



Mission statement of McKinleyville Community Services District:
 “McKinleyville Community Services District provides authorized services
 fundamental to the health and well-being of the community.”

**NOTICE IS HEREBY GIVEN THAT A *Special* MEETING OF THE
 MCKINLEYVILLE COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS
 AUDIT AND FINANCE COMMITTEE MEETING
 WILL BE HELD
 TUESDAY, AUGUST 5, 2025 AT 2:00 P.M.**

**LOCATION: MCSD District Office Conference Room
 1656 Sutter Road
 McKinleyville, CA 95519**

MEETING AGENDA

1. Introductions, Call to Order, and Roll Call
2. Pledge of Allegiance
3. Public Comment
4. Consider Recommendation for Approval of MCSD’s Investment Policy **P. 3**
 Attachment 1 – DRAFT Investment Policy **P. 5**
5. Discuss Updates to District Rules & Regulations and Expenditure Control Guidelines to Conform to California Uniform Public Construction Cost Accounting Act (CUPCCAA) **P. 21**
 Attachment 1 – CUPCCAA FAQs **P. 25**
 Attachment 2 – Draft edits to Expenditure Control Guidelines **P. 33**
6. Discussion of Rate Study Schedule **P. 47**
 Attachment 1 – Pages from FY25/26 Budget **P. 49**
 Attachment 2 – 2022 Water & Sewer Rate Study **P. 51**
7. Adjournment

Posted 5:00 p.m. on August 1, 2025

Pursuant to California Government Code Section 54957.5, this agenda and complete packet are available for public inspection on the web at McKinleyvillecsd.com or upon request at the MCSD office, 1656 Sutter Road, McKinleyville.

McKinleyville Community Services District will, on request, make agendas available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Individuals who need this agenda in an alternative format or who need a disability-related modification or accommodation in order to participate in the meeting should contact the Board Secretary at (707) 839-3251. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements for accommodations.

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT
INVESTMENT POLICY
ADOPTED JULY 2, 2025

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PURPOSE

McKinleyville Community Services District, or the District, shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives of this Policy, in priority of Safety, Liquidity and Return on Investment (ROI). The Finance Director of the District will submit this investment policy for annual review to the Audit and Finance Committee and thereafter annually to the Board of Directors for review and approval at a public meeting pursuant to California Government Code section 53646. This investment policy will work in conjunction with the District's Reserve Policy where applicable.

OBJECTIVE

The District's ultimate investment goal is to enhance the economic condition of the District while ensuring the safety of funds invested and ensuring that money is always available when needed.

The District strives to maintain the level of investment of all idle funds as near 100% as possible, through the optimum operation of its cash management system which is designated to accurately monitor and forecast expenditures and revenue. The District attempts to obtain the highest yield on its investments with preservation of principal and liquidity.

1. **Safety:** Safety of principal is the foremost objective of this investment policy. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, investments shall be placed only in securities described in this policy, authorized by federal, state, and local laws and regulations, and managed in a manner that seeks to ensure preservation of principal. The portfolio shall also be appropriately diversified to avoid incurring unreasonable risks regarding specific types of individual financial institutions.
2. **Liquidity:** The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated. The exception to this are those funds that are held in reserve per the District's Reserve Policy.
3. **Return on Investment:** The District's investment portfolio shall have the objective of attaining a comparative performance measurement or an acceptable rate of return throughout budgetary and economic cycles. These measurements should be commensurate with the District's investment risk constraints identified in the Investment Policy and the cash flow characteristics of the portfolio.

Commented [RG1]: Note, Government Code section 53646(a)(2) states that the chief fiscal officer of "local agencies" ... "may annually render to the legislative body ... a statement of investment policy, which the legislative body of the local agency shall consider at a public meeting." Although "may" doesn't require annual review, putting the policy on the Board's consent calendar once a year is best practice.

SCOPE

This investment policy applies to all investment activities and financial assets of the District. The funds covered by this policy are accounted for and incorporated in the District's Annual Comprehensive Finance Report (ACFR) and include:

- General Funds
- Special Funds
- Enterprise Funds
- Debt Service Funds
- Capital Project Funds
- Internal Service Funds
- Trust and Agency Funds

PRUDENCE

The standard of prudence to be used by the designated representative of the District shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. Persons authorized to make investment decisions on behalf of local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency".

DELEGATION OF AUTHORITY

The District as permitted under California Government Code 53607 delegates the responsibility to invest or reinvest the funds of the District or to sell or exchange securities so purchased, to the General Manager or Finance Director, who shall be responsible for the transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and their procedures in the absence of both the General Manager and Finance Director. This delegation shall be reviewed and renewed annually by the Board of Directors.

ETHICS AND CONFLICTS OF INTEREST

Investment officials shall refrain from personal business activity that could conflict with proper execution and management of the policy and the investment program, or which could impair their ability to make impartial decisions. Investment officials must provide a public disclosure document by February 1 of each year or when material interest in financial institutions or personal investment positions require it. Furthermore, investment officials must refrain from undertaking personal investment transactions with the same individual(s) employed by the financial institution with whom business is conducted on behalf of the District.

INVESTMENT GUIDELINES AND INVESTMENT STRATEGY

The District uses a set of written Investment Guidelines (see section Q) which define the procedures for investing within the directives of the Investment Policy. In accordance with the Investment Guidelines, an investment strategy is used to maximize yield depending on market conditions.

To maximize returns, the economy and various markets are monitored carefully in order to assess the probable course of interest rates. The District lengthens its maturities (not to exceed 5 years) when rates are falling and shortens maturities when rates are rising. The District attempts to take advantage of imperfections in the market where a security's price is out of line with other investments and tries to improve yields during cyclical changes in interest rates.

PERMITTED INVESTMENTS AND LIMITATIONS ON INVESTMENT

Funds not deposited in banks may be invested in the securities described in items 1-15 below. The maximum maturity of any securities purchased shall not exceed five (5) years from date of purchase, unless specified below as shorter than five years, or unless a longer maturity is allowed by bond documents for the investment of bond proceeds, as described in section 15 below. All investments will be selected based on objectives outlined in section B above and shall be subject to limitations as described herein.

1. Obligations of the U.S. Treasury, or securities guaranteed by the full faith and credit of the United States ("Treasury Obligations"), excluding securities which have been stripped of their coupons.
 - a. There is no limitation to the percentage of the portfolio which may be held in these Treasury obligations.

2. Obligations which are guaranteed by the full faith and credit of agencies or instrumentalities of the U.S. government (“Agency obligations”), including but not limited to the Federal National Mortgage Association (FNMA), the Federal Farm Credit Bank (FFCB), and the Federal Home Loan Bank (FHLB).
 - a. There is no limitation to the percentage of the portfolio which may be held in these Agency obligations.
3. Negotiable certificates of deposit at banks, the short-term obligations of which are rated A1 or higher by Standard and Poor’s or rated P1 or higher by Moody’s Investors Service and the long-term obligations (if any) of which are rated A or higher by Standard and Poor’s or P1 or higher by Moody’s Investors Service, or the equivalent by another nationally recognized rating agency.
 - a. The maximum maturity of certificates of deposit may not exceed five (5) years.
 - b. No more than 30% of the portfolio, excluding bond proceeds, may be invested in certificates of deposit.
 - c. The institution must have locations in California.
 - d. The institution must have current financial information, a signed contract, and a waiver on file with the District.
 - e. The institution must maintain a net worth to asset ratio of at least 30% and have a positive earnings record.
 - f. The institution must be at least 3 years old.
 - g. For collateralized investments, the institution must have at least \$500 million in assets.
4. Banker’s Acceptances issued by banks, the short-term obligations of which are rated A1 or higher by Standard and Poor’s or rated P1 or higher by Moody’s Investors Services, or the equivalent by another nationally recognized rating agency.
 - a. The maximum maturity of banker’s acceptances may not exceed 180 days.
 - b. No more than 40% of the portfolio, excluding bond proceeds, may be invested in Banker’s Acceptances.
5. Commercial Paper issued by corporations, the short-term obligations of which are rated A1 or higher by Standard and Poor’s, or P1 or higher by Moody’s Investor Services, or the equivalent by another nationally recognized rating agency.
 - a. The maximum maturity of commercial paper may not exceed 270 days.
 - b. Eligible paper is limited to notes issued by corporations organized and operating within the United States and having total assets in excess of \$500 million and having a long-term debt rating of “A” or higher.

- c. No more than 15% of the portfolio, excluding bond proceeds, may be invested in commercial paper.
 - d. An additional 15% of the portfolio (for a total of 30%), excluding bond proceeds, may be invested in commercial paper if the dollar-weighted average maturity of the entire amount does not exceed 31 days.
- 6. Repurchase Agreements collateralized by any securities permitted under items 1 and 2 of this section of this policy (Treasury obligations or Agency obligations).
 - a. The term of a repurchase agreement may not exceed 30 days.
 - b. The market value of securities shall not be less than 102% of the repurchase amount.
 - c. No more than 15% of the portfolio, excluding bond proceeds, may be invested in repurchase agreements.
 - d. The repurchase agreements shall be subject to a master repurchase agreement between the District and the provider of the repurchase agreement. The repurchase agreement shall be substantially in the form developed by the Public Securities Association.
 - e. Collateral underlying repurchase agreements shall be delivered to the District's custodial bank. Clearly marked evidence of ownership (safekeeping receipts) must be supplied to the bank.
- 7. Corporate Medium Notes, rated A or higher by Standard and Poor's or P1 or higher by Moody's Investor Services.
 - a. No more than 30% of the portfolio, excluding bond proceeds, may be invested in corporate medium-term notes.
- 8. Mortgage Pass-Through securities issued by an agency of the U.S. governments.
 - a. No more than 15% of the portfolio, excluding bond proceeds, may be invested in mortgage pass through securities.
- 9. Money market mutual funds with a minimum of \$250 million in assets which invest in securities described in 1 through 7 above, provided:
 - a. The fund has attained the highest rating proved by two of the three largest nationally recognized rating agencies, or
 - b. The fund has an investment advisor registered with the Securities and Exchange Commission with not less than five (5) years of experience investing in the securities and obligation in 1-7 above.
 - c. No more than 15% of the portfolio, excluding bond proceeds, may be invested in money market mutual funds.

10. The State of California Local Agency Investment Fund (LAIF):

- a. No more than the maximum deposit allowed per agency set by the State of Treasurer may be invested in LAIF.
- b. Annual review of LAIF's Pool Money Investment Board Annual Report will be conducted to continue to ensure LAIF's investment policy, standards, and rate of return are compatible with the District's risk tolerance.

11. Joint Powers Authority Pool (JPAP): Funds may be invested in a JPAP organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in Section 53601, subdivisions (a) to (q) where each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority.

- a. Prior to investing, and on an annual basis thereafter, the District will request from each Joint Powers Authority Pool, documents which provide details on the operations of the fund. These documents, along with the other criteria below, include the rating restriction, will be used to determine the suitability to invest in the JPAP.
- b. Investment in JPAPs will be limited to the California Asset Management Program (CAMP), the Investment Trust of California (CalTRUST), and California CLASS.
- c. Ratings of a JPAP must be in a rating category of AAf/S-1+ for CalTrust, AAAM for CAMP, and AAAM for California CLASS, or its equivalent by Moody's, S&P, or Fitch.
- d. There is no limit on the percentage of the portfolio, excluding bond proceeds, that may be invested in JPAPs.

12. The District also utilizes deposits from commercial banks for regular depository services including operating and payroll accounts. Interest-bearing accounts may also be maintained for District operating reserves.

