - General Accounting, Internal Control and Capital Asset Policy
2. Board Policy 3.03 – Public Contract Bidding, Vendor and Professional Consultant Selection, and Purchase Policy
3. Board Policy 3.08 - Investment Policy
4. Board Policy 3.09 - Debt Management Policy

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Midpeninsula Regional Open Space District

Board Policy Manual

General Accounting, Internal Control and Capital Assets	Policy 3.02 Chapter 3 – Fiscal Management
Effective Date: 6/26/24	Revised Date: 6/26/24
Prior Versions: 06/26/19	

Purpose

The Midpeninsula Regional Open Space District (District) holds itself to the highest standards in the process of conducting its business. The District is fully committed to safeguarding the public assets entrusted to it, while complying with all applicable laws and regulations. Resources of the District shall be deployed in a fiduciary manner in order to provide adequate funding to accomplish its mission statement. The District will establish and maintain accounting and financial policies that will ensure accurate financial records and provide a proper level of transparency to its stakeholders.

Objectives

In order to achieve its goals, the Accounting and Financial Management Policies should contribute to the following objectives:

- 1) To instill, as a matter of organizational culture, sound financial management by providing accurate and timely information on the District's financial condition.
- 2) To maintain sufficient financial liquidity and capacity for both present and future needs.
- 3) To safeguard financial resources through the establishment of effective internal controls.
- 4) To maintain the District's credit rating and provide the necessary resources to meet the District's obligations on all of its external debt.

Accounting Policy

- 1) The District shall maintain a system of accounting records and financial reporting that provides accurate financial reporting to meet the goals and objectives of the District.
- 2) The District will maintain its accounting records in accordance with state and federal laws and regulations. The District's records will be reported in accordance with generally accepted accounting principles (GAAP) applicable to public agencies. Furthermore, the District shall also maintain its records in compliance with standards promulgated by the Governmental Accounting Standards Board (GASB) which is the body that establishes governmental accounting and reporting principles for government entities.

Fund Structure

The District will minimize the number of funds and funds will be categorized in accordance with generally accepted accounting principles and GASB statements.

Long-Term Financial Plan and Revenues

- 1) The long-term financial position of the District is a critical element in the District's ability to fulfill its mission. The Controller and Chief Financial Officer (CFO) shall maintain a long-term financial model that outlines both revenue and expense projections to be presented to the Board periodically to assist the Board in its decision-making process that may impact the finances of the District. The model should recognize the potential effects of the economic cycle.
- 2) With property taxes making up the vast majority of the District's revenue, forecasts shall be conservatively estimated based on historical experience and take into account the most recent information available. Revenue forecasts will be updated at least quarterly.

Internal Control

- 1) The District will maintain an operational environment conducive to strong internal controls. An integral part of these internal controls will be the prevention of fraud. The District will maintain a zero tolerance policy regarding fraud.
- 2) For the purposes of financial policies, internal controls will be divided into two categories:
 - a. Accounting controls, which are the procedures and processes relating to the safeguarding of the District's assets and accuracy of its financial records.
 - b. Administrative controls, which relate to the procedures and processes concerned with operational efficiencies and compliance with managerial policies.
- 3) Internal controls are dependent on the following core elements:
 - a. Personnel – controls are predicated on the competence and integrity of the District's staff and their understanding of policies and procedures.
 - b. Segregation of Duties – procedures and processes to detect irregularities and fraud.
 - c. Execution of transactions – maintenance of appropriate levels of approval to ensure that transactions are executed through proper authorization.
 - d. Access to assets – access to bank accounts and other assets shall be limited to authorized personnel.
 - e. Data and computer systems – the security, development, maintenance and modification of computer systems and data will be maintained.

Audit

- 1) The District's auditing policy is established in compliance with the specification of the Minimum Audit Requirement and Reporting Guidelines for California Special Districts, issued by the State Controller's Office pursuant to California Government Code Section 26909, requiring an annual audit by independent auditors, who shall be Certified Public Accountants licensed to do business in the State of California, in accordance with generally accepted auditing standards (GAAS).

- 2) The Board of Directors selects an independent auditor, following the Request for Proposal process under the direction of the Controller and the CFO. Upon completion of each year's audit, the independent auditor will present the results of the audit to the Board of Directors.
- 3) As part of the audit cycle, the District will prepare a Comprehensive Annual Financial Report and seek each year to obtain the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. To better communicate the District's financial results and performance to the general public and stakeholders, the District shall also prepare an annual Popular Annual Financial Reporting (PAFR) with the goal of receiving the GFOA PAFR award.

Capital and Fixed Assets

Capital assets are defined as fixed assets such as land, buildings, and equipment with a useful life of greater than one year and are classified as follows:

1. **Land** - Land and permanent easements, either purchased or donated, with a value greater than \$1 are non-depreciable capital assets.
2. **Structures and Structure Improvements** - Land improvements, infrastructure, buildings, other structures, and leasehold, which are purchased, constructed, or received as a donation, with an estimated total cost or fair market value greater than \$50,000, are depreciable assets.
3. **Infrastructure** - Infrastructure assets are long-lived fixed assets with a value greater than \$50,000 that are normally stationary in nature and can be preserved for a number of years significantly greater than most fixed assets. Infrastructure assets are capitalized and depreciated over the remaining useful life of the asset. Examples of infrastructure assets include roads, bridges, trail systems, tunnels, drainage systems, water and sewer systems, dams, and parking lots.
4. **Equipment** - Machinery, equipment, and fixtures, either purchased or received as a donation with a cost or fair market value greater than \$25,000, are depreciable assets.
5. **Vehicles** - Vehicles, either purchased or received as a donation with a cost or fair market value greater than \$25,000, and include the basic vehicle itself and any added components that are permanently affixed to the vehicle prior to the in-service date.
6. **Projects** which extend the useful life or materially increase the capacity of an existing capital asset with a value greater than \$25,000 for machinery, equipment, fixtures and vehicles, or \$50,000 for land, improvements, infrastructure and buildings, are capitalized and depreciated over the remaining useful life of the asset.
7. **Subscription-based information technology arrangement (SBITA)** - is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. A short-term

SBITA has a maximum possible term of 12 months or less, including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs are recognized as outflows of resources (e.g., expenditures).

