

CLEARLAKE OAKS COUNTY WATER DISTRICT

RESOLUTION NO. 25-08

A RESOLUTION OF THE BOARD OF DIRECTORS OF CLEARLAKE OAKS COUNTY WATER DISTRICT ADOPTING AN ADMINISTRATIVE CODE AND SUPERSEDING ALL PRIOR RELATED CODES AND RESOLUTIONS

WHEREAS, Clearlake Oaks County Water District (the "District") is a county water district duly organized and existing under and by virtue of the County Water District Law (California Water Code Section 30000 et seq.); and

WHEREAS, the Board of Directors of the District (the "Board") is vested with the authority to adopt rules and regulations for the administration and operation of the District pursuant to California Water Code Section 30500; and

WHEREAS, the District has previously adopted various resolutions, policies, codes, and regulations governing the administrative operations of the District; and

WHEREAS, the Board desires to consolidate, update, and supersede all prior administrative codes, rules, regulations, and resolutions into a single comprehensive Administrative Code to provide clarity, consistency, and efficient administration of District operations; and

WHEREAS, the proposed Administrative Code has been reviewed by District staff and legal counsel and is recommended for adoption; and

WHEREAS, the Board finds that adoption of the Administrative Code will promote the efficient and effective operation of the District and will serve the best interests of the District and its ratepayers; and

WHEREAS, the Board has had adequate opportunity to review and consider the Administrative Code and desires to adopt said Code.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Clearlake Oaks County Water District as follows:

Section 1. Findings and Determinations.

The Board hereby finds and determines that:

- (a) The recitals set forth above are true and correct and are incorporated herein by this reference.
- (b) The Administrative Code is consistent with applicable federal, state, and local laws and regulations.

- (c) The adoption of the Administrative Code will facilitate the efficient and effective administration of District operations and serve the public interest.
- (d) Adequate opportunity for public comment has been provided regarding the adoption of this Administrative Code consistent with the Brown Act.

Section 2. Adoption of Administrative Code.

The Board hereby adopts the "Clearlake Oaks County Water District Administrative Code," dated [Date], a copy of which is attached hereto as Exhibit "A" and incorporated herein by this reference (the "Administrative Code").

Section 3. Superseding Effect.

The Administrative Code adopted hereby shall supersede and replace all prior administrative codes, rules, regulations, policies, and resolutions of the District that are inconsistent with or duplicative of the provisions of the Administrative Code, including but not limited to:

- (a) Any prior administrative code or compilation of administrative policies;
- (b) Any prior resolutions adopting administrative policies or procedures that are addressed in the Administrative Code;
- (c) Any prior rules or regulations governing District operations that are addressed in the Administrative Code.
- (d) Notwithstanding the foregoing, this resolution shall not supersede:
- (e) Resolutions or policies specifically addressing rates, fees, and charges for District services, unless explicitly referenced in the Administrative Code;
- (f) Resolutions authorizing specific contracts, agreements, or transactions;
- (g) Resolutions relating to the acquisition, disposition, or financing of real property;
- (h) Resolutions adopting the District's annual budget;
- (i) Any other resolutions or policies not related to administrative operations and procedures.

Section 4. Amendment and Interpretation.

- (a) The Administrative Code may be amended from time to time by resolution of the Board.
- (b) The General Manager, in consultation with legal counsel, is authorized to make non-substantive technical corrections, formatting changes, and updates to reflect changes in law, without further Board action.
- (c) In the event of any conflict between the provisions of the Administrative Code and applicable state or federal law, such law shall control.
- (d) The General Manager is authorized to interpret and implement the provisions of the Administrative Code, subject to the direction of the Board.

Section 5. Effective Date.

The Administrative Code shall become effective on November 20, 2025, except as otherwise specified therein.

Section 6. Severability.

If any provision of this Resolution or the Administrative Code is held to be invalid, void, or unenforceable, the remaining provisions shall continue in full force and effect.

Section 7. Certification.

The Secretary of the Board is hereby directed to certify the adoption of this Resolution and to maintain a certified copy of the Administrative Code in the official records of the District.

PASSED AND ADOPTED by the Board of Directors of Clearlake Oaks County Water District, State of California, this 20th day of November, 2025, by the following vote:

AYES: ARCHACKI, MUKTON, MUTHUK, WHITTIER


NOES:

ABSENT: HERMAN

ABSTAIN:



CLEARLAKE OAKS COUNTY WATER DISTRICT

By: 
Stanley Archacki, President

Attest: 
Olivia Mann, Board Secretary

Approved as to form: Scott C. Nave
District Counsel

Clearlake Oaks County Water District

ADMINISTRATION CODE



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PURPOSE

The Clearlake Oaks County Water District was formed and exists to provide water and sewer services under the provisions of the County Water District Law, California Water Code, Division 12, section 30000, et seq. The purpose of this Code is to state the rules and regulations for the administrative functioning of the District.

Our mission, to provide the best quality water and the safest, most efficient treatment and disposal of sewer at a reasonable cost.

Our vision, to provide high quality drinking water and environmentally safe disposal of sewer.

This 'Code' requires no expiration date and is in full effect until amended, rescinded or superseded.

TITLE 1 - GENERAL PROVISIONS

CHAPTER 1 - ADOPTION OF CODE

1-1.101 Title

This Code shall be known as the “Clearlake Oaks County Water District Administrative Code.” Except as otherwise provided herein, this Code consists of regulatory, penal, and administrative rules related to the receipt of water service from Clearlake Oaks County Water District pursuant to the authority set forth in the County Water District Law, California Water Code, Division 12, section 30000, et seq, and other applicable law.

1-1.102 Effective Code On Past Actions And Obligations

Neither the adoption of this Code, nor the repeal of any ordinance or resolution of the District by this Code, shall in any manner affect the prosecution for violations of ordinances or resolutions, which violations were committed prior to the effective date of this Code, nor be construed as a waiver of any fee or penalty on such effective date due and unpaid under such ordinances or resolutions, nor be construed as affecting any of the provisions of such ordinances or resolutions relating to the collection of any such fees or penalties or the penal provisions applicable to the violation of such ordinances or resolutions, nor to effect the validity of any bond or cash deposit required to be posted, filed, or deposited pursuant to any ordinance or resolution, and all vested rights and obligations pertaining to such ordinances or resolutions shall continue in full force and effect.

