AMADOR WATER AGENCY
Board of Directors
Regular Meeting
12800 Ridge Road, Sutter Creek, CA 95685
August 27, 2020
9:00 a.m.
BOARD OF DIRECTORS

Rich Farrington, President          District 3
Susan Peters, Vice President        District 4
Paul Molinelli Jr., Director        District 1
Gary Thomas, Director               District 2
Randy Livingston, Director          District 5

In order to accommodate the social distancing practices required to reduce the risk of spreading COVID-19 and provide for the safety of the public, our employees and Board of Directors, the Agency will conduct its public meetings via videoconference until further notice. Members of the public wishing to participate in this meeting should use this call-in number:

The Board President will call for public comment on each agenda item at the appropriate time to ensure that the public may be heard and all votes by the Board will be taken by roll call.

Please Note: Members of the public will have the opportunity to directly address the Agency Board of Directors concerning any item listed on the Agenda below before or during consideration of that item. There is a three minute time limit per person

The Board President may take items out of order to accommodate the public or to promote the order of the meeting.

1. OPEN SESSION WILL BE CALLED AT 9:00 a.m.
   Members of the public wishing to participate in the Regular Board meeting should use the information below:
   Please join the meeting by using the information below:

   United States: +1 (786) 535-3211
   - One-touch: tel:+17865353211,,585807045#
   Access Code: 585-807-045

2. OATH OF OFFICE- General Manager

3. CALL TO ORDER – ROLL CALL

4. ADDITIONS TO AGENDA
   A. Items added to the agenda must be approved by the Board pursuant to Government Code Section 54954.2

Website Address: www.amadorwater.org
5. PUBLIC COMMENT FOR MATTERS NOT ON THE AGENDA
   A. Discussion items only, no action to be taken. Any person may address the Board at this time upon any subject within the jurisdiction of Amador Water Agency; however, any matter that requires action will be referred to Staff for a report and action at a subsequent Board meeting. Please note there is a three (3) minute time limit per person.

6. WATER SYSTEM
   A. Protest Dismissal Agreement Among Amador Water Agency, Jackson Valley Irrigation District, and East Bay Municipal Utility District
      1. Discussion and possible action to authorize the Board President to execute an agreement among the Agency, JVID, and EBMUD to resolve JVID’s and EBMUD’s protests to the Agency’s pending application 5647X03 for a new CAWP water right.

7. CONSENT AGENDA
   Items listed on the consent agenda (see attached) are considered routine and may be enacted by one motion. Any item may be removed for discussion and made a part of the regular agenda at the request of a Board member(s).

8. AGENCY GENERAL
   A. BOARD RECOGNITION
      1. Adoption of Board Resolution 2020-19, Honoring John Kingsbury for his dedicated service as Interim General Manager for the Amador Water Agency.

   B. ACWA Region 3 Nomination
      1. Discussion and possible action to Adopt Board Resolution 2020-20 to nominate Larry McKenney, General Manager, to be ACWA Region 3 Representative
      2. Authorization for the Board President to sign the ACWA Committee Consideration Form appointing Larry McKenney, General Manager, as a representative of the ACWA Business Development Committee

   C. AGENCY POLICY MANUAL
      1. Discussion and possible action to approve financial policies AWA PL Fin 001- AWA PL Fin 017.

   D. FY 20-21 Budget
      1. Discussion and possible action regarding an extension to the direction given regarding non-essential spending.

9. GENERAL MANAGER REPORT

10. BOARD OF DIRECTOR DISTRICT REPORTS, COMMITTEE REPORTS AND DIRECTOR COMMENTS - The Board Members may report on various activities, meetings, etc. that they have been involved in. Discussion only, no formal action will be taken. Any matter requiring action will be placed on an upcoming agenda for consideration.
    Planning and Engineering 08-24-20
    Budget and Finance 08-25-20

11. FUTURE AGENDA TOPICS - This item is to provide the Board Members an opportunity to request items to be placed on future agendas.

   Website Address: www.amadorwater.org
12. ADJOURNMENT - The estimated adjournment time for this meeting is 1:00 p.m.

SCHEDULE OF UPCOMING BOARD MEETING

Thursday, September 10, 2020 9:00 a.m.
Regular Board of Directors Meeting

AMADOR WATER AGENCY
CONSENT AGENDA
August 27, 2020

Items listed on the consent agenda are considered routine and may be enacted by one motion. Any item may be removed for discussion and made a part of the regular agenda at the request of a Board member(s).

1. MINUTES
   A. Approval of minutes of the Regular Board Meeting of August 13, 2020

If you are an individual with a disability and need assistance or accommodation to participate in this teleconference meeting, please call Clerk of the Board Cris Thompson at (209) 223-3018, fax (209) 257-5281, or email Ms. Thompson at cthompson@amadorwater.org.

Documents and materials relating to an open session agenda item that are provided to the Amador Water Agency Board of Directors less than 72 hours prior to a regular meeting will be available for public inspection and copying at 12800 Ridge Rd, Sutter Creek CA 95685

Website Address: www.amadorwater.org
AMADOR WATER AGENCY
Board of Directors
Regular Meeting
August 13, 2020

MINUTES

In order to accommodate the social distancing practices required to reduce the risk of spreading COVID-19 and provide for the safety of the public, our employees and Board of Directors, the Agency will conduct its public meetings via teleconference until further notice.

OPEN SESSION

CALL TO ORDER AT 9:00 a.m.

CALL TO ORDER – ROLL CALL

Board of Directors:
Director Thomas
Director Molinelli Jr.
Director Peters
Director Livingston
Director Farrington

Staff in Attendance:
John Kingsbury- Interim General Manager
Cris Thompson, Acting Financial Services Manager/ Clerk of the Board
Rick Ferriera, Operations & Engineering Manager
Karen Gish, HR Risk Management Manager
Joshua Horowitz, Agency Legal Counsel
Lucy Hackett, Public Relations

ADDITIONS TO AGENDA - None

PUBLIC COMMENT FOR MATTERS NOT ON THE AGENDA- None

CONSENT AGENDA (1:00- 10:12)
MOTION: It was moved by Director Molinelli Jr., seconded by Director Thomas and unanimously carried to approve the consent agenda with revisions to the minutes of July 9, 2020, approval of Accounts payable June, 2020 and July 2020 and approval of word change to the Health and Safety Value in the Strategic Plan. The salary schedules were approved with the addition of a footnote for the website.

Roll Call Vote:
Ayes: Directors Molinelli Jr., Thomas, Peters, Livingston, and Farrington
Noes: None
Absent: None
Abstain: None

AGENCY GENERAL (10:12-25:01)
General Manager Employment Agreement
Discussion and possible action for the Board's approval of a General Manager Employment Agreement with Larry B. McKenney as the Agency's new permanent General Manager

MOTION: It was moved by Director Peters, seconded by Director Thomas and unanimously carried to approve the Employment Agreement with Larry B. McKenney as the Agency's new permanent General Manager

Roll Call Vote:
Ayes: Directors Molinelli Jr., Thomas, Peters, Livingston, and Farrington
Noes: None
Absent: None
Abstain: None

The Board authorized General Manager McKenney to continue on the Metropolitan Water District Board as a Board member until such time as they can fill the Board seat or at the longest, to the end of October.

Green Gen Project Briefing- Mokelumne Water Battery Project (25:02-40:50)

Public Comment: Shane Dante, Foothill Conservancy

COVID 19 Update (41:11-48:45)

DEPARTMENT REPORTS (48:50-1:26:10)
Administration/Finance
Operations & Engineering

RECESS was called at 10:29 a.m. SESSION resumed at 10:36 a.m.

WATER SYSTEM (1:26:12–2:08:27)
Contracts for Expert Witness Services for SWRCB Hearing on Agency’s Petition and Application to Obtain a new CAWP water right

Discussion and possible action to authorize the General Manager to execute an amendment to the existing agreement with Wagner & Bonsignore for water right expert services for an amount not to exceed $60,000
Discussion and possible action to authorize the General Manager to execute an agreement with Woodard & Curran for environmental expert services for an amount not to exceed $15,000
Discussion and possible action to authorize the General Manager to execute an agreement with MBK Engineers Term 91 expert services for an amount not to exceed $50,000.

MOTION: It was moved by Director Livingston, seconded by Director Thomas and unanimously carried to authorize the General Manager to execute an amendment to the existing agreement with Wagner & Bonsignore for water right expert services for an amount not to exceed $60,000.

Roll Call Vote:
Ayes: Directors Molinelli Jr., Thomas, Peters, Livingston, and Farrington
Noes: None
Absent: None
Abstain: None

MOTION: It was moved by Director Thomas, seconded by D Molinelli Jr. and unanimously carried to authorize the General Manager to execute an agreement with Woodard & Curran for environmental expert services for an amount not to exceed $15,000

Roll Call Vote:
Ayes: Directors Molinelli Jr., Thomas, Peters, Livingston, and Farrington
Noes: None
Absent: None
Abstain: None

MOTION: It was moved by Director Thomas, seconded by Director Peters and unanimously carried to authorize the General Manager to execute an agreement with MBK Engineers Term 91 expert services for an amount not to exceed $50,000.

Roll Call Vote:
Ayes: Directors Molinelli Jr., Thomas, Peters, Livingston, and Farrington
Noes: None
Absent: None
Abstain: None

Regular Board Meeting
August 13, 2020
Direction was given to staff to approach the Board of Supervisors to request a Resolution of support and funding support of $125,000.

LEGAL COUNSEL’S REPORT (2:08:37- 2:24:20)
A. Legislative report
B. Discussion and possible action regarding Agency positions on pending bills
   Director Farrington asked to pull AB 2421 and SB 1348 for discussion
C. Other Legal Matters

MOTION: It was moved by Director Molinelli Jr., seconded by Director Peters and unanimously carried to support AB 2421 and SB 1348.

Roll Call Vote:
Ayes: Directors Molinelli Jr., Thomas, Peters, Livingston, and Farrington
Noes: None
Absent: None
Abstain: None

COMMITTEE REPORTS, SPECIAL ASSIGNMENTS AND DIRECTOR COMMENTS
(2:25:01- 2:34:13)
Budget and Finance Committee (07-21-20)

FUTURE AGENDA TOPICS
CFD Overview
Financial Policies
Water and Wastewater Code Update

CLOSED SESSION was called at 12:00 p.m.
Conference with Legal Counsel -- Existing Litigation; Government Code sections 54954.5(c) and 54956.9(a) and (d)(1); State Water Resources Control Board hearing on Agency’s Petition and Application for new water right to serve the CAWP System

OPEN SESSION resumed at 12:44 p.m. with direction to staff and legal counsel

ADJOURNMENT
President Farrington adjourned the meeting at 12:45 p.m.

________________________
Cris Thompson
Clerk of the Board of Directors

Approved: ____________________________

Regular Board Meeting
August 13, 2020
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RESOLUTION NO. 2020-19
OF THE BOARD OF DIRECTORS
OF THE AMADOR WATER AGENCY
HONORING JOHN KINGSBURY FOR HIS SERVICE TO
THE AMADOR WATER AGENCY

WHEREAS, John Kingsbury has provided dedicated and outstanding service as Interim General Manager of the Amador Water Agency; and

WHEREAS, the Water Agency benefited greatly from John's expertise and experience; and

WHEREAS, John as Interim General Manager of the Water Agency, consistently worked to improve and expand the Water Agency's ability to provide safe reliable water and wastewater services to Amador Water Agency customers; and

WHEREAS, John diligence and dedication was instrumental in reorganizing management, clarifying financial reporting, addressing issues related to COVID-19 and recruitment of a new General Manager; and

WHEREAS, John hung in there and maintained his sense of humor and positive attitude throughout the global pandemic which created a situation more challenging and of longer duration than anyone expected; and

WHEREAS, John was allegedly retired, however he served the AWA ratepayers, employees, and directors continually with the best intentions, and positive attitude no matter how hard, unpleasant, or difficult the task was before him. John did all of these task while also serving as the Executive Director of Mountain Counties Water Resources Association; and

WHEREAS, John came to AWA with a full head of hair, and left with all of his hair, just slightly grayer, but wiser not to volunteer again.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Amador Water Agency that said Board does hereby adopt this resolution honoring John Kingsbury upon his departure from the Amador Water Agency, and expresses its sincere thanks and appreciation for his dedicated service.

The foregoing Resolution was duly passed and adopted by the Board of Directors at a Regular Board Meeting held this 27th day of August, 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

__________________________
Richard Farrington
President Board of Directors
Attest:

Cris L. Thompson
Clerk of the Board of Directors
RESOLUTION NO. 2020- 20
A RESOLUTION OF THE BOARD OF DIRECTORS OF THE AMADOR WATER AGENCY
PLACING IN NOMINATION FOR LARRY McKENNEY
AS A MEMBER OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES
REGION 3 BOARD MEMBER

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF AMADOR WATER AGENCY AS
FOLLOWS:

A.  Recitals
   (i)  The Board of Directors (Board) of the Amador Water Agency does
        encourage and support the participation of its members in the affairs of the
        Association of California Water Agencies (ACWA).
   (ii) Larry McKenney has indicated a desire to serve as a Board Member of ACWA
        Region 3.

B  Resolves

NOW, THEREFORE, BE IT RESOLVED THAT THE BOARD OF DIRECTORS OF
Amador Water Agency,
   (i)  Does place its full and unreserved support in the nomination of Larry
        McKenney as a Board Member for ACWA Region 3.
   (ii) Does hereby determine that the expenses attendant with the service of Larry
        McKenney in ACWA Region 3 shall be borne by the Amador Water Agency.

Signed and approved by me after its passage this 27TH day of September, 2020.

Ayes:  
Noes:  
Absent:  
Abstain:  

______________________________
Richard Farrington, President
Board of Directors

ATTEST:

______________________________
Cris L. Thompson
Clerk of the Board of Directors
PLEASE PRINT LEGIBLY

Agency Name (DO NOT use acronyms or abbreviations) | Phone
---|---
Amador Water Agency | 209-223-3018

Agency Address | City, State & Zip
---|---
12800 Ridge Road | Sutter Creek, CA 95685

BELOW PLEASE LIST ALL THOSE INTERESTED IN BEING ON ACWA COMMITTEES FOR YOUR AGENCY. FOR ADDITIONAL RECOMMENDATIONS PLEASE FILL OUT ANOTHER FORM.

*If an individual is not an agency employee or director, please indicate company affiliation.

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<thead>
<tr>
<th>Name</th>
<th>Title/Company*</th>
<th>Email Address</th>
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<tbody>
<tr>
<td>Larry McKenney</td>
<td>General Manager/Amador Water</td>
<td><a href="mailto:lmckenney@amadorwater.org">lmckenney@amadorwater.org</a></td>
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Signature (Agency/District General Manager or Board President signature required) | Title | Date
---|---|---

QUESTIONS?
Contact Business Services Specialist Petra Rice at petrar@acwa.com or (916) 441-4545

910 K Street, Suite 100
Sacramento, CA 95814
www.acwa.com
STAFF REPORT

Financial Policies AWA PL Fin 001-017 for the Agency Policy Manual

Requested Action:
Review and approval of draft financial policies for the Agency Policy Manual
Direction to staff to bring back a resolution to adopt the financial policies.

Background:
Over the past several months, the policy committee and staff have been reviewing and updating the Agency policy manual. Administrative and Board policies were approved by the Board on April 23, 2020. The policy committee and staff have drafted new and revised Financial Policies for the Agency Policy Manual Update. The committee’s recommended policies are attached for Board review and consideration.

Fiscal Impact: None

Committee Review: Yes, Policy Committee recommends approval of the Financial

Recommendation:
Approval of draft financial policies of the Agency Policy Manual and direction to staff to bring back a resolution to adopt the financial policies

Prepared by: Cris Thompson, Acting Financial Services Manager
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<td>Engagement of Auditor</td>
<td>Approved by Committee</td>
<td>5/13/2020</td>
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<td>AWA PL</td>
<td>Capital Asset</td>
<td>On Board Agenda 06-11</td>
<td>5/13/2020</td>
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Amador Water Agency

Engagement of Auditor Policy

DRAFT

100.00 Purpose of the Policy

The purpose of this policy is to ensure objective auditing of the Agency’s financial statements by an external independent auditor. Independence requires that the Agency’s auditor maintain the highest level of independence at all times as defined by the U.S. General Accountability Office’s “Government Auditing Standards.”

As an audit is dependent on the individual auditor’s assessment of risk in the Agency’s control procedures and financial statement disclosures and is designed to provide reasonable, but not absolute, disclosure of such risk, changing auditors periodically may provide the Agency with a different risk assessment and, perhaps, a different approach to testing risk in the Agency’s control procedures and financial statement disclosures as defined in the Statements on Auditing Standards (SAS) “risk assessment” standards No. 122 and 128.

The Budget and Finance Committee is responsible for recommending the Agency’s auditor to the full Board of Directors (Board) for appointment and compensation, and administering the relationship between the Agency and auditor during the course of the audit.

200.00 Maintaining Auditor Independence

The Board recognizes the importance of ensuring the independence of the Agency’s auditor and ensuring effective communication between the auditor and the Board and Budget and Finance Committee. The Budget and Finance Committee shall evaluate the auditor’s independence annually in connection with its determination to engage the auditor for the ensuing year.

To ensure the auditor’s independence from the Agency, the Budget and Finance Committee shall, at least annually, obtain and review a formal written statement from the auditor delineating all relationships between the auditor and the Agency and discuss with the auditor the auditor’s methods and procedures used for ensuring independence.
300.00 Auditor Services

The Budget and Finance Committee shall recommend the auditor provide only Audit and Audit-Related Services for the Agency. The Budget and Finance Committee shall pre-approve all Audit and Audit-Related Services, in order to assure that the provision of such services do not impair the auditor’s independence.

