



**BOARD OF DIRECTORS  
EAST BAY MUNICIPAL UTILITY DISTRICT**

375 - 11th Street, Oakland, CA 94607

Office of the Secretary: (510) 287-0440

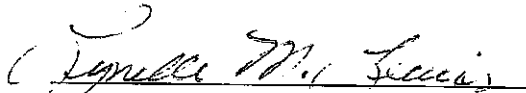
**Notice of Time Change**

**FINANCE/ADMINISTRATION  
COMMITTEE MEETING**

**10:15 a.m.  
Tuesday, March 26, 2013**

Notice is hereby given that on Tuesday, March 26, 2013 the Finance/Administration Committee Meeting of the Board of Directors has been rescheduled from 10:00 a.m. to 10:15 a.m. The meeting will be held in the Training Resource Center of the Administration Building, 375 - 11th Street, Oakland, California.

Dated: March 21, 2013

  
Lynelle M. Lewis  
Secretary of the District



**BOARD OF DIRECTORS  
EAST BAY MUNICIPAL UTILITY DISTRICT**

375 – 11<sup>th</sup> Street, Oakland, CA 94607

Office of the Secretary: (510) 287-0440

**AGENDA  
Finance/Administration Committee  
Tuesday, March 26, 2013  
10:15 a.m.  
Training Resource Center**

**(Committee Members: Directors Coleman {Chair}, Linney, and Patterson)**

**ROLL CALL:**

**PUBLIC COMMENT:** The Board of Directors is limited by State law to providing a brief response, asking questions for clarification, or referring a matter to staff when responding to items that are not listed on the agenda.

**DETERMINATION AND DISCUSSION:**

1. Private Sewer Lateral Program Fee Update (Haunschild)
2. Revisions to Wastewater Capacity Fees (Sandler)
3. Investment Policy Annual Review (Sandler)
4. Review of Revisions to District Policies (Gardin)

**ADJOURNMENT:**

**Disability Notice**

*If you require a disability-related modification or accommodation to participate in an EBMUD public meeting please call the Office of the Secretary (510) 287-0404. We will make reasonable arrangements to ensure accessibility. Some special equipment arrangements may require 48 hours advance notice.*

**Document Availability**

*Materials related to an item on this Agenda that have been submitted to the EBMUD Board of Directors within 72 hours prior to this meeting are available for public inspection in EBMUD's Office of the Secretary at 375 11th Street, Oakland, California, during normal business hours.*

## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: March 21, 2013

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager *ARC*

FROM: Kurt B. Haunschild, Acting Director of Wastewater *KBH*

SUBJECT: Private Sewer Lateral Program Fee Update

### INTRODUCTION

The District has been operating under a Stipulated Order for Preliminary Relief (SO) with the U.S. Environmental Protection Agency (EPA), State Water Resources Control Board (SWRCB), and the Regional Water Quality Control Board (RWQCB) since July 2009. As part of the SO, the District is required to implement a Regional Private Sewer Lateral (PSL) Ordinance. The ordinance requires property owners to obtain a compliance certificate from the District when they hit one of three triggers: transferring title to property (e.g. buying/selling a home), performing remodeling or construction work valued at greater than \$100,000, or increasing or decreasing water meter size.

The District currently charges a fee of \$150 per compliance certificate, which was established in 2011 prior to implementation of the PSL Program. Over the last 19 months, staff has refined the cost of the program, both with regard to compliance certificate process, as well as other costs related to program implementation. Staff will be bringing forward for the Board's consideration an increase to the compliance certification fee as part of the FY14-15 budget. In addition, staff will be proposing several new PSL-related fees, including a fee associated with non-compliance with the ordinance. This memorandum provides a summary of the proposed fees and drivers behind them. Staff will provide a more detailed presentation at the March 26, 2013 Finance/Administration Committee Meeting.

### DISCUSSION

#### Compliance Certificate Fee

When the Regional PSL Ordinance was adopted in 2011, a fee of \$150 per property was established based on estimates of the cost to implement the program (estimated at \$1.1 million annually) and the number of laterals likely to be certified each year (estimated at 7,800 laterals per year). The District has now been implementing the program for more than a year, and staff has determined that the cost of implementation is \$1.3 million annually for an estimated 4900 laterals per year. The higher resource need results from the following factors:

- Earlier estimate was based on upper laterals only
- Higher than expected level of repeat inspections
- More complex configurations than anticipated
- Customer calls have not decreased as expected
- Costs associated with EBMUD processing the \$4,500 deposit per property .

#### Fees for Special Services

To allocate costs based on services provided and keep the compliance certificate fee as low as possible, staff proposes several special service fees be offered by the District. This would require that only the property owners that take advantage of these services pay for them. Key examples are a fee for time extension certificates, which require additional administration by the District, and a fee for inspection rescheduling, which impacts resource loading on a given day.

#### Non-Compliance Fees

It is important that the District maximize compliance with the regional ordinance to achieve the infiltration/inflow reduction benefits. The base rate of compliance to date is approximately 75%, meaning that three quarters of property owners are complying with the ordinance upon hitting a trigger. Following the initial stages of enforcement, which include two courtesy notices and a notice of violation, the compliance rate increases to over 85%. To improve compliance by more property owners and to ensure that the compliance rate does not slide over time, staff is recommending that property owners that do not comply after receiving a notice of violation be assessed a monthly fee to cover the cost of service to administer the enforcement process.

#### Summary

The proposed fee schedule is presented in the following table:

	Current Fee	Proposed Fee
Compliance Certificate	\$150	\$225
Time Extension Certificate	--	\$93
Inspection Reschedule	--	\$73
Extra Lateral or Additional Verification Test	--	\$66 per lateral
Off-hours Verification	--	\$200 for 2.5 hours
Non-compliance – Initial Fee	--	\$350
Non-compliance – Monthly Fee	--	\$87

All fees were calculated based on District costs and do not exceed the cost to provide the associated service.

#### **FISCAL IMPACT**

The proposed fee increases will cover costs for implementation of the PSL Program in FY14-15.

Board of Directors

March 21, 2013

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## **NEXT STEPS**

Staff will bring forward the proposed PSL fee schedule as part of the FY14-15 Budget consideration.

KBH:BKH:jk


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## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: March 21, 2013

MEMO TO: Board of Directors

THROUGH: Alexander R Coate, General Manager 

FROM: Eric L. Sandler, Director of Finance 

SUBJECT: Revisions to Wastewater Capacity Fees

### INTRODUCTION

The Wastewater Capacity Fee (WCF) was established in 1984 to recover costs for providing wastewater treatment capacity for new or expanded system use. The fee applies to all dischargers who increase wastewater volume or strength and is payable prior to initiating discharge. WCFs are calculated based on the facility's estimated water consumption and their business classification code (BCC). The current WCF for a single-family residence is \$1,235 which, when combined with the average collection system capacity fee in the wastewater service area of \$1,392 (sum of \$2,627), is among the lowest in the Bay Area. Fees of other utilities in the region range from \$3,422 to \$16,125. Fees for other types of customers, such as offices and restaurants have a broad range depending on the estimated demand of the facility.

Staff is proposing to revise the WCF as an element of the District's FY14/15 Rates and Charges adoption cycle. The proposed WCF revision is the result of an independent third party review of the District's current WCF methodology. The recommendation includes an update to the design capacity value of the District's wastewater facilities, which is used to calculate WCFs. This memo discusses the methodology review process and the associated recommendations. Staff will provide a detailed presentation of the proposed revisions at the March 26, 2013 Finance/Administration Committee Meeting.

### DISCUSSION

The purpose of capacity charges generally is to recover the cost of both new system connections and existing system connections requiring additional system capacity. Additional capacity may already exist, and have been paid for by existing customers or it may need to be constructed. In some instances, there is extra capacity in some of the existing facilities to accommodate growth, but construction of new facilities, especially distribution and collection systems, are often needed to serve new connections.

The District's Wastewater and Water System capacity charges differ slightly in terms of methodology. In the case of the Wastewater System, the treatment and interceptor capacity has already been constructed and can accommodate future growth (the collection system is the responsibility of the satellite agencies). The current basis of the District's WCF is a "buy-in" approach whereby new users "buy-in" to a wastewater system that has already been constructed and has adequate capacity to serve both existing demands and new growth. This ensures that the new users contribute their fair share of the existing wastewater system. In the case of the Water System, many of the existing facilities can support both the existing and new users, but some new facilities will need to be constructed to serve new users, such as future water supply projects. Therefore, the District's Water System Capacity Charge, called the System Capacity Charge (SCC), has both a "buy-in" component to recover the cost of the existing facilities and an "incremental" component to recover the cost of future water supply.

Bartle Wells Associates was contracted to perform a third party review of the District's WCF methodology. The current process for calculating the WCF is to first determine the value of all existing wastewater facilities required to serve properties within the District. This value of assets is then divided by the design capacity of the system (120 million gallons per day [MGD]), which is then allocated to new users in proportion to their demand (wastewater strength and volume). Demand of new users is estimated based on their BCC and projected water consumption.

