# *MUNICIPAL WATER DISTRICT OF ORANGE COUNTY*

# *AMENDED AND RESTATED*

# *ADMINISTRATIVE CODE*

**Adopted**
**June 17, 2015**

***Updated: 5/20/20***

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**
**GENERAL PROVISIONS**

**PURPOSE** - The purpose of this Administrative Code is to provide the members of the Board and the District staff with policy statements which define the duties and functions of the Board and District staff, and the procedures by which the work of the District is carried out.

**ADOPTION** - This Code was originally developed and adopted on April 21, 1993 and placed on file in the District office of the Secretary of the District and a restated version was approved on May 18, 2005. Existing Board and/or administrative policies or procedures in conflict with the provisions of this Code were rescinded concurrently with its adoption (June 17, 2015).

**AMENDMENTS** - From time to time changes or additions will be required to this Code to cover changes in procedure or new activities of the District. Such changes or additions shall be approved only by the Board of Directors, at a duly constituted meeting. Revised or new sections will be inserted in this Code and the superseded sections will be deleted.

**DEFINITIONS** - Whenever used in the Administrative Code, the following defined terms shall have the meaning indicated herein:

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| Code | - | means the Municipal Water District of Orange County Administrative Code, unless otherwise specifically defined. |
| MWDOC | | means the Municipal Water District of Orange County. |
| Board | - | means the Board of Directors of MWDOC. |
| President | - | means the President of the Board. |
| Vice President | - | means the Vice President of the Board. |
| Secretary | - | means the Secretary of MWDOC. |
| General Manager | - | means the General Manager of MWDOC. |
| Treasurer | - | means the Treasurer of MWDOC. |
| State | - | means the State of California. |
| MET | - | means Metropolitan Water District of Southern California. |
| Member Agencies | - | means any city, county, water district, county water board, and other entity which receives water from MWDOC, directly or indirectly, the corporate areas of which, in whole or in part, is included in MWDOC. |
| Parliamentarian | - | means MWDOC's Legal Counsel |

## ARTICLE 1
## DISTRICT PLACE OF BUSINESS, SEAL AND LOGO

**Principal Place of Business** - The principal place of business and office of MWDOC shall be located at 18700 Ward Street, Fountain Valley, California, 92708.

**Seal** - MWDOC shall have and maintain a Seal, which shall be circular in form and have engraved on the outer edge of the face the words "Municipal Water District of Orange County" and within the circle the words "Incorporated January 11, 1951." (R6, 5/25/51)

**Logo** - MWDOC shall have an official Logo which shall appear as below, using the colors and font indicated below the image. (Minute action, 11/24/71; M-09/20/17)

Text Blue: Pantone 7693 C / Hex 004976
Orange: Pantone 1375 C / Hex FF9E1B
Blue: Pantone Medium Blue C / Hex 0084CA
Green: Pantone 7739 C / Hex 319B42
Font Used: Franklin Gothic Demi

## ARTICLE 2
## ORGANIZATION AND BOUNDARIES

**Formation of the District** - The Municipal Water District of Orange County was formed under the Municipal Water District Act of 1911 on January 11, 1951, by public election and was annexed to the Metropolitan Water District of Southern California (MET) on November 23, 1951. The District was then called the Orange County Municipal Water District. The Orange County Municipal Water District was changed to Municipal Water District of Orange County (MWDOC) on September 7, 1969. MWDOC consolidated with Coastal Municipal Water District, effective January 17, 2001, expanding its service area to include the Coastal Municipal Water District agencies. The expanded District remained Municipal Water District of Orange County.

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R8, 9, 11, 22, 24,27,18; Ord. 1, 2; Minute action 11/13/51; METRes.4022; LAFCO Action; R1-6, 5/25/51

The District was formed for the purpose of securing annexation to MET to obtain deliveries of imported water for portions of Orange County outside of the then-existing cities of Anaheim, Fullerton, Santa Ana and the area served by Coastal Municipal Water District which were at that time part of MET.

The organization of the Board as required by the Municipal Water District Act of 1911, establishing the offices of the Board, the time and place of meeting, procedures for notification of meetings and the rules for conduct, Roberts Rules of Order, were adopted at the first meeting of the Board on May 25, 1951.

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CA Water Code 71598; R506, 8/17/69, CA Water Code 71610, 71610.5, 71691, CA Water Code 71611, 71612, 71613, 71616

**Functions and Powers –** MWDOC is a Municipal Water District, subject to the provisions of the Municipal Water District Law of 1911. Under the Law, MWDOC has the power to:

1. Acquire, control, distribute, store, spread, sink, treat, purify, reclaim, recapture and salvage any water, including sewage and storm water, and undertake water conservation programs, for the beneficial use(s) of MWDOC, its inhabitants, or the owners of rights to water in MWDOC.

2. Sell or otherwise dispose of potable and nonpotable water under its control, to any persons, public corporations or agencies or other consumers for use within or outside MWDOC's service area, and fix rates therefore.

**Functions and Powers** (Cont'd)

3. Acquire, construct, maintain and operate conduits, pipelines, reservoirs, water works, and other property useful or necessary to store, convey, supply or otherwise make use of water for a water works plant or system for the benefit of MWDOC.

4. Acquire real and personal property of every kind by grant, purchase, gift, devise or lease; exercise the right of eminent domain; and, hold, use, enjoy, lease or dispose of real and personal property.

5. Contract with other public agencies, private corporations or other persons for the purpose of carrying out any of the powers of MWDOC or to finance acquisitions, construction and operations.

6. Restrict the use of water during any emergency caused by drought, or threatened or existing water shortage, and prohibit the wastage of MWDOC water.

7. Disseminate information concerning the rights, properties and activities of the District.

8. Exercise all powers which are expressly granted to municipal water districts, or which are necessarily implied.

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CA Water Code 71691, 71690, 71693, 71720-71725, 71640-71644, 71610.5, 71596, 71590; M-6/17/15

**Mission** - Taking into consideration the reasons the District was formed, its legal powers and its current and projected operations, as well the District's role in county-wide leadership and resource management, the Board of Directors has established that the overall mission of the District is to provide reliable, high-quality supplies from MWD and other sources to meet present and future needs, at an equitable and economical cost, and to promote water use efficiency for all of Orange County.

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M-10/20/10; M-6/17/15

**Service Area** - The original boundaries of the MWDOC were structured in 1951 when MWDOC was formed and have been changed numerous times by annexation and by reorganization. The annexations took place between 1957 and 1983. All annexations to the District have been accomplished by resolutions of the Board of Directors, in accordance with provisions of the California Government Code. The boundaries were expanded in January 2001 (upon the consolidation with Coastal Municipal Water District) to include that portion of the County previously served by Coastal Municipal Water District.

**District Annexation to MET** - The District was annexed to MET on November 23, 1951, and the Certificate of Proceedings was filed with the Secretary of State on November 26, 1951.

**Division Boundaries** - The District consists of seven political divisions, each represented by a Director elected by the voters of the division, generally comprised as follows:

**Division 1:** Cities of Brea, Buena Park and La Habra, and the City of La Palma Water Division, a portion of the Golden State Water Company service area, and Yorba Linda Water District.

**Division 2:** A portion of the City of Garden Grove, Serrano Water District, City of Orange Water Services. East Orange County Water District, a portion of Irvine Ranch Water District, and a portion of City of Tustin Water Services

**Division 3:** Cities of Fountain Valley, Westminster, a portion of the City of Garden Grove, and a portion of the Golden State Water Company service area.

**Division 4:** Cities of Huntington Beach and Seal Beach, and Mesa Water District.

**Division 5:** City of Newport Beach Water Services, El Toro Water District, and a portion of Irvine Ranch Water District.

**Division 6**: Santa Margarita Water District, Trabuco Canyon Water District, a portion of Irvine Ranch Water District, and a portion of City of Tustin Water Services.

**Division 7:** Emerald Bay Service District, Laguna Beach County Water District, Moulton Niguel Water District, City of San Clemente, City of San Juan Capistrano Water Utility, and South Coast Water District.

It is the general policy of the Board to evaluate the division boundaries in coordination with the census data (every ten years) and to best maintain the District's "Community of Interest" as the member agency service areas (water providers as the primary guideline and keeping cities intact as to the greatest extent practicable).

The official map of the division Boundaries is filed with the Orange County Registrar of Voters every election year.

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CA Gov. Code, 56000 et seq., R22; METRes. 4022, CA Water Code 71170, 71250, 71540-71542; Minute action 5/25/51; R1111, 10/28/81; R1308, 6/4/86; R1466, 6/17/92; R1510, 5/18/94; LAFCO Action: 1/17/01; Motion – 2/15/06 (effective 11/7/06); R1926, 3/7/12; M-6/17/15

## ARTICLE 3
## GOVERNING BODY
## BOARD OF DIRECTORS

**Elections** - The District is governed by a seven member Board of Directors who are elected for four-year terms. Elections for Directors are held in November of even-numbered years, with the Directors for Division 1, 2, and 5 elected at one election and the Directors for Divisions 3, 4, 6 and 7 elected at the next election. A candidate for the Board must be a registered voter and a resident of the District and of the Division the candidate wishes to represent.

If, on the 83rd day prior to the day fixed for the general District election, only one person has declared his or her candidacy for each office of Director to be filled at that election, or if no person has filed a declaration of candidacy for any one or more of such offices, and the officer conducting the election has not received a petition signed by ten percent of the voters requesting that the election be held, then the officer conducting the election shall immediately request the Board of Supervisors of the County to make an appointment.

Each candidate for Director who, at the general District election, receives the highest number of votes cast for the candidate for that office is elected as a Director of the District.

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CA Water Code 71250-71256, 71500, 71505, 71270; AB 2182; R5, 5/25/51; Motion - 9/21/94; CA Elections Code 23520; CA Water Code 71503

**Term of Office** - Each Director shall hold office for a term of four years from and after the date of taking office. For Directors elected at the November general election, the term shall commence at noon on the first Friday in December following the election. Directors-elect must take and subscribe their oath of office before assuming office.

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CA Water Code 71252 and 71253; M-6/17/15

**Term of Office: Relocation of Division** - Whenever a change is made in the division boundaries, each Director then in office shall, until that office becomes vacant by expiration of that Director's term or otherwise, continue to be Director for the respective division even though not a resident of the relocated division. The successor shall be a registered voter and a resident of the relocated division.

**Vacancy in Office of Director** - If a vacancy occurs in the office of Director, the remaining Directors shall, within 60 days, appoint a qualified person residing in the division in which the vacancy occurs to hold the office until the next District general election which is 130 days or more after the occurrence of the vacancy or call a special election to be held in the division affected as provided for by law.

If the Board of Directors fails to fill a vacancy or call an election within 60 days, the Board of Supervisors may fill the vacancy or call an election to fill the vacancy. If the Board of Supervisors fails to fill the vacancy or call an election within 90 days of the office becoming vacant, the District shall call an election on the next available election date that is 130 or more days after the vacancy occurs.

Persons appointed to fill a vacancy shall hold office until the next District general election and thereafter until the person elected at such election to fill the vacancy has been qualified. Persons elected to fill a vacancy shall hold office for the unexpired balance of the term of office.

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CA Water Code 71254; Gov. Code 1780

**Oath of Office** - Newly elected or re-elected members of the Board shall take the Oath of Office prior to noon on the first Friday in December following the election. The oath may be administered by the County Elections Official, the District Secretary, their respective designees, or other persons authorized by law to administer oaths such as judges, members of the state legislature, and notaries. Directors appointed to fill an unexpired term shall take the Oath of Office prior to assuming office as a member of the Board. The second paragraph of the oath was invalidated by the California Supreme Court in 1967.

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CA Constitution Section 3, Article XX; *Vogel v. County of Los Angeles (1967) 68 Cal.2d 18;* CA Water Code 71253; Gov. Code 24200; CA Elec. Code 10512; M-6/17/15

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# CHAPTER 1

| **BOARD OBJECTIVES** | **§1000-1002** |
|---|---|

## 1000 PURPOSE/MISSION

The primary mission of MWDOC is to provide reliable, high-quality water supplies from MET and other sources, to meet present and future needs, at an equitable and economical cost, and to promote water use efficiency for all of Orange County. The Board and staff will be guided by a Strategic Plan, Business Plan, Personnel Manual, and Investment Policy, all of which shall be adopted and reviewed by the Board on a periodic basis.

M-10/19/10

## 1001 THE ROLE OF THE BOARD OF DIRECTORS

As MWDOC's legislative body, the Board of Directors is responsible for providing policy-based leadership and strategic governance for the management of MWDOC's organization and operations. Though day-to-day operations are the responsibility of the General Manager, the appropriate level of involvement by Board members pursuant to this Code is critical to MWDOC's leadership. Board Member responsibilities include:

i. Providing guidance to the General Manager in the management of the District.
ii. Reviewing outcomes and metrics of MWDOC operations, programs, policies, and initiatives.
iii. Reviewing agenda and supporting materials prior to board and committee meetings.
iv. Approving MWDOC's annual budget, audit reports, and material business decisions.
v. Staying informed of, and meeting all, legal and fiduciary responsibilities.
vi. Contributing to an annual performance evaluation of the General Manager and Legal Counsel.
vii. Partnering with the General Manager and other board members to ensure that board ordinances, resolutions, and directives are carried out.
viii. Serving on committees and taking on special assignments.
ix. Serving as a representative of MWDOC to stakeholders and external organizations.

M-6/17/15

## 1002 FIDUCIARY DUTIES OF INDIVIDUAL BOARD MEMBERS

As public officials, MWDOC Board members have fiduciary duties to both MWDOC as an organization and the public at large. The Board recognizes its duty to comply with the law and to model ethical and civil behavior for MWDOC's customers, staff, vendors, and the public, as provided in Chapter 7 of this Code and other applicable laws.

### A. Duties to MWDOC

As members of MWDOC's governing board, Board members must always act for the good of the MWDOC as an institution, rather than for the benefit of themselves or other special interests. Board members must exercise reasonable care in all decision making, without placing the organization under unnecessary risk. Pursuant to these duties, Board members shall be obligated to conduct themselves as follows:

(a) Limit official actions to the scope of MWDOC's purpose and authority.

(b) Stay informed about MWDOC's purpose, finances, services, policies, and programs.

(c) Render decisions in good faith, without allowing personal or special interests to prevail over the institutional interests of MWDOC.

(d) Prepare for meetings by reviewing agenda items, contacting appropriate staff through the General Manager, and providing adequate notice of issues that staff should be prepared to address.

(e) Preserve the financial solvency of MWDOC and its ability to serve member agencies, customers, and the general public for the long term.

(f) Ensure that use of MWDOC equipment, supplies, staff time, telephones, computers, and fax machines is limited to official purposes, consistent with District policies, the Fair Political Practices Commission Regulations, and State law.

### B. Duties to the Public

As stewards of the public trust, Board members must also place the interests of the public above their own personal interests. A public official must exercise the powers conferred on him or her with disinterested skill, zeal, and diligence, and primarily for the benefit of the public. The minimum standards of conduct are set forth in the conflict of interest provisions of California Law, including Government Code section 1090, the Political Reform Act, and common law, which are discussed further in Chapter 7 of this Code. Pursuant to these duties, Board members shall be obligated to conduct themselves as follows:

(a) Protect confidential information received during any Closed Session of the District Board held pursuant to State law.

(b) Refrain from discussions that are not properly noticed pursuant to State

law.

(c) Provide impartial and fair treatment of all persons and matters coming before the Board.

(d) Safeguard ability to make independent, objective, fair and impartial judgments by scrupulously avoiding financial and social relationships and transactions that may compromise, or give the appearance of compromising, objectivity, independence, and honesty.

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| **BOARD MEETINGS/COMMITTEE MEETINGS/ PROCEDURES** | **§1100-§1117** |
|---|---|

## §1100 BOARD AND COMMITTEE REGULAR MEETINGS

The Board of Directors of MWDOC shall meet twice monthly. The first meeting shall be a workshop held jointly with the MWDOC MET Directors (Workshop/MET Directors) on the first Wednesday of each month at 8:30 a.m. The second meeting of the Board (or Regular Meeting) shall be held on the third Wednesday of each month at 8:30 a.m. The Workshop/MET Directors meetings are held for the purpose of reviewing and discussing issues pertaining to MET and to develop consensus on positions that impact Orange County. If such meeting dates fall on a MWDOC holiday, the meeting shall be rescheduled for another time determined by the Board.

The Board shall appoint and eliminate Standing Committees (see Sections 1200—1201) as necessary. Standing Committee meetings shall be held on a monthly basis. The dates and times of Standing Committee meetings shall be determined by the Board by the end of February of each year and shall remain fixed for the remainder of the year.

Meetings of the MWDOC Board's Standing Committees are noticed and held as a committee of the whole, where all members of the Board may attend and participate in the discussion.

The Board of Directors shall conduct MWDOC business at regular, adjourned, special, and emergency meetings in compliance with Government Code Section 54950-54962.

R6 - 5/25/51; amended by R31 - 2/11/52; amended by R153 - 3/26/57; amended by R209 - 2/6/61; amended by R338 - 1/22/64; amended by R511 - 11/26/69; amended by R1290 - 3/26/86; R1473 - 12/9/92; R1484 - 3/17/93; Motion - 4/21/93; Motion - 4/20/94; R1540 - 4/19/95; R1612 – 10/21/98; R-1640-3/15/00; R-1651 2/15/01; R-1679 8/15/01; R-1689 3/20/02; R-1699 9/21/02; R-1712 2/19/03; 5/18/05; M-02/15/06; R-1835 6/18/08; R-1859 9/16/09; R-1867 1/20/10; M-6/17/15

## §1101 SPECIAL MEETINGS

In accordance with Government Code Section 54956, special meetings of the Board may be called by the President, or by a majority of the directors, by delivering personally or by U.S. mail, electronic mail, or facsimile, written notice to each member and to all others who requested written notice of meetings. The notice shall be delivered personally or by U.S. mail, electronic mail, or facsimile, and shall be received at least 24 hours before the time of the meeting as specified in the notice. The call and notice shall specify the date, time and place of the special meeting and the agenda items to be transacted. No other business shall be considered at these meetings. The written notice may be dispensed with as to any member who at or prior to the time the meeting convenes files with the MWDOC District Secretary a written waiver of notice. The waiver may be given by U.S.

mail, facsimile and/or electronic email. The written notice may also be dispensed with as to any member who is actually present at the meeting at the time it convenes. Notice shall be required pursuant to this section regardless of whether any action is taken at the special meeting. The call and notice shall be posted at least 24 hours prior to the special meeting in a location that is freely accessible to members of the public.

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R6 - 5/25/51; amended by minute action 6/12/53; M- 4/21/93; M-4/20/94; M-6/17/15

**§1102 WORKSHOP MEETINGS**

Should there be less than a quorum of MWDOC directors present at regularly scheduled workshop meetings, then the Board Meetings shall be adjourned for lack of a quorum and such member or members as are present shall constitute an ad hoc committee of the Board, and the meeting may proceed as a committee meeting solely for the purpose of receiving information. Nothing in this section shall be construed as contrary to Water Code Section 71274 which provides that a majority of Board shall constitute a quorum for transaction of business, and no ordinance, motion or resolution shall be passed to become effective without affirmative vote of a majority of the members of the Board. Should action need to be taken, compliance with Section 71274 is required.

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R1118 - 1/27/82; Motion - 4/21/93

**§1103 EMERGENCY MEETINGS**

Pursuant to Government Code Section 54956.5, in the case of an emergency situation involving matters upon which prompt action is necessary due to the disruption or threatened disruption of public facilities, the Board may hold an emergency meeting without complying with either the 24-hour notice or posting requirement. Emergency situation means a) work stoppage or other activity which severely impairs public health, safety, or both, as determined by a majority of the Board; or b) crippling disaster which severely impairs public health, safety, or both, as determined by a majority of the Board.

All newspapers and radio or television stations that have requested notice of special meetings pursuant to Government Code Section 54956 shall be notified by the President or his/her designee one hour prior to the emergency meeting, or, in the event of a dire emergency, at or near the time the members of the Board are notified. Notice shall be by telephone, and all telephone numbers provided in the most recent request for notification shall be exhausted. In the event that telephone services are not functioning at the time notice would otherwise be given, the notice requirements of this section are waived. In this event, those who have requested notice of special meetings pursuant to Government Code Section 54956 shall be notified of the emergency meeting, the purpose of the meeting, and any action taken at the meeting as soon after the meeting as possible. Except for the 24-hour notice and posting requirements, the requirements for Special Meetings set forth above in Section 1101 shall apply. The minutes of an emergency meeting called pursuant to this section, a list of persons notified or attempted to be notified, a copy of the roll call vote, and any actions taken shall be posted for a minimum of 10 days in a public place as soon after the meeting as possible.

During a meeting held pursuant to this section, the Board may meet in closed session

pursuant to Section 54957 if agreed to by a two-thirds vote of the members of the Board present, or, if less than two-thirds of the members are present, by a unanimous vote of the members present. (Government Code Section 54956.5(c)). With the exception of the 24-hour notice requirement, all requirements applicable to a special meeting under Section 1101 shall apply to meetings under this section.

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4/21/93; Motion 4/20/94; Gov. Code 54956.5; M-6/17/15

**§1104 NOTICES OF MEETINGS**

Pursuant to Government Code Section 54954.1, notice of the regular meetings of the Board and any special meeting of the Board which is called at least one week prior to the date set for the meeting shall be mailed to any person who has filed a written request for the notice with the District Secretary. Such notice shall be mailed not later than the time the agenda is posted pursuant to the provisions of this Administrative Code or upon distribution of the agenda to a majority of the Board, whichever occurs first.

Any request for notice filed pursuant to this section shall be valid for one year from the date on which it is filed unless a renewal request is filed. The failure of any person to receive the notice given pursuant to this section shall not constitute grounds for any court to invalidate the actions of the Board for which the notice was given.

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Motion – 4/21/93

**§1105 MEETINGS OPEN TO PUBLIC**

Pursuant to Government Code Section 54953, all meetings of the Board and standing Committees shall be open and public, and all persons shall be permitted to attend any meeting, except Closed Sessions held in accordance with law.

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Motion – 4/21/93; Motion – 7/16/97;

**§1106 PLACE OF MEETINGS**

Meetings of the Board, unless otherwise specified in the notice, shall be held at the Offices of Municipal Water District of Orange County.

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R6 - 5/25/51; amended by R21 - 8/27/51; amended by R53 - 9/14/53; amended by R206 - 1/18/61; amended by R511 - 11/26/69; amended by R551 - 1/27/71; amended by R800 - 5/25/77; R1290 - 3/26/86; Motion - 4/21/93; M-6/17/15

**§1107 CLOSED MEETINGS**

Prior to holding any closed session, MWDOC's Legal Counsel shall disclose the item(s) to be discussed in the closed session and provide such other information required by law. The disclosure may take the form of a reference to item(s) as they are listed by number or letter on the agenda. In the closed session, the Board may consider only those matters covered in its statement. After any closed session, the Board shall reconvene into open session and report any action(s) taken and the vote or abstentions of the Board as required by Government Code Section 54957.1.

Matters discussed or documents presented in closed sessions shall be kept confidential to the extent permitted under Government Code Section 54950 et seq and the Public Records Act. Any Director who has not attended a closed session and wishes to be advised of the content of the session may inquire of any Director who attended the closed session. The Director contacted may advise the inquiring Director of the content of the session. The advised Director shall not disclose any matters discussed in closed session without the prior authorization of the Board of Directors.

