POLICY COMMITTEE
(Directors Peters and Molinelli Jr.)
September 30, 2020
1:30 p.m.

AGENDA

PUBLIC NOTICE: Members of the public will have the opportunity to directly address the Outreach Committee members concerning any item listed on the Agenda below before or during consideration of that item. There is a three-minute time limit per person.

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.

Members of the public may participate in the meeting by using the dial in information below:

1. CALL TO ORDER

   United States (Toll Free): 1 866 899 4679

   - One-touch: tel:+18668994679,,543902469#

   Access Code: 543-902-469

2. AGENCY GENERAL
   A. Agency Policy Manual
      1. Review, discussion, and possible revisions, to draft financial policies:
         AWA PL Fin 005 Procurement-Purchasing
         AWA PL Fin 010 Capacity Fee Development Charge Setting
         AWA PL Fin 012 Budget Policy
         AWA PL Fin 016 Inventory Management

3. FUTURE AGENDA ITEMS

4. ADJOURNMENT
Amador Water Agency
Procurement Policy
DRAFT

Reviewed and Adopted:

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100.00 Purpose of the Policy

200.00 General Policy Statements

300.00 Procurement Authority, Responsibilities and Procedures

400.00 Competitive Procurement Processes

500.00 Construction

600.00 Ethics and Conflicts of Interest

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) with certain duties and responsibilities that are essential for the day-to-day operation of the Agency. The GM delegates and shares the function of procurement of goods, materials and services with the Financial Services Manager (FSM) and those staff members given specific authority. Throughout this Policy, “General Manager” or “GM” includes the GM’s temporary designee during the GM’s absence.

200.00 General Policy Statements California law requires all local agencies to formally adopt policies and procedures governing the acquisition of materials, supplies, equipment and services (Gov Code § 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.”

200.10 The Amador Water Agency Board of Directors desires to purchase supplies, equipment and materials locally when possible and prudent to do so. The Agency shall strive to purchase supplies, equipment, and materials within Amador County for items that do not exceed 105% of the costs to purchase items outside the County of Amador (including shipping)

200.20 All purchases, agreements, and contracts for materials, supplies, equipment, and services shall be made in accordance with this Policy. Procurement practices shall comply with laws, regulations and guidelines of the State of California and the provisions of grant or funding agreements, if applicable. 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. 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.

200.21 Purchasing authority for the acquisition of materials, supplies, equipment and services, except public works 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.

200.22 The Engineering & Operations Manager will be responsible for all specifications, bidding, and contracts for public works projects and will ensure adherence to the guidelines prescribed by law and other Agency policies and procedures. See section 500 of this Policy.

200.30 Purchase Orders (POs) shall be issued prior to ordering supplies, equipment, and service and not “after the fact” for work already done or materials already ordered. Except
for emergencies or other authorized exemptions stated in these guidelines, no purchase of supplies, services, or equipment shall be made without an authorized PO. Otherwise:

- Such purchases are void and not considered an obligation of the Agency
- Invoices without an authorized PO may be returned to the vendor unpaid; and
- The person ordering the unauthorized purchase may be held personally liable for the costs of the purchase or contract and may be subject to discipline.

200.40 Use of Agency credit cards, and proper management of travel expenses and reimbursement, are addressed in other Agency policies.

300.00 Procurement Authority, Responsibilities and Procedures

300.10 Subject to approval of the GM, subject to available budgeted funds, the Department Managers and PA are authorized to:

- 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 this Policy;
- Obtain full and open competition in accordance with prescribed policies and procedures in a manner that presents the best overall value to the Agency;
- Provide for the uniform, fair, and courteous treatment of vendors, suppliers, and contractors;
- 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 GM to seek Board approval;
- Supervise the receipt and inspection of all materials, supplies, equipment, and services purchased to ensure conformance with specifications;
- Recommend the disposition of surplus or unused supplies, materials, equipment, and scrap through sale or other means; and
- Maintain necessary records for the efficient operation of procurement.

320.00 Warehouse and Inventory Management  The PA shall operate a centralized warehouse to efficiently manage commonly used supplies and materials as required to support Agency functions. Inventory management is addressed in AWA PL FIN 016.

330.00 Procurement Approval Levels

<table>
<thead>
<tr>
<th>Amount</th>
<th>Responsibility</th>
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<tbody>
<tr>
<td>$5,000</td>
<td>Department Supervisors</td>
</tr>
<tr>
<td>$25,000</td>
<td>Department Managers</td>
</tr>
<tr>
<td>$50,000</td>
<td>GM</td>
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</tbody>
</table>
In the absence of the usual approver for a given request, authorization will be obtained from the next higher authority in accordance with the Procurement Authorization Table.