Bartle Wells' primary finding relates to the design capacity of the system. Over the past couple decades, the District's Wastewater service area composition has changed with the service and residential sectors growing at the expense of the large manufacturing sector. As a result, the current average dry weather flow is 53 MGD. For this reason, the consultant has recommended updating the design capacity value of the District facilities to one that reflects the current and projected capacity demands for the system. The recommendation is to reduce the design capacity from 120 MGD to 85 MGD. This 85 MGD projection is consistent with the assumptions in the District's Urban Water Management Plan and assumes the possible increase of the City of Richmond flows as well as a conservative safety factor to account for unanticipated growth or a growth in certain industrial sectors (e.g. breweries or wineries).

The proposed modification of decreasing the design-capacity value from 120 MGD to 85 MGD results in an increase to the WCF of approximately 51% for the average customer. The District's WCF for a single-family residence would rise from \$1,235, to \$1,884, and at that higher rate would continue to be among the lowest charge for wastewater capacity fees in the Bay Area. WCF fees for other types of customers, such as offices and restaurants, have a broad range depending on the estimated wastewater treatment loading for the facility. Specifically in regards to restaurants, the District's WCF is mid-range for the region. The proposed increase to the WCF would increase the fee for an average size restaurant from \$37,531 to \$56,694 as compared to others in the region whose fees currently range from \$19,709 to \$85,874.

Staff proposes a phase-in of the fee increase over a five-year period.

## **FISCAL IMPACT**

Projected revenue generated by the WCF is approximately \$1.5 million per year and, assuming a five-year phase-in period, would increase by \$153,000 per year for an increase of \$765,000 per year in five years.

## **NEXT STEPS**

Following input from the Finance/Administration Committee, staff will be incorporating recommended changes to the wastewater capacity fee, which would then be presented for the Board's consideration as part of the District's FY14/15 Rates and Charges.

ES:BKH:crj:mk



## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: March 21, 2013

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager *ARC*

FROM: Eric L. Sandler, Director of Finance *[Signature]*

SUBJECT: Investment Policy Annual Review

### RECOMMENDATION

Approve the attached Investment Policy 4.07 which contains an amendment to allow investments in the Investors Shares Series of the California Asset Management Program (CAMP) and to delegate authority for the management of investments on behalf of the District to the Director of Finance, who is also acting as the Treasurer of the District.

This item will be reviewed with the Finance/Administration Committee on March 26, 2013.

### SUMMARY

Section 53646 of the California Government Code encourages the Treasurer to annually present a statement of investment policy to the Board for their consideration at a public meeting. Existing law also authorizes the Board to delegate its authority for the management of investments to the Treasurer of the District. The District's investment policy fully complies with the California Government Code and governs the investment of funds by the District, which resulted in investment earnings of \$5.2 million in FY12 without incident of loss.

Section 53601 Paragraph (p) of the California Government Code allows the District to invest in shares of beneficial interest issued by a Joint Powers Authority (such as CAMP) organized to invest in securities allowed under the California Government Code. Amending the Investment Policy to allow investments in CAMP will provide more options for the Director of Finance/Treasurer in managing the District's investment portfolio.

### DISCUSSION

CAMP was created in 1989 when two public agencies joined together to form a joint powers agency to invest their tax exempt bond proceeds and later as a vehicle for their Joint Powers Authority (JPA) to invest operating funds and capital reserves. As part of this effort, CAMP offers its members access to their Cash Reserve Portfolio, which is a S&P AAAM (the highest possible rating for money-market mutual funds reflecting a fund's extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk achieved through conservative investment practices and strict internal control) rated portfolio and which

seeks to preserve principal while providing daily liquidity and earn a high level of income. The Cash Reserve Portfolio invests only in securities approved by the California Government Code.

Since 2004, in order to broaden participation in the program, CAMP has offered a separate Investor Shares Series which allows public agencies to participate in CAMP without the necessity of joining as a member of the JPA. The Investors Shares Series has the same yield, liquidity, and management fee structure as the member-only "Participant Shares Series" except for voting privileges. CAMP is currently governed by a seven-member board of highly respected California treasurers and finance directors, and manages a portfolio of \$1.9 billion. CAMP is an allowed investment under California Government Code 53601 Paragraph (p). To date, there are 354 JPA Participant Shares Series shareholders and 60 entities that have made investments in the Investor Shares Series.

The District's overall investment portfolio will continue to be conservatively managed to ensure that safety and liquidity are considered ahead of yield.

ARC:ES:WH

Attachment



# Policy 4.07R

EFFECTIVE

~~24 APR 12~~

[26 MAR 13](#)

SUPERSEDES

~~23 NOV 10~~

[24 APR 12](#)

## INVESTMENT POLICY

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### IT IS THE POLICY OF THE EAST BAY MUNICIPAL UTILITY DISTRICT TO:

Invest District funds and funds managed by the District on behalf of its Joint Powers Authorities (JPA) in compliance with investment criteria for safety, liquidity, yield and diversity as set forth herein. Investments shall be in securities with a range of maturities to provide a high rate of return on investments while providing adequate security and liquidity to pay demands when due.

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<b>Authority</b>	Section 53600 et. seq. of the California Government Code, Article 7 in Chapter 6 of the Municipal Utility District (M.U.D.) Act, and Board Resolution No. 33232-01 defines the types of allowable investments and delegates to the Director of Finance as the Treasurer the authority and responsibility to invest idle monies of the District. The investment of bond proceeds are specifically defined in the individual bond indenture documents and are not included in this policy. Section 53635 of the California Government Code defines how investments are to be handled for Joint Powers Authorities.
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<b>Investment Criteria</b>	<p>Criteria for selecting investments, in order of priority are:</p> <ol style="list-style-type: none"><li>1. <i>Safety</i> - The District's ability to recover principal and interest. Investments shall be made that will seek to ensure the preservation of principal and interest and minimize risk to the greatest extent possible. It is the primary duty of the Treasurer to protect, preserve and maintain cash and investments on behalf of the District.</li><li>2. <i>Liquidity</i> - The District's ability to have cash available when needed to support expenditure cycles and budgetary objectives. The average maturity of the portfolio shall not exceed 720 days in order to balance liquidity and yields.</li><li>3. <i>Yield</i> - Ability to provide maximum return on the District's investments while conforming to the safety and liquidity criteria above.</li><li>4. <i>Diversity</i> - Ability to maintain a broad investment portfolio for the District. In order to accomplish this, no more than 40% of the total portfolio shall be invested in any one type of security, and other than federally backed securities, no more than 10% in any one investment issue, nor more than 10% with any one issuer.</li></ol>
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<b>Investment Options</b>	<p>The District is able to purchase investments in the following instruments as stipulated under Section 53601 et. seq. of the California Government Code, Article 7 in Chapter 6 of the M.U.D. Act, Board Resolutions and guidelines set by the District:</p> <ol style="list-style-type: none"><li>1. <u>U.S. Treasury Notes, Bonds and Bills</u><ul style="list-style-type: none"><li>- Unlimited investments</li><li>- Maturity date not to exceed 5 years</li></ul></li><li>2. <u>State of California, Local Agency Investment Fund (LAIF)</u><ul style="list-style-type: none"><li>- Maximum limit as determined by Section 16429.1 of the California Government Code.</li></ul></li></ol>
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3. Obligations issued by Federal Agencies or a U.S. Government sponsored enterprise such as the Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), and Federal National Mortgage Association (FNMA).

- Each agency holding limited to 40% of the Portfolio Investments
- Maturity date not to exceed 5 years

4. Banker's Acceptances

- Limited to 40% of the District's Portfolio
- Issued by banks with total deposits of one billion dollars (\$1,000,000,000) or more
- Maturity not to exceed 180 days
- Prime quality depending on size and credit worthiness of Bank
- Issued by banks from offices in the U.S.

5. Commercial Paper

- Limited to 25% of the District's Portfolio
- Maturity not to exceed 270 days
- Ratings of A1, P1 or F1 by either S&P, Moody's, or Fitch respectively
- Eligible Commercial Paper is limited to those issued by corporations organized and operating in the U.S., with total assets exceeding \$500,000,000

6. Medium Term Corporate Notes

- Limited to 30% of the District's Portfolio
- Maturity not to exceed five years
- Issued by corporations operating within the United States
- Rated AA or higher by one nationally-recognized rating service. If the rating drops below AA, an evaluation of the credit will be performed to determine if the notes should be sold.

7. Repurchase Agreements

- Limited to 20% of the District's investment portfolio
- Maturity not to exceed 270 days
- Collateral may be any securities authorized in items 1 through 5 above
- A Master Repurchase Agreement must be on file with the District
- Security marked to market on a daily basis and delivered to the District's custodial bank at a market value of at least 102%
- Primarily used as a limited term investment and a vehicle to fill particular dates and amounts

8. Certificates of Time Deposit

- Maturity not to exceed 5 years
- On uncollateralized deposits, limited to \$100,000 per Bank or Savings & Loan, or maximum FDIC insured
- On collateralized deposits, limited to 30% of District's Investment Portfolio
- Investment in local branches within the District, whenever possible
- Deposits over \$100,000 will be collateralized in accordance with Sections 53651 and 53652 of the California Government Code
- Deposits will be supported by a Contract for Deposit of Money with the depositing bank
- An important consideration will be credit worthiness/solvency of the banking institution as evaluated by S&P or Moody's or other evaluator of financial institution's fiscal stability

#### 9. Negotiable Certificates of Deposit

- Limited to 30% of the District's portfolio
- Maturity not to exceed five years
- Issued by banks with total deposits of one billion dollars (\$1,000,000,000) or more, and a credit rating of AA or higher

#### 10. Money Market Mutual Funds

- Rated AAA (or equivalent highest ranking) by two of the three largest nationally recognized rating services
- Unrated funds with assets under management in excess of \$500,000,000 and which has retained an advisor registered with the Securities and Exchange Commission with no less than five years experience investing in instruments allowed under the District's investment policy
- Permitted investments conform to those authorized by the California Government Code (Sections 53601 et seq.)
- May not represent more than five percent (5%) of the money market fund's assets.

