



Policies and Procedures Manual

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Policies and Procedures Manual

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CHAPTER 1

GENERAL PROVISIONS

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Section 1 General Provisions

1.1 Introduction.

The Lincoln-SMD 1 Wastewater Authority (“LiSWA”) is governed pursuant to the Joint Exercise of Powers Act (California Government Code Section 6500, et seq.), a Joint Powers Agreement effective on November 30, 2022 (“JPA Agreement”) between the City of Lincoln and the County of Placer (“Member Agencies”), and such other applicable laws, regulations and customs and practices common to a California joint powers authority. The JPA Agreement is fully incorporated by reference and attached hereto as **Exhibit A**. The Board of Directors of the Authority (“Board”) is composed of Directors representing each Member Agency. The purpose of LiSWA is to own, acquire, expand, manage, maintain, operate, and control facilities for the collection and transmission, treatment, reclamation, recycling, reuse, sale and disposal of water, wastewater, and recycled water.

LiSWA is authorized to exercise the powers common to the Member Agencies, powers otherwise permitted under the Joint Exercise of Powers Act, and powers necessary to accomplish the purposes of the JPA Agreement. LiSWA is further authorized to do all acts necessary, convenient and appropriate for the exercise of its powers as further described in the JPA Agreement.

1.2 Purpose.

The purpose of this Policies and Procedures Manual is to set forth the major policies and procedures by which the functions of LiSWA are carried out. Other procedures may be set forth in specific laws or regulations, the JPA Agreement, resolutions, or motions of LiSWA’s Board of Directors, whether or not included as part of this Policies and Procedures Manual.

1.3 Severability.

It is hereby declared to be the intention of the Board that the sections, paragraphs, sentences, clauses, and phrases of this Policies and Procedures Manual are severable; and if any phrase, clause, sentence, paragraph, or section of this Policies and Procedures Manual shall be declared unconstitutional or otherwise invalid by the valid judgment or decree of a court of competent jurisdiction, such unconstitutionality or invalidity shall not affect any remaining phrases, clauses, sentences, paragraphs, and section of this Policies and Procedures Manual. Likewise, if a court of competent jurisdiction determines, for any reason, that any provision or requirement of this Policies and Procedures Manual is invalid or unenforceable as applied to a specific person or entity, such determination shall not affect the applicability of such provision or requirement to other persons or entities.

1.4 Amendments.

This Policies and Procedures Manual and any of its provisions may be amended, supplemented, or repealed from time to time. Such amendment, supplement, or repeal shall be accomplished by adoption of an regulation or resolution of the Board at a duly constituted meeting. The regulation or resolution will provide for the insertion, amendment, or removal of language in the Policies and Procedures Manual. Upon the effective date of the regulation or resolution, the revised or new sections shall be inserted in this Policies and Procedures Manual and those for which they are substituted shall

be removed.

1.5 Definitions.

Except as otherwise provided in specific chapters or sections of this Policies and Procedures Manual, the following words shall have the following meanings:

Board or Board of Directors means the Board of Directors of LiSWA.

General Manager means: (a) the General Manager or interim General Manager of LiSWA as described in the JPA Agreement; or (b) a management level employee or consultant designated by the General Manager to perform certain functions on behalf of LiSWA.

JPA Agreement means that certain Joint Exercise of Powers Agreement effective November 30, 2022, between the City of Lincoln and the County of Placer under which LiSWA was established.

LiSWA, Authority or JPA means the Lincoln-SMD 1 Wastewater Authority, which was established by the JPA Agreement.

Member Agencies means the City of Lincoln (“City”) and Placer County (“County”).

State means the State of California.

1.6 Posting or Publication of Regulations.

Regulations adopted by the Board shall be published or posted in accordance with Section 36933 of the California Government Code or as otherwise required by law.

CHAPTER 2

BOARD MEMBER CODE OF CONDUCT

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Section 1 **General Provisions.**

This Code of Conduct is intended to describe the manner in which Board members shall treat one another, LiSWA and member agency staff, and others they come into contact within their representative capacity on behalf of LiSWA. The primary purpose of this Code of Conduct is to entrench with LiSWA's policies a working respect by and between Board members.

The proper operation of LiSWA requires that decisions and policy be made using the proper channels, that the powers held by Board members are not used for personal gain, and that Board members remain objective and responsive to the needs of the public they serve. Accordingly, it is the policy of LiSWA that Board members and LiSWA staff will maintain the highest standard of personal honesty and fairness in carrying out their duties. This Code of Conduct sets forth the basic ethical standards to be followed by the Board of Directors of LiSWA. The objectives of this Code of Conduct are to: (1) provide guidance to Board members in dealing with ethical issues; (2) heighten awareness of ethics and values as critical elements in Board members' conduct; and (3) improve ethical decision-making and values-based management.

Section 2 **Rules of Procedure.**

In order to maintain a professional and efficiently controlled environment during all Regular and Special Meetings of the Board, the Board shall generally adhere to Rosenberg's Rules of Order.

Section 3 **Proper Use and Safeguarding of Authority, Property and Resources.**

Except as otherwise authorized, Board members shall not use or permit the use of Authority-owned vehicles, equipment, telephones, materials or property for personal benefit or profit. Board members shall not ask or require LiSWA staff or its consultants to perform services for the personal benefit or profit of a board member or other staff or consultants. Each Board member must protect and properly use any LiSWA asset within her or his control, including information recorded on paper or in electronic form. Board members shall safeguard LiSWA property, equipment, moneys and assets against unauthorized use or removal, as well as from loss due to criminal act or breach of trust.

Section 4 **Use of Confidential Information.**

A Director is not authorized, without approval of the Board, to disclose information that qualifies as confidential information under applicable provisions of law to a person not authorized to receive it, that: (1) has been received for, or during, a closed session meeting of the Board; (2) is protected from disclosure under the attorney-client or other evidentiary privilege; or (3) is not required to be disclosed under the California Public Records Act and/or the federal Freedom of Information Act. It is within the Board's discretion to allow a Director who serves a member agency of LiSWA to disclose information obtained in a closed session that has a direct financial or liability implication for that member agency, to the following individuals: (1) legal counsel of that member agency for purposes of obtaining advice on whether the matter has direct financial or liability implications for that member agency; or (2) other members of

that member agency that are present in a closed session of that member agency.

This section does not prohibit any of the following: (1) making a confidential inquiry or complaint to a district attorney or grand jury concerning a perceived violation of law, including disclosing facts to a district attorney or grand jury that are necessary to establish the alleged illegality of an action taken by the Authority; (2) expressing an opinion concerning the propriety or legality of actions taken by the Authority in closed session, including disclosure of the nature and extent of the allegedly illegal action; or (3) disclosing information acquired by being present in a closed session that is not confidential information. Prior to disclosing confidential information pursuant to (1) or (2), above, however, a Board member must first bring the matter to the attention of either the Chair of the Board or the full Board, to provide the Board with an opportunity to cure an alleged violation.

A Director who willfully and knowingly discloses for pecuniary gain confidential information received by him or her in the course of her or his official duties may be guilty of a misdemeanor under Government Code Section 1098.

Section 5 **Conflicts of Interest.**

All Board members are subject to LiSWA's Conflict of Interest Code, as set forth in Chapter 9 of this Policies and Procedures Manual.

Section 6 **Soliciting Political Contributions.**

Board members are prohibited from soliciting political funds for any reason whatsoever or contributions at LiSWA facilities, or from LiSWA staff. A Board member will not accept, solicit or direct a political contribution from: (a) LiSWA employees, officers, consultants or contractors; or (b) vendors or consultants who have a material financial interest in a contract or other matter while that contract or other matter is pending before the Authority. A Director will not use LiSWA's logo or any other indicia of the Authority's identity, or facsimile thereof, in any solicitation for political contributions contrary to state or federal law.

Section 7 **Incompatible Offices.**

A Board member shall not serve as an appointed or elected official for another public entity, the duties of which may require action contradictory or inconsistent with Board action. Serving on the governing body of any member agency of LiSWA is not incompatible with serving on the Board of Directors for LiSWA.

Section 8 **Improper Activities and the Reporting of Such Activities.**

The Board has the primary responsibility for: (1) ensuring compliance with the Authority's Policies and Procedures Manual and ensuring that Board members and staff do not engage in improper activities; (2) investigating allegations of improper activities; and (3) taking appropriate

corrective and disciplinary actions. Board members are encouraged to fulfill their obligations to the public and to LiSWA by disclosing to the Board to the extent not expressly prohibited by law, improper activities within their knowledge. Individual Board members will not interfere with the Chair's responsibilities in identifying, investigating and correcting improper activities.

A Board member shall not directly or indirectly use or attempt to use the authority or influence of her or his position for the purpose of intimidating, threatening, coercing, commanding, or influencing any other person for the purpose of preventing such person from acting in good faith to report or otherwise bring to the attention of the Board any information that, if true, would constitute: a work-related violation by a Board member or LiSWA employee or consultant of any law or regulation; gross waste of LiSWA funds; gross abuse of authority; a specified and substantial danger to public health or safety due to an act or omission of a LiSWA official or employee; use of an Authority office or position or of Authority resources for personal gain; or a conflict of interest of an Authority Board member or employee.

A Board member will not use or threaten to use any official authority or influence to effect any action as a reprisal against an Authority Board member or employee who reports or otherwise brings to the attention of the Board any information regarding the subjects described in this section.

Section 9 **Compliance with the Brown Act.**

The members of the Board of Directors, and persons appointed but who have not yet assumed office as members of the Board, will fully comply with the provisions of the Brown Act.

CHAPTER 3

RESERVING AND INVESTMENT POLICY

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Section 1 **Reserving and Investment Policy**

The Reserving and Investment Policy of LiSWA is reviewed by staff on a regular basis and when appropriate submitted to the Board of Directors for potential amendment(s) and approval. Unless otherwise amended

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DEBT MANAGEMENT POLICY

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Section 1 **Debt Policy Background and Purposes**

LiSWA was established under the provisions of the Joint Exercise of Powers Act, being Chapter 5 of Division 7 of Title 1 of the California Government Code (“Government Code”), commencing with Section 6500 (the “Act”) and a Joint Exercise of Powers Agreement entered into by and between the City of Lincoln (“City”) and the County of Placer (“County” and collectively with the City, the “Member Agencies” and each a “Member Agency”) for the establishment of the LiSWA (the “Agreement”) and setting forth the powers of LiSWA, which include, but are not limited to:

Own, acquire, expand, manage, maintain, operate, and control facilities for the collection and transmission (as defined in the Agreement), treatment, reclamation, recycling, reuse, sale, and disposal of water, wastewater, and recycled water, and any related byproducts.

This LiSWA Debt Management Policy (“Debt Policy”) is intended to comply with the requirements of Section 8855 of the Government Code and to set forth various matters for LiSWA financing transactions.