Audit Services means all services and accounting consultation necessary to perform an audit of the Agency’s financial statements, and other attest services required by statute, regulation, contracts, agreements or grants.

Audit-Related Services means assurance and related services that are reasonably related to the performance of the annual audit of the Agency’s financial statements or that are traditionally performed by the auditor, including employee benefit plan audits, due diligence related to mergers, accounting consultations, internal control reviews and attest services not required by statute or regulation.

400.00 Prohibited Services

The following accounting, finance and professional services shall not be performed for the Agency by the auditor.

1. Bookkeeping or other services related to accounting records.
2. Financial Information Systems design and implementation.
3. Appraisal or valuation services.
4. Actuarial services.
5. Internal audit outsourcing services.
8. Broker-dealer or investment advisory functions.
9. Legal services.
10. Expert services unrelated to the audit, except as Agency may request in writing and agreed to by the Auditor.

500.00 Auditor Rotation

In order to avoid the appearance of a single-auditor’s objectivity in relation to the Agency, the Budget and Finance Committee shall seek proposals from potential auditors no greater than every three years with a one-time option of a 3-year extension. The Agency’s current auditor shall be considered in the proposal process if the past performance of the auditor has proven satisfactory to the Agency. Selection of an auditor shall be performed in accordance with the Agency’s Procurement Policy requirements (AWA PL – FIN 005)
600.00 Policy Review

This policy shall be reviewed at least every two years.
Amador Water Agency

Capital Asset Policy

Adopted:

100.00 Purpose of the Policy

The purpose of this policy is to establish guidance in identifying, capitalizing, depreciating, and accounting for Agency capital assets.

100.10 Definitions

A capital asset is defined under this Policy as an asset owned by the Agency that – 1) is acquired for use in Agency operations, 2) is long-term in nature (i.e., useful life exceeds 2 years), 3) is subject to depreciation, and 4) has a minimum value of $5,000 (see section 200.20).

200.00 Policy

It is the policy of the Agency that the following types of assets will be considered Capital Assets of the District. If an asset does not meet the capitalization requirements listed in this policy, then it is to be expensed in the year acquired.

200.05 Capital Assets

The Agency operations program will be maintained at a level that assures system reliability and efficiency. A well thought out Preventative Maintenance program will extend the life of all capital assets and in turn reduce infrastructure costs in the long-term.

A. Funding to Meet Regulations and Standards - The Agency will adequately fund costs to meet current industry standards and regulations (e.g. Safe Drinking Water Act, etc.) in the annual budgeting process.

B. Capital Improvement Plan - The District, as part of its routine planning process, will develop a 5-year Water System Master Plan and Wastewater Master Plan and update them annually. Further, the Agency will create and maintain an Asset Management Plan for both Water and Wastewater Systems.

C. Adopted Capital Plan - The Agency will undertake all capital improvements approved by the Board annually at budget adoption according to the Agency’s Asset Management Plans.

D. Types of Capital Projects - The Agency’s capital improvement program will consider mandated capital, capacity related capital and renewal and replacement capital.

E. Financing of Capacity-Related Projects - The financing of growth-related capital projects may be funded from any of the available funding resources of
the Agency. However, to better meet the Agency’s needs, the use of long-term debt to finance growth-related projects will be minimized. When necessary, long-term debt will be issued to allow the Agency to better match the financing of these facilities to the timing of the customers as they connect to the system.

200.10 Capital Asset Categories

Capital assets shall be segregated into the following categories:
A. Land and Land Improvements with a limited life, such as driveways, walks, fences, landscaping, and parking areas.
B. Buildings and Building Improvements, such as HVAC equipment, interior remodeling features, and landscaping.
C. Hydrants, pressure modulating facilities, Valves and related appurtenances.
D. Transmission and Distribution pipelines.
E. Water Storage Facilities.
F. Wastewater Facilities
G. Hydrogeneration Facilities
H. Groundwater Wells, Flow Meters, Etc.
I. Pumps, Motors and Water Treatment Facilities
J. Water Meters and Appurtenances.
K. Machinery and Equipment, such as generators, compressors, jackhammers, tools, trimmers, etc.
L. Fleet Equipment, such as cars, trucks, trailers and backhoes.
M. Office Equipment such as furniture and fixtures.
O. Intangible Assets, such as easements and internally generated computer software.
P. SCADA, including location and mapping features.

200.20 Capitalization Thresholds

Capital assets eligible for capitalization, must have:
1) an estimated useful life of at least two years from the date of acquisition
2) and a minimum value of $5,000, and
3) Such criteria shall be applied to individual assets and not to groups of assets.

200.30 Valuation of Capital Assets

The value assigned to capital assets shall be determined as follows:

200.32 Purchased Capital Assets

The capitalized value of purchased Capital assets shall be determined using the original cost of the asset. Specific costs eligible for capitalization are identified under section 200.40. If the original cost of an asset is not available or cannot be reasonably determined, an estimated current cost may be utilized.
200.34 Agency-Constructed Capital Assets

Agency-constructed water and wastewater system infrastructure assets intended to be used in Agency operations or internally generated computer software are eligible for capitalization. The capitalized value of such assets shall be determined using direct costs and material costs associated with the construction up until the time the asset is complete and ready for use.

200.36 Donated Capital Assets

The capitalized value of donated assets shall be determined using the fair market value at the time of donation. If the fair market value of the asset is not available or cannot be reasonably determined, an estimated cost may be determined using the best available information. The value of donated intangible assets shall be accounted for separate from donated tangible capital assets.

200.40 Capitalizable Costs

Costs eligible for capitalization under this policy are:

For land:
- Purchase price or appraised value, whichever is more readily determinable;
- Closing costs, such as title fees, attorney’s fees, environmental assessments, appraisals, taxes and recording fees;
- Costs necessary to get the land ready for its intended use, such as grading, clearing, filling, draining, surveying, and demolition of existing structures;
- Assumptions of liens, encumbrances or mortgages;

For purchased assets other than land:
- Purchase price, including all taxes
- Freight, handling and in-transit insurance charges
- Assembling and installation charges
- Professional fees of engineers, inspectors, attorneys, consultants, etc.;
- Applicable purchase discounts or rebates

For Agency-constructed assets:
- Direct labor costs (to include wages and benefits);
- Direct materials cost;
- Professional fees of engineers, inspectors, attorneys, consultants, etc.;
- Insurance premiums and related costs incurred during construction;
- Costs necessary to get the site ready for its intended use, such as grading, clearing, filling, draining, surveying, and demolition of existing structures;
- Costs for intangible assets as determined in accordance with Governmental Accounting Standards Board, Statement No. 51 “Accounting and Financial Reporting for Intangible Assets.”
For donated Capital assets:
- Fair Market or Appraised Value at date of donation;
- Installation costs;
- Professional fees of engineers, inspectors, attorneys, consultants, etc.;
- Other normal or necessary costs required to place the asset in its intended location and condition for use.

200.50 Capitalization of Costs Subsequent to Acquisition

Additional costs incurred after a capital asset is placed in use shall be accounted for as follows:

200.52 Additions

An “Addition” is defined as an expenditure that either significantly extends the useful life or productivity of the existing capital asset or creates a new capital asset. All “Additions” to existing capital assets should be capitalized as long as the asset meets the criteria of section 200.20 above.

200.54 Improvements and Replacements

“Improvements and Replacements” are defined as expenditures that involve substituting a similar capital asset, or portion thereof, for an existing one. All “Improvements and Replacements” to existing capital assets should be capitalized as long as the asset meets the criteria of section 200.20 above. If the existing asset’s book value is determinable, then the existing asset should be removed from the books at the time the replacement is recorded. If the existing asset is not separately identifiable, then the replacement should still be capitalized as the existing asset’s book value is assumed to be negligible.

200.56 Rearrangement or Reinstallation

“Rearrangement or Reinstallation” costs are defined as expenditures that involve moving an existing asset to a new location or reinstalling a similar asset in place of an existing asset. All “Rearrangement or Reinstallation” costs should be expensed in the period incurred.

200.58 Repairs and Maintenance

“Repairs and Maintenance” costs are defined as expenditures that involve maintaining the asset in good or ordinary repair. All “Repairs and Maintenance” costs should be expensed in the period incurred.
### Depreciation or Amortization of Capital Assets

Capital assets shall be depreciated or amortized on a straight-line basis beginning the first day of the month following acquisition in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Category</th>
<th>Depreciation/Amortization Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>None</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>15 Years</td>
</tr>
<tr>
<td>Buildings</td>
<td>40 Years</td>
</tr>
<tr>
<td>Building Improvements</td>
<td>20 Years</td>
</tr>
<tr>
<td>Hydrants, PRV Stations, Valves and similar assets</td>
<td>30 Years</td>
</tr>
<tr>
<td>Transmission and Distribution pipelines</td>
<td>80 Years</td>
</tr>
<tr>
<td>Sewer Collection and Manholes</td>
<td>50 Years</td>
</tr>
<tr>
<td>Storage Facilities STEEL/CONCRETE</td>
<td>60 Years</td>
</tr>
<tr>
<td><strong>Water and Wastewater Treatment Plants, Pump Stations and Wells</strong></td>
<td></td>
</tr>
<tr>
<td>SCADA, pumps, electrical, membranes, etc</td>
<td>See next three rows</td>
</tr>
<tr>
<td>Mechanical/Structures</td>
<td>10-20 Years</td>
</tr>
<tr>
<td>Well Casings</td>
<td>40 Years</td>
</tr>
<tr>
<td>Water Meters and Appurtenances</td>
<td>75 years</td>
</tr>
<tr>
<td>Generators</td>
<td>20 Years</td>
</tr>
<tr>
<td>Machinery and Equipment (compressors, jackhammers, tools and equipment)</td>
<td>30 Years (if maintained properly)</td>
</tr>
<tr>
<td>Fleet Equipment (cars, trucks, backhoes, other mobile motorized equipment)</td>
<td>10-15 Years</td>
</tr>
<tr>
<td>Office Furniture and Fixtures</td>
<td>7 Years</td>
</tr>
<tr>
<td><strong>Computer Equipment, Servers, Purchased Software and Telephones</strong></td>
<td>5 Years</td>
</tr>
<tr>
<td>-----------------------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>Intangible Assets, such as easements and internally generated computer software</strong></td>
<td>5 Years</td>
</tr>
<tr>
<td><strong>Permanent Easements – None;</strong></td>
<td></td>
</tr>
</tbody>
</table>

200.70 **Physical Inventory of Capital Assets**

A physical inventory of the following categories of capital assets shall be performed at least annually:

- Inventory Items
- Machinery and Equipment
- Fleet Equipment
- Office Furniture and Fixtures
- Computer Equipment, Purchased Software and Telephones

The results of the physical inventory shall be reconciled with the Agency’s asset inventory system. Differences will be reported, along with explanations, to the Board of Directors.

200.80 **Disposal of Capital Assets**

Capital assets that have become obsolete shall be disposed in accordance with Agency’s Policy on “Disposing of Surplus Agency Real Property, Vehicles and Large Equipment and Other Personal Property (PL - Adm 003).”

300.00 **Policy Review**

This policy shall be reviewed at least biennially.
Amador Water Agency

Investment Policy

Adopted:
DRAFT

100.00 Investment Authority

In accordance with section 53600 et. seq. of the Government Code of the State of California (Government Code), the authority to invest public funds is expressly delegated to the Board of Directors for subsequent re-delegation to the Finance Manager or similar position, or similar position or his/her designee, pursuant to the delegation made by this Investment Policy are limited to those instruments described herein (the “Policy”). The Agency may delegate investment authority to an investment advisor. The advisor will follow the Investment Policy and such other written instructions as are provided.

200.00 Glossary

See Appendix A

300.00 Scope

This investment policy applies to all investment activities and financial assets of the Agency. The funds covered by this policy are accounted for and incorporated in the Agency’s Annual Audited Financial Statement Package. This policy specifically exempts any bond proceed funds. Bond proceeds shall be invested in accordance with the requirements and restrictions outlined in the bond documents. Also exempt are pension or other post-employment benefit funds held in a trust.

400.00 Statement of Objectives

In order of importance, four fundamental criteria will be followed in the investment program:

410.00 Safety of Principal

Investments will be undertaken in a manner which first seeks to ensure the preservation of capital in the portfolio. Each investment transaction will be entered into seeking quality in issuer and in underlying security or collateral. Market risk will be reduced by diversifying the portfolio, by limiting the average maturity of the portfolio, by limiting the maximum maturity of any one security, and by performing cash flow analyses to avoid the need to sell securities prior to maturity.
420.00 Liquidity

Investments will be made with maturity dates compatible with cash flow requirements to permit conversion to cash without a significant loss in value.

430.00 Interest Rate Risk Hedging

The Agency’s investment portfolio will be designed with the objective of mitigating interest rate risk that arises due to adjustable-rate debt financing or other contractual arrangements, commensurate with the investment risk constraints and the cash flow characteristics of the portfolio.

440.00 Return on Investment

The Agency’s investment portfolio will be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow characteristics of the portfolio.

500.00 Prudent Investor Standard

When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing the Agency’s funds, the Board and those to whom investment authority has been delegated shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Agency. This standard will be applied in all investment decisions, including those related to hedging interest rate risks associated with debt financing.

600.00 Authorized Financial Dealers and Institutions

The Finance Manager or similar position will maintain a list of approved financial institutions authorized to provide investment services to the public agency in the State of California. A determination should be made to insure that all approved broker/dealer firms, and individuals covering the public agency, are reputable and trustworthy. In addition, the broker/dealer firms should have the ability to meet all of their financial obligations in dealing with the Agency. The firms, and individuals covering the agency, should be knowledgeable and experienced in Public Agency investing and the investment products involved. No public deposit shall be made except in a qualified public depository as established by the established state laws. An annual review of the financial condition and registrations of qualified bidders will be conducted by the Finance Manager or similar position. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the Agency invests.
700.00 Portfolio Management

Any reference to the Agency’s portfolio will mean the total of the cash and securities under management by the Finance Manager or similar position, excluding cash and securities held in escrow or in trust on behalf of the Agency. Any reference to the Finance Manager or similar position herein will include his/her designee or designees (such as a professional portfolio manager or financial advisor). The Finance Manager or similar position may invest in any security authorized for investment under this Policy, subject to the limitations described below:

710.00 Maturity Limitations

a. With the exception of securities underlying repurchase agreements, the Finance Manager or similar position is authorized to invest the Agency’s fund balances to a maximum term of five years, unless a longer maturity would be warranted and has been approved by the Board at least 90 days in advance of the investment. Investment of bond proceeds held by the bond Trustee such as bond reserve funds, construction funds or funds established for the refunding and defeasance of bonds shall be subject to the applicable provisions set forth in the bond agreements, rather than the provisions of the Government Code.

b. For certain instruments, the term of the investment is limited by market convention or as otherwise prescribed herein.

720.00 Diversification

The Agency will diversify its investments by security type and institution. With the exception of U.S. Government, Agencies, and Government Sponsored Enterprises, and authorized pools, limitations will be placed the amount invested in a single security type or with a single financial institution. Limitations are described in Section 800.00 Authorized Investments.

730.00 Purchase and Sale of Securities

a. Information concerning investment opportunities and market developments will be gained by maintaining contact with the financial community together with information provided by financial advisors to the Agency.

b. The purchase of any investment other than those purchased directly from the issuer will be, to the extent possible, purchases from a firm designated as a Primary Dealer (dealers) by the Federal Reserve Bank of New York.

c. All dealers will be required to provide confirmations of all purchases or sales directly to the Finance Manager or similar position.
d. Initially, and when there are material changes to this Policy, the Finance Manager or similar position will transmit a copy of the current Policy to its professional portfolio manager or financial advisor, requiring them to return a signed statement indicating receipt and understanding of the Policy.

e. When practicable, the Finance Manager or similar position will solicit more than one quotation on each trade. Investment trades will be awarded on a competitive bid basis.

f. Prohibited investments include inverse floaters, range notes, interest-only strips derived from a pool of mortgages (Collaterized Mortgage Obligations), and any security that could result in zero interest accrual if held to maturity. (Zero interest accrual means the security has the potential to realize zero earnings through its maturity.)

g. If the Agency uses a professional portfolio manager, the portfolio manager may use its own list of approved brokers, dealers, and financial institutions to conduct security transactions on behalf of the Agency subject to the provisions of Government Code section 53601.5.

740.00 Exchange of Securities

An exchange of securities is a shift of assets from one instrument to another and may be done for a variety of reasons, such as for interest rate risk hedging purposes, to increase yield, to lengthen or shorten maturities, to realize a profit, or to increase investment quality. In no instance will an exchange be undertaken for speculative purposes. Exchanges, to the extent practicable, will be simultaneous (same day execution of sale and purchase).

750.00 Portfolio Adjustments

a. Agency portfolio percentage limitations for each category of investment are applicable only at the date of purchase. Should an investment percentage of portfolio limitation be exceeded due to an incident such as a fluctuation in portfolio size, the affected securities may be held to maturity, if deemed necessary, to avoid losses.

b. In the event a security held by the Agency is subject to a ratings change that brings it below the minimum ratings specified in this Policy, the Finance Manager or similar position shall notify the Board of the change. The course of action to be followed will be decided on a case-by-case basis, subject to Board approval, considering such factors as the reason for the ratings drop, prognosis for recovery
or further ratings drops, and the market price of the security.

c. The Finance Manager or similar position may at any time further restrict the securities approved for investment as deemed appropriate.
760.00 Safekeeping

a. All securities transactions, including collateral, for repurchase agreements entered into by the Agency will be conducted on a delivery versus payment (DVP) basis.

b. Securities will be held in safekeeping pursuant to a safekeeping agreement by an independent custodian, which does not act as a principal or secondary broker-dealer.

c. All financial institutions which provide safekeeping services for the Agency will be required to provide reports or safekeeping receipts directly to the Finance Manager or similar position to verify securities taken into their possession.

d. A counterparty bank’s trust department or separate safekeeping department may be used for physical delivery of a security. The security must be held in the Agency’s name.