340.00 Purchasing Procedures

340.10 Purchase Requisitions

340.11 Purchase Requisitions (Requisitions) communicate to the PA, in clear and explicit terms, the needs of the requester. The requisitioning process also provides a mechanism for obtaining the approvals necessary to authorize the PA to proceed with the acquisition. The Requisition may be generated by the requester, or by the PA based on information provided by the requester.

340.12 A completed Requisition will be routed electronically by the requester and submitted to the PA. For purchases up to $5,000, informal quotes must be obtained, per section 410 below. If the requester has received quotes, they are to be attached to the Requisition electronically or emailed to the PA to evaluate and move forward in the procurement of the goods or service. If no quotes are provided, the PA will obtain quotes, but this may delay the processing of the Requisition.

340.13 For purchases greater than $5,000, requisitions should be prepared and submitted to the PA prior to attempting to obtain any goods, services, or materials. Requisitions must be submitted far enough in advance to enable the PA to meet the competition requirements specified in this Policy and to properly prepare the contract documents.

340.14 Based on one or more requisitions, the PA will create a PO.

340.15 Procurements that require approval by the Board do not require electronic requisitions. The PA will create the PO after the Board of Directors has approved and signed the contract or delegated authority to the GM. The PO will then be delivered to the related Department.

350.00 Purchase Order Accounting

350.10 In general, POs 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 POs are issued.

350.20 POs representing multiple year contracts will remain open until projects are completed and Finance is notified to close the PO.
400.00 Competitive Procurement Processes. All procurements for materials, supplies, equipment, or services shall employ an appropriate competitive selection process as set forth below unless an exception in this Policy applies.

<table>
<thead>
<tr>
<th>Purchase Amount Requirements</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $5,000</td>
<td>Informal Quotes</td>
</tr>
<tr>
<td>$5,001 - $50,000</td>
<td>Formal Quotes</td>
</tr>
<tr>
<td>$50,001+</td>
<td>RFP/Sealed Bids</td>
</tr>
</tbody>
</table>

410.00 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 PO may be issued to document the purchase if the staff member making the purchase wishes to do so.

420.00 Formal Quotes. For all procurement of materials, supplies, equipment, or services of $5,000 up to $50,000, at least three vendors must be contacted for price quotations and the purchase shall be made from the lowest satisfactory quote. Quotes 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 quotes submitted shall not be shared with any other vendor until the purchase is made. Vendors may be advised that they will be notified only if the purchase is made from them. All quotes received must be documented and scanned into Laserfiche Document Repository by the requesting department.

430.00 Professional Services: Request for Proposal/Qualifications Professional Services include architectural, landscape architectural, engineering, environmental, land surveying, construction project management, and planning services, and other services requiring special training or certification, including but not limited to finance, accounting, law, economics, translation, and technical writing. Non-professional services do not require a high degree of professional certification or specialized skill, such as janitorial services, landscape maintenance services, and non-public works construction, and may be procured through the standard procurement procedures in this Policy.

430.10 The selection of professional services shall be based upon the experience of the provider, knowledge of the subject matter, demonstrated ability to perform similar services within budget and the time allowed, any other factors identified in the solicitation, and the total estimated cost to the Agency. The Policy shall create a competitive environment where the best value can be achieved.
430.20 For budgeted work, the Agency may issue an RFP or RFQ without specific Board action. The Board may approve the issuance of an RFP or RFQ in advance of budgeting or appropriating funds for the proposed work.

430.30 The GM may execute 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 work estimated to cost more than $50,000, Board approval is required for award. Staff will make reasonable efforts to obtain at least three proposals or statements of qualification to evaluate. All proposals and statements of qualifications shall be submitted in writing, including electronically. The Agency may require in the RFP or RFQ that submittals be electronic.

430.40 The evaluation and a subsequent recommendation to the GM for consultant services shall be conducted by the individual responsible for the work. 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.

430.50 Award of a contract to a consultant shall be made only when sufficient funds have been appropriated for the work, except where the services relate to the processing of development plans that will be paid for by the developer.

430.60 If authorized by the Board or approved in the budget, the Agency may issue an RFP or RFQ stating that is for on-call services of specified types and that one or more proposals may be accepted. If multiple consultants are selected, award is subject to the approval limits stated above for the amount budgeted for the work, not divided among the awardees. Contracts will be executed with all awardees. When specific work is needed, the GM will execute an agreement with one of the awardees for the specific work. The GM may select among the contracted consultants based on applicable skill and experience, or may call for abbreviated proposals from multiple contracted consultants and evaluate them competitively. Individual agreements to perform specific work will not require Board action regardless of amount, but the GM may not exceed the approved budget for all such work.