#### 11. Municipal Bonds

- Limited to 40% of the District's portfolio
- Maturity date not to exceed 5 years or with a put provision within 5 years of date of purchase
- Rated AA or higher by one nationally-recognized rating service. If the rating drops below AA, an evaluation of the credit will be performed to determine if the notes should be sold.
- Notes must be issued by the State of California or a local California agency. Notes maturing within 365 days must have a rating of MIG-1, SP-1, or F-1 by either Moody's, S&P, or Fitch respectively. If a rating is revised downwards at any time, an evaluation will be made to determine if the notes should be sold.

#### 12. California Asset Management Program (CAMP)

- Limited to 10% of the District's portfolio
- Investments will be made in the CAMP Investors Shares Series
- Rated highest short term rating by either S&P, Moody's or Fitch

#### **Investment Placement**

Investment placement shall be determined by, but not limited to, continual evaluation and projection of market conditions, interest rate trends, cash flow needs, economic data, yield curves, and interest rate forecasts. Additionally, the Treasurer will obtain at least three quotations from dealers, brokers, banks or savings and loan associations before finalizing any investment purchase for all investments in excess of \$1 million. The combination of these factors shall determine where, in what denomination, and for what maturity investments are made.

#### **Selling Securities Prior To Maturity**

Losses are only allowable if either the sale of securities was necessary to meet payment obligations where no other funds are available, or the proposed swap/trade can enhance yield over the life of the new security on a total return basis.

#### **Collateral**

Securities placed with agents of depository shall at all times be maintained as specified in District Resolution 33232-01 in one or more trust companies, State or national banks located within California, the Federal Reserve Bank, or with any state or national bank located in any city designated as a federal reserve city by the Board of Governors of the Federal Reserve System, and to take from any such banks or trust companies receipts for securities so deposited. Requests for Collateral substitution and releases are subject to the Treasurer's written approval.

**Purchasing  
Entities**

Investments not purchased directly from the issuer will be purchased from:

- Institutions licensed by the State of California as a broker - dealer
- National or California State Chartered Banks
- Federal or California Chartered Savings Institution
- Brokerage firms designated as a primary government dealer by the Federal Reserve Bank
- Member of a federally regulated securities exchange

The Treasurer shall maintain a current eligible list of established dealers, brokers, banks and savings and loan associations with which securities trading and placement of funds are authorized. Strong capital base and credit worthiness are primary criteria for inclusion on the approved list. Dealers and brokers shall be regulated by the Securities and Exchange Commission and be members in good standing of the National Association of Securities Dealers.

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**Investment  
Security**

To ensure a high degree of internal control, the District shall comply with the following:

1. All Securities purchased from dealers and brokers shall be held in safekeeping by the District's custodial bank, a national bank, a State chartered bank or trust company, established for this purpose as someone other than the selling party of the security. Securities purchased will be covered by a trust or safekeeping receipt in a manner that establishes the District's ownership. All transactions require delivery of the security prior to payment for the security (delivery vs. payment).
  2. All trade confirmations shall be received directly and reviewed for conformity to the original transaction by an individual other than the person originating the transaction. All trade confirmations must be an original; copies of confirmations are not allowed. Any discrepancies will be brought to the attention of the Treasurer.
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**Fund Wire  
Procedures**

Payment for securities purchased from broker dealers that are ineligible to provide safekeeping will be made through the District's custodial bank. Funds will only be transferred subsequent but immediately following the custodial bank's acknowledgment that they are prepared to make settlement on the terms and conditions specified by the District. Payment for securities purchased from bank investment departments that will be safe kept with the trust department of the bank will be made immediately upon confirmation of the trade.

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**Review And  
Reporting  
Requirements**

On a quarterly basis the Treasurer shall prepare and submit a report to the General Manager and the Board of Directors listing investment transactions for the quarter and providing an investment summary by security type, percent of the portfolio, investment yield and the remaining period of investment to maturity.

On an annual basis, in accordance with Section 53646 of the California Government Code, an investment policy may be presented to the Board for consideration at a public meeting. In conjunction with the investment policy consideration, the Board shall also annually review the delegation of its authority for the management of investments to the Treasurer of the District.

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**Performance  
Review And  
Internal  
Control**Office of Internal Audit

The Office of Internal Audit will periodically audit the investment portfolio to evaluate the effectiveness of the District's investment program as well as its compliance with the Investment Policy. These audits will supplement the annual review by the District's external auditors.

Finance Department

The Director of Finance will review the investment portfolio monthly for compliance with the Investment Policy and make recommendations for changes and improvements where warranted.

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**Authority**

Resolution No. 33019-96 on December 10, 1996,  
Amended by Resolution No. 32877-94 on January 26, 1999  
Amended by Resolution No. 33232-01 on January 9, 2001  
Amended by Resolution 33287-02 on January 22, 2002  
Amended by Resolution 33350-03 on February 25, 2003  
Amended by Resolution 33390-04 on January 27, 2004  
Amended by Resolution 33464-05 on February 22, 2005  
Amended by Resolution 33516-06 on January 24, 2006  
Amended by Resolution 33585-07 on March 13, 2007  
Approved by Resolution 33658-08, February 26, 2008  
Approved by Resolution 33702-09, February 24, 2009  
Approved by Resolution 33752-10, January 26, 2010  
Approved by Resolution 33792-10, November 23, 2010  
Approved by Resolution 33871-12, April 24, 2012  
[Approved by Resolution XXXXX-XX, March 26, 2013](#)

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# Policy 4.07

EFFECTIVE

26 MAR 13

SUPERSEDES

24 APR 12

## INVESTMENT POLICY

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- On collateralized deposits, limited to 30% of District's Investment Portfolio
- Investment in local branches within the District, whenever possible
- Deposits over \$100,000 will be collateralized in accordance with Sections 53651 and 53652 of the California Government Code
- Deposits will be supported by a Contract for Deposit of Money with the depositing bank
- An important consideration will be credit worthiness/solvency of the banking institution as evaluated by S&P or Moody's or other evaluator of financial institution's fiscal stability

9. Negotiable Certificates of Deposit

- Limited to 30% of the District's portfolio
- Maturity not to exceed five years
- Issued by banks with total deposits of one billion dollars (\$1,000,000,000) or more, and a credit rating of AA or higher

10. Money Market Mutual Funds

- Rated AAA (or equivalent highest ranking) by two of the three largest nationally recognized rating services
- Unrated funds with assets under management in excess of \$500,000,000 and which has retained an advisor registered with the Securities and Exchange Commission with no less than five years experience investing in instruments allowed under the District's investment policy
- Permitted investments conform to those authorized by the California Government Code (Sections 53601 et seq.)
- May not represent more than five percent (5%) of the money market fund's assets.

11. Municipal Bonds

- Limited to 40% of the District's portfolio
- Maturity date not to exceed 5 years or with a put provision within 5 years of date of purchase
- Rated AA or higher by one nationally-recognized rating service. If the rating drops below AA, an evaluation of the credit will be performed to determine if the notes should be sold.
- Notes must be issued by the State of California or a local California agency. Notes maturing within 365 days must have a rating of MIG-1, SP-1, or F-1 by either Moody's, S&P, or Fitch respectively. If a rating is revised downwards at any time, an evaluation will be made to determine if the notes should be sold.

## 12. California Asset Management Program (CAMP)

- Limited to 10% of the District's portfolio
- Investments will be made in the CAMP Investors Shares Series
- Rated highest short term rating by either S&P, Moody's or Fitch

**Investment Placement**

Investment placement shall be determined by, but not limited to, continual evaluation and projection of market conditions, interest rate trends, cash flow needs, economic data, yield curves, and interest rate forecasts. Additionally, the Treasurer will obtain at least three quotations from dealers, brokers, banks or savings and loan associations before finalizing any investment purchase for all investments in excess of \$1 million. The combination of these factors shall determine where, in what denomination, and for what maturity investments are made.

**Selling Securities Prior To Maturity**

Losses are only allowable if either the sale of securities was necessary to meet payment obligations where no other funds are available, or the proposed swap/trade can enhance yield over the life of the new security on a total return basis.

**Collateral**

Securities placed with agents of depository shall at all times be maintained as specified in District Resolution 33232-01 in one or more trust companies, State or national banks located within California, the Federal Reserve Bank, or with any state or national bank located in any city designated as a federal reserve city by the Board of Governors of the Federal Reserve System, and to take from any such banks or trust companies receipts for securities so deposited. Requests for Collateral substitution and releases are subject to the Treasurer's written approval.

