



# POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 1  
Last Revised:  
6.15.2017

## POLICY A-X: MANAGING WATER DISTRICT DEBT

This Policy may be amended by the Board as it deems appropriate from time to time in the prudent management of the debt of the District. Any approval of debt by the Board that is not consistent with this Policy shall constitute a waiver of this Policy.

### 1. Policy Statement

This policy documents Moulton Niguel Water District's ~~(the "District" or "MNWD")~~ goals and guidelines for the use of debt instruments for financing District water, recycled water, and wastewater infrastructure, projects, and other financing needs. The District recognizes the need to invest in ongoing capital replacement and rehabilitation of its facilities as well as new infrastructure to ensure future viability of services, and that the appropriate use of debt can facilitate the timely construction of such facilities.

The District expects to pay for infrastructure and other projects (e.g., water supply) from a combination of current revenues, available reserves, and prudently issued debt. MNWD recognizes that debt can provide an equitable means of financing projects for its customers and provide access to new capital needed for infrastructure and project needs. Debt will be used to meet financing needs (i) if it meets the goals of equitable treatment of all customers, both current and future; (ii) if it is cost-effective and fiscally prudent, responsible, and diligent under the prevailing economic conditions; and (iii) if there are other important policy reasons therefor. All District debt must be approved by the Board of Directors ~~("Board")~~.

~~To endorse prudent financial management and To~~ achieve the highest practical credit ratings and endorse prudent financial management, the District is committed to systematic capital planning, and long-term financial planning. Evidence of this commitment to long term ~~capital~~ planning is demonstrated through adoption and periodic adjustment of the District's Capital Improvement Plan (CIP) identifying the benefits, costs and method of funding capital improvement projects over the planning horizon.

This Debt Policy is intended to comply with Government Code Section 8855(i), effective on January 1, 2017, and shall govern all debt undertaken by the District.

### 2. Purpose of Policy



# POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 2  
Last Revised:  
6.15.2017

The purpose of this debt management policy is to:

- To establish parameters for issuing debt, including the purposes for which debt can be issued
- Describe how debt and debt proceeds will be managed
- Provide guidance as to the type of debt to be issued
- Provide guidance as to the relationship between the capital improvement plan and debt issuance

### 3. Purpose and Use of Debt

The District will utilize reasonable debt financing to fund long-term improvements and thus ensure equitable allocation of costs. Long-term improvements may include the acquisition of land, facilities, infrastructure, and supplies of water; and enhancements or expansions to existing water, recycled water, and wastewater capacity and facilities. Debt can be issued to fund the planning, pre-design, design, land and/or easement acquisition, construction, and related fixtures, equipment and other costs as permitted by law. The District will not issue debt to cover operating needs.

The District may utilize short term financing (including leases) to finance certain essential equipment and vehicles. These assets can range from service vehicles to equipment. The underlying asset must have a minimum useful life of one year or more. Short-term financings, including loans, on bill financing and capital lease purchase agreements, are executed to meet such needs.

The Treasurer, Director of Planning and Financial Planning Manager will periodically evaluate the District's existing debt and recommend re-financings or prepayment (refunding) when economically beneficial. A refinancing may include the issuance of bonds to refund existing bonds or the issuance of bonds in order to refund other obligations, such as commercial paper or loans.

The General Manager, Treasurer, Director of Planning and Financial Planning Manager and District Financial Advisor as appropriate shall ~~be responsible for analyzing~~ analyze any debt financing proposal to determine ~~if it is beneficial~~ its benefit to the District and if it complies with the District's long-term financial planning objectives, ~~including such as~~ maintaining or improving ~~the current~~ credit ratings ~~assigned to outstanding debt by the major credit rating agencies~~.



# POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 3  
Last Revised:  
6.15.2017

The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized. Debt may only be issued upon Board authorization. The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%. ~~No debt shall be issued with a maturity date greater than the expected weighted average useful life of the facilities or improvements being financed.~~ The final maturity of bonds or state or federal loan debt shall be limited to 30 years after the date of issuance.

## **Debt Management**

The District will provide for a periodic review of its financial performance and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting, and rate setting process. Necessary appropriations for annual debt service requirements will be routinely included in the District's annual budget. The District will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible interest rates.

## **4. District Policies Provide Guidance for Debt Management**

**General.** The District's Debt Management Policy, Reserve Policy and Investment Policy are ~~integrated into the decision-making framework utilized in all part of~~ the budgeting and capital improvement planning process. As such, the following principles outline the District's approach to debt management:

- The District will issue debt only in the case where there is an identified source of repayment. ~~Debt will be issued to the extent that (i) projected existing revenues are sufficient to pay for the proposed debt service together with existing debt service covered by such existing revenues, (ii) additional revenues, as necessary, have been identified as a source of repayment in an amount sufficient to pay for the proposed debt, and (iii) bond covenants will be maintained.~~ Debt will be issued when:
  - Projected existing revenues pay for the proposed debt service.
  - As necessary, other revenues have been identified to pay for the proposed debt.
  - Bond covenants will be maintained.



## POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 4  
Last Revised:  
6.15.2017

- Debt will be structured for the shortest period possible, consistent with an equitable allocation of costs to current and future users. Borrowings by the District should be of a duration that does not exceed the average useful life of the project to be financed by more than 20 percent~~exceed the useful life of the improvement that it finances~~ and where feasible, should be shorter than the projected economic life. The standard term of long-term borrowing is typically 20-30 years.
- The District may issue bonds on a fixed or variable interest rate basis. ~~Fixed rate securities ensure budget certainty through the life of the securities and can be advantageous in a low interest rate environment.~~ When appropriate, the District may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities. Such variable rate bonds will be limited to no more than 20% percent of outstanding debt.

The proceeds of the bond sales will be invested until used for the intended project(s) ~~in order~~ to maximize utilization~~use~~ of the public funds. The investments will be made to obtain the highest level of safety. The District's Investment Policy and the specific bond indentures govern objectives and criteria for investment of bond proceeds. The Treasurer, Director of Planning and Financial Planning Manager will oversee the investment of bond proceeds ~~in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issuance~~, while complying with arbitrage and tax provisions.

Bond proceeds will be deposited and recorded in separate accounts ~~to ensure funds are not commingled with other forms of District cash and investments.~~ The District's trustee will administer the disbursement of bond proceeds pursuant to ~~an~~ the applicable Indenture of Trust ~~or similar document~~. Requisition for the disbursement of bonds' funds ~~must~~ will be approved by the District's General Manager or Treasurer.

The Financial Planning Manager and Controller will monitor dedicated debt reserve fund balances and periodically review the advisability of prepayment or refunding of related debt. The financial advantages of a current refunding must outweigh the cost of reissuing new debt. A potential refunding will be assessed in combination with any new capital projects requiring financing, and the benefits of the refunding will be evaluated in relation to its costs and risks.

Debt can be refunded to achieve ~~one or more~~ any of the following objectives:



# POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 5  
Last Revised:  
6.15.2017

- Reduce future interest costs;
  - Restructure future debt service in response to evolving conditions regarding anticipated revenue sources;
    - Current refundings (that is, refinancings within 90 days of the call date) must meet a minimum net present value savings target of 3% percent of refunded bonds, ~~while advance refundings (those refinancings executed more than 90 days prior to the call date) must meet a net present value savings target of at least 5% of refunded bonds and an escrow efficiency of 70%:~~
  - Restructure the legal requirements, termed covenants of the original issue to reflect more closely the changing conditions of the District or the type of debt.

