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Title 4 – FINANCE

Chapter 4.01 – GENERAL PROVISIONS

Section 4.01.010 – Interfund Transfers

The Controller is hereby authorized to record interfund transfers in accordance with budgeted interfund transfers. The Controller is hereby authorized to make payment of demands prior to Audit by the Board of Directors. The Controller is hereby authorized to execute the Board's instructions regarding District investments with maturities of less than one year.

(Res. No. 1993-15, 6-1-1993)

Section 4.01.020 – Procedures for the Sale and Disposal of Surplus Personal Property

- A. Surplus personal property must be so declared by a resolution of the Board of Directors which contains a description of the property. The Board of Directors shall designate in the resolution which, if any of the property is of little or no value, or the criteria by which the General Manager may determine the property to be of little or no value.
- B. The surplus property shall be sold or disposed of by the District's General Manager in the following manner:
 1. District surplus personal property shall be sold through a publicly noticed sale subject to sealed bids, with the highest bidder taking title and possession of the property. Employees and officers of the District may not bid or purchase at any sale conducted by the District. The General Manager shall determine the date of the sale. In the event of matching bids, the final decision of disposition will be made by the General Manager. The District reserves the right to reject any or all bids. At the General Manager's discretion, remaining surplus property may be offered at the next surplus sale or at no cost to any interested public or non-profit entity or disposed of at an appropriate disposal or recycling site.
 2. District surplus property determined by the Board of Directors or by the General Manager pursuant to the direction of the Board of Directors to be of little or no value, may be offered at no cost to any interested public or non-profit entity or disposed of at an appropriate disposal or recycling site.
 3. Where surplus property is to be offered at no cost to a public or non-profit entity, and where more than one entity may be interested in acquiring the property, the General Manager shall provide an informal process for notice and equitable determination of the final disposition of the property.

(Res. No. 2003-20, §§1, 2, 8-18-2003)

Section 4.01.030 – Assessment District 15

- A. A public hearing has been duly held on September 18, 2017, and each and every step in the proceedings prior to and including the hearing has been duly and regularly taken. The

Board of Directors is satisfied with the correctness of the Final Report. Including the assessment and diagram and the maximum annual assessment for administrative expenses, the proceedings and all matters relating thereto.

- B. The property within the Assessment District to be assessed as shown in the Final Report will be benefited by the Improvements.
- C. The Board of Directors overrules and denies any and all protests, objections, and appeals made in regard to these proceedings. The Board of Directors further finds and determines that a majority of the ballots received are in favor of the assessment within Zone A. In tabulating the ballots, the ballots were weighted according to the proportional financial obligation of the affected property.
- D. The Board of Directors orders the proposed Improvements to be acquired and constructed in accordance with the Final Report and these proceedings.
- E. The amounts of the assessments shown in the Final Report and the proposed maximum annual assessment per parcel for administrative expenses shown are confirmed and are fixed said amounts.
- F. The amounts to be assessed against the individual parcels shown on the assessment diagram contained in the Final Report are hereby approved and confirmed for Zone A; and the Board of Directors is authorized and directed to endorse the fact and date of such approval on the Final Report.
- G. The assessment diagram and assessment for Zone A is to be placed on file in the office of the Superintendent of Streets, and the Secretary is authorized and directed to record, or cause to be recorded, the assessment diagram and assessment in the office of the County Recorder as required by Section 3114, 10401, and 10402 of the California Streets and Highways Code; and the Secretary shall record, or cause to be recorded, a Notice of Assessment as required by Section 3114 of said Code.
- H. The Superintendent of Streets is authorized and directed to give notice of the recordation of the assessment for Zone A, as provided in Section 10404 of said Code.
- I. The Superintendent of Streets is designated to receive the assessments paid during the 30 day cash payment period which shall commence on the date of recording the assessment diagram with the County Recorder.

(Res. No. 2017-26, §§ 1-9, 10-16-2017)

Section 4.01.040 – Assessment District 18

- A. A public hearing has been duly held on November 18, 2019, and each and every step in the proceedings prior to and including the hearing has been duly and regularly taken. The Board of Directors is satisfied with the correctness of the Final Report, including the assessment and diagram and the maximum annual assessment for administrative expenses, the proceedings and all matters relating hereto.
- B. The property within the Assessment District and Zones 1 through 7 therein to be assessed as shown in the Final Report and will be benefited by the Improvements.

- C. The Board of Directors overrules and denies any and all protests, objections, and appeals made in regard to these proceedings. The Board of Directors further finds and determines that a majority of the ballots received are in favor of the assessment. In tabulating the ballots, the ballots were weighted according to the proportional financial obligation of the affected property.
- D. The Board of Directors orders the proposed Improvements to be acquired and constructed in accordance with the Final Report and these proceedings.
- E. The amount of the assessments shown in the Final Report and the proposed maximum annual assessment per parcel for administrative expenses shown are confirmed and are fixed in said amounts.
- F. The amounts to be assessed against the individual parcels shown on the assessment diagram contained in the Final Report are hereby approved and confirmed; and the Board of Directors is authorized and directed to endorse the fact and date of such approval on the Final Report.
- G. The assessment diagram and assessment is to be placed on file in the office of the Superintendent of Streets, and the Secretary is authorized to and directed to record, or cause to be recorded, the assessment diagram and assessment in the office of the County Recorder as required by Sections 3114, 10401, and 10402 of the California Streets and Highways Code; and the Secretary shall record, or cause to be recorded, a Notice of Assessment as required by Section 3114 of said Code.
- H. The Superintendent of Streets is authorized and directed to give notice of recordation of the assessment, as provided in Section 10404 of said Code.
- I. The Superintendent of Streets is designated to receive the assessments paid during the 30-day cash payment period.

(Res. No. 2019-25, §§ 1-9, 11-18-2019)

Section 4.01.050 – Assessment District Sewer Connection Financial Assistance Fund

- A. Creation of the Assessment District Sewer Connection Financial Assistance Fund – The Assessment District Sewer Connection Financial Assistance Fund (the “Fund”) shall be created, in the principal amount of \$250,000.00 (two hundred and fifty thousand dollars), for the purpose of providing financing for sewer connections to commercial and owner-occupied residential property owners within Assessment Districts who qualify for said financial assistance as set forth herein below. Principal and interest payments received shall be returned to the Fund, until the Fund is terminated by Board action.
- B. Eligibility and Qualifications
 - 1. The Fund shall be used solely for the purpose of providing financial assistance to qualifying property owners of owner-occupied residential property and commercial property. “Commercial Property” shall include but is not limited to multiple family dwellings and mobile home parks. “Owner-Occupied Residential Property” shall be defined as the primary residence per the Internal Revenue Service Code.

2. The maximum financial assistance amount available to each residential property connecting to the sewer system shall be \$6,000 (six thousand dollars), for the abandonment of existing septic system, unless a greater amount is approved by the Board of Directors, on a case-by-case basis.
3. The entire amount of financial assistance shall be recorded against the property in the form of a non-transferable lien, and payment shall be made over the period of the connection financing agreement or sooner. Payments shall be included on the utility bill of the improved property, and delinquencies together with a 7% penalty on any unpaid balance shall be added to the Riverside County property tax bill of the improved property. The District reserves the right to foreclose on properties that become delinquent and all costs related to foreclosure shall be borne by the borrower.
4. The term of the assistance financing agreement shall not exceed ten (10) years and the entire remaining amount owed shall become due and payable on sale or refinancing of the property. Interest on the agreement shall be the higher of 5%, or the Local Agency Investment Fund (LAIF) yield rate for the most recent quarter ending June 30th.
5. Each applicant shall be required to comply with the District's application process.
6. The total amount of financial assistance provided to any qualifying applicant shall include the cost of any required appraisals, title reports, and District costs for establishing and administering the loan.

(Res. No. 2020-05, §§ 1-2, 03-16-2020)

Section 4.01.060 – Sewer Connection Financial Assistance Fund

- A. Creating the Sewer Connection Financial Assistance Fund – A Sewer Connection Financial Assistance Fund (the “Fund”) shall be created, in the principal amount of \$1,000,000 (one million dollars), for the purpose of providing financing for sewer connections to residential and commercial property owners within the District who qualify for said financial assistance as set forth herein below, and which Fund may accrue interest which will be reinvested in the Fund. The Fund shall be self-sustaining, and payments made for connections through the Fund shall be returned to the Fund.
- B. Eligibility and Qualifications for Financing from the Financial Assistance Fund
 1. The Fund shall be used solely for the purpose of providing financial assistance to qualifying residential and commercial property owners within existing Sewer Assessment Districts in the District, to whom sewer service is presently available. “Commercial Property” shall include, but is not limited to, multiple family dwellings and mobile home parks.
 2. Preference shall be given to assist those property owners who demonstrate septic system failure, or who have been given notice to connect by the District because of septic system failure.

