



Midpeninsula Regional  
Open Space District

## **ACTION PLAN AND BUDGET COMMITTEE**

R-18-55  
May 30, 2018

### **AGENDA ITEM 3**

#### **AGENDA ITEM**

New Board Policy 3.01 – Banking Relationship Management Policy, and Annual Review of Finance Policies for 2018

#### **ACTING GENERAL MANAGER'S RECOMMENDATION** *den*

Review, confirm, and forward the proposed new Board Policy 3.01 – Banking Relationship Management Policy and minor finance policy updates to the full Board for their annual review.

#### **SUMMARY**

The Action Plan and Budget Committee (ABC) will review a new Banking Relationship Management Policy covering Banking Relations and Bank Account Administration, Financial Instrument Signatories, Safe Deposit Box, and the Purchasing Card Program. This proposed new policy would supersede previous policies on Financial Instrument Signatories (3.01) and Safe Deposit Box (3.02). Additionally, the ABC will consider several finance policy updates under Budget and Expenditure (3.04), Disclosure for Bond Issuances (3.06), Fund Balance (3.07), Statement of Investment (3.08), and Debt Management (3.09) as part of an annual policy review. The Acting General Manager recommends that the ABC forward the new policy and policy updates to the full Board of Directors (Board) for their consideration as part of an annual review to ensure Midpeninsula Regional Open Space District (District) policies remain current.

#### **DISCUSSION**

Each year, the Acting General Manager together with the Chief Financial Officer reviews the District's finance policies in preparation for an annual ABC review and Board affirmation of the policies. These include the Disclosure for Bond Issuance Policy (3.06) and the Statement of Investment (3.08), among others. The 2018 review began as part of the budget cycle this past spring and will continue into the coming months. At this time, the Acting General Manager recommends the following policy updates for ABC review, with more expected later this year:

##### 3.01 Banking Relationship Policy (NEW)

This policy combines and supersedes the previous policies on Financial Instrument Signatories (3.01) and Safe Deposit Box (3.02). It also adds policy on Banking Relations and Bank Account Administration as well as policy regarding the District's Purchasing Card Program.

3.02 Safe Deposit Box Policy retired and included in 3.01

Upon adoption of the new Banking Relationship Policy, the Safe Deposit Box Policy would be retired and the number reserved for the future Accounting Policy, to be developed next fiscal year.

3.03 Public Contract Bidding

Not yet reviewed, updates anticipated next fiscal year.

3.04 Budget and Expenditure Authority Policy

Reviewed and no changes proposed.

3.05 Capital Expenditure and Depreciable Fixed Assets

Not yet reviewed, updates anticipated next fiscal year.

3.06 Disclosure for Bond Issuances Policy

Reviewed and no changes proposed.

3.07 Fund Balance Policy

Updated for the newly created Committed Reserves for Capital Maintenance and for the Promissory Note Sinking Fund.

3.08 Statement of Investment

Minor update to Paragraph 4 to align with the Fund Balance Policy.

3.09 Debt Management Policy

Reviewed and no changes proposed.

**FISCAL IMPACT**

No new fiscal impact. The revised policies will streamline existing procedures for compliance with obligations and practices under current debt issuances.

**PUBLIC NOTICE**

Public notice was provided as required by the Brown Act.

**CEQA COMPLIANCE**

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

**NEXT STEPS**

Upon recommendation by the ABC, the full Board would consider the proposed policy updates on June 27, 2018.

Attachments:

1. Banking Relationship Policy 3.01
2. Budget and Expenditure Policy 3.04

3. Disclosure for Bond Issuances Policy 3.06
4. Fund Balance Policy 3.07
5. Statement of Investment 3.08
6. Debt Management Policy 3.09

Responsible Department Manager:  
Stefan Jaskulak, Chief Financial Officer

Prepared by:  
Andrew Taylor, Finance Manager and Disclosure Coordinator

## Board Policy Manual

<b><u>Financial Instrument Signatories-Banking Relationship Management</u></b>	<b>Policy 3.01 Chapter 3 – Fiscal Management</b>
Effective Date: 6/27/18	Revised Date: 6/27/18
Prior Versions: 11/13/13, 09/14/16	

**Purpose**

The Banking Relationship Management policy provides a framework around Banking Relationships, Financial Instrument Signatories, Safe Deposit Box, and the Purchasing Card Program. This policy supersedes Board policies 3.01 Financial Instrument Signatories and 3.02 Safe Deposit Box.

**Policy****I. Banking Relationships and Bank Account Administration**

- A. The District has a fiduciary duty to protect and safeguard public funds. The majority of District funds are held on deposit in the Santa Clara County Commingled Pool. The District Controller shall review the County's investment reports on a quarterly basis. Funds shall be transferred from the County to the District's operating/payroll accounts to meet near-term liquidity requirements.
- B. Any change in the District's banking relationship requires a resolution of the Board.

**II. Financial Instrument Signatories**

- A. The authorized signatories to checks, warrants, withdrawal applications, and the Santa Clara County claim forms of the Midpeninsula Regional Open Space District for payroll or for amounts less than \$5,000 shall be any one of the following ~~four~~ employees: (i) the General Manager, (ii) either one of the Assistant General Managers, (iii) the Chief Financial Officer/Director of Administrative Services.
- B. The authorized signatories to checks, warrants, withdrawal applications, and Santa Clara County claim forms of the Midpeninsula Regional Open Space District in amounts of \$5,000 or greater, ~~(excluding payroll),~~ shall be any two of the employees listed in A. above.
- C. Signatories for Bond Documents, to issue bonds or execute subsequent draw requests or other debt management documents, will include the General Manager, Controller, General Counsel, and the Chief Financial Officer/Director of Administrative Services, or as otherwise noted in the previously issued bond documents or Board resolutions.

**III. Safe Deposit Box**

- A. The authorized signature for entrance into the District's safe deposit boxes is any of the following: General Manager, either one of the Assistant General Managers, Chief

Financial Officer/Director of Administrative Services, District Clerk, and Senior Accounting Technician.