770.00 Review of Investment Portfolio

The securities held by the Agency must be in compliance with Section 800.00 Authorized Investments at the time of purchase. Because some securities may not comply with Section 800.00 Authorized Investments subsequent to the date of purchase, the Finance Manager or similar position shall at least quarterly review the portfolio to identify those securities that do not comply. The Finance Manager or similar position shall establish procedures to report to the Board major and critical incidences of noncompliance identified through the review of the portfolio.

Any investment held by the Agency at the time this Policy is adopted or amended will not be sold to conform to any part of this Policy unless its sale is judged to be prudent by the Finance Manager or similar position.

780.00 Investment Pools/Mutual Funds

A thorough investigation of pool/fund’s used by the Agency is required prior to investing, and on an annual basis. The review may address the following questions:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.

2. A description of interest calculations and how it is distributed, and how gains and losses are treated.

3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.

4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.

5. A schedule for receiving statements and portfolio listings.
6. A fee schedule, and when and how is it assessed.

790.00 **Collateralization**

Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value for Certificate of Deposits and 102% for reverse repurchase agreements of principal and accrued interest.

800.00 **Authorized Investments**

The following are types of securities that may be purchased subject to the limitations specified. A summary of these security types and the limitations on the percentage of portfolio is shown in Appendix B.

801.00 **U.S. Government, Agencies, and Government Sponsored Enterprises**

a. Investments in U.S. Treasury obligations will not be subject to any limitations. Purchases may be affected through the Federal Book Entry System which includes acceptance of a Federal Reserve receipt on behalf of the Agency.

b. Investments in direct obligations of federal agencies guaranteed by the U.S. Government will not be subject to any limitations.

c. Investments in federal agency obligations not explicitly guaranteed by the U.S. Government will not be subject to any limitations.

d. Investments in government sponsored enterprise obligations not explicitly guaranteed by the U.S. Government will not be subject to any limitations.

802.00 **Municipal Obligations**

a. Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the state or any local agency or by a department, board, agency or authority of the state or any local agency.

b. Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United, in addition to California.
803.00 Bankers’ Acceptances

Restrictions are as follows:

a. Investments in prime bankers’ acceptances will not exceed 40 percent of the portfolio in effect immediately after any such investment is made.

b. No more than 5 percent of the total portfolio may be invested in the securities of any one non-government issuer regardless of security type.

c. Eligible bankers’ acceptances will be rated in the highest short-term ratings category by NRSRO.

d. The maximum maturity will be limited to 180 days.

804.00 Negotiable Certificates of Deposit

Restrictions are as follows:

a. Investments in negotiable certificates of deposit will not exceed 30 percent of the total portfolio in effect immediately after any such investment is made.

b. No more than 5 percent of the Agency’s portfolio may be invested in the securities of any one non-government issuer regardless of security type.

c. To be eligible, a certificate of deposit must be issued by a nationally or state-chartered bank, a state or federal savings and loan association or savings bank, or a federally- or state-licensed branch of a foreign bank.

d. Eligible negotiable certificates of deposits will be rated in a rating category of “A” long-term or “A-1” short-term, or its equivalent, or better by at least one NRSRO.

e. The investment will not exceed the Agency’s equity in any depository bank. For the purpose of this constraint, shareholders’ equity will be deemed to include capital notes and debentures.

f. The investment will not exceed the total of the net worth of any depository savings and loan association, except that investments up to a total of $500,000 may be made to a savings and loan association without regard to the net worth of that depository, if such investments are insured or secured as required by law.

g. The Agency’s Board and the Finance Manager or similar position or other official of the Agency having legal custody of the moneys are prohibited from investing Agency funds, or funds in the custody of the Agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the Agency’s Board,
or a person with investment decision making authority at the Agency also serves
on the board of directors of the credit union, or any committee appointed by the
credit union board of directors, or the credit committee or the supervisory
committee of the state or federal credit union issuing the negotiable certificates of
deposit.

h. The maximum maturity will be limited to five years.

805.00 Commercial Paper

Restrictions are as follows:

a. Only commercial paper of prime quality of the highest ranking or of the highest
letter and numerical rating, at the time of purchase, as provided by Moody’s
Investors Services or Standard & Poor’s Corporation, may be purchased.

b. Investment of the commercial paper shall meet all of the following conditions in
either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria:
   a. Is organized and operating in the United States as a general
corporation.
   b. Has total assets in excess of five hundred million dollars
   ($500,000,000).
   c. Has debt other than commercial paper, if any, that is rated in a rating
   category of “A”, its equivalent, or higher by a nationally recognized
   rating service.

(2) The entity meets the following criteria:
   a. Is organized within the United States as a special purpose
corporation, trust, or limited liability company.
   b. Has program-wide credit enhancements including, but not limited
to, overcollateralization, letters of credit, or surety bond.
   c. Has commercial paper that is rated in a rating category of “A-1”, its
   equivalent, or higher, by a nationally recognized rating service.

c. Investments in commercial paper will not exceed 25 percent of the Agency’s
portfolio.

d. Each investment will not exceed 270 days maturity.

e. No more than 10 percent of the outstanding commercial paper of an issuing
corporation may be purchased.

f. No more than 5 percent of the Agency’s portfolio may be invested in the
securities of any one non-government issuer regardless of security type.
806.00  Repurchase Agreements

A repurchase agreement is a purchase of authorized securities with terms including a written agreement by the seller to repurchase the securities on a later specified date for a specified amount. Restrictions are as follows:

a. The percentage limit for investment in repurchase agreements will be 50 percent of the total portfolio.

b. Repurchase agreements will be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally- or state-chartered bank that has had a significant banking relationship with the Agency. The bank must be rated in the highest short-term ratings category by an NRSRO.

c. Such investments will provide for purchased securities with a market value of at least 102 percent of the amount of the invested funds. The value will be adjusted not less than quarterly.

d. Purchased securities are limited to those protected by United States Bankruptcy Code, Treasury bills, bonds and notes, or other investments that are direct obligations of or fully guaranteed as to principal and interest by the United States or any agency thereof. Zero coupon and stripped coupon instruments are not acceptable.

e. Such investments will provide for transfer of ownership and possession of the purchased securities either to the Agency directly or to a custodian depository institution which will take record title and will establish and maintain a sub-account in its financial records for the securities in the Agency’s name, and such custodian will not be the dealer from which the securities were purchased.

f. Each repurchase agreement will have a valid and perfected first security interest therein under the California Commercial Code or pursuant to the book entry procedures described by 31 C.F.R. Part 306 and/or 31 C.F.R. Part 357.

g. The term of a repurchase agreement may not exceed one year.

807.00  Time Deposits

For purposes of this policy, collateralized time deposits will be considered investments. The following criteria will be used in evaluating financial institutions and form of collateral to determine eligibility for deposits:

a. Must have been in existence for at least five years.

b. Must have received an overall rating of not less than “satisfactory” in its most recent
evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California’s communities. Eligibility for deposits will be limited to those financial institutions that have a branch in the State of California and maintain a rating equivalent to Thompson Bank Watch Service of “B” or better. Credit requirements may be waived for a time deposit that is federally insured.

c. The deposit will not exceed the shareholders’ equity of any depository bank. For the purpose of this constraint, shareholders’ equity will be deemed to include capital notes and debentures.

d. The deposit will not exceed the total of the net worth of any depository savings and loan association, except that deposits not exceeding a total of $500,000 may be made to a savings and loan association without regard to the net worth of that depository, if such deposits are insured or secured as required by law.

e. Deposits must be insured up to the FDIC’s current limit. For uninsured deposits, the financial institution will maintain in the collateral pool securities having a market value of at least 10 percent in excess of the total amount deposited. The Agency, at its discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. The Agency shall have a signed agreement with any depository accepting Agency funds. Promissory notes secured by real estate mortgages or deeds of trust are not acceptable as collateral.

f. When other factors are equal, appropriate consideration will be given to a financial institution that either individually or as a member of a syndicate bids on or makes a substantial investment in the Agency’s securities, contributes service to the Agency, and offers significant assistance to the Agency, so as to provide for distribution of total deposits among eligible financial institutions.

h. Purchased time deposits will be limited to a maximum maturity of one year.

i. Purchases of securities authorized by this subdivision may not exceed 50% of the Agency’s portfolio.

808.00 Medium-Term Notes

Restrictions are as follows:

a. Investment in medium-term notes are limited to corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

b. Notes eligible for investment under this subdivision will be rated in the rating category of “A”, its equivalent, or better by at least one NRSRO.
c. Purchases of medium-term notes may not exceed 30 percent of the Agency’s portfolio.

d. No more than 5 percent of the Agency’s portfolio may be invested in the securities of any one non-government issuer regardless of security type.

e. Purchases of medium-term notes will be limited to a maximum maturity of five years.

809.00 Mortgage Obligations and Asset Backed Securities

The Agency may invest in any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond. Restrictions are as follows:

a. A maximum of five years to maturity.

b. Securities eligible for investment must be rated in a rating category of “AA”, its equivalent, or better by an NRSRO, and issued by an issuer having an “A”, its equivalent, or higher rating for the issuer’s debt as provided by an NRSRO.

c. Purchase of securities authorized by this subdivision may not exceed 20 percent of the Agency’s portfolio.

d. No more than 5 percent of the Agency’s portfolio may be invested in the securities of any one non-government issuer regardless of security type.

810.00 Local Agency Investment Fund Deposits

Deposits for the purpose of investment in the Local Agency Investment Fund of the State Treasury may be made up to the maximum amount permitted from time to time by State Treasury policy.

811.00 Shares of Beneficial Interest (Money Market Funds)

The Finance Manager or similar position may invest, for temporary periods pending disbursement or reinvestment, in shares of beneficial interest issued by eligible diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. These companies must meet the following criteria:

a. Attain the highest ranking of the highest letter and numerical rating provided by not less than two nationally recognized rating agencies, or retain an investment adviser registered or exempt from registration with the Securities and Exchange
Commission with not less than five years’ experience managing money market funds with assets under management in excess of $500 million.

b. The purchase price of the shares will not include any commission that the companies may charge and will not exceed 20 percent of the Agency’s portfolio.

812.00 Shares of Beneficial Interest Issued by a Joint Powers Authority (Local Government Investment Pools)

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q) of Government Code Section 53601, inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria: (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission. (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q) Government Code Section 53601, inclusive. (3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

813.00 Supranationals

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB).

Restrictions are as follows:

a. A maximum of five years to maturity.

b. Must be eligible for purchase and sale within the United States.

c. Notes eligible for investment under this subdivision will be rated in a rating category of “AA”, its equivalent, or better by at least one NRSRO.

d. Purchases of these securities may not exceed 30 percent of the Agency’s portfolio.

e. No more than 10 percent of the Agency’s portfolio may be invested in the securities of any one supranational issuer.
900.00 Reporting

On a regular basis, the Finance Manager or similar position will provide a report to the public and Board of Directors showing the holdings and investment transactions, issuers, maturity dates, par and dollar amounts invested, cash balances, amounts held by the Local Agency Investment Fund and any other amounts under the management of contracted parties. On a monthly basis, in accordance with Government Code 53607, the Finance Manager or similar position shall make a monthly report of transactions to the legislative body.

1000.00 Performance Standards

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The Agency will establish an appropriate performance benchmark to compare the performance of its portfolio to the performance of the benchmark.

1100.00 Internal Controls

The Finance Manager or similar position is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Agency are protected from loss, theft, fraud or misuse. Accordingly, the Finance Manager or similar position shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

1200.00 Conflicts of Interest

The Finance Manager or similar position and his/her designees will perform duties under this Policy in accordance with sections 1090 and 1126 of the Government Code as well as any other state law referred to in this policy.

1300.00 Conflicts

In the event any provision of this Policy is in conflict with any of the statutes referred to herein or any other state or federal statute, the provision of such statutes will govern.

1400.00 Investment Policy Adoption

The Agency’s investment policy shall be adopted by resolution of the Board. This policy shall be reviewed at least every two years.
APPENDIX A

Glossary

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ANNUAL AUDITED FINANCIAL STATEMENT PACKAGE: The official annual report of the Agency. It includes combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes the Management Discussion and Analysis (MD&A) and supporting schedules reflecting financial compliance with GASB 34.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD’s are typically negotiable.

 COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COUPON: (a) The annual rate of interest that a bond’s issuer promises to pay the bondholder on the bond’s face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount and redeemed at maturity for full face value (e.g., U.S. Treasury Bills.)

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.
DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L’s, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per entity.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their Agency Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation’s purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA’s securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FHA mortgages. The term “pass-throughs” is often used to describe Ginnie Maes.
LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party’s rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers’ acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve’s most important and most flexible monetary policy tool.

PORTFOLIO: Collection of securities held by an investor.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in
exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank’s vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.
# APPENDIX B

State Authorized Investments vs. Agency’s Statement of Investment Policy

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Maximum Maturity (1)</th>
<th>Maximum Percentage of Portfolio</th>
<th>Percentage By Any Issuer or Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Treasury Obligations:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Code</td>
<td>5 years</td>
<td>100</td>
<td>--</td>
</tr>
<tr>
<td>Agency Policy</td>
<td>5 years</td>
<td>100</td>
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</tr>
<tr>
<td><strong>Federal Agencies and Government Sponsored Enterprises:</strong></td>
<td></td>
<td></td>
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<tr>
<td>State Code</td>
<td>5 years</td>
<td>100</td>
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<tr>
<td>Agency</td>
<td>5 years</td>
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<tr>
<td><strong>Municipal Obligations:</strong></td>
<td></td>
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<td></td>
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<tr>
<td>State Code</td>
<td>5 years</td>
<td>100</td>
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<tr>
<td>Agency Policy</td>
<td>5 years</td>
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</tr>
<tr>
<td><strong>Repurchase Agreements:</strong></td>
<td></td>
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<tr>
<td>State Code</td>
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<td>100</td>
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</tr>
<tr>
<td>Agency Policy</td>
<td>1 year</td>
<td>50</td>
<td>--</td>
</tr>
<tr>
<td><strong>Bankers Acceptances:</strong></td>
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<tr>
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<td>40</td>
<td>30</td>
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<tr>
<td>Agency Policy</td>
<td>180 days</td>
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<td>5</td>
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<td><strong>Commercial Paper:</strong></td>
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<tr>
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<td>25</td>
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</tr>
<tr>
<td>Agency Policy</td>
<td>270 days</td>
<td>25</td>
<td>5</td>
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<tr>
<td><strong>Negotiable Certificates of Deposit:</strong></td>
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<tr>
<td>State Code</td>
<td>5 years</td>
<td>30</td>
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<tr>
<td>Agency Policy</td>
<td>5 years</td>
<td>30</td>
<td>5</td>
</tr>
<tr>
<td><strong>Medium Term Notes:</strong></td>
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<td><strong>Time Deposits:</strong></td>
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<tr>
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<td><strong>Mortgage Backed and Asset Backed Obligations:</strong></td>
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<tr>
<td>Agency Policy</td>
<td>5 years</td>
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</tr>
<tr>
<td><strong>Local Agency Investment Fund:</strong></td>
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<td>State Code</td>
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</tr>
<tr>
<td>Agency Policy</td>
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Shares of Beneficial Interest (Money Market Fund):

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Shares of Beneficial Interest (Local Government Investment Pools):

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Supranationals:

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<thead>
<tr>
<th>State Code</th>
<th>Agency Policy</th>
<th>30</th>
<th>10</th>
</tr>
</thead>
</table>

Note: For funds established by Indentures of Trust, the provisions of such Indentures will govern investments.

(1) California Government Code provides authority to the Board to permit maturities beyond five years with certain restrictions. The current Policy provides for maturities longer than five years for funds established by Indentures of Trust.

(2) Agency will allow up to the amount allowed by Local Agency Investment Fund.
Amador Water Agency

Reserve Policy
DRAFT
Adopted:

100.00 Purpose of the Policy
The Agency will maintain reserve funds where required by law, ordinance or bond
covenant, and revenue stability, so as to provide the necessary cash flow for normal
and ordinary operations, while also providing the ability to address economic
downturns and limited system emergencies.

Collectively, reserve funds enable the Agency to operate in a prudent manner, while
allowing for transparency of reserve fund balances.

200.00 Policy
In order to provide adequate funding to meet the Agency’s short-term and long term
plans, The Agency will have reserve accounts to:
Minimize adverse annual and multi-year budgetary impacts from anticipated and
unanticipated expenditures. Thus minimizing the possibility of unplanned service fees
or rate fluctuations.
Strengthen the financial stability of the agency against present and future
uncertainties in an ever-changing environment.

200.10 Reserve Fund
The Agency shall maintain two reserve funds that collectively comprise the Agency’s
reserve fund balance. The reserve funds will be classified as – Operations and
Maintenance Reserve Fund and Capital Replacement Reserve Fund with distinction
among the funds that determines how reserve amounts can be spent. Such financial
assets are to be utilized only as directed by the Board.

200.20 Operations and Maintenance Reserve Fund
Financial assets held primarily in the form of cash and cash-equivalents for the purpose
of debt avoidance due to unexpected expenditures of a non-recurring nature or to meet
unexpected increases in operating costs. The Agency shall target to maintain a reserve
equal to 2 months of annual operating expenses.