3. The maximum financial assistance amount available to each residential property connecting to the sewer system shall be \$4,000 (four thousand dollars), to cover application fees, connection fees and all costs of connection (including abandonment of existing septic service), unless a greater amount is approved by the Board of Directors, on a case-by-case basis. The maximum financial assistance amount available to commercial properties shall be established on a case-by-case basis, based on amount of assistance requested, available security and terms of repayment, and other factors which may be required by the Board of Directors, and is subject to final approval by the Board of Directors. The Board of Directors finds and determines that making low interest financial assistance available to facilitate connections to the sewer system provides a direct public benefit to groundwater quality, and further benefits the District's sewage collection and treatment program by adding new customers to the District sewer service.
4. The entire amount of connection assistance shall be recorded against the property in the form of a lien, and payment may be made over the period of the connection financing agreement.
5. The term of the assistance financing agreement shall not exceed ten (10) years, and the entire amount owed shall become due and payable on sale or refinancing of the property. Interest on the agreement shall be variable from year to year, and shall accrue at the rate realized by the District on its investments with the Local Agency Investment Fund (LAIF) for the preceding year.
6. Each financing assistance applicant shall provide written documentation of his/her/its previous application and denial of funding in the form of loans or grants from Housing & Community Development programs administered by the Riverside County Economic Development Agency and redevelopment/rehabilitation programs administered by the Desert Hot Springs Redevelopment Agency, or proof that such programs do not provide assistance to that property owner.
7. Qualifying applicants may use financial assistance funds, up to the maximum available under the Program, for connection to the District's water system, where sewer connection is also requested and where the property had previously not been connected to the District's water system.
7. The total amount of financial assistance provided to any qualifying property shall include the cost of any required appraisals, title reports and other administrative costs related to the establishment and collection of the loan.
8. Funds used to finance connection to the District's sewer system shall be secured by the real estate benefitted by the sewer connection, in the form of a recorded lien, with payments to be collected by the District over the period of the connection financing agreement, on the property owner's water and sewer bill, and/or as assessments placed on the property owner's tax bills. The details of the Program shall be administered by District staff, and the terms of each connection financing

agreement may be tailored to each property owner's particular situation and ability to make payments, except as set forth herein.

- C. Termination of the Financial Assistance Fund. The Sewer Connection Financial Assistance Fund may be terminated at any time, and for any reason, by a majority vote of the Board of Directors.

(Res. No. 1995-26, §§ 1-3, 08-21-1995; Res. No. 1996-09, 03-18-1996)

Chapter 4.02 – RESERVES

Section 4.02.010 – Wastewater Capital Reserve Fund

The Board of Directors of Mission Springs Water District resolves, determines, and orders the establishment of a dedicated Wastewater Capital Reserve Fund which will exceed the minimum requirements of the provisions of the SRF loan, with contributions to said fund being determined in accordance with the following formula:

Annual Depreciation X 50% = Dedicated Fund Contribution

All earnings on this Wastewater Capital Reserve Fund shall become part of this fund along with principal payments. This Fund is dedicated to the future replacement, and major repairs, of the wastewater infrastructure of Mission Springs Water District.

(Res. No. 1995-10, 4-17-1995)

Section 4.02.020 – Water Capital Reserve Fund

The Board of Directors of Mission Springs Water District resolves, determines, and orders the establishment of a dedicated Water Capital Reserve Fund, with contributions to said fund being determined in accordance with the following formula:

Annual Depreciation X 50% = Dedicated Fund Contribution

All earnings on this Water Capital Reserve Fund shall become a part of this fund.

(Res. No. 1995-20, 6-19-1995)

Section 4.02.030 – Internal Services Capital Reserve Fund

The Board of Directors of Mission Springs Water District resolves, determines, and orders the establishment of a dedicated Capital Reserve Fund for its Internal Services (General Fund), with contributions to said fund being determined in accordance with the following formula:

Annual Depreciation X 50% = Dedicated Fund Contribution

All earnings on this Capital Reserve Fund for Internal Services shall become a part of this fund.

(Res. No. 1995-21, 6-19-1995)

Chapter 4.03 – INVESTMENTS

Section 4.03.010 – Investment Policy

A. Introduction

1. The purpose of this Investment Policy (Policy) is to provide guidelines for the prudent investment of the Mission Springs Water District's (District) funds in conformance with California Government Code and other legal requirements governing the investment of public funds. This Policy hereby incorporates by reference the requirements of California Government Code, Sections 53600 et seq. and 53630 et seq. except to the extent that this Policy establishes a more restrictive standard, in which case the more restrictive standard shall apply. Funds will be managed to provide for daily cash flow requirements and to meet the objectives of this Policy.
2. This Policy applies to all operating and reserve funds of the District, which are under the control of the General Manager and/or the Director of Administrative Services (DAS). These funds are accounted for in the District's Annual Financial Statements.
3. Bond proceeds shall be invested in securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, bond proceeds will be invested in the securities permitted by this Policy. The US Tax Reform Act of 1986 requires the District to perform arbitrage calculations as required and return excess earnings to the US Treasury from investments of proceeds of bond issues sold after the effective date of this law. These arbitrage calculations may be contracted with an outside source to provide the necessary technical assistance to comply with this regulation. Investable funds subject to the 1986 Tax Reform Act will be kept segregated from other funds and records will be kept in a fashion to facilitate the calculations.

B. Investment Objectives

1. As specified in Government Code Section 53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the primary objectives, in priority order, of the District's investment activities and of this Policy shall be:
 - a. Safety – Safety of principal is the District's foremost investment objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the District will diversify its investments by investing funds among independent financial institutions offering a variety of securities with independent returns. Investments shall be made with the aim of avoiding capital losses due to issuer default, broker-dealer default, or market value erosion.
 - b. Liquidity – The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which are reasonably anticipated.

- c. Yield – The District’s investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, as long as it does not diminish the objectives of Safety and Liquidity.

C. Delegation of Authority

1. The authority of the District’s Board of Directors (“Board”) to invest or reinvest funds of the District is delegated by Board Resolution in conjunction with the annual investment policy review. Management responsibility for the investment program is hereby delegated to the DAS who shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in the absence of the DAS. The DAS shall establish procedures for the management of investment activities, including the activities of staff consistent with this Policy.
2. The DAS may retain the services of an outside investment advisor or manager as approved by the Board to assist with the District’s investment program. Qualified outside managers will be either SEC Registered Investment Advisors or Bank Money Managers. The investment advisor shall make all investment decisions and transactions in strict accordance with State and Federal law, this Policy and such other written instructions as are provided. The performance and service levels of investment advisors and managers shall be reviewed annually.

D. Prudence

1. All participants in the investment process shall recognize that the investment program is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism worthy of the public trust. The standard of prudence to be used by the District shall be the “prudent investor” standard and shall be applied in the context of managing the overall portfolio. The DAS and the delegated investment officers, acting in accordance with written procedures and this Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.
2. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.
3. The DAS shall review the investment policy on an annual basis and submit the policy to the District’s Board for review and approval.

E. Ethics and Conflicts of Interest

1. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the District’s General Manager any material

financial interest in the financial institutions that conduct business with the District and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District.

F. Authorized Broker-Dealers

1. A competitive process, whenever practical, will be used for investment transactions. For any investment transaction not conducted directly with the issuer, it shall be the District's policy to purchase securities only from authorized institutions and firms. No deposit of public funds shall be made except in a qualified public depository as established by state laws.
2. The DAS shall maintain a list of authorized broker/dealers and financial institutions that are approved for investment purposes. All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate and deemed by the District:
 - a. Must be in business for at least three (3) years.
 - b. Proof of Financial Industry Regulatory Authority (FINRA) certification (not applicable to Certificate of Deposit counterparties).
 - c. Proof of state registration.
 - d. Certification of having read and understood and agreeing to comply with the District's Policy and are free of conflicts of interest.
 - e. Evidence of adequate insurance coverage.
3. If the District has contracted with an investment advisor to provide investment services, the investment advisor may use their own list of approved issuers, brokers/dealers, and financial institutions to conduct transactions on the District's behalf.