**IV. Purchasing Card Program**

- A. The General Manager or designee shall establish a list of District positions authorized to receive a District purchasing card, as well as individual credit limits. District staff may be issued a purchasing card to conduct District business for supplies, materials, equipment, travel, services, and other approved District expenses in accordance with this list.
- B. The purchasing card program is considered a banking service. The District will maintain adequate internal controls in order to prevent misuse or fraud, including, but not limited to, monthly submission of receipts by the cardholders and approval of those receipts by the cardholder's supervisor.

# Midpeninsula Regional Open Space District

## Board Policy Manual

<b>Public Contract Bidding, Vendor and Professional Consultant Selection, and Purchasing Policy</b>	<b>Policy 3.03 Chapter 3 – Fiscal Management</b>
Effective Date: 7/24/02	Revised Date: 12/16/15
Prior Versions: 12/16/09, 1/27/10, 9/23/15	

### Purpose

The purpose of this policy is to ensure that the District obtains quality services, supplies, material and labor at the lowest possible cost, and to provide a uniform method for procurement of services and supplies. In addition, through proper documentation, conformance to this Policy will enable the District's constituents to know that their public funds are being spent responsibly, and potential vendors and contractors to know that they are being treated equitably.

### Policy

#### I. PURCHASING AUTHORITY

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

##### A. Board Approval for Purchases In Excess of \$50,000

If the cost for furnishing services, supplies, materials, labor, or other valuable consideration to the District will exceed Fifty Thousand Dollars (\$50,000), approval from the Board of Directors is required prior to entering into the contract.

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

#### 1. Signature

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

## **B. General Manager Approval for Purchases Not Exceeding \$50,000**

Pursuant to Public Resources Code 5549, the General Manager may obtain bids without advertisement or published notice inviting bids and may authorize and execute contracts for payment for services, supplies, material, labor, or other valuable consideration for any purpose, including the new construction of any building, structure, or improvement, in an amount not exceeding \$50,000. Such expenditures shall be reported to the Board of Directors at its next regular meeting, and may be reported on the Board's Claims List.

### **1. Administrative Purchasing Policy/Procedure**

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

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

## **C. Contract Change Orders**

Staff may issue change orders to a contract, provided that the aggregate of all change orders to that contract does not exceed fifteen percent (15%) of the original contract price. A larger contingency may be authorized, based on unusual circumstances. Change orders shall not exceed the total contract amount approved by the Board, General Manager or other District employee as authorized by this Policy, including any contingency amount. Any expenditure beyond the originally approved contract and contingency amount shall be approved by the party authorized at that expenditure level under this Policy.

## **II. SOLICITATION OF BIDS**

### **A. Solicitation of Formal Advertised Bids for Expenditures Exceeding \$50,000**

When any expenditure for projects, excluding Professional services, is expected to exceed \$50,000, the District shall conduct a formal bidding process pursuant to Public Resources Code section 5594.

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

**B. Solicitation of Three Written Bids for Expenditures Exceeding \$25,000 but Not Exceeding \$50,000**

When any expenditure is expected to exceed \$25,000, but not exceed \$50,000, the District shall solicit written proposals from a minimum of three (3) bidders. The General Manager's or designee's approval of the contract or purchase order is required as applicable under this Policy.

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

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

**D. Expenditures Not Exceeding \$5,000**

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

**III. Professional Services**

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

**A. Selection Procedures for Professional Services in Excess of \$50,000**

When the cost for professional services is expected to be in excess of \$50,000, the District shall prepare a Request for Qualifications (RFQ) outlining the professional's qualifications, relevant experience, staffing and support and hourly rates. This information becomes the basis for negotiating a contract or a Request for Proposal (RFP) outlining the terms, conditions and specifications of the services required by the District. The District may also prepare, as an alternative, a Request for Qualifications and Proposal, combining the required elements of the RFQ and the RFP described above. A minimum of three (3) qualified firms or individuals shall be invited to submit qualifications and/or proposals.



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

- i. Ability of the consultants to perform the specific tasks outlined in the RFP/RFQ.
- ii. Qualifications of the specific individuals who will work on the project.
- iii. Amount and quality of time key personnel will be involved in their respective portions of the project.
- iv. Reasonableness of the fee requested to do the work; comparability of fee to similar services offered by other qualified consultants.
- v. Demonstrated record of success by the consultant on work previously performed for the District or for other public agencies or enterprises.
- vi. The specific method and techniques to be employed by the consultant on the project or problem.
- vii. Ability of the consultant to provide appropriate insurance in adequate amounts, including errors and omissions if applicable.

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

**B. Selection Procedures for Professional Services in Excess of \$10,000 but Not Exceeding \$50,000**

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

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

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

**D. Renewal of Contracts with Professional Consultants**

The District may, at its sole discretion, and after following required consultant selection procedures, enter into consultant agreements which contain provisions authorizing their extension or renewal. However, recommendations to extend or renew an existing contract with

a professional consultant should include an annual written evaluation of the work performed by the consultant as well as a determination that the fees being charged are comparable to similar services offered by other consultants at the time of renewal or extension. If the total amount of the original and renewed contract in any one fiscal year does not exceed \$50,000, the General Manager or designee may execute the agreement. If the total amount exceeds \$50,000, the request must be approved by the Board.

#### **E. Conflict of Law**

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

#### **F. Special Circumstances**

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

#### **G. Prequalified Consultant File**

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

### **IV. EXCEPTIONS TO STANDARD PURCHASING PROCEDURES**

#### **A. Emergency Conditions**

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

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

#### **B. Limited Availability/Sole Source**

Occasionally, necessary supplies, materials, equipment, or services are of a unique type, are of a proprietary nature, or are otherwise of such a required and specific design or construction, or are for purposes of maintaining consistency and operational efficiency, so as to be available from only one source. After reasonable efforts to find alternative suppliers, the District may dispense with the requirement of competitive bids and recommend negotiating and making the purchase from the sole source. The basis for the sole source recommendation shall be documented in writing and approved, in advance, by the Board for purchases exceeding \$50,000, and the General Manager or other authorized District employee, for purchases not exceeding \$50,000.