1-1.103 References to Specific Ordinances

The provisions of this Code shall not in any manner affect deposits or other matters of record which refer to, or are otherwise connected with, ordinances or resolutions which are specifically designated by number or otherwise and which are included within this Code, but such references shall apply to the corresponding provisions set forth in this Code.

1-1.104 Maintenance of Code

At least one copy of this Code, duly certified by the Secretary, shall be maintained on file in the District offices as the official copy of this Code. Additional copies of this Code shall be distributed to the departments of the District as directed by the General Manager.

A duly certified copy of each ordinance or resolution making a change in this Code shall be filed in the office of the Secretary in books for such purpose, properly indexed for ready reference.

At least quarterly, the Secretary shall review the loose-leaf pages of this Code in which changes have been made to be reproduced, including a notation as to the ordinance or resolution number and date on which such change is adopted, and distributed so that the loose-leaf copies of this Code, prepared for the use and convenience of the officers and employees of the District and the general public may be brought up to date.

CHAPTER 2 - RULES OF CONSTRUCTION

1-2.101 Scope

Unless the provisions of this Code otherwise specifically provide, or the context of this Code indicates to the contrary, the general provisions, rules of construction, and definitions set forth in this chapter shall govern the construction of this Code. The provisions of this Code and all proceedings under it are to be construed with a view to affect its object and to promoting justice.

1-2.102 Statement and Continuations

The provisions of this Code insofar as they are substantially the same as existing ordinances or resolutions relating to the same subject matter, shall be construed as restatements and continuations and not as new enactments; provided, the provisions of this Code shall govern any differences between an ordinance or resolution existing at the time of adoption of this Code.

1-2.103 Effect of Headings

Title, Chapter, Article, and Section headings contained in this Code shall not be deemed to govern, limit, modify, or in any manner affect the scope, meaning, or intent of the provisions of any Title, Chapter, Article, or Section of this Code.

1-2.104 References to Acts or Omissions Within the District

The provisions of this Code refer only to the omission or commission of acts within the territorial limits of the District and to the territory outside the District over which the District has jurisdiction or control by virtue of the Constitution of the State or any law, or by reason of ownership or control of property.

1-2.105 References to Ordinances Or Resolutions

Whenever any reference in this Code is made to an ordinance or resolution, the reference shall apply to such ordinance or resolution of the District unless this Code expressly provides otherwise. Whenever any reference is made to any portion of this Code, or to any ordinance or resolution of the District, the reference shall apply to all amendments and additions made to this Code.

1-2.106 Notices

Whenever a notice is required to be given pursuant to the provisions of this Code, unless different provisions are otherwise specifically set forth in the text of this Code, such notice may be given either by personal delivery thereof to the person to be notified or by deposit in the United States Mail in a sealed envelope, postage prepaid, addressed to such person to be notified at his last known business or residence address as the same appears in the public records of the District or other records pertaining to the matter to which the notice is directed. Service by mail should be deemed to have been completed at the time the notice is deposited in the Post Office.

1-2.107 Severability

If any part of this Code is, for any reason, held to be invalid or unconstitutional, such decisions shall not affect the validity of the remaining portions of the Code. The Board hereby declares that it would have passed this Code by section, sub-section, sentence, clause, and phrase thereof, irrespective of the fact that any one or more other sections, sub-sections, sentences, clauses, or phrases are declared invalid or unconstitutional.

1-2.108 Statute of Limitations

Whenever a limitation or a period prescribed in any existing ordinance, resolution, or statute for acquiring a right or buying a remedy, or for any other purpose, has begun to run before this Code goes into effect, the time which has already run shall be deemed a part of the time prescribed as such limitation.

1-2.112 Definitions

For the purposes of this Code, unless otherwise apparent from context, certain words and phrases used in this Code are defined as follows:

- (a) “Board” refers to the Board of Directors of the District.
- (b) “Customer” refers to the property owner of record as verified by the Assessor’s office of the County of Lake
- (c) “Director” refers to a member of the Board.
- (d) “District” refers to Clearlake Oaks County Water District.
- (e) “Employee” refers to a District employee.
- (f) “General Manager” refers to the General Manager of the District.
- (g) “Person” refers to any individual, firm, corporation, or other entity.
- (h) “President” refers to the President of the Board.
- (i) “Vice President” refers to the Vice President of the Board.
- (j) “Secretary” refers to the Secretary of the Board.
- (k) “State” shall mean the State of California.
- (l) “Section” shall mean a section of this code unless other source is specifically mentioned.

TITLE 2 - ADMINISTRATION

**CHAPTER 1 – OTHER OFFICERS AND CERTAIN
EMPLOYEES**

2-1.101 Purpose

This Article deals with officers who report to the Board.

2-1.102 General

The General Manager, Secretary, and General Counsel report to the Board. The General Counsel shall deal with the Board through the General Manager.

Directors shall not deal with other employees except for brief inquiry or as authorized by the General Manager and consensus of the Board.

2-1.103 General Manager

General Manager: The General Manager shall be appointed by and shall report directly to the Board. They shall have full control of the planning, design, construction, operation and maintenance of the water facilities, wastewater facilities, and the administration of the business affairs of the District within the program and policies established by the Board.

Planning and Design: The General Manager is responsible to ensure the planning and design of all District water and wastewater systems and facilities are adequate to meet anticipated needs. The use of consulting engineers will be recommended by the General Manager to the Board, as required.

Construction, Operation and Maintenance: The General Manager is responsible for the construction, operation and maintenance of water and wastewater facilities to ensure conformance with the programs and policies approved by the Board.

Administration of Business Affairs of the District: The General Manager shall have full power and authority to administer the business affairs of the District within the programs and policies established by the Board, including: purchasing; customer service (billing and collection); accounting; employing, hiring promoting, demoting, transferring and discharging employees, and fixing their compensation in accordance with the salary policies and schedules approved by the Board.