G. Authorized Investments

1. The District's investments are governed by the Government Code. Within the investments permitted by the Government Code, the District seeks to further restrict eligible investments to the investments listed below. In the event an apparent discrepancy is found between this Policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the time the security is purchased. Ratings, where shown, specify the minimum credit rating category required at purchase without regard to +/- or 1, 2, 3, modifiers, if any. In the event a security held by the District is subject to a credit rating change that brings it below the minimum credit ratings specified in this Policy, the DAS should notify the Board of the change. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the change, prognosis for recovery or further rate drops, and the market price of the security.
 - a. United States Treasury Issues – United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United

States are pledged for the payment of principal and interest. There is no limitation as to the percentage of the portfolio that may be invested in this category.

- b. Federal Agency Obligations – Federal agency or United States government-sponsored enterprise senior debt obligations, participations, mortgage-backed securities or other instruments, including those issued by or fully guaranteed as to principal and interest by Federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of the portfolio that may be invested in this category; however, purchases of callable Federal Agency obligations are limited to a maximum of 30 percent of the portfolio.
- c. Municipal Debt – Registered treasury notes or bonds of this state or any of the other 49 United States, 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 this state or any of the other 49 United States.

Bonds, notes, warrants, or other evidences of indebtedness of any local agency, including the District's own bonds, within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, operated by the local agency, or by a department, board, agency, or authority of the local agency. Purchases are limited to securities that have a long-term debt rating of at least "A", or its equivalent, by a Nationally Recognized Statistical Rating Organization (NRSRO); and/or have short-term debt rating of at least "A-1", or its equivalent, by a NRSRO. A maximum of 30 percent of the portfolio may be invested in this category.

- d. Medium-Term Notes – Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by 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. Purchases are limited to securities that have a long-term debt rating of at least "A", or its equivalent, by a NRSRO. A maximum of 30 percent of the portfolio may be invested in this category.
- e. Negotiable Certificates of Deposit – Negotiable certificates of deposit (NCDs) issued by a nationally or state-chartered bank, a saving association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases are limited to institutions that have a long-term debt rating of at least "A", or its equivalent, by a NRSRO; and/or have short-term debt rating of at least "A-1", or its equivalent, by a NRSRO. NCDs for which the full amount of the principal and the interest that may be accrued during the maximum term of each certificate is insured by federal deposit insurance are exempt from the rating requirements. A maximum of 30 percent of the portfolio may be invested in this category.

- f. Placement Service Deposits – Deposits placed through a deposit placement service shall meet the requirements under Government Code Section 53601.8. The full amount of the principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. A maximum of 30 percent of the portfolio may be invested in this category.
- g. Bank Deposits – FDIC insured or fully collateralized bank deposits, including, but not limited to, demand deposit accounts, savings accounts, market rate accounts, and time deposits. To be eligible to receive District deposits, the financial institution must be located in California and have received a minimum overall satisfactory rating, under the Community Redevelopment Act, for meeting the credit needs of California Communities in its most recent evaluation. The amount on deposit in any financial institution shall not exceed the shareholder's equity. Bank deposits are required to be collateralized as specified under Government Code Section 53630 et. seq. The DAS, at his/her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. The District shall have a signed agreement with any depository accepting District funds per Government Code Section 53649. The maturity of time deposits (TCDs) may not exceed 1 year. There is no limit on the percentage of the portfolio that may be invested in bank deposits. However, a maximum of 20 percent of the portfolio may be invested in TCDs.
- h. Commercial Paper – Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions:
 - i. Is organized and operating in the United States as a general corporation.
 - ii. Has total assets in excess of five hundred million dollars (\$500,000,000).
 - iii. Has debt other than commercial paper, if any, that is rated at least "A", or its equivalent, by a NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10 percent of the outstanding paper of an issuing corporation. A maximum of 25 percent of the portfolio may be invested in this category.

- i. Bankers' Acceptances – Bankers' acceptances, otherwise known as bills of exchange or time drafts, which are drawn on and accepted by a commercial bank. Purchases are limited to bankers' acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System. Purchases of bankers' acceptances are restricted to issuing financial institutions with a short-term debt rating of at least "A-1", or its equivalent, by a NRSRO. A maximum of 25 percent of the portfolio may be invested in this category.

- j. State of California Local Agency Investment Fund (LAIF) – There is no limitation as to the percentage of the portfolio that may be invested in this category. However, the amount invested may not exceed the current maximum allowed by LAIF.
- k. Local Government Investment Pools (LGIP) – Shares of beneficial interest issued by a joint powers authority organized pursuant to Government code Section 6509.7. To eligible for purchase, the LGIP fund shall meet all of the following conditions:
 - i. Must meet the requirements of California Government Code Section 53601(p).
 - ii. The pool must be rated at least “A”, or its equivalent, by a NRSRO.

A maximum of 50 percent of the portfolio may be invested in any individual LGIP fund.

Whenever the District has any funds invested in a Local Government Investment Pool, the DAS shall maintain on file a copy of the pool’s current information statement. In addition, the DAS should review the pool’s summary portfolio holdings on a quarterly basis.

- l. Money Market Funds– Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission.

The company shall have met either of the following criteria:

- i. Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs.
- ii. Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

A maximum of 20 percent of the portfolio may be invested in this category.

If the District has funds invested in a money market fund, a copy of the fund’s information statement shall be maintained on file. In addition, the DAS should review the fund’s summary holdings on a quarterly basis.

- m. Repurchase Agreements – Repurchase agreements are to be used as short-term investments not to exceed 90 days. Repurchase agreements shall only be made with counterparties that are primary dealers of the Federal Reserve Bank of New York or a nationally or state-chartered bank that has or has had a significant banking relationship with the District. Furthermore, the counterparty shall have the following qualifications:
 - i. A long-term debt rating of at least “A”, or its equivalent, by a NRSRO.

- ii. A short-term credit rating of at least “A-1”, or its equivalent, by a NRSRO.
- iii. Minimum assets and capital size of \$25 billion in assets and \$350 million in capital.
- iv. Five years of acceptable audited financial results.
- v. A strong reputation among market participants.

The District shall have a properly executed master repurchase agreement with each counterparty for which it enters into an agreement for repurchase agreements. Collateral of at least 102 percent of market value of principal and accrued interest is required. For any repurchase agreement with a term of more than one day, the value of the underlying securities must be reviewed on an on-going basis according to market conditions. Market value must be calculated each time there is a substitution of collateral. Collateral is limited to obligations of the United States government and its agencies. Collateral must be delivered to the District’s custodian bank or handled under a properly executed master repurchase agreement. The District, or its trustee, shall have a perfected first security interest in all collateral. A maximum of 10 percent of the portfolio may be invested in this category.

- n. Supranationals – United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Purchases are limited to securities that have a long-term debt rating of at least “AA”, or its equivalent, by a NRSRO. A maximum of 30 percent of the portfolio may be invested in this category.

H. Diversification and Maximum Maturities

1. It is the policy of the District to diversify its investment portfolio. Assets shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically. Adequate diversification shall be applied to the individual issuers of debt, both within each class of investments and collectively. With the exception, of U.S. Treasuries, Federal Agency securities, LGIPs, and LAIF, the District’s investment in any one issuer is limited to 20 percent of the District’s surplus funds.
2. To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. The maximum maturity of individual investments shall not exceed the limits set forth in Section G. Where no maturity limit is stated, no investment shall exceed a maturity of five years from the date of purchase unless the Board has granted express authority to make that investment either specifically or as a part of an investment program approved by the Board no less than three months

prior to the investment. With respect to maximum maturities, this Policy authorizes investing bond reserve funds beyond five years if the maturity of such investments is made to coincide with as nearly as practicable with the expected use of the funds.

I. Prohibited Investments

1. Section 53601.6 of the Government Code lists certain investments that are prohibited. Prohibited investments shall include, but are not limited to, equity securities, inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, or any investment that could result in zero interest earned if held to maturity.
2. The purchase of any investment permitted by the Government Code, but not listed as an authorized investment in this Policy is prohibited without the prior approval of the Board.

J. Performance

1. The investment performance of the District's operating portfolio shall be evaluated and compared to an appropriate benchmark in order to assess the success of the investment program relative to the District's Safety, Liquidity, and Yield objectives. This review will be conducted annually with the Board.