Motion - 4/21/93; Motion - 4/20/94;

**§1108 ADJOURNED MEETINGS**

Pursuant to Government Code Section 54955, the Board may adjourn any regular, adjourned regular, special or adjourned special meeting to a time and place specified in the order of adjournment. If a majority of the Board are not present for any regular or adjourned regular meeting, the District Secretary may declare the meeting adjourned and shall cause a written notice of the adjournment to be given in the same manner as provided in Government Code Section 54956 which shall be posted in a location that is freely accessible to members of the public within 24 hours after the time of the adjournment.

Motion - 4/21/93;

**§1109 MINUTES OF MEETINGS**

Minutes of regular and workshop Board meetings, consisting of topics discussed and actions taken, shall be prepared and mailed to each Director prior to the next regular or workshop Board meeting. Such minutes shall not include the text of ordinances and resolutions adopted, which shall be recorded in separate volumes by the District Secretary. Minutes approved by the Board shall be kept at MWDOC's offices. Minutes of Board meetings shall be posted on MWDOC's website and sent to those who request hard copies.

Audio and video recordings of Board and Committee meetings, if created by the District, may be erased or destroyed after approval of minutes of said meetings and not less than 30 days after the meeting.

Minute action - 6/11/51; Minute action - 7/3/51; Minute action - 8/17/51; Minute action - 11/9/53; Minute action -1/8/64; Minute action - 4/15/64; Minute action -8/16/67; Minute action 5/27/79; Minute action - 11/25/81; Motion - 4/21/93; Motion - 4/20/94;Gov. Code 549535(b); M-6/17/15

## §1110 AGENDA OF BOARD AND STANDING COMMITTEE MEETINGS

At least 72 hours before a regular meeting, the District Secretary or designee shall post an agenda containing a brief general description of each item of business to be transacted or discussed at the meeting, including items to be discussed in closed session.

The agenda(s) shall specify the time and location of the regular meeting and shall be posted in a location that is freely accessible to the public and to MWDOC's website. No action shall be taken on any item not appearing on the posted agenda, unless the Board or Committee determines any of the following exist:

1. Upon a determination by a majority vote of the Board or Committee that an emergency situation exists, as defined in Government Code Section 54956.5; or

2. Upon a determination by a two-thirds vote of the Board or Committee, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the Board or Committee subsequent to the agenda being posted; or

3. The item was posted for a prior meeting of the Board or Committee occurring not more than five calendar days prior to the date action is taken on the item, and at the prior meeting the item was continued to the meeting at which action is being taken.

The Board or Committee agenda shall provide an opportunity for members of the public to address the Board or Committee on matters on the agenda or that are within the subject jurisdiction of the Board or Committee.

Motion - 4/21/93; Motion - 4/20/94; Motion – 7/16/97; M-6/17/15

## §1111 MEETING CONSENT CALENDAR

The agenda for the regular meetings of the Board shall contain a Consent Calendar to expedite Board consideration of routine matters so as to enable the Board to devote added time to other matters. The Consent Calendar will not be discussed, but will be approved by a single motion unless individual consideration is requested by members of the Board, staff or public. Matters which may be included on the Consent Calendar are as follows:

1. Minutes of Board Meetings
2. Financial Reports
   a. disbursement schedule
   b. financial disbursement resolutions
   c. monthly financial statements
3. Committee Meeting Reports
4. Memberships (new and renewal)
5. Associations (new and renewal)
6. Conference Attendance Requests

7. Routine Administrative Matters
8. Any other matters recommended by a Committee to be included on the Consent Calendar.
9. Any items that are unanimously approved by a Committee, unless otherwise required by law

Matters for the Consent Calendar shall be submitted to the District Secretary prior to the meeting of the Board and pertinent materials sufficient to enable a member to formulate an opinion on each Consent Calendar item shall be included with the agenda mailed to Directors. Matters requiring a roll call vote or a vote other than a simple majority will not be placed on the Consent Calendar.

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M-4/21/93; M-6/17/15

## §1112 AVAILABILITY OF AGENDA AND OTHER WRITINGS DISTRIBUTED AT PUBLIC MEETINGS

The District Secretary upon request shall make available to the public, without delay, copies of public meeting agendas and other writings when distributed to all or a majority of the members of the Board in connection with any matter subject to discussion or consideration at a public meeting. This does not include any writings that are exempt from public disclosure under Sections 6253.5, 6254 or 6254.7 of the California Public Records Act (Government Code Section 6250 et seq). Written material which is public record and which is distributed during a public meeting shall be made available for public inspection at the meeting if prepared by the MWDOC staff or a Board member or after the meeting if prepared by some other person or as soon thereafter as practicable.

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M-4/21/93; 4/20/94

## §1113 LEGAL REPRESENTATION AT MEETINGS

MWDOC's Legal Counsel shall be present at any regular meetings of the Board of Directors upon request of the Board President or the General Manager.

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M-4/21/93; M-6/17/15

## §1114 QUORUM OF BOARD

A majority of the Board shall consist of four members of the Board and shall constitute a quorum for the transaction of business at a Board meeting. Any ordinance, motion or resolution shall become effective with the affirmative vote of a majority of the members of the full Board only at a regular, special, adjourned, or emergency Board meeting.

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Motion - 4/21/93; Motion – 7/16/97; Motion – 5/2005

## §1115 ACTIONS OF BOARD

The Board shall act only by ordinance, resolution or motion. No action shall be taken by secret ballot. On all ordinances and resolutions and actions taken in closed session, the roll shall be called and the ayes, noes, abstentions and absences recorded in the journal of the proceedings of the Board. Motions may be adopted by voice vote, along with each Board member raising a hand in support, opposition, or abstention, but on demand of any member of the Board, the roll shall be called. Votes of the members of the Board shall not be cast or exercised by proxy. Every member of the Board shall have one vote. The President of the Board or the President Pro Tempore shall have the right to participate in and vote upon any question before the Board, provided that he or she is not barred by a conflict of interest or other legally imposed disability.

R6 - 5/25/51; Motion - 4/21/93; Motion - 4/20/94; M-6/17/15

## §1116 PUBLICATION/POSTING OF ORDINANCES

At least ten days prior to the Board meeting at which a proposed ordinance or amendment to an existing ordinance is to be adopted, a copy of the full text thereof shall be posted in the MWDOC office and mailed or electronically emailed to each of MWDOC's Member Agencies. Within ten days after adoption of the ordinance or amendment, MWDOC shall publish for one day, in a newspaper of general circulation, either the full ordinance or a summary thereof with the names of Board members voting for and against the ordinance or amendment. At the same time, a certified copy of the full text along with the names of Board members voting for and against the ordinance or amendment shall be posted in MWDOC'S offices for not less than ten (10) days. Water service ordinances considered and adopted pursuant to Section 1117 below are excepted from the procedures set forth in this Section.

Motion - 6/16/93; Motion 4/17/02; 6/17/15

## § 1117 POSTING/MAILING OF WATER SERVICE ORDINANCE AND WATER RATES RESOLUTION

MWDOC must establish its water rates on an annual basis and these rates shall take effect July 1st of each year. The classes and conditions of water service shall be established by Board Ordinance and water rates for the various classes of water service and other fees and charges shall be established by Resolution. At least ten days before the adoption of an Ordinance establishing classes and conditions of water service or a Resolution setting rates and other fees and charges, the General Manager shall provide written notice (U.S. mail or electronic email) that the Board will consider adoption of the Ordinance and/or Resolution at a Board meeting to be held on a specified date, along with a copy of the proposed Ordinance and/or Resolution, to each of the MWDOC's Member Agencies. Within ten days after the adoption of the Ordinance and/or Resolution, MWDOC shall provide written notice (U.S. mail or electronic email) of the adoption of the Ordinance and/or Resolution to its Member Agencies, along with a copy of the adopted Ordinance and/or Resolution. At the same time, a certified copy of the full text of the Ordinance and/or Resolution, along with the names of the Board members voting for and against the Ordinance or Resolution shall be posted at MWDOC's offices for not less than

ten (10) days. This section shall apply to amendments to any ordinance establishing classes and conditions of water service or resolution setting water rates then in effect.

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M – 4/17/02; M-6/17/15

| **COMMITTEES** | **§1200-§1211** |
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## §1200 ESTABLISHMENT OF COMMITTEES

The Board, at its discretion, may create Standing and Special (Ad hoc) Committees for the purpose of studying, reviewing and making recommendations concerning certain operations or subjects of interest to the Board and meeting with other persons or entities on the Board's behalf. Except for ad hoc advisory committees composed solely of less than a quorum of the Board, and which do not have continuing subject matter jurisdiction or meetings scheduled by the Board, the meetings of all committees created by formal action of the Board shall be open and public and shall comply with the requirements of the Brown Act. The general function and areas of concern for each Committee shall be defined. Committees will meet on a monthly basis or as needed basis.

Standing and Special Committees are responsible for reporting their findings and making recommendations to the Board of Directors. Committees are not empowered to act for the Board, however meetings of MWDOC's Standing Committees are noticed and held as committees of the whole, where all members of the Board of Directors may attend and participate in the discussion. On certain occasions, a Committee meeting may be adjourned and held as a full Board meeting to take action, with the appropriate noticing requirements met.

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M-6/17/15

## §1201 STANDING COMMITTEES

Standing Committees shall be formed for the purpose of considering, studying, reviewing and making recommendations to the Board on matters and subjects within the Committee's area of concern and shall be composed of any three members of the Board, with the exception of the Executive Committee which shall be composed of the President, Vice President, and the immediate past President. The President of the Board shall act as non-voting ex officio member of each Standing Committee. If the Committee Chair requests that the President serve as an alternate Committee member for a member of the Standing Committee who is absent (pursuant to Section 1204), the President may vote in the capacity of the alternate Committee member. The President of the Board may also participate as a voting member of a Standing Committee to give the casting vote in the case of a tie.

The Standing Committee of the Board of Directors are:

Executive Committee
Administration & Finance Committee
Planning & Operations Committee
Public Affairs & Legislation Committee

Rev. by Resolution No. 1707 - 1/15/03; Motion – 1/21/04; Motion – 02/15/06; M-04/19/06; M-02/15/12; M-6/17/15

**§1202 APPOINTMENTS**

The Board President, by the end of January of each year, shall recommend to the Board, the appointment of members of its Standing Committees (Executive, Administration & Finance, and Planning Operations; Public Affairs & Legislation, and MWDOC/OCWD Joint Planning Committee) as well as establish the dates and times of the Committee meetings. The Board shall also review and establish Special Committees as appropriate and consider the appointment of members thereto. Members, including the Committee Chairs, shall be appointed to the Standing and Special Committees by the President and ratified by Board action. The President of the Board shall act as a non-voting member of each Standing Committee. In the event, during the Committee term, a vacancy occurs on any Committee, or the restructuring of a Committee is necessary, the President shall appoint a replacement(s) to that Committee and such replacement(s) appointment(s) shall be ratified by the Board.

Upon approval of these appointments, the District Secretary shall prepare and post on the District's website, Fair Political Practices Commission (FPPC) Form 806 outlining all Director appointments. This form is used to report additional compensation that officials receive when appointing themselves to positions on committees, boards, or commissions of another public agency or to a committee or position of the agency of which the public official is a member. This form is required pursuant to FPPC Regulation 18705.5. Each agency must post on its website a single Form 806 which lists all the paid appointed positions to which an official will vote to appoint themselves. When there is a change in compensation or a new appointment, the Form 806 is updated to reflect the change. The form must be updated promptly as changes occur.

Motion - 5/15/85; Rev. 2/4/87; Motion - 4/20/94; Motion 2/19/97; RES. No. 1707 1/15/03; Motion – 02/15/06; M-04/19/06; M-6/17/15; M-2/15/17

**§1203 COMMITTEE MINUTES**

The minutes of Standing Committee meetings shall be in writing and presented to the Board at its regular monthly meeting.

Motion - 4/21/93; Motion - 4/20/94;

**§1204 ALTERNATE COMMITTEE MEMBERS**

Whenever any member of a Committee is absent from a Committee assignment, any member of the Board may be requested to serve as alternate Committee members and shall be entitled to vote as a regular Committee member. The Committee Chair shall determine who the alternate Committee members shall be.

M-4/21/93; M-1/21/04; M-6/17/15

## §1205 SPECIAL MEETINGS

Special meetings of any Committee shall be called upon order of its Chairman and duly noticed as required by Government Code section 54950 et seq.

Motion - 4/21/93; Motion - 4/20/94;

## §1206 EXECUTIVE COMMITTEE

**PURPOSE**: The Executive Committee shall study, advise, and make recommendations with regard to policies and procedures to be considered by the Board; questions raised by members of the Board and staff between meetings of the Board and in unexpected situations and emergencies and other matters as may be required.

The Executive Committee shall review the draft Standing Committee agendas. Any substantive changes to the agendas subsequent to the review by the Executive Committee shall be approved by the Committee Chair.

The Executive Committee shall consist of the President, Vice President, and the immediate past President.

Motion - 8/6/86; Motion - 2/4/87; Motion - 4/21/93; Motion - 4/19/95; Resolution No. 1707 1/15/03; Motion – 1/21/04; M-6/17/15

## §1207 ADMINISTRATION & FINANCE COMMITTEE

**PURPOSE**: The Administration & Finance Committee shall study, advise and make recommendations with regard to the form of MWDOC's organization and the flow of authority and responsibility; the classification of positions, job duties, salaries, and salary ranges; matters affecting wages, hours, pension plans and other employee benefits, policies and rules regarding employment, discipline and discharge; selection of management, personnel, auditors, financial and insurance consultants and the determination of the scope of their assignments; the terms and conditions of employment of all consultants, advisors, and special counsel; individuals to serve in positions requiring Board approval; and proposed amendments to the MWDOC Act affecting the organization and personnel policies as well as the finance and insurance functions of MWDOC. The Committee shall also study, advise and make recommendations with regard to the preparation of budgets; sale of bonds and borrowing and repayment of money; disposition and investment of funds; authorization of appropriations; revenues to be obtained through sale of water; financial impact and requirements of policies concerning annexation; financial aspects of MWDOC's risk management program; questions pertaining to insurance coverage; reports of auditors and financial statements; form and contents of accounts; financial reports and financial statements. The Administration & Finance Committee shall provide oversight for any legal matters affecting MWDOC within the Committee's scope of interest and responsibility.

Motion - 4/21/93; Motion 2/19/97

## §1208 PLANNING & OPERATIONS COMMITTEE

**PURPOSE**: The Planning & Operations Committee shall study, advise and make recommendations with regard to plans, specifications and bids; the initiation, scheduling, contracting, and performance of construction programs and work, and the equipment or materials to be used, replaced, disposed of, or salvaged; operation, protection, and maintenance of the facilities required for the delivery of water; the providing of storage and distribution facilities and connections for the delivery of water; construction claims; the selection of engineering and geologic consultants and the determination of the scope of their assignments; functions relating to the Water Emergency Response Organization of Orange County (WEROC); and proposed amendments to the MWDOC Act affecting the engineering and operations functions of MWDOC.

Motion - 4/21/93; Motion - 4/20/94; Motion - 4/19/95; Motion - 2/19/97

## §1209 PUBLIC AFFAIRS & LEGISLATION COMMITTEE

The Committee shall study, advise and make recommendations with regard to policies and practices and means of disseminating MWDOC information; copy or content of MWDOC public information projects; selection and compensation of public information consultants; budget allocations for public information; review or develop legislation and MWDOC position regarding support of or opposition to legislation; develop legislative policy principles and priorities, including key proposals to be presented to legislator(s) and/or legislative staff; MWDOC relationships with other governmental agencies or bodies; other matters related to or involving other governmental and/or regulatory agencies; any legal matters affecting the MWDOC within the Committee's areas of interest.

Motion – 02/15/06; M-04/19/06; M-6/17/15

## §1210 MWDOC/OCWD JOINT PLANNING COMMITTEE

The Committee shall study, advise, and make recommendations with regard to policies and practices of joint interest to OCWD and MWDOC; discuss MET policies and programs as they relate to OCWD; and discuss other items as necessary for efficient coordination between imported and local OCWD supplies.

## §1211 SPECIAL COMMITTEES

Special (Ad Hoc) Committees may be established by an action of the Board for the purpose of considering, studying, reviewing and making recommendations to the Board on specific matters and shall be terminated when its task is completed. A Special Committee may, at the direction of the Board, meet with certain individuals or entities and report its findings to the Board for its consideration. Special Committees shall be composed of no more than three members of the Board. Members shall be appointed to Special Committees by the President and ratified by Board action.

Motion - 5/15/85; Rev. 2/4/87; M-02/15/12

| **BOARD OFFICERS AND EMPLOYEES** | **§1300-§1309** |
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## §1300 ESTABLISHMENT OF BOARD OFFICES

There shall be one office of President, and one office of Vice President. Directors may serve concurrently as either President or Vice President of MWDOC and as an appointee from MWDOC to the Board of Directors of MET.

R2 - 5/25/51; R6 - 5/25/51; R-1729 – 1/21/04; M-6/17/15

## §1301 TERMS OF OFFICE; ELECTION OF BOARD OFFICERS; APPOINTMENT OF MWDOC OFFICERS

The President and Vice President of the Board shall serve one-year terms and shall be elected to such term by the members of the Board at its first Regular Board meeting in December of each year. Nominations will be taken from the floor and a roll call vote of the Directors shall be the method for electing President and Vice President. If the President is absent or unable to act, the Vice President shall perform the duties of the President.

The Board shall appoint, by majority vote, at its pleasure, a Secretary, Treasurer, Legal Counsel, General Manager and Auditor and shall define their duties and fix their compensation. At its first regular meeting in December of each year, the Board shall appoint the Secretary, Treasurer, and Legal Counsel. The Board may also appoint a Deputy Secretary and Deputy Treasurer. Each of these officers shall serve at the pleasure of the Board. The Auditor shall serve a term no longer than five (5) years.

R1 - 5/25/51; Minute action - 8/13/51; Motion - 8/17/51; R33 - 5/12/52; Motion - 1/12/53; R66 - 5/10/54; Motion - 1/10/55; R 119 - 4/9/56; R160 - 5/7/58; R26 - 9/11/59; R188 - 4/6/60; R324 - 11/6/63; Motion 5/18/66; R452 - 1/18/67; Motion - 1/15/69; R631 - 1/24/73; R751 - 1/28/76; R746 - 11/26/76; R851 - 4/4/78; Minute action - 9/23/81; Minute action & R1156, R1157 - 1/26/83; R1192 - 8/83; R1231 - 5/23/84; R-1729 – 1/21/04; M-02/15/17

## §1302 VACANCY IN OFFICE

Whenever a vacancy occurs in the offices of President or Vice President during a term of office, the Board shall elect one of its members to serve the unexpired term.

R324 - 1/6/63; R-1729 – 1/21/04

## §1303 DUTIES AND POWERS OF PRESIDENT

The President of the Board of Directors shall be the presiding officer and shall preserve order and decorum at all MWDOC meetings. The President shall appoint (with ratification by the Board) all standing, special, and ad hoc committees (including the Committee Chair persons). In the absence of the President, Vice President shall act as President. In the absence of the President and Vice President, the immediate past President(s) shall act as President, and in the absence of any immediate Past President(s), the Secretary acts as President until the Board selects one of its members President Pro Tempore, who shall have all of the Board powers of the President during the continuance of the meeting as well as during the absence of the President.

R6 - 5/25/51; R-1729 – 1/21/04; M-6/17/15

## §1304 DUTIES AND POWERS OF VICE PRESIDENT

In the absence or disability of the President, the Vice President shall perform all of the duties of the President.

R452 - 1/18/67; R631 - 1/24/73; R-1729 – 1/21/04

## §1305 DUTIES OF SECRETARY

The Secretary shall post all notices and agendas required by law, shall keep a record of all proceedings had at meetings of the Board, and shall be custodian of the MWDOC Seal and all documents pertaining to MWDOC affairs. In accordance with California Code of Regulations, Title 2, Section 18227, the Secretary shall serve as filing officer or filing official, responsible for receiving, forwarding or retaining statements of economic interest or campaign statements. The Secretary, in addition to the duties imposed by law, shall perform such duties as may be assigned by the Board. The Board may appoint one or more Deputy Secretaries. Under the direction of the Board and the Secretary, each such Deputy Secretary shall assist the Secretary in performance of the Secretary's duties, and shall perform such other duties as provided by the Board.

Motion - 4/20/94;

## §1306 DUTIES OF TREASURER

The Treasurer and/or such other persons as may be authorized by the Board, shall invest and monitor MWDOC funds and draw checks or warrants to pay demands when such demands have been audited and approved in the manner prescribed by the Board. The Board may appoint one or more Deputy Treasurers or Alternate Deputy Treasurers who shall perform the duties of the Treasurer in the absence of the Treasurer.

R1166 - 3/23/83; R1277 - 12/18/85; R1429 - 1/16/91; R1434 - 4/3/91; Motion 4/21/93;

## §1307 GENERAL MANAGER

a. Powers and Duties of the General Manager

The Board employs a General Manager to carry out its policies, manage MWDOC operations and provide day-to-day supervision of MWDOC employees and control of MWDOC expenditures, and the Board has determined that clear delineation of the General Manager's authority is essential to effective MWDOC management. The General Manager may appoint a designee to act on his behalf in cases of his temporary absence.

Specifically, the Board delegates to the General Manager or his designee the authority to:

1) make and carry out management decisions in conformity with Board-established MWDOC policies;

2) employ, terminate, assign duties to, and direct the day-to-day activities of all MWDOC employees consistent with California law and the policies and procedures set forth in the MWDOC Personnel Manual. The Board retains authority to employ, terminate, and assign duties to the General Manager, Secretary, Treasurer, and Legal Counsel. The Board retains authority to establish salary ranges for all employees, and to authorize employee travel on MWDOC business outside the State of California;

3) establish MWDOC employee job classifications and descriptions, subject to periodic review of overall personnel utilization by Board. The Board retains authority to control overall staffing levels by setting number of authorized positions;

4) direct activities of contractors performing services for MWDOC including the authority to retain, define the scope of efforts of, and dismiss consultants;

5) manage MWDOC financial operations, oversee the investment of MWDOC funds and assure MWDOC funds are expended in conformity with Board-approved budgets and applicable laws. Annual budget shall be proposed in form and at level of detail as determined by Board. Upon Board approval of budget, General Manager shall have authority to commit budgeted funds for purposes and up to limits authorized for each budget category. When not authorized by the budget, the General Manager shall seek specific authorization from the Board to expend budgeted sums in excess of $25,000 for any contract or purchases except as otherwise authorized in Exhibit A (Section 8000); General Manager shall review budget status quarterly with Board, and shall propose corrective action if revenues or expenditures vary materially from budget. The General Manager shall have the authority to move budgeted funds within and between cost centers, however the General Manager must notify the Board when moving funds between cost centers. Board approval is required to move funds from Choice to Core budget items, between Choice programs, and to re-allocate grant funding. Unless the movement of Choice funds is deemed to be an emergency, Member Agencies

shall be notified and have the opportunity to comment on the proposed action at both a MWDOC Committee and Board meeting.