Emergency Powers: If an emergency arises which would ordinarily be brought to the attention of the Board but insufficient time exists within which to give notice as required by law, the General Manager is authorized, in their discretion, to take emergency action as deemed appropriate and reasonable and in compliance with the law.

2-1.105 Secretary

The Secretary shall be appointed by the Board and is responsible for the accuracy and availability of the records of the District.

2-1.106 General Counsel

General Counsel shall be appointed by the Board and is responsible to the Board. Counsel shall provide legal advice as requested by the Board and shall assist the General Manager on legal problems arising in the administration of their respective duties. Counsel will recommend the appointment of special counsel for litigation as required.

2-1.107 Consultants

The General Manager may engage consultants as from time to time necessary, in accordance with purchasing procedures.

An independent auditor, also known as an “outside” auditor, shall be appointed by the Board to perform an independent annual audit of the District’s financial statements.

CHAPTER 2 – EMPLOYEES

Article 1 - Wages, Hours, Conditions of Employment & Specific Policies

2-2.101 Position Authorized

The Board shall, as part of the annual budget approval/adoption process, and from time to time, approve positions necessary to provide for the performance of the District's work.

2-2.102 Wages

The Board will approve an annual salary schedule as part of the budgeting process, and the General Manager will approve the wages for each authorized position, as well as any adjustments needed from time to time.

2-2.103 Conditions of Employment

Employment terms are defined in the Employee Handbook as approved by the Board. For positions or offices not covered by the handbook, terms of employment shall be detailed in contracts approved by the Board.

2-2.104 Whistle Blower

No employee will be retaliated or discriminated against for filing a written complaint with the District. No disciplinary action shall be imposed against an employee for filing such a complaint.

The General Manager shall promulgate workplace regulations, consistent with State and Federal law, to protect the rights of whistleblowers.

CHAPTER 3 - FINANCE

Article 1 – Checks

2-3.101 Check Register

A check register showing the check number, payee, amount, the fund upon which it is drawn and the purpose of each check, prepared by Accounts Payable, will be ready for Board signature the day of the current month's Regular Board Meeting. All checks will be reviewed and approved by the General Manager prior to submission to the Board. An additional check run will be ready on or about the first week of the month, at the direction of the General Manager.

Article 2 - Claims

2-3.201 General

This Article applies to claims filed against this District for money or damages not exempted by Government Code Section 905 and which are not governed by other statutes or regulations.

2-3.202 Filing Required

A claim not covered by Government Claims Act as set forth in the Government Code shall be presented in accordance with this Article, including employee wage and hour claims.

2-3.203 Presentation

A claim, or amendment thereto, shall be presented to the District by delivering it to the Secretary or by mailing it to the Secretary at the District's offices.

2-3.204 Contents

A claim presented pursuant to this Article shall be presented by the claimant or by a person acting on their behalf and shall show:

- (a) The name and post office address of the claimant;
- (b) Post office address to which the person presenting the claim desires notice to be sent, such as the claimant's attorney or representative;

- (c) The date, place, and other circumstances of the occurrence or transaction which gave rise to the claim asserted;
- (d) The general description of the indebtedness, obligation, injury, damage, or loss incurred so far as may be known at the time of presentation of the claim;
- (e) The name or names of the public employee or employees causing the injury, damage, or loss if known;
- (f) The amount claimed as of the date of presentation of the claim, including the estimated amount of any prospective injury, damage, or loss insofar as it maybe known at the time of presentation of the claim, together with the basis of computation of the amount claimed; and
- (g) The signature of the claimant or some person on his or her behalf.

2-3.205 Deadline

A claim filed pursuant to this Article relating to a cause of action for death or for injury to person or to personal property or growing crop shall be presented not later than six months after accrual of cause of action. A claim relating to any other cause of action shall be presented not later than one year after the accrual of the cause of action.

2-3.206 Board Action

The Board shall act on the claim or application to file late claim within 45 days after the claim or application has been presented to the District.

2-3.207 Notice of Rejection

Written notice of action taken pursuant to this Article rejecting an application or a claim in whole or in part shall be given to the person identified in the claim.

2-3.208 Claim as a Prerequisite to Suit

(a) No suit for money or damages may be brought against the District on a cause of action for which a claim is required until the written claim therefore has been presented to the District and has been acted upon by the Board.

(b) No suit may be brought against the District on any cause of action for which a claim is required unless such a suit is commenced within six months after the date the claim is acted upon by the Board, or is deemed to have been rejected by the Board.

2-3.209 Small Claims Court Actions

The General Manager may commence actions within the jurisdiction of the small claims court to recover damages for injury to the District.

The General Manager may defend small claims court actions on behalf of the District.

Article 3 - Purchasing

2-3.301 Purpose and Scope

This Article provides direction regarding the procurement of supplies, equipment, works of improvement, professional services, and other goods and services to ensure the District will receive high quality goods and services at a fair price. The following terms are defined for the purposes of this Article:

“Formal bidding” means the solicitation of bids with written specifications and pursuant to publication of a Notice Inviting Bids at least once a week for two successive weeks in a newspaper of general circulation, the last publication to be made not less than two weeks nor more than six weeks prior to the opening of bids.

“Informal bidding” means the solicitation of at least three quotations, after approval of specifications by the General Manager, pursuant to a notice potential bidders as determined by the General Manager.

“Request for proposals” means the solicitation of a written scope, schedule and cost of the work to be accomplished by a service provider.

“Goods” means a tangible product, not including a work of improvement.

“Service” means an intangible product.

“Work of improvement” means the construction of works, structures, and equipment, the furnishing of labor, and the acquisition of real or personal property for works.

“Designated qualified vendor” means a vendor selected for the purchase of certain items or classes of items because of a formal or informal bid process to fulfill an on-going need.

“Emergency” means procurement of goods or services that are estimated to cost \$50,000 or more for the repair of public facilities caused by a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property or essential public services.