The District established a capitalization threshold of \$100,000 for SBITAs that are subject to the requirements of Government Accounting Standard Board (GASB) Statement Number 96 (GASB 96). SBITAs that result in the District paying less than \$100,000 in aggregate during the subscription term will not be capitalized, as the District has determined that such IT arrangements are not material to its financial statements. If a contract exceeds 12 months in duration and exceeds \$100,000 in aggregate, the contract is subject to the treatment of SBITAs as described in GASB 96 and will be capitalized accordingly. The capitalization of a SBITA requires the subscription to be recognized as an asset and the payments a liability based on the present value. Both the asset and liability will be amortized over the subscription term.

8. A lease is a contract that transfers control of the right of use of another entity's nonfinancial asset for District use, or the right of use of a District asset for another entity's use, for a specified period in an exchange or exchange-like transaction. The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. A lessee is required to recognize a lease liability and an intangible right to use a lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The District established a capitalization threshold of \$100,000 for leases. The capital lease classification will apply to long-term leases (greater than 12 months) that exceed \$100,000 in the aggregate.

The foregoing represents a general framework and is not intended to be exhaustive. The final determination for capitalization issues shall be made in consultation with the District Controller and external auditor.

The District's auditing policy is established in compliance with the specification of the Minimum Audit Requirement and Reporting Guidelines for California Special Districts, issued by the State Controller's Office pursuant to California Government Code Section

Periodic Review of Financial Policies

Along with this umbrella financial policy, separate financial policies for core functions such as budget development and management, debt management, fund balance, investments and capital assets will be in force at all times. The Controller and Chief Financial Officers will periodically review financial policies for compliance with best practices and other directives. Updates and proposed changes will be brought to the Board for approval.

Midpeninsula Regional Open Space District

Board Policy Manual

<p align="center">Public Contract Bidding, Vendor and Professional Consultant Selection, and Purchasing Policy</p>	<p align="center">Policy 3.03 Chapter 3 – Fiscal Management</p>
<p>Original Effective Date: 7/24/02</p>	<p>Revised Date: TBD with revisions going into effect on 07/01/2025</p>
<p>Prior Versions: 12/16/09, 1/27/10, 9/23/15, 1/24/18, 06/10/2020, 01/12/2024, 07/24/2024</p>	

Purpose

The purpose of this policy is to formalize the process by which the Midpeninsula Regional Open Space District (District): (1) obtains quality services, supplies, material and labor at the lowest possible monetary and environmental cost to ensure the responsible stewardship of public tax dollars; and (2) provides a uniform method for procurement of services and supplies to ensure consistent and equitable contracting with vendors, suppliers, consultants, and contractors.

Policy**I. PURCHASING AUTHORITY**

There are three levels of authority for purchases: Board Approval, General Manager Approval and General Manager Delegated Approval. The maximum purchasing authority amounts refer to the total price of an order, including tax and/or shipping, which may include more than one item and also includes change orders and contract amendments. As used in this Policy, the term “purchasing” refers collectively to contracting or procurement of services, supplies, material or labor, including Capital Improvements.

A. Board Approval for Purchases In Excess of \$53,000

If the cost for furnishing services, supplies, materials, labor, or other valuable consideration to the District will exceed Fifty-three Thousand Dollars (\$53,000), approval from the Board of Directors is required prior to entering into the contract.

The Board may reject all bids and re-advertise, or by a five-sevenths vote may elect to purchase the materials or supplies in the open market, or to construct a building, structure, or improvement using District personnel.

1. Signature

Contracts which have been approved by the Board shall be signed by the General Manager or designee unless the Board has directed that the President sign on behalf of the District. The District Clerk shall sign all such contracts and affix the seal of the District.

B. General Manager Approval for Purchases Not Exceeding \$53,000

Pursuant to Public Resources Code 5549, the General Manager may obtain bids without advertisement or published notice inviting bids and may authorize and execute contracts for payment for services, supplies, material, labor, or other valuable consideration for any purpose, including the new construction of any building, structure, or improvement, in amounts not exceeding \$53,000. See Section II of this policy for competitive bidding requirements. Expenditures under the General Manager's purchasing authority shall be reported to the Board of Directors at its next regular meeting. Reporting expenditures on the Board-agendized Claims List fulfills this reporting obligation.

1. Administrative Purchasing Policy/Procedure

The General Manager shall issue an Administrative Purchasing Policy/Procedure, which provides appropriate guidance to staff to ensure that all District purchases are made in accordance with this Policy and required documentation procedures are followed.

The General Manager shall issue written delegation of purchasing authority to those job classifications whose duties include making purchases within his or her area of responsibility. Purchasing authority limits shall be consistent with this Policy. Such written delegation of purchasing authority shall include the authority to execute contracts, purchase orders, and other documents necessary to approve a purchase within the employee's purchasing authority.

C. Contract Change Orders and Contingencies

Staff may issue change orders to a contract, provided that the aggregate of all change orders to that contract does not exceed the total contract amount with contingency as approved by the Board for amounts over \$53,000. Contingencies generally shall range between 5% and no more than 15% of the original contract price and be dependent on the level of uncertainty regarding potential additional issues that may emerge and generate unexpected costs in order to complete the intended base contract work. A contingency greater than 15% may be authorized by the Board when accompanied by a finding that circumstances warrant a larger contingency.

II. SOLICITATION OF BIDS

A. Solicitation of Formal Advertised Bids for Expenditures Exceeding \$53,000

When any Contract, excluding Professional services, is expected to exceed \$53,000, the District shall conduct a formal bidding process pursuant to Public Resources Code section 5594.