- a. Deposits in local banks or savings and loans must be consistent with the basic investment goals which stress safety and liquidity above yield.
- b. All bank and savings and loan association deposits shall be insured by the FDIC or, to the extent not insured, be collateralized with securities in accordance with California Law.
- c. Operating funds held in an analyzed checking account shall not fall below \$1,200,000 to ensure monthly fees are avoided to the best of District's ability.
- d. Rate of return on interest-bearing accounts shall be reviewed on a quarterly basis, and if necessary, renegotiated with the bank.

13. The District receives tax and assessment revenues through the Humboldt County Treasury in December, April and June of each year. Funds held in the Humboldt

County Treasury are to be used first to cover any administrative fees, direct charge fees, or LAFCO fees and are directly deducted by Humboldt County staff.

- a. There is no limitation to the percentage of the portfolio which may be held in the Humboldt County Treasury; however, funds should be managed with the primary goals of safety, liquidity, and yield top of mind.
14. The District also holds assets in a Section 115 Trust with CalPERS California Retirement Benefit Trust (CERBT) to pre-fund the District's Other Post Employment Benefits (OPEB) liability. Contributions to the Section 115 Trust may be made on an annual basis and should be equal to or greater than the annual Pay-go amount.
15. Bond proceeds, obligations under lease, installment sales, or proceeds from other agreements of the District may be invested with more flexibility, in accordance with Section 53601 of the California Government Code, in any security that meets the statutory provisions governing the issuance of bonds or other agreements made by the District.

POLICY CONSTRAINTS

The District operates its investment program with many state and self-imposed constraints. The District does not speculate; it does not buy stocks; it does not deal in futures or options; it does not purchase on margin and shall not enter into reverse repurchase agreements or similar leveraging instruments. The weighted average life of the portfolio is maintained within the limits dictated by the cash flow needs of the District and by Investment Guidelines. The District diversifies its investment to reduce potential default on market risks. The portfolio is carefully monitored to ensure the prudent management of the portfolio.

SELECTION OF INVESTMENT CONTRACTS

The District determines those firms with which it will do investment business through a process outlined in the Investment Guidelines. The District will not invest with any firm not on the approved list of Investment Contracts.

SAFEKEEPING

All securities in the District's portfolio are maintained in the District's files and are evidenced by safekeeping receipts. All transactions will be conducted as delivery-vs-payment settlements.

INVESTMENT CONTROLS

The District's Finance Director has developed a system of internal investment controls and a segregation of responsibilities of investment functions, in order to assure an adequate system of internal controls over the investment function. The controls are designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent action by employees and officers of the District. Controls deemed most important include: clear delegation of authority to subordinate staff members, secondary review of transactions, accounting and recordkeeping, supervisory control of employee actions, written confirmation of all transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, custodial safekeeping, avoidance of bearer-form securities, specific limitations regarding securities losses and remedial actions, proper review and approval of brokerage account and investment transactions, and control of collusion.

INVESTMENT REPORTS

1. The District's Finance Director may render an Investment Policy Statement as needed to the District's Audit and Finance Committee for their recommendation for approval by the Board of Directors at a public meeting per California Government Code section 53646(a).
2. The District's Finance Director will render to the General Manager and Board of Directors a quarterly report after the end of the quarter to be included with the Treasurer's Report. Included in these types of reports are type of investment, issuer, date of maturity, face value, cost of security, current market value (and source of valuation), yield, citation of compliance with the investment policy (or explanation), and a statement of the District's ability to meet expenditure requirements for the next 6 months. Each report shall also include an explicit statement of portfolio compliance with current investment policy.

INVESTMENT AUDITS

Annually, there shall be both internal and external audits of the District's Investment Program to assure compliance with the Investment Policy, Investment Guidelines, and Investment Controls.

INVESTMENT PERFORMANCE EVALUATION

Annually, the Board of Directors, at the time that the Investment Policy is brought to the Board of Directors, shall review and evaluate the investment program and update the Statement of Investment Policy. The General Manager shall review the Investment Guidelines semi-annually.

RATING AND SECURITIES

Only securities which meet the ratings specified above may be purchased. If the rating of a security which the District owns is downgraded below these rating standards, the Finance Director shall determine whether to retain or liquidate the security, based upon the new rating, the reason for the re-rating, the maturity date, the amount, and the market value of the security.

INVESTMENT GUIDELINES

1. Cash Availability Guidelines

- a. Cash flow analysis is developed which serves as a basis for determining the cash available for investment and maturity dates needed to cover future disbursements.
- b. A close rapport is maintained with all departments having a significant impact on cash flow to ensure receipt of timely and accurate data.
- c. Where practical, revenue receipts are consolidated into one bank account and invested on a pooled concept basis. Interest earnings are allocated according to fund cash and investment balances.
- d. Active bank balances are kept as low as possible while not jeopardizing good banking relationships but as high as necessary to avoid monthly analyzed fees.
- e. Maintain investment of available cash as near to 100% as possible.
- f. Bank balances are obtained weekly to assure accurate and detailed information.

- g. Sufficient funds are maintained in very liquid investments to meet most unexpected contingencies.

2. **Investing Guidelines**

- a. A close working relationship is maintained with a list of well-established brokers, dealer/brokers, and bankers whose proven technical knowledge and expertise is of assistance in making investment decisions.
- b. Economic data, forecasts, and conditions are continuously obtained from financial experts in the field and evaluated as to impact on investment decisions.
- c. Business journals are routinely reviewed, and education programs are attended to enhance knowledge and professional skills required to manage an investment portfolio.
- d. Only investments authorized by the Investment Policy are transacted. Investments are made with qualifying institutions based only on competitiveness of interest rates offered.
- e. Purchases of investments are made with the intent of holding the investments to maturity. If, under favorable market conditions, investments of similar maturities can be swapped or traded and portfolio performance can be improved without compromising safety, the trades may be transacted.
- f. Individuals authorized by delegation to assist the District's Finance Director and General Manager in conducting transactions are limited to purchases of 90 days maturity or less and are limited to transactions of no more than \$100,000 in size, unless specifically otherwise authorized under unusual transactions. All such transactions must be reviewed and approved from the Finance Director or General Manager.

3. **Guidelines for Broker/Dealer and Banker Relationships**

- a. A list of approved brokers, broker/dealers, banks, and savings and loans is reviewed annually based on the following:
 - i. Being authorized under California Government Code section 53635.5 to transact investments with local agencies.
 - ii. Receipt of positive audited financial statements.
 - iii. Being in business for a minimum of three years.
- b. The District's Finance Director reviews and acts on requests to be on the approved list and accompanying financial statements.
- c. There is a formal filing system of the required information for those on the approved list, which provides for an annual report of updated financial information.
- d. There is a timely transaction monitoring system to ensure that all documents and confirmations are received and are correct.

- e. Transactions are monitored monthly to ensure that there are no undue concentration of investment with any single firm.

GLOSSARY OF INVESTMENT SECURITIES

- a. **Obligations of the U.S. Treasury**- Debt obligations backed by the full faith and credit of the U.S. Government. They are issued with initial maturities from three months to 30 years.
- b. **Agency Obligations**- Obligations guaranteed by the full faith and credit of agencies and instrumentalities of the U.S. Government, such as FNMA, FFCB, and FHLB.
- c. **Negotiable Certificates of Deposits**-A bank deposit issued in negotiable form (i.e., one that can be bought or sold in the open market).
- d. **Banker's Acceptance**- A draft that is drawn and accepted by banks. Because the accepting institution is obligated to pay the draft without regard to whether it is paid or not, banker acceptances are considered to be high quality money market instruments.
- e. **Commercial Paper**- Unsecured promissory notes issued by corporations to fund short term cash requirements.
- f. **Repurchase Agreement**- An agreement in which an investor buys securities from a contra-party with the provision that the buyer must sell the securities back to the contra-party at a specific date at a pre-agreed upon price. The repurchase amount is expressed as principal plus interest at an agreed upon rate.
- g. **Corporate Medium-Term Note**-An obligation of a corporation issued with an initial term of maturity of nine months to 15 years.
- h. **Mortgage Pass Through Certificates**-Bonds backed by an undivided interest in a pool of mortgages or trust deeds. Income and principal from the underlying mortgages is used to pay off the securities.
- i. **Money Market Mutual Funds**-Mutual funds which invest in short term securities and strive to maintain a share price of \$1.
- j. **Local Agency Investment Fund (LAIF)**-An investment pool managed by the California State Treasurer's Office to provide safe, low cost, and highly liquid investment alternative for California's local government agencies.
- k. **Joint Powers Authority Pool (JPAP)**- Joint powers authorities in which local agencies may invest in the securities and obligations authorized in Section 53601, subdivisions (a) to (q) where each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority.
- l. **Demand Deposits**- A deposit of monies where the monies are payable by the bank upon demand of the depositor.

PERMITTED INVESTMENTS AND LIMITATIONS ON INVESTMENT TABLE

Investment Type	Percent of Portfolio	Maximum Maturity	Other Requirements
a. US Treasury	No Limit	5 Years	No Strips
b. Agencies of US Government	No Limit	5 Years	
c. Certificates of Deposit	30%	5 Years	Rated A1/P1
d. Banker's Acceptances	40%	180 Days	Rated A1/P1
e. Commercial Paper	15% (30% if weighted dollar)	270 Days (Average <31 days)	Rated A1/P1 US Corporations Assets > \$500 M LTD Rated A
f. Repurchase Agreements	15%	30 Days	Collateralized Market >102%
g. Corporate Medium-Term Notes	30%	5 Years	Rated A
h. Mortgage Pass-Through	15%	5 Years	US Government Only
i. Money Market Mutual Funds	15%	N/A	Assets >\$250M Invests online in a-h above. Highest rating possible. Registered Advisor.
j. LAIF	LAIF Limit	N/A	
k. JPAP	No Limit	N/A	Rated AAf/S-1+ Rated AAAm
l. Demand Deposits	No Limit	N/A	FDIC or collateralized
m. Humboldt County Treasury	No Limit	N/A	Tax & Assessment Revenue
n. CalPERS CERBT	60% of actuarial determined liability		District imposed annual contributions equal to annual Pay-go amount

APPROVED INVESTMENT CONTACTS & FINANCIAL INSTITUTIONS

INVESTMENT TYPE	INSTITUTION	REQUIRMENT MET	YEARS IN BUSINESS
Demand Deposit	Umpqua Bank	FDIC	72
Money Market	Umpqua Bank	\$52B Assets	72
JPAP	California Class	AAA-S&P	3
JPAP	CalTRUST	AA-S&P	
Local Agency Investment Fund	LAIF	N/A	
County Treasury	Humboldt County Treasury	N/A	

McKinleyville Community Services District

AUDIT & FINANCE COMMITTEE

July 16, 2025

TYPE OF ITEM: **INFORMATIONAL**

ITEM: 5 **Discuss Updates to District Rules & Regulations and Expenditure Control Guidelines to Conform to California Uniform Public Construction Cost Accounting Act**

PRESENTED BY: **Patrick Kaspari, General Manager & Samantha Howard, Finance Director**

TYPE OF ACTION: **Informational & Staff Direction**

Recommendation:

Staff recommend that the committee listen to the presentation, review the information provided, discuss, take public comment, and provide direction to Staff on updates to the District's Rules & Regulations and Expenditure Control Guidelines.