K. Investment Reporting

1. The DAS will prepare a monthly report of investment that shall include a complete description of the portfolio, type of investments, issuers, maturity dates, par values, and current market values of each component of the portfolio, list of transactions, including funds managed for the District by third party contract managers. The report will include a certification that:
 - a. All investment actions executed since the last report has been made in full compliance with this Policy.
 - b. The report shall include a statement denoting the ability of the District to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

L. Internal Control

1. The DAS is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:
 - a. The cost of a control should not exceed the benefits likely to be derived.
 - b. The valuation of costs and benefits requires estimates and judgments by management. Accordingly, the DAS 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.

M. Safekeeping and Custody

1. To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by the District shall be held in safekeeping by a

third party bank trust department, acting as agent for the District under the terms of a custody agreement. All trades executed by a dealer will settle delivery vs. payment (DVP) through the District's safekeeping agent. Securities held in custody for the District shall be independently audited on an annual basis to verify investment holdings.

- N. Policy Adoption and Review – This Policy shall be adopted by resolution of the Board. Moreover, the Policy shall be reviewed on an annual basis by the Board and modification, if any, must be approved by resolution of the Board.

(Res. No. 2017-05, 02-21-2017)

Section 4.03.020 – Local Agency Investment Fund

The Board of Directors hereby authorizes the deposit and withdrawal of the Mission Springs Water District monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein.

(Res. No. 1994-09, 03-21-1994)

Section 4.03.030 – Investment Trust of California (CalTRUST)

- A. The Mission Springs Water District shall join with other public agencies pursuant to and in accordance with the Joint Exercise of Powers Act by executing the Joint Powers Agreement and thereby becoming a Participant in the Joint Power Authority, which Joint Powers Agreement is hereby approved and adopted, notwithstanding other investments held by the District or current investment policies that otherwise may be in effect for the District so long as the Joint Powers Authority invests only in securities and other instruments permitted for investment by public agencies pursuant to applicable California law. A copy of the Joint Powers Agreement shall be filed with the minutes of the meeting at which this Resolution was adopted. The District is hereby authorized to execute, and the Attesting Officer of the Governing Body is hereby authorized to attest and deliver, the Joint Powers Agreement, in substantially the form presented at this meeting.
- B. The Mission Springs Water District is hereby authorized to purchase shares of beneficial interest issued by the Joint Powers Authority from time to time with available funds of the District, and to redeem some or all of those shares from time to time as such funds are needed, notwithstanding other investments held by the District or current investment policies that otherwise may be in effect for the District so long as the Joint Powers Authority invests only in securities and other instruments permitted by public agencies pursuant to applicable California law.
- C. The appropriate officers, agents, and employees of the Mission Springs Water District are hereby authorized and directed in the name of and on behalf of the District to take all actions and to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, might deem necessary or appropriate in order to accomplish the purposes of this Resolution.

- D. The Treasurer or principal financial officer of the Mission Springs Water District is hereby delegated authority of the Board of Directors of the District to take all actions and to make and execute any and all instruments, which he or she might deem necessary or appropriate in order to carry out the purposes of the Board of Directors in adopting this Resolution, including, without limitation, the authority to extend the maturity of any investments made pursuant to this Resolution in accordance with applicable California law.
- E. Nothing contained in this Resolution shall be deemed to infringe upon the right of the Mission Springs Water District or the Board of Directors or Treasurer or principal financial officer of the District to make other investments outside of the mandate of this Resolution in accordance with applicable California law to the fullest extent permitted thereunder.

(Res. No. 2017-10, 5-15-2017)

Chapter 4.04 – DEBT MANAGEMENT POLICY

Section 4.04.010 – Introduction

- A. Purpose and Overview – In its publication entitled Best Practice Debt Management Policy, the Government Finance Officers Association states that debt management policies are written guidelines, allowances, and restrictions that guide debt issuance practices of Board adopted issuance processes, management of a debt portfolio, and adherence to state and federal laws and regulations. A debt management policy should improve the quality of decisions, and articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital financial planning. The Mission Springs Water District Debt Management Policy (the “Policy”) as set forth herein provides a set of comprehensive guidelines for the issuance and management of the Mission Springs Water District’s (the “District”) debt portfolio. Adherence to the Policy is essential to ensure the District maintains a diversified debt portfolio that supports the District’s financing needs and minimizes the District’s cost of funds.
- B. Roles and Responsibilities
 - 1. Director of Administrative Services – The primary responsibility for debt management rests with the Director of Administrative Services. The Director of Administrative Services shall:
 - a. Provide for the issuance of District debt at the lowest possible cost and risk,
 - b. Determine the available debt capacity of the District,
 - c. Provide for the issuance of District debt at appropriate intervals and in reasonable amounts as required to fund approved and budgeted capital expenditures.
 - d. Recommend to the District’s Board of Directors (the “Board”) the method and manner of sale of District debt.
 - e. Monitor opportunities to refund debt and recommend such refunding as appropriate to reduce costs or to achieve other policy objectives.

- f. Comply with all Internal Revenue Service (“IRS”), Municipal Securities Rulemaking Board (“MSRB”), Securities and Exchange Commission, and California Debt Investment Advisory Commission rules and regulations governing the issuance of debt.
 - g. Maintain a current database with all outstanding debt.
 - h. Provide for the timely payment of principal and interest on all debt.
 - i. Comply with all terms and conditions, including continuing disclosure, required by the legal documents governing the debt issued.
 - j. Submit to the Board all recommendations to issue debt in accordance with this Policy.
 - k. Distribute to appropriate repositories information regarding the District’s financial condition and affairs at such times and in the form required by law, regulation, and general practice.
 - l. Provide for the frequent distribution of pertinent information to the rating agencies.
 - m. Apply and promote prudent fiscal practices; and.
 - n. 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 Director of Administrative Services and General Manager. The draw request shall be provided to the District by the project engineer with the consent of the District’s inspector. Approval shall only be provided when the Director of Administrative Services is in receipt of an appropriate certification from the construction project manager with supporting invoices from suppliers and/or contractors evidencing appropriate expenses in connection with the project.
2. In the case of an issue of bonds the proceeds of which will be used by a governmental entity other than the District, the District may rely upon a certification by such other governmental entity that it has adopted the debt management policies described in Senate Bill No. 1029.

(Res. No. 2017-11, § 1, 5-15-2017)

Section 4.04.020 – Legal Governing Principles

In the issuance and management of debt, the District shall comply with all legal constraints and conditions imposed by federal, state, and local law. The following section highlights the key governing documents and certain debt limitations.

A. Governing Law

1. County Water District Law – The District was established in 1953 as a county water district under the County Water District Law, Division 12 of the Water Code of the State of California for purposes of supplying water for domestic, irrigation, sanitation, industrial, commercial, recreation, and fire suppression use.

2. Federal Tax Law – The District shall issue and manage debt in accordance with the limitations and constraints imposed by federal tax law, to maximize its ability to sell tax-exempt debt. Such constraints include, but are not limited to, private activity tests, review of eligible projects, spend-down test, and arbitrage rebate limitations.
3. Securities Law – The District shall comply with the requirements of federal and state securities laws in offering District debt and the District shall comply with securities law requirements in providing ongoing disclosure to the securities markets.

B. Permitted Debt by Type

The District may legally issue both short-term and long-term debt, using the debt instruments described below. The Director of Administrative Services, in consultation with the District's General Counsel, Bond Counsel, and Financial Advisor shall determine the most appropriate instrument for funding purposes.

1. General Obligation Bonds – The District is empowered, under California law, to levy taxes on all taxable property within its boundaries for the purpose of paying its voter-approved general obligation bonds subject to certain limitations.
2. Certificates of Participation - Certificates of Participation (COP) provide debt financing through a lease, installment sale agreement or contract of indebtedness and typically do not require voter approval. Board action is sufficient to legally authorize a COP issue. The District shall pledge net revenues to the repayment of its COPs, under the terms and conditions specified in the Indenture.
3. JPA Revenue Bonds – As an alternative to COPs, the District may obtain financing through the issuance of debt by a joint exercise of powers agency with such debt payable from amounts paid by the District under a lease, installment sale agreement, or contract of indebtedness.
4. Commercial Paper – The District may issue short-term revenue certificates, including commercial paper and extendable commercial paper. Board action is sufficient to legally authorize a commercial paper issue. Voter approval is not required to issue commercial paper.
5. Lines of Credit – The District may enter into financing arrangements providing for a source of funds that can be readily accessed by the District for capital or operational needs. Board action is sufficient to legally authorize the establishment of a line of credit. Voter approval is not required to establish or access a line of credit.
6. Variable Rate Debt – The District is authorized to issue variable rate debt including, but not limited to, public market indexed notes, indexed notes or loans placed directly with financial institutions and other alternative variable rate and market access products as well as traditional variable rate demand obligations backed by bank liquidity facilities. Prior to the issuance of variable rate debt, the savings and

other possible advantages compared to a fixed rate borrowing will be evaluated and a comparative analysis presented to the Board as part of the approval process.