#### **C. Cooperative Purchasing**

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

##### **1. Purchases Exceeding \$50,000**

The formal competitive bidding procedures of Section II.A. for purchases exceeding \$50,000 are not required when the other public agency has secured a price through a formal, advertised competitive bidding process. Board approval is required prior to purchase.

##### **2. Purchases Not Exceeding \$50,000**

The bidding procedures of Section II. B. for purchases not exceeding \$50,000 are not required when the other public agency has secured a price through a competitive bidding process. Approval from the General Manager or designee is required prior to purchase.

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

Open purchase orders may be entered into with vendors who are expected to supply routine services, supplies, materials or labor to the District on a regular basis throughout the fiscal year (such as gasoline, discing, road maintenance, vehicle maintenance, printing, office supplies and field hardware). Open purchase orders shall be closed at the conclusion of each fiscal year. Vendors of repetitive supplies and services shall be selected through the competitive bidding procedures set out in Section II, based upon the anticipated or budgeted cumulative cost of the supply or service. Where competitive bidding procedures cannot feasibly be used, a comparison of vendors' prices will be made and staff will provide written documentation of the price

quotations used to select the vendor with the lowest cost, pursuant to the Administrative Purchasing Policy/Procedure. Multi-year contracts can be entered into only when appropriate and necessary to secure the best pricing or assure continuity of service. An annual review of the services and prices provided shall be documented by District staff to assure that the vendor is meeting the District's needs and expectations and remains at a competitive price. Whenever feasible, multi-year contracts for service or supplies shall provide that the option to renew or extend the contract is at the District's sole discretion.

### **I. Design Build Contracts**

Pursuant to Public Resources Code section 5580, upon approval by the Board, the design-build process (Public Contract Code sections 22160-22169) may be used to assign contracts for the construction of facilities or other buildings in the district. The minimum project limitation of one million dollars for design build projects set forth in the Public Contract Code does not apply to District design-build projects.

A Conflict of Interest Policy for design-build contracts required by Public Contract Code section 22162 is included in the ~~Board Design-Build Contracts - Conflicts of Interest Code~~ (Board Policy 6.029).

## **V. GENERAL PROVISIONS**

### **A. Conflict of Interest**

No District employee or official shall be financially interested, directly or indirectly, in any purchase, contract, sale, or transaction to which the District is a party and which comes before said official or employee for recommendation or action. Any purchase, contract, sale, or transaction in which any employee or official is or becomes financially interested shall become void at the election of the District. No employee or official shall realize any personal gain from any purchase, contract, sale, or transaction involving the District. More information can be found in Board Policy 6.02 – Conflict of Interest Code.

### **B. Credit Cards**

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

### **C. Purchase of Recycled Products**

District staff shall purchase recycled products whenever such products are available at equal cost to non-recycled products and when fitness and quality are equal.

**D. Violations of This Policy**

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

| [INSERT ATTACHMENT A HERE: Design Build Conflict of Interest]

Board Policy Manual

<b>Budget and Expenditure Authority</b>	<b>Policy 3.04 Chapter 3 - Fiscal Management</b>
Effective Date: 09/25/13	Revised Date: 11/13/13
Prior Versions: N/A	

**Purpose**

The purpose of this Board policy is to delegate budget authorities to the General Manager so that he/she can efficiently and effectively administer the District’s mission and annual action plan.

**Definitions**

Account Structure

The District’s financial account structure has three levels of budget accounts:

- *Level 1: Budget Categories* – The District budget is divided into five budget categories: Salaries and Benefits, Services and Supplies, Land and Associated Costs, Capital and Fixed Assets, and Debt Service.
- *Level 2: Account Families* – The District budget contains numerous line item accounts which are organized into groupings of similar expense types within a budget category such as Contract Services, Utilities, or Structures and Improvements.
- *Level 3: Line Item Account* – A single account with a designated account number within an account category. Examples include: Planning Consultant, Electricity, and Signs.

Positions

- *Permanent Position* – a full- or part-time position that is approved by the Board of Directors for the current and subsequent fiscal years with no end date.
- *Temporary Position* – a position that is authorized for a specific period of time and for a specific purpose.

**Policy**

- I. The General Manager may approve expenditure overages in Budget Categories, Account Families, Line-Item Accounts, or Departments as long as they are offset by savings in other areas, with the following restrictions:
  - A. The General Manager may not approve any expenditure that permanently increases the District’s budget; any permanent budget increase must be approved by the Board of Directors.

- B. The General Manager may authorize temporary positions, as needed, as long as expenses remain within the adopted budget. The Board must approve the addition of any new permanent positions.
- II. The General Manager must report overages greater than 5% in the following Account Families to the Board:
- 5300 – Election Expenses/Annexation
  - 5500 – Special Agreements
  - 6000 – Insurance
  - 6300 – Travel Expenses
  - 6600 – Personnel Development
- III. The General Manager has the discretion to at any time notify the Board of any expenditure.
- IV. The General Manager may not approve any overages that cause expenditures to exceed the adopted budget in the categories below; any increases to the total budgets for these categories must be approved by the Board of Directors.
- Operating Budget
  - Capital Budget
  - Land Acquisition
  - Debt Service
  - Special Funds (e.g., Hawthorns)
- V. The General Manager may delegate his/her expenditure approval authority through an Administrative Policy that sets out specific limits by position, consistent with the parameters and financial controls outlined above.