“Urgent” means a procurement of works of improvement, professional services, or goods and services that are estimated to cost between \$8,000.01 and \$49,999.99 and for the repair of public facilities of the District, damaged by unanticipated calamity where expeditious action is required to prevent potential interruption of service, restore required redundancy or avoid additional damages.

2-3.302 Emergencies

Emergency purchases of \$50,000 or more may be made without formal bids, informal bids, or requests for proposals, if this Section is followed.

When a meeting of the Board can commence in a timely manner to authorize emergency action, by majority vote, the Board shall be requested to authorize procurement of works of improvement, professional services, or goods and services without formal bids, informal bids, or requests for proposal. Such authorization shall be based on substantial evidence set forth in the minutes of the meeting that the emergency will not permit delay, and action is required to respond to the emergency. Until the emergency subsides, or the work is complete, at each subsequent regular meeting the board shall determine by majority vote whether to continue or terminate the authorization for the emergency.

When a meeting of the Board cannot be commenced in a timely manner to authorize emergency action, the General Manager may authorize procurement of works of improvement, professional services, or goods or services without formal bids, informal bids, or requests for proposal. The General Manager shall report to the board within 7 days of the emergency or at the next regular meeting, whichever comes first. The report shall describe the emergency and present evidence that the emergency did not permit delay, and action was necessary to respond to the emergency. Until the emergency subsides, or the work is complete, at each subsequent regular meeting following the General Manager's action, the Board shall determine by majority vote whether the need for emergency action continues. Urgent purchases under \$50,000 may be made without informal bids or requests for proposals following procedures established by the General Manager.

2-3.303 Works of Improvement

The District shall procure works of improvement in accordance with Public Contract Code, Section § 20640, et seq.

Public works contracts shall be awarded to the bidder whose bid is in the best interest of the District considering factors such as cost, experience, and availability.

1. Public works contracts valued at \$50,000 or less may be awarded by the General Manager.
2. The General Manager shall require at least two bids for public works contracts valued between \$50,000 - \$200,000, and may award the contract to the party submitting the bid in the best interest of the District.
3. Public works that cost \$200,000 or more shall be left for public bid and awarded by the Board, unless otherwise determined by the Board.

Contracts shall include provisions regarding prevailing wages, working conditions, subcontractors, insurance, and other customary provisions. Contracts of \$25,000 or more shall require a payment bond for 100% of the contract amount, and a performance bond as stated in the bid documents. Bids shall include a bid bond in an amount set by the District.

2-3.304 Services

The District shall procure professional services, such as legal, medical, financial, human resources, labor relations, and educational in accordance with the procedures recommended by the ethics of the discipline involved as is in the best interests of the District.

Architect, engineering, surveying, environmental, and construction management services shall be competitively selected in accordance with law.

The District shall procure contractual services, such as those for custodial work and landscaping, in accordance with procedures that allow for consideration of the quality of work, warranty and establishment of performance standards in addition to price in the best interests of the District.

If the service is estimated to cost less than \$35,000, the General Manager may informally solicit proposals.

If the service is estimated to cost \$35,000 or more, and is included in the current year budget, the General Manager may solicit formal proposals without Board approval. Formal proposals are solicited with a written request for proposals made publicly available on the District's website for at least 2 weeks. If the service is not

in the current year budget, the General Manager may solicit proposals and enter into contracts only with prior Board approval.

2-3.305 Goods

The District shall procure goods, other than works of improvement and services, in accordance with this Section.

Purchases of goods included in the current year's budget estimated to cost less than \$8,000 may be made without further Board action, following informal bidding procedures.

Purchases of goods or services not included in the current year's budget estimated to cost \$8,000 or more shall require Board approval.

All contracts with a total value of \$50,000 or more must be approved by the Board.

2-3.306 Surplus

The General Manager may identify supplies, materials, or equipment as surplus, obsolete, or no longer in use and shall present these items to the Board for approval prior to disposal. The General Manager will establish and implement procedures to ensure the District receives fair value for all surplus items.

All bids for surplus items will be opened in the presence of at least two District employees to ensure transparency. The winning bids will be formally documented and logged, after which the General Manager will notify the successful bidder, arrange for payment, and coordinate the pick-up of the equipment. Revenue generated from the sale of the surplus item(s) will be recorded under account code 450 – *Other: Non S/W Revenue*.

Article 4 - Investment

2-3.401 Purpose

This Article outlines the District's policy for investing public funds in a way that ensures maximum security of principal and the best possible return, while also meeting the District's daily cash flow needs and complying with all applicable laws governing public investments. It applies to all of the District's financial activities, including budgeting, accounting, investments, reserves, debt management, and financial reporting.

2-3.402 General Finance

Establishment of Budget

- a. The General Manager shall present a proposed budget to the Board prior to June 1 of each year.
- b. The Board shall approve a budget by July 1 of each year.
- c. The General Manager shall recommend modifications of the budget to the Board if the approved budget is inadequate due to events occurring subsequent to the approval of the budget.
- d. The General Manager shall implement the approved or revised budget. Expenditures shall be made in accordance with applicable law and District policy.

Financial Reports

- a. The District shall establish an appropriations limit by July 1 of each year.
- b. The District shall establish an operating and capital budget by July 1 of each year.
- c. The District shall request the board of supervisors and county auditor to levy and collect *ad valorem* taxes, other taxes and assessments by the third Monday in August of each year.
- d. An annual or biannual audit shall be filed with the board of supervisors by September 1 of each year.
- e. An annual financial statement shall be filed with the State Controller by September 1 of each year.
- f. Voter approved indebtedness shall be reported to the State Controller by October 1 of each year.

Taxes

The District shall not levy general taxes. The District may levy special taxes in accordance with law.

General Assessments

District may levy assessments for operation and maintenance or to pay for capital improvements in accordance with the law.

2-3.403 Investments**General**

The District may invest or deposit monies only as set forth in this Article. Investments shall be approved by the Board in accordance with the District Law and Government Code.