Section 2 **Findings**

2.1 **Debt Management**

Unless otherwise directed or determined by the Board, this Debt Policy shall govern all debt issued by, or undertaken by, LiSWA.

LiSWA hereby recognizes that a fiscally prudent Debt Policy is required in order to:

Maintain LiSWA’s sound financial position.

Ensure LiSWA has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses and to respond to the needs of its members.

Protect LiSWA’s credit-worthiness and exposure to financial and legal liabilities.

Ensure that all LiSWA debt is structured in order to protect the interests of LiSWA members and ratepayers.

Help ensure that LiSWA’s debt is consistent with LiSWA’s planning goals and objectives, capital improvement programs or budget, as applicable.

2.2 **Disclosure**

This Debt Policy is intended to establish and implement the practices and procedures necessary to ensure compliance with applicable federal and State of California (“State”) securities laws. The disclosure policies and procedures set forth in this Debt Policy are also intended to: reduce exposure of LiSWA and its officials and employees to liability for damages and enforcement actions based on misstatements and omissions in LiSWA’s disclosure documents; reduce borrowing costs by promoting good investor relations; and to protect members and ratepayers of LiSWA and other third parties from misstatements or omissions in LiSWA’s disclosure documents.

Section 3 **Purposes of For Which Debt May be Issued**

LiSWA will consider debt financing for the construction, acquisition, rehabilitation, replacement, or expansion of physical assets, including real and personal property, equipment, furnishings and improvements, and any other uses, projects and/or capital programs authorized by the Agreement, for the following purposes:

- a. To finance public facilities, services or programs, including but not limited to short-term borrowing needs, budget shortfalls and access to capital for public improvements and infrastructure.
- b. To assist certain private individuals and entities in financing project(s) or program(s) that produces public benefits related to LiSWA purposes or powers.
- c. To refinance LiSWA outstanding debt in order to (i) produce debt service savings, (ii) restructure debt for other benefits such as refinancing a bullet payment or a spike in debt service, or (iii) to provide or produce other public benefits.
- d. To finance a project or program, consistent with LiSWA's purposes, which are intended to provide public benefits to any local community, including its residents, business, or institutions, including but not limited to promoting economic development.

Section 4 **Authorized Types of Debt**

The following types of debt are permitted under this Policy:

- a. Obligations issued by governmental agencies (such as, SRF, WIFIA, IBank), though for clarity LiSWA debt would not include obligations issued by other governmental agencies but might include obligations payable to governmental agencies (such as, SRF, WIFIA, IBank);
- b. Conduit revenue bonds or notes;
- c. Bond or grant anticipation notes;
- d. Municipal leases, installment sale or purchase agreements, certificates of participation;
- e. Revenue bonds; and
- f. Any other type of debt permitted under the Agreement and authorized by law.

For purposes of this section, the term "bonds" may include notes, warrants, leases, installment purchase agreements, certificates of participation, financing agreements, loan agreements, or any other evidence of an obligation to pay or repay money.

LiSWA may from time to time find that other types of debt would be beneficial to further its purposes and may approve such debt without an amendment of this Policy.

This Debt Policy includes all debt that must ultimately be approved by the LiSWA Board, however, this Debt Policy is not intended to address inter-fund borrowing; interagency borrowing; or authorized investment activities of the LiSWA Treasurer ("Treasurer") including, but not limited to, reverse repurchase agreements and securities lending.

Section 5 **Relationship to Capital Improvements Program or Budget, Planning Goals And Objectives**

LiSWA is committed to long-term capital planning. LiSWA intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions in LiSWA's annual operations budget, capital

budget and capital improvement plan.

LiSWA also is committed to maintaining appropriate reserve levels and employing prudent practices in governance, financial management and budget administration.

It is LiSWA's goal to utilize conservative financing methods and techniques to obtain the highest practical credit ratings and the lowest practical borrowing costs.

LiSWA will comply with state and federal law as it pertains to the maximum term of debt, and any applicable procedures for setting and imposing any related assessments, rates and charges.

Section 6 **Debt Administration**

Debt management will be the responsibility of General Manager (GM) and the Treasurer as follows:

6.1 Reviewing and recommending debt Financing – GM & Treasurer

The GM and Treasurer will be responsible for reviewing, analyzing and recommending new issue debt financing when appropriate and consistent with these policies. The Board will review and approve proposed debt financing proposals.

6.2 Leading the process of issuance – GM, Treasurer and LiSWA Counsel

Officials will work together to select municipal advisors, underwriters, bond counsel, disclosure counsel and other members of a financing team. Officials will review all bond documentation including official statements and will review them for material errors or omissions before such documents can be deemed final.

6.3 Internal control procedures regarding use of debt proceeds; fiscal agent – Treasurer

It is the policy of LiSWA to ensure that proceeds of debt are spent only on lawful and intended uses. Whenever reasonably possible, proceeds of debt used to finance capital improvements will be held by a third-party banking institution (trustee, fiscal agent or similar) and LiSWA will submit written requisitions for such proceeds. The Treasurer will execute each such requisition. The Treasurer will be responsible for selecting the banking institution associated with bond issues. To the extent acceptable to a bond underwriter or lender, the rating agencies or any bond insurer, the Treasurer may serve as LiSWA's fiscal agent on its debt transactions.

6.4 Continuing Annual Disclosure – Treasurer, Auditor, and GM

The Securities and Exchange Commission ("SEC") requires that underwriters in public bond offerings obtain written undertakings from municipal debt issuers to provide specified financial and operating

information on an annual basis and notices of certain significant events. The GM will oversee the preparation of continuing disclosure reports required by LiSWA's undertakings. Such reports will be reviewed in the manner of initial official statements.

6.5 Arbitrage administration-Treasurer

The Treasurer is charged with responsibility for establishing and maintaining, either directly or through contract, a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. This effort includes tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebate earnings to the federal government in a timely manner in order to preserve the tax- exempt status of LiSWA's outstanding debt issues.

6.6 Covenant Administration-GM

The GM will establish and maintain a system for monitoring the various covenants and commitments established within the documentation of a bond issue and ensuring that staff or consultants take such actions as required to comply with the various covenants of a financing.

6.7 Small Authorized Leases or Purchases

LiSWA, or any sub-unit of LiSWA, shall not enter into any obligation or indebtedness, of more than \$100,000 without the express approval of the Board.

6.8 Investing Bond Proceeds-Treasurer

The Treasurer is responsible for investing all bond proceeds held by LiSWA and directing the investment of all funds held by the relevant banking institution under the terms of the applicable securities issuance document(s). Such investments shall also be consistent with applicable State and federal law.

Section 7 Debt Structure Considerations

7.1 Rapidity of Debt Repayment

The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%. LiSWA may choose to structure debt repayment on any particular transaction so as to consolidate or restructure existing obligations or to achieve other financial planning goals.

7.2 Capitalized Interest

LiSWA may include within its borrowings additional funds to pay interest on the obligation during an

initial period to secure an improved financing structure for strategic management of cash flow.

7.3 Short-term Financing

LiSWA will consider issuing Bond Anticipation Notes or Grant Anticipation Notes or other short-term instruments, as appropriate, to the extent such securities expedite the meeting of LiSWA's goals.

7.4 Variable Rate Obligations and Interest Rate Swaps

Debt shall be issued as fixed rate debt unless the Issuer makes a specific determination as to why a variable rate issue would be beneficial to the Issuer in a specific circumstance.

Section 8 Method of Sale

There are generally three ways bonds can be sold, through a competitive sale, a negotiated sale or a direct placement. The following outlines the basis by which LiSWA will determine the appropriate method of sale for a given financing.

8.1 Competitive Process

With a competitive sale, any interested underwriter is invited to submit a proposal to purchase an issue of bonds. The bonds are awarded to the underwriter(s) presenting the best bid according to stipulated criteria set forth in the notice of sale. LiSWA, as a matter of policy, will seek to issue its debt obligations through a competitive process unless it is determined in consultation with the Treasurer that such a sale method will not produce the best results for LiSWA. This type of sale process is also significantly more likely to give LiSWA higher market exposure which creates an awareness of LiSWA credit that increases market interest in future debt issues of LiSWA.

8.2 Negotiated Sale

Under this method of sale, securities are sold through an exclusive arrangement between the issuer and an underwriter or underwriting syndicate. At the end of successful negotiations, the issue is purchased by the underwriters for sale to their purchasers. Negotiated underwriting may be considered if it fits one or more of the following criteria: extremely small issue size; complex financing structure or nature of the project being financed (i.e., variable rate financing, new derivatives, and certain revenues issues, etc.); compromised credit quality of LiSWA or the issue; other issuer or market factors which lead the GM and Treasurer to conclude that a competitive sale would not be effective. When determined appropriate by the GM and Treasurer, and approved by the Board, LiSWA may sell its debt obligations through a negotiated sale.

8.3 Direct Placement

When determined appropriate, usually in the case of a very small issue, and/or short financing term, LiSWA may elect to sell its debt obligations through a direct placement or a limited public offering. Selection of a placement agent will be made pursuant to selection procedures developed by the GM and Treasurer. Any direct placements should be handled through the distribution of a term sheet to multiple lenders. The selection of a lender should be made in consultation between the GM, Treasurer, Municipal Advisor and Placement Agent, based upon the best terms provided by the respective lenders.

Section 9 Refunding of LiSWA Indebtedness

The LiSWA GM will monitor LiSWA's existing indebtedness and will initiate the refunding of such obligations if it would generate a reasonable level of savings. The following guidelines will be used in determining whether a refunding would be appropriate.

9.1 Debt Service Savings - Advance Refunding

LiSWA may issue advance refunding bonds (as defined by federal tax law) when advantageous, legally permissible, and financially prudent, and when net present value savings, expressed as a percentage of the par amount of the refunded bonds, equal or exceed 5.00%. The LiSWA Board may approve a lower savings threshold to the extent that such a threshold is appropriate given the specific conditions of the proposed refunding. Under current federal tax law, advance refundings of tax-exempt bonds can only be accomplished with federally taxable refunding bonds.

9.2 Debt Service Savings - Current Refunding

LiSWA may issue current refunding bonds (as defined by federal tax law) when advantageous, legally permissible, and financially prudent, and when net present value savings equal or exceed 3% of the outstanding amount of refunded bonds.

Section 10 Interpretation, Amendment

This Debt Policy is intended to be interpreted in a manner consistent with LiSWA's existing policies and program guidelines and shall be subject to any contrary provisions thereof. The Board may, by resolution, waive any provision of this Policy, with respect to a particular debt issue.

The Board reserves the power to amend this Debt Policy in the future, by Resolution, as it may determine, from time to time.

Section 11 Disclosure Policies

11.1 Disclosure Coordinator

The Treasurer shall be the disclosure coordinator of LiSWA (for purposes of this Debt Policy, the "Disclosure Coordinator"). It is the policy of LiSWA that the Disclosure Coordinator will regularly consult with the GM and LiSWA Counsel with respect to the disclosure matters described in this Policy.