## 5. District Will Maintain Acceptable Debt Service Coverage Target

The District will not ~~engage in finance~~ debt ~~financing~~ unless the proposed obligation, when combined with all existing debts, ~~will result~~ results in acceptable debt service coverage ratios. ~~In determining~~ To determine the affordability of proposed revenue bonds, the District will ~~perform an analysis comparing~~ compare projected annual net revenues (after payment of operating and maintenance (O&M) expense) to estimated annual debt service and estimated debt service coverage ratio (DCR). DCR is the amount of cash flow available to meet annual interest and principal payment on debt.

~~The District's objective is to~~ To keep its high-quality credit rating, the District will maintain a DCR at or above 1.75 ~~times to maintain its high-quality credit rating.~~

### **Debt Instrument Rating**

## 6. Financial Managers Will Pursue Positive Credit Rating on Debt Issuance

The General Manager, Director of Planning and Financial Planning Manager, with the District's Financial Advisor if appropriate, will assess whether a credit rating should be obtained for an issuance and make a recommendation to the Board. If it is determined that a credit rating is desirable, the probable rating of the proposed debt issuance is assessed before its issuance, and necessary steps are taken in structuring the debt ~~issuance to ensure that the best possible rating is achieved.~~



# POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 6  
Last Revised:  
6.15.2017

## Debt Structuring

### ~~7. In structuring a debt issuance, the district will manage the amortization of debt, and to the extent possible, match its cash flow to the anticipated debt service payments. Managers and Financial Advisors Will Structure District Debt~~

The District will seek to structure debt with aggregate level principal and interest payments over the life of the borrowing. “Backloading” of debt service will be considered only when such structuring is beneficial to the District’s aggregate overall debt payment schedule.

The Financial Planning Manager, Director of Planning and General Manager, with the advice of the District’s Financial Advisor, will evaluate and recommend to the Board the use of a call option, if any, and call protection period for each issuance. A call option, or optional redemption provision, gives the District the right to prepay or retire debt prior to its stated maturity. This option may permit the District to achieve interest savings in the future through refunding of the bonds. Because the cost of call options can vary widely, depending on market conditions, an evaluation of factors, such as the call premium, time until the bonds may be called at a premium or at par, and interest rate volatility will guide the decision to issue bonds with a call option. Generally, 30-year tax exempt municipal borrowings are structured with a 10-year call. From time to time, shorter call options (~~5-93-~~ 7 years) may also be used.

### 8. Types of Debt

~~Revenue~~The District may use revenue bonds, Certificates of Participation (COPs), variable rate bonds, state revolving fund (SRF) loans, federal loans, bank loans, notes, commercial paper, direct placements, capital leases, lease-purchase financing, and on bill financing. The District may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy. The weighted average useful life of the asset(s) or project shall exceed the payout schedule of any debt the District assumes. A definition on each type of debt is provided in Appendix A.

In addition to the aforementioned long and short term financing instruments, the District may also consider joint arrangements with other governmental agencies. Communication and



# POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 7  
Last Revised:  
6.15.2017

coordination will be made with local governments regarding cost sharing in potential joint projects, including leveraging grants and funding sources.

The District is authorized to join with other special districts and/or municipal agencies to create a separate entity, a Joint Powers Authority (JPA), to issue debt on behalf of the District, the special district or municipality. The District will only be liable for its share of debt service, as specified in a contract executed in connection with the joint venture debt.

**9. Board May Consider Credit Enhancement** ~~Credit enhancement may be used to improve~~Establish or ~~establish a credit rating on District debt obligation. Types of credit enhancement include Letters of Credit, bond insurance or surety policies. Improve~~Credit Rating

The Treasurer and General Manager will recommend to the Board the use of credit enhancement if it reduces the overall cost of the proposed financing or if, in the opinion of the General Manager and/or Treasurer (with the advice of counsel and the District's Financial Advisor), the use of such credit enhancement furthers the District's overall financial objectives.

**~~Debt Service Reserve Fund/Surety Policy~~**

Unless there are market requirements or it is important to increase credit ratings, the District will not fund a debt service reserve fund as part of its debt issuance. To the extent the Treasurer, ~~and/~~ or Financial Planning Manager determine ~~that~~ a debt service reserve fund is advantageous, the debt reserves will be maintained in ~~accordance~~keeping with the District's Reserve Policy.

**~~Capitalized Interest~~**

Generally, interest shall be capitalized for the construction period of a revenue-producing project, that debt service expense does not begin until the project is expected to be operational and producing revenues. ~~In addition, for~~For lease back arrangements, such as those used for lease revenue bond transactions, ~~interest~~ may be capitalized for the construction period, until the asset is operational. Only under extraordinary circumstances,



## POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 8  
Last Revised:  
6.15.2017

interest may be capitalized for a period longer than the construction period. Under all circumstances, interest may not be capitalized for any period longer than that permitted under Federal tax law to the extent such interest relates to tax exempt debt for Federal tax law purposes.

### 10. District Will Maintain Highest Possible Credit Ratings

The District will seek to maintain the highest possible credit ratings that can be achieved for debt instruments without compromising the District's policy objectives. ~~Ratings are a reflection of the general fiscal health of the District. By maintaining the highest possible credit ratings, the District can issue its debt at a lower interest cost. To enhance creditworthiness, the District is committed to prudent financial management, systematic capital planning, and long term financial planning.~~

~~The District recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt.~~ Each proposal for additional debt will be analyzed for its impact upon the District's debt rating on outstanding debt.

### 11. Any Major Credit Rating Agency Relationships Agencies May be Used

The District may seek credit ratings from any ~~or all~~ of the major credit rating agencies - Standard & Poor's, Moody's Investors Service, and Fitch Investors Service, as appropriate. ~~In addition, the~~ The District will also evaluate the value of additional ratings ~~on a case-by-case basis~~ (e.g., Kroll Rating Services). District staff will provide periodic updates to the rating agencies, both formal and informal, on the District's general financial condition and coordinate meetings and presentations ~~in conjunction~~ with a new debt issuance when ~~determined~~ necessary.

The retention of a rating agency relationship will be based on a determination of the potential for more favorable interest costs as compared to the direct and indirect cost of maintaining that relationship.



# POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 9  
Last Revised:  
6.15.2017

## **Bond Ratings**

The General Manager, Director of Planning, and Financial Planning Manager, working with the District's ~~Financial Advisor~~financial advisor, shall ~~be responsible for determining~~determine whether a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.

## **12. The Best Method of Sale Will be Used to Sell Municipal Bonds**

The District will select the method of sale, ~~which that~~ best fits the type of bonds being sold, market conditions, and the desire to structure bond maturities to ~~enhance~~improve the ~~overall~~ performance of the ~~entire~~ debt portfolio. Three ~~general~~ methods exist for the sale of municipal bonds:

- I. Competitive sale.** Bonds will be marketed to a wide audience of investment banking (underwriting) firms. The underwriter is selected based on its best bid for its securities. The District will award the sale of the competitively sold bonds on a true interest cost (TIC) basis. ~~Pursuant~~Due to this policy, the General Manager ~~is hereby authorized to~~may sign the bid form on behalf of the District ~~fixing to~~fix the interest rates on bonds sold on a competitive basis.
- II. Negotiated sale.** The General Manager, Director of Planning and Financial Planning Manager select the underwriter, or team of underwriters, of its securities ~~in advance of~~before the bond sale, subject to Board approval. The District works with the underwriter to bring the issue to market and negotiates all rates and terms of the sale. ~~In advance of~~Before the sale, the General Manager ~~after approval from the Board of Directors~~, with advice from the District's ~~Financial Advisor~~financial advisor, will determine compensation for and liability of each underwriter employed and the designation rules and priority of orders under which the sale itself will be conducted. ~~Pursuant to~~With this policy, the General Manager ~~is hereby authorized to~~may sign the bond purchase agreement on behalf of the District ~~fixing to~~fix the interest rates on bonds sold on a negotiated basis.



# POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 10  
Last Revised:  
6.15.2017

**III. Private placement.** The District may elect to issue debt on a private placement bases. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or of it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

## Roles and Responsibility

**13. The primary responsibility for developing debt financing recommendations rests with the Financial Planning Manager. Will Make Debt Financing Recommendations to the Board**

In developing such recommendations, the Financial Planning Manager shall consider the need for debt financing and assess progress on the current capital improvement program or plan (CIP) and any other program/improvement deemed necessary by the District. The Board authorizes and approves debt financing and/or debt service related recommendations and proposals.

The District is committed to long-term capital planning. The District intends to issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the District's capital budget and the capital improvement plan.

The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

The District shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the District's public purposes.

The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to reduce annual budgetary expenditures.



# POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 11  
Last Revised:  
6.15.2017

The District shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

All proposed debt financings shall be approved by the Board.

Debt is to be issued ~~pursuant to~~ by the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State of California Government Code (CGC) §54300 et seq.

## ~~Bond Counsel~~

### 14. Policy Goals Related to Planning Goals and Objectives

The District is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The District intends to issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the Issuer's annual operations budget.

It is a policy goal of the District to protect taxpayers, ratepayers and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The District will ~~retain external~~ comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

When refinancing debt, it shall be the policy goal of the District to realize, whenever possible, and subject to any overriding non-financial policy considerations, (i) minimum net present value debt service savings equal to or greater than 3.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than 100% of any escrow fund negative arbitrage.

### 15. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Policy, the District shall



## POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 12  
Last Revised:  
6.15.2017

comply with any other applicable policies regarding initial bond counsel for all debt disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

The District will periodically review the requirements of and will remain in compliance with the following:

- any continuing disclosure undertakings under SEC Rule 15c2-12,
- any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues—, and
- its investment policies as they relate to the investment of bond proceeds.

It is the policy of the District to ensure that proceeds of debt are spent only on lawful and intended uses. Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the Issuer will submit written requisitions for such proceeds. The District will submit a requisition only after obtaining the signature of the Controller ofr Director of Planning. In those cases where it is not reasonably possible for the proceeds of debt to be held by a third-party trustee, the Controller shall retain records of all expenditures of proceeds through the final payment date for the debt.

### **16. The District Will Retain External Bond Counsel For All Debt Issues.**

As part of its responsibility to oversee and coordinate the marketing of all District indebtedness, the General Manager, Director of Planning, and Financial Planning Manager shall make recommendations for approval by the Board on the retention of bond counsel.

Bond counsel will prepare the necessary authorizing resolutions, agreements and other documents necessary to execute the financing. All debt issued by the District will include a written opinion by bond counsel affirming that the District is authorized to issue the debt, stating that the District has met all state constitutional and statutory requirements necessary for issuance, and determining the debt's federal income tax status.



# POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 13  
Last Revised:  
6.15.2017

## 17. District Financial Advisors May Help Execute Bond and Debt Transactions

The District will select independent registered municipal advisors (~~District Financial Advisor~~ financial advisors) ~~who may assist in planning and executing~~ to help execute all bond and debt transactions. To avoid any ~~appearance of~~ conflict of interest, ~~a District Financial Advisor may not~~ financial advisors cannot also ~~engage in the underwriting of the District's~~ underwrite District bonds. ~~District Financial Advisors~~ advisors shall be selected through a competitive process after a review of proposals by the staff and approved by the Board.

The ~~District Financial Advisor~~ financial advisor will ~~advise:~~

- Advise the District on refunding opportunities for current outstanding debt, ~~as well as assist in evaluating.~~
- Evaluate the merits of competitive, negotiated or private placement of new debt, ~~and determining.~~
- Determine the most appropriate structure to ensure effective pricing that meets the District's near-term and long term cash flow needs.

The ~~District Financial Advisor~~ financial advisor will work with all parties involved in the financing transaction, including the District's bond counsel, trustee, underwriters, credit liquidity providers, to develop and monitor the financing schedule and preparation of the Official Statement. The ~~District Financial Advisor~~ financial advisor will ~~assist~~ help the District ~~in developing~~ develop and ~~distributing~~ distribute bid specifications for: desired services ~~as,~~ trustee and paying agents, printing, remarketing and credit liquidity service providers, and assist the District in its review process. The District also expects ~~that its District Financial Advisor will~~ its financial advisor to provide objective advice and analysis, maintain confidentiality of the District's financial plans, and be free from any conflict of interest.

## 18. District May Hire Underwriters

For negotiated sales, the District will generally select or pre-qualify underwriters through a competitive process. This process may include a request for proposal or qualifications to all firms considered appropriate for the underwriting of a particular issue or type of bonds. The Financial Planning Manager, in consultation with the District's ~~Financial Advisor~~ financial advisor, will determine the appropriate method to evaluate the underwriter submittals and then ~~recommend~~ select or qualify firms on that basis. The District ~~will~~ is not ~~be~~ bound by ~~the terms and conditions of~~ any underwriting agreement; oral or written, to which it was not a party.



# POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 14  
Last Revised:  
6.15.2017

## 19. The District Will Comply With Federal Arbitrage and Rebate Compliance Regulations

~~The District will fully comply with federal arbitrage and rebate regulations. Concurrent with this policy, the~~ The Financial Planning Manager and Controller will take all permitted steps to minimize any rebate liability through proactive management in the structuring structure and oversight of its individual debt issues. All ~~of the District's~~ District tax-exempt issues, including lease purchase agreements, are subject to arbitrage compliance regulations.

The Controller and Financial Planning Manager ~~shall be responsible for the following~~ must:

I. Monitoring Monitor the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued and exercising best efforts to spend bond proceeds in such a manner that the District shall meet one of the spend-down exemptions from arbitrage rebate. Tax-exempt bonds will not be issued unless it can be reasonably expected that 85% of the proceeds will be expended within the three-year temporary period.

II. Monitoring Monitor the investment of bond proceeds with awareness of rules pertaining to yield restrictions. Maintaining detailed investment records, including purchase prices, sale prices and comparable market prices for all securities.

III. Contracting the services of Contract with outside arbitrage consultants to establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of federal tax code.

~~To the extent~~ The District will include any arbitrage rebate liability ~~exists, the District will report such liability~~ in its annual Comprehensive Annual Financial Report (CAFR).