This type of formal bidding process typically includes the issuance of written plans or specifications describing the goods or services to be provided and the receipt of written bids from the bidders involved. Staff shall attempt to solicit formal bids from a minimum of three bidders. Following Board approval, the contract shall then be executed by the General Manager or designee, unless the Board President's signature is required. A Contract shall be awarded to the lowest responsible, responsive bidder, except as otherwise provided in this Policy (see Sections III, IV and Section V).

B. Solicitation of Three Written Bids for Expenditures Exceeding \$25,000 but Not Exceeding \$53,000

When any expenditure is expected to exceed \$25,000, but not exceed \$53,000, the District shall solicit written proposals from a minimum of three (3) bidders. The General Manager's or designee's approval of the contract or purchase order is required as applicable under this Policy.

C. Solicitation of Three Quotes or Proposals for Expenditures Exceeding \$5,000 but Not Exceeding \$25,000

When any expenditure is expected to exceed \$5,000, but not exceed \$25,000, the staff member responsible for the purchase is to solicit a minimum of three (3) quotes or proposals to provide the goods or services. The results of the solicitation, including any quotes, shall be documented in writing pursuant to the Administrative Purchasing Policy/Procedure.

D. Expenditures Not Exceeding \$5,000

Staff members shall obtain competitive cost information, whenever feasible, for any District purchase even though formal cost quotations are not required for goods or services costing \$5,000 or less.

III. Professional Services

Professional consultant services are of a technical and professional nature, and, due to the nature of the services to be provided, do not readily fall within the "low bid" competitive bidding process. In addition, State law requires that selection of professional consultants in the categories of architects, landscape architects, engineers, surveyors, construction managers, and environmental consulting be made on the basis of demonstrated competence and the professional qualifications necessary for the satisfactory performance of the required services. Professional consultants should be individually selected for a specific project or problem with the objective of selecting the most qualified consultant at a price that is fair and reasonable. Professional services agreements shall include the full scope of anticipated services for the project, program or annual service agreements and shall not be split into smaller units for the purpose of circumvention of this Policy and the required purchasing procedures.

A. Selection Procedures for Professional Services in Excess of \$53,000

When the cost for professional services is expected to be in excess of \$53,000, the District shall prepare a Request for Qualifications (RFQ) outlining the professional's qualifications, relevant experience, staffing and support, and hourly rates. This information becomes the basis for negotiating a contract or a Request for Proposal (RFP) outlining the terms, conditions and specifications of the services required by the District. The District may also prepare, as an alternative, a Request for Qualifications and Proposal, combining the required elements of the RFQ and the RFP described above. A minimum of three (3) qualified firms or individuals shall be invited to submit qualifications and/or proposals.

District staff will review the proposals received, will select the most qualified firms for interviews, and will rank the consultants based upon criteria, including but not limited to the following:

- i. Ability of the consultants to perform the specific tasks outlined in the RFP/RFQ.
- ii. Qualifications of the specific individuals who will work on the project.
- iii. Amount and quality of time key personnel will be involved in their respective portions of the project.
- iv. Reasonableness of the fee requested to do the work; comparability of fee to similar services offered by other qualified consultants.
- v. Demonstrated record of success by the consultant on work previously performed for the District or for other public agencies or enterprises.
- vi. The specific method and techniques to be employed by the consultant on the project or problem.
- vii. Ability of the consultant to provide appropriate insurance in adequate amounts, including errors and omissions if applicable.
- viii. The firm's location, if it is situated within District boundaries, and/or its business practices (such as sales, marketing, manufacturing, servicing, provision of services, procurement of local materials and/or labor, or research and development) that enable the firm to complete the contracted work consistent with District objectives (see Section V.D.).

For the categories of architects, landscape architects, engineers, surveyors, construction managers, and environmental consultants, initial selection of the most qualified and competent consultants shall not include the cost criteria listed in Section III.A. of this Policy. After staff has determined the most qualified and competent consultants, this cost criteria shall be considered in negotiating a professional services agreement with the selected consultant.

B. Selection Procedures for Professional Services in Excess of \$10,000 but Not Exceeding \$53,000

District staff shall solicit written proposals from a minimum of three (3) qualified consultants. A formal RFP/ RFQ is not required. The selection shall be based upon the criteria noted in Section iii. A. The General Manager or designee may approve the selection and execute the agreement.

C. Selection Procedures for Professional Services Not Exceeding \$10,000

District staff shall maintain current files on qualified consultants in appropriate categories. The department shall, by telephone, email, or letter, contact at least three (3) qualified consultants and request them to submit a proposal either orally or in writing. The results of the solicitation, including any oral quotes, shall be memorialized in writing, pursuant to the Administrative Purchasing Policy/Procedure. The selection shall be based upon the criteria noted in Section iii. A. and per the Administrative Purchasing Procedure. The authorized Department Manager or other authorized District employee may approve the selection and execute the agreement.

D. Renewal of Contracts with Professional Consultants

The District may, at its sole discretion, and after following required consultant selection procedures, enter into consultant agreements which contain provisions authorizing their extension or renewal. However, recommendations to extend or renew an existing contract with a professional consultant should include an annual written evaluation prepared by the District for the work performed by the consultant as well as a determination that the fees being charged are comparable to similar services offered by other consultants at the time of renewal or extension. If the total amount of the original and renewed contract in any one fiscal year does not exceed \$53,000, the General Manager or designee may execute the agreement. If the total amount exceeds \$53,000, the request must be approved by the Board.

E. Conflict of Law

These procedures are not applicable where superseded by local, state or federal law, where the terms of grant funding provide for the use of other consultant selection procedures, or where the District is obligated to select consultants through the use of different procedures, such as due to the requirements of an insurance or self-insurance program.

F. Special Circumstances

These procedures are not applicable when three (3) bids or proposals are unavailable, or if it is appropriate and in the best interest of the District under the specific circumstances, to limit the number of bids or proposals solicited. The basis for such action shall be documented in writing and approved by the General Manager or designee in his/her absence. When Board approval is required, the documented basis for such action shall be included in the report to the Board.