440.00 Federal Procurement 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 Procurement Policy.
Appendix A – Section 200.318 General Procurement Standards, and include, but are not limited to:

440.10 Verification that procurement provides for full and open competition.

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

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

440.40 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.

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

440.60 Justification for lack of competition when competitive bids are not obtained.

440.70 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.

450.00 Exceptions to Competition Requirements

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

450.10 Non-Discretionary Payments These payments are not readily adaptable to the open market and competitive selection process. Non-discretionary purchases do not require the issuance of a PO, and are typically paid upon claim or invoice alone. Payments for budgeted or recurring items do not require Board approval for each item even in excess of the GM authorization limit. A check request can be used to initiate payment for non-discretionary purchases or payments.

Examples of non-discretionary payments include, but are not limited to:

- Bank charges and fees
- One-time fees and permits
- Debt Service payments
- Pension and OPEB payments
- Employee expense reimbursements
- Utilities
- Insurance claims and premiums
- Advertisements and Legal Notices
- Payroll related tax liabilities
- Medical reimbursement payments
- Water purchases
Budgeted memberships, dues, and subscriptions.

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

450.30 ** 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.

450.40 ** 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.

450.45 ** Professional Services.** Professional services may be acquired without competition where the approving authority finds that the provider possesses such unique advantages in knowledge or experience to perform the desired work efficiently that an RFQ or RFP process would be unfair to other possible proposers.

450.50 ** Emergency Purchases** Emergency purchases may be made without competitive processes when a sudden, unexpected occurrence presents an immediate risk of:

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

450.51 In an emergency, the GM may acquire materials, supplies, or services (not construction) without competitive process and up to $100,000, per AWA PL BOD 008.

450.51 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:
• The Finance Department shall be contacted as soon as possible to obtain a PO number;
• A completed purchase Requisition shall be submitted within two working days, or as soon as the information is available;
• Documentation explaining the circumstances and nature of the purchase shall be maintained by the applicable department supervisor manager; and
• If the emergency purchase causes any budget line item to exceed the approved budget, the department requesting the purchase shall provide supporting information to the GM to obtain subsequent Board of Directors approval for reserve funding or to make a budget transfer to cover the purchase.

450.00 Change Orders The GM may approve change orders to contracts for the procurement of supplies, equipment, contracts for professional services, and other goods and services provided:

450.61 The change order is within the scope of the approved contract and the cost of the changed work does not exceed the adopted budget;

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

500.00 Construction For construction to be performed by Agency staff, the normal provisions related to procurement of materials, supplies, and professional services apply. For construction contracts, the Agency operates according to applicable provisions of the Public Contract Code (PCC). Any agreement for the erection, construction, alteration, repair, or improvement of any public structure, building, road, or other public improvement of any kind is a public works contract (CCP § 1101). Construction does not include routine, recurring, and usual maintenance and repair performed on existing public facilities to keep them operational.

510.00 Force Account Agency employees may perform construction when:

* The engineer’s estimate for the work cost is $12,500 or less;
* The work is advertised and no bids or received;
* The work is advertised and the Agency rejects all bids; or
* The work consists of channel protection, maintenance work, or emergency work.

520.00 Construction contracts for $12,500 or less may be awarded by informal bids. Bids may be solicited from prospective contractors by written request, telephone, legal advertising or public notice (including Agency website). Bids will be submitted in writing, including by email or response to email. Staff will make reasonable efforts to receive at
least three bids. Regardless of solicitation method, all bidders must receive the same information about specifications and requirements of the product or service. Bids shall not be shared with any other bidders or the public until the award is made. Bidders may be advised that they will be notified only if a contract is awarded to them. All bids received must be retained by the requesting department and scanned into Laserfiche Document Repository.

530.00 Construction contracts larger than $12,500 will comply with PCC § 21451.

- Contracts shall be let to the lowest responsible bidder or bidders.
- The Board shall determine whether the contract shall be let as a single unit or divided into severable parts.
- The call for bids shall be advertised by three insertions in a daily newspaper of general circulation or by two insertions in a weekly newspaper of general circulation, and on the Agency's website, stating whether the work shall be performed in one unit or divided into parts.
- The work may be let under a single contract or several contracts, as stated in the call for bids.
- Successful bidders shall file with the Agency payment bonds compliant with Civil Code § 9550 et seq.
- The Board may reject any bid.
- The agency may purchase in the open market without advertising for bids, materials and supplies for use in any work under contract.
- The Agency will retain all bid documents per the Document Retention Policy.