Discussion:

On September 29, 2024, Governor Gavin Newsom approved Assembly Bill ("AB") 2192 (Carillo), which amends portions of the California's Uniform Public Construction Cost Accounting Act ("CUPCCAA" or "Act"). (Pub. Contract Code § 22000 *et seq.*) The amendments, effective January 1, 2025, increase the bidding thresholds in Public Contract Code Section 22032, expand the statutory definition of "public projects," and broaden the oversight authority of the California Uniform Construction Cost Accounting Commission ("Commission").

California law generally requires competitive bidding for the award of contracts for public projects. As an alternative to competitive bidding under Public Contract Code Section 20111, CUPCCAA authorized different procedures for public project contract bidding depending on the estimated cost of the project as follows:

- The current provisions of the Act authorize public projects of \$60,000 or less to be performed by public agency employees by force account, negotiated contract, or by purchase order.
- Public projects of \$200,000 or less are required to be let to contract by informal procedures.
- Public projects of more than \$200,000 are required to be let to contract by formal procedures.

Beginning January 1, 2025, AB 2192 increases the competitive bidding thresholds currently imposed by Sections 22032 and 22034 of the Public Contract Code as follows:

- Public projects of **\$75,000** or less to be performed by public agency employees will be authorized by force account, negotiated contract, or purchase order.
- Public projects of **\$220,000** or less may be let to contract by informal procedures.
- Public contracts of more than **\$220,000** are to be let to contract by formal procedures.

If all of the bids received for the performance of a public contract exceed \$220,000, the governing body of a public agency is authorized to award the contract at \$235,000 or less to the lowest responsible bidder if the governing body determines, by resolution, that the public agency's cost estimate was reasonable.

The District passed an Ordinance in August 1991 to become a Participating Agency in CUPCAA. The District also adopted Regulation 66-Informal Bidding Procedure which states in part:

Rule 66.01. INFORMAL BID PROCEDURES - public projects, as defined in the Uniform Public Construction Cost Accounting Act (herein called UPCCA), of \$75,000 (seventy five thousand dollars) or less may be let to contract by informal procedures as set forth in Section 22032, et seq, of the Public Contract Code.

Given the passage of AB 2192, District Staff were intending to update Rule 66.01 via Ordinance to change \$75,000 to the new CUPCCAA amount of \$220,000 and take it to the Accounting & Finance Committee and the Board for approval. Upon review of the Expenditure Control Policy, however, it became clear that the Policy needed updating in several areas. A copy of the updated policy is attached with the proposed changes shown in Track Changes. However, the most pertinent proposed updates to the Expenditure Control Guidelines (ECG) are:

- Per the updated CUPCCAA regulations, projects of \$220,000 or more require formal bid process.
- Again, per the CUPCCA, projects between \$75k to \$220k can be performed using an informal bid process.
- Staff would like to update the ECG to require projects/purchases from \$20k to \$75k to require a Purchase Order. Currently EPC says anything over \$1,000 requires a Purchase Order.
- Staff would like to update the ECG to require projects/purchases less than \$20k require a voucher only. (currently \$100).
- Staff would like to update the ECG to require Board approval for unbudgeted purchases in excess of \$75k (currently \$15k).
- Staff would like to update the ECG to require General Manager approval for purchase from \$20k to \$75k (currently \$1k to \$15k).

- Staff would like to update the ECG to require Department Heads to approve purchases from \$100 to \$20k (currently \$100 to \$1k).
- Staff would like to update the ECG to give the Operations Director Voucher approval ability as well.

There are other changes shown on the ECG as well that are intended to reflect how the Accounting & Finance Department actually functions.

Regulation 67 of the District Rules & Regulations also outlines the Selection of Professional Consultants. As written, Rules 67.02 & 67.03 require a formal Request for Proposal (RFP) process for all professional service contracts in excess of \$15,000. Staff would like to increase this to \$75,000.

Rules 67.02 & 67.03 also require the Board to review all RFPs prior to them being circulated. This is not the current practice. The cost for major projects are approved by the Board during the budgeting process. RFP for these projects are developed by Staff and then circulated per Public Contract Code. The proposals are then reviewed and ranked by a Review Committee that consists of District Staff and possibly Board Members or other personnel that can provide valuable input on the selection. A contract scope and fee is then negotiated with the selected firm and brought to the Board for Approval. We would like to update this section of the Rules & Regulations to reflect that process.

Alternatives:

Staff analysis consists of the following potential alternative

- Take No Action

Fiscal Analysis:

Not applicable

Environmental Requirements:

Not applicable

Exhibits/Attachments:

- Attachment 1 – CUPCCAA FAQs
- Attachment 2 – Updated Expenditure Control Guidelines with Track Changes

CALIFORNIA UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT

FREQUENTLY ASKED QUESTIONS (FAQs)

These FAQs have been compiled to assist agencies that are participating in the California Uniform Public Construction Cost Accounting Act (the Act), as contained in Public Contract Code (PCC) Section 22000, et seq. All references are to PCC, unless otherwise stated.

1. What is the Uniform Public Construction Cost Accounting Act?

The Act is legislation that was enacted in 1983 to help promote “uniformity of the cost accounting standards and bidding procedures on construction work performed or contracted by public entities in the state” (Section 22001). The Act is a voluntary program available to all public entities in the State, but it applies only to those public agencies that have “opted in” to the provisions set forth by the Act using the processes outlined in the Act. The entirety of the Act is found at Sections **22000-22045**.

2. What are some of the key provisions of the Act?

The Act allows for public project work in the amount of \$60,000 or less to be performed by a public agency’s force account using the public agency’s own resources, or by negotiated contract, or by purchase order (Section 22032(a)). Public projects in the amount of \$200,000 or less may use the informal or formal bidding procedures set forth in Section 22032(b) or (c) of the Act. Public projects at a cost of more than \$200,000 must use formal bidding procedures to let the contract pursuant PCC Section 22032(c).

3. What are the benefits of the program?

- Increased force account limit for public agencies;
- Simplified bidding for projects that are \$200,000 or less;
- Reduced number of formal bids based on project size; and
- Expedited contracting for projects under \$200,000.

Many participating agencies appreciate the program because it has given them more leeway in the execution of public works projects under a certain dollar amount; sped up the award process; expedited project delivery; reduced the time, effort, and expense associated with bidding projects under \$200,000; and simplified administration for those projects. Few agencies have experienced challenges with the accounting requirements and overhead provisions. Moreover, adjustments, when required, have been relatively simple; most required procedures were already in place, so there were few, if any, major changes to existing operations. The current Standard Accounting Codes Structure satisfies reporting requirements when used properly.

4. Is the Uniform Public Construction Cost Accounting Act mandatory for public agencies?

No. The Act is a voluntary program requiring a public agency to “opt in” using the process outlined in the Act.

5. How does a public agency become subject to the Act?

The governing body must elect by resolution to become subject to the Act and must file a copy of the approved resolution with the State Controller's Office (Section 22030). Sample documents are available at: http://www.sco.ca.gov/ard_cuccac.html. Once an agency has opted into the Act, it will remain a part of the program.

6. May a public agency withdraw from the Act?

Yes. An agency may withdraw from the Act by filing with the State Controller's Office an approved resolution of the agency's election to withdraw that was made during a public meeting of the agency's governing body.

7. Must a participating agency "opt in" to the Act annually?

No. Once a participating agency "opts in" to the Act, the agency remains subject to the Act until it "opts out" of the Act.

8. What is the California Uniform Construction Cost Accounting Commission?

The Commission was created to administer the Act, per Section 22010. It consists of 14 members: 13 members appointed by the State Controller and the License "A" member of the Contractors' State License Board. Seven members represent the public sector (counties, cities, school districts, and special districts). Six members represent the private sector (public works contractors and unions). The Commission members receive no salary, but are eligible for reimbursement of their direct expenses related to the Commission.

9. What are the Uniform Public Construction Cost Accounting Procedures?

These procedures are to be used for tracking costs for work performed by an Agency's own forces on a "project" as defined by the Act (Section 22002(c)). The procedures do not apply to operations or maintenance work, or any work that meets the criteria listed in Section 22002(d).

These procedures are intended to capture and record all direct and indirect labor, materials, equipment, subcontractors, and supervision costs, as well as the appropriate overhead costs for the public agency associated with each "project" it performs with its own forces. The procedures follow industry-standard accounting methods, and in many cases are not much different from those already in place at most agencies. Sample forms are available in the CUCCAC Cost Accounting Policies and Procedures Manual at http://www.sco.ca.gov/Files-ARD-Local/CUCCAC_Manual.pdf

School districts may use the Standard Accounting Code Structure to comply with tracking requirements.

10. Are the cost accounting procedures applicable for agencies whose work forces perform only maintenance tasks as defined in the Act and that contract all of their public projects to third parties?

No. The cost accounting procedures are applicable only for agencies that perform public project work such as construction and alteration by force account or otherwise. As maintenance does not constitute a "project" under the Act, the cost accounting procedures do not apply.

11. When are participating agencies required to advertise if they choose to maintain a list of qualified contractors?

At least once per calendar year, each Public Agency that has elected to become subject to the Act and intends to use the notice provisions outlined in Section 22034(a) must establish a new list or update its existing list of qualified contractors by mailing, faxing, or emailing written notice to all construction trade journals designated for that Agency under Section 22036. The notice must invite all licensed contractors to submit the name of their firms to the Agency for inclusion on the Agency's list of qualified bidders for the following twelve (12) months. Effective January 1, 2016, a participating agency can choose a specific date of their choice in which to renew its list of qualified contractors.

12. May an agency that chooses to maintain a list add a contractor to the list at any time during the year?

Yes.

13. What is meant by the term "qualified contractors" as used in section 22034(a)(1) of the Act?

Qualified contractors are contractors licensed by the State to perform the subject work. The Commission has determined that nothing in the Act prohibits a participating agency from using additional objective pre-qualification standards in the formation and maintenance of their Qualified Contractors Lists if they so desire.

14. How can a contractor get on an agency's list of contractors?

The California Uniform Public Construction Cost Accounting Commission's webpage has a list of agencies that are participating in the California Uniform Public Construction Cost Accounting Act (CUPCCAA). Please contact each agency directly to let them know you would like to be on their list of contractors. For a list of participating agencies, please see the "Participating Agency Lists" header at the following link:

https://www.sco.ca.gov/ard_cuccac.html

More detailed instructions for contractors can be found in Section 1.04.01 of the Cost Accounting Policies and Procedures Manual

15. Can a public agency disqualify or exclude certain contractors from the Qualified Contractors List required in Section 22034(a)(1)?

Agencies may disqualify contractors from Qualified Contractors Lists when the contractors fail to furnish information to meet the minimum criteria as established by the Commission.

16. For agencies that do not maintain an informal bidders list, are they allowed to choose who would get notifications of projects?

No. Section 22034(a)(2) provides for notifications to construction trade journals and exchanges in lieu of sending notifications to contractors on an informal bidders list. An agency may send notices to selected contractors provided it has also met the advertisement requirements of Section 22034(a).

- 17.** What is the difference between “qualifying contractors” under the Act and “prequalification of contractors” by school districts under Section 20101?

Qualifying contractors is a process that allows contractors to register with a public agency for notification of public works opportunities. The prequalification process under Section 20101 is a more complex process that requires a standardized questionnaire and evaluation of contractors using standard scoring criteria. The prequalification process is applicable under the Local Agency Public Construction Act, and does not apply to the Uniform Public Construction Cost Accounting Act.

- 18.** Does a contractor have to be on an agency’s contractor list in order to perform projects less than \$60,000?

No, any public project less than the \$60,000 informal bidding threshold can be performed by employees of the public agency, by negotiated contract, or by purchase order. An agency’s list of contractors is only required to be alerted of projects that surpass the informal bidding threshold.