G. Prequalified Consultant File

When, after District staff has undertaken the selection procedures as set out in this Policy and determined that a consultant is qualified and competent in the performance of the professional services in the consultant's category, District staff may maintain a current file of such consultants in their appropriate categories. For a period of four (4) years from determination of the qualification of such consultant, District staff may select such a prequalified consultant from

the current file of prequalified consultants who can provide the services for a fair and reasonable price.

IV. EXCEPTIONS TO STANDARD PURCHASING PROCEDURES

A. Emergency Conditions

An emergency is defined as a breakdown in machinery or equipment or a natural disaster resulting in the inability of the District to provide services, or a threat to public health, safety, or welfare, including, but not limited to, threatened damage to natural resources. In the case of an emergency determined by the District, or federal, state, or other local jurisdictions requiring an immediate purchase, the General Manager or designee may authorize District staff to secure in the open market, at the lowest obtainable price, any services, supplies, material or labor required to respond to the emergency, regardless of the amount of the expenditure. The General Manager shall, as soon as possible, provide a full written explanation of the circumstances to the Board.

In the case of a disaster or for civil defense, nothing contained in this Policy shall limit the authority of the General Manager to make purchases and take such other emergency steps as are, or may be, authorized by the Board.

B. Limited Availability/Sole Source

Occasionally, necessary supplies, materials, equipment, or services are of a unique type, are of a proprietary nature, or are otherwise of such a required and specific design or construction, or are for purposes of maintaining consistency and operational efficiency, so as to be available from only one source. After reasonable efforts to find alternative suppliers, the District may dispense with the requirement of competitive bids and recommend negotiating and making the purchase from the sole source. The basis for the sole source recommendation shall be documented in writing and approved, in advance, by the Board for purchases exceeding \$53,000, and the General Manager or other authorized District employee, for purchases not exceeding \$53,000.

C. Cooperative Purchasing

The District shall have the authority to join in cooperative purchasing agreements with other public agencies, (e.g., the State of California, counties, cities, schools, or other special districts), to purchase goods or services at a price established by that agency through a competitive bidding process. The General Manager or designee may authorize and execute such cooperative purchasing agreements.

1. Purchases Exceeding \$53,000

The formal competitive bidding procedures of Section II.A. for purchases exceeding \$53,000 are not required when the other public agency has secured a price through a formal, advertised competitive bidding process. Board approval is required prior to purchase.

2. Purchases Not Exceeding \$53,000

The bidding procedures of Section II. B. for purchases not exceeding and up to \$53,000 are not required when the other public agency has secured a price through a competitive bidding process. Approval from the General Manager or designee is required prior to purchase.

H. Open Purchase Orders for Routine and Repetitive Supplies and Services

Open purchase orders may be entered into with vendors who are expected to supply routine services, supplies, materials, or labor to the District on a regular basis throughout the fiscal year (such as gasoline, discing, road maintenance, vehicle maintenance, printing, office supplies, and field hardware). Open purchase orders shall be closed at the conclusion of each fiscal year. Vendors of repetitive supplies and services shall be selected through the competitive bidding procedures set out in Section II, based upon the anticipated or budgeted cumulative cost of the supply or service. Where competitive bidding procedures cannot feasibly be used, a comparison of vendors' prices will be made and staff will provide written documentation of the price quotations used to select the vendor with the lowest cost, pursuant to the Administrative Purchasing Policy/Procedure. Multi-year contracts can be entered into only when appropriate and necessary to secure the best pricing or assure continuity of service. An annual review of the services and prices provided shall be documented by District staff to assure that the vendor is meeting the District's needs and expectations and remains at a competitive price. Whenever feasible, multi-year contracts for service or supplies shall provide that the option to renew or extend the contract is at the District's sole discretion.

I. Design Build Contracts

Pursuant to Public Resources Code section 5580, upon approval by the Board, the design-build process (Public Contract Code sections 22160-22169) may be used to assign contracts for the construction of facilities or other buildings in the District). The minimum project limitation of one million dollars for design build projects set forth in the Public Contract Code does not apply to District design-build projects. A conflict of interest policy for design-build contracts required by Public Contract Code section 22162 is included in Design-Build Contracts - Conflicts of Interest (Board Policy 6.09).

V. GENERAL PROVISIONS

A. Conflict of Interest

No District employee or official shall be financially interested, directly or indirectly, in any purchase, contract, sale, or transaction to which the District is a party and which comes before said official or employee for recommendation or action. Any purchase, contract, sale, or

transaction in which any employee or official is or becomes financially interested shall become void at the election of the District. No employee or official shall realize any personal gain from any purchase, contract, sale, or transaction involving the District. More information can be found in Board Policy 6.02 – Conflict of Interest Code.

B. Credit Cards

The General Manager may approve the use of District credit cards for District purchases by authorized employees. Employees utilizing a credit card shall not exceed his/her purchasing authority, as authorized in this Policy and as delegated by the General Manager, unless prior approval is given by a supervisor with the appropriate purchasing authority. All card holders must follow the credit card procedures outlined in the Administrative Purchasing Policy/Procedure. District credit cards shall not be issued to individual members of the District Board of Directors.

C. Environmentally Preferable Purchasing

In keeping with the District’s mission to “protect and restore the natural environment,” the District shall seek to minimize, to the extent practicable, environmental impacts arising out of its purchases of services, supplies, and materials. The District shall select environmentally preferable services, supplies, and materials when suitability, quality, sustainability, and cost, taken together, provide the best outcome for the environment and best value for the public.