6) expend non-budgeted funds to meet an emergency which adversely affects, directly or potentially, ability of MWDOC to perform its services; which puts MWDOC property or personnel in jeopardy; or which may jeopardize health or property of the community or its residents. General Manager shall determine that an emergency exists and shall inform Board of the emergency, at the earliest opportunity, the steps taken and expenditures incurred to meet it;

7) propose and carry out, upon Board approval, MWDOC management objectives and plans;

8) Board retains to itself, sole authority to accept and convey, on behalf of MWDOC, real property or real property rights, and water and capacity rights.

b. Rights and Benefits of General Manager

Unless otherwise set forth in this Administrative Code, the employment rights and benefits for the General Manager are limited to those enumerated in the General Manager's written employment contract with MWDOC. No employment rights or benefits for the General Manager are contained in the MWDOC Personnel Manual.

c. Compensation of General Manager

The salary of the General Manager shall be fixed at a flat rate set by the Board of Directors upon recommendation by the Executive Committee. Merit increases will be instituted in accordance with the approved Pay Increase Guidelines included in the Board Performance Evaluation Policy.

d. General Manager’s Evaluation Process

The General Manager’s evaluation process shall be in accordance with the Board Performance Evaluation Policy, as follows:

- On a quarterly basis the General Manager is expected to report on progress in attaining goals
- The performance appraisal will cover the prior fiscal year period of July 1 to June 30
- The performance appraisal is completed in July
- A mid-year update may be conducted in January of each year
- The Board shall conduct the appraisal interview with the General Manager in closed session

Specific details on the evaluation process is included in the Board Performance Evaluation Policy regarding Evaluation of the General Manager and can be obtained from the District Secretary and Human Resources.

R1201- 8/24/83; Motion - 4/21/93; Motion – 11/25/96; Motion 5/18/05; Motion 4/18/12; M-6/17/15; M-01/15/20; M-052020

**§1308 DUTIES OF LEGAL COUNSEL**

The Legal Counsel shall be the legal adviser of MWDOC and shall perform such duties as may be prescribed by the Board. The Legal Counsel shall serve at the pleasure of the Board, and shall be compensated for services as determined by the Board.

Motion - 4/21/93;

**§1309 DUTIES OF AUDITOR**

The Board shall appoint by majority vote, an Auditor, and shall determine the duties and compensation. The auditor shall serve a term no longer than five (5) years.

M-5/05; M-6/17/15

| **MWDOC DIRECTORS** | **§1400-§1405** |
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## §1400 DIRECTORS' COMPENSATION

Members of the Board shall be compensated in line with the most recently adopted Ordinance on Board compensation, in compliance with any compensation increase permitted by State law (Water Code § 20200 et seq.), as may be amended from time to time. Members of the Board shall submit a Compensation Voucher complying with the submittal timelines described under Section 2206 of this Code. The Compensation Vouchers shall be approved by the Board President. In the absence of the Board President, any member of the Executive Committee or Administration & Finance Committee may approve the Compensation Vouchers.

So that they may devote as much time as is necessary or beneficial to the full performance of their roles, such compensation shall be paid for each day's attendance at meetings of the Board, its Committees, and other functions deemed necessary and approved or ratified by the Board. Attendance at all meetings/conferences require Board approval or ratification except those meetings outlined in Section 1403 (meetings that do not require prior Board approval or ratification). The maximum number of days for which a Director may receive compensation shall not exceed ten in any calendar month.

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R724 - 7/23/75; R1242 - 10/24/84; Ord. 33 - 1/22/86; Ord. 38 - 3/7/90; Ord. 40 -12/9/92; R1472 - 12/9/92; R1504 - 2/16/94; R1524 - 12/21/94; 11/15/95; R1552 – 1/17/96; R1572 – 12/18/96; Motion – 9/16/98; Motion – 6/16/99; Ord. 47- 4/18/01; Motion – 8/15/01; Motion – 9/19/01; Motion – 4/16/03; M-6/17/15; Ord. 54 -- 4/17/19

## §1401 DIRECTORS BENEFITS

Board members are eligible to participate in any health and welfare benefit provided by MWDOC pursuant to Government Code Sections 53200(d) and 53201 and 53208 and in the Directors' pension plan. Directors are not eligible to participate in the CalPERS retirement benefit.

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Motion - 2/6/91; Motion - 3/16/94; Motion – 7/16/97; Motion – 4/16/03; Motion 4/21/10

## §1402 DIRECTORS LEAVING STATE

Pursuant to Government Code Section 1062, Board members shall seek consent of the Board for absences from the State of more than 60 days and shall notify the Secretary of the Board of such request at least 7 days prior to the meeting of the Board, when possible. The Secretary shall place the request on the Consent Calendar of the agenda of the Board for its consideration. In the event there is insufficient time for the Director to provide said request or there is insufficient time to agendize said request prior to the departure of the Director, the Secretary shall notify the President and Vice President and agendize the matter for consideration by the Board as soon as possible. Directors are requested to notify the Secretary of expected absences from the State of less than 60 days at least 3 days prior to departure when possible. Board members traveling outside the United States and to locations within the United States that do not have facsimile access, shall execute a Waiver of Notice of Special Board Meetings effective for the duration of the Directors absence.

The Secretary shall notify the Board, to the extent possible, when a majority of the Board will not be available for the transaction of MWDOC business due to absence from the State.

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R1252 - 1/23/85; Rev. 6/16/99; Motion – 4/16/03

## §1403 DIRECTORS ATTENDANCE AT OTHER MEETINGS

It is recognized that each member of the Board expends a considerable amount of time and effort serving on committees and attending meetings. While the MWDOC and its Directors derive great benefit through participation in various meetings, Directors' attendance at conferences, conventions, workshops, seminars, etc. outside the MET service area requires prior authorization of the Board. Additionally, any registration exceeding $500 also must have prior authorization of the Board. Expenses incurred that do not meet the above criteria require Board ratification before expenses can be approved. Without approval or ratification of the Board, such expenses will not be reimbursable.

Attendance is authorized without prior authorization of the Board, at the following meetings, but shall be monitored by periodic Board review. Directors may attend, without prior Board approval, association board, council and committee meetings as necessary, if the Director has been appointed to a specific board, council or committee or association.

Additional meetings that do not require prior approval or ratification of the Board (to be eligible for per diem compensation and expense reimbursement) include attendance at:

- MET Board and Committee meetings
- Water-related Inspection Trips
- Member Agency Board and Committee meetings
- Meetings with members of the boards, city councils, or management staff of MET and agencies within Orange County regarding water-related issues
- Meetings with legislators and/or legislative staff
- Independent Special Districts of Orange County (ISDOC) meetings

- Meeting with elected officials and/or the elected official's staff
- Meetings with representatives of bureaucracies at the local, state, and regional levels
- Water Advisory Committee of Orange County (WACO) meetings
- Orange County Water Association Meetings
- Educational and compliance training
- Other MWDOC or water-related meetings

In accordance with AB 1234, each Director shall provide a brief report (oral or written) on meetings attended at the expense of the District, at the next monthly Board meeting.

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Motion - 4/21/93; Motion – 6/16/99; Motion – 4/16/03; M-6/17/15

## §1404 DIRECTOR PARTICIPATION IN MEETINGS VIA TELECONFERENCE

Directors may attend MWDOC Board and Committee meetings via teleconference provided the meeting has been duly noticed as a teleconference meeting and complies with the Ralph M. Brown Act. For the purposes of establishing a quorum of the Board, the Director participating in the meeting by teleconference must be participating from a location within the jurisdictional boundaries of MWDOC. A Director is entitled to vote from a teleconference location, and shall be eligible for compensation. All voting shall be done by roll call when a Director is teleconferencing.

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Gov. Code 71255 and 53232.1; M-6/17/15

## §1405 DIRECTOR AUTHORIZATION TO TRAVEL

Travel outside of California on MWDOC-related business by MWDOC Directors shall be undertaken upon the approval of the Board. Exceptions to this rule are MET or MWDOC sponsored inspection trips.

When it is necessary for the General Manager and/or Directors to travel outside California but not possible to receive Board approval prior to travel dates, the General Manager may approve travel outside California for himself and/or members of the Board.
Please see §2300-2303 for Travel guidelines.

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Rev. 6/16/99; Motion – 4/16/03

## §1406 INCOMPATIBILITY OF OFFICES

Government Code Section 1099 prohibits a public official, such as a Board Member or General Manager of a special district, or a City Council Member or City Manager of a City, from simultaneously holding two public offices that are incompatible. Offices are generally incompatible if there is a possibility of a significant clash of duties or loyalties between the offices. Examples of incompatible offices include, but are not limited to, being a MWDOC Director and also being a public official of a MWDOC Member Agency, or also being a City Council Member or City Manager of a city that is served by

a MWDOC Member Agency. Government Code Section 1099 further provides that if a public official holds two incompatible offices, the public official is deemed to automatically forfeit the first office upon taking the second. MWDOC shall take steps to enforce Government Code Section 1099 as necessary.

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Motion – 5/15/19

| **MWDOC MET DIRECTORS** | **§1500-§1505** |
|---|---|

MWDOC appoints Directors to the Board of Directors of Metropolitan Water District of Southern California (MET). These Directors are appointed to serve at the pleasure of the Board. MWDOC/MET Directors' workshop meetings are held monthly to encourage exchange of ideas and information between the MWDOC Board and the MET Directors. Generally, the MWDOC Board avoids giving explicit direction on voting to the MET Directors, but may do so at any time.

## §1500 APPOINTMENT OF MET DIRECTORS

A. APPOINTMENT PROCESS

The President of the MWDOC Board, with the consent and approval of the Board, shall appoint MET Directors to serve at the pleasure of the Board.

1. REVIEW OF CANDIDATES

The President of the Board will receive names and qualifications of proposed candidates submitted by MWDOC Directors for two (2) of the four (4) seats retained by the MWDOC Board. In addition, for the other two (2) seats, the President of the Board shall request the Member Agencies to nominate in writing a candidate or candidates of their choosing. The request for nominations shall alternate between the North County agencies and the South County agencies, in the absence of agreement to some other process. The nomination by the Member Agencies shall be determined by “one agency, one vote” process. Once filled, the seats will be designated as the “South County Seat” and the “North County Seat” and the nomination for the designated seat shall be from that region.

2. SELECTION

To assist in the selection of a candidate, the President of the Board may appoint a Special Committee of the Board to interview and/or discuss the list of potential candidates. The Committee shall submit its recommendation to the President and the Board. The MWDOC Board shall retain a minimum of two (2) of the four (4) available MWDOC seats on the MET Board.

3. TERM OF OFFICE

The MWDOC Board shall appoint its MET Directors to serve at the pleasure of the Board.

B. QUALIFICATION OF CANDIDATES

The following guidelines shall be used to evaluate the qualifications of MET Director candidates:

1. AREA OF REPRESENTATION

MET emphasizes that MET Directors are required to consider problems and issues from the standpoint of their Metropolitan responsibility (i.e., a Southern California regional perspective). In addition, MWDOC requires that the candidate(s) shall represent the interests of the entire MWDOC service area in carrying out the responsibilities of a MET Director. While the candidate(s) will be nominated from a specific geographical area of Orange County, the Director must represent the interest of the entire MWDOC and MET service areas.

2. MEETING ATTENDANCE

The candidate shall be able to regularly attend the meetings related to the duties of being a MET Director and is expected to allot adequate time to prepare for and participate in the activities associated with the position. If a candidate is employed, the candidate must submit evidence of approval from his employer that the time commitments are allowed.

3. LEADERSHIP AND ACTIVITIES

The candidate should plan to participate actively in the affairs of MET, representing the interest of MWDOC. The candidate shall have a broad base of acquaintanceship and support within Orange County, as the candidate needs to be able to call upon supporting groups who have knowledge of subject matter on a broader regional and/or national basis. The candidate's field of expertise should be an avenue for seeking support of experts in those special areas when the endeavor is within the MWDOC and MET framework. The candidate is expected to be an active, credible representative of MWDOC.

4. RESIDENCE

The candidate shall be a resident of Orange County and must reside within the MWDOC service area.

5. INCOMPATIBILITY OF OFFICE

It is the position of the MWDOC Board of Directors that the candidate they approve and appoint as a MET Director must correct potential incompatible office conditions prior to assuming the MET Director role. Such conditions would include the public offices of Director, City Council Member, or Mayor of one of the MWDOC Member Agencies. Incompatibility also would apply to City Managers and General Managers as principal executive officers of member agencies. Candidates would not need to resign the incompatible office to be nominated or tentatively selected as a MET Director. However, the candidate

would need to resign the incompatible office, as defined by the MWDOC Board, with an effective date prior to being sworn in as a MET Director.

M-6/17/15

## §1501 REQUEST BY MWDOC MET DIRECTORS TO SEEK ELECTED OFFICE AT MET

A MWDOC/MET Director desiring to seek any elected office of the MET board shall first obtain concurrence of the MWDOC Board.

Motion – 4/21/93; Motion – 5/27/98; Motion – 1/20/99; Ord. No. 46-12/6/00

## §1502 MET DIRECTORS' COMPENSATION

The amount of compensation to be received by MET Directors shall be identical to that set forth for MWDOC Board Members in Section 1400 of this Code. MET Directors shall submit a Compensation Voucher complying with the submittal timelines described under Section 2206. The Compensation Vouchers shall be approved by the MWDOC Board President. In the absence of the MWDOC Board President, any member of the MWDOC Executive Committee or Administration & Finance Committee may approve the Compensation Vouchers. The maximum number of days for which a MET Director may receive compensation shall not exceed 10 in any calendar month in addition to any days for which the MET Director may be compensated as a MWDOC Director.

Ord. 38 - 3/7/90; Ord 40 - 12/9/92; R1472 - 12/9/92; 11/15/95; R1552 – 1/17/96; R1572 – 12/18/96; R1596 – 12/17/97; Ord. 47- 4/18/01; Ord. 54 – 4/17/19

## §1503 MET DIRECTOR LEAVING STATE

MET Directors shall notify the Secretary of the Board of their request to be absent from the State for 60 days or more, at least 7 days prior to the meeting of the Board, when possible. The Secretary shall place the request on the Consent Calendar of the agenda of the Board for its consideration. In the event there is insufficient time for the MET Director to provide said request or there is insufficient time to agendize said request prior to the departure of the MET Director, the Secretary shall notify the President and Vice President and agendize the matter for consideration by the Board as soon as possible.

MET Directors should notify the Secretary of expected absences from the State of less than 60 days at least 3 days prior to departure when possible.

R1253 - 1/23/85;

## §1504 CHANGE IN RESIDENCE OF MET DIRECTORS OUTSIDE BOUNDARIES OF MWDOC SERVICE AREA

If a MWDOC MET Director moves his or her residence, as defined in Section 244 of the Government Code, outside the boundaries of the MWDOC service area, and if within

180 days of the move or the effective date of this section, the MET Director fails to reestablish a place of residence within MWDOC's service area, the MWDOC Board shall presume that a permanent change of residence has occurred and the MET Director at issue is no longer eligible for appointment to that position.

M-9/21/09

## §1505 LEAVE OF ABSENCE FOR MET DIRECTORS

For good cause, the MWDOC Board may authorize a leave of absence for a MWDOC MET Director of up to 90 days. Such an approval must be obtained prior to requesting a leave of absence from the MET Board.

M-9/21/09

## § 1506 MWDOC MET DIRECTOR DELEGATION PROTOCOL

The Leader of the MWDOC MET delegation, who is designated to speak on behalf of the MWDOC MET delegation and coordinate votes at MET, will be the elected MWDOC Director on the MET Board with the most seniority at MET. Should another member of the MWDOC MET delegation be elected as Chairman of the MET Board, they shall assume the position as Leader of the MWDOC MET delegation.

The Leader of the MWDOC MET delegation is responsible for preserving the decorum of the delegation at MET, and shall chair the MWDOC MET delegation Caucus meetings, and all other meetings prior to MET's monthly board and committee meetings. In consultation with other members of the MWDOC MET delegation, the Leader will have the ability to select the time and location of all Caucus meetings of the MWDOC MET delegation.

M-6/17/15

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| APPOINTMENT TO ASSOCIATIONS/BOARDS | §1600-§1603 |
|---|---|

The Board, by the end of February of each year, shall consider the appointment of members of various associations/boards. Members shall be appointed to those associations/boards by the President and ratified by adoption of a Board resolution unless otherwise directed.

## §1600 APPOINTMENT TO SANTIAGO AQUEDUCT COMMISSION

The Santiago Aqueduct Commission (SAC) consists of seven members, one member and up to two alternates selected by each of the following agencies: El Toro Water District, Irvine Ranch Water District, Santa Margarita Water District, Trabuco Canyon Water District, Moulton Niguel Water District, and MWDOC, to manage and operate the aqueduct system.

The member and alternate(s) appointed to SAC are chosen from the governing body and staff of the Districts. The member and alternates serve at the pleasure of the governing body of the appointing agency. MWDOC's member to SAC represents MWDOC, East Orange County Water District, the County of Orange, and The Irvine Company.

SAC is composed of agencies which are contained within the boundaries of MWDOC's Divisions 5 and 6; MWDOC's representatives to SAC shall be the Director from Division 5 or 6. Nomination of the member and alternate(s) (to serve in the absence of the regular member) shall be made in February of each year by the President of the MWDOC Board and ratified by adoption of a resolution. The alternate may be selected from among the members of the MWDOC Board-at-large and/or the staff.

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Minute action 5/13/81; R1256 - 2/27/85; R1309, 7/2/86; Minute action 8/6/86; R1317, 2/4/87; M-6/17/15

## §1601 APPOINTMENT TO MWDOC WATER FACILITIES CORPORATION

In April 1978, MWDOC formed the MWDOC Water Facilities Corporation (WFC), a nonprofit corporation to assist in financing the construction of the Allen-McColloch Pipeline. The Corporation consisted of five members who were appointed by the MWDOC Board to act as its directors.

Effective December 31, 2000, the MWDOC WFC Board is governed by the MWDOC Board of Directors sitting as the ex-officio Board of Directors to the Water Facilities Corporation.

The MWDOC Board of Directors perform the duties and obligations of the Water Facilities Corporation by virtue of and for the same term as they hold office as a Director of the

Municipal Water District of Orange County.

The MWDOC Board of Directors shall receive no additional compensation for serving as Directors of the Water Facilities Corporation over and above the compensation which they receive as Directors of MWDOC.

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Minute Action - 4/20/78; Motion - 6/17/96; Res. No. 1646 –11/15/00

## §1602 APPOINTMENT TO WATER ADVISORY COMMITTEE OF ORANGE COUNTY (WACO)

In 1983, a joint committee of representatives of Coastal Municipal Water District, Municipal Water District of Orange County, and Orange County Water District was created to encourage discussion and agreement between Orange County water agencies on water-related issues, coordinate the development of Orange County water policies, and provide a forum for communication between County government and the Orange County water community. The member representatives were subsequently increased to include the cities of Anaheim, Fullerton and Santa Ana, plus all retail water agencies, including cities with water departments, and Public Utilities Commission regulated water utilities.

WACO also formed a Planning Committee which meets monthly to arrange a WACO program of activities and educational forums for the regular monthly WACO meetings. Representatives from MWDOC, Orange County Water District, the cities of Anaheim, Fullerton, and Santa Ana, as well as other interested agencies, comprise the WACO Planning Committee.

MWDOC shall designate two Directors to serve as WACO Representatives. In the event such Directors are unable or unwilling to serve, then the agency shall designate alternate members. MWDOC's representatives shall be members of the Board. The nomination of two representatives shall be made in February of each year by the President of MWDOC's Board and ratified by the MWDOC Board.

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R1207 - 9/28/83; R1346 - 5/4/88; Motion - 4/21/93;

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| DISTRICT AND INDIVIDUAL MEMBERSHIPS | §1700 |
|---|---|

## §1700 GENERAL POLICY

MWDOC has identified the need for directors and staff to be involved with other associations to disseminate and acquire information, participate in forums which could lead to consensus building, and gain the support for and understanding of existing and future water supply needs as well as to represent MWDOC's financial interests.

During the annual Budget process, the Board reviews and approves all District memberships and sponsorships.

Individual memberships in the Colorado River Water Users Association (CRWUA) are authorized for members of the MWDOC Board who will be attending conferences and staff as authorized by the General Manager. Individual memberships in the Orange County Water Association (OCWA) are authorized for members of the MWDOC Board and staff as authorized by the General Manager. At such time that an individual membership exceeds $500, the matter of renewal would be submitted to the Administration & Finance Committee for consideration.

Due to the varying degrees of commitment, in terms of time and related costs, necessary for active participation in these associations, it is recommended a formal process for appointments to association boards and committees be implemented. In February of each year, the Board President (with ratification by the Board) shall make appointments for participation in the various associations that the District belongs. Upon approval of these appointments, the District Secretary shall prepare and post on the District's website, Fair Political Practices Commission (FPPC) Form 806 outlining all Director appointments. This form is used to report additional compensation that officials receive when appointing themselves to positions on committees, boards, or commissions of another public agency or to a committee or position of the agency of which the public official is a member. This form is required pursuant to FPPC Regulation 18705.5. Each agency must post on its website a single Form 806 which lists all the paid appointed positions to which an official will vote to appoint themselves. When there is a change in compensation or a new appointment, the Form 806 is updated to reflect the change. The form must be updated promptly as changes occur.

In those instances where a Director or staff would like to participate in an entity that was not previously approved/ratified (as stated above), the proposed appointment of Directors and staff will be presented to the Executive Committee by the Board President and subsequently to the Board for approval prior to submission of interest or nomination to the individual association. On occasions when prior approval is not feasible, either due to timing or information limitations, the matter will be presented to the Board for concurrence and ratification.

Motion - 2/24/82; Motion 5/26/82; Motion - 10/4/89; Motion - 3/6/91; M-6/17/15

| **DIRECTORS VEHICLE AND MILEAGE REIMBURSEMENT POLICY** | **§1800 - §1804** |
|---|---|

The following provisions outline the guidelines for Directors' mileage reimbursement, and insurance requirements. Please consult MWDOC's Personnel Manual for staff vehicle policy provisions (including provisions on Automobile Allowances).

## §1800 GENERAL

When necessary during the course of a Director's official duties, transportation or reimbursement shall be provided by the District. The transportation method authorized will be determined in terms of the best interest of the District and in accordance with the provisions of this policy. Directors are not eligible to receive an Automobile Allowance (staff provisions are included in the Personnel Manual).

## §1801 PURPOSE

It is the purpose of this policy to establish and provide for the implementation of procedures relative to the reimbursement procedures and insurance requirements for privately-owned vehicles used for MWDOC business and for which MWDOC pays mileage.

## §1802 DRIVER RESPONSIBILITY

1. Only those Directors who possess a valid California driver's license may drive on behalf of the District. .

2. It is the responsibility of all Directors who drive vehicles on District business to practice safe and defensive driving.

| **DIRECTORS VEHICLE AND MILEAGE REIMBURSEMENT POLICY** | **§1800 - §1804** |
|---|---|

## §1803 MILEAGE REIMBURSEMENT

Directors are to use their own vehicles and be reimbursed for mileage driven when on official District business at the rate then permitted by the IRS. Cost of gasoline or oil purchases, vehicle repairs or maintenance and vehicle insurance are incorporated into the mileage reimbursement rate.

## §1804 INSURANCE REQUIREMENTS

Directors driving personal vehicles on MWDOC business, shall maintain insurance to cover their normal private use of the vehicle. Directors of the District who are paid mileage reimbursement as set forth in Section 1803 for use of privately-owned automobile for District business, shall possess and maintain insurance on such automobile as mandated by law.