200.30 Capital Reserve Fund
Financial assets held for purposes of funding Agency capital asset replacements and
capital projects necessary to meet regulatory requirements and/or system reliability
needs. Through the annual budget process, staff shall recommend capital replacement
projects and any necessary appropriations from this fund. The Agency shall target to maintain a Capital Reserve Fund of 1% of asset value (net of depreciation).

300.00 Authority

The General Manager is responsible for the appropriate accounting and regular reporting of the Agency’s reserve fund balance. Board oversight will be accomplished through regular reporting and review of this Policy.

400.00 Procedure

Agency staff will report reserve fund balances to the Board of Directors on a quarterly basis.

In any case where the reserves are drawn below target minimums, a report shall be developed containing the reasons for withdrawals and any impacts to programs or rates due to such withdrawals. If reserves are depleted, the reserves shall be replenished over a maximum five (5) year period to the established or re-established target as directed by the Board.

Maintenance of minimum reserves should not, on its own, trigger the need for a rate adjustment. Rates will be reviewed after two consecutive years of revenue dropping below established minimums balances, or diminishing reserves as a result of covering unanticipated costs.

500.00 Policy Review

This Policy will be reviewed annually as part of the budget adoption process.
100.00 Purpose of the Policy

The purpose of this Policy is to define the practices and policies governing the procurement of supplies, materials, equipment and services, including construction and capital improvements, for Agency use and to relate the policies and principles to applicable provision of governing law and to Agency administrative policies. (Procurement Policy or Policy) The Policy is the written rule and regulation required by California Government Code section 54202 and serves as Agency administrative policies and procedures governing procurement activities. This Procurement Policy is compliant with Title 2 of the Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

100.10 By adoption of this Policy, the Board is empowering the General Manager (GM), or its authorized representative with certain duties and responsibilities that are essential for the day-to-day operation of the Agency. The General Manager delegates and shares the procurement of goods, materials and services with the Finance Manager or similar position (FM) and those staff members given specific authority. In addition, the procurement of contracting and engineering, consulting and design for Capital Projects.

200.00 Policy Statement

200.10 California law requires all local agencies to formally adopt policies and procedures governing the acquisition of materials, supplies, equipment and services as referenced below.

“California Government Code section 54202: Every local agency shall adopt policies and procedures, including bidding regulations, governing purchases of supplies and equipment by the local agency. Purchases of supplies and equipment by the local agency shall be in accordance with said duly adopted policies and in accordance with all provisions of law governing same. No policy, procedures, or regulation shall be adopted which is inconsistent or in conflict with statute.”

The Amador Water Agency Board of Directors desires to purchase supplies, equipment and materials locally when possible and responsible to do so. The Agency shall strive to purchase supplies, equipment, and materials within Amador County for items that do not exceed 5% of the costs to purchase items outside the County of Amador (including shipping)
200.20 This Policy is subject to change in the regular operation of the Agency, as it may be revised from time to time by the Board of Directors.

200.20.1 General Procurement Policies

a. All purchases, agreements, services, leases, and/or contracts for materials, supplies, equipment, and other Agency property shall be made in accordance with this Policy.

b. Procurement practices shall comply with laws, regulations and guidelines of the State of California and the provisions of grant or funding agreements, if applicable.

c. Any employee affecting any procurement action outside of the policies and procedures established within this policy and without Board authorization to do so, may be subject to disciplinary action and/or termination.

d. Splitting or separating of material, supply, service, leave, and equipment orders or projects for the expressed purpose of evading the requirements of this Policy is strictly prohibited.

e. Contract administration methods shall be maintained to assure that goods and services received by the Agency meet the terms and conditions of the contract.

f. Purchasing authority for the acquisition of materials, supplies, equipment and services, including non-capital construction shall be centralized under the Purchasing Agent (PA) and in such persons who are officially designated within this Policy. The PA or its designee will ensure adherence to the guidelines prescribed by law, by legal opinions, and in accordance with established Agency policies and procedures.

g. Authority related to all capital projects will follow the dollar thresholds set forth in this Procurement Policy. However, the Engineering Department will be responsible for all specifications, bidding, and contracts for capital improvement projects. The Engineering Manager (EM) will ensure adherence to the guidelines prescribed by law, and in accordance with established Agency policies and procedures regarding capital improvement projects.

h. Operation and maintenance purchases including materials, supplies, inventory items, and rentals do not require Board approval if services are performed by Agency forces. Operation and maintenance services performed by outside contractors and large equipment purchases require Board approval if the total cost is above the General Manager’s approval authority as identified in 400.20 of this policy.

i. Any amendment to any purchase order or contract that will increase the Agency’s adopted annual budget will require Board approval.

300.00 Procurement Authority

Subject to approval of the GM, or the GM’s designee, the Department Managers and Purchasing Agent are authorized to:
300.10 Enter into contractual obligations on behalf of the Agency for the acquisition of supplies, materials, equipment, and services necessary to support the Agency functions in accordance with the Procurement Policy.

300.20 Obtain full and open competition in accordance with prescribed policies and procedures in a manner that presents the best overall value to the Agency.

300.30 Provide for the uniform treatment of vendors, suppliers, and contractors.

300.40 Prepare and recommend revisions and amendments to procurement policies and requirements governing the purchase of materials, supplies, equipment and services and submit them periodically to the Board for approval. Revisions to procurement rules and requirements shall adhere to all related laws and industry standards.

300.50 Supervise the receipt and inspection of all materials, supplies, equipment, and services purchased to ensure conformance with specifications.

300.60 Recommend the disposition of surplus or unused supplies, materials, equipment, and scrap through sale or other means.

300.70 Maintain necessary records for the efficient operation of procurement.

300.80 Operate a centralized warehouse to efficiently manage commonly used supplies and materials as required to support Agency functions.

400.00 Purchase Requisitions & Authorization Table

400.10 Purchase Requisitions

400.10.1 Purchase Requisitions (Requisitions) communicate to the Purchasing Agent, in clear and explicit terms, the needs of the requestor. The requisitioning process also provides a mechanism for obtaining the approvals necessary to authorize the Purchasing Agent to proceed with the acquisition.

400.10.2 A completed Requisition will be routed electronically for authorization by the requestor and submitted to the Purchasing Agent prior to attempting to obtain any goods, services, materials or equipment.

400.10.3 Requisitions should be prepared and submitted far enough in advance to enable the Purchasing Agent to meet the competition and formal bidding requirements specified in this Policy and to properly prepare the contract documents. Additionally, no purchase request will be broken into smaller units to avoid any provision of this Policy.

400.10.4 Prior to generation of Requisitions by staff that do not require a formal RFP/Bid process, quote(s) must be obtained (See Section 500). If the requestor has received quotes, they are to be attached to the Requisition electronically or emailed to the Purchasing Agent to evaluate and move forward in the procurement of the goods or service.
If no quotes are provided, the Purchasing Agent will obtain quotes, but it may delay the processing of the Requisition.

**400.20 Procurement Authorization Table Amount Up To Approval Level**

- $5,000  Department Supervisors
- $25,000  Department Managers
- $50,000  General Manager, or designee
- $50,000+  Board of Directors

**400.30 Notes and Exceptions**

- **400.30.1** In the absence of the designated approver for a given request, authorization will be obtained from his/her designee or the next highest authority in accordance with the Procurement Authorization Table.

- **400.30.2** In general, Purchase Orders will be closed at the end of each fiscal year. Purchases are expensed from the fiscal year budget in which goods are received, not the fiscal year in which Purchase Orders are issued.

- **400.30.3** Purchase orders representing multiple year contracts will remain open until projects are completed and Finance is notified to close the Purchase Order.

- **400.30.4** Procurements that require approval by the Board do not require electronic requisitions. The Purchasing Agent will create the Purchase Order after the Board of Directors has approved and signed the contract, or designated authority to the GM, or the GM’s designee. The Purchase Order will then be delivered to the related Department.

- **400.30.5** In no case shall a contract be signed, and Purchase Order issued, unless sufficient funds have been budgeted and appropriated, or identified in the Capital Improvement Plan and adopted and approved by the Board during the annual budget process.

**400.40 Check Request**

- **400.40.1** A check request can be used to initiate payment for purchases not requiring a Purchase Order, such as for purchases of less than $5,000, and non-discretionary purchases or payments.
500.00 Competitive Selection Process

500.10 All procurements for materials, supplies, equipment, services, and construction shall employ a competitive selection process as set forth below. All procurements of $50,000 and over will require sealed bidding.

500.10.1 Unless the bid process utilizes different criteria, and unless an exemption applies, bids shall be awarded to the “responsive” and “responsible” bidder who submits the lowest bid.

- Responsive shall mean a bidder whose bid is in conformance with the requirements of the bid solicitation, including specifications and the Agency’s terms and conditions. Bidders who substitute terms and conditions or who qualify their bids in such a manner as to limit their liability may be considered non-responsive.

- Responsible refers to the ability of the bidder to successfully fulfill a contract. Prospective bidders may be requested to furnish proof of financial resources, appropriate insurance coverage, a list of current or previous customers, and other pertinent data. Such action may be taken after receipt of bids.

500.10.2 In determining the lowest “responsive” bidder, the following elements shall be considered in addition to price:

a. That the products offered provide the quality, fitness, and capacity for the required usage;

b. That the bidder has the ability, capacity and skill to perform the contract satisfactorily and within the time required; and

c. That the bidder’s experience(s) regarding past purchases by the Agency or other public agencies demonstrates the reliability of the bidder to perform the contract.

500.10.3 In determining the lowest “responsive” bidder, the following elements among others, shall be considered in addition to price:

a. Whether the bidder has read the applicable plans and specifications, has provided all the information requested by the Agency, followed the bid instructions, and has provided a bid in the manner requested by the Agency.

500.20 Bid Requirements Table

<table>
<thead>
<tr>
<th>Purchase Amount Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 0 - $5,000</td>
</tr>
<tr>
<td>$ 5,001 - $550,000</td>
</tr>
<tr>
<td>$ 50,001 +</td>
</tr>
</tbody>
</table>
500.30 Informal Quotes – For purchases less than $5,000, quotes may be obtained through an informal process (e.g. web browsing or phone calls) and documentation of the bids is recommended but not required. Although bid documents are not required, a Requisition and Purchase Order may be issued to document the purchase if the staff member making the purchase wishes to do so.

500.40 Informal Bids

500.40.1 For all procurement of materials, supplies, equipment, services, and construction of $5,000 up to $50,000, at least three vendors must be contacted for bids/price quotations and the purchase shall be awarded to the lowest responsible and responsive bidder, unless otherwise provided, as discussed below.

500.40.2 Bids may be solicited from prospective bidders by written request, telephone, legal advertising or public notice (including Agency website). Regardless of solicitation method, all vendors must receive the same information about specifications and requirements of the product or service, and all bids submitted shall not be shared with any other bidder until the bid is awarded. Bidders may be advised that they will be notified only if they submitted the successful bid.

500.40.3 All bids received must be documented and retained by the requesting department and scanned into Laserfiche Document Repository.

500.50 Formal Bids

500.50.1 For all procurement of materials, supplies, equipment, services, and construction in excess of $150,000, bids or proposals shall be solicited from a minimum of three vendors. A written Notice Inviting Bids (NIB) or Request for Proposals (RFP) must be used to document the specifications and requirements of the product or service.

500.50.2 The NIB or RFP must be made publicly available on the Agency’s website and, if practicable, in a newspaper of general circulation. If the NIB/RFP is also sent directly to prospective vendors, at least three vendors shall receive the notice.

500.50.3 Vendor responses (proposals/bids) must be submitted in written form and retained on file by the manager of the initiating department. Contracts shall be awarded in a manner most beneficial to the Agency as further explained in the following sections.

500.60 Award of Bids

The award of a contract by the Agency shall take one of two paths. If in the RFP or NIB the Agency committed itself to award the contract to the lowest responsive and responsible bidder, the Agency is obligated to award the contract as stated, unless it can be rejected for a reason set forth below. If in the RFP or NIB the Agency did not commit itself to award the contract to the lowest responsive and responsible bidder, or if there was no RFP or NIB issued, then the Agency may accept the bid that is most beneficial to the Agency, without regard to price.
500.70 Rejection of Bids
If the Agency has accepted bids for materials, supplies, equipment, services, or construction, and the Agency desires to award the contract to a bidder that is not the lowest bidder, then the Agency shall follow this procedure:

500.7.1 Bids where the Agency Did Not Commit Itself to Accept the Lowest Bid – The Agency may reject any bid and select the one that is most beneficial to the Agency.

500.7.2 Bids where the Agency Did Commit Itself to Accept the Lowest Bid – If the Agency advertised or stated the Agency will award the contract to the lowest responsible and responsive bidder, the Agency is obligated to award the contract as stated, unless the lowest bid is not responsive or is from a non-responsible bidder. If the Agency believes the lowest bid is either not responsive or responsible, then the Agency may be able to award the contract to the next lowest responsive and responsible bidder after discussing the matter with Agency Counsel.

600.00 Exemptions from Competitive Solicitation
The competitive solicitation/bid process will not be required for the acquisition of goods and services under the following circumstances.

600.10 Non-Discretionary Purchases
These purchases/payments are not readily adaptable to the open market and competitive selection process. Non-discretionary purchases do not require the issuance of a purchase order, and payments in excess of the General Manager authorization limit do not require Board approval. Examples of non-discretionary purchases include, but are not limited to:

- Bank charges and fees;
- Debt Service payments;
- Employee reimbursements;
- Insurance claims and premiums;
- Medical reimbursement payments;
- Payroll related tax liabilities;
- Memberships, dues, and subscriptions;
- Pension and OPEB payments;
- Travel expenses;
- Utilities;
- Water purchases; and
- One-time fees and permits.

600.20 Cooperative Procurement
The Agency may participate in purchases and contracts established by other political jurisdictions, provide the cooperative agreement is established following a competitive bid process. The cooperative purchase may be authorized according to the authorization table.

600.30 Inventory Replenishment
Purchases to replenish the Agency’s warehouse inventory within established inventory re-order levels require no prior authorization provided that the vendor being utilized has
been selected within the last twenty-four months as the designated vendor for the items, or class of items, to be purchased.

600.40 Sole Source
Commodities, services, and equipment which can be obtained from only one vendor are exempt from competitive bidding. Sole source purchases may include proprietary items sold directly from the manufacturer, equipment which has been standardized by the Agency, items that have only one distributor authorized to sell in this area, agreements for maintenance of computer software the Agency owns or a certain product that has been proven to be the only product acceptable.

600.50 Emergency Purchases
Emergency purchases may be made without competitive bidding when unforeseen circumstances present an immediate risk of:

- harm or hazard to the public health, safety, and welfare;
- damage to Agency property; or
- serious interruption of Agency essential services.

Since emergency purchases do not normally provide the Agency an opportunity to obtain competitive quotes, sound judgment shall be used in keeping such orders to an absolute minimum. In addition, the following requirements shall apply:

a. The Finance Department shall be contacted as soon as possible to obtain a Purchase Order number;

b. A completed purchase Requisition shall be submitted within two working days, or as soon as the information is available;

c. Documentation explaining the circumstances and nature of the purchase shall be maintained by the applicable department supervisor manager; and

d. If the emergency purchase causes any budget line item to exceed the approved budget, it shall be the responsibility of the department requesting the purchase to obtain subsequent Board of Directors approval for reserve funding or to make a budget transfer to cover the purchase. Approvals for a budget transfer must be given by the applicable department superintendent or manager as determined by the authorization table.

700.00 Change Orders

Any substantial change to a purchase order or contract shall be documented as a change order.

700.10 The General Manager or designee may approve change orders to contracts for the procurement of supplies, equipment, contracts for professional services, and other goods and services provided:
700.10.1 The change order is within the scope of the approved contract and the cost of the changed work does not exceed the adopted budget;

700.10.2 Taxes, shipping, and handling may cause the purchase order to exceed the authorized amount. These items do not require a change order, even if they exceed 20% of the original purchase order amount.

700.20 The General Manager or designee may approve change orders for Capital Improvement Plan (CIP) projects as long as increases do not exceed the Board approved project cost, change the approved scope, or extend the contract completion date. Changes beyond the approved scope, cost, or scheduled completion date shall be brought back to the Board for approval.

800.00 Professional Consultant Selection

800.10 The following Policy shall apply to professional consultant services in connection with public improvement projects and governmental operations of the Agency. For purposes of this Policy, consultants include individuals, partnerships, corporations, joint ventures, associations or other legal entities, or any other combination of firms or persons competent to perform the required services. The selection of consultants shall be based upon the experience of the consultant, knowledge of the subject matter, demonstrated ability to perform similar services within budget and the time allowed, and the total estimated cost to the Agency. Above all, the goal of this Policy shall be to create a competitive environment where the best value can be achieved.

800.20 The General Manager or its designee has the authority to issue contracts for consultant services up to $50,000 when funds have been approved in the budget for such services and up to $10,000 without prior Board authorization if the work is not specifically itemized in the approved budget. For projects estimated to cost more than $50,000, at least three requests for proposal should be solicited and evaluated for demonstrated competence if possible. All consultants will submit written proposals in response to requests for services.

800.30 The evaluation and a subsequent recommendation to the General Manager or its designee for consultant services shall be conducted by the individual responsible for the project. Before a recommendation is made to the Board, as may be required if the services are estimated to cost in excess of $50,000, the fee for the services shall be negotiated. If a mutually satisfactory fee cannot be agreed upon, negotiations shall be terminated; thereupon another consultant shall be selected, and fee negotiations undertaken.