- 19.** Must a public agency a) notify contractors about public projects if the contractors are believed to not have the skills, credentials, or experience to perform the work required for the public project; and b) consider bids submitted by contractors that the public agency believes do not have the skills, credentials, or experience to perform the work?

a) Yes. If a contractor is on the Qualified Contractors List, the contractor must be notified by the agency of public projects for which he or she is licensed to perform (Section 22034(a)(1)).

b) All bids received must be considered, unless an agency makes appropriate legal findings that a contractor is not legally responsible or his or her bid is not responsive.

- 20.** Does the Act allow flexibility in cases of emergency and when repair or replacements are necessary to permit the continued conduct of a public agency’s operations or services?

Yes. For the purposes of the Public Contract Code, an “emergency” is defined at Section 1102 as “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.”

The Act sets forth in Section 22035(a) how a governing body should proceed in case of emergency repairs or replacements. This section states:

In cases of emergency when repair or replacements are necessary, the governing body may proceed at once to replace or repair any public facility without adopting plans, specifications, strain sheets, or working details, or giving notice for bids to let contracts. The work may be done by day labor under the direction of the governing body, by contractor, or by a combination of the two. Section 22050 et seq., provides the emergency contract procedures to be followed in these cases.

21. Do the alternative bidding procedures apply only to public projects as defined in Section 22002(c)?

The alternative bidding procedures apply only to work that constitutes a “public project” as defined in Section 22002(c) and has a construction cost within the limits described in Section 22032. The alternative bidding procedures are not required for the purchase of goods or materials that are not part of a “public project.”

However, as outlined in Section 22003, a participating agency may also use the alternative bidding procedures when contracting for maintenance or other work that does not fall within the definition of a “public project” if it so chooses.

22. What will membership in the Act cost my agency?

Nothing. There are no membership fees or dues. However, the Commission does accept grants to assist it in carrying out its duties (Section 22015(c)).

23. What are the most common concerns addressed by the Act?

These are:

- Cost accounting policies and procedures;
- Informal bidding procedures; and
- Accounting procedures review.

Cost accounting requirements for the Act follow those common to the construction industry. The informal bidding on public projects up to \$200,000 is seen by agencies as an effective tool to expedite completion of small projects. While an accounting procedures review could potentially hold up a project for a minimum of 45 days pursuant to Section 22043(c)(1), these types of reviews have been rare in the Commission’s history.

24. Must an agency calculate an overhead rate to apply the accounting procedures?

No. Cities with populations of less than 75,000 must assume an overhead rate equal to 20% of the total costs of the public project, including the costs of material, equipment, and labor (Section 22017(b)(1)). Cities with a population of more than 75,000 may either calculate an actual overhead rate or assume an overhead rate of 30% of the total costs of a public project including the costs of materials, equipment, and labor (Section 22017(b)(2)).

25. When a public entity opts into the Act, does the Act supersede other contracting legal requirements such as statutory requirements for performance bonds, prevailing wages, and certificates of insurance, etc.?

No. The Act supersedes only the bidding procedures used once a public agency has opted into the Act and has notified the Controller. All other contracting requirements of the PCC remain applicable.

26. Can a public agency claim to be to be exempt from following all of the requirements in Public Contract Code by claiming it only has to follow the language and procedures within the Act?

No. The Act is part of the Public Contract Code; therefore, if the Act is silent on a particular matter, then the Public Contract Code applies on that matter.

27. If public agencies are not following the advertising requirements in the Act, will the Commission address those agencies? Can a complaint be brought to the Commission?

Yes. Recent legislative changes have expanded the Commission's authority to enforce provisions of the Act. The Commission may review complaints filed by interested parties when evidence is provided that:

- The participating agency performed work after rejecting all bids, claiming it could do the work less expensively (Section 22042(a)).
- The work performed exceeded the force account limits (Section 22042(b)).
- The work was improperly classified as maintenance (Section 22042(c)).
- A public agency did not comply with the informal bidding procedures set forth at Section 22034 (Section 22042.5).

28. Section 20112 specifically requires school districts to advertise twice for a two-week period, while Section 22037 requires advertising once, 14 days in advance of the date of opening of bids. How do participating school districts reconcile this conflict?

When the Act is in conflict with any other section in the Public Contract Code, the Act shall supersede. The Act requires advertising once, 14 days in advance of the date of opening of bids. Districts participating in the Act may choose to maximize their outreach by advertising twice.

29. May a public agency contract separately for like work at the same site at the same time using the under \$60,000 Force Account method?

No. Section 22033 states:

It shall be unlawful to split or separate into smaller work orders or projects any project for the purpose of evading the provisions of this article requiring work to be done by contract after competitive bidding.

Separating "like work" would be permitted only if the total of all the "like work" is less than \$60,000. If the work is more than \$60,000, it must be advertised and bid according to the provisions of the Act (i.e. bid informally if the total amount is less than \$200,000; bid formally if the total amount exceeds \$200,000).

30. May a public agency bid out two separate projects that occur at the same time and site, but are different types of work?

Yes. There is no violation if the work is competitively bid. If an agency wishes to use the negotiated or informal bidding processes, it must apply the appropriate limits to each of the projects. Each project must be separate in scope. Projects may not be separated by trade to avoid bidding. If the total of all jobs is greater than \$60,000 then the informal or formal bid limits apply.

- 31.** Can an agency separately bid out for the materials and supplies on a project to avoid contractor markup and then bid out for the installation labor or perform installation with its own forces?

An agency may separately procure the materials and supplies for a project; however, all costs (materials, supplies, labor) of a project must be included in the project cost estimate to determine whether the project falls within the force account, informal bid, or formal bid thresholds.

In addition, if installation is performed by force account, an overhead rate must be applied to all direct costs of the project and included in the cost estimate. For example, if materials/supplies cost \$50,000 to procure separately and the estimated labor cost to install is \$25,000, the project could not be performed with force account, but would fall within the informal bid threshold because the total cost estimate is \$75,000.

- 32.** Must a value be assigned to the volunteer labor when the California Conservation Corps or another volunteer organization provides labor on a public project?

No. Volunteer labor from volunteer organizations does not need to be included as a cost of a public project for bid limit purposes as long as no costs are associated with the volunteer labor.

- 33.** By opting into the Act, does a public agency automatically bring all of its component divisions or departments into the Act?

Yes. When a public agency elects to become subject to the uniform construction cost accounting procedures, the entire legal entity is considered subject to the Act and no divisions or departments are exempt.

- 34.** When a public agency opts into the Act, does it automatically bring all districts under control of its governing Board into the Act?

No. Special Districts, which are governed by a board of supervisors or city council, are subject only if a separate election is made for each special district.

- 35.** PCC 22034 requires that participating agencies adopt an Informal Bidding Ordinance. What do schools and special districts that cannot adopt Ordinances do to comply?

Agencies that do not have the ability to adopt Ordinances should discuss Section 22034 compliance with their legal counsel.

- 36.** Are change orders allowed by the Act, and if so what is allowable? What if a change order goes over one of the allowed thresholds?

The Act does not address change orders. Please consult with your agency's legal counsel regarding any limitation on change orders that may apply to your agency.

37. Is there any training related to the Act? If so, where can I find a list of where the training is offered?

SCO has information regarding the Act on the SCO/CUCCAC website, including the current Cost Accounting and Procedures Manual. Often, commissioners are willing to provide training, answer questions, and/or give a presentation in order to assist agencies in getting the full benefits of participating in the Act.

38. The Act states that public projects of sixty thousand dollars (\$60,000) or less may be performed by the employees of a public agency by force account, by negotiated contract, or by purchase order. However, the Department of Industrial Relations (DIR) states any project over \$1,000 has to pay prevailing wages. How do the Act and DIR guidance work together?

The Act and DIR are completely separate and govern different aspects of public projects. The Act focuses on bidding related to public projects and DIR deals with wages paid by contractors on public projects. However, they may relate in that if prevailing wages are not paid on a public project, that could potentially impact the total cost of a project which would require a different bidding process utilized under the Act.

Additional inquiries and questions may be directed by email to LocalGovPolicy@sco.ca.gov, or by regular mail to:

State Controller's Office
Local Government Programs and Services Division
Local Government Policy Section
P.O. Box 942850
Sacramento, CA 94250

McKINLEYVILLE



COMMUNITY SERVICES DISTRICT



MCKINLEYVILLE COMMUNITY SERVICES DISTRICT EXPENDITURE CONTROL GUIDELINES

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I. Introduction

This expenditure control system is an integral part of the internal control structure of McKinleyville Community Services District (MCSD). As such, it is intended to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and those transactions are executed in accordance with management's authorization and recorded properly in the general ledger.

It is the intent of the District to control expenditures before it is obligated to pay for goods or services. This system is designed to accomplish this goal while providing a clearly documented record of the entire process.

The system is intended to be used in conjunction with the existing internal control structure. Any significant change in other aspects of the control environment will require a review of the effectiveness of this system.

In the event of an emergency, where time is limited, the General Manager or his authorized representative may assume the responsibility for deviating from this policy.

II. Expenditure Classifications

The control mechanism and method of documentation are determined by the type of expenditure. MCSD recognizes the following types of expenditures:

1. **Recurring:** Included are utilities, debt service payments, payroll, payroll taxes and benefits, insurance, postage, postage meter rental, office supplies, etc.
2. **ContractSingle Purchase:** Included are formal contracts for goods and services and informal contracts for services.
3. **Travel:** Included is advances and reimbursements for travel, mileage reimbursements for use of personal automobiles and local meals and entertainment expenses.
4. **Petty Cash:** Included are reimbursements of expenditures from the petty cash fund and increases in petty cash or change funds.
5. **Customer Refunds:** Included are refunds of deposits and overpayments to our customers.
6. **Purchase Order:** Included is all purchases of goods which require a purchase order.
7. **Emergency Procurement:** Included are purchases or expenditures necessary to permit the continued conduct of District operations, services, or construction work, or to avoid danger to life, health or property in cases of emergency.
8. **Other:** Included are all expenditures which cannot be classified in one of the above categories.

III. Control System

Expenditures will be controlled in the classifications indicated in section II by the following procedures:

1. **Recurring:** These expenditures will be controlled by the budget. The Board will adopt a budget that will include line items such as electricity and natural gas, telephone, telemetry, payroll, payroll taxes and employee benefits, debt payments, insurances, and other budgeted line items. Such expenditures will not normally require a Purchase Order.

Management will monitor the relationship of year-to-date expenditures in these line items with the adopted budget. If it becomes apparent that there is not sufficient budget to cover the next anticipated expenditure in one of these line items, a budget transfer will be prepared by the Department Head and approved by the General Manager for the increases which are 10% or less cumulatively of the original budgeted amount. If a budgeted line item is projected to require cumulative increases beyond 10% in any year, the Board will approve such increases.