11.2 Outside Professionals

It is LiSWA's policy to establish continuing working relationships with professional advisors with expertise in the area of public finance and federal securities laws applicable to the issuance of securities by LiSWA. Subject to the Securities and Exchange Commission's ("SEC") Independent Registered Municipal Advisor Rule ("IRMA"), LiSWA may hold a contract with one or more independent registered municipal advisor firms.

11.3 Review and Approval of Official Statements

The Disclosure Coordinator shall review any Official Statement prepared in connection with any debt issuance by LiSWA in order to ensure there are no misstatements or omissions of material information (as defined for purposes of federal securities law) in any sections that contain descriptions of information prepared by, or on behalf of, LiSWA.

In connection with its review of any such Official Statement, the Disclosure Coordinator shall consult with third parties, including outside professionals assisting LiSWA, and all members of LiSWA staff, to the extent that the Disclosure Coordinator concludes that they should be consulted so that each such Official Statement will include all material information.

In connection with its review of the Official Statement, the Disclosure Coordinator shall also consult with representatives of the Member Agencies to the extent necessary.

As part of the review process, and prior to submitting an Official Statement to the Board for approval, the Disclosure Coordinator shall submit the Official Statement to the GM and LiSWA Counsel for their review.

The GM shall review the Official Statement and shall take primary responsibility for those sections of the Official Statement describing the operations of LiSWA.

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

The Treasurer shall review the Official Statement to identify any material difference in presentation of financial information from LiSWA's financial statements and ensure there are no misstatements or omissions of material information in any sections that contain descriptions of information prepared by the Treasurer (or the Treasurer's staff) or of relevance to the finances of LiSWA. In addition, the Treasurer shall determine whether LiSWA's then-available financial statements are appropriate to be included in the Official Statement and whether to seek the consent of LiSWA's outside auditor to including the financial statements in the Official Statement.

The GM is responsible for ensuring that the key LiSWA staff and consultants participate in preparation of the Official Statement. After receiving feedback from the GM, the Treasurer and LiSWA Counsel, the Disclosure Coordinator shall submit an Official Statement to the Board for approval.

The Board shall undertake such review as deemed necessary by the Board, following consultation with the Disclosure Coordinator, to fulfill the Board's responsibilities under applicable federal and state securities laws. In this regard, the Disclosure Coordinator shall consult with LiSWA's disclosure counsel to the extent the Disclosure Coordinator considers appropriate.

The Disclosure Coordinator shall retain a record of the actions taken to prepare, check and approve each Official Statement.

11.4 Continuing Disclosure Filings

Under the continuing disclosure undertakings that LiSWA has entered into in connection with its debt offerings, LiSWA is required each year to file annual reports with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system in accordance with such undertakings. Such annual reports are required to include certain updated financial and operating information, and LiSWA's audited financial statements.

If LiSWA does not have audited financial statements available, the Treasurer shall submit LiSWA's unaudited financial statements in either draft or final form whichever is available to meet the disclosure deadline. In the event draft or unaudited financial statements are submitted, the Treasurer shall submit final audited financial statements as soon as they are available.

LiSWA is also required under its continuing disclosure undertakings to file notices of certain events with EMMA.

The Disclosure Coordinator is responsible for establishing a system (which may involve the retention or one or more consultants) by which:

- i. LiSWA will make the annual filings required by its continuing disclosure undertakings on a complete and timely basis, and
- ii. LiSWA will file notices of enumerated events on a timely basis.

In connection with preparation of annual reports and event filings, the Disclosure Coordinator shall consult with third parties, including outside professionals assisting LiSWA, and all members of LiSWA staff or consultants, to the extent that the Disclosure Coordinator concludes they should be consulted so the annual report and event filings will include all material information.

As part of the review process, the Disclosure Coordinator shall submit all annual reports and event filings to the GM, the Treasurer and LiSWA Counsel for approval, and shall also consult with representatives of the Member Agencies to the extent appropriate.

The Disclosure Coordinator shall retain a record of the actions taken to prepare, check and approve each continuing disclosure reports and notices.

11.5 Rating Agency Presentations

The Disclosure Coordinator and/or GM along with the financing team assigned to a particular project shall manage the process of preparing rating agency presentations for a financing in the same manner that he or she does for Official Statements, except that approval by the Board shall not be required.

11.6 Continuing Disclosure Filings

Whenever LiSWA makes statements or releases information relating to its finances to the public that is reasonably expected to reach investors and the trading markets, LiSWA is obligated to ensure that such statements and information are complete, true, and accurate in all material respects. LiSWA, in consultation with Bond Counsel and Municipal Advisor, will consider posting any such information to EMMA.

LiSWA shall include a disclaimer on LiSWA website:

“No information on the LiSWA’s website is intended to be the basis of or should be relied upon in making an investment decision. The information on this website is not posted for the purpose of reaching the investing public, including bondholders, rating analysts, investment advisors, or any other members of the investment community. Because each security issues by the LiSWA or its related entities may involve different sources of payment and security, you should refer for additional information to the official statement and continuing disclosure filings for the particular security, which can be found on the Municipal Security Rulemaking Board’s Electronic Municipal Market Access website: <https://emma.msrb.org/>.”

11.7 Training

The Disclosure Coordinator shall ensure that the members of LiSWA staff or consultants involved in the initial or continuing disclosure process and the Board of Directors are properly trained to understand and perform their responsibilities. The General Manager is responsible for ensuring that key LiSWA staff or consultants participate in the training.

The Disclosure Coordinator shall arrange for disclosure training sessions conducted by the Disclosure Coordinator or LiSWA’s disclosure counsel, as determined by the Disclosure Coordinator. Such training sessions shall include education on these Disclosure Procedures, LiSWA’s disclosure obligations under applicable federal and state securities laws and the disclosure responsibilities and potential liabilities of members of LiSWA staff and members of the Board of Directors. Such training sessions may be conducted using a recorded presentation or written communication.

11.8 Updates to Disclosure Procedures

The Disclosure Coordinator shall review the Disclosure Procedures annually and propose updates to the Disclosure Procedures to the Program Manager, the GM, the Treasurer and LiSWA Counsel as needed to address changes, including but not limited to changes in LiSWA's debt management program, financial reporting processes, or organizational structure. In addition, at any time all officers and employees of LiSWA are invited and encouraged to make recommendations for changes to these Disclosure Procedures so that they foster better compliance with applicable law, result in better information to investors, or makes the procedures required by these Disclosure Procedures more efficient. Following receipt of any such recommendation, the Disclosure Coordinator shall consult with third parties, including outside professionals assisting LiSWA and members of LiSWA staff, where appropriate, and shall determine whether such recommendation should be submitted as a proposal to Board of Directors.

11.9 Documenting Compliance

The Disclosure Coordinator is responsible for establishing a system (which may involve the retention or one or more consultants) by which compliance with these Disclosure Procedures is documented.

11.10 Waiver of Procedures

The Disclosure Coordinator may, with the approval of the GM, the Treasurer, LiSWA Counsel and the Program Manager, depart from this Disclosure Policy when he or she is in good faith determines that such departure is in the best interests of LiSWA and is consistent with the duties of LiSWA under Federal and state securities laws.

11.11 Internal Use Only

These Disclosure Procedures are intended for the internal use of LiSWA only and are not intended to establish any duties in favor of or rights of any person other than LiSWA.

CHAPTER 5

CONTRACT POLICIES AND PROCEDURES

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Section 1 Introduction

1.1 Purpose and Title.

(A) LiSWA deems it necessary to adopt a regulation to set forth the policies and procedures of the JPA for procurement, award and administration of contracts. This Chapter may be referred to as the “JPA’s Contract Policies and Procedures Regulation”.

(B) The policies and procedures in this Chapter are advisory, not mandatory, and any deviation shall not render any contract of LiSWA void or voidable. Any deviation from the policies and procedures in this Chapter shall be authorized by the General Manager.

Section 2 Basic Requirements and Exceptions

2.1 Definitions.

For the purposes of this Chapter, the following words shall have the following meanings

Emergency means a sudden, unexpected occurrence that poses a clear and imminent danger, where a contract is necessary to prevent or mitigate the loss or impairment of life, health, property, or protection of JPA property or essential public services.

Invitation for Bid (IFB) means a procurement process pursuant to which LiSWA procures goods or services on a low bid basis.

Micro-Purchase means a purchase of supplies and materials and the amount is less than \$10,000.00.

Request for Information or RFI means a formal or informal process to request information and/or ideas from the market.

Request for Proposals or RFP means a procurement process whereby LiSWA seeks proposals and enters into a contract for goods, services, construction or related activities (which may or may not be preceded by an RFQ or Request for Information). Contracts may be procured on a low bid, best value or method that LiSWA deems to be in the best interest of LiSWA.

Request for Qualifications or RFQ means a procurement process in which LiSWA obtains professional and other services on a qualifications basis that does not consider or considers as only one element, the cost of the services to be provided.

Small Contracts means any contract or other procurement involving expenditures equal to or less than \$200,000.00. Small Contracts are separate and distinct from a Micro-Purchase and can be used for procurements of less than \$10,000.00.

Working Day means any day other than a Saturday, Sunday or holiday for LiSWA.

2.2 Fair and Open Competition Requirement.

The underlying premise of this Chapter is to foster fair and open competition and to obtain needed goods and services on a timely basis and in a cost-effective manner. LISWA should follow sound business and public policy principles in the procurement of goods and services so that these actions are performed efficiently and in a manner that serves the best interest of LISWA and the public.

2.3 Use of Non-Competitive Procedures.

Procurement of goods and services without competition is authorized under limited conditions. Procurement of contracts or purchase of equipment and supplies may be made by non-competitive negotiation under the following circumstances:

(A) In case of an Emergency, the Board (acting through the General Manager) may use a non-competitive procedure, as set forth in Section 2.4;

(B) Where LISWA has advertised the contract as required by this Chapter and has undertaken reasonable efforts to solicit potential contractors and has obtained only one bid or proposal or has otherwise determined that competition is inadequate;

(C) When the goods or services are to be provided by a government or other public entity, or for professional services that ordinarily as a matter of law are not required to have an RFP or similar process;

(D) Where LISWA wishes to renew or extend the term of the contract and compensation provided pursuant to an existing contract under substantially the same terms and conditions, or the amendment of an existing contract that does not materially alter the terms and conditions of the contract (other than the term of the contract and compensation), provided that such renewal, extension or amendment is authorized or permitted by the contract;

(E) Where, after reasonable investigation, LISWA determines that there is only a single source of supply available, or only one contractor is qualified to provide the service or product;

(F) Where the equipment to be purchased is of a technical nature and the procurement thereof without advertising is necessary in order to assure standardization of equipment and interchangeability of parts;

(G) Where the item to be purchased is a capital maintenance item that is available only from the original manufacturer or supplier;

(H) Where the contract is for employment services;

(I) Where the contract is one for which only per diem and travel expenses are paid and there is no payment for services rendered;

(J) Where the procurement is a Micro-Purchase involving the purchase of supplies and

materials and the amount is less than \$10,000.00;

(K) Where the purchase is pursuant to a joint purchase and similar arrangement whereby another public agency procures goods or services on a bulk basis pursuant to procurement policies and procedures applicable to that agency;

(L) A "sole source" award, provided that in advance of the award, the General Manager certifies in writing the sole source status of the provider: (i) based on (the need to utilize a specified material, provider or methodology in the best interest of LiSWA; (ii) which could only be supplied, constructed, or installed by only one contractor or supplier; or (iii) as otherwise allowed by any law; and

(M) When the Board otherwise determines that award of a contract pursuant to competitive procedures identified in this Chapter is either infeasible or would not produce an advantage, which determination shall be supported by written justification.