The District shall consider environmental factors, including but not limited to:

- Postconsumer recycled content
- Energy efficiency
- Durability
- Low/zero air emissions
- Low/zero hazardous substances
- Water efficiency
- Product maintenance impacts (e.g., release of chemicals/waste generation)
- End-of-life management that keeps materials out of landfills (e.g., reuse, recycling, return to manufacturers)
- Low life-cycle cost/Longer life cycle
- Responsible manufacturing
- Packaging and distribution efficiency

This provision may be waived if performance objectives cannot be met, and/or the product or service is cost-prohibitive or unavailable within a reasonable period of time or if restricted by grant funders for grant-funded projects. Environmentally preferable products and services may be identified by an eco-label such as those recognized by the United States Environmental Protection Agency, or may be deemed by staff to be preferable based on objective metrics (e.g., vehicle miles traveled and/or type of fuel used to provide a service, or the material and/or end-of-life disposal options for a product). The District shall give a preference to environmentally preferable goods and services equal to five percent (5%) of the total contract amount. The General Manager is authorized to apply a preference greater than 5% for procurements not exceeding \$10,000 where circumstances warrant a larger preference to serve the purposes of

this policy. Application of the environmentally preferable purchasing provision shall be documented in writing.

D. Local Preference for Professional Services, Supplies, and Materials

This section is limited to the District's procurement of professional services and the purchase of supplies and/or materials (this section does not apply to public works/construction contracts). The District shall give a preference to local businesses (as defined below) by giving a preference equal to five percent (5%) of the contract amount. This preference will be given whenever practical and feasible in the selection process for professional services if qualifications are equal and/or for procurement of equally acceptable supplies and materials. The General Manager is authorized to apply a preference greater than 5% for procurements not exceeding \$10,000 where circumstances warrant a larger preference to serve the purposes of this policy. The selection and evaluation process shall be based upon the criteria set forth in Sections II and III above.

A local business is defined as one with a valid physical address located within Santa Clara County, San Mateo County, or Santa Cruz County. The business will be required to provide evidence that it operates or performs its business within these counties on a day-to-day-basis and holds a valid business license, if required, to operate at its local address.

Local preference shall not apply under the following conditions:

- Where the District determines that such a preference is precluded by local, state, or federal law or regulation or pertinent grant funding requirements.
- When participating in a cooperative purchasing agreement
- Emergency purchases
- Sole Source purchases

Application of the Local Preference provision shall be documented in writing by the District.

E. Violations of This Policy

Employees are subject to disciplinary action up to and including termination for violation of this Policy.

Midpeninsula Regional Open Space District

Board Policy Manual

Investment Policy	Policy 3.08 Chapter 3 – Fiscal Management
Effective Date: 1/8/97	Revised Date: 6/28/2023
Prior Versions: 1/8/97; 1/10/01; 1/16/02; 1/8/03; 1/14/04; 1/12/05; 1/11/06; 1/10/07; 1/16/08; 1/13/10; 1/12/11; 1/11/12; 1/24/13; 1/22/14; 1/28/15; 8/12/15; 8/10/16; 5/10/17; 6/27/18; 6/26/2019; 12/9/20	

Goals**Goal 1. Capital Preservation**

The primary goal shall be to safeguard the principal of invested funds. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Goal 2. Liquidity

The secondary objective shall be to meet the liquidity needs of the District. Investable funds shall be managed so that normal operating cash needs and scheduled extraordinary cash needs can be met on a same day basis.

Goal 3. Income

The third objective shall be to attain a market rate of return (yield). Investable funds shall earn the highest rate of return that is consistent with capital preservation and liquidity goals and the California Government Code.

Guidelines**1. Authorized Financial Institutions and Dealers**

- a) District Retiree Healthcare Plan: All funds are to be held and managed by either the Section 115 Trust California Employers' Retiree Benefit Trust (CERBT) administered by CalPERS (California Public Employees' Retirement System), or the Section 115 Trust offered through Public Agency Retirement Services (PARS).
- b) District Retirement Plans: All funds are to be held and managed by either CalPERS or PARS.
- c) Hawthorns Endowment Fund: All investable funds are to be held in the Cal Trust Medium Term Fund.
- d) Public Bond Reserve Funds: All investable funds are to be held at and invested through the trust departments of the Bond Trustees specified in the documents issuing the bonds.
- e) General Funds: All investable funds are to be invested either in the Santa Clara County Pooled Investment Fund (SCCPIF), State of California's Local Agency Investment Fund (LAIF), or through the District's investment advisor and brokerage

firm, Stifel Financial. The District requires that all securities it owns be held in highly reputable third-party depositories. Any additions or changes to the list of acceptable investment advisors and brokers will be approved by the Board of Directors.

2. Risk Mitigation

Those factors that can lead to an unexpected financial loss can be broadly grouped into the following categories:

- a) Credit risk, which is the possibility that an issuer will default.
- b) Liquidity risk, which occurs when investments must be sold at a loss, prior to maturity, in order to meet unexpected cash requirements.
- c) Interest Rate Risk, which is strongly associated with liquidity risk and is the risk that the value of a fixed income security will fall as a result of an increase in interest rates.
- d) Operational risk, which refers to potential losses resulting from inadequate systems and oversight, fraud and human error.

The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The District will minimize the risk categories as follows:

- 1. Credit Risk mitigation by:
 - 1.1. Diversifying the investment portfolio so that potential losses on individual securities are minimized (no single issuer, other than the U.S. government, shall represent more than 5% of the overall investment portfolio),
 - 1.2. Only purchasing securities which meet the rating standards specified in this policy and limitations set by Government Code,
 - 1.3. Requiring that investments not be leveraged, forbidding the purchase of any investment which offers opportunities for significant capital gains or losses, and
 - 1.4. Reviewing the possible sale of any security which incurs a rating downgrade.
- 2. Liquidity Risk mitigation by:
 - 2.1. Maintaining a reliable short and long-term cash flow projection and matching investment maturities with anticipated cash demands;
 - 2.2. Restricting investment purchases to those securities which have an active secondary, or resale, market; and
 - 2.3. Maintaining at least 15% of total investable general funds in either the SCCPIF or LAIF.
- 3. Interest Rate Risk mitigation by:
 - 3.1. Restricting the maturities of all new investments to a maximum of three years from the settlement date;
 - 3.2. Limiting the weighted average maturity of the portfolio to 18 months or less; and
 - 3.3. Forbidding the purchase of any financial futures, option contracts or any other type of derivative investment.