2. **Contract/Single Purchase:** ~~Contracts fall into three categories~~ Purchases for services or supplies throughout the year fall into several categories.
 - a. Construction work for projects expected to cost ~~less than \$1,000~~ between \$20,000 and less than \$75,000 will be classified as Purchase Order Expenditures. Construction work expected to cost ~~between \$2075,000 and \$220,000 or more~~ will require informal bidding procedures as defined in the California Uniform Public Construction Cost Accounting Act (CUPCCAA) (see MCSD Rule 66.01 et seq.). Construction work expected to cost ~~\$75220,000 or more~~ will require formal bidding procedures as defined in the CUPCCAA. Standard District Contracts are required for all construction work in excess of \$20,000.
 - b. Professional Services (architectural, engineering, environmental, land surveying and construction project management) expected to cost less than \$1,000 will be classified as Purchase Order Expenditures.
 - ~~b.c.~~ A Purchase Work Order ~~Contract~~ approved by ~~a Department Director or the~~ General Manager ~~will be required for~~ budgeted projects/purchases expected to cost ~~more than \$120,000, but less than \$2075,000. The Board will approve the formal contract required for individual projects expected to cost \$20,000 or more.~~
 - d. Other Services expected to cost ~~more than \$100 but~~ less than ~~\$120,000~~ will ~~be classified as Purchase Order Expenditures~~ require a Voucher form approved by the Department Head.
 - ~~e.e.~~ Other Services expected to cost \$1,000 or ~~more less~~ will require ~~a Purchase Work Order Contract. The Board will approve the formal contracts for Other Services expected to cost \$20,000 or more only a back-up receipt approved by the Department Head.~~
3. **Travel:** All employees will have a travel request form approved by Department Directors within four days before travel (see attachment 2). The General Manager's

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out of town travel, including travel to association conferences, needs to be approved in advance by the Board President or delegate where such travel exceeds the budget limits originally approved by the Board.

Use of private vehicles by staff for local travel (i.e. within Humboldt County) will be approved in advance by a Department Director (Finance Director, Operations Director or Parks and Recreation Director), and reviewed by the General Manager. Such use by a Department Head will be approved in advance by the General Manager. If emergency use of private vehicles is required, the circumstances will be documented in a memorandum and approved as above as soon as possible after the emergency has passed. All reimbursement for personal automobile use will be made at the currently applicable Federal business mileage rate approved by the Internal Revenue Service. Payment for local private automobile use will be made as reimbursement only – there will be no advances for this type of expense.

Local meals for, or entertainment, by staff will be approved by Department Directors or the General Manager. Local meals for, or entertainment by, the Department Directors will be approved by the General Manager. The Board may include in the budget a line item for meals and entertainment to be used by the General Manager and Board without prior approval. Any such expenditures beyond the budgeted line item for or by the Board President will be approved in advance by another Board Member.

Travel, meal or entertainment advances may be made no less than three days before the intended activity. Reimbursements for all meals will be done at the Federal per diem rate approved by the Internal Revenue Service (<http://www.gsa.gov/portal/category/100120>). Reimbursement requests for any meal charges over the allotted per diem amount must have a written explanation approved by Department Director or General Manager, and receipts for these must be turned in three days after the travel or event.

All receipts for travel expenses (airfare or similar) and lodging must be turned in five (5) days after the travel or event along with a MCSD Travel Expense Report (see attachment 3). An accounting must be made for these expenditures and any excess advance returned within three days of the completion of event or activity.

All expenditures described in this section III will require the completion of a MCSD Travel Approval Form and /or MCSD Travel Expense Report (see attachments 2 and 3). These expenditures will be limited by the budget as described for Recurring Expenditures (section III-1). Travel expenditures do not normally require a Purchase Order.

4. **Petty Cash:** ~~Petty cash is kept for the Parks and Recreation Department only.~~ Reimbursement expenditures require only an accounting of petty cash expenditures. Such reimbursements will be approved by the ~~Human Resources Manager~~ ~~Parks and Recreation Director~~ or Finance Director. Petty cash will be kept at a balance of ~~\$40090~~; increases in the amount of petty cash or change fund will be approved by the ~~Board~~ ~~General Manager~~. Petty cash will be reconciled quarterly and replenished as needed. ~~when funds fall below \$100 total~~ Individual reimbursement

requests are to not exceed a total of \$30; amounts in excess of \$30 should be processed through Accounts Payable. ~~Individual reimbursement requests from other departments must all be processed through Accounts Payable.~~

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5. **Customer Refunds:** These expenditures are processed as part of the utility billing system. Normally, a closing bill will be printed which shows a balance due to the customer. Such refunds will be approved by the Finance Director during the regular Accounts Payable process. Refunds of Recreation Department are approved by the Recreation Department Director before the regular Accounts Payable process. Occasionally, other types of funds owed will be refunded. These will be approved by the Department Director of the department with which the refunds are associated and will have supporting documents. Customer refunds do not normally require a Purchase Order.

6. **Purchase Order:** The purchase of all non-recurring supplies, materials and capital assets will require a Purchase Order (see attachment 4). Vendors from whom the District purchases from frequently maybe offered a blanket purchase order for consideration

Purchases of supplies, materials, or capital assets of \$1575,000 or more that are not already included in the approved budget must be approved in advance by the Board. Budgeted purchases expected to be between \$120,000 and \$175,000 will be approved by the General Manager. Purchases of supplies and equipment expected to be more than \$100 but less than \$120,000 require approval from a Department ~~Director~~Head.

~~All Purchase Orders will be pre-numbered.~~ See section IV for additional information regarding purchase orders.

7. **Emergency Procurement:** California Public Contract Code Section 22050 governs procurement procedures when emergencies exist. When the Board of Directors declares an emergency by a four-fifths vote, when repair or replacements for services and materials are necessary to permit the continued conduct of District operations or services or to avoid danger to life, health or property, the General Manager may then proceed, at once, to replace or repair District facility(s) or infrastructure and/or procure the necessary goods and/or services without the benefit of competitive purchasing, either formal or informal. The General Manager shall report to the Board at successive regular meetings stating the justification for continuing with the emergency work.
8. **Other:** All other expenditures will be approved in advance when possible and upon receipts of goods or services otherwise. Approval will be by the Board, General Manager or Department Director in accordance with the limits on approval of purchase orders (see section III-6). Expenditures of \$120,000 or less will require a voucher only.

IV. Purchase Order System Documentation and Implementation

1. **Regular Purchase Orders:** ~~Blank pre-numbered Purchase Orders are kept in the Vault. A group or series of blank pre-numbered Purchase Orders (P.O.) (see~~

~~attachment 4) will be issued by the Finance Director to Department Directors at the beginning of the fiscal year or upon request.~~

Purchase orders will be completed by the Department Heads and signed by the General Manager ~~or and~~ Department ~~Director Heads~~ in accordance with the limitations in section III-6. The original P.O. (white) is the vendor's copy. The yellow copy will be held by Accounts Payable. The pink copy will be retained by the requesting employee. When goods are received, the requesting employee will mark his/her copy of the P.O. "Received", date and sign it. This copy will then be given to the Accounts Payable to match with the invoice when received. In the case of a partial shipment, a photocopy of the P.O. may be made. The requesting employee will indicate which items were received and forward it to Accounts Payable.

Upon receipt and invoice, Accounts Payable will compare the amounts and descriptions to the "Receiving Copy" of the P.O. If, in total, the invoice is no more than 10% greater than the P.O., the invoice may be entered for payment. If the invoice total is more than 10% greater than the P.O., then the new amounts will be entered on the Accounts Payable copy of the P.O. and the appropriate person will counter-sign and date the corrected P.O.

Department Directors are responsible for P.O.'s issued to their department and for ensuring that total departmental Purchase Order expenditures do not exceed the Board-approved budget line item. To assist with this, the Finance Director will provide a monthly Status Report to the Department Directors and the General Manager.

2. **Blanket Purchase Orders and Charge Accounts:** For vendors from whom numerous regular purchases are made, the District will employ annual Blanket Purchase Orders or open charge accounts. A list of active blanket purchase orders (BPO's) and charge accounts will be maintained by Accounts Payable and reviewed by the Department Directors on an annual basis for best pricing and any needed changes in vendors. The final list will be reviewed by the Finance Director and signed by the General Manager.

Each BPO and charge account authorization will indicate an annual expiration date, a total monthly dollar limit allowed on that BPO or charge account, a list of employees authorized to make purchases, and the maximum dollar amount for any one purchase. No more than one BPO or charge account may be active at any time for a particular vendor. Department Directors will have copies of active BPO's and charge account authorizations for their departments. All orders or invoices received against a BPO or charge account will be checked and signed by the Department Director before being processed by Accounts Payable.

MCSO Company Credit Cards: For routine irregular purchases too small to warrant regular or blanket purchase orders, but too large for petty cash, and also for facilitating business travel expenditures, Department Directors may be provided with an MCSO credit card. Receipts from credit card purchases must be retained, signed or initialed by the Department Director, and matched to the statement at the end of the month before the statement is paid by Accounts Payable. Statements will

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be reviewed monthly by the Finance Director and General Manager as part of the payment process (see Section VI – Disbursements).

V. Voucher System

A Voucher form will be completed by Accounts Payable for each invoice or statement to be paid (see attachment 1). The classification of expenditure will be clearly indicated on the voucher. The Voucher will indicate all invoices or statements to be paid with one check.

All supporting documents including invoices, Purchase Order, Proof of receipt, packing slip, etc. will be attached to the Voucher. The voucher will be approved in accordance with the chart in the disbursement section and the signers will verify that the documents are internally consistent, that invoices being paid are original, that receipt of goods or services has been acknowledged by the appropriate MCSD employee and that amounts agree between documents.

The check stub will be attached to the voucher when the check is sent to the vendor. All paid vouchers are filed by vendor, separated by the fiscal year in which the payment was made, and retained for 9 years, per District Document Retention Policy.

VI. Disbursements

The MCSD checking account will require signatures by any two of the following officials:

General Manager

Finance Director

Human Resources ~~Manager~~Director

Operations Director

Checks will be issued only after the Voucher has been signed indicating approval by the Department Director and Finance Director, with a final review by the General Manager. Lost checks will be re-issued less the amount of the bank's Stop Payment fee, to cover the cost of the stop payment order for the lost check.

Checks will be issued as needed to meet deadlines and take advantage of discounts. Except under unusual circumstances check writing will be batched and turned in for signing by Thursday at 3:00 pm. and done at the first part of each week (Monday or Tuesday). ~~Invoices to be included in a batch must be received by Accounts Payable no later than 5:00 pm the Friday prior.~~ Checks cut outside of a regular batch (hand-checks) may only be authorized by the General Manager or Finance Director. Payroll will be issued on the 10th and the 25th of each month.

The Finance Director or designated staff person will reconcile the checking account to the bank statement(s) within five (5) working days of receipt of monthly bank statements by the end of the third week in the following month and verify that all checks were written in accordance with these guidelines.

VII. Conflict of Interest Standards of Conduct

Per Title 2 Code of Federal Regulations (“CFR”) Section 200.318, this section addresses the required standards of conduct covering conflicts of interest and governing the actions of any and all District Board Members, employees or agents engaged in the selection, award and administration of contracts. No employee, Board Member, or agent of the District may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. As used herein, “Federal award” shall include any financial assistance received by the District directly or indirectly from a “Federal awarding agency” as said terms are defined in Title 2 CFR Section 200.1. Such a conflict of interest would arise whenever the District employee, Board Member, or agent, any member of the immediate family of any of the foregoing, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. Furthermore, all District Board Members, employees, and agents are precluded from soliciting or accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts under contract with the District.

The State of California’s Political Reform Act (California Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The California Fair Political Practices Commission has adopted a regulation (2 California Code of Regulations, Section 18730) that contains the terms of a standard conflict of interest code, which can, and is, incorporated by reference into this District Policy. After public notice and hearing, the standard code may be amended by the Fair Political Practices Commission to conform to amendments to 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 and shall constitute the policy of the District.

All District Board Members, employees and/or agents must identify any real or apparent conflict of interest and recuse themselves from engaging in the selection, award or administration of any contract or work proposed for award by the District. Failure to comply with the provisions of this Policy or failure(s) to disclose conflicts of interest may result in the censure or removal of District Board Members or any other actions deemed appropriate by the Fair Political Practices Commission or State or Federal law. Non-conformance to this Policy by District employees or agents may result in disciplinary actions up to and including termination from employment, separation or legal action.