800.40 Award of a contract to a consultant shall be made only when sufficient funds have been appropriated in the project budget and all other applicable provisions in any applicable agreements are satisfied. The only exceptions are those services which relate to the processing of development plans that will be paid for by the developer.
900.00  **Conflicts of Interest**

No member, officer, or employee of the Agency, or their designees or agents, and no public official who exercises authority over or responsibility with respect to purchasing during his or her tenure, or for one year thereafter, shall have any interest, direct or indirect, in any purchase, agreement or sub agreement, or the proceeds thereof, for any purchase or purchase agreement. Per AWA PL BOD 003.

1000.00  **Unauthorized Purchases**

1000.10 Purchase Orders shall be issued prior to ordering supplies, equipment, and service and not “after the fact” for work already done or materials already ordered.

1000.20 Except for emergencies or other authorized exemptions stated in these guidelines, no purchase of supplies, services, or equipment shall be made without an authorized Purchase Order. Otherwise:

1000.20.1 Such purchases are void and not considered an obligation of the Agency

1000.20.2 Invoices without an authorized Purchase Order may be returned to the vendor unpaid; and

1000.20.3 The person ordering the unauthorized purchase may be held personally liable for the costs of the purchase or contract and may be subject to disciplinary actions in accordance with Agency policy.

1200.00  **Uniform Guidance Requirements**

For contracts funded with federal awards containing applicable Federal, State, and local procurement laws and regulations as noted in Title 2 U.S. Code of Federal Regulations (CFR) Section 200.318, the Agency must comply with the procurement requirements set forth in the Uniform Guidance. These requirements, such as record retention and required documentation, are detailed in Appendix A – Section 200.18 General Procurement Standards, and include, but are not limited to:

1200.10 Verification that procurement provides for full and open competition.

1200.20 Documentation for the cost or price analysis resulting in contractor selection.

1200.30 Grantee and subgrantee procedures will provide for a review of proposed procurements to avoid purchase of unnecessary or duplicative items.

1200.40 Proof that the Agency has verified via the Federal EPLS website (www.sam.gov) that each contractor has not been suspended or debarred from bidding on federally funded projects.

1200.50 Certification from the contractor that subcontractors used by the approved contractor have not been suspended or debarred.

1200.60 Justification for lack of competition when competitive bids are not obtained.
1200.70 Grantees and subgrantees will have protest procedures to handle and resolve disputes relating to their procurements and shall in all instances disclose information regarding the protest to the awarding agency.

1300.00 Policy Review

This Policy shall be reviewed at least every two years.
APPENDIX A – § 200.318 General procurement standards

(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

(c)

(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent must participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial, or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.

(2) If the non-Federal entity has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest mean that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

(d) The non-Federal entity’s procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

(e) To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the Federal government, the non-Federal entity is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.

(f) The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

(g) The non-Federal entity is encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value
engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the overall lower cost.

(h) The Non-Federal entity must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(j)

(1) The non-Federal entity may use time and material type contracts only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and material type contract means a contract whose cost to a non-Federal entity is the sum of:

(i) The actual cost of materials; and

(ii) Direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

(2) Since this formula generates an open-ended contract price, a time-and materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the non-Federal entity awarding such a contract must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

(k) The Non-Federal entity alone must be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the non-Federal entity of any contractual responsibilities under its contracts. The Federal awarding agency will not substitute its judgment for that of the non-Federal entity unless the matter is primarily a Federal concern. Violations of law will be referred to the local, state, or Federal authority having proper jurisdiction.
Amador Water Agency

Purchasing Card Policy
DRAFT
Adopted:

100.00 Purpose of the Policy

The purpose of this policy is to establish the Amador Water Agency (Agency) requirements for procuring materials and trade services on credit through the use of purchasing cards.

100.10 Definitions

Purchasing Card (or CAL-Card) – merchant purchase authorization card issued by U.S. Bank National Association and administered by the State Department of General Services under the CAL-Card program.

Program Administrator – The Agency Finance Manager or similar position is responsible for and has oversight of the CAL-Card program for the Agency.

Approving Official – A Cardholder’s supervisor, manager or designee, having purchase approval authority.

Billing Official – The Agency Finance Manager or similar position or designee is responsible for managing the billing, payment and approval process of the CAL-Card program for the Agency.

Cardholder – Selected Agency employees as determined by the General Manager. Cardholders are responsible for using issued purchasing cards in accordance with Agency policies and procedures.

200.00 Authorized Purposes

Agency purchasing cards are provided solely for the purpose of obtaining authorized Agency goods and services. No other uses of Agency purchasing cards are permitted.

Purchasing cards are never to be used for personal transactions. Any employee who mistakenly or otherwise uses or authorizes the use of Agency purchasing cards for unauthorized purposes will be required to immediately reimburse the Agency for the purchase and may be subject to disciplinary action at the discretion of the General Manager as provided in Water Code Section 30580(b). If the employee cannot repay the unauthorized amount immediately and the Agency is required to use the “VISA Waiver of Liability,” the employee will still be required to pay the Agency in full for the purchase and become subject to disciplinary action as described above.
200.10 Authorized Users and Purchasing Limits

Authorized Cardholders are certain Agency employees designated by the General Manager. Purchasing limits for Cardholders shall be established at no greater than the monthly limits set forth below:

- Purchasing Agent: $12,500
- Human Resources: $7,500
- Department Managers: $5,000
- Department Supervisors: $2,500
- General Manager: $5,000

Cardholders are to: 1) Follow the Agency “Procurement Policy (PL – FIN 005)”, 2) document the receipt of goods or services, 3) receive monthly statements from U.S. Bank, review invoices on the statement, attach receipts, shipping orders, and other Agency required documentation, and 4) sign the Statement of Account before forwarding to the Approving Official each month.

The Agency will establish tracking guidelines to monitor credit card usage.

If a purchasing card is lost or stolen, the cardholder must report the lost or stolen card to the Finance Department and U.S. Bank immediately.

200.20 Areas of Responsibilities

The Agency Program Administrator shall have overall responsibility for the purchasing card program within the Agency. The Administrator shall see that this policy is followed at all times and shall provide training to all Approving Officials and Cardholders as necessary.

Approving Officials shall be responsible for receiving statements from each Cardholder over whom they have authority each time a statement is received. Approving Officials are responsible for reviewing the statements, assuring all purchases are authorized and comply with Agency Purchasing Card Procedures and the Procurement Policy, and sign and forward the statements to the Finance Department in a timely manner.

The Billing Official is responsible for receiving the Monthly Summary Invoice from U.S. Bank, reconciling the Invoice to the cardholder statements and remitting payment to U.S. Bank in a timely manner.

300.00 Reporting

A detailed listing of all transactions made using Agency purchasing cards shall be provided to the Board as part of the monthly Finance Report.
400.00 Policy Review

This policy shall be reviewed at least every two years.
Amador Water Agency

Unclaimed Check Policy

Adopted: 04-14-16

100.00 Purpose of the Policy

This document sets forth the policy of the Amador Water Agency (Agency) concerning money that is not property of the Agency but remains unclaimed in the official custody of the Agency.

200.00 Authority

In conformance with the California Government Code, Section 50050, et. seq. (Code), money that remains unclaimed in the official custody of the Agency for three years (one year if the amount is less than $15.00) becomes property of the Agency providing the Agency Finance Manager follows certain processes as defined in the Code. (Attached)

300.00 Responsibility

The General Manager and Financial Manager are responsible for establishing the Agency’s process for unclaimed money that is not the property of the Agency, yet remains in its custody in conformity with the Code. The process as defined in the Code will be maintained as a separate document and will be considered the Agency procedures for implementing this policy.

400.00 Policy Review

This Policy shall be reviewed at least every two years.
GOVERNMENT CODE - GOV

TITLE 5. LOCAL AGENCIES [50001 - 57550]
(Title 5 added by Stats. 1949, Ch. 81.)

DIVISION 1. CITIES AND COUNTIES [50001 - 52203]
(Division 1 added by Stats. 1949, Ch. 81.)

PART 1. POWERS AND DUTIES COMMON TO CITIES AND COUNTIES [50001 - 51298.5]
(Part 1 added by Stats. 1949, Ch. 81.)

CHAPTER 1. General [50001 - 50290]
(Chapter 1 added by Stats. 1949, Ch. 81.)

ARTICLE 3. Financial Affairs [50050 - 50057]
(Article 3 added by Stats. 1949, Ch. 81.)

50050.

For purposes of this article, “local agency” includes all districts. Except as otherwise provided by law, money, excluding restitution to victims, that is not the property of a local agency that remains unclaimed in its treasury or in the official custody of its officers for three years is the property of the local agency after notice if not claimed or if no verified complaint is filed and served. At any time after the expiration of the three-year period, the treasurer of the local agency may cause a notice to be published once a week for two successive weeks in a newspaper of general circulation published in the local agency. At the expiration of the three-year period, money representing restitution collected on behalf of victims shall be deposited into the Restitution Fund or used by the local agency for purposes of victim services. If a local agency elects to use the money for purposes of victim services, the local agency shall first document that it has made a reasonable effort to locate and notify the victim to whom the restitution is owed. The local agency may utilize fees collected pursuant to subdivision (l) of Section 1203.1 or subdivision (f) of Section 2085.5 of the Penal Code to offset the reasonable cost of locating and notifying the victim to whom restitution is owed. With respect to moneys deposited with the county treasurer pursuant to Section 7663 of the Probate Code, this three-year period to claim money held by a local agency is extended for an infant or person of unsound mind until one year from the date his or her disability ceases. For purposes of this section, “infant” and “person of unsound mind” have the same meaning as given to those terms as used in Section 1441 of the Code of Civil Procedure.
(Amended by Stats. 2013, Ch. 457, Sec. 1. Effective January 1, 2014.)

50051.

The notice shall state the amount of money, the fund in which it is held, and that it is proposed that the money will become the property of the local agency on a designated date not less than forty-five days nor more than sixty days after the first publication of the notice.
(Added by Stats. 1949, Ch. 81.)
Upon or prior to publication, a party of interest may file a claim with the treasurer which must include the claimant’s name, address, amount of claim, the grounds on which the claim is founded, and any other information that may be required by the treasurer. The claim shall be filed before the date the unclaimed money becomes the property of the local agency as provided under Section 50051 and the treasurer shall accept or reject that claim. If the claim is rejected by the treasurer, the party who submitted the claim may file a verified complaint seeking to recover all, or a designated part, of the money in a court of competent jurisdiction within the county in which the notice is published, and serves a copy of the complaint and the summons issued thereon upon the treasurer. The copy of the complaint and summons shall be served within 30 days of receiving notice that the claim was rejected. The treasurer shall withhold the release of the portion of unclaimed money for which a court action has been filed as provided in this section until a decision is rendered by the court.

(Amended by Stats. 1984, Ch. 866, Sec. 2.)

50052.5.

(a) Notwithstanding Section 50052, the treasurer may release to the depositor of the unclaimed money, their heir, beneficiary, or duly appointed representative, unclaimed money if claimed prior to the date the money becomes the property of the local agency upon submitting proof satisfactory to the treasurer, unless the unclaimed money is deposited pursuant to Section 7663 of the Probate Code.

(b) Notwithstanding Section 50052, the treasurer may release unclaimed money deposited with the county treasurer pursuant to Section 7663 of the Probate Code, to any adult blood relative of either the decedent or the decedent’s predeceased spouse.

(c) Notwithstanding Section 50052, the treasurer may release unclaimed money deposited with the county treasurer pursuant to Section 7663 of the Probate Code to the parent who has legal and physical custody of a minor who is a blood relative of either the decedent or the decedent’s predeceased spouse without the need to appoint a legal guardian for the minor as follows:

1. If the value of the unclaimed money deposited with the county treasurer is five thousand dollars ($5,000) or less, the treasurer may release the money according to Section 3401 of the Probate Code.

2. If the value of the unclaimed money deposited with the county treasurer is sixty thousand dollars ($60,000) or less, and the money is not released under paragraph (1), the unclaimed money may be released by the treasurer to the parent who shall, after payment of any costs incurred in making the claim, hold the money in trust, to be used only for the care, maintenance, and education of the minor, and the parent shall be liable therefor to the minor under the fiduciary laws of this state. The money held in trust shall be released to the minor when the minor reaches the age of majority.

(d) The claim shall be presented to the county treasurer in affidavit form and signed under penalty of perjury. Notwithstanding Section 13101 of the Probate
Code, the claimant, to be entitled to the entire escheated estate, needs only to establish with documentary proof the existence of a blood relationship to either the decedent or of the predeceased spouse, if any, and the documentary proof, if regular on its face, need not be certified. Notwithstanding Section 13101 of the Probate Code, the claimant shall not be required to declare that no other person has an equal or superior claim to the escheated estate. The county treasurer may rely in good faith on the sworn statements made in the claim and shall have no duty to inquire into the truth or credibility of evidence submitted. In paying out the escheated estate, the county treasurer shall be held harmless to all. Payment shall act as total acquittance and shall completely discharge the county treasurer from any liability. If the county treasurer rejects any claim made hereunder, the claimant may take his or her grievance to the Superior Court of the county holding the escheated estate. Any claim paid hereunder shall be paid without interest. (Amended by Stats. 2000, Ch. 333, Sec. 1. Effective January 1, 2001.)

50053.

When any such money becomes the property of a local agency and is in a special fund, the legislative body may transfer it to the general fund. (Added by Stats. 1949, Ch. 81.)

50054.

Whenever any city or county or city and county renders construction services or constructs public works for any city, county, city and county or any other governmental agency below the level of the state government, the price charged for such services or construction shall be sufficient to reimburse the governmental body performing such services for the full cost thereof including labor, material, equipment costs or rentals and a reasonable allowance for overhead. In computing overhead, without limitation on other factors properly includable, there shall be allocated to the overhead cost its proportionate share of indirect labor and administrative costs. (Added by Stats. 1971, Ch. 558.)

50055.

Any other provision of this article notwithstanding, any individual items of less than fifteen dollars ($15), or any amount if the depositor’s name is unknown, which remain unclaimed in the treasury or in the official custody of an officer of a local agency for the period of one year or upon an order of the court may be transferred to the general fund by the legislative body without the necessity of publication of a notice in a newspaper. (Amended by Stats. 1996, Ch. 89, Sec. 1. Effective July 1, 1996.)
50056.

The responsibilities of the treasurer as provided under this article may be delegated by the treasurer to the agency, district, or department that maintains the supporting records of the unclaimed money based on the initial receipt or deposit of that money or both.

(Added by Stats. 1984, Ch. 866, Sec. 4.)

50057.

For individual items in the amount of five thousand dollars ($5,000) or less, the legislative body of any county may, by resolution, authorize the county treasurer to perform on its behalf any act required or authorized to be performed by it under Sections 50050, 50053, and 50055. The resolution shall require that the county auditor be informed of each act performed under the authorization.

(Amended by Stats. 2011, Ch. 382, Sec. 2. Effective January 1, 2012.)
Amador Water Agency

Impaired Capital Asset Policy
DRAFT
Adopted:

100.00 Purpose of the Policy


200.00 Policy

The Agency will implement procedures to conform to the requirements of GASB

GASB established accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility (design capacity or capability) has declined significantly and unexpectedly.

300.00 Capital Asset Impairment Evaluation

The requirements of GASB only apply to capital assets with material carrying values. If the Agency has material capital assets that are impaired or potentially impaired, a determination needs to be made as to whether the impairment loss should be reported and disclosed.

400.00 Policy Review

This policy shall be reviewed at least every two years.
100.00 Purpose of the Policy

It is important for the Agency to have cost-based rates that are fair, equitable, and defensible. The basis for establishing water and wastewater rates that are fair, equitable, and defensible has traditionally been cost of service principles and methodologies. At the same time, the courts have historically recognized that municipal entities can take into account policy items other than strictly cost of service when establishing rates (e.g., conservation, efficient use, ability to pay, accrual of prudent reserves, etc.). The people of California, however, have established certain legal constraints on setting water rates pursuant to Proposition 218. Therefore, this policy has been developed to provide guidance and consistency in Agency financial planning and the rate setting decision-making process for the Board and staff. Also, this policy provides a foundation for the long-term financial sustainability of the Agency, while providing the outside financial community with a better understanding of the Agency’s commitment to managing the Agency in a financially prudent and sustainable manner.

200.00 Policy

The Agency’s water and wastewater service charges and rates will be assessed annually by staff, to confirm sufficient funding, and to assess needed adjustments to reflect inflation, construction needs, maintain bond covenants, and/or to avoid immediate or major rate adjustments. This does not imply that rates will be adjusted biennially, simply that the rates are reviewed and a determination is made of their adequacy in funding the Agency.

The Agency will establish water and wastewater rates and charges using “generally accepted” rate setting and costing methodologies, including establishing appropriate cost bases for any existing or future water and or wastewater rate structure imposed or proposed to be imposed on Agency ratepayers, and in compliance with all appropriate laws (i.e., Proposition 218). The Agency will be viewed on a “stand-alone” basis to help assure self-sufficiency and sustainability. The analyses associated with “generally accepted” rate-setting techniques include the following analyses:

A. Revenue Requirement Analysis – Establishes the overall level of financial needs of the Agency. In developing the revenue requirements for the Agency, the Agency will consider the following:

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1 Generally-accepted cost of service principles and methodologies are best defined and discussed within the American Water Works Association M-1 Manual, Principles of Water Rates, Fees and Charges.
1. Revenue requirements, including anticipated external funding, will be established on a “cash basis” approach that will include all Agency programs, operation & maintenance expenses, any applicable taxes/transfer payments, debt service (P&I), and capital improvements funded from rates.

2. Revenues and costs will be annually projected for a five year period (the proposed budget year plus four additional projected years).