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# CHAPTER 2

| **FINANCIAL MATTERS** | **§2000-§2008** |
|---|---|

## §2000 GENERAL POLICY

MWDOC activities are financed, to the extent possible, from water revenues, taxes, assessments, interest on investments, and any other revenue sources authorized by law. The Board establishes MWDOC fiscal policies and carefully reviews fiscal performance. The Board delegates to the General Manager the authority to manage MWDOC's day-to-day financial operations, including the investment of MWDOC funds and expending MWDOC funds in conformity with Board-approved policies, budgets and applicable laws. The General Manager also has the authority to expend non-budgeted funds to meet an emergency, as defined elsewhere in this Code, and inform the Board of the emergency, the steps taken and the expenditures incurred to meet such emergency.

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R1201 - 8/24/83; Motion - 11/25/96;

## §2001 BUDGET PREPARATION AND REVIEW

The MWDOC's fiscal year runs from July 1 to June 30. There shall be prepared, under the direction of the General Manager, a proposed annual consolidated budget which shall be submitted to all the members of the Board no later than the date of the regular Board meeting in May, immediately preceding the fiscal year to which the budget applies. The proposed budget shall indicate by fund all anticipated expenditures and required reserves and the source of moneys to be used to meet such expenditures and provide such reserves. Copies of the proposed budget shall be reviewed with the Administration & Finance Committee and the Member Agencies in advance of adoption of the Budget. After considering the proposed budget and making any revisions thereto that it may deem advisable, the Board shall adopt the budget before the beginning of the fiscal year to which the budget applies.

All amendments to the budget or transfers of operating budget appropriations from reserve accounts require notification to the Board. The General Manager is authorized to move budgeted funds between cost centers, with notification to the Board. Board approval is required to move funds between core and choice budget items, and to re-allocate grant funding. The General Manager shall review with the Administration & Finance Committee, at least quarterly, the status of the budget and any transfer of budgeted amounts, and propose appropriate corrective actions if revenues or expenditures vary materially from the budget.

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Motion - 4/21/93; 6/17/15

## §2002 ESTABLISHING FUNDS

To provide for accountability of public monies in accordance with applicable federal and state law and regulations, bond covenants, tax and non-arbitrage certificates, bond counsel letters of instruction and Board policies, all funds of MWDOC shall be maintained in accordance with standards for accounting and reporting established by the Government Accounting Standards Board (GASB).

## §2003 BANKING SERVICES

Any state or national bank designated by the Board as an official depository for funds of MWDOC may be requested, authorized and directed to honor all checks, drafts or other orders for the payment of money drawn in MWDOC's's name on its accounts when bearing the electronic signature of the members of the Board, Treasurer, Deputy Treasurer, Accounting Manager, Director of Finance, Assistant General Manager, and/or General Manager. Said banks shall be entitled to honor and to charge MWDOC for all such instruments, regardless of by whom or by what means the actual electronic signature thereon may have been affixed thereto, if such electronic signature is identical to one of the specimen electronic signatures filed with the said banks. Authorized signatures for MWDOC's accounts are members of the Board, Treasurer, Deputy Treasurer, Accounting Manager, Director of Finance, Assistant General Manager and/or General Manager.

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R17 - 7/19/51; R278 - 9/15/62; R476 - 5/15/68; R485 - 8/21/68; R532 - 10/28/70; M-3/4/87; R1326 - 4/1/87; R1375 - 4/5/89; R1446 - 11/6/91; R1480 - 1/20/93; Motion - 4/21/93; R1561 - 7/17/96; R1565 - 10/16/96; R1641 – 3/15/00; R1654 – 1/17/01; M-6/17/15

### DISBURSEMENT CONTROL MEASURERS

All disbursements are processed via a check or electronically through ACH.

### Check Procedures

Accounts Payable disbursement checks require two authorized signatures; the current President of the Board of Directors, which is electronically printed on the check and an original signature from the Director of Finance, General Manager or Assistant General Manager. Payroll disbursement checks require one authorized signature, which is the current President of the Board of Directors' electronically printed signature.

The Accounting Manager, the Financial Analyst, and the Accountants are authorized to print checks. The Accounting Manager or Financial Analyst shall have the authority to make appropriate filings with MWDOC's bank to authenticate the transactions.

### ACH Procedures

All ACH disbursements are reviewed by the Accounting Manager and approved by the Director of Finance, General Manager or Assistant General Manager. The initial ACH

report shall be reviewed and approved by the Accounting Manager; and the final ACH report shall be reviewed and approved by the Director of Finance, General Manager or Assistant General Manager. The final report shall be filed with the bank for disbursement. No changes shall be made to the final report unless an item is voided, in which case the approval process shall restart with the review of the initial ACH report.

Minute action - 10/2/91; M-6/17/15

## §2005 APPROVAL OF VOUCHERS

Except for payment of the principal or interest on MWDOC bonds and for making investments, each disbursement must be supported by appropriate documentation, such as an invoice or voucher, and approved electronically or in writing by the Director of Finance or the Accounting Manager. Each document must have attached, or incorporate by reference, such contract documents, invoices, receiving memoranda signed by a manager or employee qualified to attest to the receipt of the materials or services and as to their conformance with the terms of the contract, and other papers as are necessary for the complete documentation of the propriety of the disbursement.

Motion - 4/21/93; Motion - 11/25/96; M-6/17/15

## §2006 YEARLY AUDIT REPORT

At the end of the fiscal year, or at the Board's pleasure, an outside accounting firm audits MWDOC. The audit summarizes MWDOC's financial activities for the year, and also contains historical information on MWDOC's financial enterprises. The Board has given the General Manager the authority to retain an audit firm to perform MWDOC's auditing services for a period not to exceed five consecutive years.

Motion - 2/9/53; Minute action - 5/11/53; Minute action - 7/13/53; Motion - 9/14/53; Motion - 9/12/55; Motion - 11/14/55; Minute action 11/7/56; Motion - 9/4/57; Minute action - 7/2/58; Motion 6/6/62; Minute action - 4/4/78; Motion 11/22/78; Motion - 5/17/95;

## §2007 REPORT TO STATE CONTROLLER

State law requires all special districts to file (1) an Annual Report of Financial Transactions of Special Districts, and (2) an annual Local Government Compensation Report with the State Controller. The completed reports must be filed within 90 days after the close of each fiscal year.

Motion - 4/21/93; Gov. Code 53891; M-6/17/15

## §2008 TIER TWO CONTINGENCY FUND

MET has a tiered rate structure, wherein Tier 1 rates apply to a specified annual volume. The higher Tier 2 rates apply to purchases above that specified volume.

1. **Creation of Tier Two Contingency Fund:** MWDOC has established the Tier Two Contingency fund for the uses and purposes specified herein, as well as other uses as approved by the MWDOC Board. From time to time it may be necessary to increase the level of funds, utilize the funds for the purposes specified herein, or to reduce the level of funds being held by MWDOC. Historically, MWDOC has funded the Tier Two Contingency Fund by assessing a "melded water supply rate" on all firm water sales by increasing the supply rate from that charged by MET by an amount equal to the melded water rate increment.

2. **Uses of Tier Two Contingency Fund:** Funds deposited into the Tier Two Contingency Fund shall not be expended or transferred except for the following purposes:

   (a) Payment of Tier Two Costs: Funds from the Tier Two Contingency Fund may be expended to pay the difference between MET's Tier One and Tier Two water rates, in the event MWDOC's water purchases from MET exceed the Tier One block of allowable purchases.

   (b) Cash Flow Management: Funds from the Tier Two Contingency Fund may be advanced to the General Fund to pay those charges which are imposed on MWDOC by MET, when the revenues designated to pay for such charges are collected by MWDOC over a different period. Advances made for such purposes shall be repaid into the Tier Two Contingency Fund, as the revenues designated to pay such charges are collected by MWDOC.

   (c) Rate Stabilization: To the extent funds from the Tier Two Contingency Fund are not immediately needed for the purposes set forth in subsections (a) and (b) hereof, the Board may utilize such funds to purchase water or offset any increase in water rates or charges imposed by MET which would otherwise necessitate an increase in MWDOC's water rate.

3. **Maximum and Minimum Fund Targets:** The Fund balance will be reviewed from time to time and managed by MWDOC to achieve a calendar year end above the minimum target based on a risk analysis performed by MWDOC staff regarding the likelihood of having to purchase Tier 2 water under various hydrologies and demand situations.

   (a) As of January 2015, the MWDOC Board established the Minimum Fund Target at approximately $1,000,000, due to the diminished likelihood of purchasing MET water above the Tier 1 limit. At the current differential between Tier 1 and Tier 2, the minimum level of funding provides the ability to purchase about 7,500 AF of water.

   (b) The Board may consider changes in the Policy of utilizing these funds to pay for the Tier 2 purchases differential based on the circumstances that are involved at such time as MWDOC purchases exceed the Tier 1 limit. The Tier 2 Contingency Fund was established within MWDOC to provide a regional mechanism to fund purchases above the Tier 1 limit such that any

single MWDOC Member Agency would avoid direct exposure. Also, it avoided the need for MWDOC to allocate a Tier 1 limit to its Member Agencies. Tier 2 purchases can be triggered by a number of events in the County such as large purchases of water into Irvine Lake, large purchases of water for groundwater replenishment and large purchases of imported water due to a decrease in the OCWD Basin Production Percentage (BPP). Based upon how such circumstances arise, the Board may consider changes to this policy if they determine there is a more appropriate manner of dealing with Tier 2 costs. MWDOC's A&F Committee and Board reviewed the issues of Tiered or Melded Water Rates for Tier-1 and Tier-2 purchases from MET in November 2004, and retained the Melded Rate, with a provision for further review should OCWD's BPP fall below 60% in the future.

4. **Disposition of Excess Funds:** After the conclusion of each calendar year, the General Manager will review the year end Tier 2 Fund Balance (adjusted for certifications of non firm water purchases) and report this amount to the Board of Directors. The Board may consider issuing a credit to the member agencies. In the event credits are to be provided, the credit will be provided to each member agency either in check form or as a credit on the monthly water invoice (at the choice of the member agency).

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M-6/19/02; M-6/17/15

## §2009 RESERVE POLICY –

The MWDOC Reserve Policy categorizes the reserves as follows:

Unrestricted Reserves
- General Operations
- Grant & Project Cash Flow
- Election Expense
- Building Repair

Restricted Reserves
- OPEB
- Tier 2 Contingency Fund

WEROC Reserves
- Operational Reserve
- Capital Reserve

**Reserve Fund Targets in Days Cash on Hand**

| | |
|---|---|
| Working Capital Reserve<br>(General Operations, plus Grant & Project Cash Flow): | 90-180 days |
| Building Repair: | 10-15 days |
| Tier 2 Contingency Fund | 40 days |

The Election Expense and OPEB are designated and are maintained separately to cover specific liabilities.

## Unrestricted Reserves

### General Operations Reserves:

Depending upon end of year cash flow, grant payments and other factors influencing the District's cash balance the General District Reserve should increase by the inflation rate each year.

### Grant & Project Cash Flow:

In the past, trailing payments for District funds advanced for water use efficiency payments from MET and Federal and State grants payments have increased. The reserve should be replenished from trailing grant payments as they occur, and from rates if needed. Cash flow reserves should be reviewed from time to time for appropriateness based on the District's current operational needs.

### Election Expense:

MWDOC's election reserve shall be managed to fund seven elections every four years. Based on the year 2016 election costs we have determined that $1.22 million (or $174,000 per division) is sufficient to cover seven elections. This requires that $304,000 be contributed to the election reserve annually. These estimates will be updated annually as part of the budget process. In the event the election funds are not fully utilized, the Board may consider other uses that would lower the long-term costs of the District.

### Building Repair:

MWDOC Building Reserves should be kept at a minimum of $350,000 and adjusted from time to time to reflect the improvement needs of the office facility.

## Restricted Reserves

### OPEB:

Staff examined the demographics of MWDOC's OPEB liability and estimated that the bulk of the liability will occur by 2023 as long term MWDOC employees who had access to lifetime medical coverage retire. The Board requested staff to fully fund the OPEB liability in 2016. The Actuarial recommendation is to fund between 85%-95% and put the remaining amount in a reserve fund, as to not overfund the OPEB trust. This recommendation was implemented in September 2016 with the reserve balance of $209,006 to equal our current Unfunded Liability. This reserve will be re-evaluated every two years beginning in 2018 after each actuarial and funds may be transferred to the OPEB trust to stay within the funding range.

### Tier 2 Contingency Fund:

MWDOC has established the Tier Two Contingency fund to pay the difference between MET's Tier One and Tier Two water rates, in the event MWDOC's water purchases from MET exceed the Tier One block of allowable purchases. From time to time it may be necessary to increase the level of funds, or to reduce the level of funds being held by MWDOC. The MWDOC Board established the minimum fund target at approximately 40 days or $1,000,000, due to the diminished likelihood of purchasing MET water above the Tier 1 limit.

## WEROC Reserves

WEROC reserves fluctuate on an as needed basis with Operational Reserve being held for unforeseen expenses and a Capital Reserve to enhance infrastructure and emergency systems. Both reserves are approved by the MWDOC Board and the WEROC contracted contributors.

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M-4/19/06; M-6/16/10; 6/1/11; M-6/17/15; M-6/21/17

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| **INVESTMENT POLICY AND GUIDELINES** | **§2100-§2109** |
|---|---|

## §2100 PURPOSE

The purpose of this policy is to set forth the investment and operational policies for the management of the public funds of Municipal Water District of Orange County. These policies have been adopted by, and can be changed only by a majority vote of the Board of Directors.

These policies are designed to ensure the prudent management of public funds, the safety of principal, the availability of operating funds when needed, and an investment return competitive with those of comparable funds and financial market indexes.

A copy of this policy will be provided to all investment brokers and investment managers doing business with the Municipal Water District of Orange County. Receipt of this policy, including confirmation that it has been reviewed by persons dealing directly with the Municipal Water District of Orange County's account will be received prior to any organization providing investment services to the Municipal Water District of Orange County.

## §2101 STATUTORY AND DELEGATED AUTHORITY TO INVEST FUNDS

Authority to manage the investment of surplus funds is derived from California Government Code Sections 53601, et seq. In accordance with Section 53607 of the Government Code of the State of California, the authority of the Board of Directors to invest public funds may be delegated to the Treasurer for a one-year period, which may be renewed annually.

The Municipal Water District of Orange County (MWDOC) Board of Directors has expressly delegated the investment authority of the Board of Directors to the Treasurer pursuant to Resolution No. 1166. By Resolution No. 1277, the Board of Directors created the office of Deputy Treasurer and delegated to the Deputy Treasurer the authority to direct investment of MWDOC funds under the circumstances set forth in said Resolution, and to make a monthly report of those transactions to the Board. The Board of Directors created the office of Alternate Deputy Treasurer by Resolution No. 1434 and specified circumstances under which the Alternate Deputy Treasurer would have authority to direct the investment of MWDOC funds.

No person may engage in an investment transaction on behalf of MWDOC unless he or she has been duly appointed by the Board of Directors to the office of Treasurer, Deputy Treasurer, or Alternate Deputy Treasurer, and subject to the limitations and conditions set forth in the Resolutions establishing those offices and the terms of this

policy. Notwithstanding the foregoing, upon the occurrence of a vacancy in the office of Treasurer, the Board of Directors may appoint an Acting Treasurer, who shall have and exercise the authority delegated to the Treasurer until appointment of a successor Treasurer by the Board of Directors.

The delegations in Resolution Nos. 1277 and 1434 are renewed on the adoption of this Policy. The Treasurer shall be responsible for all transactions undertaken and shall establish procedures and a system of internal controls to regulate the activities of subordinate officials.

## §2101.5 COMPLIANCE EXCEPTIONS REPORTING

Any compliance exceptions with the Investment Policy and Guidelines (IPG) will be reported within 72 hours to the General Manager, Board President, and the Chair of the Administration & Finance Committee. At the time of reporting, a recommended resolution to the matter shall be included. Notification shall also be included in the monthly Treasurer's Report to the Board of Directors with resolution noted.

## §2102 ORGANIZATION

The organizational structure of the investment functions of MWDOC shall consist of the Board of Directors, the Administration & Finance Committee, the Treasurer and Deputy Treasurers. The responsibilities of these groups are as follows:

Board of Directors - the elected body responsible for the administration and investment of the assets of MWDOC. The Board may acquire, hold, manage, purchase, sell, assign, trade, transfer and/or dispose of any security, evidence of debt, or other investment in which MWDOC's assets may be invested by law. To assist them in discharging their responsibilities, the Board shall appoint a Treasurer, Deputy Treasurers and custodians of assets.

Administration & Finance Committee - appointed by the Board to review transactions, performance and asset mix, monitor, recommend policy, and propose adjustments for Board approval.

Treasurer - responsible for the administration and the investment of the funds, subject to the policies and restrictions set by the Board. The Treasurer as investment officer of MWDOC is granted full authority and responsibility by the Board in the purchase, sale, assignment, exchange and transfer of securities and for the safe custody of security holdings, subject to Board policies, rules, regulations and directives consistent with regulatory and statutory limitations. The Treasurer is responsible for interpreting, administering and advising on legal requirements, investment policies and strategies; collecting income, preparation of reports. Also responsible for Deputy Treasurer, and investment staff compliance with this Investment Policy and guidelines.

Deputy Treasurers - act in the absence of the Treasurer as specified within the

Resolution of appointment to fulfill the duties and responsibilities as assigned by the Treasurer.

## §2103 INVESTMENT PHILOSOPHY

Except where specifically directed by the State Constitution, statutes or regulations, the general investment policies of MWDOC will be guided by the prudent investor standard ("Standard") set forth in California Government Code Section 53600.3. Under this Standard, those with investment responsibility for public funds are trustees and, as trustees, shall act with care, skill, prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of MWDOC, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims to safeguard the principal and maintain the liquidity needs of the agency.

This Standard shall be applied in the context of managing the overall investment portfolio. The investment officer, acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## §2104 SCOPE

It is intended that this Investment Policy cover all funds and investment activities of MWDOC. Any reference to the portfolio shall mean the collection of MWDOC securities held by the Treasurer. Those securities held in Trust or escrow by a third-party Trustee or escrow agent on behalf of MWDOC are invested under the Treasurer's direction in accordance with this Investment Policy and the terms of the specific escrow or trust agreements related to the funds.

MWDOC funds are divided into two categories, and the investment objectives and policies vary with the nature of the fund.

- Operating and Fiduciary Funds - These funds are to provide for the ordinary annual operating expenses of MWDOC (General Fund, Water Fund) and Funds to provide for trustee functions and expenditures (WFC, with the exception of the Debt Service Reserve) and other specified recurring and non-recurring purposes where MWDOC serves in a fiduciary role. These funds are considered "short-term" for investment purposes and will be invested to provide the safety and liquidity to meet all anticipated expenditures.

- Reserve Funds – These funds are designated for contingencies or emergencies and may be used to supplement the other funds as necessary. These funds may be invested "longer-term" as defined in this Investment Policy.

## §2105 INVESTMENT OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing MWDOC's funds, the primary objective is to safeguard the principal of the funds. The secondary objective is to meet the liquidity needs of MWDOC. The third objective is to achieve a maximum return on invested funds (California Government Code Section 53600.5.). It is the policy of MWDOC to invest funds in a manner to obtain the highest yield possible while meeting the daily cash flow demands of MWDOC as long as investments meet the criteria established by this investment policy for safety and liquidity and conform to all laws governing the investment of MWDOC's funds.

### Safety of Principal.

Safety of principal is the foremost objective of MWDOC. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they arise from securities defaults, institution default, broker-dealer default, or erosion of market value of securities. MWDOC shall mitigate the risk to the principal of invested funds by limiting credit and interest rate risks. Credit risk is the risk of loss due to the failure of a security's issuer or backer. Interest rate risk is the risk that the market value of the MWDOC's portfolio will change due to an increase/decrease in general interest rates.

1) Credit risk will be mitigated by:

   (a) Limiting investments to only the most creditworthy types of permissible investments as described in Section 2106;
   (b) By pre-qualifying the financial institutions with which the Agency will do business; and
   (c) By diversifying the investment portfolio so that the potential failure of any one issue or issuer will not place an undue financial burden on the District.

2) Interest rate risk will be mitigated by:

   (a) Structuring the portfolio so that securities mature to meet the District's cash requirements for ongoing obligations, thereby reducing the possible need to sell securities on the open market at a loss prior to their maturity to meet those requirements; and
   (b) Investing primarily in shorter term securities.

### Liquidity

Availability of sufficient cash to pay for current expenditures shall be maintained. An adequate percentage of the portfolio shall be maintained in liquid short-term securities which can be converted to cash as necessary to meet disbursement requirements. Since cash requirements cannot always be anticipated, sufficient investments in securities with active secondary or resale markets shall be utilized.

## Rates of Return

Yield on investments shall be considered only after the basic requirements of safety and liquidity have been met. The investment portfolio shall be designed to attain a market average rate of return throughout budgetary and economic cycles, taking into account the MWDOC's risk constraints, the composition and cash flow characteristics of the portfolio, and applicable laws.

## §2106 INVESTMENT POLICY GUIDELINES

MWDOC authorized investment types, amounts, maturities, and other characteristics are stated in the Government Code Section 53601 (as periodically amended), and with the following exceptions as noted below.

- Collective Investment Pools - Assets of any of the funds may be invested in collective investment pools run and managed by other public bodies and banks that are approved by the Board of Directors. However, no such investment shall be made in a pool where the investment objectives differ from the investment objectives listed in Section 2105 of this investment policy, nor should any investment be made in a fund that engages in market timing or anticipating interest rate changes or that uses derivatives or other securities other than as a hedge against interest rate risk. The investment shall not exceed 20% of portfolio in effect immediately after such investment and no more than 10% in one pool.

- Money Market Mutual Funds - Investment in shares of money market mutual funds may be made if the investments meet the same restrictions as those of collective investment pools. In addition, purchase of these funds must not result in payment of a purchase premium or commission. These mutual funds must attain the highest ranking of two nationally recognized ratings services and the investment adviser must be registered with the Securities and Exchange Commission (SEC) as an investment adviser with not less than five years' experience managing market mutual funds with investment portfolios of greater than $500 million. An investment shall not exceed 20% of portfolio in effect immediately after such investment.

- Cash Holdings - The portfolio will hold sufficient cash equivalent investments to ensure availability of sufficient funds to meet known obligations for the next three months. Idle cash will be invested to the fullest extent practicable in interest-bearing investments.

- Other permissible investments for the Operating and Fiduciary funds are:

    - Bank checking accounts, time deposits or certificates of deposit not to exceed the current Federal Deposit Insurance Corporation (FDIC) limit without being collateralized.
    - Negotiable Certificates of Deposit shall not exceed 30% of portfolio in

effect immediately after such investment and no more than 5% in one issuer.

- U.S. Treasury obligations.
- U.S. Government Agency obligations and, U.S. Government Instrumentality obligations. May not invest more than 50% of portfolio from one issuer.
- Prime Commercial Paper rated A-1/P-1/F-1 by Moody's, Standard and Poor's or Fitch. May not exceed 25% of portfolio in effect immediately after such investment and may purchase no more than 5% of the outstanding commercial paper of any single issuer. The maximum maturity for Commercial Paper is 270 days.
- Prime Banker's Acceptances rated A-1/P-1/F-1 by Moody's, Standard and Poor's or Fitch shall not exceed 40% of portfolio in effect immediately after such investment and no more than 5% may be of any one commercial bank. The maximum maturity is 180 days.
- Corporate Securities (Medium-Term Notes) with a rating of "A" or better by at least two nationally recognized rating services Shall not exceed 30% of portfolio in effect immediately after such investment, with no more than 5% in one issuer.
- Loans with an agreement for the collateral to be repurchased by the borrower (Repurchase Agreements); the amount of such instruments will not exceed 20% of the market value of the portfolio with no more than 10% from one issuer. Maximum maturity is 1 year. U.S. Treasury and Agency securities are acceptable collateral with a market value of at least 102% of the value of the Repurchase Agreement. Prior to investment, a Master Repurchase Agreement will be signed with the qualified counterparty.