VIII. Summary

Good control over expenditures depends upon advance authorization and adequate documentation. The use of purchase orders and vouchers provides a basis for such control and documentation.

The success of this system depends upon the understanding and cooperation of all staff. Questions are welcomed and will be promptly answered by the General Manager or Finance Director. Unusual situations should be documented by memorandum or letter. Suggestions for improvement are welcome and will be carefully considered by management.

Attachment 2

MCS D TRAVEL APPROVAL FORM

Employee: _____ Date Submitted: _____

Description of Activity: _____

Destination: _____ Date(s) of Attendance: _____

Departure date _____, departure time _____ on 1st day of travel/left MCS D

Arrival date _____, arrival time _____ on last day of travel/arrived MCS D

Estimated Costs	
Registration/ Tuition	
Personal Car _____ gas receipts	
Plane Fare	
Cabs/ Rental Car/ Parking	
Lodging _____ nights x \$ _____	0.00
Meals: \$ _____ /Day x _____ days	
Extra meals/incidentals _____	
Per Diem Rates - http://www.gsa.gov/portal/category/100120	
Total Estimated Costs	\$0.00

REQUEST FOR TRAVEL ADVANCE

I request \$ 0.00 as a travel advance. I understand that I must complete a "MCS D Travel Expense Report" at the conclusion of my trip whether or not I request a travel advance.

Employee Signature Department Head Approval District Manager Approval

Vendor ID: _____ Acct#: _____ Check #: _____ Check Date: _____

Attachment 3

MCSD TRAVEL EXPENSE REPORT

Employee: _____ Date Submitted: _____

Description of Activity: _____

Destination: _____ Date(s) of Attendance: _____

Departure date _____, departure time _____ on 1st day of travel/left MCSD

Arrival date _____, arrival time _____ on last day of travel/arrived MCSD

Actual Costs	Employee Paid	MCSD paid	Total Cost
Registration/Tuition			0.00
Personal Car _____ gas receipts MCSD vehicle _____			0.00
Cabs/Rental Car/Parking			0.00
Lodging ____ nights x \$ _____ \$ 0.00 \$ _____ Lodging Notes _____ Additional fees _____			0.00
Meals: \$ _____/Day x _____ days + \$ _____ x _____ meal + \$ _____ x _____ meal <small>Breakfast/lunch/dinner</small>			0.00
Other:			0.00
Total Cost	0.00	0.00	0.00
Less Travel Advance Paid to Employee	(0.00)		
Total Due to (from) Employee	0.00		

All receipts and MCSD Travel Approval Form must be attached

Employee Signature Department Head Approval District Manager Approval

Vendor ID _____ Acct. # _____ Check # _____ Check Date _____

Index” for Capacity Fees be tied to the Consumer Price Index, similar to other District Rates, if this is supported by the Study.

Alternatives:

Staff analysis consists of the following potential alternative

- Take No Action

Fiscal Analysis:

Not applicable

Environmental Requirements:

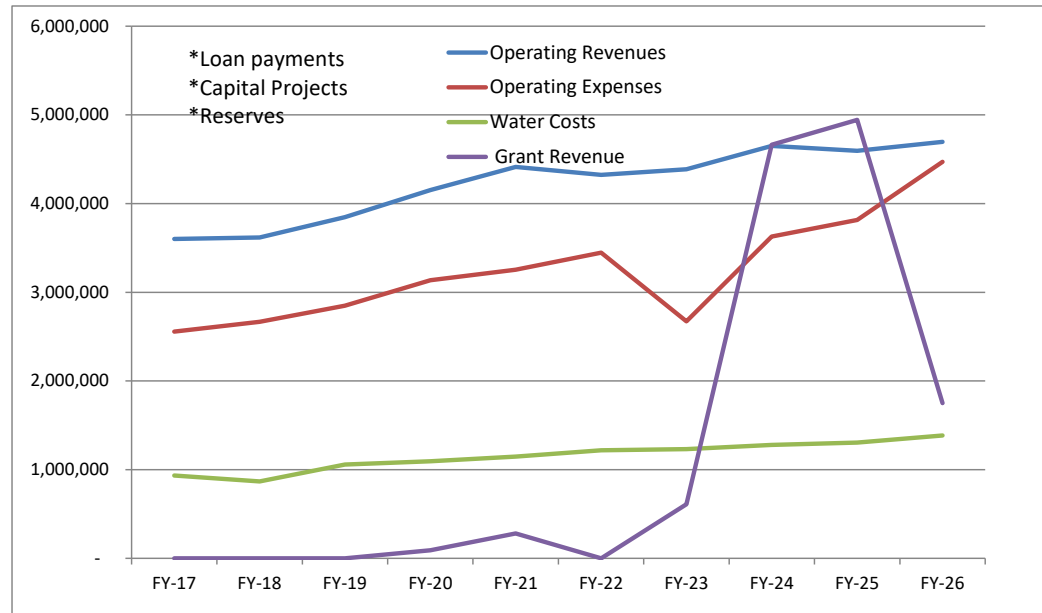
Not applicable

Exhibits/Attachments:

- Attachment 1 – Pages from FY25/26 Budget
- Attachment 2 – 2022 Water & Sewer Rate Study

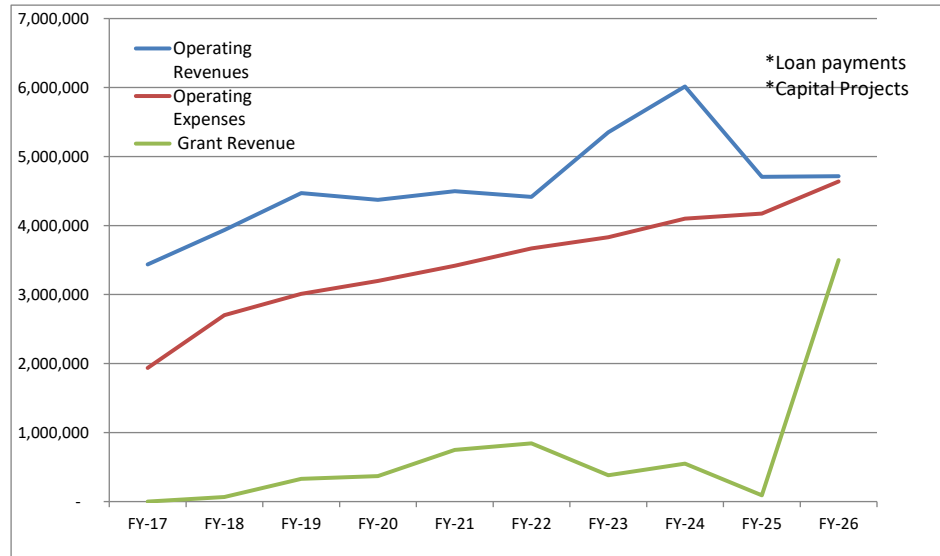
McKinleyville Community Services District
Water Enterprise Fund
Historical Analysis
Fiscal Years Ended (Ending) June 30, 2017-2026

	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Estimate	2026 Budget
Operating Revenues										
Water Sales	3,307,872	3,201,667	3,333,250	3,689,722	4,038,710	3,901,039	4,037,782	4,275,304	4,402,140	4,460,000
Other Water Revenues	293,149	416,418	512,887	462,716	373,750	422,106	348,407	375,605	191,475	235,858
Total Operating Revenues	3,601,020	3,618,085	3,846,137	4,152,438	4,412,460	4,323,145	4,386,189	4,650,909	4,593,615	4,695,858
Operating Expenses										
Salaries & Benefits	961,086	873,905	793,755	884,086	940,282	902,593	1,405,464	1,215,115	1,377,171	1,500,292
Water Cost	933,907	867,122	1,056,472	1,094,722	1,147,401	1,218,070	1,230,774	1,278,435	1,304,190	1,385,125
Other Expenses	314,758	562,998	610,340	700,340	754,257	935,278	(382,031)	678,666	734,111	1,128,149
Depreciation	346,630	363,985	389,295	455,902	411,197	391,802	418,842	456,297	399,996	457,000
Total Operating Expenses	2,556,381	2,668,010	2,849,862	3,135,050	3,253,138	3,447,743	2,673,049	3,628,513	3,815,468	4,470,566
Net Operating Income (Loss)	1,044,639	950,075	996,275	1,017,387	1,159,322	875,403	1,713,140	1,022,396	778,147	225,292
Interest Income	31,579	41,491	79,233	85,414	48,234	47,357	221,549	351,400	336,210	200,000
Interest Expense	(68,446)	(64,890)	(61,108)	(57,336)	(53,320)	(143,315)	(201,918)	(169,098)	(157,236)	(192,542)
Grant Revenue	-	-	-	89,989	280,400	-	610,423	4,663,830	4,943,602	1,750,000
Net Income (Loss)	1,007,773	926,676	1,014,399	1,135,454	1,434,636	779,445	2,343,194	5,868,528	5,900,723	1,982,750



McKinleyville Community Services District
Sewer Enterprise Fund
Historical Analysis
Fiscal Years Ended (Ending) June 30, 2017-2026

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimate	Budget
Operating Revenues										
Wastewater Service Charges	3,062,739	3,333,752	3,705,348	3,716,614	3,969,885	4,027,668	4,073,751	4,304,295	4,440,659	4,450,000
Other Wastewater Revenues	373,867	601,896	765,040	654,816	528,535	389,079	1,277,441	1,711,310	264,803	266,372
Total Operating Revenues	3,436,606	3,935,647	4,470,388	4,371,430	4,498,420	4,416,747	5,351,192	6,015,605	4,705,462	4,716,372
Operating Expenses										
Salaries & Benefits	990,442	1,040,516	991,199	1,040,090	1,172,658	1,154,077	1,674,910	1,530,439	1,572,305	1,614,126
Other Expenses	492,402	832,570	817,800	946,210	968,170	1,073,865	627,359	1,025,098	1,052,842	1,474,814
Depreciation	453,677	829,508	1,201,128	1,211,865	1,276,998	1,439,445	1,528,860	1,546,151	1,550,000	1,550,000
Total Operating Expenses	1,936,521	2,702,594	3,010,126	3,198,164	3,417,826	3,667,387	3,831,129	4,101,688	4,175,147	4,638,940
Net Operating Income (Loss)	1,500,086	1,233,053	1,460,262	1,173,266	1,080,594	749,360	1,520,063	1,913,917	530,315	77,432
Interest Income	30,154	48,208	120,116	135,107	85,047	68,616	260,265	405,920	522,660	250,000
Interest Expense	(23,803)	(198,112)	(225,072)	(313,825)	(225,790)	(317,477)	(320,960)	(387,721)	(230,034)	(376,229)
Grant Revenue	-	66,089	330,901	369,882	747,878	843,893	381,338	550,807	89,837	3,500,000
Net Income (Loss)	1,506,436	1,149,238	1,686,207	1,364,431	1,687,729	1,344,392	1,840,706	2,482,923	912,778	3,451,203