2.4 Emergency Procedures.

In the case of an Emergency, the Board delegates to the General Manager, the authority to enter into a contract, task orders, change orders and amendments to contracts. The General Manager shall report any action taken pursuant to such authority to the Board at its next meeting, with reasons justifying why the Emergency would not permit a delay resulting from a competitive solicitation for bids specified in this Chapter and justifying why the action taken was necessary to respond to the Emergency.

2.5 Non-Discrimination in Procurement.

Contracts entered into by LiSWA shall contain clauses as required by applicable law prohibiting discrimination against any person or group of persons including on account of race, color, religion, creed, national origin, ancestry, physical handicap, medical condition, age, marital status, sex or sexual orientation in the performance of the contract.

2.6 Types of Procurement Methods.

(A) Micro-Purchases. This method, requiring only one quote, may be used for any purchase of supplies or services that does not exceed \$10,000.00.

(B) Small Contracts (up to \$200,000.00). This informal procurement method involves obtaining price or rate quotations from an adequate number of qualified sources (generally three unless only two qualified vendors exist) in order to determine a fair and reasonable price and make a contract award. Small Contracts are for items accounted for in the budget previously approved by the Board of Directors or for items qualifying as an Emergency as set forth above in Section 2.4 of this Chapter. Small Contracts shall be reported to the Board periodically on a quarterly basis unless otherwise requested by the Board of Directors or deemed appropriate by the General Manager to provide more frequent updates.

(C) Sealed Bids. A formal competitive sealed bid process involves procurement through an IFB process. Generally, formal bid documents are prepared and advertised and an award is made to the lowest responsive and responsible bidder. This method and related procedures are described in more

detail in Section 4.

(D) Competitive Proposals. This competitively negotiated procurement method may be used for purchase of non-professional services (through a Request for Proposal process) or professional services (generally through a Request for Qualifications process). This method and related procedures are described in more detail in Section 5.

(E) Alternative Methods of Procurement. Alternative methods of procurement for progressive or fixed-price design-build or design-build operate/maintain contracts, construction management at-risk contracts and public-private partnerships may be utilized by LiSWA in cases where it may be efficient or advantageous for LiSWA to enter into contracts that include responsibility for design and/or construction services as well as other services that are not appropriate for sealed bidding and or which LiSWA does not wish to use a competitive negotiation procurement process. This method of procurement and related procedures are described in more detail in Section 6.

(F) Non-Competitive Purchases. These are used for the purchase of approved sole source procurements, Emergency procurements, intergovernmental agreements, and other procurements as may be approved by the General Manager or Board of Directors in light of special circumstances that justify this method of procurement as further described and discussed in Section 2.3.

2.7 Purchasing Agent Designation.

The ultimate authority to enter into contracts, execute amendments and change orders to existing contracts and make purchases on behalf of LiSWA rests with the Board. The Board delegates this authority to the General Manager as set forth in this Chapter. The General Manager or her or his designee shall act as purchasing agent for and on behalf of LiSWA consistent with this Chapter. The General Manager or her or his designee is hereby authorized to approve and execute the following contracts, amendments, and change orders on behalf of LiSWA:

(A) Amendments and change orders to Board-approved progressive or fixed price design-build contracts; provided such amendments and change orders do not exceed the Board-approved contingency for the contract and/or the General Manager's authority.

(B) All other procurements where the contract, amendment or change order (a) is less than \$100,000.00 and is not otherwise consistent with LiSWA's approved and current capital expenditure plan / budget; or (b) is less than \$250,000.00 and is consistent with LiSWA's approved and current capital expenditure plan / budget.

Except as delegated above or by a separate action of the Board, all other contracts, amendments, and change orders shall be approved by the Board.

2.8 JPA to Issue Requests for Proposals, Requests for Qualifications and Invitations for Bids; Exception for RFP, RFQ or IFB Consistent with Approved Budget.

Requests for Proposals (RFP), Requests for Qualification (RFQ) and Invitations for Bids (IFB) shall be prepared by or under the supervision of JPA's General Manager and shall not be released until approved and authorized for release by the Board. The foregoing notwithstanding, an Invitation for Bid, Request

for Proposals or Request for Qualifications may be released without Board approval if the total cost of the goods or services to be procured is estimated by the General Manager or the consultant preparing the IFB, RFQ or RFP to be: (1) less than \$500,000.00; or (2) does not exceed the amount allocated in LiSWA's approved and current capital expenditure plan / budget.

2.9 Existing Contracts.

The policies and procedures contained in this Chapter shall not apply to any contract awarded by LiSWA prior to the adoption of this Chapter. Any amendments to this Chapter are only applicable to contracts entered into after approval of the amendments.

Section 3 Approval and Award of Contracts

3.1 Requirement of Board Approval.

Except as otherwise provided in this Chapter, all procurements and contracts are subject to approval by the Board.

3.2 Small Contracts and Micro-Purchases.

Award of Small Contracts and Micro-Purchases may be authorized by the General Manager without Board approval, subject to the following:

(A) Where the consideration to be rendered under a contract is other than monetary, such consideration must be valued on a monetary basis for the purpose of determining whether approval of the Board is required.

(B) If it is determined by the General Manager that more than one contract may be awarded to a single contractor in any one fiscal year for work normally considered one undertaking and the total of the contracts exceeds \$200,000.00, all contracts awarded following such determination, regardless of amount, shall be submitted to the Board for approval; provided that purchases during a single fiscal year shall not be split into multiple contracts for the purpose of evading the Board approval requirement.

3.3 Rejection of Bids and Proposals.

Procedures for review of and rejection or award of contracts procured by IFB, RFP or RFQ are determined by the procurement document for the specific procurement and take precedence over the general provisions below. Where the procurement document does not set forth such procedures, or for procurements other than by IFB, RFP or RFQ, the following rules apply:

(A) The General Manager may reject all bids and proposals received that are determined to be non-responsive or not within the competitive range, including proposals made by proposers who refuse to execute any required representations and certifications.

(B) General Manager may reject for any one or more of the following reasons:

(1) All otherwise acceptable bids or proposals received exceed the funds budgeted and available for the contract or, in the case of contracts for which payment will be made to LiSWA, offer inadequate compensation;

(2) The bids or proposals were not independently arrived at in open competition, were collusive or were submitted in bad faith; or

(3) Rejection is otherwise determined to be in LiSWA's best interest.

(C) If, after rejecting bids, the General Manager determines and declares that, in her or his opinion, the services, supplies, equipment, or materials may be purchased at a lower price in the open market, LiSWA may proceed to purchase these services, supplies, equipment or materials in the open market without further observance of the provisions regarding contracts, bids or advertisements.

3.4 Contracts Containing Extraordinary Provisions.

Except with respect to Small Contracts and Micro-Purchases, notwithstanding any provision of this Chapter to the contrary, any contract containing any of the following provisions shall be subject to approval of the Board:

(A) Any provision whereby LiSWA agrees to indemnify or hold harmless any party to the contract or any third person against or on account of, any claim, liability, or matter arising out of, or connected with, the contract, other than reciprocal indemnification clauses whereby the indemnifying party indemnifies the other party against liability incurred by such party arising from the acts or failure to act of the indemnifying party.

(B) Any provision whereby LiSWA agrees to assume responsibility for matters beyond its control (e.g., in rental contracts, a promise to assume full responsibility for damage to rented equipment, regardless of the cause of the damage).

(C) Any provision creating a contingent liability against LiSWA (e.g., vendors' boilerplate rental contracts frequently contain clauses obligating the user of rented equipment to assume responsibility for contingent liabilities).

(D) Contracts of a hazardous nature or involving the generation, transportation, disposal or other handling of hazardous or toxic wastes (e.g., contracts for grading, dredging, excavating and handling toxic materials).

(E) Contracts for the sale or purchase of real property.

Section 4 Sealed Bids

4.1 Sealed Bids – Generally.

A competitive sealed bid process shall be used for all procurements except as otherwise provided in Sections 2.3 (Use of Non-Competitive Procedures) and 2.4 (Emergency Procedures) of Section 2

(Definitions) or in Section 5 (Competitively Negotiated Contracts Including Professional Services), Section 6 (Alternative Method for Procurement of Contracts Including Construction and Other Services), or Section 11 (Purchase Of Materials, Supplies And Equipment) of this Chapter. A competitive sealed bid process shall be procured through an IFB procurement process.

4.2 Procedures For Sealed Bids.

(A) The notice inviting bids shall be posted at the offices of LiSWA, or other place(s) designated by resolution of the Board, and advertised by public posting to LiSWA's website and in a newspaper of general circulation within the boundaries of LiSWA and other trade publications as deemed appropriate by the General Manager. The notice inviting bids shall set a date for the opening of bids. The first publication or posting of the notice shall be at least 10 days before the date of opening the bids.

(B) The Board may reject any bids presented and re-advertise. If two or more bids are the same and the lowest, the Board may accept the one it chooses. If no bids are received, the Board may utilize the non-competitive procurement procedures set out in this Chapter.

(C) After rejecting bids, the Board may pass a resolution by a majority vote of its members declaring that the project can be performed more economically by day labor, or the materials or supplies furnished at a lower price in the open market. Upon adoption of the resolution, it may have the project done in the manner stated without further complying with this Chapter.

(D) All bids shall be presented under sealed cover and accompanied by one of the following forms of bidder's security: (i) cash; (ii) cashier's check made payable to LiSWA; (iii) a certified check made payable to LiSWA; or (iv) a bidder's bond executed by an admitted surety insurer, made payable to LiSWA. The security shall be in an amount equal to at least 10 percent of the amount bid. A bid shall not be considered unless one of the forms of bidder's security is enclosed with it. If the successful bidder fails to execute the contract, the amount of the bidder's security shall be forfeited to LiSWA except as provided in this Chapter.

(E) The Board may, on refusal or failure of the successful bidder to execute the contract, award it to the next lowest responsible bidder. If the Board awards the contract to the second lowest bidder, the amount of the lowest bidder's security shall be applied by LiSWA to the difference between the low bid and the second lowest bid, and the surplus, if any, shall be returned to the lowest bidder if cash or a check is used, or to the surety on the bidder's bond if a bond is used.