Basic Policy and Statement of Objectives

In order of importance, the following criteria shall be followed in the investment program:

- a. Safety: Investments shall be made in a manner that ensures the preservation of principal and accrued interest. Diversification in types of investments is required to meet this goal.
- b. Return on Investment: Investments shall be made to produce an acceptable rate of return after first considering safety and liquidity.
- c. Liquidity: Investments shall be made whose maturity date is compatible with cash flow requirements to permit rapid conversion into cash without a substantial loss of value.

Prudent Person

Investments shall be made as if by a prudent person using the same discretion and intelligence a person would use in managing personal affairs and certainly not for speculation.

Auditor

An independent auditor shall perform an annual audit of the District's financial statements.

Permitted Investments

Permitted investments shall include:

- a. U.S. Treasuries: These investments are direct obligations of the United States of America and securities which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States of America.

U.S. Government securities include:

- 1) Treasury Bills: U.S. government Securities issued and traded at a discount.
- 2) Treasury Notes and Bonds: Interest bearing debt obligations of the U.S. government which guarantees interest and principal payments.
- 3) Treasury STRIPS: U.S. Treasury securities that have been separated into their

component parts of principal and interest payments and recorded as such in the Federal Reserve book- entry record-keeping system.

4) Treasury Inflation Protected (TIPs) securities: Special Treasury notes or bonds that offer protection from inflation. Coupon payments and underlying principal are automatically increased to compensate for inflation as measured by the consumer price index (CPI).

U. S. Treasury coupon and principal STRIPS as well as TIPs are not considered to be derivatives for the purpose of this Investment Policy and are, therefore, permitted investments pursuant to the Investment Policy.

Maximum term: Five Years

b. Federal Agencies and U.S. Government Sponsored Enterprises: These investments represent obligations, participations, or other instruments of, or issued by, a federal agency or a United States government sponsored enterprise, including those issued by, or fully guaranteed as to principal and interest by, the issuers. These are U.S. Government related organizations, the largest of which are government financial intermediaries assisting specific credit markets (housing, agriculture). Often simply referred to as "Agencies," the following are specifically allowed:

- Federal Home Loan Banks (FHLB)
- Federal Home Loan Mortgage Corporation (FHLMC)
- Federal National Mortgage Association (FNMA)
- Federal Farm Credit Banks (FFCB)
- Government National Mortgage Association (GNMA)
- Small Business Administration (SBA)
- Export-Import Bank of the United States
- U.S. Maritime Administration
- Washington Metro Area Transit
- U.S. Department of Housing & Urban Development
- Tennessee Valley Authority
- Federal Agricultural Mortgage Company (FAMC)
- Temporary Liquidity Guarantee (TLG) Program securities
- Temporary Corporate Credit Union Liquidity Guarantee Program (TCCULGP) securities

Any Federal Agency and U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.

Maximum Term: Five years

c. Commercial Paper: Commercial paper (CP) is unsecured promissory notes issued by companies and government entities at a discount. Commercial paper is negotiable (marketable or transferable), although it is typically held to maturity. The maximum maturity is 270 days, with most CP issued for terms of less than 30 days. Commercial paper must meet the following criteria:

- Rated P-1 by Moody’s and A-1 or better by Standard & Poor’s, and
- Have an A or higher rating for the issuer’s debt, other than commercial paper, if any, as provided by for Moody’s and Standard & Poor’s, and
- Issued by corporations organized and operating within the United States and having total assets in excess of five hundred dollars (\$500,000,000), and
- May not represent more than ten percent (10%) of the outstanding commercial paper of the issuing.

Maximum Term: 270 days

d. Negotiable Certificates of Deposit: A negotiable (marketable or transferable) receipt for a time deposit at a bank or other financial institution for a fixed time and interest rate. Negotiable Certificates of Deposit must be issued by a nationally or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank, which have been rated F1 or better by Fitch Ratings, or are rated A-1 for short-term deposits by Standard & Poor's and P-1 for short-term deposits by Moody's, or are comparably rated by a nationally recognized rating agency. Principal amounts and accrued interest shall not exceed the FDIC Insurance maximum amount at the time of purchase.

Maximum Term: Five years

e. Money Market Funds: Shares of beneficial interest issues by diversified management companies (commonly called money market funds):

- Which are rated AA (or equivalent highest ranking) by two of the three largest nationally recognized rating services, and
- Such investment may not represent more than five percent (5%) of the money market fund’s assets.

f. Local Agency Investment Fund (LAIF): The Local Agency Investment Fund (“LAIF”) is a voluntary program created by statute (Section 16429.1 et seq.) as an investment alternative for California’s local governments and special districts managed by the State Treasurer. This program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer’s Office investment staff at no additional cost to the taxpayer. All securities are purchased under the authority of Government Code section 16430 and 16480.4. The State Treasurer’s Office takes delivery of all securities purchased on a delivery versus payment basis using a third-party custodian.

All investments are purchased at market rate and a market valuation is conducted monthly. The investment objective of LAIF mirrors those of KVHD with preservation of capital being the primary objective and liquidity second. Any agency with funds on deposit with LAIF can withdraw those funds within 24 hours' notice.

Maximum Term: Five Years

g. Corporate Debt Securities: Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States as follows:

- For the purposes of this Investment Policy, corporate securities that are rated A or better by both Moody's and Standard & Poor's, or by one of either Moody's or Standard & Poor's and with a comparable rating by a nationally recognized rating service on longer term debt.
- Are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state operating within the United States and have total assets in excess of five hundred million dollars (\$500,000,000), and
- May not represent more than five percent (5%) of the issue in the case of a specific public offering. This limitation does not apply to debt that is "continuously offered" in a mode similar to commercial paper, i.e., medium term notes ("MTNs"). Under no circumstances can the MTNs or any other corporate security of any one corporate issuer represent more than 5% of the portfolio.

Maximum Term: Five years

Investment Procedure

a. In making investments the District shall observe the limitations contained in the Government Code, including section 53601, and stated herein.

b. The Board is responsible for selecting the proper mix of investments taking into account limits imposed by law and the need for liquidity. When deposits or investments owned by the District mature or when other monies are available for investment or deposit, the monies may be deposited or invested in the Local Agency Investment Fund or other permitted investments.

c. Investments shall be held in the name of the District. Investment documents shall be held for safekeeping in the District's locked files or in a depository approved by the Board. The Board shall execute such documents necessary to provide evidence of the Treasurer's trading authority as set forth herein.