2022 Water & Sewer Rate Study

Board Meeting and Public Hearing

Wednesday, November 2, 2022

Willdan Financial Services

- Chris Fisher, Vice President

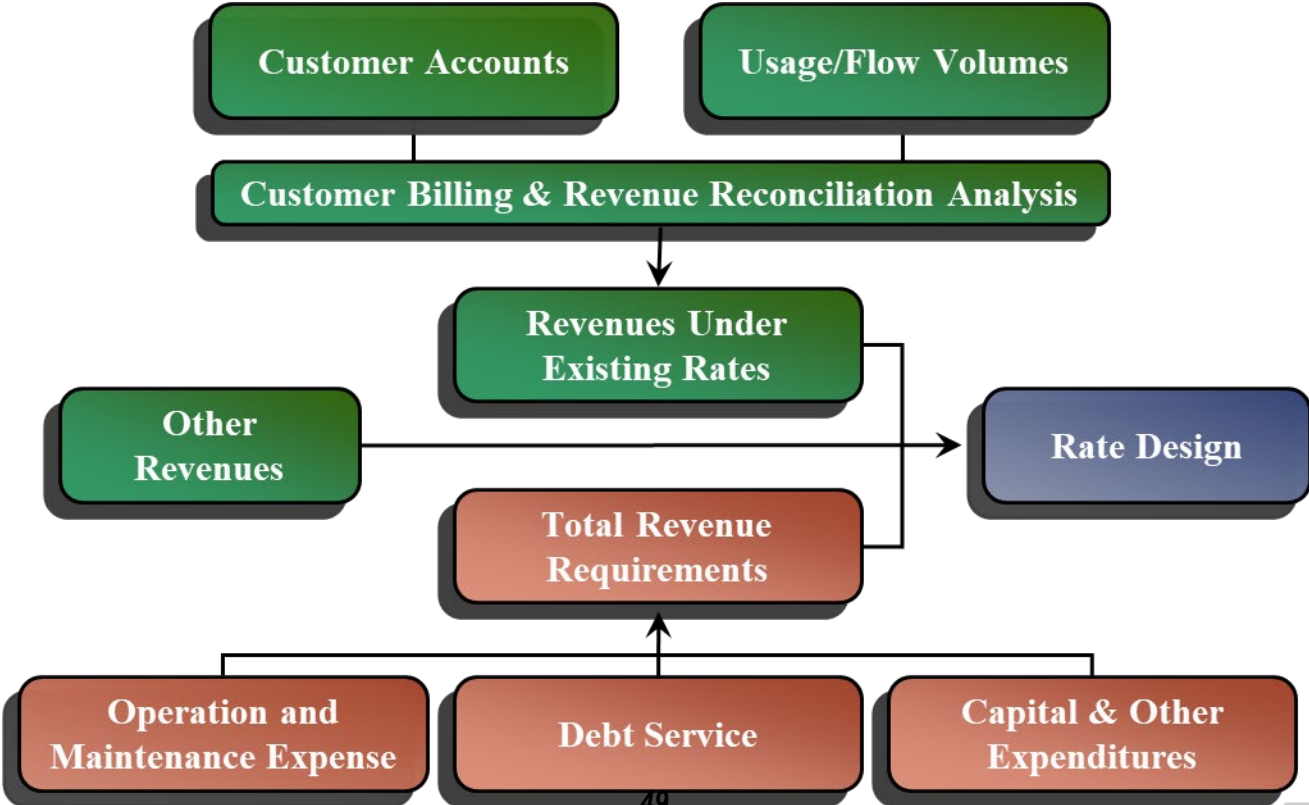


Rate Study Objectives



- The primary goals and objectives of the rate study include:
 - Full cost recovery of utility expenditures
 - Cost-based rate structure
 - Equity among customer classes
 - Administrative efficiency
 - 5-year financial plan
 - Proposition 218 compliance

General Rate Study Methodology

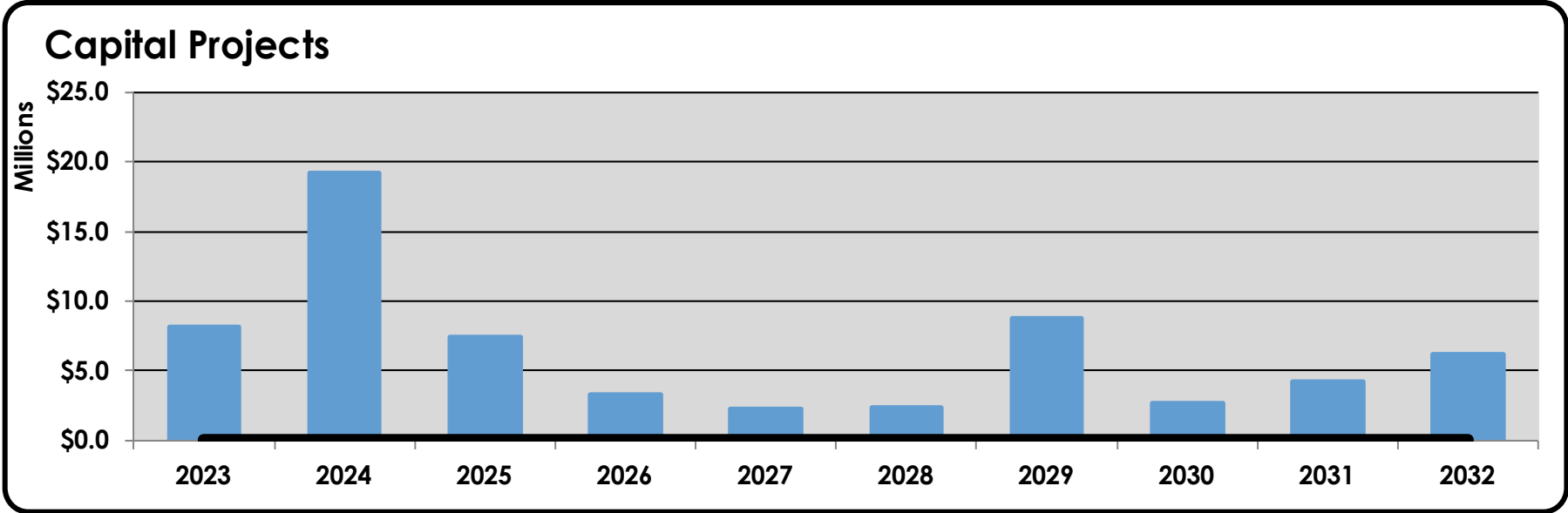


Factors Driving The Financial Plan



- Rising operating costs (equipment, supplies, treatment, etc.)
- Rising personnel costs (labor, benefits, pensions, etc.)
- Major planned capital expenditures:
 - 4.5 MG water storage tank
 - Highway 101 sewer main crossing replacements
 - Central Ave water and sewer main rehabilitation

Capital Improvement Program (CIP)



- \$40.328 MM over next 5 years (2023-2027); 54.39% water and 45.61% sewer
- \$24.26 MM over subsequent 5 years (2028-2032); 22.23% water and 77.77% sewer





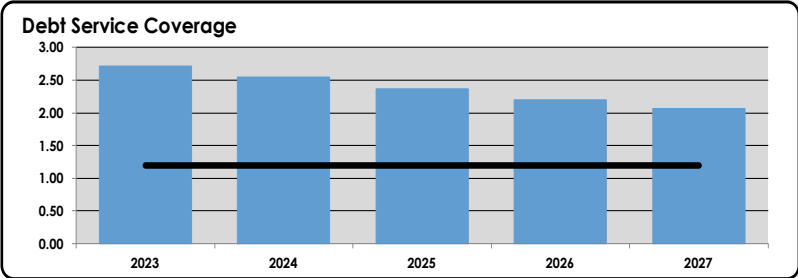
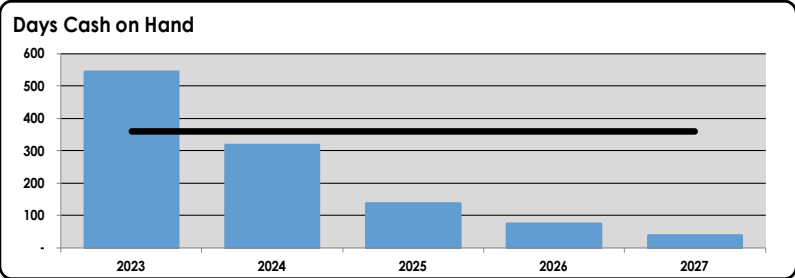
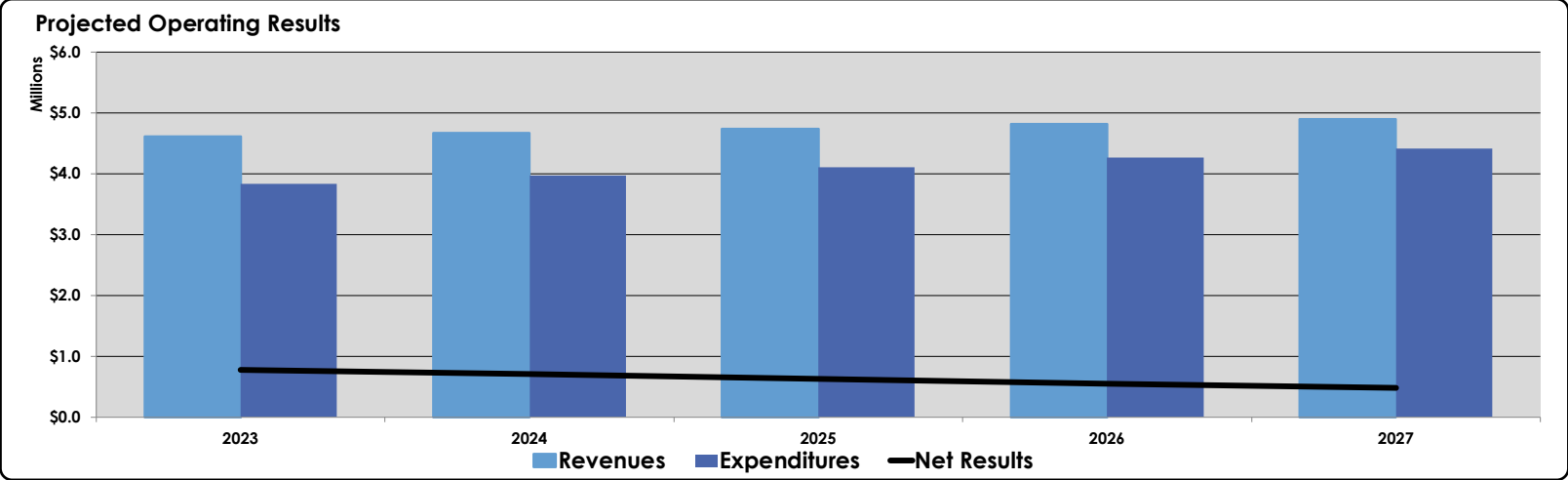
Current State