Section 5 Competitively Negotiated Contracts Including Professional Services

5.1 Use of Competitively Negotiated Procurement Procedures.

This Section 5 outlines LiSWA's procedures for competitively negotiated procurements, also known as a competitive RFP process, or in the case of the procurement of professional services on a qualifications basis, a competitive RFQ process. The procedures used in this Section 5 shall be used for:

(A) Contracts for professional services, consulting services, personnel services, and for other services that the Board has determined are to be competitively negotiated. These services are not

limited to but may include architectural, engineering, legal, legislative advocacy, planning, and accounting services;

(B) Purchases of specialized equipment, computers, telecommunications equipment, microwave equipment and other related electronic equipment and apparatus, if the Board has approved the use of the procedures set forth in this Chapter for a particular procurement.

(C) Other contracts that the Board has determined are to be competitively negotiated.

5.2 Solicitation of Proposals – General.

(A) An RFP or RFQ shall be the solicitation used to communicate LiSWA's requirements to prospective contractors when the negotiated method of seeking competitive proposals is used. LiSWA shall furnish identical information concerning a proposed procurement to all prospective contractors receiving the RFP or RFQ.

(B) In determining sources to solicit, General Manager shall use all means available to ensure that an adequate number of potential qualified proposers receive the solicitation in order to obtain the maximum open and competitive competition. Pre-solicitation announcement notices shall be published on LiSWA website or other manner reasonably likely to attract proposers.

5.3 Proposal Evaluation.

(A) The evaluation factors that will be considered in evaluating proposals shall be tailored to each procurement and shall include only those factors that will have an impact on the source selection decision. The evaluation factors that apply to a particular procurement and the relative importance of those factors are within the broad discretion of the General Manager. All factors that are to be considered in an award of a contract must be identified in the RFP or RFQ and must allow for a fair and equitable evaluation of all proposals. Evaluation criteria could include matters such as previous experience providing similar services, qualifications of team members, satisfaction of previous clients, capacity to provide personnel when needed and approach to providing the services.

(B) The General Manager, in her or his discretion, may establish a formal evaluation panel/committee to evaluate proposals in accordance with the stated evaluation criteria. Following evaluation, the General Manager may either recommend a selection to the Board or, if authorized to do so, itself select the recommended source for contract award.

(C) The most qualified or “shortlisted” firms may be asked to further present their qualifications in an interview or similar process. The shortlist of firms will be determined by the General Manager. The evaluators will consider the results of the interviews in making the selection recommendation.

5.4 Selection and Negotiations.

The methods and procedures for selection and negotiation shall be set forth in the RFP or RFQ. The General Manager may adopt any lawful methods and procedures that he or she determines are in the best interest of LiSWA. The selection decision is subject to the approval of the Board.

5.5 Special Provisions Applicable To Procurement of Professional Services Contracts.

If the procurement is for professional services listed in California Government Code Section 4525, in addition to meeting the other requirements of this Section 5, the procurement process shall comply with applicable requirements of Government Code Sections 4525 *et seq.* In particular, Government Code Section 4526 states that the procurement procedures for such contracts must:

(A) assure that such services are engaged on the basis of demonstrated competence and qualifications for the types of services to be performed and at fair and reasonable prices to the public;

(B) assure maximum participation of small business firms pursuant to Government Code Section 14837;

(C) specifically prohibit practices which might result in unlawful activity including, but not limited to, rebates, kickbacks, or other unlawful consideration; and

(D) specifically prohibit government agency employees from participating in the selection process when those employees have a relationship with a person or business entity seeking a contract that would subject those employees to the prohibition of Government Code Section 87100.

Section 6 Alternative Method for Procurement of Contracts Including Construction and Other Services

6.1 Purpose.

In certain cases, it may be efficient or advantageous for LiSWA to enter into contracts that include responsibility for construction services as well as other services that are not appropriate for sealed bidding and for which LiSWA does not wish to use a competitive negotiation procurement process. Such contracts could include progressive or fixed-price design-build or design-build operate/maintain contracts (including design services as well as construction services and potentially operations / maintenance), construction management at-risk contracts (including professional services as well as a guarantee of the cost of construction services) and public-private partnerships (which may include professional services, construction services, finance services and/or operation and maintenance services). Other instances might include energy services project and financing relating to energy conservation, cogeneration, and/or alternate energy supply sources at LiSWA facilities, as provided for by California Government Code section 4217 *et seq.* and other applicable legal authority.

6.2 Process.

Procurements under this Section 6 shall be conducted in accordance with the terms, conditions, processes, rules and procedures as stated in the procurement documents and applicable legal authority. To the extent not covered in the procurement documents (and to the extent covered, not inconsistent therewith), the procurement may include any of the following:

(A) Procurement by RFP or RFQ or through a multi-stage process in which LiSWA invites prospective proposers, through a RFI or similar process, to submit statements indicating the potential proposer's approach to the project and interest in proposing;

(B) Prequalification or short listing or a similar process whereby a shortened list of potential proposers are invited to submit proposals;

(C) Final evaluation of proposals based on qualifications and/or best value. For purposes of this section, “best value” means a value determined by objective criteria, including, but not limited to, price, features, functions, life-cycle costs, and other criteria deemed appropriate by LiSWA. LiSWA shall develop and adopt criteria for making that evaluation prior to evaluation of a proposal.

(D) Negotiations with proposers prior to award.

(E) Requests for best and final offers from proposers.

(F) Acceptance of unsolicited proposals, with issuance of requests for competing proposals. LiSWA shall not award a contract to an unsolicited bidder without receiving at least one other responsible bid.

6.3 Evaluation and Award.

To the extent not inconsistent with the provisions of the procurement documents:

(A) When evaluating a proposal submitted by the proposer, LiSWA may award a contract on the basis of the proposer’s qualifications, the lowest bid or best value.

(B) The proposer shall have the following qualifications:

(1) Evidence that the members of the proposer’s team have completed, or have demonstrated the experience, competency, capability, and capacity to complete, a project of similar size, scope, or complexity, and that proposed key personnel have sufficient experience and training to competently manage and complete the design and construction of the project, and a financial statement that ensures that the proposer’s team has the capacity to complete the project.

(2) The licenses, registration, and credentials required to design and construct the project, including, but not limited to, information on the revocation or suspension of any license, credential, or registration.

(3) Evidence that establishes that members of the proposer’s team have the capacity to obtain all required payment and performance bonding, liability insurance, and errors and omissions insurance.

6.4 Methods and Criteria.

(A) Use of alternative procurement procedures under this Section 6 requires Board authorization. The General Manager shall determine the methods, procedures, and criteria for selection. If the Board has authorized the solicitation of such a contract for a particular procurement, LiSWA shall follow the procedures set forth in this Section 6 and such other procedures as have been established by the General Manager.

- (B) The procurement documents shall include all of the following:
- (1) A reasonable description of the services to be provided and work to be performed;
 - (2) A description of the format that proposals must follow and the elements they must contain, including the qualifications and relevant experience of the design professional and the contractor;
 - (3) A summary of the criteria that will be used in evaluating the submittals; and
 - (4) The date on which the proposals are due, and the timetable that will be used in reviewing and evaluating the proposals.

6.5 Contracts That Include Professional Services.

If a contract subject to this Section 6 includes professional services of the type listed in Government Code Section 4525, the selection process for such contract shall comply with all applicable requirements of Government Code Sections 4525 *et seq.* as described in Section 5.5 of this Chapter. The statutory requirement to select contractors based on demonstrated competence and qualifications may be satisfied by a shortlisting step that includes evaluation of the design professional's qualifications.

Section 7 Standard Form Contracts

7.1 Preparation of Standard Form Contracts.

For Small Contracts, Micro-Purchases and other procurements where standard specifications for goods or services to be procured are available, the General Manager shall prepare, or cause to be prepared, standard agreements for procurement of goods and services. The standard agreements, as applicable, shall be approved as to form by LiSWA's general counsel.

7.2 Criteria for Preparation of Contracts.

Each standard agreement and every other contract entered into by LiSWA shall be prepared utilizing the following criteria:

- (A) A clear and accurate identification of the parties.
- (B) A clear and complete statement of the work, services, or product to be performed, rendered, or provided.
- (C) A clear expression of the maximum amount to be paid, if any, and the basis upon which payment is to be made.
- (D) A statement of the time for performance or completion of the contract.

7.3 Purchase Orders.

In lieu of a standard agreement form, the General Manager may prepare or cause to be prepared a form of purchase order for the purchase of materials, supplies and equipment procured in accordance with Section 11 below.

Section 8 Supporting Documents

8.1 Responses to Solicitations.

Unless the procurement documents make them a part of the contract, bids and proposals received together with documents comprising the solicitation request may, but are not required to, accompany the contract to final approval by the Board.

8.2 Explanation of Failure to Award to Lowest Bidder.

If sealed bidding is provided for in this Chapter and an award is made not to the lowest bidder, a full explanation and justification must accompany the contract for final approval.

8.3 Local Government Entity/Cooperative Agreements.

If deemed necessary or advisable upon consultation with legal counsel, where one of the contracting parties is a county, city, district, or other local public body, the contract shall be accompanied by a copy of the resolution, order, motion, or regulation of the local governing body granting authority to enter into the proposed contract and approving and authorizing execution of the agreement.

8.4 Authorized Signatures.

Authority to execute contracts is limited to the General Manager and members of the Board who have been duly authorized by the Board. The General Manager is duly authorized by the Board to execute on behalf of LiSWA and without formal Board approval, those contracts he or she is authorized to approve pursuant to this Chapter under Section 2.7. LiSWA will maintain a record for audit purposes of all persons who have been authorized to execute contracts on behalf of LiSWA.

8.5 Public Entity Expending JPA Funds Right to Audit.

Every JPA contract wherein a government entity is receiving JPA funds shall require that the government entity place in each of its contracts involving an expenditure of JPA funds in excess of \$250,000.00, a provision which indicates that the contracting parties may be subject to an examination and audit by LiSWA or its designee for a period of not less than three years after final payment under the contract.

8.6 Retention of Evaluations.

Unless otherwise provided in the procurement documents, all proposals and any evaluations and rating sheets regarding such proposal, shall be retained for the period required by law or LiSWA's record

retention schedule. Copies shall be made available to the Board upon request, provided that if such documents would thereby become public information, they shall be redacted as appropriate to maintain confidentiality of any information (such as the names of the evaluators and the identity of references contacted) that would not otherwise be required to be disclosed publicly.

Section 9 Modification or Amendment of Contracts

9.1 Contracts Subject to Board Approval.

Contracts subject to the approval of the Board must also have such approval for a modification or amendment thereto, with the exception of the following which may be approved by the General Manager:

(A) Amendments to contracts limited to an extension of the date of completion of performance for a period of one month or less. A contract may only be amended once under this provision.