**Purchasing  
Entities**

Investments not purchased directly from the issuer will be purchased from:

- Institutions licensed by the State of California as a broker - dealer
- National or California State Chartered Banks
- Federal or California Chartered Savings Institution
- Brokerage firms designated as a primary government dealer by the Federal Reserve Bank
- Member of a federally regulated securities exchange

The Treasurer shall maintain a current eligible list of established dealers, brokers, banks and savings and loan associations with which securities trading and placement of funds are authorized. Strong capital base and credit worthiness are primary criteria for inclusion on the approved list. Dealers and brokers shall be regulated by the Securities and Exchange Commission and be members in good standing of the National Association of Securities Dealers.

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**Investment  
Security**

To ensure a high degree of internal control, the District shall comply with the following:

1. All Securities purchased from dealers and brokers shall be held in safekeeping by the District's custodial bank, a national bank, a State chartered bank or trust company, established for this purpose as someone other than the selling party of the security. Securities purchased will be covered by a trust or safekeeping receipt in a manner that establishes the District's ownership. All transactions require delivery of the security prior to payment for the security (delivery vs. payment).
  2. All trade confirmations shall be received directly and reviewed for conformity to the original transaction by an individual other than the person originating the transaction. All trade confirmations must be an original; copies of confirmations are not allowed. Any discrepancies will be brought to the attention of the Treasurer.
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**Fund Wire  
Procedures**

Payment for securities purchased from broker dealers that are ineligible to provide safekeeping will be made through the District's custodial bank. Funds will only be transferred subsequent but immediately following the custodial bank's acknowledgment that they are prepared to make settlement on the terms and conditions specified by the District. Payment for securities purchased from bank investment departments that will be safe kept with the trust department of the bank will be made immediately upon confirmation of the trade.

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**Review And  
Reporting  
Requirements**

On a quarterly basis the Treasurer shall prepare and submit a report to the General Manager and the Board of Directors listing investment transactions for the quarter and providing an investment summary by security type, percent of the portfolio, investment yield and the remaining period of investment to maturity.

On an annual basis, in accordance with Section 53646 of the California Government Code, an investment policy may be presented to the Board for consideration at a public meeting. In conjunction with the investment policy consideration, the Board shall also annually review the delegation of its authority for the management of investments to the Treasurer of the District.

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**Performance  
Review And  
Internal  
Control**Office of Internal Audit

The Office of Internal Audit will periodically audit the investment portfolio to evaluate the effectiveness of the District's investment program as well as its compliance with the Investment Policy. These audits will supplement the annual review by the District's external auditors.

Finance Department

The Director of Finance will review the investment portfolio monthly for compliance with the Investment Policy and make recommendations for changes and improvements where warranted.

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**Authority**

Resolution No. 33019-96 on December 10, 1996,  
Amended by Resolution No. 32877-94 on January 26, 1999  
Amended by Resolution No. 33232-01 on January 9, 2001  
Amended by Resolution 33287-02 on January 22, 2002  
Amended by Resolution 33350-03 on February 25, 2003  
Amended by Resolution 33390-04 on January 27, 2004  
Amended by Resolution 33464-05 on February 22, 2005  
Amended by Resolution 33516-06 on January 24, 2006  
Amended by Resolution 33585-07 on March 13, 2007  
Approved by Resolution 33658-08, February 26, 2008  
Approved by Resolution 33702-09, February 24, 2009  
Approved by Resolution 33752-10, January 26, 2010  
Approved by Resolution 33792-10, November 23, 2010  
Approved by Resolution 33871-12, April 24, 2012  
Approved by Resolution XXXXX-XX, March 26, 2013

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## EAST BAY MUNICIPAL UTILITY DISTRICT

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DATE: March 21, 2013

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager *ARC*

FROM: Barry N. Gardin, Internal Audit Supervisor *BNG*

SUBJECT: Review of Revisions to District Policies

### BACKGROUND

In order to ensure District policies remain up to date and consistent with Board priorities and objectives, staff periodically reviews each District policy to consider whether any organizational, regulatory, or other changes have occurred that necessitate their modification. Policies are only forwarded to the Board for consideration if modifications are being proposed or if laws require periodic Board review and reaffirmation. Policy reviews occur on an ongoing basis, with each policy scheduled for reconsideration every two years.

These policy changes will be reviewed with the Finance/Administration Committee on March 26, 2013.

### DISCUSSION

Two policies reviewed by staff warrant modification to clarify their purpose and accurately reference current procedures and/or operating practices. The two policies are attached for your review and consideration.

#### Policies Recommended for Revision

##### 1. Policy 4.14 – Reimbursement of Director Expenses

Policy was modified to add IRS accountable plan definition and requirements; maintain consistency with Procedure 438 (Reimbursement of Employee Business Expenses); change request for advance from being due three working days in advance to being due 10 working days prior to departure date; clarify approval authority and responsibility; limit housecleaning tips to per diem rates; and add a requirement to complete Transit Occupancy Tax exemption form for a stay in California.

## **2. Policy 9.05 – Non-Potable Water**

Policy was revised to include minor edits to expand areas that provide non-potable water, and to specify that determining feasibility includes not requiring on-site treatment by the customer.

### **UNION NOTIFICATION**

Policies and procedures affecting wages, hours and working conditions are reviewed with the unions. Employee Relations has reviewed all policies to determine the necessity for union review. The revised policies have no union impact.

### **FISCAL IMPACT**

The policy changes do not have a fiscal impact.

### **ALTERNATIVE**

**Do not update these policies.** This alternative is not recommended because it would leave policies in place that do not reflect current operating practices, are not consistent with Board directives, and/or are not in compliance with California law.

Attachments



# Policy 4.14<sup>R</sup>

EFFECTIVE ~~23 FEB 10~~  
[26 MAR 13](#)

SUPERSEDES ~~11 MAR 08~~  
[23 FEB 10](#)

## REIMBURSEMENT OF DIRECTOR EXPENSES

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### IT IS THE POLICY OF THE EAST BAY MUNICIPAL UTILITY DISTRICT TO:

Reimburse Directors as provided in the MUD Act, Public Utilities Code Section 11908.1, for actual necessary expenses that are incurred in the performance of duties authorized or requested by the Board.

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#### Authorized Expenses

The President of the Board of Directors will approve expenses incurred [by fellow members](#) in connection with attendance as a representative of the District at meetings, associations and other groups and will approve travel and other related expenses incurred in the performance of official District business. The Vice President of the Board of Directors will approve expenses incurred by the Board President. Reimbursable Director expenses will be reasonable, and in accordance with the guidelines attached to this policy.

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#### References

Policy 6.04 - Ethics Policy Of The EBMUD Board Of Directors

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#### Authority

Resolution No. 32874-94, August 9, 1994  
Amended by Resolution No. 33414-04, March 23, 2004  
Amended by Resolution No. 33471-05, April 26, 2005  
Amended by Resolution No. 33661-08, March 11, 2008  
Amended by Resolution No. 33756-10, February 23, 2010  
[Amended by Resolution No. XXXXX-XX, March 26, 2013](#)

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## GUIDELINES FOR REIMBURSEMENT OF BOARD OF DIRECTOR EXPENSES

**PURPOSE** - These guidelines are used to reimburse Board of Directors (Director) for actual, reasonable and necessary expenses while engaged in official District business, as provided in Section 11908.1 of the Municipal Utility District Act, pursuant to Policy 4.14.

### Internal Revenue Service (IRS) Requirement

The District operates under an Accountable Plan, as defined in Internal Revenue Service Regulations 1.62.2. An Accountable Plan is one in which expense reimbursements are not taxable income, not wages, and not included as income. To be an Accountable Plan, expense reimbursements must meet the following requirements:

1. Expenses must have been paid or incurred while performing services as a Director.
2. Expenses incurred and amounts paid must be substantiated within a reasonable period of time (within 60 days of expenses being incurred or expense payments being made. Any reimbursements not complying with the above deadlines must be paid under a non-Accountable Plan and treated as taxable wages.)
3. Excess advanced funds must be returned within a reasonable period of time (within 120 days of expense being incurred or expense payment being made.)

### **Authorization Form X-011 Board Travel and Expense**

#### Reimbursable Expenses That Require Prior Authorization of the Board President

- ~~To attend~~Conferences, seminars, or similar training courses requiring either registration fee or overnight lodging costing \$100 or more.
- ~~To~~Travel to destinations in excess of 150 miles from the Director's normal place of work or for overnight lodging of more than one night related to business travel.
- Travel advances and/or prepayment of business expenses that require submission to the Office of the Secretary.

Note: The President of the Board approves all prior authorization requests from the Board of Directors. The Vice-President of the Board approves all prior authorization requests from the President of the Board.

#### Reimbursable Expenses That Do Not Require Prior Authorization of the Board President

- Conference, seminar or similar training registration fees costing less than \$100.
- One day travel less than 150 miles.
- Training with no registration fee or overnight stay.



- Business meetings or Director sponsored events:
  - Regular, adjourned regular, and special meetings of the Board.
  - Board committee meetings (as a member or alternate at the request of the committee chairperson) whether standing or ad hoc.
  - Seminars, and non-District meetings or functions when attending as a representative of the Board.
  - Other services rendered as a Director.
- Typical reimbursed monthly expenses:
  - Meals - Refer to meals section.
  - Mileage - Refer to use of private owned vehicles.
  - Tolls - No receipt required.
  - Parking - Receipt required.
  - Monthly internet charges – Reviewed and approved by Information System Division Manager.