Reports

a. The General Manager shall present annual reports on investments to the Board. The report shall show: the type of investment, how title is held, institution, date of

maturity, amount of deposit, current market value for all securities with a maturity of more than 12 months, rate of interest, the relationship of each investment to this investment policy, information showing that expenditure requirements can be met in the following quarter and specify investments made pursuant to Government Code sections 53601(i), 53601.1 and 53635(i).

b. The finance committee shall review investments held by the District annually. The Treasurer shall make an annual report and recommendation to the Board concerning implementation or changes in this policy.

c. This investment policy shall be reviewed annually or more often, if necessary.

2-3.404 Accounts

Deposits

The District shall establish one or more deposit accounts with State or national banks or savings associations upon such terms and conditions as may be agreed upon. The General Manager shall establish such accounts in the name of the District for general fund and bond interest and redemption fund expenditures.

Upon maturity, investments will be deposited into the District's checking or savings accounts, subject to approval by either the Board.

Safe Deposit Boxes

The General Manager may obtain safe deposit boxes at state or national banks or savings associations for use of the District. Two of the following must authorize access: General Manager, Office Manager, and a Director.

Petty Cash Account

The General Manager shall create, and the District shall maintain, one or more imprest funds, known as the petty cash accounts, in amounts reasonable for the purpose and not to exceed \$1,000. Disbursements shall be accompanied by paid receipts. The General Manager shall report to the Board on disbursements from the petty cash accounts as part of the normal monthly financial reporting.

Accounting Practices

a. The District shall maintain books of account in accordance with generally accepted accounting practices as promulgated by governmental accounting standards board showing the status of monies received and disbursed.

b. Funds and accounts shall be maintained as necessary to accomplish this purpose, as follows:

1. General (may be used for any lawful purpose):
 - a. Checking
 - b. Payroll
 - c. Savings

2. Special (may be used only for specified purposes):
 - a. Bond proceeds
 - b. Tax proceeds
 - c. Funded Depreciation
 - d. Operating Reserve

Check Register

a. A check register showing the check number, payee, amount, the fund upon which it is drawn and the purpose of each check, shall be prepared by the General Manager, and made available to the Finance Committee at regular meetings. Invoices and other supporting documents will be available for inspection by any Director. The General Manager is authorized to disburse checks in the normal course of business, provided the check register is made available to the Finance Committee at its next regular meeting.

b. Checks to pay utility bills, postage, emergencies, and invoices subject to discount may be disbursed prior to the Finance Committee review. Such items shall be set forth on a supplemental check register or included on the next regular check register and presented to the Board dependent on timing of actual check delivery.

c. Checks drawn to pay demands that have been approved by the Board shall be signed by the General Manager or members of the Board. Two signatures are required on every check drawn.

Other

a. Transactions described herein, including opening or closing checking accounts, shall be accomplished by the designated officer in the name of the District. Action by the Board is required for each transaction unless otherwise indicated herein. Withdrawals shall be supported by receipts indicating the purpose of the withdrawal, the amount and the employee responsible for the withdrawal.

b. An officer may receive non-negotiable instruments on behalf of the District, but such instruments shall be forthwith remitted to the General Manager for handling.

2-3.405 Review and Amendment

The Board of Directors shall annually review this code. The Board must approve amendments to ensure continued compliance with state law and best financial practices.

2-3.406 Authorities

The District shall comply with the following California laws and regulations:

Government Code § 53600-53686 (Investment of Public Funds)
Government Code § 53891 (Financial Transactions Report)
California Public Records Act (Gov. Code § 6250 et seq.)
Provisions of the State Controller’s Office regarding financial reporting

Article 5 – Depreciation

Capital assets purchased or acquired are recorded at historical cost or, if the historical cost is not available, at estimated historical cost. Contributed assets are recorded at their fair market value as of the date received.

Additions, improvements, or other capital expenditures that significantly extend the useful life of an asset are capitalized. Routine repairs and maintenance costs are expensed as incurred.

2-3.501 Capitalization Threshold

General Capital Assets — \$5,000 and/or a useful life greater than five (5) years

2-3.502 Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of each asset category, as follows:

Buildings/Projects — 40 years Equipment — 5 to 20 years

CHAPTER 4 - DISTRICT POLICIES

Article 1 - Services

2-4.101 Distribution and Sale of Water

The Board fixes the rates at which water shall be sold, and the regulations governing classes of service and the conditions of service. All water rates and regulations are set forth in the Water Code.

The District shall encourage water conservation to the maximum extent feasible.

2-4.102 Collection and Treatment of Sewage

The Board has determined the necessity of constructing and operating facilities for the collection, treatment and disposal of sewage. Sewer rates and regulations covering sewage treatment are set forth in the Sewer Code.

Article 2 - Rates and Charges

In accordance with Proposition 218, also known as the “Right to Vote on Taxes Act,” the District is required to provide property owners with notice and the opportunity to protest proposed increases to service charges, including water and sewer rates. A public hearing must be held at least 45 days after mailing written notice of the proposed rate changes to affected property owners.

If written protests are received from a majority (50% + 1) of property owners or customers of record subject to the proposed rate, the rate increase cannot be adopted.

Absent a majority protest, the Board of Directors retains full discretion and authority to adopt, modify, or reject the proposed rates following the public hearing. The final decision on rate adjustments lies solely with the Board, taking into account public input, operational needs, and long-term financial sustainability of the District.

2-4.201 General

At least annually, the Board shall review and amend or confirm the rates, fees and charges for potable water service and sewer service. Adoption of the annual budget with rate assumptions included therein may constitute such review.

2-4.202 Operating Costs

As near as practicable, the Board shall establish service charges at a level sufficient to recover the cost of operating and maintaining the service.

2-4.203 Capital Improvement Costs

As near as practicable, the Board shall establish connection and facilities charges sufficient to recover the cost of constructing capital improvements required to provide service.