3. Projections of Operations & Maintenance (O&M) costs should include any estimated incremental O&M costs associated with increased service levels (or future capital improvements.)

4. Agency staff will review the five year capital improvement plan and update it regularly by way of its Asset Management Plans and Water and Wastewater System Master Plans.

5. On an annual basis, the Agency will fund, through its rates and other available revenues, an amount to adequately maintain the existing infrastructure of the Agency. To achieve this goal, the Agency will fund selected capital projects based on the Agency’s Capital Asset Replacement Management Plans and the Water and Wastewater System Master Plans.

6. The system’s capital improvement program will consider growth related capital improvements, and replacement capital improvements.

7. The level of any proposed rate adjustment(s) will reflect all of the above costs (direct, indirect and costs of administration), such that rates will be cost-based and provide for full cost recovery of providing water and wastewater services to customers and to other local water retailers.

B. Cost of Service Analysis – Determines the equitable allocation of costs (revenue requirements) between the various customer groups.

1. When possible, a cost of service study will be utilized to equitably allocate the Agency costs to the customer classifications of service.

2. The cost allocation methodology will utilize techniques that are “generally accepted” by the industry (e.g. American Water Works Association) including conservation-based methodologies. The cost of service for the Agency will consider the specific circumstances and unique characteristics of the Agency in the cost allocation methodology.

3. A cost of service analysis will be conducted at least once every five years to determine if rates remain equitable between different customer classes of service.

C. Rate Design Analysis – The Agency will design rates to collect the appropriate level of revenue that reflects the rate design goals, objectives and policies of the Agency, including water conservation policies established by the Agency Board.

1. Rate designs will be reflective of system needs, and also reflect the greater public purpose and policy goals of the Agency Board.

2. Rate structures will be developed to promote understanding by the Agency’s customers (e.g. bills that are easy to understand).
3. Rates will be set at a level that recovers necessary costs, by customer classification, yet flexible enough to accomplish the Agency’s objectives. As deemed appropriate, rate structures will be designed to reward the preservation of valuable resources (conservation), the efficient use of resources, while discouraging excessive or wasteful usage. (e.g. public purpose programs).

4. Rates will be designed to be equitable, and detailed to a level to reflect the service provided (e.g., private fire protection, multi-family services, etc).

5. Rates will balance the overall goals and objectives of the rate design process with any administrative or Agency billing issues. Providing rates that are easy to understand and administer is beneficial to both the customer and the Agency.

6. It shall be the policy of the Agency to set rates at the lowest responsible rate.

300.00 Revenue Diversification
The Agency has limited ability for revenue diversification. Where possible, the Agency will explore additional revenue sources such as grants, contract services, developer contributions, etc.

400.00 Reviews and Updates
The Agency will closely monitor the financial/rate performance of the Agency to help maintain adequate rates and charges through:
A. Annual Reviews - Agency rates will be reviewed annually as part of the budget process, to determine the adequacy of revenues, and, as necessary, adjustments made to reflect inflation, construction needs, maintain bond covenants, and avoid major increases.
B. Comprehensive Rate Studies - Agency rate studies will be conducted, at a minimum, every five years to update assumptions and plan for the long-term solvency and viability of the Agency’s water and wastewater services.

500.00 Authority
The General Manager and Financial Manager are responsible for adherence to this policy and regular reporting of the Agency’s financial status. Board oversight will be accomplished through regular reporting of financial status and review of this Policy.

600.00 Policy Review
This Policy will be reviewed at least every two years.
Purpose of the Policy
Capacity Fee Charges (CFCs) provide the means of balancing the Agency’s cost requirements for new infrastructure between existing customers and new customers. The portion of existing infrastructure that will provide service (capacity) to new customers is included in the Agency’s CFCs. In contrast, the Agency has future capital improvement projects that are related to renewal and replacement of existing infrastructure. These infrastructure costs are typically included within the rates charged to the Agency’s customers, and are not included in the CFCs. By establishing cost-based CFCs, the Agency will continue its policy of having “growth pay for growth” and existing Agency customers, for the most part, be sheltered from the financial impacts of growth. The establishment of CFCs will include consideration of:

A. Growth-Related Capital Projects – Within the Agency’s capital improvement plans and rate studies, growth-related capital projects will be clearly identified.
B. Growth Related Capital – The Agency’s intent is for the cost of growth related assets to be paid for by the use of CFCs. In other words, growth should pay for growth, and existing customers should be sheltered from the costs of serving growth.
C. Use of CFC Proceeds – CFC revenues will only be used for two purposes – to pay for growth-related debt service or to directly pay for growth-related capital improvements.
D. Limitation on the Use of CFCs to Pay Debt Service – The use of CFC revenues to pay for growth-related debt service will be limited in any year, for planning and rate setting purposes, to fifty percent (50%) of the annual CFC revenue projected to be collected. If growth and the corresponding CFC revenue is less than projected, the Agency should still have sufficient CFC revenue to make the annual debt service payments associated with the growth-related capital projects.

Policy
CFCs are intended to reflect the cost of growth and capacity expansion to serve new customers and additional capacity requirements. CFCs are a common method of assessing the cost of expansion and its additional capacity requirements. In establishing CFCs, and in concert with Regulation No. 7, “New or Additional Service Connections”, the following will be considered:

A. Meeting Legal Requirements – CFCs will be established and administered to conform and meet any legal requirements.
B. Methodologies – CFCs will be established using “generally accepted” methodologies and will include a debt service credit to fairly account for the method of financing used for growth and expansion projects.

C. Determination of Cost-Basis – As appropriate, CFCs will be calculated to determine the cost-based levels for customers seeking to connect to the Agency’s water system.

D. Establishing Final CFCs – The Board will establish the final CFCs, taking into consideration the cost-based levels of the charges and the Board’s policy or philosophy as it relates to the sharing of growth-related costs between existing rate payers and new customers connecting to the water or wastewater system. At no time will the Board establish or adopt CFCs greater than the calculated cost-based CFCs.

E. Adjustments – In accordance with Regulation No. 7, section H. 5 - CFCs will be adjusted annually “to reflect cost changes in materials, labor or real property applied to projects or project capacity” using an appropriate cost index. Further, “a comprehensive review and update of the CFC methodology shall occur at least every five years.”

F. Master Plan and CFCs – Every three to five years, or whenever the Water and or Wastewater System Master Plan is updated, the CFCs will be updated to reflect the changes in planning, infrastructure, and capital financing.

300.00 Authority
The General Manager and Financial Manager are responsible for adherence to this policy and regular reporting of the Agency’s financial status. Board oversight will be accomplished through regular reporting of financial status and review of this Policy.

400.00 Policy Review
This Policy will be reviewed at least every two years.
Amador Water Agency

External Debt Management Policy

Adopted October 11, 2018

100.00 Purpose of the Policy
This policy sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of this policy that – 1) the Agency obtain financing when necessary, 2) the process for identifying the timing and amount of debt or other financing be as efficient as possible, 3) the most favorable interest rate and issuance costs be obtained, and 4) when appropriate, future financial flexibility be maintained.

200.0 Policy
The issuance of long-term debt is a valuable funding resource for the Agency. Used appropriately and prudently, long-term debt can stabilize the Agency's charges and rates over time. Long-term debt is defined as financing greater than 5 years. Short term debt is defined as 5 years or less and will be used for short term financing of equipment, hardware, software and other items where long term financing might otherwise exceed the asset life.

To minimize dependency on debt financing for capital projects, annual renewal and replacement capital projects should be adequately funded from rates and participation fees. Funding levels for capital investments will be sufficient to meet capital improvement projections needed as outlined in the current budget and five year Capital Improvement Plan (CIP). Long-term debt will be considered only for large capital improvement projects. The Agency will be managed to at least meet, and potentially exceed, the minimum and target Debt Service Coverage (DSC) requirements as imposed by bond covenants. The Agency will not issue long-term debt to support operating costs.

A. Use of Long-Term Debt As a Funding Mechanism – Use of long-term debt will be minimized. The Agency may consider the use of long-term debt financing when it appears that a capital project, or other expenditures as deemed appropriate by the Board, is of such a magnitude that it will negatively impact the Agency's rates in the short-term. The benefit of long-term debt financing is that it will spread the costs of the capital asset over a longer period of time and will, therefore, approximate the useful life of the asset, and over time, charge those customers that benefit from that asset more equitably.

B. Types of Long-Term Debt – The Agency will strive to utilize the type of debt that has the lowest costs, while not imposing any burdensome covenants or reporting requirements.

Debt Management Policy
C. Legal Covenants – The Agency will manage its operations and maintenance to meet all bond covenants associated with the long-term debt. Bond covenants are legal obligations of the Agency.

D. Debt Service Coverage Covenants – Long-term debt issuances typically contain legal covenants regarding DSC. A DSC ratio is an important financial measure of the Agency’s ability to repay the outstanding debt obligation, and is reviewed for adequacy by banks and rating agencies. Generically, the DSC ratio is the Agency’s net operating income divided by the total annual debt service payment. For financial planning purposes, the targeted annual DSC ratio will be greater than or equal to 1.25 on all outstanding debt that carries such a covenant.

E. Reporting Standards – The Agency will fully adhere to all applicable Government Accounting Standards Board (GASB) requirements and recognized best practices for the accounting treatment and disclosure of debt obligation transactions in its audited financial statements and other relevant publications.

F. Revenue-Bonded Debt Capacity – The issuances of debt are supported by the revenues of the Agency. The ability of the Agency to fund and support revenue bonded debt will financially establish a debt level and capacity for revenue-bonded debt.

300.00 Conditions for Debt Issuance

When the Agency determines that debt issuance is necessary, the Agency will assess the market conditions and timing for debt issuance to include issuing debt – 1) in times of favorable market conditions, 2) when Bond ratings would qualify Agency issuances to be investment grade, and 3) when revenues are sufficient to adequately cover expected debt service and issuance costs.

Bond credit enhancements will be considered when necessary for market acceptance and when costs are favorable to the Agency.

400.0 Conditions for Debt Refinancing

Debt refinancing (refunding) is an important debt management tool for the Agency. There are three key concepts that must be taken into consideration when evaluating a debt for refunding:

1. Financial and Policy Objectives
2. Financial Savings/Results of Financing
3. Bond Structure and Escrow Efficiency

Financial and Policy Objectives – The Agency may undertake a refinancing for a number of financial and/or policy objectives, including to achieve debt service savings, eliminate restrictive debt/legal covenants, restructure the stream of debt service payments, or to achieve other policy objectives. Although in most circumstances the Agency may undertake a refunding to obtain economic savings, it may refund an issue to restructure its debt portfolio in order to obtain budgetary/cash flow relief or to address exposure to other costs/liabilities and to extend the maturity.

Financial Savings/Results of Financing - The financial framework regarding the evaluation of refunding opportunities is to be developed and evaluated by the Agency
Finance Manager or Executive Management staff, typically to include the efforts of outside financial advisors. It is important to note that federal tax law typically permits an issuer to conduct one advance refunding over the life of a bond issue\(^2\). As such, the Agency must take greater care (i.e., require a higher savings threshold) when evaluating an advance refunding opportunity. In certain circumstances, lower savings thresholds may be justified. For example, when an advance refunding is being conducted primarily for policy reasons (other than economic savings), interest rates are at historically low levels or the time remaining to maturity is limited, and as such, future opportunities to achieve greater savings are not likely to occur.

Bond Structure and Escrow Efficiency\(^1\) – The Agency’s debt management practices should anticipate the potential for future refundings. When debt is issued, careful attention should be paid to the bond structure to address features that may affect flexibility in the future. To that end, upon debt issuance the Agency shall consider: optional redemption provisions, bond coupon characteristics giving up call rights for certain maturities in exchange for a lower interest rate on the bonds, call provisions that permit the redemption of bonds in any order of maturity or on any date, call provisions that permit the issuer to call bonds at the earliest date without incurring a significant interest-rate penalty, and coupons on callable bonds priced as close to par as possible at the time of original issue.

\(^1\) Escrow Efficiency - The lower the cost of the escrow the more efficient the escrow. Also, in order to be efficient, escrow securities need to mature or pay interest when debt service payments of the refunded escrow are due.

\(^2\) Current vs. Advance Refunding - There are two types of refundings, as defined by Federal Tax laws; a current refunding in which a refunding takes place (i.e., refunding bonds are sold) within 90 days of the optional call date, and an advance refunding in which refunding bonds are sold more than 90 days prior to the first call date. Federal tax law typically permits an issuer to conduct one advance refunding over the life of a bond issue.

**500.00 Internal Controls**

To ensure that proceeds of any debt issued in accordance with its governing documents and this Policy no disbursements shall be made without the approval of the General Manager or Assistant General Manager and Finance Manager. For Capital improvement Plan projects, the draw request shall be provided to the Finance Manager for budget approval by the project engineer with the consent of the Agency’s inspector. Draw request approval shall only be provided when the General Manager or Assistant General Manager is in receipt of the Finance Manager’s budgetary approval and an appropriate certification from the construction project manager with supporting invoices from suppliers and/or contractors evidencing appropriate expenses in connection with the project.
In the case of an issue of bonds, the proceeds of which will be used by a governmental entity other than the Agency, the Agency may rely upon a certification by such other governmental entity that it has adopted the policies described in SB 1029.

600.0 Interest Rate Swaps
The incurring or carrying of variable-rate debt obligations by the Agency involves a variety of interest rate payments and other risks that interest rate swaps are available to offset, hedge, or reduce. It is the policy of the Agency to utilize such interest rate swaps to better manage its debt portfolio. The Agency will consider executing an interest rate swap transaction if it expects the swap transaction will result in any of the following:
A. Reduce exposure to changes in interest rates on a financial transaction;
B. Result in a significantly lower net cost of borrowing with respect to the Agency’s debt consistent with an established target; or
C. Manage variable interest rate exposure consistent with prudent debt practices and guidelines as approved by the Board.

Savings Target
Interest rate swaps will require a significant financial benefit or savings versus traditional fixed-rate debt. For an interest rate swap intended to produce the effect of a synthetic fixed rate transaction, the swap transaction must generate 5% or greater net present value savings compared to standard fixed-rate bonds which have the same optional redemption features.

Restrictions
The Agency will not enter into any swap transaction
a) for speculative purposes.
b) if the swap presents an extraordinary risk to the Agency’s liquidity to terminate the agreement due to unforeseen events.
c) if there is insufficient price transparency to allow for fair market valuation.

Provider Requirements
The transaction provider will have a credit rating of AA (or equivalent) or better from at least two nationally recognized credit rating agencies (at the time of agreement execution). The transaction provider will have a demonstrated record of successfully executing derivative transactions and have a minimum capitalization of $2 billion.

Use of Independent Advisor
The Agency will use a professional advisor or designated swap representative (“Swap Advisor”) to assist in the assessment, structuring, and pricing of proposed or existing interest rate swaps. The Swap Advisor will be a firm which:

i. is a Municipal Advisor registered with the Securities and Exchange Commission;
ii. has sufficient knowledge to evaluate the swap transaction and risks;
iii. is not subject to a statutory disqualification;
iv. is independent of the swap dealer or major swap participant;
v. undertakes a duty to act in the best interests of the Agency;
vi. provides appropriate and timely disclosures to the Agency; and
vii. evaluates fair pricing and the appropriateness of the swap.

700.00 Authority
The General Manager and Finance Manager are responsible for adherence to this policy and regular reporting of the Agency’s financial status. Board oversight will be accomplished through regular reporting of financial status and review of this Policy.

800.00 Policy Review
This Policy will be reviewed at least every 2 years.
Amador Water Agency

Budget Policy

DRAFT

Adopted:

100.00 Purpose of the Policy
The Agency’s annual budget, as approved by the Board, will serve as the basis for operating the Agency. The budget includes a number of specifically identified projects, their attendant costs, as well as projected costs for operations and maintenance activities.

200.00 Policy
The Agency’s Strategic Plan will serve as a guide/tool in the development of the Agency’s annual Budget. The Agency will establish and maintain separate operations & maintenance (O&M), operating capital, capital improvement and debt service budgets (collectively – Agency Budget) in order to provide for proper fund management, financial planning and long-term solvency of the Agency.

On a combined basis, the Budget will comprise or include the following:
A. Self-Supporting – The Agency will be self-supporting, such that current revenues fully fund current expenses and any fund balance or debt service coverage requirements.

B. Prioritization – In concert with the adopted
   - Agency’s Strategic Plan,
   - Water and Wastewater Master Plans,
   - 5 year Capital Improvement Plan,
   - Water and Wastewater Rate Studies
   - Asset Management Plans
   - Urban Water Management Plan
   - All other Agency planning documents and as recommended by staff, the Board will prioritize projects and expenditures within the constraint of expected revenues.

C. Capital Accounts – Capital revenues from rates, grants, loans and other financing mechanisms will be accounted for separately in capital accounts, such that funds dedicated for capital purposes are expended only for capital purposes.

D. Adequate Funding to Preserve System Assets – Total operating expenditures will be funded at a level that will preserve the intended life and functional requirements of the Agency’s water system.
E. Evaluation and Monitoring of Costs – Costs will be evaluated and monitored through monthly and annual reporting to ensure that the Agency is operated in a cost effective and economically prudent manner.

F. Maintenance of Sufficient Reserves – The Agency will maintain sufficient reserves in accordance with the Agency’s Reserve Policy.

G. Positive Annual Net Income - The Agency will strive to achieve positive annual net income (total revenue less O&M expenditures, debt service and capital projects funded from rates) greater than or equal to zero on a cash basis.

H. Bond/COP Rate Covenant Requirements – The Agency will budget such that it will exceed the Rate Covenant obligations of its indebtedness, which is a minimum of 125% of the Agency’s annual debt service costs.