(B) Amendments that change the amount of the contract, provided that the amendment does not increase the contract amount by more than 10%. Multiple amendments of a contract that in the aggregate increase the contract amount by more than 25%, shall, upon the aggregate amendments exceeding such amount, be subject to Board approval.

(C) Contracts let or awarded on the basis of any law requiring competitive bidding may be modified or amended only if the contract so provides and if authorized by the law requiring competitive bidding.

(D) Modifications within the scope of the General Manager's authority under Section 2.7.

9.2 Modifications or Amendments Taking Contracts Outside Scope of Exemption.

If an amendment to a contract has the effect of taking the contract as amended outside the scope of an exemption from the approval by the Board, such as an increase in monetary amount, or an agreement by LiSWA to indemnify or save harmless any person or entity, the amendment must be approved by the Board.

9.3 Modifications or Amendments Subjecting Contract to Lease/Purchase Analysis Requirements.

If the amendment has the effect of making the contract subject to the lease/purchase analysis requirements contained in Section 10 of this Chapter, the provisions of these policies and procedures related to lease/purchase analysis shall be complied with.

Section 10 Contracts for Lease and Rental of Equipment

10.1 Application of Section.

The provisions of this Section 10 shall apply to all equipment leased or rented by LiSWA except

automobiles provided under the terms of a separate employment agreement.

10.2 Contract Provisions.

Contracts for lease and rental of equipment must clearly provide that LiSWA does not have responsibility for loss or damage to the rented equipment arising from a cause beyond the control of LiSWA. Any provision obligating LiSWA to return the equipment in good condition, subject to reasonable wear and tear, must also except or exclude loss or damage arising from causes beyond the control of LiSWA. The contract must clearly restrict LiSWA's liability for damage or loss to that resulting from the negligent act or omission of LiSWA or the General Manager's officers, staff, or agents acting within the course and scope of their employment with the General Manager. If LiSWA does not elect to maintain the equipment, the contract shall place the obligation on the contractor, as lessor, to keep the equipment in good working order and to make all necessary repairs and adjustments without qualification, with a clear right in LiSWA to terminate or cease payment for repairs and adjustments without qualification, to terminate or cease paying rent should the contractor fail to maintain the equipment properly. For this purpose, the contractor's representatives shall be given full and adequate access to the equipment at reasonable times.

10.3 Renewal Options.

For the purpose of determining whether contracts containing renewal options are subject to approval of the Board, the total cost and term of the rental contract shall be computed by including the cost and term of all renewal options included in the contract.

10.4 Purchase Options.

Approval by the Board of the rental agreement does not include approval for the exercise of the option to purchase. The Board must approve any exercise of the option to purchase equipment in advance.

Section 11 Purchase Of Materials, Supplies and Equipment

11.1 Purchase of Materials, Supplies and Equipment with Unit or System Prices up to \$200,000.00.

In lieu of issuing a written request for bids or proposals, and consistent with the definition of a Small Purchase under Section 2.1, the General Manager may obtain a minimum of three oral or telephone quotations from vendors selected by the General Manager, for acquisition of materials, supplies and equipment having a unit or system price of not more than \$200,000.00 and for which there are standard specifications (e.g., certain paper supplies, building materials). The General Manager shall solicit quotations. Written confirmation shall be obtained from each vendor submitting an oral quotation. Purchases may be documented through purchase orders rather than other standard form or customized contracts.

11.2 Purchase of Materials, Supplies and Equipment with Unit or System Prices of more than \$200,000.00.

Purchases of materials, supplies or equipment having a unit or system price of more than \$200,000.00

should be made in accordance with the sealed bidding, competitive negotiations or alternative procurement processes identified in Sections 2, 4, 5 and 6 of this Chapter. Purchases may be documented through standard or customized contract forms if approved by LiSWA's legal counsel as to form.

Section 12 Protests

12.1 Right to File Protests.

A person that has indicated an interest in proposing or bidding on a contract, or that has timely submitted a bid or proposal in response to any procurement of LiSWA may file, in the case of a protest prior to award of the contract, a protest objecting to the form or content of the RFP, RFQ or IFB within the time periods and in accordance with the procedures outlined in Sections 12.2(A) and (B) below. In the case of a protest filed after award of a contract, the protest shall be filed in accordance with the procedures and within the time periods stated in Section 12.2(C) below. The following procedures apply in the event that the RFP, RFQ or IFB does not contain relevant protest procedures or to the extent that a procedure set forth below is not set forth in the RFP, RFQ or IFB. To the extent that any provision below conflicts or is otherwise inconsistent with a process or procedure set forth in an RFP, RFQ or IFB, the provision in the RFP, RFQ or IFB will prevail. To the extent that a provision of an RFP, RFQ or IFB does not permit protests, that prohibition will prevail over and negate a process permitted below that is inconsistent with that prohibition.

12.2 Requirements for Protests.

(A) For protests filed in advance of submittal of proposals, statements or qualifications or bids, the following procedures shall apply:

(1) Prospective proposers and bidders are encouraged to suggest changes, modifications, and improvements to the RFP, RFQ or IFB. The deadline for submitting suggested changes, modifications, and proposals shall be five Working Days after the pre-proposal conference if any, and if not no later than 20 Working Days prior to the date that submittals are due. Such changes, modifications and proposals shall be made in writing to LiSWA representative identified in the RFP, RFQ or IFB.

(2) If a proposed change, modification, or improvement is accepted by LiSWA, said change, modification or improvement shall be incorporated into the RFP, RFQ or IFB through an addendum sent to all potential proposers or bidders that have received the RFP, RFQ or IFB.

(3) Protests dealing with restrictive specifications or alleged improprieties in solicitation of proposals or bids must be filed no later than ten Working Days prior to the date for submittal of proposals, statements of qualifications or bids. Protests shall be in writing and addressed to the General Manager.

(4) The protest shall contain a statement describing the reasons for the protest and any supporting documentation. Additional materials in support of the initial protest will only be considered if filed within the time limit specified above. The protest shall indicate the ruling or relief desired from the General Manager.

(5) Materials submitted by a protester or bidder will not be withheld from any interested party, except to the extent that the withholding of information is permitted or required by law or regulation. If the protest contains proprietary material, a statement advising of this fact may be affixed to the front page of the protest document and the alleged proprietary information must be so identified wherever it appears. Notwithstanding a designation of material as proprietary, LiSWA or its designee shall have the discretion to determine whether or not such material should be withheld from the other interested parties and if LiSWA or its designee determines that the material should be made available, the protesting potential proposer or bidder waives any claim based on such disclosure.

(B) For protests filed after submittal of proposals, statements or qualifications or bids, but prior to award of the contract, the following procedures shall apply

(1) Except as otherwise provided in this Chapter, proposals will not be opened prior to resolution of the protest, and the General Manager or her or his designee shall follow the review and decision process outline in this Chapter, modified as deemed necessary in the General Manager's sole discretion. Where the protest is filed before award, the Award will not be made prior to resolution of the protest, unless the General Manager determines that:

(a) Items to be procured are urgently needed, or delivery or performance of the contract will be unduly delayed by failure to make Award promptly; or

(b) Failure to make award will cause undue harm to LiSWA.

(C) For protests filed after award of a contract, the following procedures shall apply:

(1) The protest shall be filed in writing with the General Manager, by hand delivery, not later than the close of business on the day that is three Working Days after the day on which the Board takes formal action awarding a contract.

(2) The protest shall be filed by an actual bidder or proposer responding to the procurement. No other party has standing to protest.

(3) The protest shall identify the specific procurement involved.

(4) The protest shall identify the specific recommended action or decision being protested.

(5) The protest shall specify in detail the grounds of the protest, the facts supporting the protest and the status of the protester.

(6) The protest shall include all relevant supporting documentation with the protest at the time of submittal.

(D) Except as modified by the procurement documents, if a protest does not comply with the above requirements, the protest will not be considered and will be returned to the protester.

(E) Except with respect to supporting materials the protester asserts contain confidential material or information, the protester shall concurrently file a copy of the detailed statement with the other proposed or, in the case of a protest after award, actual bidders or proposers.

(F) Evidentiary statements, if any, shall be submitted under penalty of perjury. The protester shall have the burden of proving its protest by clear and convincing evidence. Failure to file a protest within the applicable period shall constitute a waiver of the right to protest the determination, authorization or award, as applicable, other than any protest based on facts not reasonably ascertainable as of such date.

12.3 Statements by Other Parties.

Other potential or actual bidders or proposers may file by hand delivery to LiSWA statements in support of or in opposition to the protest within five Working Days of the filing of the protest described in Section 12.2. LiSWA shall promptly forward copies of any such statements to the protester. Any evidentiary statements shall be submitted under penalty of perjury.

12.4 Resolution of Protest.

(A) The General Manager or her or his designee will respond to protests within five Working Days of receiving the protest, acknowledging receipt of the protest. A conference on the merits of the protest may be held with the protester and LiSWA will promptly attempt to resolve a properly filed protest or perform additional fact- finding.

(B) If the General Manager or her or his designee is able to resolve the protest at this stage, a letter confirming resolution shall be sent to the protester.

(C) If the General Manager or her or his designee is unable to resolve the protest within ten Working Days after receipt of the protest, he or she may establish an independent team to evaluate the merits of the protest. The General Manager will determine the timeline for such evaluation.

(D) Within ten Working Days of her or his receipt of a recommendation of the evaluation team, the General Manager or her or his designee will review the recommendation and notify the protester in writing of the decision on the protest.

(E) If at any time during this process, additional information is required by LiSWA from the protester, such additional information shall be submitted by the protester as expeditiously as possible, but no later than three Working Days after receipt of a request.

(F) For protests involving award of the contract, if the General Manager's decision is to uphold the protest, a recommendation will be made to the Board to either:

- (1) Reject all proposals or bids, cancel the procurement and solicit new proposals or bids, or
- (2) Proceed with the procurement consistent with the decision in response to the protest.

CHAPTER 6

REAL ESTATE POLICIES

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Section 1 Acquisition and Acceptance of Real Property Interests

1.1 Acquisition.

The General Manager or her or his designee is authorized to negotiate with property owners for acquisition of real property, including real property rights such as easements on behalf of the Authority. The General Manager or her or his designee shall follow State law regarding the acquisition of real property or for any special considerations relating to real property, such as condemnation proceedings. The General Manager or her or his designee is authorized to approve the establishment of an offer of just compensation based on a qualified appraisal, which the General Manager or her or his designee is also authorized to approve, and consistent with LiSWA's approved and current capital expenditure plan or budget. For acquisitions that do not involve potential condemnation proceedings, the General Manager may authorize an alternative method for determining just compensation in lieu of a qualified appraisal. After just compensation is established, the General Manager or her or his designee is authorized to approve and direct payment for acquisition of the property; provided, however that: (1) the payment amount shall not exceed 120 percent of the appraised or estimated value or \$250,000, whichever is greater, or the full satisfaction of court judgments regarding property valuation, notwithstanding the amount; and (2) the amount is consistent with LiSWA's approved and current capital expenditure plan / budget. Subject to the limitations in this section and review as to form by legal counsel, the General Manager or her or his designee is authorized to execute, terminate, or amend all real property transfer documents, including but not limited to, rights of entry, licenses, leases, deeds, easements, purchase and sale agreements, possession and use agreements, stipulated judgments in condemnation, escrow instructions, and certificates of acceptance.