Article 4 - Records Inspection

2-4.401 Definitions

As used in this Article:

“Public Records” includes any writing containing information relating to the conduct of District’s business prepared, owned, used, or retained by the District regardless of physical form or characteristics.

“Writing” means any handwriting, typewriting, printing, copying, photographing, and every other means of recording upon any form of communication or representation, including letters, words, pictures, sounds or symbols, or combinations thereof, and all papers, maps, magnetic or paper tapes, photographic films and prints, magnetic or punched cards, discs, drums, or other documents.

2-4.402 General

In accordance with the California Public Records Act (Government Code § 7921.000 et seq.), District records are available for public inspection during regular business hours, except for those records exempt from disclosure under state or federal law. Every person has the right to inspect or request copies of District records, subject to reasonable conditions and any applicable exemptions as provided by law.

2-4.403 Exceptions

Nothing in this Article shall be construed to require disclosure of records that are:

Preliminary drafts, notes, or intra or inter agency memoranda which are not retained by the District in the ordinary course of business, provided, that the public interest in withholding such records clearly outweighs the public interest in disclosure.

Records pertaining to pending litigation to which the District is a party or to claims made pursuant to Division 3.6 (commencing with Section 810) of Title 1 of the Government Code, until such litigation or claim has been finally adjudicated or otherwise settled;

Personnel, medical or similar files, the disclosure of which would constitute an unwarranted invasion of personal privacy;

Geological and geophysical data, plant production data and similar information relating to utility systems development which are obtained in confidence from any person;

Test questions, scoring keys, and other examination data used to administer examinations for employment.

The contents of real estate appraisals, engineering or feasibility estimates and evaluations made for or by the District relative to the acquisition of property, or to prospective supply and construction contracts, until such time as all property has been acquired or all of the contract agreement obtained, provided, however, the law of eminent domain shall not be affected by this provision;

Records the disclosure of which is exempted or prohibited pursuant to provisions of Federal or State Law, including, but not limited to, provisions of the Evidence Code relating to privilege.

Other records the disclosure of which is not required by law.

2-4.404 Additional Public Records

Notwithstanding the foregoing:

Every employment contract between the District and any public official or public employee is a public record.

An itemized statement of the total expenditures and disbursements of the District provided for in Article VI of the California Constitution shall be open for inspection.

2-4.405 Justification for Withholding Records

The District shall justify withholding any records by demonstrating that the record in question is exempt under the express provisions of this Article, or that on the facts of the case the public interest served by not making the record public, clearly outweighs the public interest served by disclosure of the record.

2-4.406 Copies of Records

A person may receive a copy of any identifiable District record. Upon request, an exact copy shall be provided in a form determined by the District. Officers, agents and employees of the District are not required to comply with this section when acting within the course and scope of District employment or office holding.

A request for a copy of an identifiable public record or information produced there from shall be accompanied by payment of a fee in the amount of \$.20 per page, or in the case of blue line records, the amount of \$3.00 for the first sheet and \$1.50 for each additional sheet of the same project. A certified copy of such a record shall require an additional fee of \$2.00.

The General Manager may require any person who desires to obtain a copy of a District record to deposit an amount equal to the estimated fees for copying.

2-4.407 Public Counter Files

The General Manager shall maintain a duplicate copy of all approved minutes, the agenda for the next scheduled Board meeting and any written material distributed to members of the Board for discussion or consideration at the next scheduled Board meeting, at the public counter located in the District's offices, provided, any writing exempt from public exposure pursuant to the Public Record Act shall not be maintained at the public counter, provided, further, writings which are public records and which are discussed during a public meeting but which were not previously available shall be made available prior to the commencement of, and during, their discussion at such meeting and shall be made available for public inspection immediately or as soon thereafter as practicable.

No fee will be charged for viewing the records described in this section. However, if copies are requested, the applicable fees outlined herein will apply. The General Manager shall also keep a record of all public inspection requests that are denied, along with the reasons for each denial as specified in this Article.

2-4.408 Inspection by Directors

Notwithstanding any other provision in this Article to the contrary, all records of the District, including records excluded from public inspection by virtue of the provisions hereof, shall be made available for inspection by any member of the Board of Directors at all reasonable times. No fee or charge shall be imposed upon any member of the Board of Directors for obtaining a copy of such record or for any search relating to the location of such record.

Article 5 - Retention of Records

2-4.501 **General**

District records are open to inspection during office hours, and every person has a right to inspect the records, except as otherwise provided by law.

2-4.502 **Definitions**

“Public Records” includes writing containing information relating to the conduct of District's business prepared, owned, used, or retained by the District regardless of physical form or characteristics.

“Writing” means handwriting, typewriting, printing, photocopying, photographing, and other means of recording upon any form of communication or representation, including letters, words, pictures, sounds or symbols, or combinations thereof, and papers, maps, magnetic or paper tapes, photographic films and prints, magnetic or punched cards, discs, drums, or other documents. Writing does not include compilations of writings not created in the normal course of business.

2-4.504 **Additional Public Records**

Notwithstanding the foregoing:

Every employment contract between the District and a public official or public employee is a public record.

An itemized statement of the total expenditures and disbursements of the District provided for in Article VI of the California Constitution shall be open for inspection.

2-4.508 **Retention**

The following original records shall be maintained in perpetuity in the District's files:

- (a) The Certificate of Incorporation of the District;
- (b) Certifications of annexation proceedings;
- (c) Certificates of the Secretary of State reciting the filing of annexation papers by the District in his office;
- (d) Certifications by the Secretary of State that detachment papers have been received and area is excluded from the District;
- (e) Resolutions;

- (f) Minutes of meetings of the Board;
- (g) Certificates of Assessed Valuation prepared by the Auditor of each County in which property taxable by the District lies;
- (h) Documents received from the Tax Assessor detailing District taxes collected;
- (i) Ballot arguments pro or contra on bond issues;
- (j) Results of bond propositions received from the canvassing bodies;
- (k) Results of elections for the directors received from the canvassing body;
- (l) Records of securities acquired with surplus moneys;
- (m) Receipts for securities from banks;
- (n) Documents received relating to claims against the District;
- (o) Documents received pursuant to eminent domain proceedings by the District;
- (p) Records affecting title to land or rights of way owned by the District or liens thereon;
- (q) Records determined by the Board to be of significant and lasting historical, administrative, legal, fiscal or research value; and
- (r) Any other records required by law to be filed and preserved.