Board Policy Manual

<b>Capital Expenditure and Depreciable Fixed Assets</b>	<b>Policy 3.05 Chapter 3 – Fiscal Management</b>
Effective Date: 3/27/02	Revised Date: 12/17/14
Prior Versions: 3/27/02, 3/23/05, 12/8/10, 11/13/13	

**I. CAPITAL AND FIXED ASSETS:**

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

1. **Land** - Land and permanent easements, either purchased or donated, with a value greater than \$1 are non-depreciable capital assets.
2. **Structures and Structure Improvements** - Land improvements, infrastructure, buildings, other structures, and leasehold , which are purchased, constructed, or received as a donation, with an estimated total cost or fair market value greater than \$50,000, are depreciable assets.
3. **Infrastructure** - Infrastructure assets are long-lived fixed assets with a value greater than \$50,000 that are normally stationary in nature and can be preserved for a number of years significantly greater than most fixed assets. Infrastructure assets are capitalized and depreciated over the remaining useful life of the asset. Examples of infrastructure assets include roads, bridges, trail systems, tunnels, drainage systems, water and sewer systems, dams, and parking lots.
4. **Equipment** - Machinery, equipment, and fixtures, either purchased or received as a donation with a cost or fair market value greater than \$25,000, are depreciable assets.
5. **Vehicles** - Vehicles, either purchased or received as a donation with a cost or fair market value greater than \$25,000, and include the basic vehicle itself and any added components that are permanently affixed to the vehicle prior to the in-service date.
6. Projects which extend the useful life or materially increase the capacity of an existing capital asset with a value greater than \$25,000 for machinery, equipment, fixtures and vehicles, or \$50,000 for land, improvements, infrastructure and buildings, are capitalized and depreciated over the remaining useful life of the asset.

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

## II. DEPRECIATION AND AMORTIZATION

For the purposes of presentation in the District's financial statements, capital assets will be depreciated/amortized over their useful lives based on the following categories:

Vehicles	5 years
Software	5 to 10 years
Equipment/Fixtures	5 to 20 years
Public Access Infrastructure	20 to 50 years
Structures/Improvements	50 years

# Midpeninsula Regional Open Space District

## Board Policy Manual

<b>Initial and Continuing Disclosures Relating to Bond Issuances</b>	<b>Policy 3.06 Chapter 3 – Fiscal Management</b>
Effective Date: 04/01/2015	Revised Date: 03/22/2017
Prior Versions: 04/01/2015	
Attachments: A – List of Disclosure Documents, to be Amended as Necessary B – Listed Events C – Template of Information to be included in the Staff Report Transmitting Official Statement by General Manager to Board of Directors	

### Purpose

Whenever the District makes statements or releases information relating to its finances to the public that are reasonably expected to reach investors and the trading markets (including, without limitation, all Listed Event Notices, statements in the audited Financial Statements, and other financial reports and statements of the District), the District is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.

The disclosure policies and procedures contained herein (the “**Disclosure Procedures**”) of the Midpeninsula Regional Open Space District (the “**District**”) are intended to ensure that the District’s disclosure documents (the “**Disclosure Documents**”), as listed on Attachment A to these Disclosure Procedures, are complete, true, and accurate in all material respects, and in compliance with applicable federal and state securities laws.

### Policy

#### *Article I: Key Participants and Responsibilities*

##### Section 1.01. Disclosure Working Group.

(A) *Composition.* By adoption of these Disclosure Procedures, the District hereby establishes a disclosure working group (the “**Disclosure Working Group**”). The members of the Disclosure Working Group shall be the following:

- i. General Manager;
- ii. Chief Financial Officer
- iii. Controller; and
- iv. General Counsel.

(B) *Responsibilities.* The Disclosure Working Group shall consult with the Financing Group (as defined in Section 1.03) and other interested parties as necessary or helpful. The Disclosure Working Group shall meet as often as necessary to fulfill its obligations, but not less than once per calendar year. Members of the Disclosure Working Group may participate in meetings by telephone.

The Disclosure Working Group is responsible for:

- i. Reviewing and approving all preliminary and final official statements, private placement memoranda and remarketing memoranda relating to the District's securities, together with any supplements, for which a continuing disclosure undertaking is required (each, an "**Official Statement**") as further described in Article II, before such documents are released to the public;
- ii. Reviewing and approving the District's Financial Statements (as defined and further described in Section 3.02 below);
- iii. Reviewing and approving any other Disclosure Documents before such documents are released;
- iv. Reviewing annually the District's status and compliance with continuing disclosure undertakings including filings of Disclosure Documents and compliance with these Disclosure Procedures and the annual financial report as described in Article III below;
- v. Reviewing any other items referred to the Disclosure Working Group; and
- vi. Evaluating the effectiveness of these Disclosure Procedures and approving changes to these Disclosure Procedures as further described in Section 5.04 of this Policy.

(C) *Determination of Disclosure Document Status.* Whether or not a particular document or other communication is a Disclosure Document shall be determined by the Disclosure Working Group. At its initial meeting, the Disclosure Working Group shall establish a list of the District's recurring Disclosure Documents, which list shall be added to Attachment A to these Disclosure Procedures to the extent such documents are not already contained therein. The Disclosure Working Group shall update Attachment A to these Disclosure Procedures when appropriate.

(D) *Review and Approval.* Following receipt of a Disclosure Document from the disclosure coordinator (the "**Disclosure Coordinator**"), the Disclosure Working Group shall review the Disclosure Document for accuracy and compliance with federal and state securities laws, direct questions to the Disclosure Coordinator, and approve a substantially final form of the Disclosure Document, which approval may be evidenced by an email transmitted to the Disclosure Coordinator by the General Manager or his/her designee and a copy of which email shall be printed and maintained in the Deal File described in Section 5.01, or by such other written evidence.

The Disclosure Coordinator shall consult with the District's disclosure counsel to the extent the Disclosure Coordinator considers appropriate to perform his or her responsibilities.

#### Section 1.02. Disclosure Coordinator.

(A) *Appointment.* The Finance Manager is appointed as the Disclosure Coordinator. If the position of Finance Manager is vacant, the Chief Financial Officer, in consultation with the other members of the Disclosure Working Group, shall select and appoint the Disclosure Coordinator.