- Permissible investments for Reserve Funds are:

  - All investments permitted for the Operating and Fiduciary funds, except maturities may not exceed five years without Board approval prior to investment.

- Prohibited Investments and Investment Practices - The following are prohibited:

  - Purchases on margin or short sales.
  - "Derivative" securities of any type.
  - Lending securities with an agreement to buy them back after a stated period of time (Reverse Repurchase Agreements).
  - Futures, Options and Margin Trading
  - In no instance shall a swap be used in speculation. Losses are only acceptable if the proposed swap or trade can clearly enhance quality or yield (value) over the life of the new security on a Total Return basis.
  - Investments are limited to maturities of five years or less without express authorization of the Board prior to the investment.

- Diversification - The investment portfolio will be diversified to avoid undue

concentration in securities of one type or securities of one financial institution, so that no single investment or class of investments can have a disproportionate impact on the total portfolio. This restriction does not apply to U.S. Treasury securities.

- Exemptions - Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by the current policy.

## §2107 EXECUTION

The responsibility for the execution of security transactions shall rest with such qualified members of the investment staff as designated by the Board. The selection of the broker-dealer for a specific transaction shall be based on price and yield quotations. Every effort shall be made to obtain appropriate discounts on individual orders.

Security orders shall be placed on the basis of accepted investment practices. All security transactions, including for repurchase agreements, entered into by MWDOC shall be on a Delivery-vs.-Payment (DVP) basis, i.e. payment will be made upon receipt of the securities to the safekeeping or trust account or custodial facility. All securities shall be held in MWDOC's name pursuant to an agreement and all financial institutions are instructed to mail confirmation and safekeeping receipts directly to MWDOC within three business days after the trade.

Receipts for the confirmation of trades of authorized securities will include information on trade date, par value, maturity, interest rate, price, yield, settlement date, description of securities purchased, agency's name, amount due, and third party custodial information.

## §2108 PERSONAL CONDUCT

The Board of Directors of Municipal Water District of Orange County is acutely aware of the responsibilities the staff has in administering the investment assets of MWDOC. Members of the Board of Directors, the Treasurer, Deputy Treasurers and members of the investment staff may not have a direct or indirect interest in the gains or profits of any investment made by MWDOC and may not receive any pay or emolument (profit arising from office or employment usually in the form of compensation or perquisites) for services other than as designated by MWDOC for compensation and authorized expenses.

All persons responsible for investment decisions or who are involved in the management of MWDOC assets shall be governed in their personal investment activities by the codes of conduct established by the applicable state statutes, the Financial Industry Regulatory Authority (FINRA), the Securities and Exchange Commission, and the Code of Ethics and Standards of Professional Conduct of the Association for Investment Management and Research.

All persons responsible for investment decisions or who are involved in the management of MWDOC assets shall refrain from any personal business activity that could conflict with the proper execution and management of the MWDOC investment program, or that could impair their ability to make impartial investment decisions.

## §2109 REPORTING

The Treasurer shall prepare an investment report monthly, including a management summary that provides the status of the current investment portfolio and transactions made over the last month. The Report shall be submitted within forty-five (45) days following the month ended. The report should be provided to and reviewed by the General Manager, the Administration & Finance Committee and provided to the Board of Directors. The report will include the following:

- A listing of individual securities held at the end of the reporting period;
- Average weighted yield to maturity of portfolio on MWDOC investments;
- Listing of investments by maturity date;
- Market values of current investments;
- Percentage of the total portfolio which each type of investment represents.

This investment policy shall be reviewed by the Administration and Finance Committee annually and as frequently as necessary, to enable the Treasurer to respond to changing economic and market conditions.

## §2110 GLOSSARY

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

**ASKED**: The price at which securities are offered.

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

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

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

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

**BROKER-DEALER:** A person or firm acting as a principal in securities transaction as either a broker or a dealer depending on the transaction. Technically, a broker is only an agent who executes orders on behalf of clients, whereas a dealer acts as a principal and trades from the firm's own account. Transaction confirmations must disclose this information. Because most brokerage firms act as both brokers and principals, the term broker-dealer is commonly used to

describe them.

**CASH EQUIVALENTS (CE):** Highly liquid and safe instruments or investments that can be converted into cash immediately. Examples include bank accounts, money market funds, and Treasury bills.

**CERTIFICATE OF DEPOSIT (CD**): A time deposit with a specific maturity that usually pays interest. Also referred to as Negotiable CD's, they are insured by FDIC up to $250,000, but they are not collateralized beyond that amount.

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

**COMMERCIAL PAPER:** Short-term unsecured promissory note issued by corporations or municipalities with maturities ranging from 2 to 270 days.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR):** It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

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

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

**DEBENTURE**: A bond secured only by the general credit of the issuer.

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

**DERIVATIVES**: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

**DISCOUNT**: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

**DISCOUNT SECURITIES**: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value *(e.g., U.S. Treasury Bills.)*

**DIVERSIFICATION**: Dividing investment funds among a variety of securities offering independent returns.

**DURATION**: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

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

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

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

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

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

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

**FEDERAL RESERVE SYSTEM:** The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 3,543 commercial banks that are members of the system.

**FITCH, INC.:** (See Nationally Recognized Statistical Rating Organization).

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae):** Residential mortgage-backed security (MBS) instruments --influencing the volume of bank credit guaranteed by GNMA and issued by geographically diverse mortgage companies, commercial banks, and thrifts of all sizes, as well as state housing finance agencies. Security

holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FHA mortgages. The term “pass-throughs” is often used to describe Ginnie Maes.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

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

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

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

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

**MID TERM NOTES:** Debt securities issued by a corporation or depository institution with a maturity of five years or less. This can also include debt securities originally issued for maturities longer than five years, but which have now fallen within the five year maturity range. If issued by a bank they are also referred to as “bank notes”.

**MOODY’S INVESTORS SERVICES, INC.:** (See Nationally Recognized Statistical Rating Organization).

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

**NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION:** Firms that review the creditworthiness of the issuers of debt securities and express their opinion in the form of letter ratings (e.g., AAA, AA, A, BBB, etc.). The primary rating agencies are the following Standard & Poor’s Corporation, Moody’s Investor Services, Inc., and Fitch, Inc.

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

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

**OPTIONS:** A contract that gives the buyer the right to buy or sell an obligation at a specified price for a specified time.

**PORTFOLIO**: Collection of securities held by an investor.

**PRIMARY DEALER**: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

**PRUDENT PERSON RULE**: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

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

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

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

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

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

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

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

**SEC RULE 15(C) 3-1:** See Uniform Net Capital Rule.

**STANDARD & POOR'S CORPORATION:** (See Nationally Recognized Statistical Rating Organization).

**STRUCTURED NOTES**: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, and derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

**TOTAL RETURN:** A measure of performance, Total Return is the actual rate of return of an investment or a pool of investments, over a given evaluation period. Total Return accounts for two categories of return: income and capital appreciation. Income includes interest paid by fixed-income investments, distributions or dividends. Capital appreciation represents the change in the market price of an asset.

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

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

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

**TREASURY SECURITIES:** Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

**UNIFORM NET CAPITAL RULE**: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**U.S. GOVERNMENT AGENCY SECURITIES:** Debt securities issued by the U.S. Government sponsored enterprises and federally related institutions (FHLB, Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), FNMA).

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

R1434 - 4/3/91; R1460 - 4/1/92; R1483 - 3/17/93; R1503 - 2/16/94; R1508 - 3/16/94; R1538 - 4/19/95; R1541 - 5/17/95; R1560 - 5/15/96; R1566; - 10/16/96; Motion - 11/25/96; R1584 – 5/21/97; R1694 – 4/17/02; R1718 – 6/18/03; R1736 – 5/19/04; R1880 – 5/19/10; R1907 – 5/18/11; R1942 – 10/17/12; M-6/17/15; R-2032 5/18/16; R-2055 6/21/17; R-2059 8/16/17; R-2084 5/15/19

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| **BUSINESS EXPENSE & CREDIT CARD POLICY** | **§2200-§2208** |
|---|---|

## §2200 POLICY

Payment for MWDOC-related expenses incurred by MWDOC staff, MWDOC Directors, and MWDOC MET Directors, shall be allowed only for the purpose of furthering the interests of MWDOC. Directors attending events outside the MET service area and events requiring a registration fee in excess of $500 require prior approval of the Board or ratification as per Section 1403. The purpose of this policy is to establish rules and procedures for reimbursement of expenses, use of MWDOC-issued credit cards and cash advances. Any expenses incurred by MET Directors, except mileage to MWDOC Board meetings, are to be submitted to MET for payment with accompanying receipts.

## §2201 LEVEL OF EXPENSES AND EXPENSE REIMBURSEMENT RATES

Expenditures for lodging, meals, and transportation should provide for reasonable comfort and convenience. It should be borne in mind, however, that public funds are being spent and that only a reasonable level of expense is warranted. MWDOC shall not incur any costs for a spouse, or other accompanying person. The most economical mode and class of transportation reasonably consistent with scheduling requirements will be used. In the event a more expensive class of transportation is used, the reimbursable amount will be limited to the cost of the most economical class of transportation available. Reimbursement for travel expenses are subject to the following limits:

(a) Lodging shall be obtained at government group rates, when available. For conferences and organized educational activities, lodging costs shall not exceed the maximum group rate published by the sponsor of the conference or activity. If there is no government or group rate available, then lodging expenditures will be subject to the limitations of Section 2201 (c).

(b) Transportation costs and costs associated with transportation shall be reimbursed according to the requirements of Section 2203.

(c) Reimbursement to directors for meals, lodging, and other reasonable and necessary incidental expenses (excluding costs described in Section 2201 (a) or 2201 (b) above, shall not exceed $700 per day.

(d) The maximum reimbursement amount in Section 2201(c) shall increase by 5% COLA each year on January 1, commencing January 1, 2016.

Motion 12/21/05; M-6/17/15; M-4/17/19

## §2202 SUPERVISION

Since circumstances vary considerably in those instances where MWDOC Directors and employees must incur expenses, care by those incurring expenses and supervision by those approving expense accounts is the most effective method of control over expenditures. When expenses that will exceed the cap are foreseen, the Director shall seek Board approval before expenditure. When expenses which might be regarded as out of the ordinary are foreseen, Directors and the General Manager shall seek the approval of the Board President prior to incurring the expense. Staff members shall seek approval from the General Manager before incurring the expense. Requests for reimbursement of authorized business expenses will be submitted on a MWDOC Business Expense Report form and will include only one month's business expenses per report form.

The General Manager will approve all expenditures for business expenses of staff over $300. The appropriate Program Manager shall approve all staff expenditures less than $300. The Board President or Vice President shall approve all expenditures for business expenses incurred by the General Manager. The Board President or Vice President shall approve all Compensation Vouchers and expenditures for business expenses incurred by the MWDOC Directors, and MWDOC MET Directors, following the procedures outlined in Section 2206. In the absence of both Board President and Vice President, any member of the Executive Committee or Administration & Finance Committee shall have approval authority.

The General Manager shall reject or reduce claims for reimbursement resulting from any unauthorized expenses.

## §2203 AUTHORIZED EXPENSES

For purposes of this Section, the term “employees” shall include Directors.

(a) Transportation Costs and Cost Associated with Transportation - expenses may include, common carrier fares, rental of automobiles, parking fees, toll charges, and mileage reimbursement for the use of personal automobiles (both Directors and employees) at the currently authorized mileage reimbursement rate.

(b) Overnight Travel – (See Section 2208 DEFINITIONS) expenses may include telephone calls, including one telephone call per day to the employee's family, common carrier fares, rental of automobiles, use of personal vehicles, meals and lodging, baggage handling, tips, etc., and other expenses essential to the business of MWDOC. Any additional expenses incurred by any family members accompanying the employee are not reimbursable.

(c) Meals & Lodging - Subject to the requirements of Section 2201(c) meals and lodging will be reimbursed for the day before a conference, only if it is necessary to be present early the next morning or if early travel is necessary due to limited travel alternatives.

Meals and lodging on the day after a conference will only be reimbursed if attendance beyond noon of the last day of the conference is required or if travel the next day is necessary due to limited travel alternatives.

(d) Rental Vehicles – rental cars should be used only when less expensive transportation is not available; i.e., shuttle vans, taxis, etc. The rental of a vehicle while traveling on MWDOC business is allowable under this policy and can be arranged by MWDOC staff in conjunction with an employee's travel plans. **Travelers are not to obtain additional insurance when renting cars as they are covered for car rentals by existing MWDOC insurance policies as long as the rental is being used for business purposes.** The use of rental vehicles should be coordinated among employees traveling on MWDOC business to the same location. The use of hotel/airport shuttle buses or taxis, depending on the amount of expected business use, is encouraged.

(e) Business Meal - business meal expenses may include the reasonable cost of meals and beverages, except alcoholic beverages, ordinarily associated with normal eating customs.

(f) Transportation - the type of transportation employed shall be selected on the basis of the lowest cost to MWDOC after all costs are considered, including the travel time and compensation; however, travel by common carrier bus or train shall not be required. For any one trip in excess of 200 miles one way, the preferred mode of travel shall be by airline coach or economy class. Except in emergency situations, all air travel arrangements shall be made by MWDOC. It should be considered that there are occasions when an employee/Director is able to secure a lower rate than normal by making his/her own reservations. In these instances, and to allow for appropriate tracking and accounting documentation, said Director shall notify staff immediately and payment for said reservations shall be made by MWDOC in accordance with this policy.

In the event a Director or employee chooses a higher fare (for personal reasons), said Director or employee shall be responsible for reimbursing MWDOC for the price difference in fare.

Should an employee elect a form of travel other than air for any one trip in excess of 200 miles one way, reimbursement for such travel shall not exceed the cost that would have been incurred and reimbursable if airline transportation had been used; i.e., Director compensation, travel to and from the airport (mileage, shuttle, taxi), round trip coach airfare to the ultimate destination in effect at the time, and airport parking. Expenses for extra lodging and meals, mileage, and Director compensation, as a result of such alternative travel will only be reimbursed if the total reimbursable cost does not exceed the costs that would have been incurred and reimbursable if airline transportation had been used. Under no circumstances shall reimbursement exceed the actual cost of the method of transportation used.

Any alternative travel for MWDOC business must be by the most direct route, considering

the mode of transportation used. Additional expense resulting from travel by an indirect route for the personal interest of the employee is not reimbursable.

An employee who obtains airline tickets from MWDOC for the purpose of combining personal travel with MWDOC travel, or for travel with a family member, shall, prior to receipt of such ticket, make payment for the portion of cost attributed to personal travel or to the family member's travel.

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Motion - 7/21/93; 11/15/95; Motion - 9/16/98; Motion - 6/16/99; Motion – 4/16/03; Motion – 10/15/03; 12/21/05; M-6/17/15

**§2204 EMPLOYEE/DIRECTOR CASH ADVANCES**

Employees and Directors on travel status are expected to provide themselves with sufficient funds to cover all out-of-pocket expenses, which will be reimbursed by MWDOC, if appropriate.

If necessary, funds up to $200 per day for business-related expenses will be advanced to employees and Directors to be on travel status on a temporary basis. Employees are required to complete a Seminar/Conference Attendance and Cash Advance Request form to be approved by the Program Manager or General Manager and must be submitted in advance to allow adequate time for processing. Directors shall obtain approval from the Board President or Vice President and shall notify staff at least two weeks in advance of traveling to allow adequate time for processing. Only one employee/Director advance shall be outstanding at any time and must be cleared through submission of a MWDOC Business Expense Report within 30 days from last day of travel. Any Business Expense report outlining the cash advance expenditures submitted after 30 days will be submitted to the Executive Committee for approval. The Director must repay any amount of the advance not covered by receipts or mileage claims.

**§2205 MWDOC CREDIT CARD ADVANCE OF FUNDS**

These guidelines and regulations provide the rules, procedures and restrictions for use of MWDOC-issued credit cards. Adherence to these procedures and restrictions in conjunction with the above authorized expenses is mandatory. Use of a MWDOC credit card in any manner determined by the Board as inappropriate or outside of the established regulations could result in the loss of credit card privileges.

Credit card limits and new card issuances are authorized by the General Manager. Use of the General Manager's credit card by staff is only with the expressed authority of the General Manager. Use of the MWDOC issued credit card for any personal expenses is prohibited.

If, inadvertently in the course of use of the MWDOC-issued credit cards, expenses that are unsubstantiated by receipts or not allowed under this policy are charged to the credit card, the amount will be identified on the MWDOC Business Expense/Credit Card Report form and subtracted from the allowable total.

Because the use of the MWDOC issued credit card is considered the same as a cash advance, all credit card expenses are to include the date, purpose and amount, with the total allowable charges reflected as a cash advance at the bottom of the Business Expense/Credit Card Report form, reducing the total amount due for reimbursement. All receipts for expenses over $25 must be attached to the MWDOC Business Expense Report. If an employees' or Directors' Business Expense/Credit Card Report form results in a negative balance, a personal check for that amount is to be attached at the time of submittal. Any MWDOC Business Expense Report submitted incomplete and without proper attachments will be returned to the employee or Director. Expenses over $25 without a receipt will require written explanation of the charge and shall be signed by the employee (and approved by the General Manager) or Director.

If a Director's Business Expense Report is not submitted by the time MWDOC must make payment on the credit card, all charges reflected on the billing will be charged against and used as a reduction of the next per diem compensation voucher. If the MWDOC Business Expense Report is submitted subsequent to the reduction of the compensation voucher, reimbursement will be made at the issuance of the next per diem compensation check.

Any disputed or unsubstantiated charges for Directors will be submitted to the Executive Committee for review. Until a determination has been made and resolution has been arrived at, the amount in question will be charged against and used as a reduction of the next per diem compensation voucher.

Any disputed or unsubstantiated charges for employees will be submitted to the General Manager for review and appropriate action.

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Motion – 7/21/93; 11/15/95; 7/16/97; 4/16/03; 10/20/04; M 12/21/05; M-6/17/15; M-6/20/18; M-10/16/19

## §2206 APPROVAL FOR REIMBURSEMENT OF FUNDS

MWDOC Business Expense Reports and Compensation Vouchers should be submitted within 60 days and should be separated by the month with which the activity/expense occurred. Credit card charges and cash advance details, however, shall be submitted for approval within 30 days of incurring the credit card or cash advance expense. More frequent submission may be required in the case of an Employee Advance. Payment for Compensation Vouchers for the MWDOC Directors is coordinated with MWDOC's bi-weekly payroll period.

Detailed expenses shall be reported on the MWDOC Business Expense/Credit Card Report, substantiated by the appropriate back up material as outlined in Section 2205 and submitted to the Program Manager for review and approval. The approved claim is submitted to the Accounting Department and scheduled for payment at month-end unless an early disbursement is requested. Expenses over $25 without a receipt will require

written explanation of the charge and shall be signed by the employee or Director.

Any Compensation Voucher or MWDOC Business Expense/Credit Card Report submitted more than 60 days after the close of any given month will be submitted to the Executive Committee for approval and may be disallowed for reimbursement. As stated above, credit card charges and cash advance explanations must be submitted to MWDOC within 30 days of incurring the expense. When Compensation Vouchers or expense reports are not submitted within 60 days after the expense is incurred, the expense may not be reimbursed unless a written explanation of the exceptional circumstances which caused the delay is submitted to and approved by the Executive Committee.

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Motion: 11/15/95; 4/16/03; 12/21/05; M-6/17/15

## §2207 PETTY CASH REIMBURSEMENT/ADVANCES

The Board has established a petty cash fund for the purpose of reimbursing MWDOC employees for minor expenses necessarily incurred in carrying out their duties. Requests for reimbursement must be accompanied by a receipt and must be approved by the Program Manager. Requests for reimbursement from petty cash are not to exceed $100.00. The fund is available for purchases of miscellaneous items authorized by the Program Manager totaling less than $100.00. An itemized receipt is to be submitted to Accounting within one working day of purchase.

Claims for minor local mileage, parking, tolls, or postage expenses aggregating not more than $50.00 may be reimbursed from petty cash. The claim shall include all information and approvals required to substantiate the claim. No business expenses other than those expenses identified may be reimbursed through the petty cash fund.

Employee advances from petty cash must not exceed $50.00 per employee and must be cleared within one week of issuance. Exception to this amount would be any advances required by the employee for the approved purchase of MWDOC supplies.

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R526 - 8/26/70; R539 - 11/25/70; Motion - 7/1/87; Motion - 2/6/91; Motion - 3/3/91; Motion - 1/15/92; Motion - 4/21/93; Motion 7/16/97; Motion 4/16/03; Motion 12/21/05

**NOTE:** The policies relating to authorization to travel, and route and mode of travel are located in the Conferences and Travel Section of the Code.

## §2208 DEFINITIONS

"Employee" shall mean MWDOC Directors, and MWDOC employees unless specifically stated otherwise. MWDOC MET Directors shall also be considered employees under this definition for the purpose of mileage reimbursement to attend MWDOC Board meetings. MET Directors are to submit all other expenses incurred in the performance of their duties as MET Directors to Metropolitan Water District of Southern California.

"Travel" shall mean attendance at meetings, conferences, or other functions on MWDOC business at other than the employee's headquarters or temporary headquarters or, in the case of Directors, their residences or places of business, whichever is applicable.

"Overnight travel" shall mean travel which prevents employees from spending their usual sleeping hours at their residences. Unless a meeting or conference is outside of the local area (Orange or Los Angeles County), lodging for such travel will not be considered an eligible expense unless the function spans more than one day AND requires travel time of one hour or more each way.

"Business meal" shall be one in which employees provide meals and beverages, except alcoholic beverages, ordinarily associated with normal eating customs under circumstances which are generally considered to be conducive to furthering the business of MWDOC. A "business meal" shall also include employees' meals at business meetings with non-employees who pay for their own meals, or at a business program sponsored by a business or professional association where the subject matter of the discussion is of importance to MWDOC.

Employees (not including Directors) ordinarily may not themselves partake in, or provide for others, business meals without authorization by the Program Manager or General Manager.

Whenever an employee who customarily performs MWDOC job assignments outside Orange County and is required to be outside of Orange County on MWDOC business during a period when a meal is usually partaken, the employee shall be reimbursed by MWDOC for the expense of meals partaken.

"Mileage reimbursement" shall mean the product of "business miles driven" times "the currently approved mileage rate" to reflect reimbursement for the use of a personal vehicle. Cost of gasoline or oil purchases, vehicle repairs or maintenance and vehicle insurance are incorporated into the mileage rate. Direct reimbursement for any expense incurred for a personal vehicle is discouraged and will at no time exceed the total amount derived from the "mileage" times "business miles driven" formula.