### Qualifications

Director business expenses are reimbursed or paid directly by the District provided they are ordinary, necessary, reasonable, and within the scope of District ~~employment~~ business for the individual requesting reimbursement. Expenses must meet the following general ~~guidelines~~ qualifications:

~~for travel advances and/or prepayment of business expenses~~

- The expenses incurred must comply with the provisions of this Policy and all expenses must be properly authorized.
- Expenses and business purpose to the District must be adequately documented and explained. Reimbursement of actual expenses requires submission of receipts for all expenses except ~~Per diem~~ Per diem reimbursement for luggage handling and housekeeping tipping, or reimbursement of bridge tolls ~~does not require receipts~~.

### **Allowable Expenses**

#### Registration Fees

- ~~Other reimbursable Director expenses are described below.~~ Registration fees incurred to participate in conferences, training courses or other similar activities directly related to District business or interests are reimbursable.

### Meals

~~Other reimbursable Director expenses are described below.~~

- ~~• Registration fees incurred to participate in conferences, training courses or other similar activities are reimbursable.~~

Reimbursement for meals requires an itemized receipt and is limited to the IRS approved per diem rate for the area of travel. Per diem rates are subject to change at any time. The IRS approved per diem rate will be disbursed in whole dollar amounts to approximate 20% for breakfast, 30% for lunch, and 50% for dinner. Current per diem rates can be reviewed at [www.gsa.gov](http://www.gsa.gov)- click the link to "Per Diem Rates".

Meal expenses are reimbursable for board members under these specified conditions:

- For one-day training, conferences, seminars and trips, the cost of lunch is ~~not~~ reimbursable ~~unless if~~ it is a business lunch (e.g. working lunch, meeting). Meals that are included as part of the fee for a conference, seminar or training course are allowed.
- Business meals incurred must be reasonable, necessary and at appropriate locations. Form X-003 must include the names of participants (if being claimed for reimbursement), and the specific business purpose of the meal. Food may be provided at on-site gatherings such as ward events. These meals are not taxable.

### Car Rentals

#### ~~Car Rentals~~

Car rentals are only approved if public transportation is not reasonably available in the area of travel. Car rentals should be for compact or mid-sized models without upgrades for one or two persons sharing transportation. For three or more persons, or as required to meet District business needs, a larger model may be rented.

The District may contract with a vehicle rental company as a preferred provider. Such a preferred provider will offer governmental rates to Directors for all travel and will not offer liability or collision insurance to Directors on District business because the District is self-insured.

~~Refer to the Travel and Expense intranet website for additional information (<http://cbmudnet/Travel-Expense/index.htm>).~~

### [Use of Privately Owned Vehicles](#)

Reimbursement for mileage expense incurred shall be determined as follows:

- Local and long distance travel shall be reimbursed at the authorized IRS rate per mile.
- Long distance travel - Mileage expenses shall be based upon direct mileage between destinations as determined from established tables of highway distances.
- Directors are personally responsible to pay all traffic citations, parking tickets and any resulting towing or impound charges.
- Mileage to and from the airport and parking at the airport. A receipt is required for cab, shuttle service or airport parking.

Note: The mileage reimbursement, plus related en route expenses per Director, shall not exceed the corresponding lowest quoted round-trip airfare plus an allowance of \$50 covering avoided costs from Oakland, San Francisco, Sacramento or San Jose to the terminal point nearest the point of destination. Lowest quoted round-trip airfare must be documented through services such as Expedia, Travelocity and Orbitz. Questions regarding "in lieu" fare levels can be verified ~~and approved by~~with the Secretary of the District in advance of travel.

### [Lodging](#)

Lodging expenses must be reasonable and will be reimbursed only when overnight absence from the Director's home is required. An itemized receipt must be attached to ~~the Expense Report~~ Form X-003. Overnight lodging is not authorized for conferences or seminars that are within the service area without specific advance approval from the ~~Controller~~Board President.

Note: If double, deluxe, suite, or other premium-cost accommodations are requested, reimbursement will be at the standard rate for single room occupancy. The receipt should be annotated to show the "standard single" rate if the cost of the accommodations exceeds that rate.

Government, corporate or conference rates should be requested if these rates are less than otherwise posted rates.

[When reserving a hotel reservation for a stay in California, tell the hotel you are a government employee and want the government rate if it is lower and you are exempt from any Transit Occupancy Tax \(TOT\) and will sign the TOT exemption form at check in. When you check in, show the hotel staff a District ID or a copy of your approved X-014 and sign their TOT exemption form. TOT on hotel bills will not be reimbursed by the District if the government employee exemption option was available.](#)

### [Airline Fares](#)

Each airline ticket purchased must be at the lowest fare consistent with the business purpose. The District does not reimburse the costs of travel agent fees incurred for the purpose of purchasing airlines tickets. Directors traveling by air for business have the option to reserve and purchase airline tickets on the Internet using their personal credit card and documenting the available fare options that reasonably meet the business purpose.

The following travel service websites are available to research and book reservations:

- Expedia.com
- Travelocity.com
- Orbitz.com

Not all airlines are affiliated with these travel service websites, including Southwest, Jet Blue, ATA, etc. Therefore, those airline websites should also be reviewed for cost comparisons for available flights.

After locating the lowest airfare consistent with the business purpose of the trip, if the airfare is greater than \$250 the Director must print out the information from the website(s) (travel service website and, where used, specific airline website) indicating the alternative options available, in addition to the option ticketed. That documentation must showing the lowest fare available for the business trip must ~~be accompanied with the y~~ Form X-003 for reimbursement or payment to the District.

~~• Reimbursement of business related expenses arising from travel must be supported by receipts.~~

Miscellaneous:

- Internet Access at the hotel or conference center for business use and access to District Information systems.
- Limits on gratuities are described below:
  - Business meals – 15% of the cost of the meal for an individual or as automatically charged by the restaurant for a group business meal when substantiated by an itemized receipt.
  - Taxi – 10% of the cost of taxi fares.
  - Luggage ~~H~~handling and housekeeping – limited to the IRS per diem rate for the area.
  - ~~○ Housekeeping – limited to the IRS per diem rate for the area..~~
  - Laundry services are only reimbursed when travel extends beyond five business days.
- Minor purchases are reimbursable up to \$500 for non-stock/non-repetitive supplies, or materials that cannot be procured economically through normal channels due to time or the value of the purchase. ~~A receipt must be attached to Form X-003~~

### **Prohibited Expenses**

~~Meals, food or other expenses for functions lacking specific business purposes will not be reimbursed. The District provides a cell phone allowance or District cell phones for business related telephone expenses. The District does not provide any additional reimbursement for business or non-business related telephone expense.~~

**Not-Allowable**  
**Expenses**

**Meals**

- For one-day training, conferences, seminars and trips, the cost of lunch is not reimbursable unless it is a business lunch (e.g. working lunch, meeting).
- Meal allowances are not paid for meals en route by air when food is provided by the airline, included with the conference registration, or otherwise provided. (Snacks and continental breakfasts such as rolls, juice and coffee shall not be considered meals).
- Business discussions during mealtime between board members, and a board member and employees do not constitute a business meal eligible for reimbursement. Reimbursement will be for the actual cost of the expense with attached itemized receipt(s). These meals are not taxable.

Alcoholic beverages are not reimbursed except for specific events with the prior approval of the Board President.

**Car Rentals**

Directors should not purchase, nor shall the District reimburse the cost of liability or collision insurance as the District is self-insured. Insurance authorized by the Director at the time of rental will not be reimbursed. In the event of an accident while using a rental car, refer the car rental agency to the Risk Management Division. Directors are personally responsible for paying all traffic citations, parking tickets and resulting towing or impound charges in a timely manner.

**Miscellaneous**

The District provides a cell phone allowance or District cell phones for business related telephone expenses. The District does not provide any additional reimbursement for business or non-business related telephone expense.

**Form X-011  
Board Travel  
and Expense  
Authorization**

Form X-011 must be completed by the Office of the Secretary for each Director for reimbursement of expenses before the expense is incurred unless these guidelines specifically state otherwise and must be completed by each Director for all travel and approved by the President of the Board of Directors as follows. Form X-011 becomes a public record upon submission for payment.

**Completion  
of Processing  
X-011 Board  
Travel and  
Expense  
Authorization  
(Form X-011)**

**Director:**

- Requests Secretary of the District to complete **Board Travel and Expense Authorization (Form X-011)** before expenses are incurred.
- Attaches a copy of the conference, seminar or training course schedule/agenda to the Form X-011.
- Provides written justification stating business purpose for ~~the out-of-state travel~~ the expense to support with the Form X-011.
- Completes the local ~~Transit Occupancy Tax (TOT)~~ exemption form for lodging in California at time of check in if available in that city.
- Travel Advances must be submitted ~~at least three (3) working days prior to departure date or event except for travel advances and/or prepayment of business expenses that requires submission~~ to the Office of the Secretary at least ten (10) working days prior to their scheduled departure date or event.

Note: ~~The person~~ Director incurring the expense cannot approve his or her own Form X-011. The Form X-011 must be signed by a Director. In lieu of a signature, an email from the Director may be attached.