(B) *Responsibilities.* The Disclosure Coordinator shall be responsible for:

- i. Serving as a “point person” for personnel to communicate issues or information that should be or may need to be included in any Disclosure Document, identifying District personnel that will assist in preparing and reviewing the Disclosure Documents (the “Contributors”);
- ii. Reviewing annually all continuing disclosure undertakings, preparing a checklist of updated information to be provided;
- iii. Recommending changes to these Disclosure Procedures to the Disclosure Working Group as deemed necessary or appropriate;
- iv. Communicating with third parties, including coordination with outside consultants assisting the District in preparing and disseminating Disclosure Documents to make sure that assigned tasks are completed timely, and that the filings are accurate and made timely;
- v. Soliciting “material” information (as defined for purposes of federal securities law) from District departments to prepare Disclosure Documents;
- vi. Monitoring compliance by the District with these Disclosure Procedures, including timely dissemination of the Annual Report and Listed Event filings, and maintaining records documenting the District’s compliance with these Disclosure Procedures;
- vii. Determining when Disclosure Documents are final and ready for review by the Disclosure Working Group to the extent required by these Disclosure Procedures; and
- viii. Identifying District personnel that should receive disclosure training, and ensuring compliance with training procedures described in Section 1.02(C).

The Disclosure Coordinator is authorized to file or cause to be filed the following documents with the Municipal Securities Rulemaking Board (the “MSRB”), without prior review and approval of the Disclosure Working Group, but only after prior review and approval from the Chief Financial Officer: those Disclosure Documents that (i) the District is contractually obligated to file with the MSRB pursuant to written undertakings as a result of the occurrence of a Listed Event (as defined in Attachment B), or (ii) as a result of the failure to timely file the required annual financial report.

(C) *Training.* The Disclosure Coordinator shall arrange for annual disclosure training conducted by the District’s disclosure counsel with the assistance of the General Counsel, for the Board of Directors members, the Disclosure Working Group, and Contributors. Such training sessions shall include education on these Disclosure Procedures, the District’s disclosure obligations under applicable federal and state securities laws, and the disclosure responsibilities and potential liabilities of members of District staff and members of the Board of Directors. Such training sessions may be conducted using a recorded presentation.

Each member of the Board of Directors, and new members of the Finance Department shall be required to participate in disclosure training as part of his or her new member orientation.

Section 1.03. Financing Group.

*General.* The General Manager or his/her designee shall identify a Financing Group (the “**Financing Group**”) for each financing (the composition of which may differ for each financing), which shall include, at a minimum, the following individuals:

- i. Disclosure Working Group;
- ii. Disclosure Coordinator;
- iii. The District’s bond counsel and disclosure counsel;
- iv. The District’s financial advisor (if any);
- v. The District’s underwriter, placement agent, remarketing agent (as applicable);
- vi. The District’s dissemination agent (if any);
- vii. Such other such District staff as the General Manger or his/her designee determines to be appropriate; and
- viii. Such other consultants retained by the District as the General Manager or his/her designee determines to be appropriate.

It is the District’s policy to establish continuing working relationships with professional advisors with expertise in the area of public finance and federal securities laws applicable to the issuance of securities by the District.

*Article II: Review and Approval of Official Statements*

Section 2.01. Responsibilities of Financing Group. The Financing Group shall prepare the Official Statement

and confirm that the Official Statement: (a) has been reviewed and accurately states all information relating to the District, (b) confirm that any information in the Official Statement other than the information described in the previous clause (a) will be addressed by a closing certificate or opinion by an appropriate person, (c) contains a description of any failures of the District during the last five yars to comply with its continuing disclosure undertakings; and (d) is in substantially final form and is in a form ready to be “substantially final” by the Board of Directors, as evidenced by a Certificate executed and delivered by a member of the Financing Group pursuant to Rule 15c2-12, promulgated by the Securities and Exchange Commission. The Financing Group shall have at least one all-hands meeting or conference call to review the Official Statement.

Section 2.02. Responsibilities of General Counsel. The General Counsel (or a designee) shall review the Official Statement and shall draft for the Official Statement descriptions of (i) any material current, pending or threatened litigation, (ii) any material settlements or court orders and (iii) any other legal issues that are material information for purposes of the Official Statement.

Section 2.03. Responsibilities of Controller and Chief Financial Officer. The Controller and Chief Financial Officer shall review the Official Statement, identify any material difference in presentation of financial information from the Financial Statements and ensure there are no misstatements or

omissions of material information in any sections that contain descriptions of information prepared by the Controller and/or Chief Financial Officer or other Contributors or of relevance to the finances of the District.

In addition, the Controller and/or Chief Financial Officer shall determine whether the District's then-available Financial Statements are appropriate to be included in the Official Statement and whether to seek the consent of the District's auditor to include the Financial Statements in the Official Statement.

Section 2.04. Review by Disclosure Working Group. Following receipt of the Official Statement from the Financing Group, the Disclosure Working Group shall evaluate the Official Statement for accuracy and compliance with federal and state securities laws, and shall, have an opportunity to ask questions of the Financing Group and of any Contributor or other person who reviewed or drafted any section of the Official Statement. The Disclosure Working Group may direct or request revisions and/or may instruct the Financing Group to solicit contributions from additional Contributors, as they deem necessary or appropriate.

Section 2.05. Approval by Disclosure Working Group. Approval of the Official Statement by the Disclosure Working Group shall be evidenced by delivery of the Official Statement to the General Manager for docketing for a meeting of the Board of Directors as provided in Section 2.07.

Section 2.06. Submission of Official Statements to Board of Directors for Approval. As part of the docketing process, the General Manager shall submit all Preliminary Official Statements to the Board of Directors for approval using a staff report that includes the information in the template attached as Attachment C to these Disclosure Procedures. The approval of an Official Statement by the Board of Directors shall be docketed as a new business matter and shall not be approved as a consent item. The Board of Directors shall undertake such review as deemed necessary, following consultation with the Controller, to fulfill the responsibilities of the Board of Directors under applicable federal and state securities laws. In this regard, the Controller shall consult with the District's disclosure counsel to the extent necessary.