4. Operational Risk mitigation by:
 - 4.1. Delegating internal investment authority only to the Controller, Chief Financial Officer and employees with extensive experience in financial investing;
 - 4.2. Investing through highly reputable and specified brokerage and trust departments;
 - 4.3. Requiring that all investment securities be owned in the name of the District and held at reputable depository organizations;
 - 4.4. Ensuring that all investment accounts, other than bond trustee accounts, be fully covered by insurance;
 - 4.5. Specifying that District employees involved in the investment process shall refrain from any personal business activity that could conflict with the proper execution and management of the investment program;
 - 4.6. Maintaining employee fraud insurance in the amount of at least \$1 million; and
 - 4.7. Directing the Controller to provide the Board of Directors with a monthly report listing the current investment portfolio and the new investment purchases that month.

3. Authorized Investments

Investments shall be limited to those allowed by and subject to the procedures of Government Code Section 53600 *et seq.* and 53635 *et seq.* In the event of any conflict between any term of this Policy and the Government Code, the provisions of the Government Code shall prevail.

1. U.S. Treasury and Government Agencies: There shall be no dollar limit in the amount that may be invested in debt obligations that are backed by the full faith and credit of the United States government, including federal agencies of the U.S. government.
2. SCCPIF and LAIF: No dollar limit.
3. Federally-Insured Bank Deposits: Limited to the FDIC insured limit of \$250,000 per bank.
4. Bank Non-Insured Certificates of Deposit: For maturities of one year or less: two current ratings of at least P1 by Moody's, A1 by S&P, or F1 by Fitch. For maturities over one year; two current ratings of at least Aa3 by Moody's, AA- by S&P, or AA- by Fitch.
5. Banker's Acceptances and Commercial Paper: Maturities cannot exceed one year and issuers must be U.S. corporations with assets exceeding \$500 million, and have two current ratings of at least P1 by Moody's, A1 by S&P, or F1 by Fitch.
6. Corporate Notes and Municipal Bonds: The purchase of corporate notes and municipal bonds, including taxable bonds, shall be limited to securities that hold at least two of the following ratings: A3 by Moody's, A- by S&P, and A- by Fitch. As stated above, maturities are limited to no more than three years and no issuer shall represent more than 5% of the overall portfolio.
7. Money Market Funds: Money market funds must hold at least two of the highest ratings from the following: Aaa by Moody's, AAA by S&P, and AAA by Fitch.
8. Asset-Backed Securities (ABS): Acceptable ABS must hold at least two of the following ratings: Aa3 by Moody's, AA- by S&P, and AA- by Fitch.

4. General Obligation Bond Proceeds Held by Fiscal Agent

Bond Proceeds held by the District's Fiscal Agent, either in the Debt Service Fund or Bond Proceeds Fund, shall be invested through the investment department of the Fiscal Agent and in accordance with the Fiscal Agent Agreement.

5. Non-Invested Funds

Idle District funds not otherwise invested as permitted by this Policy shall be deposited with the Santa Clara County Pooled Investment Fund,, the State of California's Local Agency Investment Fund or CalTRUST.

6. Selection of Investments

The Controller is responsible for selecting investments and directing such security transactions that fit within the amounts and maturities as recommended by the Controller. The Controller will communicate such actions to the General Manager and CFO.

7. Prohibited Investments

Investment in securities of companies in the non-renewable energy sector (e.g. coal, oil,natural gas, etc.) shall not be permitted.

8. Investments Instruments and Deposit of Funds

Investments and deposits of funds shall be limited to those allowed by and subject to the procedures of Government Code Section 53600 *et seq.* and 53630 *et seq.* In the event of any conflict between the terms of this Policy, and the Government Code, the provisions of the Government Code shall prevail. Investments shall not be leveraged. Investments, and "derivatives," that offer opportunities for significant capital gains and losses are excluded. If after purchase, securities are downgraded below the minimum required rating level, the securities shall be reviewed for possible sale with a reasonable amount of time after downgrade. Significant downgrades and the action taken or to be taken will be disclosed in the next monthly report.

9. Maximum Maturity

The average maturity of the total District investment portfolio shall not exceed eighteen months and no investment, except for debt service reserve funds held by bond trustees, shall have a maturity of more than three years from the date of purchase. The maturity of investments in trustee-held debt service reserve funds shall not exceed the final debt service payment date of the bonds.

10. Marketability

For investments other than bank certificates of deposits the breadth of ownership and number of securities outstanding shall be sufficient to establish a secondary market in which investments can be readily converted to cash without causing a material change in their market value.

11. Acceptable Banks

Bankers' Acceptances and Negotiable Certificates of Deposit may be purchased only from the District's commercial bank or banks and savings and loan associations with over \$1 billion of deposits and reporting profitable operations and which meet all applicable criteria of the Government Code. Certificates of Deposit may be purchased from other banks within Santa Clara and San Mateo Counties which meet all applicable criteria of the Government Code if the principal is fully insured by the Federal Deposit Insurance Corporation.

12. Acceptable Collateral

Securities collateralizing bank or savings and loan deposits must be rated "A" or higher.

13. Investments in Name of District

All investments purchased shall stand in the name of the District.

14. Reporting and Benchmarks

The Controller shall prepare and submit to the Board of Directors a monthly report (the Monthly Investment and Security Transaction Report) listing the entire discretionary investment portfolio including all investments and securities transactions (excluding retirement funds) in accordance with Government Code section 53607. For each investment, the report shall include the type of investment, purchase date, the issuer, date of maturity, par value, price paid, current market value, yield and broker. The report shall also list all new investments made that month.