Office of the ~~Secretary of the District~~:

- Always checks the Forms Shop for the current form. This form is updated to include current mileage reimbursement rates, regulatory and processing changes.
- Prepares ~~the Board Travel and Expense Authorization~~ (Form X-011, attaches the written request from the Director) and obtains approval from the President of the Board.
- Reviews and approves use of District Purchase Card for travel and business related expense advances and direct travel-related expense payments for up to the total approval amounts shown on Form X-011 for transactions requiring payment via purchase/credit card.
- Determines the “reasonableness” of advances or expenses eligible for reimbursement based on time and location of travel, duration of trip and purpose of travel.
- Submits approved Form X-011 to the Accounting Division for processing.

President of the Board:

- Reviews and approves Form X-011 for reasonableness and forwards it to the Office of the ~~Secretary of the District to process~~.

Vice President of the Board:

- ~~The Vice President of the Board~~ Reviews and -approves, for the President of the Board, Form X-011 for reasonableness and forwards it to the Office of the Secretary ~~travel requests for the President of the Board.~~

Accounting Division:

- Accounts Payable (AP) staff, under the direction of the Controller, audits requests sent to Accounting for compliance with procedures.
- Prepares expense advances and direct travel-related expense payments for up to the total approval amounts shown on Form X-011 for transactions requiring payment by check.

**Form X-003  
Expense  
Report**

Form X-003 must always be completed by each Director for reimbursement of any business expense after the expense is incurred unless these guidelines specifically state otherwise. All Forms X-003 must include adequate documented explanations of the business purposes of the expenses. Form X-003 becomes a public record upon submission for payment.

**Processing  
Expense  
Report (Form  
X-003)**

Director:

- Completes Form X-003 (~~Expense Report~~) and includes tapes supporting receipts on 8½ x 11" paper. For assistance with completing the Form X-003, contact the Office of the Secretary. ~~refer to the Travel & Expense webpage~~. ~~Please do~~ Do not include any personal information such as personal credit card information, bank account information, home address or personal phone numbers.

Note:

- Note: Always check the Forms Shop for the current form. This form is updated to include current mileage reimbursement rates, regulatory and processing changes.
- The person incurring the expense cannot approve his or her own Form X-003.
- The Form X-003 must be signed by the Director. In lieu of a signature, an email from the Director may be attached.
- Send Form X-003 to the Office of the Secretary.

Office of the Secretary:

- Reviews Form X-003 and attachments.
- Sends Form X-003 to President of the Board for approval.
- Submits approved ~~Expense Report~~ (Form X-003) to the Accounting Division for processing.

President of the Board:

- Reviews and approves ~~Expense Report~~ (Form X-003) after expenses are incurred to determine the need, appropriateness, and reasonableness of each item of expense.
- Sends approved Form X-003 to Office of the Secretary for final review before sending to Accounting.

Vice President of the Board:

- Reviews and approves Form X-003 for the Board President after expenses are incurred to determine the need, appropriateness, and reasonableness of each item of expense.
- Sends approved Form X-003 to Office of the Secretary for final review before sending to Accounting.

Accounting Division:

- Audits all expense reports for compliance with procedures.
- Returns incomplete expense reports to the Office of the Secretary with a request for adjustment or explanation.
- Advises Office of the Secretary when reimbursement is available for distribution to Director.

**Travel  
Advances and  
Prepayment of  
Expenses.**

Directors requesting travel advances or prepayment of expenses for a business trip are required to submit their requests to the Secretary of the District at least ~~five (5)~~ ten (10) working days prior to their scheduled departure date or event. ~~Any advances or prepaid expenses should be cleared within 15 working days after completion of the business trip by a properly approved Form X-003~~

If the District issued a prepayment of expense or cash advance, a copy of Form X-011 (~~Board Travel and Expense Authorization~~) must be attached. In order to account for advances or prepaid expenses, Form X-003 must be submitted within 15 working days of completion of the business trip ~~authorized by Form X-011.~~ Outstanding advance payments/balances must be returned to the District within 120 days of the completion of the business trip per IRS Publication 535 - Business Expenses, otherwise, the outstanding balance must be deducted from the director's paycheck.

For periodic expenses when an X-011 or travel advance is not required (tolls, BART fares, personal car mileage, etc) Form X-003 should be submitted within ~~90~~ 60 days, otherwise, the expense being incurred ~~will~~ must be reimbursed under a non-accountable plan, per IRS Publication 535, and treated as taxable wages and added to the director's W-2 (Wage and Tax Statement), Box 1 (Wages, tips and other compensation).

The Director can request a travel advance to cover the cost of the ticket on ~~the~~ Form X-011. If the Director chooses not to purchase the airline ticket, the information regarding the ticket selection should be sent to the Secretary of the District who will purchase the ticket at the request of the Director. The charge for the amount of the ticket will be recorded as a travel advance to be cleared by a subsequent approved Form X-003.

Cancellations

When traveling on District business, the Director must be reasonably certain that he/she will be able to complete the trip. Canceling a trip for personal reasons must be approved by the President of the Board and may result in the Director being responsible for any non-refundable costs. Where possible, another Director may be substituted with the approval of the President of the Board. If a substitution needs to be made, notify the Secretary's Office and copy the President of the Board.

**Reimbursable  
Travel  
Expenses**

Business and Personal Combined

Any Director who wishes to combine personal and business travel should consult with the Secretary of the District who in consultation with the Controller will determine a reasonable allocation of costs. Charges to accommodate personal preferences will not be reimbursed. Use of frequent flyer miles will not be reimbursed.



**Report to Board**      [At the next Board Meeting.](#) the Board member will make an oral or written presentation to the Board after business travel outside of the District service area [or meetings attended at the District's expense](#) is completed. [If multiple Directors attended, a joint report may be made.](#)

**Substantiation of Travel Expenses**      Travel expenses shall be substantiated by any of the following sources:

- Board meeting minutes
- Certification of committee attendance signed by the committee chair
- Verification of attendance at authorized meetings and functions signed by the President of the Board



# Policy 4.14

EFFECTIVE 26 MAR 13

SUPERSEDES 23 FEB 10

## REIMBURSEMENT OF DIRECTOR EXPENSES

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### IT IS THE POLICY OF THE EAST BAY MUNICIPAL UTILITY DISTRICT TO:

Reimburse Directors as provided in the MUD Act, Public Utilities Code Section 11908.1, for actual necessary expenses that are incurred in the performance of duties authorized or requested by the Board.

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#### **Authorized Expenses**

The President of the Board of Directors will approve expenses incurred by fellow members in connection with attendance as a representative of the District at meetings, associations and other groups and will approve travel and other related expenses incurred in the performance of official District business. The Vice President of the Board of Directors will approve expenses incurred by the Board President. Reimbursable Director expenses will be reasonable, and in accordance with the guidelines attached to this policy.

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#### **References**

Policy 6.04 - Ethics Policy Of The EBMUD Board Of Directors

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#### **Authority**

Resolution No. 32874-94, August 9, 1994  
Amended by Resolution No. 33414-04, March 23, 2004  
Amended by Resolution No. 33471-05, April 26, 2005  
Amended by Resolution No. 33661-08, March 11, 2008  
Amended by Resolution No. 33756-10, February 23, 2010  
Amended by Resolution No. XXXXX-XX, March 26, 2013

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## **GUIDELINES FOR REIMBURSEMENT OF BOARD OF DIRECTOR EXPENSES**

**PURPOSE** - These guidelines are used to reimburse Board of Directors (Director) for actual, reasonable and necessary expenses while engaged in official District business, as provided in Section 11908.1 of the Municipal Utility District Act, pursuant to Policy 4.14.

Internal Revenue Service (IRS) Requirement	The District operates under an Accountable Plan, as defined in Internal Revenue Service Regulations 1.62.2. An Accountable Plan is one in which expense reimbursements are not taxable income, not wages, and not included as income. To be an Accountable Plan, expense reimbursements must meet the following requirements;
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1. Expenses must have been paid or incurred while performing services as a Director.
2. Expenses incurred and amounts paid must be substantiated within a reasonable period of time (within 60 days of expenses being incurred or expense payments being made. Any reimbursements not complying with the above deadlines must be paid under a non-Accountable Plan and treated as taxable wages.)
3. Excess advanced funds must be returned within a reasonable period of time (within 120 days of expense being incurred or expense payment being made.)

<b>Authorization</b>	<b><u>Reimbursable Expenses That Require Prior Authorization of the Board President</u></b>
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- Conferences, seminars, or similar training courses requiring either registration fee or overnight lodging costing \$100 or more.
- Travel to destinations in excess of 150 miles from the Director's normal place of work or for overnight lodging of more than one night related to business travel.
- Travel advances and/or prepayment of business expenses that require submission to the Office of the Secretary.

Note: The President of the Board approves all prior authorization requests from the Board of Directors. The Vice-President of the Board approves all prior authorization requests from the President of the Board.

**Reimbursable Expenses That Do Not Require Prior Authorization of the Board President**

- Conference, seminar or similar training registration fees costing less than \$100.
- One day travel less than 150 miles.
- Training with no registration fee or overnight stay.

- Business meetings or Director sponsored events:
  - Regular, adjourned regular, and special meetings of the Board.
  - Board committee meetings (as a member or alternate at the request of the committee chairperson) whether standing or ad hoc.
  - Seminars, and non-District meetings or functions when attending as a representative of the Board.
  - Other services rendered as a Director.
- Typical reimbursed monthly expenses:
  - Meals - Refer to meals section.
  - Mileage - Refer to use of private owned vehicles.
  - Tolls - No receipt required.
  - Parking - Receipt required.
  - Monthly internet charges – Reviewed and approved by Information System Division Manager.