I. Strive for Rate Stability - Rate stability reinforces the concept that costs are being managed and controlled. Rates should be stable in their ability to generate sufficient revenues.

1. Needed rate adjustments will attempt to minimize impacts to customers by phasing-in or transitioning large rate adjustments over time where possible.

2. Where possible and deemed appropriate, excess fund balances will be used to offset rate increases with any remaining balances being used for approved capital purposes. The use of fund balances (reserves) will not compromise the Reserve Policy regarding minimum targeted reserve levels or adequate funding on a long-term self-sustaining basis.

3. Annual rate reviews will consider a five-year projected period in an attempt to stabilize and minimize rates over time.

4. A comprehensive rate study will be conducted at least every five years by an outside party as determined by the Board in order to assess the fairness of the rates to the Agency’s ratepayers and to verify that necessary revenue is available for the Agency’s operating and capital needs.

Rate stability shall be maintained in line with established Agency policies and its mission statement.

300.00 Budget Presentation
The budget will be comprised as follows:

1. Key Assumptions – To include expected water production and source.

2. Revenue Projections – To include projected net income.

3. Projected debt service coverage ratio.

4. Reserve Balance Projections.

5. Trend and/or Comparative Information
The four budgets will include the following:

1. **Operations and Maintenance Budget (O&M):**
   a. Incorporates all Agency O&M expenses, including Expected Other Post Employment Benefit costs and funding to be separately identified and approved.
   b. Annual labor budget and its components per the Employee Compensation Policy.
   c. Segregated by department and function.

2. **Operating Capital Budget (Fixed Assets):**
   a. Will include all Information Technology capital projects, vehicle and fleet capital costs, capitalizable office furniture, and capitalizable costs for operations. Capitalizable costs in the Fixed Asset Budget are distinguished from those in the Capital Improvement Program Budget based, generally, on the shorter expected life of the asset and the asset is not part of the general water delivery system.

3. **Capital Improvement Program Budget (CIP):**
   a. Will be based primarily on the Agency’s Asset Replacement Management Plans and/or the Water/ Wastewater System Master Plans.

4. **Debt Service Budget:**
   a. Will be based on contractual obligations for all principal and fixed-rate interest obligations. Adjustable-rate interest obligations will be forecast based on best available market data at budget preparation time.

5. **Agency Reserves:**
   1. The Agency’s Reserve Policy will be reviewed annually commensurate with the budget preparation and adoption process.

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**Authority**

The General Manager will have authority to reallocate specific budgeted amounts within a particular budget (O&M, Fixed Asset or CIP) during the year with subsequent reporting to the Board, as long as the overall approved budget is not affected. Amounts to be transferred between budgets (e.g., O&M to CIP) will be approved by the Board prior to the transfer. Expenditures will be signed off by the Department Manager, General Manager, or his/ her designee. The General Manager and Finance Manager are responsible for adherence to this policy and regular reporting of the Agency’s financial status. Board oversight will be accomplished through regular reporting of budget-to-actual expenditures during the year and review of this Policy.

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**Policy Review**

This policy will be reviewed at least every two years.
Amador Water Agency

Debt Obligation Continuing Disclosure Policy

Adopted 02-26-16

100.00 Purpose of the Policy

The purpose of this Debt Obligation Continuing Disclosure Policy ("Policy") is to memorialize and communicate procedures in connection with obligations, including notes, bonds and certificates of participation, issued by or on behalf of the Amador Water Agency (the "Agency") so as to ensure that the Agency continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

200.00 Policy

The Agency from time to time issues revenue bonds, notes or other obligations or causes certificates of participation to be executed and delivered (collectively, "Obligations") in order to fund or refund capital investments or other long-term programs and working capital needs. In offering Obligations to the public, and at other times when the Agency makes certain reports, the Agency must comply with the "anti-fraud rules" of federal securities laws. ("Anti-fraud rules" refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly "Rule 10b-5" under the 1934 Act.)

The core requirement of these rules is that potential investors in Obligations must be provided with all "material" information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the Agency must not omit material information which would be necessary to provide to investors a complete and transparent description of the Obligations and the Agency’s financial condition. In the context of the sale of securities, a fact is generally considered to be "material" if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the securities being offered.

When Obligations are offered, the two central disclosure documents which are prepared are a preliminary official statement ("POS") and a final official statement ("OS", and collectively with the POS, "Official Statement"). The Official Statement generally consists of (i) the forepart (which describes the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing, the leased
premises (in certificate of participation financings) and other matters particular to the financing, (ii) a section which provides information on the Agency, including its financial condition as well as certain operating information ("Agency Section"), and (iii) various other appendices, including the Agency's audited financial report, form of the proposed legal opinion, and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding the Obligations.

DISCLOSURE PROCESS
When the Agency determines to issue Obligations directly, the Agency General Manager and Finance Manager requests the involved departments to commence preparation of the portions of the Official Statement (including particularly the Agency Section) for which they are responsible. While the general format and content of the Official Statement may not normally change substantially from offering to offering, except as necessary to reflect major events, the Agency General Manager and Finance Manager and other relevant staff are responsible for reviewing and preparing or updating certain portions of the Agency Section which are within their particular areas of knowledge.

Once the draft POS has been substantially updated, the entire draft POS is shared with the General Manager for review and input. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire draft POS.

Members of the financing team, including the Bond Counsel and a financial advisor, if one is engaged with respect to the Obligations (the "Financial Advisor"), assist staff in determining the materiality of any particular item, and in the development of specific language in the Agency Section. Members of the financing team also assist the Agency in the development of a "big picture" overview of the Agency’s financial condition, included in the Agency section. This overview highlights particular areas of concern. Bond Counsel has a confidential, attorney-client relationship with officials and staff of the Agency.

The [Assistant General Manager] [Finance Manager] or a member of the financing team at the direction thereof schedules one or more meetings or conference calls of the financing team (which includes Agency officials, General Counsel, Bond Counsel and the Agency’s Financial Advisor (and the underwriters of the Obligations, and the underwriters' counsel, if the proposed financing is being undertaken as a negotiated transaction)), and new drafts of the forepart of the draft POS and the Agency Section are circulated and discussed. Such communications may occur via electronic means rather than by meetings or conference calls. During this part of the process, there is substantial contact among Agency staff and other members of the financing team to discuss issues which may arise, determine the materiality of particular items and ascertain the prominence in which the items should be disclosed.
Prior to distributing a POS to potential investors, there is typically a formal conference call which includes Agency officials involved in the preparation of the POS and members of the financing team (and the underwriters and the underwriters' counsel, if the financing is a negotiated transaction) during which the POS is reviewed in its entirety to obtain final comments and to allow the underwriters, if any, to ask questions of the Agency's senior officials. This is referred to as a "due diligence" meeting.

A substantially final form of the POS following review by the General Manager is provided to the Agency Board of Directors in advance of approval to afford such Board of Directors an opportunity to review the POS, ask questions and make comments. The substantially final form of the POS is approved by the Board of Directors which generally authorizes certain senior staff to make additional corrections, changes and updates to the POS in consultation with General Counsel and Bond Counsel.

At the time the POS is posted for review by potential investors, senior Agency officials execute certificates deeming certain portions of the POS complete (except for certain pricing terms) as required by SEC Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final OS to the underwriter for redelivery to actual investors in the Obligations, any changes and developments will have been incorporated into the POS, including particularly the Agency Section, if required. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, one or more senior Agency officials execute certificates stating that certain portions of the OS, as of the date of each OS and as of the date of closing, does not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the Official Statement in light of the circumstances under which they were made, not misleading. General Counsel also provides an opinion letter (generally addressed to the underwriters) advising that information contained in the Agency Section of the OS (or specified portions thereof) as of its date did not, and as of the date of the closing, does not contain any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. General Counsel does not opine to the underwriters or to other third parties as to any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and certain other customary matters.
AGENCY SECTION

The information contained in the Agency Section is developed by personnel under the direction of the General Manager and Finance Manager, with the assistance of the financing team. In certain circumstances, additional officials will be involved, as necessary. The following principles govern the work of the respective staffs that contribute information to the Agency Section:

- Agency staff involved in the disclosure process are responsible for being familiar with its responsibilities under federal securities laws as described above.

- Agency staff involved in the disclosure process should err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult General Counsel, Bond Counsel or members of the financing team if there are questions regarding whether an issue is material or not.

- Care should be taken not to shortcut or eliminate any steps outlined in the Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the Agency should consider revisions to the Procedures.

- The process of updating the Agency Section from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of the Agency Section at the time of each update, everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.

- The Agency must make sure that the staff involved in the disclosure process is of sufficient seniority such that it is reasonable to believe that, collectively, they are in possession of material information relating to the Agency, its operations and its finances.

TRAINING

Periodic training for the staff involved in the preparation of the Official Statement (including the Agency Section) is coordinated by the finance team and the General Manager and Finance Manager. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in the
Agency Section. The training sessions also provide an overview of federal laws relating to disclosure, situations in which disclosure rules apply, the purpose of the Official Statement and the Agency Section, a description of previous SEC enforcement actions and a discussion of recent developments in the area of municipal disclosure. Attendees at the training sessions are provided the opportunity to ask questions of finance team members, including Bond Counsel concerning disclosure obligations and are encouraged to contact members of the finance team at any time if they have questions.

ANNUAL CONTINUING DISCLOSURE REQUIREMENTS

In connection with the issuance or execution and delivery of Obligations, the Agency has entered into contractual agreements ("Continuing Disclosure Undertakings") to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure Undertakings. The Agency must comply with the specific requirements of each Continuing Disclosure Undertaking. The Agency's Continuing Disclosure Undertakings will generally require that the annual reports be filed within nine months after the end of the Agency's fiscal year, and material event notices are generally required to be filed within 10 business days of their occurrence.

Specific events which require "material event" notices are set forth in each particular Continuing Disclosure Certificate.

The General Manager and Finance Manager shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure Undertakings. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations).

300.00  Policy Review

This Policy shall be reviewed at least every two years
Amador Water Agency

Fraud Prevention Policy
DRAFT
Adopted:

100.00 Purpose of the policy. The purpose of this policy is to establish Agency administrative guidelines for clarifying acts that are considered to be fraudulent or dishonest activity, describe management and investigative steps to be taken when fraud or other related dishonest activities are suspected and provide procedures to follow in accounting for missing funds, restitution and recoveries. The policy shall also provide reference to protection for directors, officers, employees and other persons who report such conduct or activities.

100.10 General.

a. The Amador Water Agency (AWA) is committed to protecting its revenue, property, information and other assets against the risk of loss or misuse. Accordingly, it is the policy of the AWA to identify and promptly investigate any possibility of fraudulent or related dishonest activities against the AWA and, when appropriate, to pursue legal remedies available under the law.

b. This policy applies to any irregularity, or suspected irregularity, involving employees, consultants, vendors, contractors, outside agencies, and any other parties with a business relationship with AWA.

c. This policy is an internal policy for the management and investigation procedures Fraud and other misconduct, including frauds reported by persons not AWA employees is the subject matter of Employee Handbook Section 4.01.

d. All employees are responsible for the detection, reporting and prevention of fraud, misappropriations and other irregularities.

100.20 Definitions. The following definitions are used herein:

1. Fraud – the intentional false representation or concealment of facts for the purpose of personal gain for oneself or others; or inducing another to act similarly. Fraud and other similar irregularities include, but are not limited to:

a. Claim for reimbursement of expenses that are not job-related or authorized by current regulations.

b. Forgery or unauthorized alteration of documents (checks, promissory notes, time sheets, independent contractor agreements, purchase orders, budgets, etc.).

c. Misappropriation, misapplication, destruction, removal or concealment of AWA assets (funds, securities, supplies, furniture, equipment, etc.).

d. Theft of any asset (money, tangible property, etc.)

e. Improprieties in handling or reporting of money transactions.

f. Authorizing payment for goods not received or services not performed excluding prepayments that were preapproved by the Board of Directors or General Manager.

g. Authorizing or receiving compensation for hours not worked.

h. Computer-related activity involving unauthorized alteration, destruction, forgery or manipulation of data or misappropriation of AWA-owned software.

i. Knowingly misrepresentation of information on documents.
j. Any apparent violation of Federal, State or Local laws related to dishonest activities or fraud,

k. Seeking or accepting anything of material value for personal gain from those doing business with the Agency including vendors, consultants, contractors, lessees, applicants and grantees, provided, however, that this shall not be deemed to apply to campaign contributions otherwise permitted by law.

2. Employee – In this context, employee refers to any individual or group of individuals who receive compensation from AWA for work performed on either a full- or part-time basis. The term also includes any volunteer who provides services to AWA through an official arrangement with AWA.

3. Management – In this context, management refers to any administrator, manager, director, supervisor or other individual who manages or supervises AWA funds or other resources.

4. Investigator – In this context, Investigator refers to any person or persons assigned by AWA General Manager to investigate any fraud or similar activity (with the concurrence of the Board of Directors, if the General Manager is involved in the inappropriate activity).

5. External Auditor – In this context, External Auditor refers to independent audit professionals who perform annual audits of AWA financial statements.

e. It is AWA’s intent to fully investigate any suspected acts of fraud, misappropriation or other similar irregularity. An objective and impartial investigation will be conducted regardless of the position, title or length of service or relationship with the AWA of any party who might be or become involved in or becomes the subject of such investigation.

f. Each department of AWA is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud, misappropriations and other irregularities. Management should be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indications of such conduct.

h. Throughout the investigation, the Investigator will inform the General Manager of pertinent investigative findings, unless the General Manager is the subject of the investigation, in which case, the Investigator will inform the AWA’s Attorney, AWA Labor Attorney or the Board of Directors of the pertinent investigative findings.

Employees will be granted whistle-blower protection when acting in accordance with this policy and the Employee Handbook Section 4.13. Whistle-blower protections shall not, however, be deemed to affect the right of AWA to investigate or take disciplinary action against a whistle-blowing employee for that employee’s own improprieties, even if such improprieties are involved in the one for which the employee was a whistle-blower.

i. Upon conclusion of any investigation, the results will be reported to the General Manager, unless the General Manager is the subject of the investigation, in which case, the Investigator will inform AWA’s Attorney/Labor Attorney of the results.

j. The General Manager, following review of investigation results, will take appropriate action regarding employee misconduct. Disciplinary action can include termination, and referral of the case to the AWA Labor Attorney’s Office for possible prosecution. If the General Manager is the subject of the investigation, and the AWA Labor Attorney determines further action is required, then the AWA Labor Attorney shall consult with the Board or Director’s which may take appropriate action.
k. AWA will pursue every reasonable effort, including court ordered restitution, to obtain recovery of AWA losses from the offender, or other appropriate sources.

200.00 Procedures.

a. Management Responsibilities – in addition to Section 4.01 of the Employee Handbook management shall:

1. Responsible for being alert to, and reporting fraudulent or related dishonest activities in their areas of responsibility.

2. Management, in this case the General Manager individually and acting through the responsible department managers, is also responsible for establishing and maintaining a reasonable system of internal controls to ensure the detection and prevention of fraud or other irregularities.

3. Each manager should be familiar with the types of improprieties that might occur in his or her area and be alert for any indication that improper activity, misappropriation or dishonest activity is or was in existence in his or her area.

4. When an improper activity is detected or suspected, management should determine whether an error or mistake has occurred or if there may be dishonest or fraudulent activity.

5. If subordinate management or any employee determines a suspected activity may involve fraud or related dishonest activity, then the respective Department Head shall be contacted, who in turn shall notify the General Manager. If the Department Head is alleged to have involvement in the alleged misconduct, then the General Manager shall be contacted directly. If the General Manager is alleged to have involvement in the alleged misconduct, then the Department Head shall inform the AWA’s Labor Attorney and together they shall inform the Board of Directors.

6. Management should not attempt to conduct individual investigations, interviews or interrogations. However, management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent reoccurrence of improper actions.

7. Management should support the AWA’s responsibilities and cooperate fully with the Investigator, other involved departments and law enforcement agencies in the detection, reporting and investigation of criminal acts, including the prosecution of offenders.

8. Management must give full and unrestricted access to all necessary records and personnel. Except as otherwise expressly provided by state or federal law, all AWA furniture and contents, including desks and computers, are open to inspection at any time. There is no expectation of privacy.

9. In dealing with suspected dishonest or fraudulent activities, great care must be taken. Therefore, management should avoid the following:

   a. Incorrect accusations.

   b. Alerting suspected individuals that an investigation is underway.

   c. Treating employees unfairly.

   d. Making statements that could lead to claims of false accusations or other offenses.

10. Employee Responsibilities – refer to Section 4.01 of the Employee Handbook.

11. Investigator’s Responsibilities.
1. Upon assignment, the Investigator will promptly investigate the fraud.

2. In all circumstances where there appears to be reasonable grounds for suspecting that a criminal fraud has taken place, the Investigator, in consultation with the AWA Labor Attorney, will contact the Amador County Sheriff’s Department. Notwithstanding the foregoing, if the Amador County Sheriff Department is involved in the fraud, then the Investigator, in consultation with the AWA Labor Attorney, may contact an alternative law enforcement agency.

3. The Investigator shall be available and receptive to receiving relevant, confidential information to the extent allowed by law.