### *Article III: Continuing Disclosure Filings*

Section 3.01. Overview. Under the continuing disclosure undertakings the District has entered into in connection with its debt offerings, the District is required each year to file Annual Reports with the Electronic Municipal Market Access ("**EMMA**") system maintained by the MSRB in accordance with such undertakings. Such Annual Reports are required to include certain updated financial and operating information, and the District's audited financial statements.

The District is also required under its continuing disclosure undertakings to file notices of certain events (as summarized in Attachment B to these Disclosure Procedures) with EMMA.

Section 3.02. Financial Statements. The Chief Financial Officer shall submit the District's audited financial statements ("**Financial Statements**"), as they are available, to the Disclosure Working Group. The Disclosure Working Group shall review the audited Financial Statements according to these Disclosure Procedures and, when reviewed and approved for disclosure, shall transmit the audited Financial Statements to the Board of Directors.

If the District does not have audited Financial Statements available in time to file the Annual Report, the Chief Financial Officer shall submit the District's unaudited financial statements as provided in each specific continuing disclosure undertaking.

Section 3.03. Annual Reports. The Disclosure Coordinator shall ensure that the preparation of the District's Annual Report shall commence in enough time so that they are filed no later than 210 days following the end of the fiscal year of the District, or as otherwise required under each specific continuing disclosure undertaking. Before any Annual Report is submitted to EMMA, the Disclosure Coordinator shall review outstanding continuing disclosure undertakings, prepare a checklist of information to be updated, supervise the preparation of the Annual Report, and confer with the Disclosure Working Group as needed regarding the content and accuracy of any such report.

Section 3.04. Disclosure of Listed Events. Pursuant to Rule 15c2-12(b)(5)(i)(C), the District is obligated to disclose to the MSRB notice of certain specified events with respect to the District's securities (a "**Listed Event**"). Each member of the Disclosure Working Group shall notify the other members of the Disclosure Working Group if he or she becomes aware of the occurrence of any of the Listed Events listed in the District's continuing disclosure undertakings. The Disclosure Working Group may meet to discuss the event and to determine, in consultation with disclosure counsel to the extent determined by the Disclosure Coordinator, whether a filing is required or is otherwise desirable. If such a filing is deemed necessary, the Disclosure Coordinator shall cause a notice of the Listed Event (a "**Listed Event Notice**") that complies with Rule 15c2-12 to be prepared, and the Disclosure Coordinator shall file or cause to be filed the Listed Event Notice as required by Rule 15c2-12.

#### *Article IV: Public Statements Regarding Financial Information*

Section 4.01. Financial Information. Whenever the District makes statements or releases information relating to its finances to the public that are reasonably expected to reach investors and the trading markets (including, without limitation, all Listed Event Notices, statements in the audited Financial Statements, and other financial reports and statements of the District), the District is obligated to ensure that such statements and information are complete, true, and accurate in all material respects. The Chief Financial Officer shall have primary responsibility for ensuring that such financial statements and information are accurate and not misleading in any material respect.

#### *Article V: Miscellaneous*

Section 5.01. Documents to be Retained. The Disclosure Coordinator, working with the District Clerk as needed, shall be responsible for retaining records demonstrating compliance with these Disclosure Procedures. The Disclosure Coordinator shall retain an electronic or paper file ("**Deal File**") for each Annual Report and notice of Listed Events filed or caused to be filed by the District. Each Deal File shall include final versions of Disclosure Documents, the transcript of proceedings prepared in connection with the issuance of financial instruments. The Deal File shall be maintained in a central depository for a period equal to the later of the date of maturity or defeasance of the securities referenced in the Disclosure Document.

Section 5.02. Waivers. In addition to the General Manager's authority to adopt an Administrative Procedure to make this Board Policy more specific, any provision of this Board Policy or any related administrative procedure may be waived at any time by the General Manager, with the written confirmation to the members of the Disclosure Working Group. This authority to waive a provision of this policy is triggered only if such waiver is necessary for timely and effective compliance with disclosure laws. Any waivers made under this provision shall be reported to the Board of Directors, with



conforming revisions recommended for the Board's consideration at the next update of this Board Policy and no later than within three months of implementation of such waiver.

## ATTACHMENT A

### LIST OF DISCLOSURE DOCUMENTS, TO BE AMENDED AS NECESSARY

1. Preliminary and final official statements, private placement memoranda and remarketing memoranda relating to the District's securities, together with any supplements.
2. Financial Statements.
3. Filings made by the District with the Municipal Securities Rulemaking Board, whether made pursuant to a continuing disclosure undertaking to which the District is a party or otherwise.
4. Press releases and other information distributed by or on behalf of the District for public dissemination to the extent that such releases are reasonably expected, in the determination of the Disclosure Working Group, to reach investors and the trading markets for municipal securities.
5. Rating agency presentations.
6. Postings on the investor information section of the District's website, if any.
7. Such portions of the District's published adopted annual budget as the Disclosure Working Group determines to be appropriate.
8. Any other communications that are reasonably expected, in the determination of the Disclosure Working Group, to reach investors and the trading markets for municipal securities.