Except as otherwise authorized herein, all final agreements related to the acquisition of real property that require the expenditure of money or transfer of other real property by the Authority shall be approved by the Board and executed through a written contract.

1.2 Acceptance.

The General Manager of the Authority is authorized to accept on behalf of the Authority any deed, grant, or other instrument conveying any interest in or easement upon real property to the Authority for public purposes, and the General Manager is authorized to consent to the recordation of any such deed, grant, or other instrument pursuant to Government Code section 27281.

Section 2 Disposal of Surplus Real Property

2.1 Disposal of Surplus Real Property.

For any real property owned in fee simple by the Authority, the Authority may for valuable consideration sell or lease the property upon terms that appear to the Board to be in the best interest of the Authority. The manner of sale or lease shall be approved by the Board, subject to the notifications and procedures set forth in Government Code Section 54220 et seq. and Government Code Section 65402, if applicable. The General Manager may dispose of or exchange real property not owned in fee simple if it is no longer necessary for Authority purposes and is valued at less than \$10,000.

CHAPTER 7

JOINT POWERS AUTHORITY CONFLICT OF INTEREST CODE

The Political Reform Act (Gov. Code § 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. § 18730) that contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. After public notice and hearing Section 18730 may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This incorporation page, Regulation 18730 (**Exhibit B**) and an appendix, when developed, designating positions and establishing disclosure categories, shall constitute the Conflict of Interest Code of LiSWA.

All officials and designated positions, as applicable, of LiSWA shall file their statements of economic interests with the Board Secretary as the Filing Officer/Official. The Board Secretary shall make and retain a copy of all statements filed by members of the Board of Directors and the General Manager, and forward the originals of such statements to the Clerk of the Board of Supervisors of the County of Placer. The Board Secretary shall retain the originals of the statements filed by all other officials and designated positions and make all statements available for public inspection and reproduction during regular business hours. (Gov. Code § 81008.)

Board members and General Counsel are encouraged to alert each of potential conflicts of interest as issues or facts arise or members or counsel otherwise become aware of a potential conflict of interest. General Counsel may provide, if desired by the Board, regular training on conflict of interest issues particularly as new laws are developed and set to take effect.

CHAPTER 8

BOARD COMPENSATION POLICY

Section 1 Compensation and Reimbursement Policy.....2

Section 1 Compensation and Reimbursement.

The JPA Agreement at Section 7.4 (Compensation) entitles Directors to compensation for attending each Board of Directors (“Board”) meeting, as established by resolution of the Board.

The JPA Agreement also provides that each Board member may be reimbursed for reasonable and necessary expenses actually incurred in the conduct of LiSWA’s business.

The Board of Directors finds it appropriate for LiSWA to compensate Directors in an amount to be determined at a later time as may be duly decided with a resolution by the Board of Directors for attendance at each regular and special meeting of the full Board, and each regular and special meeting of any Standing Committee.

The Board of Directors of LiSWA therefore resolves that a Board member may request compensation and reimbursement as set forth above.

EXHIBIT A

**LINCOLN-SMD 1 WASTEWATER AUTHORITY
JOINT POWERS AGREEMENT ON FILE WITH LISWA AND POSTED TO ITS WEBSITE**

EXHIBIT B

§ 18730. Provisions of Conflict of Interest Codes.

Effective: January 19, 2023

2 CCR § 18730

§ 18730. Provisions of Conflict of Interest Codes.

(a) Incorporation by reference of the terms of this regulation along with the designation of employees and the formulation of disclosure categories in the Appendix referred to below constitute the adoption and promulgation of a conflict of interest code within the meaning of Section 87300 or the amendment of a conflict of interest code within the meaning of Section 87306 if the terms of this regulation are substituted for terms of a conflict of interest code already in effect. A code so amended or adopted and promulgated requires the reporting of reportable items in a manner substantially equivalent to the requirements of article 2 of chapter 7 of the Political Reform Act, Sections 81000, et seq. The requirements of a conflict of interest code are in addition to other requirements of the Political Reform Act, such as the general prohibition against conflicts of interest contained in Section 87100, and to other state or local laws pertaining to conflicts of interest.

(b) The terms of a conflict of interest code amended or adopted and promulgated pursuant to this regulation are as follows:

(1) Section 1. Definitions.

The definitions contained in the Political Reform Act of 1974, regulations of the Fair Political Practices Commission (Regulations 18110, et seq.), and any amendments to the Act or regulations, are incorporated by reference into this conflict of interest code.

(2) Section 2. Designated Employees.

The persons holding positions listed in the Appendix are designated employees. It has been determined that these persons make or participate in the making of decisions which may foreseeably have a material effect on economic interests.

(3) Section 3. Disclosure Categories.

This code does not establish any disclosure obligation for those designated employees who are also specified in Section 87200 if they are designated in this code in that same capacity or if the geographical jurisdiction of this agency is the same as or is wholly included within the jurisdiction in which those persons must report their economic interests pursuant to article 2 of chapter 7 of the Political Reform Act, Sections 87200, et seq.

In addition, this code does not establish any disclosure obligation for any designated employees who are designated in a conflict of interest code for another agency, if all of the following apply:

(A) The geographical jurisdiction of this agency is the same as or is wholly included within the jurisdiction of the other agency;

(B) The disclosure assigned in the code of the other agency is the same as that required under article 2 of chapter 7 of the Political Reform Act, Section 87200; and

(C) The filing officer is the same for both agencies. [FN1]

Such persons are covered by this code for disqualification purposes only. With respect to all other designated employees, the disclosure categories set forth in the Appendix specify which kinds of economic interests are reportable. Such a designated employee shall disclose in the employee's statement of economic interests those economic interests the employee has which are of the kind described in the disclosure categories to which the employee is assigned in the Appendix. It has been determined that the economic interests set forth in a designated employee's disclosure categories are the kinds of economic interests which the employee foreseeably can affect materially through the conduct of the employee's office.

(4) Section 4. Statements of Economic Interests: Place of Filing.

The code reviewing body shall instruct all designated employees within its code to file statements of economic interests with the agency or with the code reviewing body, as provided by the code reviewing body in the agency's conflict of interest code. [FN2]

(5) Section 5. Statements of Economic Interests: Time of Filing.

(A) Initial Statements. All designated employees employed by the agency on the effective date of this code, as originally adopted, promulgated and approved by the code reviewing body, shall file statements within 30 days after the effective date of this code. Thereafter, each person already in a position when it is designated by an amendment to this code shall file an initial statement within 30 days after the effective date of the amendment.

(B) Assuming Office Statements. All persons assuming designated positions after the effective date of this code shall file statements within 30 days after assuming the designated positions, or if subject to State Senate confirmation, 30 days after being nominated or appointed.

(C) Annual Statements. All designated employees shall file statements no later than April 1. If a person reports for military service as defined in the Servicemember's Civil Relief Act, the deadline for the annual statement of economic interests is 30 days following the person's return to office, provided the person, or someone authorized to represent the person's interests, notifies the filing officer in writing prior to the applicable filing deadline that the person is subject to that federal statute and is unable to meet the applicable deadline, and provides the filing officer verification of the person's military status.

(D) Leaving Office Statements. All persons who leave designated positions shall file statements within 30 days after leaving office.

(5.5) Section 5.5. Statements for Persons Who Resign Prior to Assuming Office.

Any person who resigns within 12 months of initial appointment, or within 30 days of the date of notice provided by the filing officer to file an assuming office statement, is not deemed to have assumed office or left office, provided the person did not make or participate in the making of, or use the person's position to influence any decision and did not receive or become entitled to receive any form of payment as a result of the person's appointment. Such persons shall not file either an assuming or leaving office statement.

(A) Any person who resigns a position within 30 days of the date of a notice from the filing officer shall do both of the following:

(1) File a written resignation with the appointing power; and

(2) File a written statement with the filing officer declaring under penalty of perjury that during the period between appointment and resignation the person did not make, participate in the making, or use the position to influence any decision of the agency or receive, or become entitled to receive, any form of payment by virtue of being appointed to the position.

(6) Section 6. Contents of and Period Covered by Statements of Economic Interests.

(A) Contents of Initial Statements.

Initial statements shall disclose any reportable investments, interests in real property and business positions held on the effective date of the code and income received during the 12 months prior to the effective date of the code.

(B) Contents of Assuming Office Statements.

Assuming office statements shall disclose any reportable investments, interests in real property and business positions held on the date of assuming office or, if subject to State Senate confirmation or appointment, on the date of nomination, and income received during the 12 months prior to the date of assuming office or the date of being appointed or nominated, respectively.

(C) Contents of Annual Statements. Annual statements shall disclose any reportable investments, interests in real property, income and business positions held or received during the previous calendar year provided, however, that the period covered by an employee's first annual statement shall begin on the effective date of the code or the date of assuming office whichever is later, or for a board or commission member subject to Section 87302.6, the day after the closing date of the most recent statement filed by the member pursuant to Regulation 18754.

(D) Contents of Leaving Office Statements.

Leaving office statements shall disclose reportable investments, interests in real property, income and business positions held or received during the period between the closing date of the last statement filed and the date of leaving office.

(7) Section 7. Manner of Reporting.

Statements of economic interests shall be made on forms prescribed by the Fair Political Practices Commission and supplied by the agency, and shall contain the following information:

(A) Investment and Real Property Disclosure.

When an investment or an interest in real property [FN3] is required to be reported, [FN4] the statement shall contain the following:

1. A statement of the nature of the investment or interest;
2. The name of the business entity in which each investment is held, and a general description of the business activity in which the business entity is engaged;
3. The address or other precise location of the real property;
4. A statement whether the fair market value of the investment or interest in real property equals or exceeds \$2,000, exceeds \$10,000, exceeds \$100,000, or exceeds \$1,000,000.

(B) Personal Income Disclosure. When personal income is required to be reported, [FN5] the statement shall contain:

1. The name and address of each source of income aggregating \$500 or more in value, or \$50 or more in value if the income was a gift, and a general description of the business activity, if any, of each source;
2. A statement whether the aggregate value of income from each source, or in the case of a loan, the highest amount owed to each source, was \$1,000 or less, greater than \$1,000, greater than \$10,000, or greater than \$100,000;
3. A description of the consideration, if any, for which the income was received;
4. In the case of a gift, the name, address and business activity of the donor and any intermediary through which the gift was made; a description of the gift; the amount or value of the gift; and the date on which the gift was received;
5. In the case of a loan, the annual interest rate and the security, if any, given for the loan and the term of the loan.