## 20. Continuing Disclosure Disclosures are Required by Law

The District will meet secondary disclosure requirements in a timely and comprehensive manner, as stipulated described by the Securities Exchange Commission (SEC) Rule 15c2-12



# POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 15  
Last Revised:  
6.15.2017

and consistent with the District's Disclosure Procedures Policy. The Financial Planning Manager shall ~~be responsible for providing~~provide ongoing disclosure information to the Municipal Securities Rulemaking Board's (MSRB's) Electronic Municipal Market Access (EMMA) system, the central depository designated by the SEC for ongoing disclosures by municipal issuers. The District will annually provide financial information and operating data ~~no later than 270 days following~~within 9 months of the end of ~~the District's~~ fiscal year ~~each year, and will provide, along with~~ notice of certain enumerated events with respect to the bonds, if material, as defined in the District's bond covenants and as required by the SEC.

The District will keep current with any changes in both the administrative aspects of its filing requirements and the national repositories responsible for ensuring issuer compliance with the continuing disclosure regulations. In the event a 'material event' occurs requiring immediate disclosure, the Financial Planning Manager and Controller will ensure information flows to the appropriate disclosure notification parties.

## **21. District Must Verify Compliance with Bond Covenants**

In addition to financial disclosure and arbitrage compliance, once the bonds are issued, the District is responsible for verifying compliance with all undertakings, covenants, and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriation of revenues to meet debt service payments
- Timely transfer of debt service payments to the trustee or paying agent
- Compliance with insurance requirements
- Compliance with rate covenants where applicable
- Compliance with all other bond covenants

On an annual basis, the Controller will prepare all required debt related schedules and footnotes for inclusion in the District's CAFR. The CAFR shall describe in detail all funds and fund balances established as part of any direct debt financing of the District.

The CAFR may also contain a report detailing any material or rate covenants contained in any direct offering of the District and whether or not such covenants have been satisfied.



## POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 16  
Last Revised:  
6.15.2017

### **Policy Review**

#### **22. Finance and Information Technology Board Will Review this Policy**

On an as needed based, the General Manager will ~~be responsible for updating and revising~~update and revise this Policy which shall be reviewed at the Finance and Information Technology Board meeting and adopted by the Board ~~of Directors~~.

DRAFT



# POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 17  
Last Revised:  
6.15.2017

## **APPENDIX A: Definitions of Types of Debt**

### *Bank Loans and Notes*

Use of short-term borrowing, such as bank loans and notes, will be undertaken only if available cash or reserves are insufficient to meet both project needs and current obligations.

### *Capital Lease*

Capital lease debt may be considered to finance capital improvements, including vehicles and equipment with an expected useful life of less than ten years. A capital lease is a lease in which the lessor finances the lease and all other rights of ownership transfer to the District.

### *Derivatives*

The District may choose to enter into contracts and financing agreements involving interest rate swaps, floating/fixed rate auction or reset securities, or other forms of debt bearing synthetically determined interest rates as authorized under the applicable statutes. The District will only consider the use of derivative products on a case-by-case basis and consistent with state statute and financial prudence. Before entering into such contracts or agreements, the District will review the risks and benefits of such financing techniques and expected impacts on the District's long-term financial operations and credit ratings. The District shall not execute derivative contracts with terms exceeding 10 years.

### *Lease-Purchase Financing*

The use of lease-purchase agreements in the acquisition of vehicles, equipment and other capital assets shall be considered carefully relative to any other financing option. The lifetime cost of a lease may be higher than other financing options or pay-go purchases. Nevertheless, lease-purchase agreements may be used by the District as funding options for capital acquisitions if circumstances warrant.

### *On Bill Financing*



## POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 18  
Last Revised:  
6.15.2017

The District may choose to enter into low or zero interest financing agreements with utility providers who offer On Bill Financing. This type of financing offers financing of business improvements at little to no interest and no fees or costs to the District. Repayment amounts will be based on projected savings associated with the project and will be part of the monthly bill received from the issuer. Financing terms can range from three to ten years depending on the project to be financed.

### *Revenue Bonds*

Revenue bonds issued by the District are long term obligations issued to fund a specific project or purpose. The District will generally issue revenue bonds on a fixed interest rate basis, wherein at the time of the bond sale all interest rates are known and do not change while those bonds are outstanding. Particular conditions may arise where the District would consider the use of variable interest rate bonds. Variable interest rate bonds have interest rates that reset on a periodic basis (e.g. daily, weekly, monthly, etc.). Revenue bonds are payable solely from District revenues in accordance with the agreed upon bond covenants.

### *Variable Rate Debt*

Variable rate debt is an alternative to fixed rate debt. It may be appropriate to issue short-term or long-term variable rate debt to diversify the District's debt portfolio, reduce interest costs, provide interim funding for capital projects and improve the match of assets to liabilities. Variable rate debt typically has a lower cost of borrowing than fixed rate financing and shorter maturities in the range of 7 to 35 days. The District may consider variable rate debt in certain instances. The District will maintain a conservative level of outstanding variable debt not exceeding 20% of outstanding debt. Under no circumstances will the District issue variable rate debt solely for the purpose of earning arbitrage.

### *Short Term Debt*

Pending the issuance of bonds the Board may authorize the issuance of short term debt. The Financial Planning Manager will determine and utilize the least costly method for short-term borrowing. Such debt shall be authorized by resolution of the Board.

These short term notes may be structured as:



## POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 19  
Last Revised:  
6.15.2017

- Bond Anticipation Notes (BANs) - BANs are short term obligations that will be repaid by proceeds of a subsequent long-term bond issue. The District may choose to issue Bond Anticipation Notes as a source of interim construction financing. Before issuing such notes, financing for such notes must be planned for and determined to be feasible by the General Manager and Financial Planning Manager, in consultation with the District's ~~Financial Advisor~~ financial advisor.
- Commercial Paper (CP) - CP is a form of debt that has maturities up to 270 days although it may be rolled to a subsequent maturity date. Tax Exempt Commercial Paper shall not be issued for District for capital programs unless it is of sufficient economic size, as determined by the General Manager and Financial Planning Manager, in consultation with the District's Financial Advisor.
- Tax and Revenue Anticipation Notes (TRANS) - TRANS are short term notes secured by a pledge of taxes and other revenues in the current fiscal year. TRANS, if issued, will constitute direct obligations of the District. All TRANS will be redeemed in the same fiscal year in which they are issued.

### State Revolving Funds

A State Revolving Fund (SRF) loan is a low or zero interest loan program for the construction of wastewater treatment and sewage collection systems, water recycling facilities, storm water projects, implementation of nonpoint source and storm drainage pollution control management programs, and for the development and implementation of estuary conservation and management programs. SRF debt service payments are factored into debt service coverage ratios as defined by applicable water and wastewater indentures.

SRF loans are generally structured such that the District is required to contribute a percentage of the total project cost and receives loan proceeds from the State for the balance. The SRF loan interest rate is calculated by taking half of the True Interest Cost (TIC) of the most recent State of California General Obligation Bonds sale. The term of the loans can be 20 to 30 years. When compared to traditional bond financing, the District may realize substantial savings through the use of SRF loans.

SRF Loans may provide additional assistance in the form of principal forgiveness. Principal forgiveness must be specified at the execution of the loan agreement for the amount forgiven to be counted against the total loan required to be provided by the SRF.



## POLICY A-X: MANAGING WATER DISTRICT DEBT

See also:  
POL A-X

6.21.2018  
Page | 20  
Last Revised:  
6.15.2017

### *Letters of Credit*

The District shall have the ability to enter into a letter-of-credit agreement when such an agreement is deemed prudent and advantageous. Only those financial institutions with short-term credit ratings of VMIG 1/A-1, F1 by Moody's Investor Services, Standard & Poor's and Fitch IBCA, may participate in the District's letter of credit agreements.