On a quarterly basis, the monthly report shall include a summary of the portfolio's average maturity and yield, and a comparison of the current yield to three benchmarks—the SCCPIF, LAIF, and the Fidelity Short-Term Bond Fund and other contents required by Government Code section 53646.

These reports shall also be submitted to the General Manager, CFO, Budget & Finance Manager, and to the District's auditor.

15. Purchase of Securities

The Controller is authorized to purchase securities through the investment department of the District's bond trustees and fiscal agents and as otherwise permitted by the Government Code. Any account resolutions required by bank investment departments will be submitted to the Board of Directors for approval prior to any trading through that bank. The bank or other investment institution from which authorized securities are purchased shall be instructed in writing only to purchase securities in the name of the District and that all matured funds shall be returned to the District's commercial bank account. The bank shall also be instructed to send receipts for all transactions to the CFO and the District accounting department.

16. Policy Review and Approval

This policy shall be reviewed at least annually and be presented to the Board of Directors for approval of any recommended changes or re-approval.

Midpeninsula Regional Open Space District

Board Policy Manual

<h3>Debt Management Policy</h3>	<p align="center">Policy 3.09 Chapter 3 – Fiscal Management</p>
Effective Date: 7/12/2017	Revised Date: N/A
Prior Versions: N/A	

Purpose

The Debt Management Policy and procedures contained herein (the “**Debt Management Policy**”) sets forth certain debt management objectives for the Midpeninsula Regional Open Space District (the “**District**”) and establishes overall parameters for issuing and administering the District's debt in compliance with applicable federal and state securities laws. The Board may issue debt that does not comply with this policy should the Board determine that doing so is necessary or desirable, and the issuance of any such debt shall be conclusive evidence of such determination. This Debt Management Policy is closely related to the policy for Initial and Continuing Disclosures Relating to Bond Issuances – Policy 3.06 of Chapter 3 Fiscal Management (the “Disclosure Policy”).

Policy

Article I: Key Participants and Responsibilities

The Key Participants in the Debt Management process are the members of the Financing Group as identified and designated in the Disclosure Policy, Section 1.03. The Responsibilities of the various members of the Financing Group are detailed in Section II of the Disclosure Policy. [Disclosure Policy](#)

Article II: Debt Limits

Section 2.01. Purpose for Debt Issuance. The District may issue new debt to finance and refinance capital improvement projects or land acquisitions for either General Fund purposes or in support of Measure AA portfolios and projects. Any General Fund debt must be repaid via the General Fund tax revenue and budget, whereas any debt issued under Measure AA must be repaid via the special property tax levy as authorized under Measure AA. As part of the calculation to determine the need for new debt, the District will review the useful life of the proposed projects and ensure this useful life is not significantly shorter than the term of the debt, and in any case compliant with Federal tax law restrictions governing the weighted average maturity of a debt issue in relation to the financed projects' useful life. The approach to determine the amount of new debt to be issued will include an assessment of any self-funded pay-go funding sources and will be integrated into the District's multi-year capital plan.

Section 2.02. Legal Debt Limitations. The District is bound by, or utilizes, four different debt limitations: State, General Fund budget, bond Indenture covenants and Measure AA voter authorization.

- i. Under Public Resources Code Section 5568, the District's legal authority to incur indebtedness is limited to five percent of the assessed valuation of the real and personal property situated in the District.

- ii. The General Fund debt limitation is constrained by the property tax received, less ongoing operating expenses. Each year, the annual budget is prepared and modeled into the Controller's thirty-year cash flow, which includes conservative inflation and projects the viability of any increases in operating, capital or debt service in the General Fund. Any proposed General Fund debt issuance, new or refunding, is modeled using the Controller's cash flow model.
- iii. General Fund debt is limited by covenants made by the District to bond holders in the bond indenture. The District covenants it will not issue debt that is senior in priority to the existing general fund revenue bonds. In addition, debt on parity with existing revenue bonds is limited by the District Act (Article 3 of Chapter 3 of Division 5 of the Public Resources Code), which requires that total debt outstanding does not exceed the amount of general fund property tax revenues anticipated by the District for the next five-year period, and that annual tax revenue in the most recent audited fiscal year exceeds maximum annual debt service of outstanding bonds by 125%.
- iv. The Measure AA debt limitation is constrained by the \$300 million voter authorization per the 2014 referendum as well as the limitation that Measure AA annual debt service must be payable with the Measure AA property tax collections not to exceed the self-imposed tax rate of \$3.18 per \$100,000 of Assessed Value. The calculation to ensure that the debt service does not exceed a tax rate in excess of \$3.18 per \$100,000 of Assessed Value shall be calculated at issuance of the debt with the information available at that time and exclude any one-time funds, such as bond premium. Should the tax rate exceed \$3.18 at any time after the debt has been issued, no new debt shall be issued until such time as the debt service payments can again be paid from tax collections not exceeding a \$3.18 tax rate.

Section 2.03. Types of Permitted Debt. The District may issue a variety of debt instruments and obligations.

- i. Long-term borrowing (maturity greater than 1 year) may be used to finance the acquisition or improvement of land, facilities, or equipment for which it is appropriate to spread these costs over more than one budget year. Long-term borrowing may also be used to fund capitalized interest, costs of issuance, required reserves, and any other financing related costs which may be legally capitalized. Long-term borrowing shall not be used to fund operating costs.
- ii. Short-term borrowing (maturity of one year or less), such as lines of credit or commercial paper, will be considered as an interim source of funding to be utilized when appropriate. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing related costs.
- iii. All long-term debt shall normally be issued as fixed rate debt. Variable rate debt may be issued if determined to be advantageous to the District.
- iv. Relationship of Debt to Capital Improvement Program: The District maintains a five-year Capital Improvement plan, which it expects to fund through a combination of Measure AA proceeds, General Fund Monies, and grants. While the District does not expect debt to be the sole source of funding for the CIP, the District may issue debt in addition to bonds approved under Measure AA (including those types of debt discussed herein) should doing so become necessary to meet the District's capital needs.