4. If evidence is uncovered showing possible dishonest or fraudulent activities, then the Investigator will proceed as follows:
   a. Discuss the findings with the Department Head, General Manager and/or AWA Labor Attorney (unless any such individual is the subject of the investigation).
   b. Meet with the General Manager (or AWA labor Attorney if the investigation concerns the General Manager) to:
      1. Determine if disciplinary actions should be taken.
      2. Report to the External Auditor such activities in order to assess the effect of the illegal activity on AWA’s financial statements.
      3. Coordinate the notification to insurers and the filing of insurance claims.
   c. Take immediate action, in consultation with the AWA Labor Attorney (unless the investigation concerns the AWA Labor Attorney), to prevent the theft, alteration or destruction of evidentiary records. Such action shall include, but is not limited to:
      1. Removing the record or other evidence and placing them in a secure location, or limiting access to the records or other evidence.
      2. Preventing the individual suspected of committing the fraud from having access to the records.

5. In consultation with the AWA Labor Attorney (unless the investigation concerns the AWA Labor Attorney) and the Amador County Sheriff Department, the Investigator may disclose particulars of the investigation to potential witnesses if such disclosure would further the investigation.

6. If the Investigator is contacted by the media regarding an alleged fraud or audit investigation, then the Investigator will consult with the General Manager and the AWA Labor Attorney, as appropriate, before responding to a media request for the information or interview.

7. At the conclusion of the investigation, the Investigator will document the results in a confidential memorandum report to the General Manager, and/or AWA Labor Attorney. If the report concludes that the allegations are founded, then the report will be forwarded to the Amador County Sheriff Department or alternative law enforcement agency.

8. The Investigator will be required to make recommendations to the appropriate department for assistance in the prevention of future similar occurrences.

Fraud Policy
9. Upon completion of the investigation, including all legal and personnel actions, all records, documents and other evidentiary material obtained from the department under investigation will be returned by the Investigator to that department.

300.00 Corrective Actions and Discipline. Appropriate and timely action will be taken against those proven to have committed a fraudulent or dishonest act. The remedial actions may include, but are not limited to:

a. Disciplinary action (up to and including immediate termination of employment).

b. Restitution for all losses, including investigation and legal expenses, to the fullest extent of the law.

c. Forwarding information to the appropriate authorities for criminal prosecution.

d. Institution of civil action to recover losses.

The Amador Water Agency may take corrective or disciplinary action without awaiting the resolution of criminal or civil proceedings arising from the fraudulent or dishonest conduct.

400.00 Annual Certification. Annual certifications shall be completed as outlined in Section 4.01 of the Employee Handbook.

500.00 Exceptions. There will be no exceptions to this policy, unless approved in writing by the General Manager and Board of Directors. No exception will be valid if the person authorizing the exception is himself/herself the subject of the related allegation.
FRAUD PREVENTION POLICY
CERTIFICATION STATEMENT

I ______________________________ confirm I have read the Amador Water Agency's Fraud Policy and understand my responsibilities therein, as they pertain to my employment or relationship with the Amador Water Agency.

I certify and agree to abide by all the provisions contained therein. By signing this form, I also certify, to the best of my knowledge, I have not perpetrated or contributed to the perpetration of fraud or dishonest activity in the Amador Water Agency, nor am I aware of someone who has. I understand failure to report known or suspected instances of fraud or dishonest activity may also result in a corrective or disciplinary action against me, up to and including termination, as well as potential prosecution in the criminal justice system.

______________________________
Signature of Employee

______________________________
Name of Employee (please print)  Date

Fraud Policy
AWA Grant Management Program
Draft

The AWA Grant Management Program has been established to pursue grant opportunities within the overall goals, vision, mission, and strategic plan of the Agency.

100.00 Policy

The Agency will develop strategies to identify grant funding sources, identify stakeholders, implement grant awards, track the progress of the grant, and evaluate the success of each project, for future proposals.

This Policy identifies defined roles and responsibilities and refers to the process and methods established by which to oversee its grants, including implementation, project tracking and reporting, accounting, and submittal of claims for reimbursement.

200.00 Roles and Responsibilities

Grant Manager/Grant Writer

Effective grant management requires clear expectations and deadlines for all the people involved. The Grant Manager/Grant Writer as designated by the General Manager has the most responsibility with grant management. The Grant Manager will serve as the logistical coordinator for the rest of the team, reminding staff of deadlines and driving the narrative and vision of the grant report. The Grant Manager shall regularly check in on the progress and results of a grant—closely working together with the Project Manager and Financial Services Manager to prevent miscommunications or last-minute issues if a grant is executed differently than expected.

Financial Manager or similar position

The Finance Manager or similar position is responsible for establishing and maintaining a system of accounting for financial transactions and for ensuring that adequate controls have been designed and implemented to ensure that the Agency receives proper reimbursement for grant expenditures. Accordingly, the Finance Manager or similar position will be responsible for reviewing requests for the creation of project accounts, and establishing the accounts needed to administer projects. The Grant Manager is responsible for submitting and monitoring claims for reimbursement. The Project Manager is responsible for performing monthly reviews of the status of the project(s).

The Project Manager

The project manager, along with the grant manager and Finance Manager or similar position are responsible for the administration of grant-funded projects, ensuring that the project is administered in compliance with applicable regulations, that all appropriate and eligible costs are charged to the grant, that matching funds will be identified and expended as required, and that reimbursement is claimed correctly and on a timely basis.
300.00 Procedure

300.10 Establishment of Project Account

The Grant Manager will make applications to various agencies for funding of activities that will benefit the Agency. When the Agency receives notice that funding has been approved, the General Manager will request approval from the Board of Directors to accept the grant. When accepting a grant, the Agency agrees to comply with all requirements and restrictions imposed by the grantor; therefore it is necessary to formalize the procedures that staff will utilize to administer the grant. Before a new project is created, engineering staff, including the project manager department and the Finance Department will meet to discuss grant and other project requirements, setup, and administration. This will help Finance set up the project in a way that best suits the department's reporting and information needs.

400.00 Project Accounting and Tracking

A project general ledger account will be established for each project. The project account will be used to record project revenues, expenditures and claims for reimbursement.

A project job number will be assigned and a work order created in the ERP to track all expenditures including labor and overhead. The overhead rate will be assigned based on the allowable amount as described in the grant agreement.

The procedures described in this policy will ensure that the Agency receives all reimbursements and funding awarded while assisting the Agency in understanding the net cost of projects adopting best practices for grant and project management as recommended in the Single Audit Report and enhancing coordination efforts between Project Manager, Grant Manager and the Finance department.

Responsibilities:

- The department manager will designate a Project Manager.
- The Grant Manager will provide Finance Department staff the following information:
  - Name and address of grantor agency.
  - Copy of award letter.
  - Name and address of managing agency, if different from grantor agency.
  - Board of Directors resolution or date of accepting award.
  - For Federal grants, Catalog of Federal Domestic Assistance (CFDA) number.
- Scope of work and amount of award.
- Expected project start and end dates and final reimbursement cut-off date for grants.
- Frequency of reimbursements.
- General information on eligible costs.
- The types of documentation grantor requires, such as timesheets, vendor invoices, or canceled checks.
- Grant manager will document compliance with the above by utilizing the "Grant Tracking Workbook

Claims for Reimbursement

- Claims for reimbursement will be submitted using a grantor-specific format and must be reconciled to the Agency’s financial system by the Project Manager with the assistance of the Finance Department

- Claims for reimbursement will be based project accounting reports; claims may not be based on unpaid invoices, estimates, encumbrances, purchase orders, or any other documentation which may or may not be posted to the financial system.

- Claims for reimbursement will be prepared by the Project Manager and reviewed by the Grant Manager.

- In the event that the Agency hires a consulting firm to conduct the grant management for a project, it will be the responsibility of the project manager to ensure that all documentation relating to the grant is received on a monthly basis and recorded following the same steps above.

The Engineering Manager will use a review checklist:

- Grantor-specific forms completed correctly
- The claim tie to the Agency’s financial system project revenue and expenditure reports
- Expenditures eligible for reimbursement
- Time period reported on the claim tie to the accounting records for that time period
- Report submitted timely
- Expenditures from matching funds reported
- Documentation required by the grantor attached, such as timesheets, vendor invoices, or canceled checks
- Claims must include instructions to direct payments to the Finance Department. If wire payment is available, wire instructions should be included.

- After the information has been reviewed, the Project Manager will forward an electronic copy of the claim and supporting documentation to the Finance Department and record submittal date and amount requested on the grants
receivable spreadsheet in the audit preparation folder. An electronic copy will also be placed in the job cost folder. The Grant Tracking spreadsheet will also need to be updated.

- Finance Department will record the claim as an Accounts Receivable.

- When payments are received, Finance staff will notify the Grant Manager and Project Manager and provide the Project Manager with a copy of the approved invoice and reimbursement check.

- Finance Department, along with Grant manager will be responsible for monitoring collection of these receivables and will request assistance from the project manager for follow-up as needed.

**Project Close Out**

- The Project Manager will notify Finance staff when a grant or project should be closed out. After the final reimbursement is received and recorded in the financial system.

- The Project Manager will follow standard post construction and evaluation reporting

- The Project Team will provide a collective periodic status reports to the Board of Directors, and a full assessment at the upon close of the project.

**500.00 Policy Review**

This Policy shall be reviewed at least every two years.
Amador Water Agency

Inventory Management Policy
DRAFT
Adopted:

100.00 Purpose of the Policy
The purpose of this Policy is to establish a process for the recording, identification, and accountability of all assets of the Agency.

200.00 Policy
The Agency’s inventory will be accounted for and inventoried at least once a year and on a more frequent basis if necessary. Inventory control is applied to movable assets, not land, buildings or other immovable assets.

200.10 Inventory assets are made up of the below items.

Non Fixed Asset Items: Items that will be consumed within one year of being placed into service.

Fixed/Capital Asset Items: Items which will extend the life of an existing infrastructure asset or possess a standalone life of greater than one year. These items can reside in inventory until being placed into service as a fixed asset. Alternatively, these items can reside in a Construction In Progress account when purchased for an ongoing capital improvement project.

Capitalization Policy:
Capitalization refers to the accumulation of all associated cost of an expenditure on the balance sheet. Depreciation is the charging of that capitalized item to an expenditure account because its useful life benefits a period greater than one year. Excluding land, capitalized fixed assets are depreciated which refers to the manner in which the asset is expensed on the revenue and expense statement. Capital Asset Life cycles will be applied in accordance with AWA PL Fin 002 Capital Asset Policy.

200.20 Capitalization Thresholds
In general all fixed assets, including land, buildings, machinery and equipment, with an original cost of $10,000 or more, will be subject to capitalization. Items with a dollar values less than $5,000 and possess a useful life greater than one year will capitalized at the Finance Manager or similar position. All costs associated with a purchase or construction should be considered, including ancillary costs such as freight and
transportation charges, site preparation, professional fees and legal claims directly attributable to asset acquisition.

200.20.1 **Examples:**
The capitalization threshold and/or useful life criteria can be applied to individual units of fixed assets or similar groups of fixed assets. For example, ten desks purchased through a single purchase order, each with a cost of $1,000, will qualify for capitalization even though the single item cost is only $1,000. The reasoning is that the combined cost is greater than $5,000 and its useful life is greater than one year. However, a single desk replacement purchase of $1,000 will not get capitalized because of threshold value even though the desk useful life is greater than one year.

200.20.2 Certain computer components such as a monitor or keyboard with a cost less than the threshold will not be capitalized. However, even though the computer component, such as a central processing unit, would not be capitalized based on its below-threshold cost, its’ useful life of greater than one year could cause the asset to be capitalized.

200.20.3 **Repairs**
Repairs made to existing assets, will generally not be subject to capitalization unless the repair extends the useful life of the asset. In this case, the repair represents an improvement and is subject to the requirements described below.

200.20.4 **Improvements**
A capital improvement is a repair or augmentation that is made to an existing fixed asset, the cost of which meets or exceeds the capitalization threshold or extends the life of that asset for greater than one year. The Finance Manager or similar position will determine through collaboration with operations if the expenditure should be capitalized or not.

200.20.5 **Capital Projects**
Immovable fixed assets being requisitioned for capital projects will be capitalized as Construction-In-Progress until completed. Note: it is extremely important that the proper account-numbering scheme is followed when charging the asset. Costs to be capitalized include direct costs, labor and materials, as well as ancillary costs and any construction-period interest costs as required by Government Accounting Standards Board (GASB).
300.00 Purchasing & Receiving:

The purchasing function will serve to replenish the Agency’s inventory stock and ensure operations continue. Proper purchasing will serve to maximize the Agency’s cash position by minimizing idle inventory, avoiding unnecessary purchases, capitalizing on supplier quantity discounts, and using trade credit when appropriate. The purchasing Agent will strive to utilize local vendors when appropriate as referenced in AWA PL Fin 005. The Agency is encouraged to take a Just-In-Time (JIT) philosophy when purchasing all items to enhance cash flow. A key aspect of inventory control and reporting is properly relieving the items through requisitions. Without accurate requisitioning the responsible system and/or project within the Agency will not be properly charged.

300.1 Purchasing:
All inventory purchasing will be conducted through the Agency’s purchasing agent in full compliance with the existing procurement / purchasing policy AWA PL Fin 005. No inventory will be purchased by any means (e.g. Agency credit card, cash, etc.) other than a purchase order through the purchasing agent. The exception to the purchase order is for emergency purposes or critical system purchase, which may be secured by alternate means. All new purchases will be received in the Agency’s Financial System before being placed into service.

300.2 Emergency Purchases:
An emergency purchase is defined as the purchase of an item that requires immediate installation or use. As soon thereafter as is practicable the purchaser/buyer shall follow the below requisitioning procedure. In addition, if the item qualifies as a fixed asset, it will require following the below tagging procedures and proper coding to a fixed/capital asset expense account allowing the Finance Manager or similar position to capitalize the asset at year end. The purchaser will ensure the purchasing agent and Finance Manager or similar position is involved on these items.

300.3 Purchasing Agent Approval:
All inventory items, including emergency purchases shall be reviewed (verbal or written) by the purchasing agent and at all times due diligence shall be employed by the purchaser regarding cost. If the purchaser is advised by the purchasing agent that the item is not within the budget, then the General Manager must authorize the purchase in accordance with AWA PL BOD 008.

300.4 Receiving & Inspecting:
Upon receipt of inventory items not purchased on an emergency basis, the purchasing agent and/or designee will have the responsibility to ensure the items are properly inspected, received in the system, invoices are properly coded and signed and forwarded to accounting for payment.
300.5 Controlling & Reporting:

300.5.1 The Agency is responsible for safeguarding its’ fixed assets from theft or loss and management does recognize its responsibility to establish and maintain systems and procedures that enable employees to properly safeguard the Agency’s assets. High dollar items will be subject to additional inventory tracking through tagging.

300.5.2 Tagging
The purpose of tagging assets is to provide an efficient mechanism for inventorying fixed assets. The tag should be placed in a visible and accessible place on the asset. Tagging gives auditors a mechanism to verify that the Agency is in control of fixed assets and provide accurate records of capital expenditures. The Purchasing Agent will be responsible for maintaining a signout sheet to control moveable fixed assets which have been tagged. Below are guidelines to determine if an asset should be tagged.

300.5.3 Asset Tagging
If cost of the asset is greater than or equal to $5,000 or the useful life is greater than one year, unless it is not physically possible or practical to tag. If the asset cost is less than $5,000 or it will be used up within one year it will not be tagged.

300.5.4 The Finance Manager or similar may, for control purposes, choose to tag an item that does not meet either criterion.

300.5.5 Responsibility for Tagging
The purchasing agent places the inventory into service and is responsible for the proper tagging of that inventory.

300.5.6 Valuation:
The Finance Manager or similar has determined that the Agency’s inventory will continue to be valued on the financial statements based on the actual cost of the item or historical cost. In addition, inventory will not get re-priced once it is initially recorded. Alternative inventory valuation methods such as Last-In-First-Out (LIFO), First-In-First-Out (FIFO) and Average Cost are uses by companies to influence cost of sales thus impacting taxable income which is irrelevant for public agencies and non-profits. It is the responsibility of the Purchasing Agent to determine and revise appropriate inventory levels through collaborative discussions with other staff members.

300.5.7 Physical Counting:
On an annual basis, and more frequently if necessary, a physical count of all the Agency’s inventory and movable fixed assets will be counted and provided to the Finance Manager or similar position.
or similar position within 60 days of the conclusion of a fiscal year or when requested. This includes inventory which has been requisitioned and not placed into service. The report will include the item description, quantity, location, and cost. The physical count shall be the responsibility of the Purchasing Agent or delegated employee. Variances between the Agency's physical count and inventory item record will need to be thoroughly explained by any staff requesting inventory.

400.00 Policy Review

This Policy shall be reviewed at least every two years
Amador Water Agency

Commercial Checking Account of the Agency
DRAFT
Adopted:

100.00 Purpose of the Policy
The purpose of this policy is to establish authorization limits and responsibilities related to use of a commercial checking account in order to conduct Agency business.

100.10 Policy
The Agency has a need for access to its funds to carry-out the operation of its business. A commercial checking account is established to enable the Agency to withdraw funds by check and to perform on-line banking transactions. The authorizations for this commercial checking account consist of the following:

100.10.1 One signature is required for funds withdrawn by check up to five thousand dollars ($5,000).

100.10.2 Two signatures are required for funds withdrawn by check in excess of five thousand dollars ($5,000).

100.10.3 The authorized Agency representatives on this commercial checking account for funds withdrawn by check shall be the General Manager, Finance Manager or similar position, and Human Resource Manager. In addition, two members of the Board of Directors will also be signators to ensure proper internal controls in the event that one or more of the management signators is unavailable.

100.10.4 The authorized Agency representatives on this commercial checking account to conduct matters such as wire transfers, stop payments, electronic fund transfers and effectively receiving and sending automated clearinghouse payments shall be the Finance Manager or similar position, Accountant, Human Resource Manager, or their designated representatives.

300.00 Policy Review
This Policy shall be reviewed at least every two years