DRAFT

## **POLICY A-X: CAPITALIZATION & SURPLUS**

This policy is intended to specify what types of costs will be capitalized by the Moulton Niguel Water District (District), how to properly account for capital assets, and to comply with the requirements of Governmental Accounting Standard Board (GASB) Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and IRS code. This Statement requires the reporting of District capital assets and depreciation in their annual audited financial statements.

### **1. District Expenditures Will Meet Financial Reporting Threshold**

The District maintains a schedule of individual capital assets that meet this threshold within its financial reporting operating system. Items with an original value of less than \$5,000, or with an estimated useful life of less than three years ~~or less~~, are recorded as operating expenditures.

This financial reporting system should include:

- Capital asset description
- Location
- Physical dimensions, if possible
- Original value
- Date placed in service
- Original useful life
- Accumulated Depreciation
- Book Value
- Impairments, if any

### **2. Purchasing Department Maintains Inventory**

The Purchasing department safeguards and maintains inventory items. Inventory will be recorded within the District's financial reporting operating system, and the Purchasing department will count the physical inventory regularly. **Access to the warehouse will be restricted to those required to perform the duties of their job. ~~to key personnel at all times.~~** The District will measure the value of all inventory items using the perpetual method of accounting, where inventory reflects actual quantities on hand, including new arrivals and items used in operations.

This financial reporting system should include:

- Item description
- Location
- Physical dimensions
- Usage statistics
- Original value
- Quantity on hand

### **3. Depreciation of Capital Assets Using Straight-Line Method**

Depreciation will be calculated using the straight-line method with no salvage value for all depreciable capital assets. The purchasing department determines salvage value through market comparison.

The following estimated useful lives will be used by asset type:

- Water and wastewater systems 10 to 75 years
- Capacity rights 10 to 99 years
- Buildings 20 to 50 years
- Automobiles and equipment 5 to 15 years

The Engineering Department will provide the Accounting Department with the description and type of asset the expenditures qualify for, and the Accounting Department will record the asset in the financial reporting system.

### **4. Capital Assets Are Reported at Historical Value**

The District will report purchased or District-constructed capital assets at their historical cost for financial reporting in audited financial statements. The total cost of each capital asset is the cash outlay (or its equivalent) required to purchase the asset and put it in operating condition.

These costs will include (when applicable):

- contract price
- freight
- sales tax
- licensing fees
- handling and assembling

- installation and testing
- direct and indirect labor and materials
- benefit and overhead allocations
- construction period interest cost

Any cost specifically for a planned capital project (or asset acquisition), including public information costs and costs incurred to get project financing will be capitalized. Contributed capital assets will be recorded at their estimated fair market value at the date the asset was contributed to the District.

#### **5. Repairs and Maintenance Are Classified As Operating Expenses**

Any outlay that only returns a capital asset to its existing condition before the repair or maintenance, regardless of amount, will be classified as an operating expense.

#### **6. The District Will Sell or Dispose of Surplus Property**

Sections 35604 and 65400 of the Water Code (California Water District Act) authorizes the District to dispose of surplus property. The District will sell or dispose of surplus property with the intent to gain the greatest return. Sales will occur in the public market, by public auction, internet sales, consignment, or other public bidding. Property with no net value will be recycled, if practical, or discarded in keeping with environmental and hazardous waste disposal laws.

#### **7. General Manager and Board Decide Whether to Dispose of Real Property**

The General Manager will review the District's real property and decide whether it is surplus. Before disposing of any real property, the General Manager will:

- Determine if an appraisal is necessary, and obtain one by one or more independent appraisal if determined necessary.
- Obtain authorization from the Board to dispose of real property.
- Solicit offers to purchase or lease the real property at fair market value as determined by the appraisal (or opinion of value), from certain public agencies in accordance with Chapter 5 (commencing with Section 54220) of Part 1, Division 2, Title 5 of the Government Code, or successor provisions.

If no acceptable offer is made within the required 60-day (or other) negotiation period, the General Manager may lease or sell the real property as prescribed by the Board.

#### **8. District Recycles Surplus Scrap Material**

Scrap material will be collected in a designated location on district property, and the General Manager or designee will regularly review the surplus property to determine it has been accurately designated as scrap material or surplus.

The Purchasing department will recycle scrap material as appropriate. **Recycling vendors will be reviewed periodically to consider rates, quality of service provided, fees and other applicable factors.**

#### **9. All Other Surplus Property Sales Require Approval**

All other surplus property, other than real property and scrap material requires approval of surplus status prior to sale. An "Approval of Surplus Property" form must be completed by staff and approved by a supervisor. Prior to disposal of the approved surplus property, the Assistant General Manager must approve the disposal. The Purchasing department will maintain a list of all approved surplus property. The list of surplus property approved for disposal will be used to sell the items in the public market, by public auction, internet sales, consignment, or other public bidding methods.

#### **10. District Follows California Law When Disposing of Property**

The District will comply with the California Environmental Quality Act and all applicable laws for disposing of property.

#### **11. Staff and Families Are Not Eligible to Acquire District Property**

—~~Board members~~, District staff, spouses and dependent children may not bid for, purchase, or otherwise have -interests in surplus property of the District, directly with the District, or represent any potential bidder or purchaser, under any terms and conditions.

#### **12. Accounting Will Record All Funds Received From Disposal of Surplus Property**

All revenues collected from the disposal of surplus property shall be reported to and deposited by the Accounting Department. All revenues will be recorded in a manner consistent with District procedures and standard accounting practices.

**TABLE 1: Definitions**

- **Board** – The Board of Directors of Moulton Niguel Water District.
- **Capital Asset** – The Government Finance Officers Association (“GFOA”) defines capital assets as “assets that are used in operations and that have initial lives extending beyond a single reporting period.” Capital assets may be intangible (capacity rights) or tangible (buildings, equipment). To be considered a capital asset, a District expenditure must cost at least \$5,000 and have a useful life of at least three years.
- **Inventory** - an asset that is intended to be used in the ordinary course of business with a cost of less than \$5,000 per item or does not have an initial life extending beyond three years.
- **Salvage value** - the estimated market value once the property has been deemed surplus. The salvage value will be determined by the purchasing department through market comparison
- **Scrap material** - the value of which consists only of intrinsic material content and which has no commercial value for its original purpose as fabricated.
- **Surplus property** – property that is excess of the current or planned future needs of the District or no longer has an economic use by the District, including property that which has become worn, broken, deteriorated or obsolete to a point where it is uneconomical for use by the District



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

6.22.2018

Page | 1

Last Revised:

6.15.2017

## POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

This policy applies to the purchase of services and materials, equipment, supplies (referred to collectively as “materials”), and Public Works projects for the Moulton Niguel Water District (“District”) as required by California State law (Code Sections 54201, 54202 and 54204) and the [Office of Management and Budget Uniform Grants Guidance Title 2, Subtitle A, Chapter II, Part 200, Subpart D \(UGG 2 CFR 200\)](#).

All purchases of services or materials and Public Works projects paid for by the District must adhere to the authority level and dollar limits set in this Policy.

### 1. ~~The General Manager May Delegate~~ Delegation of Purchasing Authority

The Board has authorized the General Manager, or assigned representatives, to perform essential duties for District operations, including purchase authority.