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Motion - 7/21/93; Motion 8/17/94; Motion 6/16/99; 4/16/03; Motion12/21/05; M-6/17/15

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| **CONFERENCES AND TRAVEL** | **§2300-§2303** |
|---|---|

## § 2300 GENERAL POLICY

a. Employees

Attendance at most conferences is approved in the annual budget. Attendance at conferences by employees for those conferences not pre-approved in the annual budget requires Board approval. An employee wishing to attend a seminar, workshop, or convention must complete a Seminar/Conference Attendance and Cash Advance Request form and obtain approval by the Program Manager and General Manager prior to arrangements being made.

b. Directors

Attendance at conferences and seminars by Directors requires Board approval. (Please see Section 1403 for meetings that do not require Board approval).

Following Board approval for Director attendance at conferences, meetings, and seminars, the following shall apply:

1. For conferences, meetings and seminars within Southern California, all Directors are eligible to attend;
2. For the Association of California Water Agencies (ACWA) Spring and Fall conferences, all Directors are eligible to attend;
3. For conferences, meetings, and seminars involving travel outside of Southern California, without special Board approval, attendance at any one event shall be limited to participation by no more than three Directors (for expense reimbursement by MWDOC). It shall be the duty of the Executive Committee, or the Board President, at the time of approval, to determine which Directors may attend if more than three are interested.
4. A Director attending a conference, meeting or seminar for which he/she receives reimbursement shall make a brief report on that conference, meeting or seminar at the next open session after his/her return.

Travel expenses are subject to the terms of Section 2201(c).

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M-6/17/15

## §2301 AUTHORIZATION TO TRAVEL

Inside California –For staff travel within California, but outside of MET service area, on

MWDOC-related business shall be undertaken only with prior approval of the Program Manager and the General Manager. The Board shall approve all travel by members of the Board.

Outside California - Travel outside California on MWDOC-related business shall be undertaken only upon approval of the Board.

Emergency Travel Situations - In those instances when there is no Board meeting scheduled and Board approval cannot be obtained, the General Manager shall seek the approval of the Board President, or a member of the Executive Committee prior to such travel. The General Manager shall then immediately notify the Board of the approval and the nature of the travel. The General Manager shall then seek ratification by the Board.

**§2302 TRAVEL EXPENSES**

Payment of travel expenses while on MWDOC-related business shall be as allowed under the provisions outlined in Section 2200-2208 of this Code.

**§2303 TRAVEL ARRANGEMENTS**

All travel arrangements for attendance at meetings on MWDOC-related business (by both Board and staff) shall be made by staff pursuant to the provisions provided under Section 2300.

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Motion - 4/21/93 (previously part of Credit Card & Business Expense Policy, Code Section 7200); Motion - 7/21/93; Motion – 4/16/03; Motion 1/21/04

# CHAPTER 3

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| **ANNEXATIONS** | **§3000-§3005** |
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## §3000 POLICY CONSIDERATIONS

The main policy considerations by MWDOC for a prospective annexation of territory includes the annexation fees for both MWDOC and MET, a determination of who will be providing the retail water service to annexing lands, the level of future water demands that will develop as a result of the annexation, compliance with the terms and conditions of the MET Annexation Policy, and the exclusion of public lands.

## §3001 REQUEST FOR ANNEXATION

Prior to providing water service to an area not currently within MWDOC or MET's service area, the area will require concurrent annexation to both Districts. A request for annexation of areas to MWDOC shall be made in writing executed on behalf of the local agency or property owner. The request shall include:

1. A general description of the area proposed to be annexed and a map of the area indicating the boundaries of the area and existing streets and highways;

2. A certificate from the county assessor setting forth the assessed valuation of each parcel included within the proposed area to be annexed;

3. Identification of the ownership of each parcel included within the area proposed to be annexed;

4. A description of the present use of each of the parcels included within the area proposed to be annexed;

5. A description of the existing or proposed development plans for such parcels;

6. The estimated total annual and peak demands for water service to the area proposed to be annexed; and

7. A description of the water conservation measures used or planned for the area, including use of local groundwater, surface water, and recycled wastewater.

In addition, the local agency or property owner shall furnish such other information as may be requested by MWDOC or MET. The agency or property owner seeking the annexation to MWDOC shall bear all associated costs.

## §3002 CONSIDERATION OF REQUEST

MWDOC staff will review the legal description and boundary map for accuracy and completeness and will submit proposed annexation to MWDOC Board at their next regular meeting taking place no earlier than 30 days after receipt by MWDOC of the request or after receipt of all supplemental information required.

## §3003 ANNEXATION PROCEDURES

1. If MWDOC Board approves, a resolution requesting preliminary terms and conditions will be requested from MET. Evidence of compliance with MET's Administrative Code Section 3107 Water Use Efficiency Guidelines must also be provided.

2. MET's Finance and Insurance Committee receives report and recommends preliminary terms and conditions to their Board; legal description and sketch must be prepared.

3. MWDOC's Board adopts resolution applying to LAFCO for hearing, terms, conditions, and environmental assessment.

4. LAFCO approves annexation following hearing and provides MWDOC with certified copy of resolution.

5. MWDOC's Board requests formal terms and conditions from MET's Board, providing certified MWDOC and LAFCO resolutions approving annexation and documents complying with California Environmental Quality Act.

6. MET's Finance and Insurance Committee and Board approves formal terms and conditions.

7. LAFCO holds hearing and, if successful, orders annexation.

8. As a term of any annexation, the deposit requests for processing of the applications must be paid up-front and the annexation fees to both MWDOC and MET must be paid in full, prior to completion of the annexation. MET's annexation fees are estimated based on the greater of the amounts of (1) the Back Tax Computation and (2) the Per-Acre charge adopted by their Board. MET's Per-Acre charge in 2014 was $4,498. MWDOC's annexation fees are based on the Back Tax Computation.

9. LAFCO prepares a certificate of completion and makes the filings required by Government Code Sections 57203 and 57204.

The entire process typically takes between six and twelve months.

## §3004 MWDOC ANNEXATION CHARGES

Besides MET and MWDOC annexation fees, other costs involved in the processing of an annexation include legal, environmental, engineering and administrative costs. As a prerequisite to MWDOC submitting a resolution of application to LAFCO for an annexation, MWDOC will require that the agency or property owner requesting annexation agree to be fully responsible for all of the costs, including any legal costs incurred as a result of an action against the MWDOC.

MWDOC's annexation fees are estimated based on prior tax rates (Back Tax Computation). MWDOC's engineering, legal and administrative costs are estimated up front and a deposit is requested from the applicant.

## §3005 EXCLUSION OF PUBLIC LANDS

Public lands, not subject to annexation fees, include public roads, streets, highways, freeways, and other such public lands that may be determined by MET.

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Minute action - 9/8/52; R39 - 10/14/59; Motion - 6/11/56; R150 - 5/13/57; R151 - 7/8/57; Ord. 3 - 8/26/57; R152 - 8/26/57; R155 - 10/7/57; Minute action 12/4/57; Motion - 4/21/93; M-6-17/15

# CHAPTER 4

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| **WATER SERVICE, CLASSIFICATION AND RATES POLICIES** | **§4000 – 4001** |
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## §4000 GENERAL WATER SERVICE POLICY

Municipal Water District of Orange County is authorized and directed by Section 71616 of the California Water Code to establish water rates and charges for the sale of water which will result in revenues sufficient to meet the operating expenses of MWDOC, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions and enlargements, and cover principal and interest payments and costs associated with the bonded debt.

## §4001 CLASSIFICATION AND WATER RATES

A copy of the current Ordinance on file with MWDOC establishing classifications and the current Water Rate Resolution may be obtained from the District Secretary.

The procedures for establishing water rates resolutions and ordinances are outlined under Section 1117.

## §4002 DISCOVERY OF MISTAKES OR ERRORS

In the event a mistake or error is discovered in a District water sales record, the General Manager shall initiate appropriate corrective action. No mistake or error made more than three years prior to its discovery shall be corrected unless otherwise specified in an agreement with the District. In the event a mistake or error is discovered by a member agency in its water sales record or certifications, no mistake or error made more than three years prior to its discovery shall be corrected unless otherwise specified in an agreement with the District.

If an incorrect invoice has been issued to a member agency, the General Manager shall notify the affected agency of any adjustment and the manner of making any required credit or charge, neither of which shall bear interest.

# CHAPTER 5

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| **SERVICE CONNECTIONS** | **§5000-§5013** |
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## §5000 GENERAL

Upon formal request by a Member Agency for a service connection, the General Manager is authorized to prepare for the Board's consideration, a formal agreement for the sale and delivery of water with the Member Agency being required to accept and comply with the terms and conditions of the Administrative Codes, rate resolutions, and rate ordinances put forth by MWDOC and MET which may be amended from time to time. MWDOC will furnish the Member Agency with the appropriate provisions and conditions with respect to completion of any service connection agreement.

The Member Agency shall make arrangements for the completion of service connections with MWDOC. The Member Agency shall make all deposits required and execute and furnish all necessary documents within sixty (60) days of notification by MWDOC. If necessary deposits and documents are not submitted within the required time, MWDOC will consider application for service connection canceled, no longer pending and of no force and effect.

The service connection agreements shall have provisions covering the topics in Sections 5001-5013.

M-6/17/15

## §5001 DELIVERY OF WATER

Upon completion of said connection, MWDOC will deliver from said connection such quantities of water as requested, subject to the capacity of the connection, the availability of the water and the terms and conditions subject to the agreements between MWDOC and MET. Delivery of water by MWDOC is subject to its ability to purchase said water from MET.

M-6/17/15

## §5002 TITLE

Delivery of water to Member Agency shall occur as the water is discharged from MET to MWDOC to the Member Agency, and thereafter such water shall be the property of the member agency, which shall be solely responsible for it.

M-6/17/15

**§5003 PAYMENT FOR WATER**

The Member Agency shall pay MWDOC for all quantities of water delivered subject to the price, rates, classification and conditions established by MWDOC from time to time according to the use to be made of such water. All deliveries shall be metered by MET and monthly statements will be presented by MWDOC to the Member Agency. Statements are due and payable within the time and according to the conditions established by MWDOC from time to time.

**§5004 EQUIPMENT AND RIGHT OF WAY**

The Member Agency must furnish without cost to MWDOC and MET all facilities, including any rights of way, meter or meters or other measuring devices, vaults, facilities and equipment for the securing of water from the lines of MET and will pay all costs, charges and expenses incurred in connecting its lines to, maintaining said connection and disconnecting said lines from the lines of MET. The Member Agency must agree to install and maintain such flow control device or devices in connection with the service connection as required by MWDOC and MET.

The Member Agency must furnish, operate and maintain its own lines for the distribution of any water received by it from MET and MWDOC who shall not be under any duty relative thereto or obligated therefor in any way.

**§5005 AMOUNT OF WATER DELIVERED**

If any question arises as to the amount of water delivered to the Member Agency and/or others, the decision of MWDOC's General Manager shall be final as to determining the amount and the apportionment thereof. The method of measure of water used by the member agency shall also be as determined by MWDOC's General Manager, who is also authorized and empowered to fix and apportion to the Member Agency the loss, if any, incurred in the transportation of water at and below the place of measuring of said water.



**§5006 RESPONSIBILITY FOR FACILITIES AND ACCESS**

MWDOC is not the owner of any meter, vaults, facilities and equipment, nor is it responsible in any way for any vaults, meter, facilities and equipment used in serving its Member Agencies. However MWDOC's General Manager shall have access at all times to any such facilities and equipment furnishing water to the Member Agencies and used in measuring water purchased by member agencies from MWDOC, whether connected to the source of supply of MET, or otherwise, and if such devices are under lock or located in any structure, MWDOC's General Manager shall have free and unobstructed access to any and all facilities in which such devices are kept. Said MWDOC General Manager has the right, power and authority to test any such device, used by the member agency or on its behalf, if it is believed to be inaccurate or faulty in any way, and any devices found defective shall be promptly repaired or replaced without cost to MWDOC.

**§5007 MET's CONDITIONS**

Member Agencies shall accept and agree to comply with all the terms and conditions of MWDOC's and MET's resolutions relating to service connections and agree to grant or cause to be granted to MWDOC and MET such permanent easement as may be necessary for the construction, reconstruction, operation, maintenance, repair and removal of said connection in, over, through and under a parcel of land, the location and dimensions of which parcel shall be adequate for said purposes as determined by the Chief Executive Officer of MET, and which easement shall be in form satisfactory to MET's General Counsel.

**§5008 WATER RATES**

MWDOC charges a water rate in addition to the price charged for water by MET. If, in the opinion of MWDOC, it should become necessary for MWDOC to charge additional rates in connection with the furnishing of any water to a Member Agency under the agreement, the Member Agency shall promptly pay MWDOC its proportion of any such charges, based on the amount of water received which may be deemed necessary by MWDOC to be charged Member Agency in MWDOC, provided, however, that no such charge shall be levied or made by MWDOC to or against the member agency until MWDOC first gives written notice by registered mail to the member agency of its intention to make such a charge at least 10 days prior to making such charge or levy.

Notwithstanding any agreement to the contrary, in the event MWDOC incurs expenses relative to the operation and maintenance pertaining to said service connection, the Member Agency shall reimburse MWDOC for such expenses on presentation of bills for such expense.

See Sections 4001 and 1117 for additional Water Rates procedures and information.

**§5009 REPAIRS**

Pursuant to the terms of any agreements and/or MET resolutions or Administrative Code provisions, MET shall be responsible for any subsequent maintenance, alteration, reconstruction or relocation of said service connection, except changes which are requested by the member agency or MWDOC which changes shall be handled as a new service connection.



**§5010 INDEMNITY**

The Member Agency must agree that it will at all times indemnify and save harmless MWDOC from and against all loss, cost, damage and expense, including, but not limited to, reasonable engineers' and attorneys' fees, and from and against any and all claims or demands on account of injury to persons or property which may be made against MWDOC in any way related to the Member Agency's operations or the attachment, maintenance and operations of its facilities to or the removal of its facilities from the facilities of MET.

## §5011 MWDOC/MET AGREEMENT

The Member Agency must accept and agree to comply with, and be subordinate to, the agreement between MWDOC and MET, which agreement shall be attached to and made a part of Member Agency's agreement with MWDOC.

## §5012 ENVIRONMENTAL PROCEDURES

In connection with the water service of such service connection agreement and agreement with MET, the Member Agency shall be responsible for compliance with all governmental environmental impact procedures and shall be responsible for all governmental permits, if any, prerequisite to the performance of any service agreement with MWDOC and comply with laws applicable thereto.

Original policy adopted 9/8/52 - R36; rescinded by R43 - 5/11/53; R74 - 10/11/54; Motion - 4/21/93;

## §5013 ABILITY TO DEAL WITH A SUSPENSION OF IMPORTED WATER DELIVERIES

The goal of MWDOC is for its Member Agencies is to have available sufficient water supplies to their customers during both planned and unplanned outages of the import water system to be able to continue providing service to their consumers, from storage, local resources or interconnections with other agencies, without benefit of imported water through MET's system, for 7 average days of demand. MWDOC staff will be available to work with the Member Agencies toward meeting this goal.

In the event one or more of MWDOC's Member Agencies are unable to sustain a planned shutdown, MWDOC may pass on any costs imposed by MET. MWDOC may also pass on any non-staff costs directly incurred by MWDOC for helping agencies to plan for or to sustain a planned or unplanned outage of the import water system. Costs imposed by MET and non-staff costs incurred by MWDOC, if passed on to MWDOC's Member Agencies, may be passed through to certain Member Agencies by way of a special invoice. MWDOC will determine the "need for import" supplies, based on demands and available local supplies including storage. Supplies that would have been available from MET will be allocated proportionally among all agencies by their "need for import supplies". The special invoice will be allocated proportionally among all agencies calculated to have a "remaining unmet demand" after the MET supplies that would have been available have been fully allocated. In the event MWDOC cannot reasonably determine to which agency or agencies to pass the costs, the Board shall have the option to (1) pass the costs on to all of MWDOC's Member Agencies, or (2) fund the costs from MWDOC's reserves.

Motion 10/19/05; M-6/17/15

# CHAPTER 6

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| **PERSONNEL MATTERS** | **§6000** |
|---|---|

MWDOC's personnel policies are detailed in its Personnel Manual and revised as necessary.

Personnel policies apply to all employees at MWDOC. Every employee is provided with a copy of the Personnel Manual upon hire. The Manual covers salary policies and regulations governing hours, benefits and working conditions with periodic revisions submitted to the Board for approval.

Pursuant to Section 1307 of this Code, the Board has delegated to the General Manager the authority to employ, terminate, assign duties to, and direct the day-to-day activities of all MWDOC employees, except that the Board retains the authority to employ, terminate, and assign duties to the General Manager, Secretary and Treasurer of the Board, and Legal Counsel.

The General Manager has the authority to establish MWDOC employee job classifications and descriptions, subject to periodic review of overall personnel utilization by the Board. The Board retains the authority to control the overall staffing levels by setting the number of authorized positions.

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Motion - 7/21/93; Motion – 7/21/04; M-6/17/15

# CHAPTER 7

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| **CONFLICT OF INTEREST AND DISCLOSURE OF PERSONAL FINANCES** | **§7000-§7006** |
|---|---|

## §7000 GENERAL REQUIREMENTS

The Political Reform Act, Government Code Sections 81000, et seq., requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. Section 18730) which contains the terms of a standard Conflict of Interest Code, which may be incorporated by reference in an agency's code. After public notice and hearing it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference.

## §7001 MWDOC CONFLICT OF INTEREST CODE

MWDOC has adopted the Fair Political Practices Commission Model Code (2 Cal. Code of Regs., Section 18730) as its Conflict of Interest Code (Code) and has promulgated a list of Designated Positions and Disclosure Categories as required therein (see Appendix A to Section 7005). This Code incorporates, by reference, the definitions contained in the Political Reform Act of 1974, regulations of the Fair Political Practices Commission and any amendments to the Act or regulations. This regulation and the attached Appendix designating officials and employees and establishing disclosure categories, shall constitute the Conflict of Interest Code of the Municipal Water District of Orange County.

In accordance with Government Code 82011(b), the Board of Supervisors for the County of Orange (Board of Supervisors) has been designated as the Code Reviewing Body for MWDOC. Amendments to the MWDOC Conflict of Interest Code, including Appendix "A", will be submitted to the Board of Supervisors for approval within 90 days after the circumstances necessitating the amendments have become apparent. (Government Code Section 87306(a).)

Res. No. 1874 – 2/17/10

## §7002 FILING OFFICER/OFFICIAL

The District Secretary is designated as the filing official responsible for receiving and forwarding original statements of economic interest (statements) for MWDOC Directors to the Clerk of the Board of Supervisors. The District Secretary shall retain one copy of each such statement for MWDOC records. The District Secretary is designated as filing officer for all other designated filers of MWDOC and as such shall be responsible for receiving and retaining the original statements of such filers in the official records of MWDOC. The District Secretary shall follow the duties of filing officer denoted in Title 2, Section 18115(a) and of filing official denoted in Title 2, Section 18115(b).

Motion - 4/20/94; Motion - 9/21/94; M – 9/20/06; M-9/21/16

**§7003 FILING OF STATEMENTS OF ECONOMIC INTERESTS**

Persons in designated positions are required to file statements with the District Secretary as follows:

1) Initial Statements - Within 30 days after adoption of the Code or amendments to the Code. Includes all reportable interests during 12 months prior to the effective date of the Code or amendments thereto.

2) Assuming Office Statements - Within 30 days after assuming the designated position. Includes all reportable interests during the 12 months prior to the date of assuming office or date of appointment or nomination

3) Annual Statements - No later than April 1 each year. Includes all reportable interests during the previous calendar year.

4) Leaving Office Statements - Within 30 days after leaving office. Includes all reportable interests during period between the closing of the last statement filed and the date of leaving office.

Motion - 4/20/94;

**§7004 OPINIONS OF LEGAL COUNSEL**

A. Opinion Requests - Any designated employee who is unsure of any right or obligation arising under this Code may request an opinion from MWDOC's Legal Counsel or the Fair Political Practices Commission.

B. Evidence of Good Faith - If an opinion is rendered by the Fair Political Practices Commission, stating in full the facts and the law upon which the opinion is based, compliance by a designated employee with such opinion may be evidence of good faith in any civil or criminal proceeding brought pursuant to the Political Reform Act of 1974 or this Code. The designated employee's good faith compliance with the opinion of the Fair Political Practices Commission shall also act as a complete defense to any disciplinary action that MWDOC may bring under Section 91003.5 of said Act or this Code (Government Code Section 83114).

Motion 4/20/94

**§7005 DESIGNATED POSITIONS AND CATEGORIES**

Designated employees shall file statements of economic interests with the Municipal Water District of Orange County's Political Reform Act Filing Officer, District Secretary, who will make the statements available for public inspection and reproduction (Government Code Section 82008). This Conflict of Interest Code does not require the reporting of gifts from outside the District's jurisdiction if the source does not have some connection with or bearing upon the functions or duties of the position for which reporting is required (2 Cal. Code of Regs., Section 18730.1).

Upon receipt of the statements of the Members of the Board of Directors, General

Manager, Treasurer, Deputy Treasurer, Director of Finance, and Legal Counsel the Filing Officer shall make and retain a copy and forward the original of these statements to the Clerk of the Orange County Board of Supervisors, who is the Filing Officer for these positions

Statements for all other designated employees will be retained by the Filing Officer.

Motion – 9/20/06; Res. No. 1861 – 11/18/09; Res. No. 1874 – 2/17/10; M-11/17/10; M-11/19/14; M-9/21/16

## APPENDIX A

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**CONFLICT OF INTEREST CODE**

| Designated Positions | Disclosure Categories |
|---|---|
| Board Member | OC-01 |
| General Manager | OC-01 |
| Treasurer | OC-01 |
| Deputy Treasurer | OC-01 |
| Director of Finance | OC-01 |
| Legal Counsel | OC-01 |
| Accounting Manager | OC-01 |
| Administrative Services Manager | OC-02 |
| Associate General Manager | OC-01 |
| Assistant General Manager | OC-01 |
| Consultant | OC-30 |
| Governmental Affairs Manager | OC-01 |
| District Secretary | OC-02 |
| Director of Public Affairs | OC-01 |
| Director of Water Use Efficiency | OC-02 |
| Principal Engineer | OC-02 |
| Principal Water Resources Analyst | OC-02 |
| Sr. Water Resources Analyst | OC-02 |
| WEROC Programs Manager | OC-02 |
| | |
| New Position* | Oc-01** |

* *Individuals serving in a new position created since this Code was last approved that make or participate in making decisions must file under the broadest disclosure set forth in this Code subject to the following limitation:*

*** The General Manager may determine that, due to the range of duties, it is more appropriate to assign a limited disclosure requirement. A clear explanation of the duties and a statement of the extent of the disclosure requirements must be in a written document. (Gov. Code Sec. 82019; FPPC Regulations 18219 and 18734.). The General Manger's determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code. (Gov. Code Sec. 81008.).*

**DISCLOSURE CATEGORIES**
**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**

| Disclosure Category | Disclosure Description |
|---|---|
| OC-01 | All interests in real property in Orange County or the District, as well as investments, business positions and sources of income (including gifts, loans and travel payments). |
| OC-02 | All investments, business positions and sources of income (including gifts, loans and travel payments). |

| | |
|---|---|
| OC-30 | Consultants shall be included in the list of designated employees and shall disclose pursuant to the broadest category in the code subject to the following limitation: The Department Head/Director/General Manager/Superintendent/etc. may determine that a particular consultant, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements in this section. Such written determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure required. The determination of disclosure is a public record and shall be filed with the Form 700 and retained by the Filing Officer for public inspection. |

Minute action - 6/24/81; R1132 - 6/23/82; R1306 - 6/4/86; R1386 - 7/5/89; Minute action - 4/3/91; R1468 - 9/2/92; Motion - 7/21/93; Motion - 3/16/94; Motion - 4/20/94; R1519 - 9/21/94; R1564 - 9/18/96; Motion – 11/15/00; Motion – 11/20/02; Motion – 9/20/06; Motion 9/19/12; Motion 11/19/14; Motion 9/21/16; Motion – 6/20/18

**§7006 ARTICLE 2, POLITICAL REFORM ACT**

Pursuant to Article 2 of the Political Reform Act (Government Code Section 87200 et seq.) those positions which involve the management of public investments are required to report their economic interests under the provisions of Article 2 rather than under MWDOC's Conflict of Interest Code, on Form 700. Those positions with MWDOC who are required to report their economic interests are as follows:

- General Manager
- Members of the Board of Directors
- Treasurer
- Deputy Treasurer
- Director of Finance

Filing requirements will be followed as listed under Administrative Code §7003.