**Qualifications** Director business expenses are reimbursed or paid directly by the District provided they are ordinary, necessary, reasonable, and within the scope of District business for the individual requesting reimbursement. Expenses must meet the following general qualifications:

- The expenses incurred must comply with the provisions of this Policy and all expenses must be properly authorized.
- Expenses and business purpose to the District must be adequately documented and explained. Reimbursement of actual expenses requires submission of receipts for all expenses except per diem reimbursement for luggage handling and housekeeping tipping, or reimbursement of bridge tolls.

**Allowable  
Expenses**

Registration Fees

- Registration fees incurred to participate in conferences, training courses or other similar activities directly related to District business or interests are reimbursable.

### Meals

Reimbursement for meals requires an itemized receipt and is limited to the IRS approved per diem rate for the area of travel. Per diem rates are subject to change at any time. The IRS approved per diem rate will be disbursed in whole dollar amounts to approximate 20% for breakfast, 30% for lunch, and 50% for dinner. Current per diem rates can be reviewed at [www.gsa.gov](http://www.gsa.gov)- click the link to "Per Diem Rates".

Meal expenses are reimbursable for board members under these specified conditions:

- For one-day training, conferences, seminars and trips, the cost of lunch is reimbursable if it is a business lunch (e.g. working lunch, meeting). Meals that are included as part of the fee for a conference, seminar or training course are allowed.
- Business meals incurred must be reasonable, necessary and at appropriate locations. Form X-003 must include the names of participants (if being claimed for reimbursement), and the specific business purpose of the meal. Food may be provided at on-site gatherings such as ward events. These meals are not taxable.

### Car Rentals

Car rentals are only approved if public transportation is not reasonably available in the area of travel. Car rentals should be for compact or mid-sized models without upgrades for one or two persons sharing transportation. For three or more persons, or as required to meet District business needs, a larger model may be rented.

The District may contract with a vehicle rental company as a preferred provider. Such a preferred provider will offer governmental rates to Directors for all travel and will not offer liability or collision insurance to Directors on District business because the District is self-insured.

#### Use of Privately Owned Vehicles

Reimbursement for mileage expense incurred shall be determined as follows:

- Local and long distance travel shall be reimbursed at the authorized IRS rate per mile.
- Long distance travel - Mileage expenses shall be based upon direct mileage between destinations as determined from established tables of highway distances.
- Directors are personally responsible to pay all traffic citations, parking tickets and any resulting towing or impound charges.
- Mileage to and from the airport and parking at the airport. A receipt is required for cab, shuttle service or airport parking.

Note: The mileage reimbursement, plus related en route expenses per Director, shall not exceed the corresponding lowest quoted round-trip airfare plus an allowance of \$50 covering avoided costs from Oakland, San Francisco, Sacramento or San Jose to the terminal point nearest the point of destination. Lowest quoted round-trip airfare must be documented through services such as Expedia, Travelocity and Orbitz. Questions regarding "in lieu" fare levels can be verified with the Secretary of the District in advance of travel.

#### Lodging

Lodging expenses must be reasonable and will be reimbursed only when overnight absence from the Director's home is required. An itemized receipt must be attached to Form X-003. Overnight lodging is not authorized for conferences or seminars that are within the service area without specific advance approval from the Board President.

Note: If double, deluxe, suite, or other premium-cost accommodations are requested, reimbursement will be at the standard rate for single room occupancy. The receipt should be annotated to show the "standard single" rate if the cost of the accommodations exceeds that rate.

Government, corporate or conference rates should be requested if these rates are less than otherwise posted rates.

When reserving a hotel reservation for a stay in California, tell the hotel you are a government employee and want the government rate if it is lower and you are exempt from any Transit Occupancy Tax (TOT) and will sign the TOT exemption form at check in. When you check in, show the hotel staff a District ID or a copy of your approved X-014 and sign their TOT exemption form. TOT on hotel bills will not be reimbursed by the District if the government employee exemption option was available.

#### Airline Fares

Each airline ticket purchased must be at the lowest fare consistent with the business purpose. The District does not reimburse the costs of travel agent fees incurred for the purpose of purchasing airlines tickets. Directors traveling by air for business have the option to reserve and purchase airline tickets on the Internet using their personal credit card and documenting the available fare options that reasonably meet the business purpose.

The following travel service websites are available to research and book reservations:

- Expedia.com
- Travelocity.com
- Orbitz.com

Not all airlines are affiliated with these travel service websites, including Southwest, Jet Blue, ATA, etc. Therefore, those airline websites should also be reviewed for cost comparisons for available flights.

After locating the lowest airfare consistent with the business purpose of the trip, if the airfare is greater than \$250 the Director must print out the information from the website(s) (travel service website and, where used, specific airline website) indicating the alternative options available, in addition to the option ticketed. That documentation must show the lowest fare available for the business trip must accompany Form X-003 for reimbursement or payment to the District.

Miscellaneous:

- Internet Access at the hotel or conference center for business use and access to District Information systems.
- Limits on gratuities are described below:
  - Business meals – 15% of the cost of the meal for an individual or as automatically charged by the restaurant for a group business meal when substantiated by an itemized receipt.
  - Taxi – 10% of the cost of taxi fares.
  - Luggage handling and housekeeping – limited to the IRS per diem rate for the area.
  - Laundry services are only reimbursed when travel extends beyond five business days.
- Minor purchases are reimbursable up to \$500 for non-stock/non-repetitive supplies, or materials that cannot be procured economically through normal channels due to time or the value of the purchase.

**Not-Allowable  
Expenses**

Meals

- For one-day training, conferences, seminars and trips, the cost of lunch is not reimbursable unless it is a business lunch (e.g. working lunch, meeting).
- Meal allowances are not paid for meals en route by air when food is provided by the airline, included with the conference registration, or otherwise provided. (Snacks and continental breakfasts such as rolls, juice and coffee shall not be considered meals).
- Business discussions during mealtime between board members, and a board member and employees do not constitute a business meal eligible for reimbursement. Reimbursement will be for the actual cost of the expense with attached itemized receipt(s). These meals are not taxable.

Alcoholic beverages are not reimbursed except for specific events with the prior approval of the Board President.

### Car Rentals

Directors should not purchase, nor shall the District reimburse the cost of liability or collision insurance as the District is self-insured. Insurance authorized by the Director at the time of rental will not be reimbursed. In the event of an accident while using a rental car, refer the car rental agency to the Risk Management Division. Directors are personally responsible for paying all traffic citations, parking tickets and resulting towing or impound charges in a timely manner.

### Miscellaneous

The District provides a cell phone allowance or District cell phones for business related telephone expenses. The District does not provide any additional reimbursement for business or non-business related telephone expense.

### **Form X-011 Board Travel and Expense Authorization**

Form X-011 must be completed by the Office of the Secretary for each Director for reimbursement of expenses before the expense is incurred unless these guidelines specifically state otherwise and must be completed by each Director for all travel and approved by the President of the Board of Directors. Form X-011 becomes a public record upon submission for payment.

### **Processing X-011**

#### Director:

- Requests Secretary of the District to complete Form X-011 before expenses are incurred.
- Attaches a copy of the conference, seminar or training course schedule/agenda to the Form X-011.
- Provides written justification stating business purpose for the expense with the Form X-011.
- Completes the local TOT exemption form for lodging in California at time of check in if available in that city.
- Travel advances must be submitted to the Office of the Secretary at least ten (10) working days prior to their scheduled departure date or event.

Note: The Director incurring the expense cannot approve his or her own Form X-011. The Form X-011 must be signed by a Director. In lieu of a signature, an email from the Director may be attached.

#### Office of the Secretary:

- Always checks the Forms Shop for the current form. This form is updated to include current mileage reimbursement rates, regulatory and processing changes.
- Prepares Form X-011, attaches the written request from the Director and obtains approval from the President of the Board.
- Reviews and approves use of District Purchase Card for travel and business related expense advances and direct travel-related expense payments for up to the total approval amounts shown on Form X-011 for transactions requiring payment via purchase/credit card.
- Determines the "reasonableness" of advances or expenses eligible for reimbursement based on time and location of travel, duration of trip and purpose of travel.
- Submits approved Form X-011 to the Accounting Division for processing.



President of the Board:

- Reviews and approves Form X-011 for reasonableness and forwards it to the Office of the Secretary.

Vice President of the Board:

- Reviews and approves, for the President of the Board, Form X-011 for reasonableness and forwards it to the Office of the Secretary

Accounting Division:

- Accounts Payable (AP) staff, under the direction of the Controller, audits requests sent to Accounting for compliance with procedures.
- Prepares expense advances and direct travel-related expense payments for up to the total approval amounts shown on Form X-011 for transactions requiring payment by check.

**Form X-003  
Expense  
Report**

Form X-003 must always be completed by each Director for reimbursement of any business expense after the expense is incurred unless these guidelines specifically state otherwise. All Forms X-003 must include adequate documented explanations of the business purposes of the expenses. Form X-003 becomes a public record upon submission for payment.

**Processing  
Form X-003**

Director:

- Completes Form X-003 and tapes supporting receipts on 8½ x 11 paper. For assistance with completing the Form X-003, contact the Office of the Secretary. . Do not include any personal information such as personal credit card information, bank account information, home address or personal phone numbers.