The General Manager may delegate purchasing authority to others who may use purchasing cards, purchase orders, check requests, or other written authorization.

Board-established purchasing limits and contract signatory authority are listed in Table 2. These limits apply on a per-purchase/per-contract basis, not on an aggregated basis, for unrelated activities.

Purchases and Contract awards must be authorized by the appropriate authority in Table 2.

If an authorized signatory (other than the General Manager) for a given request is absent, the next highest authority in Table 2 may provide the purchase authority.

### 2. Unauthorized Purchasing is Prohibited and Subject to Penalties

Anyone making purchases outside this Policy and without General Manager or Board authorization, will be subject to disciplinary action and/or termination as outlined in the District Personnel and Salary Policy.

### 3. ~~Contracts Cannot Be Divided to Avoid Purchasing Requirements~~ Division of Contracts

The District prohibits separating or dividing Contracts, reducing its cost below a specified sum to avoid the requirements of this or any related policy. But Contracts may be divided to meet unique scheduling needs of a project or to meet necessary time frames. Also, no Contract shall include language to limit competitive bidding or solicitation to any one specific vendor, brand, product, thing, or service, except for the exempt items listed in this policy. (See Item #14)



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

6.22.2018

Page | 2

Last Revised:

6.15.2017

## 4. Purchase Amounts Include Taxes and Shipping

Purchase amounts include taxes and the cost of shipping, freight fees, and any other charges billed by the supplier or contractor within the authorized limits in this Policy.

## 5. ~~District May Make~~ Online Purchases and Utilization of Electronic Signatures

The District may use electronic commerce whenever reasonable or cost-effective. The District may accept electronic signatures and records for District procurement.

## 6. ~~Staff Will Submit~~ Requisitions for Purchasing Materials and Services

~~District~~ Staff who require materials or services to carry out the defined duties of their positions shall submit Requisitions, in advance, for purchases in accordance with this Policy. The Purchasing Department will generate a Purchase Order (PO) from the Requisition.

## 7. ~~Staff May Make~~ Check Requests ~~for Some Non-Discretionary Purchases.~~

A check request can be used for certain limited materials or services without a PO. Check requests may be used to request payment for Non-Discretionary Purchases, such as services rendered, subscriptions, membership dues, workshop/seminar/conference registrations, and use of facilities. Check requests are subject to the authorization limits established in Table 2.

## 8. ~~Authorized Staff May Use~~ Purchasing Cards ~~for Miscellaneous Purchases~~

Authorized ~~District~~ staff may be assigned Cal Cards to make miscellaneous purchases within the limits of Table 2. Cal Card purchases are subject to the terms and conditions of the District Cardholder Acceptance Agreement.

Services may not be purchased with Cal Cards due to lack of insurance and indemnification language associated with these purchases. ~~District~~ Staff using Cal Cards are subject to the terms of this Policy and all related Cal Card usage terms or amendments. A Cal Card should not be used if a Purchase Order or other procurement method would be appropriate.

## 9. Blanket Purchase Orders

A Blanket Purchase Order is issued to cover all amounts expected to be paid to the supplier/contractor/Consultant for the fiscal year or through a Contract term. Blanket Purchase Orders expire at the end of the fiscal year or as soon as a Contract ends, whichever comes first.



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

6.22.2018

Page | 3

Last Revised:

6.15.2017

For Blanket Purchase Orders exceeding \$75,000, the District will utilize work order forms to initiate work with the supplier/contractor/Consultant. The work order forms will indicate the estimated cost for the work order, and must be signed by a Staff Director or Staff Officer prior to initiating the work with the supplier/contractor/Consultant. If the Director or Officer for a given work order is absent, the next highest authority in Table 2 may provide the authorization.

## 10. ~~District Verifies~~ References and Financial Responsibility Before Awarding Contracts

Before awarding any Contract, the District will verify the references and financial responsibility of the contracting parties. After award, all Contracts shall be executed on behalf of the District by the appropriate authorized signatory indicated in Table 2.

No Contract will be awarded if funds are not available to make payment upon delivery or completion, or by payment schedule, unless authorized and approved by the Board or General Manager.

## 11. Contracts are Required for Any Services and Public Works Projects over \$5,000

Contracts for Non-Professional Services, Professional Services and Public Works shall be executed when the cost exceeds \$5,000 (except for an Emergency as defined in this policy).

## 12. ~~General Manager May~~ Authorization of Multi-Year Contracts in the District's Best Interest

Multiple Year Contracts are allowed when they are in the best interest of the District as determined by the General Manager.

The dollar value of a Multiple Year Contract shall be the total contract value, including optional renewal periods. Once initially approved, any contract renewals may be authorized by the General Manager, regardless of dollar amount, if the pre-priced option is consistent with the terms of the initial Contract.

## 13. Non-Discretionary Purchases ~~Do Not Require Board Approval or Purchase Orders~~

Non-Discretionary Purchases do not require Board approval for payment, including those over the General Manager limit of \$75,000. Initial software license agreements and cloud-based services are subject to the purchase limits in Table 2. Purchase Orders are not required for Non-Discretionary Purchases.



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

6.22.2018

Page | 4

Last Revised:

6.15.2017

## 14. Emergency Services Above \$75,000 ~~May be Authorized Without Board Approval~~

The General Manager, Assistant General Manager or the assigned Emergency Operations Director may authorize Emergency expenditures for work, services, and/or supplies where the cost exceeds \$75,000 ~~without prior Board approval~~ pursuant to Board policy. The Board shall be notified of any expenditures for Emergency work, services and/or supplies exceeding the General Manager's authorization limit at the next regularly scheduled Board meeting.

## 15. ~~Reordering to Refill District Warehouse Inventory Levels Requires No Approval~~

Purchase requests to replenish the District's warehouse inventory within established inventory re-order levels require no prior authorization or signatory approval under Table 2.

## 16. Non-Professional Services and Materials Procurement

The District requires a competitive bid or selection process for purchasing non-professional services and materials, and for Public Works projects.

For non-professional services and materials estimated to cost \$10,000 or less, District staff may request a proposal from one qualified Consultant or Vendor.

District staff will request a minimum of three bids or proposals for non-professional services and materials when the contract amount is expected to cost between \$10,001 and \$75,000.

For a non-professional services and materials contract expected to cost more than \$75,000, the District will initiate an RFP or RFQ.

- All quotes, bids and proposals must be in writing. Email is acceptable.
- RFP, RFQ, and Invitation to Bid submissions must comply with all terms of the solicitation, or any related laws. Submissions that fail to comply may be disqualified.

## 17. ~~No Solicitation or Bid is Necessary for the Following Qualifying Purchases~~ Exceptions to Competitive Solicitations

- Sole Source Purchases.
- Single Source Purchases.
- Emergency expenditures.
- Supplies, materials or equipment procured through a Cooperative Purchasing program with federal, state, county, or other public agencies.
- Purchases made after a reasonable attempt to obtain competitive bids and:



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

6.22.2018

Page | 5

Last Revised:

6.15.2017

- No additional suppliers/providers/contractors/Consultants can be located.
- The District receives no response from suppliers/providers/contractors/Consultants to a competitive bid.
- No other satisfactory bids/proposals are received.

Except for purchases greater than \$75,000 and requiring Board authorization, the General Manager or Assistant General Manager may decide whether a purchase meets the criteria above to be exempt from competitive solicitation.