7. Refunding Revenue Bonds – The District is authorized to issue refunding revenue bonds to refund outstanding District indebtedness pursuant to the State of California local agency refunding revenue bond law (Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California).
8. Loans – The District is authorized to enter into loans, installment payment obligations, or other similar funding structures secured by a prudent source, or sources of repayment.
9. Assessment Bonds – The District is authorized to issue assessment bonds pursuant to the Improvement Bond Act of 1915, subject to requirements imposed by Proposition 218. Such bonds are typically repaid from assessments collected within an assessment district formed pursuant to the Municipal Improvement Act of 1913. Assessments are levies of charges on real property to pay for projects or services that specifically benefit that parcel of property.
10. Special Tax Bonds – The District is authorized to issue special tax bonds pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, and Title 5 of the Government Code of the State of California.

C. Limitations on Debt Issuance

1. Short-Term Debt – The District's short-term debt shall not exceed 30 percent of its total debt at the time of issuance. The calculation of short-term debt shall include any variable rate obligation, the authorized amount of commercial paper, and any notes/bonds with a maturity equal to or less than five years.
2. Variable Rate Debt – the Director of Administrative Services will consult with the District's Financial Advisor to determine appropriate parameters for the issuance of variable rate debt and may rely on rating agency standards and other industry standards for establishing prudent financial goals and establishing the amount of variable rate debt to be issued.
3. Subordinate Lien Long-Term Debt – The District's subordinate lien debt shall be limited to that amount for which current and projected revenues generate overall debt service coverage of at least 125 percent. The calculation of debt service shall not include General Obligation Bonds, Assessment Bonds, or Special Tax Bonds to which revenue sources other than pledged revenues, as defined in the governing legal documents related to such debt, are pledged.
4. Senior Lien Long-Term Debt – The District's senior lien long-term debt shall be limited to that amount for which current and projected revenues generate senior lien debt service coverage of at least 125 percent. The calculation of debt service shall not include General Obligation Bonds, Assessment Bonds, or Special Tax Bonds to which revenue sources other than pledged revenues, as defined in the governing legal documents related to such debt, are pledged. It should be noted that the District will issue debt to attempt to meet the senior lien debt service

coverage target of 125 percent in keeping with it prudent financial management practices and to maintain credit rating aligned with rating agency methodologies.

5. Purpose for Borrowing – The District shall issue debt solely for the purpose of financing the cost of design, engineering acquisition, and/or construction of water and wastewater system improvements in furtherance of the District’s Capital Improvement Program. Additionally, the District may, subject to Federal tax code limitations, include operational expenses in any debt issuance.
6. Ethical Standards Governing Conduct – Members of the District, the Board and its consultants, service providers, and underwriters shall adhere to standards of conduct as stipulated by the California Political Reform Act, as applicable. All debt financing participants shall maintain the highest standards of professional conduct at all times, in accordance with:
 - a. MSRB Rules, including Rule G-37 and G-42 shall be followed at all times;
 - b. Debt financing participants will assist the District staff in achieving its goals and objectives as defined in this Policy;
 - c. All debt financing participants shall make cooperation with the District staff their highest priority.
7. Use of Derivatives – The use of derivative products can, among other things, increase District financial flexibility and provide opportunities for interest rate savings or enhanced investment yields. Careful monitoring of such projects is required to preserve District credit strength and budget flexibility. Swaps will not be used to speculate on perceived movements in interest rates. Before the District enters into any derivative product associated with debt, the Board shall adopt an interest rate swap policy.

(Res. No. 2017-11, § 2, 5-15-2017)

Section 4.04.030 – Integration of Capital Planning and Debt Activities

- A. Evaluating Capital Improvement Program Spending – The District shall develop and maintain a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and debt service on its financial condition. To that end, the Director of Administrative Services shall oversee the ongoing maintenance of quantitative modeling that includes, but is not limited to, the following:
 - a. Five years of historic and projected cash flows
 - b. Five years of historic and projected capital expenditures
 - c. Five years of historic and projected operating costs
 - d. Five years of historic and projected fund balances for any funds established by the District’s then-adopted reserve policy, if any
 - e. Five years of historic and projected debt service coverage
 - f. The most efficient mix of funding sources (long-term debt, short-term debt, and cash)
 - g. Projected revenue requirements

- h. Projected rates and charges

(Res. No. 2017-11, § 3, 5-15-2017)

Section 4.04.040 – Procurement and Evaluation of Professional Services

- A. Appointment of Service Providers – At their discretion, the Director of Administrative Services may solicit from time-to-time bids, quotes, or proposals including sole source proposals for the following services on an as-needed basis.
 - a. Financial Advisor – Service provider that ensures the District complies with all financial management procedures and policies and ensures successful closing for bond transactions
 - b. Bond Counsel – Service provider that drafts appropriate documentation to ensure successful and timely closing and creates valid and legally binding security for bond issues and provides appropriate advice and taking appropriate actions to ensure legal validity of bond issues under State and Federal laws as applicable.

(Res. No. 2017-11, § 4, 5-15-2017)

Section 4.04.050 – Transaction-Specific Policies

- A. Method of Sale – The Director of Administrative Services shall determine the most appropriate form of sale of its debt. In making a recommendation to the Board, the Administrative Services Manager may consult with the District's Financial Advisor and Bond Counsel and may take into account, among other things, the type and tenor of the proposed debt, the District's credit ratings, the amount of funding necessary, the timing of the needed funds, local and national economic conditions, and general bond market conditions.
- B. Competitive Bid Method – When necessary to minimize the costs and risks of any District borrowing, the Director of Administrative Services may submit to the Board a request to sell bonds on a competitive basis. Such bids may take the form of hand-delivered or electronically transmitted offers to purchase the bonds. Any competitive bid basis will be sold to the bidder proposing the lowest true interest cost to the District provided the bid conforms to the official notice of sale.
- C. Negotiated Bid Method – A negotiated bond issue will provide for the sale of debt by negotiating the terms and conditions of the sale, including price, interest rates, credit facilities, underwriter or remarketing fees, and commissions. Examples of such sales include:
 - 1. Variable rate demand obligations
 - 2. An issue of debt so large the number of potential bidders would be too limited to provide the District with truly competitive bids
 - 3. An issue requiring the ability to react quickly to sudden changes in interest rates (e.g. refunding bonds)
 - 4. An issue requiring intensive marketing efforts to establish investor acceptance
 - 5. An issue of debt with specialized distribution requirements
 - 6. An issue of debt sold during a period of extreme market disruption or volatility

If bonds are sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarketing fees, and underwriting spreads and timing of sale. The District, with the assistance of its Financial Advisor, shall evaluate the terms offered by the underwriting team. Guidelines with respect to price, interest rates, fees, and underwriting spreads shall be based on prevailing terms and conditions in the marketplace for comparable issuers, credit ratings, tenor, and par amount.

If more than one underwriter is included in the negotiated sale of debt, the District shall establish appropriate levels of liability, participation, and priority of orders. Such levels shall be based upon District policy with regards to the underwriting responsibility among the team members, the desired allocation of total fees, and the desired distribution of bonds. Guidelines for establishing liability, participation, and priority of order shall be based on prevailing terms and conditions in the marketplace for comparable issuers.

The District shall, with the assistance of its Financial Advisor, oversee the bond allocation process. The bond allocation process shall be managed by the lead underwriter, with the following requirements:

1. The bonds are allocated fairly among members of the underwriting team, consistent with the previously negotiated terms and conditions
2. The allocation process complies with all MSRB regulations governing order priorities and allocations
3. The lead underwriter shall submit to the Director of Administrative Services a complete and timely account of all orders, allocations, and underwriting activities with the investor names identified as appropriate.