Amendments:

[Date]

## **ATTACHMENT B**

### **LISTED EVENTS**

*Occurrence of any of the following events require the District to make a filing on EMMA within ten (10) business days of their occurrence:*

1. principal and interest payment delinquencies
2. unscheduled draws on debt service reserves reflecting financial difficulty
3. unscheduled draws on credit enhancements reflecting financial difficulty
4. substitution of credit or liquidity providers, or their failure to perform
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other events affecting the tax-exempt status of the security
6. tender offers
7. defeasances
8. rating changes
9. bankruptcy, insolvency, receivership or similar event of the obligated person

*The occurrence if any of the following events require the District to file a notice on EMMA within ten (10) days after their occurrence, if they are determined to be material by the Disclosure Working Group:*

1. non-payment related defaults
2. modifications to the rights of security holders
3. bond calls
4. release, substitution or sale of property securing repayments of the securities
5. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms
6. appointment of a successor or additional trustee or the change of name of a trustee

## ATTACHMENT C

### **Information to be Included in the Staff Report Transmitting Official Statement by General Manager to Board of Directors**

Transmittal staff report shall include, but is not limited to, the following information:

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the Board by the District's Disclosure Working Group. The distribution of the Preliminary Official Statement by the District is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the Obligations. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Obligations. If the Board of Directors concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the Obligations, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the District's compliance with the federal securities laws, has issued guidance as to the duties of the elected body with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC stated that, if a member of the elected body has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the Obligations, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC stated that the steps that a member of the elected body take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

Section 1. *Purpose of Financing.*

Section 2. *Documents for Approval; Security for the Obligations.*

Section 3. *Risks Relating to Repayment and Tax-Exempt Status of the Obligations.*

Section 4. *Requested Approvals.*

# Midpeninsula Regional Open Space District

## Board Policy Manual

<b>Fund Balance Policy in Accordance with GASB Statement No. 54</b>	<b>Policy 3.07 Chapter 3 – Fiscal Management</b>
Effective Date: 11/25/14	Revised Date: 06/27/2018
Prior Versions: 11/25/14, 10/26/16	

### Purpose

The following policy is created and approved by the Board of Directors in order to [1] provide adequate funding to meet the District's short-term and long-term plans, [2] provide funds for unforeseen expenditures related to emergencies such as natural disasters, [3] strengthen the financial stability of the District against present and future uncertainties such as economic downturns and revenue shortfalls, and [4] maintain an investment-grade bond rating. This policy has been developed, with the counsel of the District auditors, to meet the requirements of GASB 54.

This policy identifies the required components of fund balance, the level of management authorized to approve or change target balances in each fund, the amounts that the District will strive to maintain in each fund, and the conditions under which fund balances may be spent, reimbursed and reviewed.

### Policy

The components of District fund balance are as follows:

**Non-Spendable** fund balance includes amounts that cannot be spent either because they are not in spendable form, e.g. prepaid insurance, or because of legal or contractual constraints. At all times, the District shall hold fund balance equal to the sum of its non-spendable assets.

**Restricted** fund balance includes amounts that are constrained for specific purposes which are externally imposed by constitutional provisions, enabling legislation, creditors, or contracts. Individual funds will be identified by the General Manager and Controller and the amounts set based on legal or contractual requirements. Funds may only be spent as specified by contract or as externally directed. The continuing need for each fund and the amount reserved will be reviewed annually.

**Committed** fund balance includes amounts that are constrained for specific purposes that are internally imposed by the District Board of Directors. Individual funds and target amounts will be established by the Board. Committed funds may include but are not limited to: Capital Maintenance, Equipment Replacement, Infrastructure, Natural Disasters, and Promissory Note. Projects to be funded by committed funds require the approval of the Board. The continuing need

for each fund and the amount reserved will be reviewed annually. Any changes require the approval of two-thirds of the Board.

**Assigned** fund balance includes amounts that are intended to be used for specific purposes that are neither restricted nor committed. Such amounts may be assigned by the General Manager if authorized by the Board of Directors to make such designations. Projects to be funded by assigned funds require the approval of the General Manager. The continuing need for each fund and the amount reserved will be reviewed annually.

**Unassigned** fund balance includes amounts within the general fund, which have not been classified within the above categories. The minimum amount of unassigned fund balance is calculated as 30% of the Budgeted General Fund Tax Revenue. This minimum unassigned fund balance is to be held in reserve in consideration of unanticipated events that could adversely affect the financial condition of the District and jeopardize the continuation of necessary public services. Any spending from this minimum general fund reserve requires the approval of the Board. Any such spending will be reimbursed within two years. If such reimbursement exceeds 5% of the Budgeted General Fund Tax Revenue, the Board may decide to limit the reimbursement at 5% and extend the reimbursement period beyond two years, as needed. The minimum reserve amount calculation will be reviewed annually as part of the annual budget process.

The specific reserve funds are as follows:

### **Restricted Funds**

[1] **Retiree Healthcare Plan Fund:** established in 2008 with a \$1.9 million contribution to the California Employers' Retiree Benefit Trust; all withdrawals per Board-approved plan; amount of annual contribution authorized by the Board as part of the annual budget.

[2] **Hawthorns Fund:** established in 2011 with a \$2.0 million endowment from the Woods Family Trust, to provide stewardship funding for the Hawthorns property in Portola Valley; amount to be withdrawn each year authorized by the Board as part of the annual budget.

### **Committed Funds**

[1] **Capital Maintenance Fund:** Implementation of the 2011 Strategic Plan, 2014 Vision Plan, and Measure AA projects will require District assets to be in good working order; annual maintenance costs for existing District assets are anticipated. Funding for such capital maintenance expenditures is not available from general obligation bonds under Measure AA. The General Manager will recommend, and the Board may authorize, an initial reserve amount associated with maintenance of a particular improvement. The amount to be withdrawn each year for the Capital Maintenance Fund will be authorized by the Board as part of the annual budget.

[2] **Equipment Replacement Fund:** Implementation of District projects requires corresponding purchase and replacement of field and office equipment and vehicles. The General Manager will recommend, and the Board may authorize, an initial reserve amount associated with equipment

replacement needs. The amount to be withdrawn each year for the Equipment Replacement Fund will be authorized by the Board as part of the annual budget.

[3] **Infrastructure Fund:** Implementation of the 2011 Strategic Plan, 2014 Vision Plan, and Measure AA projects will require expansion of field and office facilities beginning in fiscal 2016. The amount to be withdrawn each year for the Infrastructure Fund will be authorized by the Board as part of the annual budget.