R1519 - 9/21/94; R1538 - 4/19/95; R1564 - 9/18/96; Motion – 11/15/00; M-11/19/14

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| **ETHICS POLICY** | **§7100-§7110** |
|---|---|

## §7100 PURPOSE

The policy of MWDOC is to maintain the highest standards of ethics from its Board members, officers and employees (all shall be referred to as employees for the purposes of this section). The proper operation of MWDOC requires decisions and policy to be made in the proper manner, that public office not be used for personal gain, and that all individuals associated with MWDOC remain impartial and responsible toward the public. Accordingly, all employees are expected to abide by the highest ethical standards and integrity when dealing on behalf of MWDOC with fellow Board members or employees, vendors, contractors, customers, and other members of the public.

## §7101 RESPONSIBILITIES OF BOARD MEMBERS

Board members are obliged to uphold the Constitution of the United States and the Constitution of the State of California and shall comply with all applicable laws regulating Board member conduct, including conflicts of interest and financial disclosure laws. No Board member or officer shall grant any special consideration, treatment, or advantage to any person or group beyond that which is available to every other person or group in the same circumstances.

## §7102 PROPER USE OF MWDOC PROPERTY AND RESOURCES

Except as specifically authorized, no employee shall use or remove or permit the use or removal of MWDOC property, including MWDOC vehicles, equipment, telephones, office supplies, and materials for personal convenience or profit. No employee shall require another MWDOC employee to perform services for the personal convenience or profit of another employee. Each employee must protect and properly use any MWDOC asset within his/her control, including information recorded on paper or in electronic form. Employees shall safeguard MWDOC property, equipment, monies, and assets against unauthorized use or removal, as well as from loss due to criminal act or breach of trust.

Employees are responsible for maintaining written records, including expense reports, in sufficient detail to reflect accurately and completely all transactions and expenditures made on MWDOC's behalf. Creating a document with misleading for false information is prohibited.

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Motion - 1/17/96;

## §7103 CONFLICT OF INTEREST

All MWDOC Directors, officers, and employees at every level shall comply with the requirements of Section 1090 of the California Government Code which prohibits such persons from being financially interested in any contract made by them in their official capacity, or by any body or board of which they are members, or from being a purchaser at any sale or a vendor at any purchase made by them in their official capacity.

All Directors and employees designated under MWDOC's Conflict of Interest Code ("designated employees") and employees required to report under Chapter 7, Article 2 of the Political Reform Act (Government Code Section 7300 et seq.) shall promptly and fully comply with all requirements thereof.

MWDOC employees who are not designated employees under MWDOC's Conflict of Interest Code shall refrain from participating in, making a recommendation, or otherwise attempting to influence MWDOC's selection of a contractor, consultant, product, or source of supply if the non-designated employee, or an immediate family member, has a direct or indirect financial interest in the outcome of the selection process. No employee shall use his/her position with MWDOC in any manner for the purpose of obtaining personal favors, advantages or benefits for him/herself or an immediate family member from a person or entity doing business or seeking to do business with MWDOC. Such favors, advantages, or benefits would include, but are not limited to: 1) offers of employment; 2) free or discounted goods or services; or 3) gifts.

## §7104 GIFTS

No employee shall accept, directly or indirectly, any compensation, reward or gift from any source except from MWDOC, for any action related to the conduct of MWDOC business, except as set forth below:

1. Acceptance of food and refreshments of nominal value on infrequent occasions in the ordinary course of a breakfast, luncheon or dinner meeting or other meeting or on an inspection tour where the arrangements are consistent with the transaction of official business.*

2. Acceptance of transportation, lodging, meals or refreshments, in connection with attendance at widely attended gatherings sponsored by industrial, technical or professional organizations; or in connection with attendance at public ceremonies or similar activities financed by nongovernmental sources where the employee's participation on behalf of MWDOC is the result of an invitation addressed to him or her in his/her official capacity, and the transportation, lodging, meals or refreshment accepted is related to, and is in keeping with, his/her official participation.*

3. Acceptance of unsolicited advertising or promotional materials such as pens, pencils, note pads, calendars, or other items of nominal value.*

4. Acceptance of plaques and commemorative mementoes, of nominal value, or of value only to the recipient, such as service pins, recognition awards, retirement mementoes.

5. Acceptance of incidental transportation from a private organization, provided it is furnished in connection with an employee's official duties and is of the type customarily provided by the private organization.

* Nothing herein shall be deemed to relieve any Director or designated employee from reporting the value of such meals, transportation, lodging or gifts and abstaining from participation in any decision of MWDOC which could foreseeably have a material financial effect on the donor when the value of such gifts reaches the limits set forth in MWDOC's Conflict of Interest Code and the Political Reform Act.

In no event shall any employee accept gifts from any single source, the cumulative value of which exceeds the applicable gift limit under California law.

A gift or gratuity, the receipt of which is prohibited under this section, shall be returned to the donor. If return is not possible, the gift or gratuity shall be turned over to a public or charitable institution without being claimed as a charitable deduction and a report of such action, and the reasons why return was not feasible shall be made on MWDOC records. When possible, the donor also shall be informed of this action.

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Motion - 1/17/96;

## §7105 PERSONS OR COMPANIES REPORTING GIFTS

All persons and companies doing business with MWDOC, with the exception of public agencies, shall submit a summary, by January 31 of each calendar year, of all gifts claimed for internal vendor audits (including meals) made to, or on behalf of, employees or Directors of MWDOC, or their immediate family members, that have occurred in the normal course of business during the previous calendar year. Failure to provide this information to MWDOC may result in the termination of MWDOC business with that person or company.

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Motion - 7/21/93; Motion - 8/18/93;

## §7106 USE OF CONFIDENTIAL INFORMATION

Confidential information (i.e., information which is exempt from disclosure under the California Public Records Act) shall not be released to unauthorized persons unless the disclosure is approved by the Board, President of the Board, or General Manager. Employees are prohibited from using any confidential information for personal advantage or profit.

## §7107 POLITICAL ACTIVITIES

During the course and scope of their employment employees are prohibited from engaging in campaign activities associated with MWDOC Director elections, MWDOC Director appointments, the appointment of MET Directors, or from attempting to influence changes to MWDOC Division boundaries, except where such activities are expressly required in the course of official duties. Employees are otherwise free to personally, endorse, advocate, contribute to, or otherwise support any political party, candidate, or cause they may choose; however, employees are prohibited from soliciting political funds or contributions at MWDOC facilities or during the course and scope of their duties for MWDOC. In any personal political activity an employee may be involved in, it shall be made clear that the employee is acting personally and not for MWDOC. These provisions are intended to protect employees against political assessments, coerced political activities, and to prevent political activities on the part of employees from interfering with MWDOC operations. Nothing in this section shall be interpreted or applied in a manner to unlawfully curtail the constitutional right to political activity of MWDOC employees.

Motion – 6/17/15

## §7108 IMPROPER ACTIVITIES

Employees shall not interfere with the proper performance of the official duties of others, but are strongly encouraged to fulfill their own moral obligations to the public, MWDOC, and its member agencies by disclosing, to the extent not expressly prohibited by law, improper activities within their knowledge. No employee shall directly or indirectly use or attempt to use the authority or influence of his/her position for the purpose of intimidating, threatening, coercing, commanding, or influencing any person with the intent of interfering with that person's duty to disclose improper activity.

## §7109 VIOLATION OF POLICY – STAFF AND STAFF OFFICERS

If an employee is reported to have violated MWDOC's Ethics Policy, the matter shall be referred to any of the following: (1) the General Manager; (2) Human Resources; (3) the Board of Directors; or (4) any member of the management staff, for investigation and consideration of any appropriate action warranted which may include employment action such as demotion, reduction in salary, or termination.

If a Board appointed officer (Secretary, Treasurer or General Manager) is reported to have violated MWDOC's Ethics Policy, the matter shall be referred to the Executive Committee for investigation and consideration of any appropriate action. The Executive Committee may make a determination and present the issue to the full Board.

Motion - 1/17/96; 6/17/15

## §7110 VIOLATION OF POLICY -- DIRECTORS

A perceived violation of this policy by a Director should be referred to the President of the Board or the full Board of Directors for investigation, and consideration of any appropriate action warranted. A violation of this policy may be addressed by the use of such remedies as are available by law to MWDOC, including, but not limited to: (a) adoption of a resolution expressing disapproval of the conduct of the Director who has violated this policy, (b) injunctive relief, or (c) referral of the violation to MWDOC Legal Counsel and/or the Grand Jury.

## §7111 PERIODIC REVIEW OF ETHICS, CONFLICT OF INTEREST AND ADMINISTRATIVE GUIDELINES

Pursuant to the terms of Government Code Sections 53234 through 53235.2, each Director shall receive at least two hours of training in general ethics principles every two years. Pursuant to Government Code Section 53235(c), the curricula for ethics training must be approved by the Fair Political Practices Commission (FPPC) and the Attorney General. It is the general desire of the MWDOC Board to meet and review and/or receive a presentation that addresses principles relating to reporting guidelines on compensation, conflict of interest issues, and standards for rules of conduct during the first quarter of the year immediately following an election (every two years).

Each Director shall retain the certificate of completion from any ethics course in which he/she participates and shall provide a copy of such report to MWDOC. Such records shall be retained for five years from the date they are received.

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M-12/21/05

# CHAPTER 8

| **CONTRACTS** | **§8000-§8004** |
|---|---|

## §8000 CONTRACTS

Contract documents shall consist of such documents as the General Manager may deem desirable and as approved as to form by MWDOC's Legal Counsel in addition to those required by law. The contract documents may include, among others, a notice inviting bids, proposal, bidder's bond, form of agreement, performance bond, payment bond, specifications and drawings. Whenever an award is made by the Board, such award shall constitute approval of the contract documents and contractor or consultant shall be authorized to proceed with the provision of services or materials described in the contract document, subject to compliance with the insurance and bonding requirements, execution of all documents and, where applicable, issuance by MWDOC of a Notice to Proceed.

It is MWDOC's policy that purchasing and contracting shall be conducted in a fair, open, and transparent manner so as to maximize benefits to MWDOC. All contracts should be reviewed and re-bid at least every five (5) years, except in situations with documented significant benefits to MWDOC, or in those instances where the services being provided are unique or highly specialized with an extremely limited number of qualified vendors.

The procedures for entering into contracts shall be pursuant to the laws governing MWDOC and those policies outlined in MWDOC's Contracts Manual.

M–6/17/15; M-8/15/18

## §8001 APPROVING AUTHORITY FOR PURCHASES/CONTRACT SERVICES

Approving authorities listing the standards and procedures for various purchases and contract services are listed in the matrix attached to this section as Exhibit A.

The General Manager shall have the authority to authorize Change Orders up to 10% or $10,000, of the original authorization, whichever is greater, but in no event shall it exceed $25,000. The General Manager may delegate all purchasing approval authorities to the Assistant General Manager during periods when the General Manager is absent.

M-6/17/15

## §8002 STANDARD AGREEMENT FOR CONSULTANT SERVICES

During the budget approval process, each fiscal year, a listing of all proposed contracts

with consultants to provide ongoing or new professional services such as auditing, legal or engineering services shall be included in the budget for approval. After Board approval, a "Standard Agreement for Consultant Services" shall be prepared and completed, including receipt of all required insurance documents, before services are initiated. The Agreement shall have a scope of work attached and incorporated into the Agreement by reference, specifically setting out the tasks to be completed. Tasks other than those specifically described shall not be performed without prior written approval of the General Manager.

Work performed under such Agreement is to be billed and paid for at rates set forth in the consultant's fee schedule or schedule of charges and invoices must reference the appropriate Purchase Order number as referenced in the Agreement.
MWDOC's Ethics Policy (Section 7100-7111) shall be incorporated in to the Standard Agreement for Consultant Services, as an Exhibit.

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Motion – 12/9/92; 7/21/93; 7/16/97; 11/21/01; 06/15/11; 02/15/12; M-6/17/15

## Selection of Consultants

The following criteria shall be used to qualify candidates for professional services.

1. Specialized experience and technical competence of the consultant and its personnel considering the type of services required and the complexity of the project.
2. The consultant's familiarity with types of problems applicable to the project.
3. Past record of performance on projects with MWDOC, other governmental agencies or public bodies and with private industry, including such factors as control of costs, quality of work and ability to meet schedules.
4. The consultant's capacity to perform the work (including any specialized services) within the time limitations and with proposed staff, considering the firm's current and planned workload.
5. The consultant's level of financial responsibility.
6. The consultant's documentation of no personal or organizational conflicts of interest prohibited under State or local law.
7. Types of guarantees or warranties offered by the consultant.
8. Estimate of the range of proposed services and costs.

## Procedure for Contracts Between $3,000 and $25,000 Awarded Under the General Manager's Authority

In the event that sole source Professional Service contracts between $3,000 and $25,000 are awarded pursuant to the General Manager's authority, the Sole Source Procurement Justification Form (included in the District's Contracts Manual) shall be completed and submitted to the next Board or Committee meeting as an informational

item, prior to starting the work. If time constraints occur, the General Manager shall submit the Sole Source Procurement Justification Form and any supporting documentation to the Board President at least a week prior to starting the contract work and then will still include the Form on the next Board or Committee agenda as an informational item.

On competitively based contracts for professional services between $3,000 - $25,000, the General Manager shall report to the Board via email or as an informational item to the Board or a Committee meeting regarding the nature of the contract. The General Manager shall submit an annual written status report on all contracts executed under the General Manager's authority to the Administration & Finance Committee.

**Procedures for Developing Requests for Proposals**

Staff will prepare a description of the proposed project, its purpose, location, and other pertinent facts and shall request interested consultants to submit proposals; consultants may be requested to submit a statement of qualifications for certain activities. The proposals shall contain detailed information, including, but not limited to, the firm's ability to perform the job within the designated timeframe, the firm's design team, the firm's proposed use of sub-contractors, the firm's proposed scope of work, level of effort and estimated cost range, and contract documents.

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M-6/15/11; M-6/17/15; M-9-20/17

## §8003 REQUISITIONS AND PURCHASE ORDERS

All requests for purchases require the completion of a requisition signed by the appropriate Cost Center Manager. If the Cost Center Manager is not available, the Assistant Manager may sign the requisition. All requisitions for purchases over $3,000 require the issuance of a purchase order. A copy of the purchase order is to be provided to the Cost Center Manager. The Accounting Manager may authorize purchases up to $3,000. The General Manager and the Accounting Manager required to jointly sign for purchases over $3,000.

In the absence of the Accounting Manager or General Manager, the Assistant Manager and/or the Alternate Deputy Treasurer(s) are authorized to sign purchase orders. It is normally expected that neither the General Manager nor the Accounting Manager nor those signing in their absence shall sign their own purchase orders. However, if those whose signatures are normally required are not available, they may sign their own purchase orders provided the purchase is ratified upon the return of the one who would normally sign. Confirming purchase orders are used for emergency situations only and require approval of the General Manager.

### A. Procurement Policy

Every attempt will be made to obtain the best quality materials, equipment supplies and services in the optimum time frame for the minimum price. Quality of performance, as well as lowest cost, will be considered in the process.

## B. Requisition Forms

The purchase requisition form shall be used for requesting the purchase of supplies, material, equipment, labor or services. The requisition form shall be submitted sufficiently in advance of the date the supplies, materials, equipment, labor or services are needed, in order to allow time for processing of a purchase order.
Requisitions are to clearly specify the type, quantity, quality and cost of the goods or services required. Common-use items should be described by their popular names, supplemented by number, size, style or other identifying data. In the case of items or services regularly needed in MWDOC operations, where experience and convenience have indicated the most economical and convenient place of purchase, the requisition should indicate the name and address of the customarily used vendor. If the vendor is not incorporated, their Tax ID number must be indicated on the form.
If transportation costs are involved, the manner in which the goods are to be shipped is to be shown on the requisition together with the approximate cost if MWDOC is to pay those costs. If items requisitioned need to be installed or assembled, it should be stated on the requisition whether MWDOC or the vendor is to do the installing or assembling. Any unusual conditions in connection with delivery and/or installation/assembly should be indicated.

## C. Chargeable Account

Each requisition will specify the program and activity for which the supplies, materials, equipment or services are necessary so that the costs of such purchase may be charged to the proper account. The Cost Center Manager approving the requisition shall insure there are sufficient unencumbered funds in the proper account to cover the cost of the purchase.

## D. Inspection and Acceptance of Order

The requisitioner in all cases is responsible for inspecting and for accepting or rejecting deliveries and for determining that both the quality and quantity of the delivery are as specified on the purchase order. The requisitioner shall sign the delivery ticket and submit it to Accounting as certification that the goods were received and accepted. If the goods delivered do not conform to the specifications indicated on the purchase order, the requisitioner shall immediately notify the vendor and Accounting that the delivery is rejected and will require satisfactory replacement or a supplemental delivery or a credit for returned goods.

M-6/15/11; 6/17/15

## §8004 PERSONS OR COMPANIES REPORTING GIFTS

All contracts shall contain provisions as contained in Administrative Code Section 7105 with regard to reporting of gifts.

**Exhibit A**
**AUTHORIZATION PROCEDURES FOR PURCHASES, CONTRACTS, AND CONSULTING & PROFESSIONAL SERVICES [(1) (2) (3)]**

**TABLE 1 – REGULAR SITUATIONS**

| Dollar Amount | Requires Preparation of: | Signed By | Approving Authority |
|---|---|---|---|
| Up to $3,000 | • 2 written quotes on purchases<br>• Selection based on qualifications for professional services | Program Manager & Accounting Manager | N/A |
| $3,001 - $25,000[(2)] | • Competitive bidding process on purchases<br>• Competitive proposals on professional services contracts.<br>• If competitive proposals are not utilized, a Sole Source Procurement Justification form must be completed and submitted to the next Board meeting as an informational item. | Program Manager & GM | N/A |
| Over $25,000[(3)] | • Request for competitive proposals or bidding as appropriate or justification of a sole source contract to be included in the Board Action write up | General Manager | Committee and Board of Directors |

(1)Any aggregate work that will exceed $25,000 for any one consultant over a one year period requires a report of activities to be presented to the appropriate Committee and the Board of Directors for the work to be authorized.
(2)The General Manager shall have the authority to authorize Change Orders up to 10% or $10,000, of the original authorization, whichever is greater, but in no event shall it exceed $25,000, without Board approval.
(3) Sole source contracts that go to the Board for approval shall not require the completion and submittal of the Sole Source Procurement Justification form. The justification for the sole source will be included in the write up to the Board.

**TABLE 2 – EMERGENCY SITUATIONS****

| Dollar Amount | Requires Preparation of: | Signed By | Approving Authority |
|---|---|---|---|
| Up to $100,000 | Purchase order/Agreement or Contract | General Manager | Board of Directors ratification at next regular meeting or earliest special meeting |
| Over $100,000 | Agreement or Contract | General Manager | Board of Directors |

**Events requiring immediate extraordinary action to protect public health, safety, welfare and property

# CHAPTER 9

## §9500 DISPOSAL OF SURPLUS PERSONAL PROPERTY

The General Manager shall have the authority and responsibility for the ultimate sale or disposal of surplus personal property of MWDOC. The Accounting Manager shall be informed whenever MWDOC personal property is surplus to the needs of MWDOC. The Accounting Manager shall investigate whether the recommended surplus material or equipment can be economically used by another department within MWDOC, or sold or disposed of. The following guidelines are then applied:

- In the case of items listed on MWDOC's fixed assets, submit the item(s) to the General Manager, with the Accounting Manager's recommendation, approve these assets as surplus and to sell or dispose of such items. The Administration & Finance Committee shall be informed of the intention to write off and sell or dispose of any items declared as surplus.

- Both items listed on the fixed assets and those items not listed on fixed assets shall be reviewed and may be disposed of at the discretion of the General Manager and in no event shall it be distributed to an officer, Director, employee or family member. Unless it is obsolete computer/electronic equipment that is considered surplus to MWDOC and was purchased specifically for business use for an employee or Director (i.e., iPad, laptop, PC). This item can then be sold to the employee or Director for the fair market value.

- Under the direction of the Accounting Manager, staff will conduct a physical inventory of fixed assets every three years.

- Whenever it is advantageous or useful to MWDOC to publicly advertise surplus personal property for sale or otherwise dispose of said property, the Accounting Manager shall sell such materials to the highest bidder at auction or by an established fixed price based on value analysis of the material.

- An attempt shall be made to determine the value of items declared surplus by contacting vendors who normally take items as trade-in or buy surplus items.

- If the Accounting Manager determines that surplus personal property shall be disposed of by sale or auction, notice of the time and place of said sale or auction shall be either published in a newspaper of general circulation or posted in at least three public places at least seven, but not more than 14 days prior to the date of the sale or auction. The notice shall identify with reasonable particularity the items to be sold and shall state that any person

may bid on said items and that all sales will be paid in cash. No officer or Director of MWDOC or immediate family member of an officer or Director shall be permitted to bid at auction for or purchase any surplus property of MWDOC.

No MWDOC employee or immediate family of an employee shall be permitted to bid at auction for or purchase any surplus property of MWDOC if such employee was in any way involved in the decision to originally purchase the item, the recommendation or decision to declare said item surplus, the determination of the value of items declared surplus, or the advertising or conduct of any sale or auction.

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Motion - 9/5/90; Motion – 11/17/99; 11/21/01; M-6/17/15; M-6/19/19

## §9501 DISPOSAL OF SURPLUS REAL PROPERTY

SECTION 1: IDENTIFYING SURPLUS REAL PROPERTY

1.1 Preliminary Requirements - The General Manager shall establish a procedure for the continuous review of real property owned by MWDOC for the purpose of determining which of such property is surplus to MWDOC's needs. Upon determination by the General Manager that property is surplus, the Board shall be notified of the determination, then a) cause the property to be appraised by one or more appraisers and b) comply with the California Environmental Quality Act and the legal requirements pertaining to the disposition of property in cities or counties which have a general plan. If, upon such compliance, any official body objects to the proposed sale, the Board shall first expressly uphold or reject the objections. There being no objections, or the objections having been completed, the General Manager may then sell the surplus property as hereinafter set forth.

1.2 Authority for General Manager to Sell Surplus Property - If, after offering the property for sale to certain public agencies, as required by law, at the fair market value was determined by the General Manager after review of any or all appraisals of the property, no such offer is accepted, the General Manager may sell it either by public auction or by using the services of real estate brokers or a professional auctioneer.