## 18. Public Works Contracts ~~Must Comply with California State Law~~

Contracts for Public Works projects shall comply with all requirements for Public Works contracts under State law, including rules for:

- Listing subcontractors.
- Posting payment bonds equal to no less than 100 percent of the total contract amount (for all Public Works contracts over \$25,000).
- Paying prevailing wages (for all contracts for Public Works exceeding \$1,000), or as otherwise required by law.

Unless the General Manager and legal counsel approve a waiver, the District requires performance bonds for all Public Works Contracts equal to no less than 100 percent of the total contract amount. Public Works Contracts let by an Invitation to Bid will be awarded to the lowest responsive, responsible bidder as allowed by State law and the District's standard Public Works contract documents.

## 19. Professional Services Procurement

Professional Services Contracts must meet the terms of California Government Code §4525 et seq., based on proof of competence and qualifications for the types of services to be performed at fair and reasonable prices, as determined by the District.

For Professional Services estimated to cost \$25,000 or less, District staff may request a proposal from one qualified Consultant.

District staff will request three proposals for Professional Services when the contract amount is expected to cost between \$25,001 and \$75,000.

For a Professional Services Contract expected to cost more than \$75,000, the District will initiate an RFP.



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

6.22.2018

Page | 6

Last Revised:

6.15.2017

The following criteria shall apply as exceptions to the competitive solicitation requirements as indicated for Professional Services where such requirements would otherwise apply:

- In the case of sole or single source procurements of Professional Services, only one proposal from a qualified firm is required.
- For Professional Services in which it is infeasible to comply with the selection process because of the unique, exploratory or experimental nature of the project, District staff may request a proposal from one qualified Consultant.

## **20. ~~The District May Reject Any Nonresponsive or Unqualified Bid or Response~~**

In response to any Invitation to Bid, RFQ, or RFP, the District may reject any unqualified bid or other response that is incomplete, irregular, amplified, unqualified, conditional or otherwise not in compliance with the solicitation documents in all material respects, and in accordance with law.

The District may waive any informality, irregularity, immaterial defects or technicalities in any bids or other responses received; and/or cancel an invitation for bids or RFP/RFQ, or reject all bids or responses for any other reason, which indicates the cancellation or rejection of all bids or responses is in the District's best interest, and in accordance with law.

Rejection of all bids or responses or cancellation of competitive solicitations, including determinations to re-bid, or re-solicit is subject to the same authority level required to award a Contract in Table 2, and as required by law.

In the case of RFPs and RFQs, the General Manager and the Board reserve the right to award Contracts based upon the best interests of the District, as determined by the District.

## **21. ~~The District May Issue Change Orders for Goods and Services as Needed~~**

The District may issue Change Orders, as required by changes in the specifications or conditions of a project, services performed, or materials issued.

Change orders or amendments that extend the term of the date of the original contract by no more than 12 months, but do not affect the total contract price (e.g. extension of the term) can be approved subject to the contract signing authority indicated in Table 2.

The Purchasing department may issue Change Orders up to 10 percent over the original PO without further approvals if the original purchase amount was \$10,000 or less. For any Change Order request over the original PO by more than 10 percent or the \$1,000 limit, the requesting department will complete a revised Purchase Order Requisition (approved at the levels in Table 2).



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

6.22.2018

Page | 7

Last Revised:

6.15.2017

## For Contracts and Amendments up to \$75,000

- Change Orders can be approved by the total appropriate authorization levels as outlined in Table 2 up to a total Contract amount of \$75,000 without Board approval.
- Board approval is required for a Change Order if the proposed Change Order would cause the total Contract amount to exceed \$75,000.

## For Contracts and Amendments over \$75,000:

- Change Orders up to 10 percent over the original Contract amount may be approved as outlined in Table 2 without Board approval.
- Board approval is required for Change Order requests which increase the original Contract amount by more than 10 percent, unless the Board approved a different percent as part of the original Contract.

A Change Order above the Change Order limits set forth in this policy may be authorized by the General Manager or Assistant General Manager prior to Board approval if:

- A delay in Change Order authorization could result in a negative financial impact to the District.
- A delay in Change Order authorization could result in damage to or impairment of the operations of a District facility.
- An Emergency exists which requires immediate work/services.

The Board shall be notified by the General Manager of any Change Order above the General Manager's authorized limit at the next Board meeting.

## 22. Personal Financial Interest in ~~Any District Contract is Strictly Forbidden~~

Board members, and District ~~officers and employees~~ staff, spouses, or dependent children shall not be financially interested in any contract made by them in their official capacity. (Government Code Section 1090).

Board Members, ~~officers and~~ District ~~employees~~ staff, spouses, or dependent children shall not participate in any way to influence a governmental decision in which they have a financial interest. (Government Code Section 87100).

All District employees (other than Administrative Personnel not under Designated Positions in the District's Conflict of Interest Code) authorized under this Policy to make purchases or enter into agreements on behalf of the District will complete a Statement of Economic Interests (Form 700) and comply with the District's Conflict of Interest Code.



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

6.22.2018

Page | 8

Last Revised:

6.15.2017

Confidential or proprietary information must be handled with due care and proper consideration of ethical and legal ramifications and governmental regulations.

Purchasing activities must be performed in accordance with all applicable laws and this policy.

Employees/individuals who violate the standards set forth in this Section are subject to disciplinary action consistent with District Personnel and Salary Policy.

## 23. This District Makes Purchases as a California Water District

As a California Water District, the District is not required by State law to competitively bid any purchases, unless otherwise stated in this policy.

The District may:

- Enter into non-bid contracts for Public Works.
- Purchase materials, services and supplies.
- Contract for design-build work.
- Job-order contracting.
- Enter into Cooperative Purchasing contracts to plan, build, and maintain Public Works.
- Undertake any other form of contract found to be in the District's lawful best interest.

## 24. ~~General Manager and Legal Counsel Will Maintain~~Maintenance of t~~This Policy and Revise As Needed~~

The General Manager and assigned representatives, working with the District's legal counsel, will maintain and propose revisions to this policy as needed. All changes to this policy shall require the approval of the Board of Directors. In all cases, the District shall implement this policy in a manner that is consistent with Federal, State or local regulations.



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

6.22.2018

Page | 9

Last Revised:

6.15.2017

**TABLE 1: Definitions**

**Administrative Personnel** – District administrative employees authorized by the General Manager to purchase miscellaneous items, food and travel in support of District functions; includes Administrative Assistant, Administrative Analyst, Human Resources Administrator and any other administrative position as authorized by the General Manager.

**Amendment** – A written change or addition to a legal document which, when properly executed, has the same legal validity of the original document.

**Blanket Purchase Orders** - Used for payment to the same supplier/contractor/Consultant multiple times, or for ongoing monthly purchases/expenses.

**Board** – The Board of Directors of Moulton Niguel Water District.

**Change Order** – A written Amendment modifying the terms of an existing Contract or Purchase Order.

**Consultant** – An individual, firm or entity that provides or offers to provide Professional Services to the District.

**Contingency** - A predetermined amount or percentage of a Contract held for changes in a Public Works project.

**Contract** - Written agreement authorizing a contractor, Consultant, supplier or service provider to provide materials or services, or Public Works, in accordance with the material requirements, conditions or scope of work stated in the Contract

**Cooperative Purchasing** – Participation with other agencies in cooperative purchasing arrangements and programs to leverage the benefits of volume purchases, delivery and supply chain advantages, best practices, and the reduction of administrative time and expenses.