Note:

- Note: Always check the Forms Shop for the current form. This form is updated to include current mileage reimbursement rates, regulatory and processing changes.
- The person incurring the expense cannot approve his or her own Form X-003.
- The Form X-003 must be signed by the Director. In lieu of a signature, an email from the Director may be attached.
- Send Form X-003 to the Office of the Secretary.

Office of the Secretary:

- Reviews Form X-003 and attachments.
- Sends Form X-003 to President of the Board for approval.
- Submits approved Form X-003 to the Accounting Division for processing.

President of the Board:

- Reviews and approves Form X-003 after expenses are incurred to determine the need, appropriateness, and reasonableness of each item of expense.
- Sends approved Form X-003 to Office of the Secretary for final review before sending to Accounting.

Vice President of the Board:

- Reviews and approves Form X-003 for the Board President after expenses are incurred to determine the need, appropriateness, and reasonableness of each item of expense.
- Sends approved Form X-003 to Office of the Secretary for final review before sending to Accounting.

Accounting Division:

- Audits all expense reports for compliance with procedures.
- Returns incomplete expense reports to the Office of the Secretary with a request for adjustment or explanation.
- Advises Office of the Secretary when reimbursement is available for distribution to Director.

**Travel  
Advances and  
Prepayment of  
Expenses.**

Directors requesting travel advances or prepayment of expenses for a business trip are required to submit their requests to the Secretary of the District at least ten (10) working days prior to their scheduled departure date or event.

If the District issued a prepayment of expense or cash advance, a copy of Form X-011 must be attached. In order to account for advances or prepaid expenses, Form X-003 must be submitted within 15 working days of completion of the business trip. Outstanding advance payments/balances must be returned to the District within 120 days of the completion of the business trip per IRS Publication 535 - Business Expenses, otherwise, the outstanding balance must be deducted from the director's paycheck.

For periodic expenses when an X-011 or travel advance is not required (tolls, BART fares, personal car mileage, etc) Form X-003 should be submitted within 60 days, otherwise, the expense being incurred must be reimbursed under a non-accountable plan, per IRS Publication 535, and treated as taxable wages and added to the director's W-2 (Wage and Tax Statement), Box 1 (Wages, tips and other compensation).

The Director can request a travel advance to cover the cost of the ticket on Form X-011. If the Director chooses not to purchase the airline ticket, the information regarding the ticket selection should be sent to the Secretary of the District who will purchase the ticket at the request of the Director. The charge for the amount of the ticket will be recorded as a travel advance to be cleared by a subsequent approved Form X-003.

Cancellations

When traveling on District business, the Director must be reasonably certain that he/she will be able to complete the trip. Canceling a trip for personal reasons must be approved by the President of the Board and may result in the Director being responsible for any non-refundable costs. Where possible, another Director may be substituted with the approval of the President of the Board. If a substitution needs to be made, notify the Secretary's Office and copy the President of the Board.

Business and Personal Combined

Any Director who wishes to combine personal and business travel should consult with the Secretary of the District who in consultation with the Controller will determine a reasonable allocation of costs. Charges to accommodate personal preferences will not be reimbursed. Use of frequent flyer miles will not be reimbursed.

**Report to Board** At the next Board Meeting, the Board member will make an oral or written presentation to the Board after business travel outside of the District service area or meetings attended at the District's expense is completed. If multiple Directors attended, a joint report may be made.

**Substantiation of Travel Expenses** Travel expenses shall be substantiated by any of the following sources:

- Board meeting minutes
- Certification of committee attendance signed by the committee chair
- Verification of attendance at authorized meetings and functions signed by the President of the Board



# Policy 9.05<sup>R</sup>

EFFECTIVE ~~14-NOV-06~~  
26-MAR-13

SUPERSEDES ~~28-SEP-04~~  
14-NOV-06

## NON-POTABLE WATER

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### IT IS THE POLICY OF EAST BAY MUNICIPAL UTILITY DISTRICT TO:

Require that customers of the East Bay Municipal Utility District ("EBMUD") use non-potable water, including recycled water, for non-domestic purposes when it is of adequate quality and quantity, available at reasonable cost, not detrimental to public health and not injurious to plant life, fish and wildlife. When nonpotable water satisfying these conditions is made available to the customer, the use of potable water for nondomestic purposes may constitute a waste and unreasonable use of water within the meaning of Section 2 of Article X of the California Constitution and is prohibited.

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#### Findings Related To Use Of Non-potable Water

The Board of Directors of EBMUD has determined that existing water supplies will not adequately accommodate existing and future demand within the EBMUD's Ultimate Service Boundary. Non-potable water resources, including treated wastewater discharged to the San Francisco Bay from EBMUD and other Bay Area treatment plants, and other alternative water sources that could provide a safe and effective alternative water supply for certain non-potable purposes, increase the availability of the limited water supplies of EBMUD, assure non-potable water customers of a more reliable water supply during periods of drought, reduce wastewater discharges to the Bay, and provide EBMUD with greater flexibility to meet instream needs in the Mokelumne River. The State Legislature has ~~also~~ determined that the use of potable domestic water for certain non-potable uses may constitute a waste or unreasonable use of water if recycled water is available which meets specified conditions. (Water Code Section 13550 et seq.)

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#### Definitions

Non-potable Water - All reclaimed, recycled, reused, ~~or~~ untreated, or alternative water supplies that meet the conditions set forth in the California Water Code, Section 13550, and are determined by EBMUD ~~to~~ be suitable for non-domestic purposes and feasible for the particular intended use.

Non-domestic Uses - For purposes of this policy, "non-domestic uses" shall mean all applications except drinking, culinary purposes and the processing of products intended for direct human consumption.

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#### Mandated Uses Of Non-potable Water

Customers may be required to use non-potable water for their non-domestic uses which may include, but are not limited to, the following:

- irrigation of cemeteries, golf courses, playing fields, parks, and residential and nonresidential landscaped areas;
- commercial and industrial process uses; and
- toilet and urinal flushing in nonresidential buildings.

**Determination Of Feasibility Of Non-potable Water**

In determining whether non-potable water is feasible for a particular non-domestic use, EBMUD shall consider the following factors:

- Whether the non-potable water may be furnished for the intended use at a reasonable cost to the customer and EBMUD.
- Whether the non-potable water is of adequate quality for the intended use and does not require significant additional on-site treatment [by the customer](#) beyond that required for potable water.
- Whether the use of non-potable water is consistent with all applicable federal, state, and local laws and regulations.
- Whether the use of non-potable water will not be detrimental to the public health and will not adversely affect plant life, fish and wildlife.

**Regulations Governing Non-potable Service**

The regulations governing non-potable water service and the rates therefore shall be determined by the Board of Directors and published in the Regulations Governing Water Service and Schedule of Rates and Charges for Customers of East Bay Municipal Utility District.

**Water Reuse Zones**

EBMUD designates Water Reuse Zones within EBMUD's service area where non-potable water service has been determined to be reasonably available.

**Non-potable Water Service Agreements**

Where implementation of this Policy requires agreements, such agreements shall, wherever possible, have a term of 20 or more years and shall include provisions governing facilities operation and maintenance responsibilities. Upon termination or expiration of an agreement, customers receiving non-potable water service pursuant to that agreement shall be governed by the non-potable water service regulations and rate schedule, unless a new agreement is entered into.

**Authority**

Resolution No. 32981-96, April 9, 1996  
As amended by Resolution No. 33443-04, September 28, 2004  
As amended by Resolution No. 33564-06, November 14, 2006  
[As amended by Resolution No. XXXXX-XX, March 26, 2013](#)

**References**

Regulations Governing Water Service and Schedule of Rates and Charges for Customers of East Bay Municipal Utility District



# Policy 9.05

EFFECTIVE 26 MAR 13

SUPERSEDES 14 NOV 06

## NON-POTABLE WATER

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Require that customers of the East Bay Municipal Utility District ("EBMUD") use non-potable water, including recycled water, for non-domestic purposes when it is of adequate quality and quantity, available at reasonable cost, not detrimental to public health and not injurious to plant life, fish and wildlife. When nonpotable water satisfying these conditions is made available to the customer, the use of potable water for nondomestic purposes may constitute a waste and unreasonable use of water within the meaning of Section 2 of Article X of the California Constitution and is prohibited.

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Non-domestic Uses - For purposes of this policy, "non-domestic uses" shall mean all applications except drinking, culinary purposes and the processing of products intended for direct human consumption.

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#### **Mandated Uses Of Non-potable Water**

Customers may be required to use non-potable water for their non-domestic uses which may include, but are not limited to, the following:

- irrigation of cemeteries, golf courses, playing fields, parks, and residential and nonresidential landscaped areas;
- commercial and industrial process uses; and
- toilet and urinal flushing in nonresidential buildings.

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- Whether the non-potable water may be furnished for the intended use at a reasonable cost to the customer and EBMUD.
  - Whether the non-potable water is of adequate quality for the intended use and does not require significant additional on-site treatment by the customer beyond that required for potable water.
  - Whether the use of non-potable water is consistent with all applicable federal, state, and local laws and regulations.
  - Whether the use of non-potable water will not be detrimental to the public health and will not adversely affect plant life, fish and wildlife.
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