SECTION 2: AUCTION BY MWDOC STAFF

2.1 If the General Manager or a duly authorized agent elects to sell the property by public auction, such auction shall be at such time and place as may be determined by the General Manager, with or without sealed bids having been first submitted.

2.2 Whenever the General Manager or a duly authorized agent determines that the sale shall be at public auction without sealed bids having been first submitted, no bid at the auction shall be considered unless the bidder shall, prior to the holding

of the auction, deposit with the person designated by the General Manager to conduct such sale, the percentage indicated in Section 4.1 of the amount specified in the notice of sale as the minimum bid, in cash, cashier's check or check certified by a responsible bank, as a guarantee that the person making the bid will purchase the property under the terms specified in the notice of sale. The property shall be sold to the highest responsible bidder at or above the minimum bid and the deposits of all other bidders be returned forthwith. The General Manager or a duly authorized agent shall reject all bids below the minimum bid.

2.3 Once the General Manager determines that the sale shall be by sealed bids, all bids shall be filed in the MWDOC office at or before the time specified in the notice of sale. Bids shall be on forms approved by the General Manager, and shall be accompanied by a cash deposit, cashier's check or check certified by a responsible bank in an amount not less than the percentage indicated in Section 4.1 of the amount specified in the notice of sale as the minimum bid, as a guarantee that the person making the bid will purchase the property under the terms specified in the notice of sale. The General Manager shall, at the time and place specified in the notice of sale, open the bids. Thereafter, there shall be a public auction at a time and place specified in the notice of sale, and any person shall be eligible to bid at the auction; provided, however, that any oral bid shall be ignored unless it exceeds by at least five percent the highest sealed bid made by a responsible person. No oral bid at such sale not preceded by a sealed bid from the same party shall be considered unless accompanied by a cash deposit, cashier's check or check certified by a responsible bank in an amount not less than the percentage indicated in Section 4.1 of the amount specified in the notice of sale as the minimum bid, as a guarantee that the person making the bid will purchase the property under the terms specified in the notice of sale. If no oral bid is made at the public auction, or if such oral bid is not in accordance with the provisions hereof, the property shall be ordered sold to the highest responsible bidder at or above the minimum bid. The General Manager shall reject all bids below the minimum bid.

2.4 A real estate commission shall be paid in connection with a sale at public auction on the following basis: the real estate commission shall not exceed the prevailing rate in the same area where the property is located and it shall be stated in the bid for which a claim for the payment of a commission is made that it is subject to the same. The commission shall be distributed in this manner:

When at a public auction, without sealed bids, if the highest bid was procured by a licensed real estate broker, the commission shall be paid to the broker. When at a public auction following submission of sealed bids, if the successful bid is the highest sealed bid, and it was procured by a licensed real estate broker, the commission shall be paid to that broker.

When at a public auction following the submission of sealed bids, if the successful bid was procured by a licensed real estate broker, but the highest sealed bid was

not obtained by such a broker, the commission shall be paid to the broker. When at a public auction following the submission of sealed bids, if the highest sealed bid was procured by a licensed real estate broker, but the successful bid was procured by a different licensed real estate broker, the commission shall be divided equally between the brokers.

When at a public auction following the submission of sealed bids, the highest sealed bid was procured by a licensed real estate broker, but the successful bid was not subject to a commission, one-half of the commission based upon the amount of the successful bid shall be paid to the broker.

In determining which is the highest bid, there shall not be subtracted therefrom the commission, if any, which the bid provides shall be paid to a licensed real estate broker.

2.5 The General Manager shall cause a notice of sale to be posted on the property in at least one conspicuous place. It shall specify the minimum bid which will be accepted for the property, which shall not be less than 90 percent of the lowest appraisal and shall state the terms of the sale which shall be in conformity with Section 1. The General Manager shall cause one or more advertisements of the sale to be placed in a newspaper, or newspapers, so as to give reasonable notice of the sale.

SECTION 3: OPEN LISTING

If the General Manager elects to sell the property by using the services of licensed real estate brokers, he shall do so by offering it for sale by advertising in a newspaper, or newspapers, that the property is being offered for sale with courtesy to brokers, and by notifying real estate boards in the area in which the property is located that the property is being offered for sale with courtesy to licensed brokers. The initial offer for sale shall be for no less than the highest appraised valuation of the property. The General Manager is authorized to sell the property for the highest price which can be obtained; provided, however that such price shall be no lower than the lowest appraisal without approval of the Board. The General Manager is authorized to pay to the broker who procures the accepted offer, a commission not to exceed the prevailing rate in the area in which the property is located.

3.1 Exclusive Listing - The General Manager may with the approval of the Board, give an exclusive listing to an individual licensed broker; provided, however, that the property shall not be sold for less than the lowest appraisal without the approval of the Board. In such case, the General Manager is authorized to pay a commission, upon consummation of the sale, not to exceed the prevailing rate in the area in which the property is located.

SECTION 4: AUCTION BY PROFESSIONAL AUCTIONEERS

The General Manager may sell the property by using the services of a professional auctioneer and may in connection therewith pay the reasonable expense of advertising the auction, and agree to pay a commission to the auctioneer not in excess of the prevailing rate in the area upon the consummation of the sale. Any such sale shall be subject to the approval of the Board of Directors.

4.1 Required Deposit - No bid offer made pursuant to Sections 2, 3.0, and 3.1 above, shall be considered unless the bidder or offeror shall at the time the bid or offer is made, deposit with the person designated by the General Manager the percentage indicated below of the specified amount in cash, cashier's check or check certified by a responsible bank as a guarantee that the bidder or offeror will purchase the property for the bid or offered price.

| Specified Amount | Deposit |
|---|---|
| To $500 | Full amount of bid or offer |
| $501 to $10,000 | $500 + 10% of minimum bid or offer |
| $10,001 to $50,000 | $1,500 + 5% over $10,000 |
| $50,001 to $100,000 | $3,000 + 3% over $50,000 |
| $100,000 and above | $4,500 + 2% over $100,000 |

4.2 Terms - Any sale shall be for cash or on the following minimum terms: 20 percent down payment with balance amortized over 10 years at an interest rate equal to the prevailing rate charged by financial institutions in the area in which the property is located, and to be secured by a deed of trust on the property sold. No prepayment penalty shall be required.

4.3 Where the property was appraised on the basis of a different zoning on the property than the existing zoning, the sale may be made contingent upon the bidder or offeror obtaining a rezoning of the property within a reasonable time to be determined by the General Manager.

4.4 Policy of Title Insurance - The General Manager may furnish the successful bidder or offeror with a policy of title insurance, if possible, and open an escrow to complete the sale, paying the usual seller's charges in connection therewith; provided, however, that if it subsequently develops that the title company is unwilling to issue a policy insuring title to the bidder or offeror in the manner indicated, the General Manager shall not be required to furnish such a policy and the bidder has the option to cancel the sale; whereupon money previously deposited by offeror shall be refunded promptly and there shall be no further obligation on the part of either the bidder or the General Manager in connection with the sale; provided, further, that if under such circumstances the bidder or offeror elects not to cancel the transaction, the General Manager shall furnish such title insurance as the title company will then issue, and shall be released from liability on any representation relating to title theretofore made and not covered by the title insurance policy.

4.5 Completion of Sale - Execution and Delivery of Deed - The General Manager shall apply the deposit made by the successful bidder, or offeror, on the purchase price or down payment if the sale is on terms, and, upon completion of the sale either directly to him, or through an escrow, the General Manager is authorized to execute and deliver on behalf of MWDOC a grant deed conveying the property to such bidder or offeror. In the case of a sale for cash (1) without an escrow, the successful bidder or offeror must pay the balance of the purchase price to the General Manager within thirty days after the auction or acceptance of the offer or (2) with an escrow, upon the closing thereof; provided, however, that the General Manager may choose to give the successful bidder or offeror extensions of time in which to make the payment.

4.6 Forfeiture of Deposits - Any deposit made by a successful bidder or offeror shall be retained by MWDOC as liquidated damages if the bidder or offeror shall fail to complete the purchase in accordance with the terms and conditions of the notice of sale or offer. If there is such a failure, a licensed real estate broker, otherwise entitled to a commission under the provisions of this Section shall be paid as a commission, an amount not to exceed one-half of the deposit so retained after deducting title and escrow expenses, if any; but in no event shall it exceed the commission which would have been received in the absence of such failure. If the successful bidder or offeror does not complete the sale as required by this Section, the property may be sold to the next highest bidder or offeror who wishes to buy.

SECTION 5: RESERVATION OF OIL, GAS AND MINERAL RIGHTS

The right to extract all oil, gas hydrocarbons or other minerals without the right of surface entry for the development thereof, shall be reserved in the sale of any real property under the provisions of this Resolution provided, however, that there shall be no such extraction within 500 feet of the surface.

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R1101 - 8/26/81; R1245 - 11/26/84; M – 6/19/19

# CHAPTER 10

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| RISK MANAGEMENT AND CLAIMS HANDLING | §10000-§10004 |
|---|---|

## §10000 OBJECTIVE

To preserve and protect MWDOC assets and public service capabilities against loss, destruction, or depletion to the extent physically and financially reasonable; to protect against the financial consequences of such loss; to prevent or minimize the effects of injury to employees and the public; to identify various risks and procure appropriate protection against such losses at the most reasonable long-term cost; and, to follow sound risk transfer practices by transferring risks to third parties through appropriate provisions whenever practicable and feasible.

## §10001 POLICY STATEMENT

MWDOC has established this policy for management of MWDOC risks. This policy applies to all risks of loss such as fire, natural disaster, liability claims, theft, employee injury claims and other risks of property and liability loss, direct and indirect. This policy does not apply to deliberately assumed costs such as employee benefits, depreciation, wear and tear, or obsolescence. It shall be the policy of MWDOC to:

- Identify and measure risks of accidental loss
- Avoid or eliminate loss where practical
- Minimize, control or contractually transfer loss to others where practical
- Retain risks that can be assumed from current funds without serious impact on MWDOC's financial condition where this is the most economical and practical approach
- Purchase insurance coverage or participate in joint self-insurance arrangements with other public entities when the risks of loss are beyond MWDOC's capacity to absorb or where this expenditure is justified economically
- Maintain information for proper reporting and record keeping of losses, claims, premiums and related costs, insurance policies, coverage documents and other information

It is MWDOC's policy to follow the guidelines developed by its insurance provider for risk transfer procedures for contracts.

M-6/17/15

## §10002 RESPONSIBILITY

MWDOC shall designate a staff member as Risk Manager for the purpose of carrying out the intent of this policy. That person shall be responsible to direct and administer the program and to recommend changes as required to best implement the overall policy of

MWDOC as set forth above. It is the responsibility of management and staff personnel at all levels to maintain lines of communication to the Risk Manager so that he/she will be advised on a timely basis of factors that would have a bearing in the management of risks or on the purchase of insurance or participation in a joint self-insurance program. This responsibility applies particularly to contracts, new or discontinued facilities, newly-recognized hazards, potential losses and known losses.

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Re – Motion 10/21/98

## §10003 DETAILS OF RISK TRANSFER PROGRAM

The details for implementation of MWDOC's risk transfer program are outlined in both the Contracts Manual and Personnel Manual (with each manual containing the pertinent provisions for its area of interest). Please consult those manuals for further information.

# CHAPTER 11

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| **MWDOC RECORDS** | **§11000-§11003** |
|---|---|

## SUMMARY

MWDOC records shall be open to inspection at all times during normal office hours. The District Secretary shall be the official custodian of MWDOC records and shall make all nonexempt records freely available to the public in accordance with Government Code Section 6250 et seq. Certain MWDOC records may be exempted from disclosure under the Public Records Act or other provisions of law.

## §11000 INSPECTION OF MWDOC RECORDS

The following rules shall apply to MWDOC records with the exception of requests for inspection or reproduction of documents created or retained in MWDOC files in accordance with the Political Reform Act, Government Code Sections 81000 through 91015. See Section 11003 regarding procedures for said documents.

### Procedure for Responding to Inspection Request

Persons desiring to inspect any public record shall submit a request in writing specifying the records desired to be inspected. The request shall reasonably describe an identifiable record or information produced therefrom. Since the majority of MWDOC records are kept off-site, the District Secretary shall determine whether said records are on the premises or at an off-site location. If found to be off-site, a minimum of two (2) working days will be required to search for, retrieve, and make said records available. The requesting party shall be advised of date and time said records will be available. If access is to be denied, a written notice shall be given to the requesting party within ten (10) days stating the reason therefor and identifying the person responsible for denying the request. The time limit may be extended in unusual circumstances through written notice by the District Secretary to the requesting party, setting forth the reasons for the extension and the date on which such determination is expected to be made. No such notice shall specify a date which would result in an extension of more than ten (10) additional working days. Unusual circumstances are defined in Section 11001.

Any person requesting inspection of records under the provisions of the California Public Records Act shall be assisted in making a focused and effective request by the District Secretary or designated representative. Original records and copies which are permanently retained by MWDOC may not be removed by the inspecting person from the designated inspection area.

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Motion - 7/21/93; Motion - 4/20/94

**Search for Records and Restriction on Access**

A reasonable effort shall be made to locate requested records. If the records are located and are determined to be exempt from disclosure under the Public Records Act, the requesting party shall be advised in writing of the reasons for the restrictions and, in cases of denial of access, of the name and title of the person responsible for the denial. If only a portion of a record is exempt from disclosure, any reasonably segregable non-exempt portion of the record shall be provided to a person requesting such record after deletion of the portions which are exempt. If the documents requested cannot be located after a reasonable search the requesting party is to be so advised.

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Motion - 7/21/93; Motion 4/20/94;

## §11001 REQUESTS FOR COPIES OF RECORDS

Any person requesting copies of records shall submit a written request to the District Secretary and shall reasonably describe an identifiable record or information produced therefrom. Since the majority of MWDOC records are kept off-site, the District Secretary shall determine whether said records are on the premises or at an off-site location. If found to be off-site, copies of documents determined to be subject to disclosure will be provided within ten (10) working days. The requesting party shall be advised of date and time said records will be available. If access is to be denied, a written notice shall be given to the requesting party within ten (10) days identifying the reason therefor and the person responsible for denying the request. The time limit may be extended in unusual circumstances through written notice by the District Secretary to the requesting party, setting forth the reasons for the extension and the date on which such determination is expected to be made. No such notice shall specify a date that would result in an extension for more than ten (10) additional working days.

For purposes of this section, "unusual circumstances" means:

a. The need to search for and collect the requested records from off-site facilities or other establishments that are separate from the office processing the request.
b. The need to search for, collect, and appropriately examine a voluminous amount of separate and distinct records which are demanded in a single request.
c. The need for consultation, which shall be conducted with all practicable speed, with another agency having a substantial interest in the determination of the request or among two or more units of MWDOC having substantial subject matter interest therein.

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Motion 7/21/93; Motion - 4/20/94

## §11002 FEES FOR DUPLICATION OF RECORDS

The direct cost for photocopies of MWDOC records, except as provided in Section 11003, shall be twenty-five cents ($0.25) per page, and for electronic copies provided on a compact disk (CD) the direct cost shall be $1 per CD. For records produced through other media, the requestor shall be responsible for the direct costs of duplication. Where production of an electronic record either (1) involves a record that is produced only at otherwise regularly scheduled intervals, or (2) requires data compilation, extraction, or programming, the requester shall bear the cost of producing a copy of the record, including the cost to construct a record, and the cost of programming and computer services necessary to produce a copy of the record. An invoice and a receipt shall be furnished to the person or agency requesting copies. Actual postage charges incurred in mailing such copies shall be included in the invoice and receipt; however, no fee may be charged for time involved in research or retrieval. All fees shall be paid on or before delivery of such copies. Public agencies may, at the discretion of MWDOC, be exempted from payment of such fees if duplication of records is deemed to be pertinent to the business of such public agency.

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M-6/17/15

## §11003 RECORDS PURSUANT TO THE POLITICAL REFORM ACT

Documents prepared and filed in the MWDOC records in accordance with the Political Reform Act (conflict of interest code, statements of economic interest, campaign statements) are a public record open for public inspection and reproduction during regular business hours, commencing as soon as practicable, but no later than the second business day following the day on which the request for inspection or reproduction was received.

Copies shall be provided at a charge not to exceed ten cents ($.10) per page. A retrieval fee not to exceed five dollars ($5.00) per request shall be charged for copies of reports and statements which are five years old or more (Government Code Section 81008).

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Motion - 4/20/94;

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| **RECORDS RETENTION POLICY** | **§11100-§11104** |
|---|---|

The purpose of this policy is to provide for the maintenance, retention and disposal of MWDOC's historical, administrative, legal, and financial records while complying with the legal requirements and the needs of MWDOC. All official District records should be inventoried and analyzed to ensure that valuable records are adequately preserved; and non-records and obsolete records are destroyed in accordance with the approved records retention schedule, and all other applicable laws, including Government Code Sections 60200 through 60204.

## §11100 RETENTION OF ORIGINAL RECORDS/RECORDS RETENTION SCHEDULE

Records which shall be retained permanently in their original form include resolutions, ordinances and orders of the Board, minutes of meetings of the Board, deeds, easements, records that are determined by an executive officer of MWDOC to be of very significant and lasting historical, administrative, engineering, legal, fiscal or research value and records required by law to be filed and preserved as advised by General Counsel. These records will be identified in an approved records retention schedule, which shall determine the period of time original records are to be retained by the District, including those with permanent retention. Changes to the records retention schedule shall be presented to the Board of Directors for approval. See the Administrative Services Manager for Records Retention Schedule.

## §11101 DESTRUCTION OF PAPER RECORDS WHERE ALTERNATE ARCHIVING IS REQUIRED (TRUSTWORTHY ELECTRONIC RECORDS)

Paper records may be destroyed to rely on the electronic record as the official record of the District, provided they are first archived on alternate media in accordance with the requirements of Government Code Section 60203, and imaged in accordance with laws and the Trustworthy Electronic Records Policy.

See Administrative Services Manager for Trustworthy Electronic Records Policy.

## §11102 DESTRUCTION OF ORIGINAL DOCUMENTS WHERE ALTERNATE ARCHIVING IS NOT REQUIRED – THIS SECTION WAS DELETED PER BOARD ACTION 10/19/16

## §11103 CUSTODIAN OF MWDOC RECORDS/DESTRUCTION OF ORIGINAL RECORDS AFTER APPROVAL

While the District Secretary is the official custodian of MWDOC records, each Department Head shall be the custodian of records which are filed in that particular department. Original records, in accordance with this Code, may be destroyed only on prior approval given by the Department Head and the District's Administrative Services Manager. Further, records that are still active and/or needed for reference may be kept beyond the time frame set forth in MWDOC's Records Retention Schedule upon prior approval by the Department Head or Administrative Services Manager.

## §11104 ELECTRONIC MAIL (E-MAIL) RETENTION POLICY

E-mail messages and their attachments (which may include executable, video, and/or voice files) are records which are created, stored, and delivered in an electronic format. Similar to paper-based records, they may contain information pertaining to District business, necessitating retention and disposal in accordance with the District's Records Retention Schedule and E-mail policy. See Administrative Services Manager for policy.

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Motion-10/19/05; 10/20/10; 10/19/16

# CHAPTER 12

**MUNICIPAL WATER DISTRICT OF ORANGE COUNTY**
**ADMINISTRATIVE CODE**

| MWDOC/COASTAL CONSOLIDATION ISSUES | §12000-12002 |
|---|---|

## §12000 INTRODUCTION

MWDOC and Coastal MWD consolidated effective January 17, 2001. Many factors and issues were evaluated in bringing the two agencies together. MWDOC has documented several of the issues in the event they become important for future consideration. The Administration & Finance Committee shall review these issues on an annual basis until such time as the Administration & Finance Committee determines a review is no longer necessary.

## §12001 Standby Charge Levied in MWDOC and Coastal Service Areas

This is an issue has to do with the level of Standby Charge being levied in the MWDOC service area of $10.09 per acre or per parcel less than an acre and a similar but higher charge of $11.60 in the Coastal service area. The Standby Charge levied by MET is higher in the Coastal service area because at the time the Standby Charge was established by MET (1993), it was partially based on the dependence on imported water to the member agency service area. Since the Coastal service area had proportionally fewer groundwater resources than the MWDOC service area, the charge was higher. Amounts raised by MET through the Standby Charge are forwarded to each participating MET member agency (including MWDOC and Coastal) as credits against the amount owing under MET's Readiness-to Serve Charge. The higher charge in the Coastal service area generates about $120,000 per year more than if the charge was reduced to $10.09 to match the MWDOC service area standby charge.

During the consolidation transition period (from 1998-2000), MET engaged in continued discussions regarding restructuring of its rates and charges, and the continued levy of a MET Readiness-to-Serve Charge was often in doubt. Consequently, no action was taken by Coastal or MWDOC to request that MET equalize the two charges. The only reason for retaining this item is to be aware of the different levels of the Standby Charge in the event MET ever changes its rate structure.

## §12002 MET Capacity Provided in the EOCF#2 for the Coastal Service Area

The East Orange County Feeder Number 2 (EOCF#2) is a 25-mile long treated water transmission main, constructed in 1962 by MET, Anaheim, Santa Ana, MWDOC and Coastal. The purpose of the pipeline was to increase the treated water capacity to southeastern Orange County and to replace capacity to Anaheim, Santa Ana and Coastal that had been used in the Orange County Feeder by the growing MWDOC

service area. It should be remembered that upon the formation of the MWDOC service area in 1951 the Anaheim and Santa Ana city service areas from MET had been frozen and the growing portions of these cities beyond the boundaries as they existed in 1951 was included as part of the MWDOC service area. That has since been changed.

Coastal MWD purchased 10.0 cfs of capacity in the EOCF#2 as it was constructed. This capacity has since been assigned to the retail agencies within Coastal (July 2000). In addition, MET provided 84 cfs of oversizing capacity in the facility to meet the additional needs of Coastal and the original city areas of Anaheim, Fullerton and Santa Ana. MET's 84 cfs of capacity provided was designated to the following areas:

| **Agency** | **cfs** |
|---|---|
| Anaheim | 6 |
| Santa Ana | 15 |
| Coastal | 63 |
| | |
| Met Total | 84 |

In MET Resolution 6635, adopted January 12, 1965, it was noted that:

"the capacities allocated to MET in the several reaches of the East Orange County Feeder No. 2 shall be used for delivery of water to said older member cities to meet their requirements for services to areas which were within their boundaries on November 26, 1951, the date of the annexation of Orange County Municipal Water District to MET and to the Coastal Municipal Water District as it was constituted on January 1, 1955, until such time as like delivery of water can be made to them in whole or in part through other facilities, provided, that until such conveyance capacity is needed for delivery to such older members for such purpose and always subject to the policy declared herein as to such older members, it may be used by MET for the sale and delivery of water in accordance with the provisions of the Metropolitan Water District Act. . . . . "

The exact meaning of this section in today's context given that MET has provided capacity in the Allen McColloch Pipeline and South County Pipeline facilities to serve both MWDOC and Coastal, has not been fully analyzed or debated with MET. Rather, the purpose of this section is to raise the issue and provide that the consolidation of MWDOC and Coastal shall not in any manner erode or diminish any rights that the retail agencies within the Coastal service area may have or be able to assert with respect to any or all of the 63 cfs of capacity in the EOCF#2 provided by MET.

M-5/2005; M-2/16/11; M-6/17/15