**District** –Moulton Niguel Water District.

**Emergency** – A situation in which unforeseen circumstances present an immediate risk of harm or hazard to the public health, safety, and welfare, or to the District property, or threaten serious interruption of District operations.

**General Manager** – General Manager of the District or the person appointed by the Board to act in the capacity of the General Manager and authorized to administer this Policy on his/her behalf.



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

6.22.2018

Page | 10

Last Revised:

6.15.2017

**Invitation for Bids** - A formal process for soliciting sealed bids from qualified prospective suppliers or Public Works contractors. Typically involves a formal bid opening, and the awarding of a Contract to a responsive and responsible supplier or contractor based on price and other specified factors, and as otherwise required by law.

**Multiple Year Contract** - A Contract for the purchase of services or materials, or for Public Works for a multiple year term or that may contain provisions to extend performance by exercising optional renewal periods. A Multiple Year Contract does not obligate the District beyond the initial award period and shall not provide for a cancellation payment to the contractor if options are not exercised.

**Non-Discretionary Purchases** – Payments to utilities, ~~software license agreement renewal/ cloud based services renewal, temporary employment services, insurance providers, healthcare providers~~ and national, state or local agencies that relate to routine obligations and expenses essential to the District’s ability to provide service to customers and that have been approved in fiscal year operating or capital budgets, and for the purposes of this policy, shall also include expenses as determined by the General Manager to require significant advanced planning to change service providers, such as software license agreement renewal/ cloud based services renewal, insurance providers, and healthcare providers.

**Non-Professional Services** – Services other than Professional Services, including supply and maintenance services.

**Procurement** - The purchase or lease of materials, supplies, equipment or services, or Public Works.

**Professional Services** – Any type of special service or advice in financial, economic, accounting, engineering, legal or administrative matters by persons specially trained and experienced and competent to perform the special services required. (Gov’t Code § 53060.) Such services include but are not limited to architectural; engineering; environmental; financial; land surveying; construction management; audits; training services; legal services; preparation of planning or studies; technology application development; and personnel, job classification and benefit studies.

**Public Works** – As defined by California Public Code Section 22002, public projects include construction, reconstruction, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased or operated facility. Maintenance work is not considered a public project for purposes of this definition.



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

6.22.2018

Page | 11

Last Revised:

6.15.2017

**Purchasing Card** - A form of charge card that allows materials and services to be purchased without using a Purchase Order. The District participates in the Cal Card, Home Depot, and Costco credit card programs.

**Purchasing Department** – The District employees assigned the duties of identifying vendors, obtaining competitive bids, issuing and processing Purchase Order Requisitions, maintaining office inventory, and assisting the General Manager in the application of Policy procedures within the District.

**Purchase Order (PO)** – An authorization, under a standardized form in which the party designated as the “provider” is to provide materials and/or services for which the District agrees to pay.

**Request for Proposal (RFP)** - A solicitation used for the procurement of Professional Services and Non-Professional Services. Prospective suppliers or Consultants submit requested information and are evaluated/awarded based on pre-established criteria.

**Request for Quotes (RFQ)** - A solicitation used for procurement of supplies, materials, or equipment.

**Requisition (REQ)** - The procedural method by which departments may request a PO for the purchase of materials, supplies or equipment. Requisitions are entered into the District’s [Enterprise Resource Planning](#) system application.

**Single Source Purchase** - Procurement where: (1) there is a compelling reason for only one source, a preferred brand, like material, etc., to be procured; or (2) the commodity is unique, including, but not limited to, acquisition of data processing, telecommunications and word processing equipment, goods and services; or (3) the purchase of a specific brand name, make or model is necessary to match existing District equipment or facilitate effective maintenance and support; or (4) when it is in the best interest of the District to extend or renew a Contract from a previous contract period, based on satisfactory service, reasonable prices, avoidance of start-up costs, avoidance of interruptions to District business, or good business practices.

**Sole Source Purchase** - Procurement where only one viable source exists. This is usually due to legal restrictions of patent rights, a proprietary process, warranty issues, original equipment, copyrights, etc.

**Work Order** – Request and approval for services or performances of specific tasks to be completed, and placed against a pre-established contract. Vendors may also use the terms “task order” and “statement of work”. For District purposes, these items will be treated as



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

6.22.2018

Page | **12**

Last Revised:

6.15.2017

“work orders”. (These typically apply to on call or as needed contracts or Blanket Purchase Orders).



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

6.22.2018

Page | 13

Last Revised:

6.15.2017

**TABLE 2: Procurement Limits and Contract Signature Authority**

Procurement Limits and Contract Signature Authority		
Title	Expenditures	Contract Signature Authority
<i>General Manager</i>	up to \$75,000	\$75,001 and over with Board authorization  Up to \$75,000 without Board authorization
<i>Assistant General Manager</i>	up to \$50,000	Up to \$50,000
<i>Staff Directors, <u>Government Affairs Officer, Information Systems Officer</u> Officers</i>	up to \$25,000	Up to \$25,000
<i>Board Secretary, <u>Staff Assistant</u> Directors</i>	up to \$20,000	None
<i>Superintendents, Managers, Controller, Principal Engineers, Coordinators</i>	up to \$10,000	None
<i>Supervisors, Purchasing Agent, Administrative Personnel, <u>Sr. Water Efficiency Specialist</u></i>	up to \$5,000	None



# POLICY A-X: PURCHASING SERVICES, MATERIALS, AND PUBLIC WORKS PROJECTS

See also:

[6.21.20185-22-2018](#)

Page | 10

Last Revised:

**Invitation for Bids** - A formal process for soliciting sealed bids from qualified prospective suppliers or Public Works contractors. Typically involves a formal bid opening, and the awarding of a Contract to a responsive and responsible supplier or contractor based on price and other specified factors, and as otherwise required by law.

**Multiple Year Contract** - A Contract for the purchase of services or materials, or for Public Works for a multiple year term or that may contain provisions to extend performance by exercising optional renewal periods. A Multiple Year Contract does not obligate the District beyond the initial award period and shall not provide for a cancellation payment to the contractor if options are not exercised.

**Non-Discretionary Purchases** – Payments to utilities, ~~software license agreement renewal/ cloud based services renewal, temporary employment services, insurance providers, healthcare providers~~ and national, state or local agencies that relate to routine obligations and expenses essential to the District’s ability to provide service to customers and that have been approved in fiscal year operating or capital budgets, and for the purposes of this policy, shall also include expenses previously approved by the Board, which would require significant advanced planning to change service providers, such as software license agreement renewal/ cloud based services renewal, insurance providers, and healthcare providers.

**Non-Professional Services** – Services other than Professional Services, including supply and maintenance services.

**Procurement** - The purchase or lease of materials, supplies, equipment or services, or Public Works.

**Professional Services** – Any type of special service or advice in financial, economic, accounting, engineering, legal or administrative matters by persons specially trained and experienced and competent to perform the special services required. (Gov’t Code § 53060.) Such services include but are not limited to architectural; engineering; environmental; financial; land surveying; construction management; audits; training services; legal services; preparation of planning or studies; technology application development; and personnel, job classification and benefit studies.

**Public Works** – As defined by California Public Code Section 22002, public projects include construction, reconstruction, alteration, renovation, improvement, demolition, and repair work involving any publicly owned, leased or operated facility. Maintenance work is not considered a public project for purposes of this definition.