The Director of Administrative Services shall require a post-sale analysis and reporting for each negotiated bond sale. The Financial Advisor or the lead underwriter may perform such analysis. A post-sale analysis will include, but not be limited to:

1. Summary of the pricing, including copies of the actual pricing values
2. Results of comparable bond sales in the market at the time of the District's pricing
3. Detailed information on orders and allocation of bonds, by underwriting firm
4. Detailed information on final designations earned by each underwriter
5. Summary of total compensation received by each underwriter

D. Structural Elements

1. Pledge of Revenues – the District's pledge of revenues shall be determined for each debt issue depending upon the debt instrument:
 - a. General Obligation Bonds of the District shall be repaid from voter-approved property taxes on property within the jurisdiction of the District
 - b. Certificates of Participation of the District shall be repaid from net revenues, as defined in the Indenture
 - c. Revenue Bonds of the District shall be repaid from net revenues, as defined in the Indenture

- d. Loans of the District may be repaid from net revenues of the water and/or wastewater systems, or other financially prudent sources of repayment
 - e. Assessment Bonds of the District shall be repaid levies or charges collected within an assessment district formed by the District pursuant to the Municipal Improvement Act of 1913
 - f. Special Tax Bonds of the District shall be payable from net special taxes collected in applicable taxing jurisdiction as a result of the levy of special taxes
- 2. Maturity – The District may issue tax-exempt debt with an average life equal to, but no greater than 150% of, the average life of the assets being financed. The final maturity of the debt should be no longer than 30 years absent compelling circumstances or facts. Factors to be considered when determining the final maturity of debt include the average useful life of the asset being financed, relative level of interest rates, intergenerational equity, and the year-to-year differential in interest rates.
- 3. Maturity Structure – The District's long-term debt may include serial and term bonds. Other maturity structures may also be considered if they are consistent with prudent financial management practices.
- 4. Coupon Structure – Debt may include par, discount, and premium. Discount and premium bonds must be demonstrated to be advantageous relative to par bond structures taking into consideration market conditions and opportunities. For variable rate debt, the variable rate may be based on one of a number of commonly used interest rate indices and the index will be determined at the time of pricing.
- 5. Debt Service Structure – Debt service may be structured primarily on an approximate level (combined annual principal and interest) basis. Certain individual bond issues, such as refunding bonds, may have debt service that is not level. However, on an aggregate basis, debt service should be structured primarily on a level basis.
- 6. Redemption Features – In order to preserve flexibility and refinancing opportunities, District debt will generally be issued with call provisions. The District may consider calls that are shorter than traditional and/or non-call debt when warranted by market conditions and opportunities. For each transaction, the District will evaluate the efficiency of call provision alternatives.
- 7. Credit Enhancement – The District shall competitively procure credit enhancement for an original sale of bonds if the Director of Administrative Services, in consultation with the Financial Advisor and the senior underwriter, determines that it is cost effective to do so. The Director of Administrative Services may in consultation with the Financial Advisor and the senior underwriter determine that due to certain circumstances a sole source procurement process may be more advantageous than a competitive process.
- 8. Senior/Subordinate Lien – The District may utilize both a senior and a subordinate lien structure. The choice of lien will be determined based on such factors as overall cost of debt, impact on debt service, impact on rates, and marketing considerations.

9. Debt Service Reserve Funds – The District shall provide for debt service reserve funds to secure District debt when necessary.

(Res. No. 2017-11, § 5, 5-15-2017)

Section 4.04.060 – Communication and Disclosure

- A. Rating Agencies – The District shall maintain its strong ratings through prudent fiscal management and consistent communications with the rating analysts. The Director of Administrative Services shall manage relationships with the rating analysts assigned to the District's credit, using both informal and formal methods to disseminate information. Communication with the rating agencies may include one or more of the following:
 1. Full disclosure on an annual basis of the financial condition of the District
 2. A formal presentation, at least annually or as becomes necessary to the rating agencies, covering economic, financial, operational, and other issues that impact the District's credit
 3. Timely disclosure of major financial events that impact the District's credit
 4. Timely dissemination of the Annual Financial Report, following its acceptance by the District's Board
 5. Full and timely distribution of any documents pertaining to the sale of bonds
 6. Periodic tours of the water system operations, as appropriate
- B. Bond Insurers – The Director of Administrative Services shall manage relationships with the bond insurers, to the extent any debt is so insured, by providing appropriate information. Communication with other bond insurers shall be undertaken when the Director of Administrative Services, with the assistance of the District's Financial Advisor, determines that credit enhancements is cost effective for a proposed bond issue.
- C. Disclosure Reports – The District shall comply with its disclosure undertakings and make disclosure reports readily available to market participants through the Electronic Municipal Market Access (EMMA) website.
- D. Web Site – The District may use its website as a tool for providing timely information to investors.

(Res. No. 2017-11, § 6, 5-15-2017)

Section 4.04.070 – Refunding Policies

The District shall strive to refinance debt to maximize savings and minimize the cost of funds as market opportunities arise. A net present values analysis will be prepared that identifies the economic effects of any refunding to be proposed to the Board. The District shall target a 3% net present value savings for current and 5% for advance refunding transactions. Upon the advice of the Director of Administrative Services, with the assistance of the Financial Advisor and Counsel, the District will consider undertaking refunding for other than economic purposes, such as to restructure debt, change the type of debt instruments being used, or to retire a bond issue and indenture in order to remove undesirable covenants.

- A. Savings Thresholds – Minimum savings thresholds have been established to help guide the economic analysis of refunding bonds. The minimum savings guidelines are applicable

on a maturity-by-maturity basis and are expressed as a percentage of refunded bond par calculated by dividing the expected net present value savings generated by the proposed refunding by the par amount of refunded bonds. At the recommendation of the Director of Administrative Services, with the assistance of the Financial Advisor, the District may complete a refunding for net present values savings equal to the target specified above on an aggregate bond issue basis rather than a maturity-by-maturity basis. Generally, the District shall only refund bonds to generate debt service savings of the specified minimum savings set forth in the previous paragraph can be achieved.

- B. Coupon on Refunded Bond – the Director of Administrative Services may take into consideration whether the coupon on the refunded bond is significantly higher or lower than the most common outstanding bond coupons of approximately five percent.
- C. General Interest Rate Environment – The Director of Administrative Services may take into consideration whether the available refunding bond interest rates are generally high or generally low relative to long-term averages of historical rates.
- D. General Interest Rate Outlook – The Director of Administrative Services may take into consideration the general outlook for future interest rates, as derived from economic forecasts, market forecasts, implied forward rates, or other sources.
- E. Debt Management Considerations – The Director of Administrative Services may take into consideration debt management issues such as cost and staff efficiencies associated with combining multiple refunding bond issues or combining refunding and new money bond issues.
- F. Call Date – The Director of Administrative Services may take into consideration the amount of time between the pricing/closing date of the refunding debt and the call date of the debt to be refunded.
- G. Final Maturity Date – The Director of Administrative Services may take into consideration the amount of time remaining until the final maturity of the debt to be refunded.

(Res. No. 2017-11, § 7, 5-15-2017)

Section 4.04.080 – Reinvestment of Proceeds

- A. General – The District shall comply with all applicable Federal, State, and contractual restrictions regarding the use and investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of some invested funds, as well as restrictions on the time period during over which some bond proceeds may be invested. To the extent that a bond issue is credit enhanced, the District shall adhere to the investment guidelines of the credit enhancement provider.
- B. Requirements of Legal Documents – The District will comply with all terms and conditions of the appropriate legal documents related to the debt.

(Res. No. 2017-11, § 8, 5-15-2017)

Section 4.04.090 – Creation and Maintenance of Funds

The District shall maintain a number of different funds integral to the long-range financial planning process. Each of these funds is held for a specific purpose and can generally be

categorized as either an operating, capital, or debt service fund. The District will comply with all requirements and limitations created under its reserve policy, if any.

(Res. No. 2017-11, § 9, 5-15-2017)

Section 4.04.100 – Compliance

- A. Arbitrage Liability Management – The District shall minimize the cost of arbitrage rebate and yield restrictions while strictly complying with tax law. Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the District shall solicit the advice of bond counsel and other qualified experts about arbitrage rebate calculations. The District shall contact with a qualified third-party for preparation of the arbitrage rebate calculation.

The District shall maintain an internal system for tracking expenditure of bond proceeds and investment earnings. The expenditure of bond proceeds shall be tracked in the financial accounting system by issue. Investment may be pooled for financial accounting purposes and for investment purposes. When investment of bond proceeds are co-mingled with other investments, the District shall adhere to IRS rules on accounting allocations.