- v. Policy Goals Related to District Objectives: The District's objective is to meet its capital needs economically, and intends only to use debt as a funding source when the Board determines doing so would be both fiscally responsible and aligned with the District's policy objectives.

Article III: Debt Structuring

Debt issued by the District, new or refunding, may have various features and structures.

- i. The debt shall be callable no later than eleven years from the date of issuance. If the final maturity is less than fifteen years, a call feature shorter than ten years shall be evaluated by the CFO and Controller together with the financial advisor and underwriter as deemed appropriate by the CFO and Controller. If advantageous to the District, the CFO and Controller may recommend the use of a shorter call feature for maturities fifteen years or longer as well.
- ii. The maturity for new debt issued is usually thirty years, unless the useful life of the projects is significantly shorter than thirty years, in which case the maturity shall be shortened to match the useful life, or, in the case of a large one-time capital expenditure, where the cash flow need may be much shorter than thirty years. The final maturity for refunding debt shall be no later than the final maturity of the refunded debt.
- iii. Given the District's historically very strong credit ratings, utilizing credit enhancement in connection with a debt issuance has not been financially advantageous to the District. However, should credit enhancement prove effective in lowering the District's all-in borrowing cost on a debt issuance in the future, the District retains the option to utilize such credit enhancement. Such evaluation will be made by the CFO and Controller together with the financial advisor and underwriter as deemed appropriate by the CFO and Controller.
- iv. The use of derivative products (a financial instrument which 'derives' its value from another instrument) is not permitted.

Article IV: Debt Issuance

The District shall assess the impact of new debt issuance on the thirty-year long-term affordability model as developed by the Controller. This model includes future debt service, capital improvement projects and operational expenditures, adjusted for inflation and growth over thirty years. Any debt issued, and the associated debt repayment schedule, must be evaluated and affordable according to this thirty-year model.

Section 4.01. Credit Objectives. The District shall make every reasonable effort to maintain its high credit ratings. The District shall seek a credit rating on all new publicly placed bond issues from at least one nationally recognized credit rating agency. The District shall maintain a line of communications with the bond rating agencies reporting annual financial reports, budget and other major information as they occur.

Section 4.02. Method of Sale. The District may issue debt via negotiated sale, a competitive bid process or private placement. The CFO and Controller, together with the Financial Advisor, shall review and evaluate the best method of sale for each issuance.

Section 4.03. Selection of External Financial Professionals. The District shall utilize the services of various independent advisors, consultants and other financial institutions and professionals. Such services, depending on the type of financing, may include financial advisor, underwriter, bond counsel, disclosure counsel, trustee, verification agent, escrow agent, arbitrage consulting, and special tax consulting. The financial advisor, underwriter, bond counsel, and disclosure counsel shall be selected via a competitive Request for Proposal (RFP) process initiated and managed by the Chief Financial Officer and evaluated by the Disclosure Working Group. Other services may be contracted via sole source or directly authorized.

Section 4.04. Refunding of Debt. The District shall periodically review its outstanding debt to identify refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit from the refunding. In general, refundings which produce a net present value savings of at least three percent (3%) of the refunded debt will be considered economically beneficial. Refunding which produce a net present value savings of less than three percent (3%) will be considered on a case-by-case basis. In evaluating the economic benefit of refundings considered “advance refundings”, the District will also evaluate the escrow efficiency in consultation with the District’s financial advisor and underwriter.

Article V: Debt Management

Section 5.01. Disclosure. The District’s Board of Directors adopted a separate Disclosure Policy, which policy includes 15c2-12 requirements, initial and continuing disclosure requirements, and outlines the responsibilities of District staff, consultants and advisors. [Disclosure Policy](#)

Section 5.02. Investment of Bond Proceeds. The District shall invest bond proceeds consistent with applicable federal and state law and tax requirements, including any arbitrage calculations and reporting, as well as consistent with the District’s Board adopted Policy titled Statement of Investment 3.08. [Statement of Investment](#)

Article VI: Controls, Reporting, and Miscellaneous

Section 6.01. Internal Controls. To ensure the bond proceeds are managed and spent as intended, the District has the following processes in place:

- i. Reporting of bond funds generated by a financing secured by General Fund revenues shall be included in the Annual Financial Report.
- ii. Reporting and review of bond funds spent under Measure AA authorization is outlined in the Measure AA election documentation:

An Independent Citizen Oversight Committee will be formed to verify expenditures of bond proceeds. The Independent Citizen Oversight Committee will consist of seven at-large members, all of whom shall be District residents. The Citizen Oversight Committee will be selected by the Board and interviewed and approved in open session, and will be subject to the conflict of interest constraints of the California Political Reform Act.

The responsibilities of the Committee include:

- *Review Plan expenditures on an annual basis to verify conformity with the Expenditure Plan.*

- *Review District's Annual Audit and Annual Accountability report and present the Committee's findings to the Board at a public meeting.*
 - *Review any proposed amendments to the Expenditure Plan.*
- iii. Reporting of bond funds expended to refund existing bonds shall be included in the final refunding report to the Board of Directors.

Section 6.02. Documents to be Retained. Section 5.01 of the Disclosure Policy provides document retainage requirements applicable to debt issuances. [Disclosure Policy](#)

Section 6.03. Waivers. In addition to the General Manager's authority to adopt an Administrative Procedure to make this Board Policy more specific, any provision of this Board Policy or any related administrative procedure may be waived at any time by the General Manager, with the written confirmation to the members of the Disclosure Working Group. This authority to waive a provision of this policy is triggered only if such waiver is necessary for timely and effective issuance of debt in compliance with any applicable laws. Any waivers made under this provision shall be reported to the Board of Directors, with conforming revisions recommended for the Board's consideration at the next update of this Board Policy and no later than three months from the implementation of such waiver.

Section 6.04. Periodic Review. This policy shall be reviewed and affirmed annually by the Board of Directors.