[4] **Natural Disaster Fund:** The District must be prepared to undertake emergency expenditures required to respond quickly to a major fire, earthquake or flood. The General Manager will recommend, and the Board may authorize an initial reserve amount to prepare for natural disasters. All withdrawals from the Natural Disaster Fund require the approval of the General Manager.

[5] **Promissory Note Sinking Fund:** The District has the Hunt Promissory Note, an interest only loan with a balloon principal payment due in FY2022/23. The General Manager will recommend, and the Board may authorize an initial reserve amount, with annual contributions continuing through FY2022/23. The amount to be withdrawn from the Promissory Note Fund (anticipated in FY2022/23; intended for the principal balloon payment) will be authorized by the Board as part of the annual budget. Once the principal has been paid and the Promissory Note is retired, this paragraph may be administratively removed from the Policy.

### **Assigned Funds**

None

# Midpeninsula Regional Open Space District

## Board Policy Manual

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

### Goals

#### Goal 1. Capital Preservation

The primary goal shall be to safeguard the principal of invested funds. The secondary objective shall be to meet the liquidity needs of the District. The third objective shall be to achieve a return on funds consistent with this Policy. Temporarily idle funds shall be invested in a conservative manner, such that funds can always be withdrawn at, or just above or below, full invested value. Investments that offer opportunities for significant capital gains and losses are excluded.

#### Goal 2. Liquidity

Temporarily idle funds shall be managed so that normal operating cash needs and scheduled extraordinary cash needs can be met on a same day basis. Investments shall be sufficiently liquid to provide a steady and reliable flow of cash to the District to insure that all land purchases can be made promptly (within two weeks).

#### Goal 3. Income

Temporarily idle funds shall earn the highest rate of return that is consistent with capital preservation and liquidity goals and the California Government Code.

### Guidelines

#### 1. Determination of Idle Funds

The Controller shall prepare a cash flow projection prior to all investment decisions involving securities with a term to maturity exceeding one year. This cash flow projection shall be reviewed and evaluated by the General Manager or Chief Financial Officer (CFO). The General Manager or CFO are responsible for approving the Controller's designation of the amount of funds available for investment for longer than one year.

#### 2. Restricted ~~Reserves~~ Monies

[a] MROSD Retiree Healthcare Plan: All funds are to be held by either: the Section 115 Trust California Employers' Retiree Benefit Trust (CERBT) administered by CalPERS,



~~or 2) the Section 115 Trust offered through PARSand managed by CalPERS, as approved by Board Resolution 18-07.~~

[b] Hawthorn Endowment Fund: All funds will be held in a separate account and invested in accordance with this policy.

[c] Debt Service Reserve Funds Held by Bond Trustees: Funds held by such trustees shall be invested in accordance with the bond indenture or other agreement providing for the issuance and management of such debt.

### 3. General Fund Committed Reserves

At least one-half of the total general fund committed reserve requirement shall be maintained, at all times, with the Santa Clara County Pooled Investment Fund (SCCPIF).

### 4. General Fund Un-Assigned ~~Contingency~~ Reserves

In addition to any committed fund reserve requirement, a general fund ~~contingency~~ reserve ~~equivalent to 30% of the current year's budgeted General Fund Tax Revenue per the Fund Balance Policy 3.07 of at least \$10 million~~ shall be maintained, at all times, with the SCCPIF.

### 5. General Obligation Bond Proceeds Held by Fiscal Agent

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

### 6. Non-Invested Funds

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

### 7. Selection of Investments

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

### 8. Investments Instruments and Deposit of Funds

Investments and deposits of funds shall be limited to those allowed by and subject to the procedures of Government Code Section 53600 *et seq.* and 53635 *et seq.* In the event of any conflict between the terms of this Policy, and the Government Code, the provisions of the Government Code shall prevail. Investments shall not be leveraged. Investments, and "derivatives," that offer opportunities for significant capital gains and losses are excluded. If

after purchase, securities are downgraded below the minimum required rating level, the securities shall be reviewed for possible sale with a reasonable amount of time after downgrade. Significant downgrades and the action taken or to be taken will be disclosed in the next monthly report.

9. Maximum Maturity

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

10. Diversification

Investments shall meet the diversification test of Government Code Section 53601.7(c), stating that no more than 5% of the total investment portfolio may be invested in the securities of any one issuer, except for the obligations of the U.S. Treasury or U.S. Government Agencies.

11. Marketability

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

12. Acceptable Banks

Bankers' Acceptances and Negotiable Certificates of Deposit may be purchased only from the District's commercial bank or banks and savings and loan associations with over ~~\$1,000,000,000~~ billion of deposits and reporting profitable operations and which meet all applicable criteria of the Government Code. Certificates of Deposit may be purchased from other banks within Santa Clara and San Mateo Counties which meet all applicable criteria of the Government Code if the principal is fully insured by the Federal Deposit Insurance Corporation.

13. Acceptable Collateral

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

14. Investments in Name of District

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

15. Reporting

The Controller shall submit a report of the District's investment portfolio and security transactions to the Board of Directors by the second Friday of each calendar month in accordance with Government Code Sections 53607 and 53646. Such reports shall also be submitted to the General Manager, CFO and to the District's auditor.

16. Purchase of Securities

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

# Midpeninsula Regional Open Space District

## Board Policy Manual

<b>Debt Management Policy</b>	<b>Policy 3.09</b> <b>Chapter 3 – Fiscal Management</b>
Effective Date: 7/12/2017	Revised Date: N/A
Prior Versions: N/A	

### Purpose

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

### Policy

#### *Article I: Key Participants and Responsibilities*

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

#### *Article II: Debt Limits*

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

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

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

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

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

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

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

### *Article III: Debt Structuring*

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

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

### *Article IV: Debt Issuance*

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

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

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

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

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

#### *Article V: Debt Management*

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

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

#### *Article VI: Controls, Reporting, and Miscellaneous*

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

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

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

*The responsibilities of the Committee include:*

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

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

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

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

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