- B. Post-Issuance Tax Compliance – the District shall comply with procedures set forth in the tax certificate related to District debt obligations to maintain the tax-exempt status of such obligations or to maintain eligibility for direct pay subsidy payments, as applicable.
- C. Continuing Disclosure – The District shall comply with the requirements of each Continuing Disclosure Certificate entered into at the time of a sale of bonds. Annual information provided by the District shall mirror the information in any District offering statement at the time of a primary offering. Annual financial information will be sent by the District or its designated consultant, within the time required under the Continuing Disclosure Certificate to EMMA. This shall include:
 - 1. Annual Financial Report of the District
 - 2. Updated tables from the Official Statement, as detailed in the Continuing Disclosure Certificate

In addition to annual disclosure, the District shall provide ongoing information about certain enumerated events, as defined by regulation, to EMMA.

The District may engage a firm to assist it in ensuring timely completion and filing of annual reports and in identifying, and making timely filings with respect to, the occurrence of reportable enumerated events.

- D. Legal Covenants – The District shall comply with all covenants and conditions contained in governing law and any legal documents entered into at the time of a bond offering.

(Res. No. 2017-11, § 10, 5-15-2017)

Section 4.04.110 – Debt Database Management

The District shall maintain complete information on its outstanding debt portfolio, in a spreadsheet or database program format. The information in the database shall include, but not be limited to, the following:

- A. Issue Name
- B. Initial Issue Par Amount
- C. Date of the Issue
- D. Principal Maturity Amounts
- E. Coupon Rate by Maturity
- F. Amount Outstanding
- G. Call Provisions
- H. Purpose of the Issue
- I. Credit Enhancer, if any
- J. Competitive or Negotiated Sale
- K. Names of Underwriting Team Members

The District shall use the debt database for the following purposes:

- A. Generate Reports
- B. Gross Annual Debt Service
- C. Net Annual Debt Service
- D. Refunding Analysis
- E. Output to Fund Accounting System

(Res. No. 2017-11, § 11, 5-15-2017)

Section 4.04.120 – Board Discretion

This policy was drafted with the intent of providing the District's Board-approved guidelines to management and staff for decisions and recommendations related to capital financing by the District, and to support the District's debt obligations to present and future generations of customers

This policy is ultimately intended to serve as a guide and it in no way restricts the ability of the District's Board to review proposed rate actions, debt issuances, or other actions of substance to the District. The Board maintains authorization to waive elements of the Policy in connection with individual financings at its discretion.

(Res. No. 2017-11, § 12, 5-15-2017)

Chapter 4.05 – PROCUREMENT AND DISBURSEMENT

Section 4.05.010 – Bidding and Contract Procedures

- A. Purpose – California Code does not currently require competitive bidding by county water districts. Accordingly, Mission Springs Water District ("District") may seek a sole source bid for any project. The District is not, however, precluded from seeking multiple bids. All

contracts for which the District decides to execute through a competitive bidding process shall be made in accordance with these policies and procedures set forth herein ("Contract Procedures"). The Contract Procedures are adopted by the Board of Directors of the District to promote uniformity in the processing of bids and contracts and direction for staff and the Board in procuring services on behalf of the District. In all cases, the District may consider cost, efficiency, timing and quality of work in awarding any contract.

B. Definitions

1. Minor Project – A project or service required by the District which is estimated by the General Manager to cost \$75,000 or less, and which may be awarded and negotiated by the General Manager, in contract or purchase order form.
 2. Intermediate Project – A project or service required by the District which is estimated by the General Manager to cost more than \$75,000 but less than \$150,000 to complete.
 3. Major Project – A project or service for a capital expenditure by the District which is estimated by the General Manager to cost \$150,000 or more to complete.
 4. Maintenance Work – Includes but is not limited to any of the following:
 - a. Routine, recurring, ongoing, systematic and/or usual work for the operation, preservation or protection of any District-owned or operated facility, equipment or property, for its intended purposes, including without limitation, systematic or system-wide replacements intended to keep District systems and equipment in optimal condition and efficiency. Such work includes, but is not limited to testing, service and replacement of back-flow valves and lateral lines.
 - b. Repairing, cleaning and other property maintenance work.
 - c. Landscape maintenance, including mowing, watering, trimming, pruning, planting, replacement of plants, and servicing of irrigation and sprinkler systems.
 5. Emergency – An "Emergency" includes but is not limited to:
 - a. A breakdown of essential District services; and.
 - b. Field conditions that indicate an immediate threat to the public or employee safety or material impact to property or District facilities.
- C. No Bid Required – No publication or notice shall be required, and the following may be performed by the employees of the District, by force account, by negotiated contract, or by purchase order:
1. Minor Project
 2. Intermediate Project
 3. Maintenance work
 4. Emergency work
 5. Where there is only one source of supply; and
 6. Professional service contracts
- D. Informal Bid Procedures – For any Minor Project, Intermediate Project or Maintenance, or where directed by the Board of Directors, the General Manager may elect to follow informal bidding procedures as provided below:

1. The District shall maintain a list of qualified contractors, identified according to categories of work, construction trade journals and associations. Minimum criteria for development of the contractors for each category shall be developed by the General Manager, and may include, but is not limited to the District's prior experience with contractors based on such factors as quality of work, customer service, efficiency, timeliness, safety record, size and capacity, reputation and references, and professionalism.
 2. All contractors on the list for the category of work being bid and/or all relevant, listed construction trade journals or associations shall be given notice inviting informal bids unless the product or service is proprietary or specialized.
 3. All notice to contractors and construction trade journals pursuant to subdivision 2 shall be completed not less than seven (7) calendar days before bids are due.
 4. The notice inviting informal bids shall describe the project in general terms, how to obtain more detailed information about the project, and state the time and place for submission of bids.
 5. The Board delegates to the General Manager the authority to negotiate intermediate contracts for projects of the District with the lowest responsible bidder.
- E. Trade Journals – The General Manager shall determine the appropriate construction trade journals or associations which shall receive notices of all informal and formal bids for projects conducted by the District. The list may be limited to geographical area for certain categories of projects, in the discretion of the General Manager.
- F. Major Projects – Formal bidding procedures shall be conducted on all Major Projects, unless otherwise directed by the Board of Directors, and for other projects upon direction of the Board of Directors as follows:
1. Notice of formal bids shall state the time and place for receiving and opening of sealed bids and distinctly describe the project and provide such other information as necessary to full comply with legal requirements.
 2. The notice shall be published in a newspaper of general circulation which is circulated within the District, at least fourteen (14) calendar days before the date of opening the bids and posting at the District Administration Building. The notice inviting formal bids shall also be mailed at least thirty (30) calendar days before the date of opening bids to all construction trade journals, trade associations specified pursuant to Section E, and all contractors or other persons requesting notification of formal bids.
 3. All bids received shall be opened in public at the time and place designated in the notice. The bids shall be evaluated for compliance with the notice and requirements of the District. The District shall determine from the bids received on a project the contractor which is considered to be the lowest responsible bidder. Thereafter, the District shall indicate that a contract will be executed according to specific terms to be negotiated by the General Manager. If the General Manager determines that terms cannot be negotiated, the General Manager may request authority from the Board of Directors to terminate negotiations and open negotiations with the next lowest responsible bidder.

4. Notwithstanding the foregoing, competitive bidding shall not be required for:
 - a. Contracts for articles which are patented, copyrighted or otherwise unique and not on sale by dealers generally but only at a fixed and uniform price by the owner or his agents or assigns.
 - b. Contracts wherein competitive bidding would not produce an advantage or where it is impracticable to obtain what is required subject to the competitive bidding provisions because of the unique, exploratory, experimental or time-sensitive nature of the work.
 - c. Contracts where, within six (6) months previous to the date of execution, advertising for identical work of the same general character has filled the secure responsive proposals and, in the opinion of the General Manager, further advertising will not alter this result.
 - d. Contracts with any governmental agency.
 - e. Contracts directed by the Board to be selectively bid as provided in Section D or negotiated.
- G. Rejection of Bids – Rejection of informal bids may be done at the discretion of the General Manager.
 1. Any individual rejection of formal bid shall be made stating the reasons for rejection. If the Board determines that the bidder is not a responsible contractor for a formal bid, a hearing shall be held to allow this bidder to respond to the allegations.
 2. All bids may be rejected for any reason or without reason.
- H. Emergency Conditions – In the event of Emergency, contracts may be awarded by the District (or the General Manager in the event the Board may not be immediately convened) without application of these procedures, without adopting plans, specifications, work sheets, working details or other contract documents, and without regard to the cost of the project of service. The General Manager shall advise the President of the Board or other director as soon as practicable of any Emergency, and shall provide a full report of the action taken due to the Emergency to the Board of Directors at the next Board Meeting. Contracts are subject to confirmation by 4/5 vote at the next Board of Directors meeting.