(C) Business Entity Income Disclosure. When income of a business entity, including income of a sole proprietorship, is required to be reported, [FN6] the statement shall contain:

1. The name, address, and a general description of the business activity of the business entity;
2. The name of every person from whom the business entity received payments if the filer's pro rata share of gross receipts from such person was equal to or greater than \$10,000.

(D) Business Position Disclosure. When business positions are required to be reported, a designated employee shall list the name and address of each business entity in which the employee is a director, officer, partner, trustee, employee, or in which the employee holds any position of management, a description of the business activity in which the business entity is engaged, and the designated employee's position with the business entity.

(E) Acquisition or Disposal During Reporting Period. In the case of an annual or leaving office statement, if an investment or an interest in real property was partially or wholly acquired or disposed of during the period covered by the statement, the statement shall contain the date of acquisition or disposal.

(8) Section 8. Prohibition on Receipt of Honoraria.

(A) No member of a state board or commission, and no designated employee of a state or local government agency, shall accept any honorarium from any source, if the member or employee would be required to report the receipt of income or gifts from that source on the member's or employee's statement of economic interests.

(B) This section shall not apply to any part-time member of the governing board of any public institution of higher education, unless the member is also an elected official.

(C) Subdivisions (a), (b), and (c) of Section 89501 shall apply to the prohibitions in this section.

(D) This section shall not limit or prohibit payments, advances, or reimbursements for travel and related lodging and subsistence authorized by Section 89506.

(8.1) Section 8.1. Prohibition on Receipt of Gifts in Excess of \$590.

(A) No member of a state board or commission, and no designated employee of a state or local government agency, shall accept gifts with a total value of more than \$590 in a calendar year from any single source, if the member or employee would be required to report the receipt of income or gifts from that source on the member's or employee's statement of economic interests.

(B) This section shall not apply to any part-time member of the governing board of any public institution of higher education, unless the member is also an elected official.

(C) Subdivisions (e), (f), and (g) of Section 89503 shall apply to the prohibitions in this section.

(8.2) Section 8.2. Loans to Public Officials.

(A) No elected officer of a state or local government agency shall, from the date of the election to office through the date that the officer vacates office, receive a personal loan from any officer, employee, member, or consultant of the state or local government agency in which the elected officer holds office or over which the elected officer's agency has direction and control.

(B) No public official who is exempt from the state civil service system pursuant to subdivisions (c), (d), (e), (f), and (g) of Section 4 of Article VII of the Constitution shall, while he or she holds office, receive a personal loan from any officer, employee, member, or consultant of the state or local government agency in which the public official holds office or over which the public official's agency has direction and control. This subdivision shall not apply to loans made to a public official whose duties are solely secretarial, clerical, or manual.

(C) No elected officer of a state or local government agency shall, from the date of the election to office through the date that the officer vacates office, receive a personal loan from any person who has a contract with the state or local government agency to which that elected officer has been elected or over which that elected officer's agency has direction and control. This subdivision shall not apply to loans made by banks or other financial institutions or to any indebtedness created as part of a retail installment or credit card transaction, if the loan is made or the indebtedness created in the lender's regular course of business on terms available to members of the public without regard to the elected officer's official status.

(D) No public official who is exempt from the state civil service system pursuant to subdivisions (c), (d), (e), (f), and (g) of Section 4 of Article VII of the Constitution shall, while the official holds office, receive a personal loan from any person who has a contract with the state or local government agency to which that elected officer has been elected or over which that elected officer's agency has direction and control. This subdivision shall not apply to loans made by banks or other financial institutions or to any indebtedness created as part of a retail installment or credit card transaction, if the loan is made or the indebtedness created in the lender's regular course of business on terms available to members of the public without regard to the elected officer's

official status. This subdivision shall not apply to loans made to a public official whose duties are solely secretarial, clerical, or manual.

(E) This section shall not apply to the following:

1. Loans made to the campaign committee of an elected officer or candidate for elective office.
2. Loans made by a public official's spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin, or the spouse of any such persons, provided that the person making the loan is not acting as an agent or intermediary for any person not otherwise exempted under this section.
3. Loans from a person which, in the aggregate, do not exceed \$500 at any given time.
4. Loans made, or offered in writing, before January 1, 1998.

(8.3) Section 8.3. Loan Terms.

(A) Except as set forth in subdivision (B), no elected officer of a state or local government agency shall, from the date of the officer's election to office through the date the officer vacates office, receive a personal loan of \$500 or more, except when the loan is in writing and clearly states the terms of the loan, including the parties to the loan agreement, date of the loan, amount of the loan, term of the loan, date or dates when payments shall be due on the loan and the amount of the payments, and the rate of interest paid on the loan.

(B) This section shall not apply to the following types of loans:

1. Loans made to the campaign committee of the elected officer.
2. Loans made to the elected officer by his or her spouse, child, parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, nephew, niece, aunt, uncle, or first cousin, or the spouse of any such person, provided that the person making the loan is not acting as an agent or intermediary for any person not otherwise exempted under this section.
3. Loans made, or offered in writing, before January 1, 1998.

(C) Nothing in this section shall exempt any person from any other provision of Title 9 of the Government Code.

(8.4) Section 8.4. Personal Loans.

(A) Except as set forth in subdivision (B), a personal loan received by any designated employee shall become a gift to the designated employee for the purposes of this section in the following circumstances:

1. If the loan has a defined date or dates for repayment, when the statute of limitations for filing an action for default has expired.
2. If the loan has no defined date or dates for repayment, when one year has elapsed from the later of the following:
 - a. The date the loan was made.
 - b. The date the last payment of \$100 or more was made on the loan.
 - c. The date upon which the debtor has made payments on the loan aggregating to less than \$250 during the previous 12 months.

(B) This section shall not apply to the following types of loans:

1. A loan made to the campaign committee of an elected officer or a candidate for elective office.
2. A loan that would otherwise not be a gift as defined in this title.
3. A loan that would otherwise be a gift as set forth under subdivision (A), but on which the creditor has taken reasonable action to collect the balance due.
4. A loan that would otherwise be a gift as set forth under subdivision (A), but on which the creditor, based on reasonable business considerations, has not undertaken collection action. Except in a criminal action, a creditor who claims that a loan is not a gift on the basis of this paragraph has the burden of

proving that the decision for not taking collection action was based on reasonable business considerations.

5. A loan made to a debtor who has filed for bankruptcy and the loan is ultimately discharged in bankruptcy.

(C) Nothing in this section shall exempt any person from any other provisions of Title 9 of the Government Code.

(9) Section 9. Disqualification.

No designated employee shall make, participate in making, or in any way attempt to use the employee's official position to influence the making of any governmental decision which the employee knows or has reason to know will have a reasonably foreseeable material financial effect, distinguishable from its effect on the public generally, on the official or a member of the official's immediate family or on:

(A) Any business entity in which the designated employee has a direct or indirect investment worth \$2,000 or more;

(B) Any real property in which the designated employee has a direct or indirect interest worth \$2,000 or more;

(C) Any source of income, other than gifts and other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status, aggregating \$500 or more in value provided to, received by or promised to the designated employee within 12 months prior to the time when the decision is made;

(D) Any business entity in which the designated employee is a director, officer, partner, trustee, employee, or holds any position of management; or

(E) Any donor of, or any intermediary or agent for a donor of, a gift or gifts aggregating \$590 or more provided to, received by, or promised to the designated employee within 12 months prior to the time when the decision is made.

(9.3) Section 9.3. Legally Required Participation.

No designated employee shall be prevented from making or participating in the making of any decision to the extent the employee's participation is legally required for the decision to be made. The fact that the vote of a designated employee who is on a voting body is needed to break a tie does not make the employees' participation legally required for purposes of this section.

(9.5) Section 9.5. Disqualification of State Officers and Employees.

In addition to the general disqualification provisions of section 9, no state administrative official shall make, participate in making, or use the official's position to influence any governmental decision directly relating to any contract where the state administrative official knows or has reason to know that any party to the contract is a person with whom the state administrative official, or any member of the official's immediate family has, within 12 months prior to the time when the official action is to be taken:

(A) Engaged in a business transaction or transactions on terms not available to members of the public, regarding any investment or interest in real property; or

(B) Engaged in a business transaction or transactions on terms not available to members of the public regarding the rendering of goods or services totaling in value \$1,000 or more.

(10) Section 10. Disclosure of Disqualifying Interest.

When a designated employee determines that the employee should not make a governmental decision because the employee has a disqualifying interest in it, the determination not to act may be accompanied by disclosure of the disqualifying interest.

(11) Section 11. Assistance of the Commission and Counsel.

Any designated employee who is unsure of the duties under this code may request assistance from the Fair Political Practices Commission pursuant to Section 83114 and Regulations 18329 and 18329.5 or from the attorney for the employee's agency, provided that nothing in this section requires the attorney for the agency to issue any formal or informal opinion.

(12) Section 12. Violations.

This code has the force and effect of law. Designated employees violating any provision of this code are subject to the administrative, criminal and civil sanctions provided in the Political Reform Act, Sections 81000-91014. In addition, a decision in relation to which a violation of the disqualification provisions of this code or of Section 87100 or 87450 has occurred may be set aside as void pursuant to Section 91003.

[FN1]

Designated employees who are required to file statements of economic interests under any other agency's conflict of interest code, or under article 2 for a different jurisdiction, may expand their statement of economic interests to cover reportable interests in both jurisdictions, and file copies of this expanded statement with both entities in lieu of filing separate and distinct statements, provided that each copy of such expanded statement filed in place of an original is signed and verified by the designated employee as if it were an original. See Section 81004.

[FN2]

See Section 81010 and Regulation 18115 for the duties of filing officers and persons in agencies who make and retain copies of statements and forward the originals to the filing officer.

[FN3]

For the purpose of disclosure only (not disqualification), an interest in real property does not include the principal residence of the filer.

[FN4]

Investments and interests in real property which have a fair market value of less than \$2,000 are not investments and interests in real property within the meaning of the Political Reform Act. However, investments or interests in real property of an individual include those held by the individual's spouse and dependent children as well as a pro rata share of any investment or interest in real property of any business entity or trust in which the individual, spouse and dependent children own, in the aggregate, a direct, indirect or beneficial interest of 10 percent or greater.

[FN5]

A designated employee's income includes the employee's community property interest in the income of the employee's spouse but does not include salary or reimbursement for expenses received from a state, local or federal government agency.

[FN6]

Income of a business entity is reportable if the direct, indirect or beneficial interest of the filer and the filer's spouse in the business entity aggregates a 10 percent or greater interest. In addition, the disclosure of persons who are clients or customers of a business entity is required only if the clients or customers are within one of the disclosure categories of the filer.