2-4.509 Retention of Duplicate Original Records

The following original records may be destroyed if a copy is maintained in perpetuity:

- (a) Financial records summarizing the financial status of the District other than reports prepared pursuant to Article 9 (commencing with section 53891) of Part 1 of Division 2 of the Government Code;
- (b) Oaths of Office and related materials depicting the authenticity of the appointment of director or officer;
- (c) Paid vouchers with attached documents, summary of collections, registers of demands issued, and journals of warrants paid, if the original is maintained in the District's files for a period of five years;
- (d) Reports of the District in correspondence not covered in another Section of this Policy; and

- (e) Records received pursuant to State statute not expressly required by law to be filed and preserved.

2-4.510 Retention

Except as otherwise required by law, the following records may be destroyed after the passage of time, without maintenance of a copy:

- (a) Unaccepted bids or proposals for construction may be destroyed after two years;
- (b) Work orders or in-house records of time spent on work assignments may be destroyed after two years;
- (c) Records created for a specific event or action may be destroyed after five years following the end of the fiscal year in which the event or action was completed;
- (d) Canceled checks for the payment of bond interest and redemption may be destroyed after ten years; and
- (f) Any record, paper or document more than two years old and prepared or received in a manner other than pursuant to State statute.

2-4.511 Other Records

The following records may be destroyed at any time, without maintenance of a copy:

- (a) Duplicates, the original or a permanent photographic record of which is on file;
- (b) Rough drafts, notes and working papers accumulated in the preparation of a communication, study or other document, unless of a formal nature contributing significantly to the preparation of the document representing the work of any employee;
- (c) Cards, listings, non-permanent indices, other papers used for controlling work and transitory files including letters of transmittal, suspense letters, and tracer letters;
- (d) Canceled coupon sheets from registered bonds; and
- (e) Shorthand notebooks, telephone messages and inter departmental notes.

2-4.512 Recordings

An audio or video recording of a meeting of the Board or a Board committee made by the District may be erased or destroyed after three (3) months or upon approval of the recorded minutes. Members of the public may inspect or copy a recording prior to it being erased or destroyed.

TITLE 3 – CONFLICT OF INTEREST

CHAPTER 1 – CONFLICT OF INTEREST

3-1.101 Purpose and Authority

This Policy establishes the District’s Conflict of Interest Code pursuant to the California Political Reform Act (Government Code §§ 81000 et seq.). The Fair Political Practices Commission’s regulation 2 CCR § 18730, together with the appendices to this Policy, is incorporated by reference and constitutes the District’s Conflict of Interest Code.

3-1.102 Adoption of Model Code (2 CCR § 18730)

The provisions of 2 CCR § 18730, and any amendments duly adopted by the Fair Political Practices Commission, are hereby adopted and shall govern disclosure by the District’s designated positions withing this code.

3-1.103 Designated Position

Individuals holding the positions listed in this chapter make or participate in making governmental decisions for the District and are designated filers who must disclose economic interests pursuant to the disclosure categories assigned to their positions.

3-1.104 Disclosure Categories

Disclosure categories are defined in this chapter. Each designated position is assigned one or more disclosure categories specifying the types of economic interests required to be reported on the Statement of Economic Interests (FPPC Form 700).

3-1.105 Filing

Unless otherwise, original Form 700 statements for District officials and designated employees shall be filed with the Clerk of the Lake County Board of Supervisors, who shall act as the filing officer for purposes of collection, retention, and public access.

3-1.106 Statement Types and Deadlines

Designated employees and officials must file Form 700 statements as follows:

- Initial Statement: Within 30 days of the effective date of this Policy for the position, or within 30 days of the position being newly designated.
- Assuming Office Statement: Within 30 days of assuming a designated position.
- Annual Statement: Due no later than April 1 of each year.
- Leaving Office Statement: Within 30 days after leaving a designated position.

3-1.107 Consultants

Consultants, as defined by 2 CCR § 18700.3, are designated positions to the extent they make or participate in making governmental decisions. The District may determine in writing that a specific consultant performs a limited range of duties and, thus, shall disclose only certain interests. Absent such written determination, consultants shall disclose under the broadest disclosure category.

3-1.108 Biennial Review

In even-numbered years, or more frequently as needed, the District shall review this code. Amendments to designated positions or disclosure categories shall be adopted by the District.

3-1.109 Public Records

Statements of Economic Interests (Form 700) are public records and shall be made available for inspection and reproduction in accordance with the Political Reform Act and applicable public records laws.

Article 1 – Designated Positions

The positions listed below are designated positions. The disclosure category assigned to each position is set forth in this article

Designated Position	Disclosure Category(ies)	Filing Officer (if different)
Director / Board Member	1	Clerk of the Board
General Manager	1	Clerk of the Board
Administrative Services Manager	1, 2	Clerk of the Board
Engineer / Project Manager	2, 3	Clerk of the Board
Consultants*	As determined (see § 3-1.107)	Clerk of the Board

* Consultants: The General Manager or Board may determine the appropriate disclosure category based on the consultant’s duties.

Article 2 – Disclosure Categories

3-1.201 Category 1: Full Disclosure

All investments, business positions, and interests in real property located in, or within two miles of, the District; and all sources of income (including gifts, loans, and travel payments).

3-1.202 Category 2: Contracts -Finance

Investments, business positions, and income (including gifts) from any source of the type that provides, supplies, or contracts for goods, services, materials, equipment, or financing utilized by the District.

3-1.203 Category 3: Land – Permits – Capital Projects

Interests in real property and income (including gifts) from any source of the type engaged in land development, construction, engineering, planning, or permitting within the District.