(Res. No. 2013-01, §§ 1-8, 01-22-2013)

Section 4.05.020 – Policy for Procurement and Disbursement of District Funds

A. General Provisions

1. General – Mission Springs Water District (MSWD or District) shall: provide for a procurement system of quality and integrity; provide for the fair and equitable treatment of all persons or firms involved in purchasing by the District; ensure that supplies and services are procured efficiently, effectively, and at the most favorable prices available to the District, promote competition in contracting; and assure that MSWD purchasing actions are in full compliance with applicable Federal standards, State, and local laws.

2. Application – This policy applies to all procurement and disbursement actions of the District, except where the application of such conflicts with funding requirements, such as Federal grants. In addition, this policy will be applied in coordination with all other District policies including but not limited to:
 - a. District Credit Cards Policy
 - b. Petty Cash Disbursement/Replenishment Policy
 - c. Contract Procedures Policy
 - d. Consultant/Vendor Invoice Processing Policy
3. Changes in Laws and Regulations – In the event an applicable law or regulation is modified or eliminated, or a new law or regulation is adopted, the revised law or regulation shall, to the extent inconsistent with these Policies, automatically supersede these Policies.
4. Definition – The term “procurement,” as used in this Policy, includes the procuring, purchasing, leasing, or renting of:
 1. Goods, supplies, equipment, land and materials defined as tangible or physical items that can be shipped, stored, and consumed in the course of District operations
 2. Services which are intangible acquisitions and fall into the following subcategories:
 - i. Construction and Maintenance Services
 - ii. Professional Services
 - iii. Other Services

The term “disbursement,” as used in this policy, includes payment of any District funds, including but not limited to payments by petty cash, check, wire transfer, credit card, and payroll (by check or direct deposit).

3. Public Access to Procurement Information – Most procurement information that is not proprietary is a matter of public record and shall be available to the public to the extent provided in the California Freedom of Information Act.
- B. Methods of Procurement – The District uses a variety of methods for procuring goods and services. These methods refer to the way goods and services are purchased, and generally fall into the following categories:
1. Petty Cash Purchases – Purchases that need to be made prior to a check run under \$25 may be handled using the petty cash account. Petty Cash Disbursement/Replenishment is addressed in Policy 2010-3.
 2. General Purchase Procedures – For any amounts above the Petty Cash ceiling or that can be paid through other means, the District may use general purchase procedures. Under general purchase procedures, the District shall obtain a reasonable number of quotes (preferably three); however, for purchases of less than \$1,500, only one quote is required provided the quote is considered reasonable. To the greatest extent feasible, and to promote competition, general

purchases should be distributed among qualified sources. Quotes may be obtained orally (either in person or by phone), by fax, in writing, or through procurement. Award shall be made to the qualified vendor that provides the best value to the District. If award is to be made for reasons other than lowest price, documentation shall be provided in the contract file. MSWD shall not break down requirements aggregating more than the general purchase threshold into several purchases that are less than the applicable threshold merely to: (1) permit use of the general purchase procedures, or (2) avoid any requirements that apply to purchases that exceed the general purchase threshold.

3. Blanket Purchase Order Procurement – Blanket Purchase orders may be used to purchase regularly-used goods or services from the same vendor on an “as needed” basis over a period of one year or less, when numerous shipments are required for standard materials and supplies, or when a volume commitment will provide favorable pricing to the District.

Blanket purchase orders may not be used when there is no additional benefit over using a regular purchase order, when the quality of the vendor service is questionable, or when the control over District purchased could weaken significantly.

4. Cooperative Purchasing/Intergovernmental Agreements – MSWD may enter into State and/or local cooperative or intergovernmental agreements to purchase or use common supplies, equipment, or services. The decision to use an interagency agreement instead of conducting a direct procurement shall be based on economy and efficiency. If used, the interagency agreement shall stipulate who is authorized to purchase on behalf of the participating parties and shall specify inspection, acceptance, termination, payment, and other relevant terms and conditions. The District may use Federal or State excess and surplus property instead of purchasing new equipment and property if feasible and if it will result in a reduction of project costs. The goods and services obtained under a cooperative purchasing agreement must have been procured in accordance with 24 CFR 85.36.
5. Credit (or Purchasing) Cards – MSWD credit cards and their use are addressed in Policy 2011-1 District Credit Cards.

C. Delegation of Contracting Authority

While the General Manager is responsible for ensuring that the MSWD’s procurements comply with this Policy, the General Manager may delegate procurement authority as is necessary and appropriate to conduct the business of the District.

This delegation of procurement authority is consistent with the Contract Procedures Policy.

Further, and in accordance with this delegation of authority, the General Manager shall, where necessary, establish operational procedures (such as a procurement manual or standard operating procedures) to implement this Policy.

D. Funding Availability

Before initiating any contract, the District shall ensure that there are sufficient funds available to cover the anticipated cost of the contract or modification.

E. Facsimile Signatures

Checks, drafts, or other orders for the payment of money drawn in the District's name on its checking accounts shall be deemed signed when bearing or purporting to bear the facsimile signature of any two (2) of the persons who have been authorized by resolution of the Board of Directors Designating Certain Officers for Disbursement of District funds to sign checks, drafts, or other orders for the payment of money from the accounts of the District using a facsimile signature.

These facsimile signatures are to be utilized in accordance with the Check Signing Authority Table. Internal procedures and controls are in place in which the employee processing these signatures will have previously received approval to do so in accordance with the Check Signing Authority Table.

F. Transfer of Funds

Wires, ACH transfers, and any other form of computer transfer of District Funds to parties outside of the District shall be in accordance with the same signature authorization as outlined above.

Transfers between the accounts of the District shall be authorized by any one of the persons designated by resolution of the Board of Directors to sign checks.

G. Procurement Authorization

1. Supervisor (\$0.00 - \$5,000.00)
2. Manager (\$5,000.01 - \$10,000.00)
3. Director ((\$10,000.01 - \$50,000.00)
4. General Manager (\$50,000.01 - \$75,000.00)
5. Board (> \$75,000.01)

H. Check Signing Authority

1. Director (\$0.00 - \$75,000)
2. General Manager (\$75,000.01 - \$500,000.00)
3. Board (> \$500,000.01)

(Res. No. 2018-15, 8-20-2018)

Chapter 4.06 – CLAIMS

Section 4.06.010 – Procedure for Filing of Claims Against the District for Money or Damages

- A. Purpose and Authority – The purpose of this Ordinance is to establish procedures and requirements for the presentation and prosecution of claims against the District. This ordinance is enacted pursuant to California Government Code § 935.
- B. Claims Required – All claims against the District for money or damages not otherwise governed by the Government Claims Act (Act), California Government Code sections 900 et seq., or another state law shall be presented within the time, and in the manner, prescribed in the Act for the claims to which that Part applies by its own terms, as those provisions now exist or shall hereafter be amended, and as further provided by this Ordinance.
- C. Form of Claim – All claims shall be made in writing and verified by the claimant or by his or her guardian, conservator, executor or administrator. No claim may be filed on behalf of a class of persons unless verified by every member of that class as required by this Section. In addition, all claims shall contain the information required by California Government Code Section 910.
- D. Claim Prerequisite to Suit – In accordance with California Government Code §§ 935(b) and 945.6, all claims shall be presented as provided in this section and acted upon by the General Manager or Board of Directors, as applicable, prior to the filing of any action on such claims, and no such action may be maintained by a person who has not complied with the requirement of this Ordinance or the Act. The time for the General Manager or the Board of Directors to take action on any claim shall be the time provided in the Act. No such action may be maintained by a person or entity who has not complied with the requirements of this Ordinance or the Act.
- E. Delegation to the General Manager or Designee – Pursuant to the authority provided in Government Code Section 935.4, the General Manager or his or her designee, in consultation with the District's Counsel is hereby authorized to allow, compromise, negotiate, settle any claim for money or damages in the amount not exceeding twenty-five thousand dollars (\$25,000). A claim in excess of twenty-five thousand dollars (\$25,000) shall be reviewed by the Board of Directors. The General Manager is further authorized to reject any claim filed under or required by the Act when rejection of such claim is appropriate as set forth in the Act.
- F. Suit – Any action brought against the District upon any claim or demand shall conform with the requirement of the Act, and California Government Code sections 940 through 949. Any action brought against any employee of the District shall conform with the requirements of California Government Code section 950 through 951.

(Ord. No. 2017-02, §§ 1-7, 06-19-2017)