530.10 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.

530.20 In determining the lowest "responsible" bidder, the following elements shall be considered in addition to price:
• That the products offered provide the quality, fitness, and capacity for the required usage;
• That the bidder has the ability, capacity and skill to perform the contract satisfactorily and within the time required; and
• 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.

530.30 In determining the lowest "responsive" bidder, the following elements among others, shall be considered, in addition to price, 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.

540.00 Change Orders, Claims, Disputes  The GM may approve change orders for public works construction 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. PL BOD 008.

550.00 Exceptions to Public Works Bidding

550.10 Emergency  In the case of an emergency, the Agency, pursuant to a four-fifths vote of the Board, may repair or replace a public facility, take any directly related and immediate action required by that emergency, and procure the necessary equipment, services, and supplies for those purposes, without giving notice for bids to let contracts. Before and after the Board takes such action, it must make special findings and follow procedures set out in PCC § 22050.

550.20 Where Public Works Bidding Is Not Advantageous  To the extent permitted by law, AWA may enter into a public works contract regardless of the amount without competitive bids if the Board has determined that the bid process would be unavailing or would not produce an advantage to AWA, and the advertisement for competitive bids would thus be undesirable, impractical, or impossible. The Commission must then also find that the contract is based on the competence and qualifications of the contractor and the contract represents a fair and reasonable price for the work under all of the circumstances. Legal counsel shall be consulted prior to seeking Board approval for such a procurement.
600.00 Ethics and 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. The GM, Department Managers, Engineering Supervisor, Resident Engineer, and PA shall attend ethics training compliant with AB1234 at least once every two years.

700.00 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) 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

Capacity Fee Development Charge Setting Policy
DRAFT
Adopted:

100.00 Purpose of the Policy
Capacity Fee Charges (CFCs) are one-time charges that 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 computation of 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 and portions of projects that are attributable to growth 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.
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.

200.00 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, the following factors will be considered:

A. Meeting Legal Requirements – CFCs will be established and administered to cover the infrastructure cost associated with new system demands.
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 and wastewater 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 decisions 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 - CFCs will be adjusted annually to reflect cost changes in materials, labor or real property applied to projects or project capacity using the Engineering News-Record Construction Cost Index. 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 Services 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

Budget Policy

DRAFT

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 reflect 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, fees, 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 infrastructure.
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 in order to support adequate reserves and minimize rate impacts in the future.

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. Rate policies are addressed in detail in AWA PL FIN 009.

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 rates and spread rate adjustments 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
Staff will provide the Board with a synopsis of budget drivers, including:

1. Key Assumptions – expected water production and source, labor cost projections, and key drivers of capital and operating expenses such as projected power and chemical costs;

2. Revenue Projections – forecasted water demand and projected net income;

3. Projected debt service coverage ratio;

4. Reserve Balance Projections; and

5. Trend and/or Comparative Information
The proposed budget will include the following components:

1. **Operations and Maintenance Budget (O&M):**
   a. Planned Agency O&M expenses for operations, programmed maintenance, forecasted materials and supply costs, and contingencies for incident response.
   b. Annual labor budget and its components per the Employee Compensation Policy, including projected unfunded actuarial liabilities for pensions (PERS) and other post-employment benefits (OPEB).
   c. Projected expenses will be shown in total and segregated by department and function.

2. **Operating Capital Budget (Fixed Assets):**
   a. Information Technology capital projects;
   b. Vehicle and fleet capital costs;
   c. Capitalizable office furniture; and
   d. 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 that the asset is not part of the general water delivery system.

3. **Capital Improvement Program Budget (CIP):**
   a. Expenses will be planned primarily on the Agency’s Asset Replacement Management Plans and the Water/Wastewater System Master Plans.
   b. The Agency will determine with each budget how to project revenue from anticipated development.
   c. Staff will seek input from the County and cities regarding anticipated timing of planned development.

4. **Debt Service Budget:**
   a. The budget will plan to meet all 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 during the budget preparation and adoption process.

**400.00 Authority**

The General Manager has 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. The General Manager and Financial Services 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.

**500.00 Policy Review**
This policy will be reviewed at least every two years.
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. 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 and capitalization thresholds will be applied in accordance with AWA PL Fin 002 Capital Asset Policy.

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 Financial Services Manager to capitalize the asset at year end. The purchaser will ensure the purchasing agent and Financial Services Manager are 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 and AWA PL FIN 005.

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 inventoring 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 sign-out 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, the asset will be tagged, 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 Financial Services Manager**

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 Agency’s inventory will 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 used 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 conducted and provided to the Financial Services Manager 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.