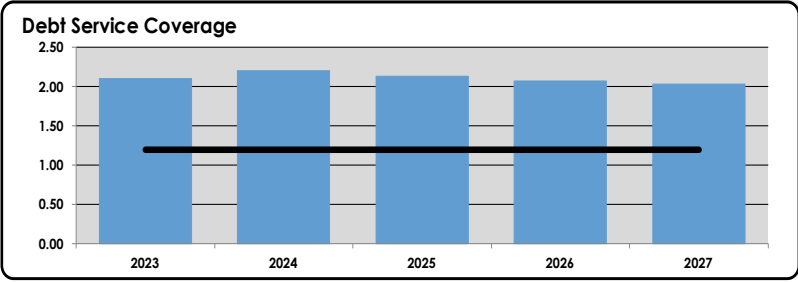
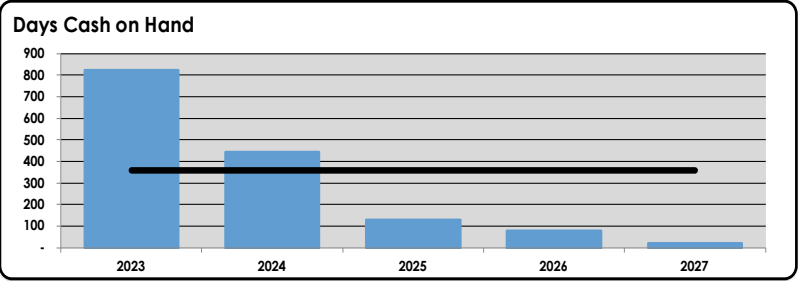
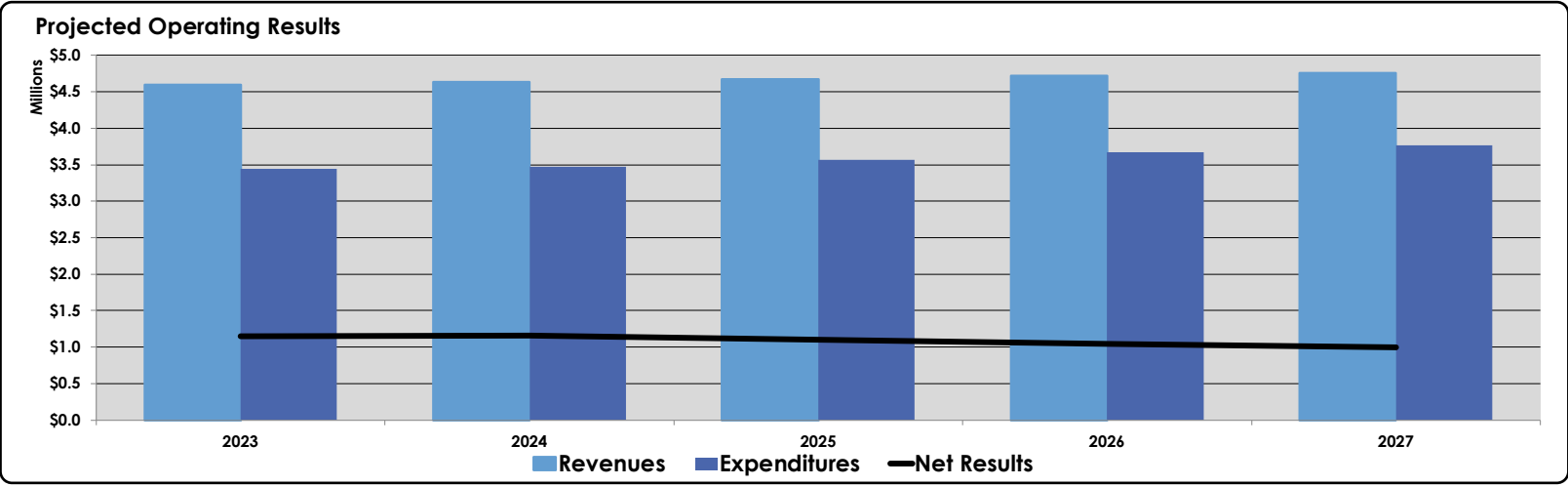
Key Objectives

- Understand financial projections under existing rates (Status Quo)
- Understand financial shortfalls that drive need for revenue adjustments

Status Quo Projections: Water



Status Quo Projections: Sewer





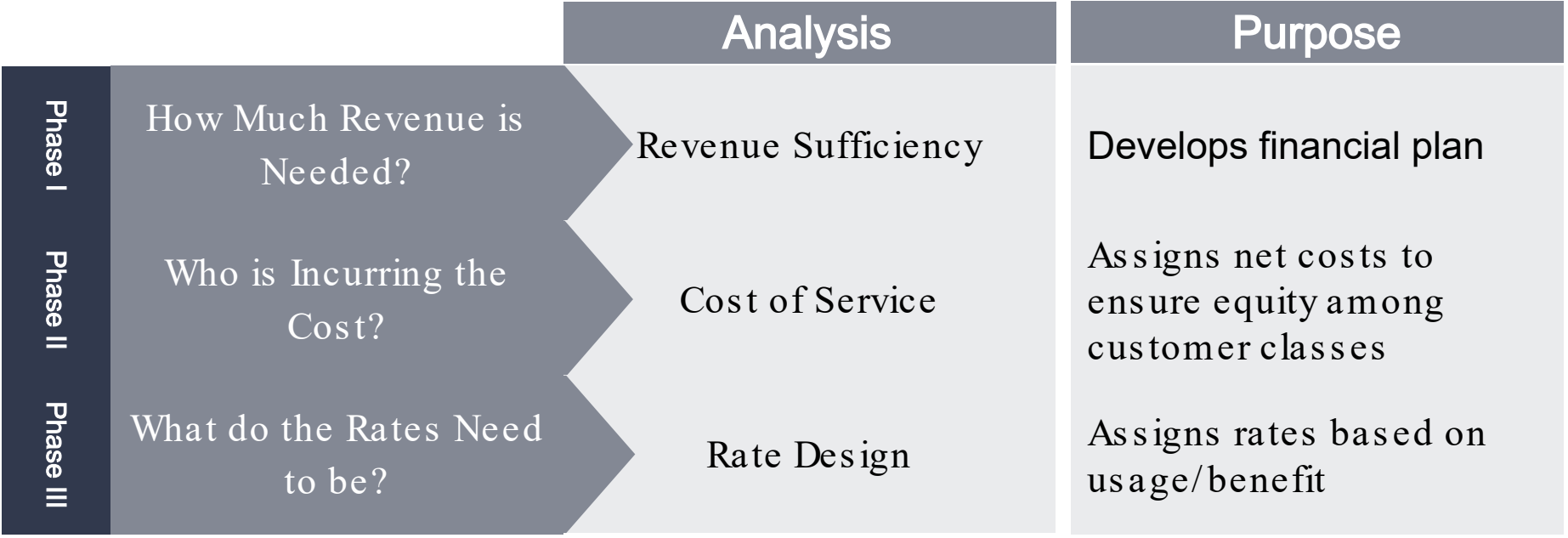
Cost of Service (COS)



Key Objectives

- Understand total revenues needed to be recovered from user rates
- Walk through the COS methodology
- How costs are allocated between cost type
- How costs are allocated to each respective customer class

Rate Structure Methodology



Outcome: Ensures proposed rates cover cost of service equitably from customers



Phase I: Revenue Requirements

Understanding the difference between Revenues and Rates - they are **not** the same

Revenues

- The amount of money required for a utility to fund its operations
 - Total amount of money generated by the rates to cover expenses

Rates

- The calculated amount that is charged to a customer
 - Base charge (fixed rate/fee)
 - Usage (volume of consumption)

Revenue Adjustments

Description	Projected For Fiscal Year Ending June 30:				
	2023	2024	2025	2026	2027
Water	6.00%	6.00%	6.00%	5.00%	4.00%
Sewer	4.00%	4.00%	5.00%	5.00%	5.00%



Phase I: Revenue Requirements

Description	Water	Wastewater	Total
Total O&M	\$ 3,380,194	\$ 2,402,326	\$ 5,782,520
Debt Service	455,627	1,039,140	1,494,767
Other Expenditures & Transfers	878,384	1,236,155	2,114,539
Gross Revenue Requirement	\$ 4,714,205	\$ 4,677,621	\$ 9,391,826
Less Other Revenues	(341,566)	(406,725)	(748,291)
Net Revenue Requirement	\$ 4,372,639	\$ 4,270,896	\$ 8,643,535

Phase II : Cost of Service Analysis

- Used industry standard approach
- Recognize different customers place different demands upon each system
- Costs allocated based on the following:
 - Fixed and variable costs
 - Number of customers within each customer class
 - Total flows within each customer class
 - Peak demand by customer class

Phase II: Cost of Service Analysis

Water Cost of Service

- Functional Unbundling of Costs:

- Supply
- Transmission
- Distribution
- Customer
- Administration

- Classification of Costs:

- Base Costs
- Max Day/Extra Capacity Costs
- Max Hour/Extra Capacity Costs
- Customer Costs (Accounts/ERUs)

Phase II: Cost of Service Analysis

Sewer Cost of Service

- Functional Unbundling of Costs:

- Collection
- Treatment
- Pumping
- Customer

- Classification of Costs:

- Volume Costs
- Capacity Costs
- Strength Costs (BOD/ SS)
- Customer Costs

Proposed Test Year Utility Rates & Bill Comparisons



Phase III: Proposed Water Rates

Description	Rate
Monthly Base Charge by Meter Size:	
General Service	
5/8 Inch	\$ 20.45
3/4 Inch	\$ 28.39
1.0 Inch	\$ 44.28
1.5 Inch	\$ 83.98
2.0 Inch	\$ 131.63
3.0 Inch	\$ 242.81
4.0 Inch	\$ 401.63
6.0 Inch	\$ 798.69
8.0 Inch	\$ 1,275.17
Volumetric Rates Per 100 Cubic Feet:	
0 - 800 Cubic Feet	\$ 2.47
Over 800 Cubic Feet	\$ 3.32
HBMWD Pass Through ^[1]	\$ 1.76
Notes:	
[1] All customers pay an additional pass-through charge per 100 cubic feet of flow used by Humboldt Bay Municipal Water District.	

Phase III: Proposed Drought Rates

Description	2023 Basic Water Rates	2023 Drought Rates ^[1]	Difference (\$)
Monthly Base Charge by Meter Size:			
General Service			
5/8 Inch	\$ 20.45	\$ 20.45	\$ -
3/4 Inch	\$ 28.39	\$ 28.39	\$ -
1.0 Inch	\$ 44.28	\$ 44.28	\$ -
1.5 Inch	\$ 83.98	\$ 83.98	\$ -
2.0 Inch	\$ 131.63	\$ 131.63	\$ -
3.0 Inch	\$ 242.81	\$ 242.81	\$ -
4.0 Inch	\$ 401.63	\$ 401.63	\$ -
6.0 Inch	\$ 798.69	\$ 798.69	\$ -
8.0 Inch	\$ 1,275.17	\$ 1,275.17	\$ -
Volumetric Rates Per 100 Cubic Feet:			
Tier 1	\$ 2.47	\$ 2.94	\$ 0.47
Tier 2	\$ 3.32	\$ 3.89	\$ 0.57
HBMWD Pass Through ^[2]	\$ 1.76	\$ 1.76	\$ -
Notes:			
[1] Drought rates are based on the "Stage 3 - Mandatory Conservation" water demand reduction goal of 10% as stated in the McKinleyville Community Service District Water Shortage Contingency Plan.			
[2] All customers pay an additional pass-through charge per 100 cubic feet of flow used by Humboldt Bay Municipal Water District.			



Phase III: Proposed Sewer Rates

Description	Rate
Monthly Base Charge ^[1]:	
All Customers	\$ 35.69
Volumetric Rates Per 100 Cubic Feet ^[2]:	
2 sewer Units/Commercial	\$ 3.13
Apartment/Multi Unit (Each)	\$ 3.13
Bakery	\$ 4.25
Barber/Beauty Shop	\$ 3.13
Car Wash	\$ 2.91
Church & Residence	\$ 3.13
Churches	\$ 3.13
Coast Guard Station/Airport	\$ 3.13
Dialysis Clinic	\$ 3.08
Fire Station/School	\$ 2.97
Gas Stations (No Market)	\$ 3.19
Laundromats	\$ 3.00
Market	\$ 4.26
Metered Septage Vault	\$ 3.55
Mobile Homes (Each)	\$ 3.13
Motels/Hotels	\$ 3.79
Office Building/Post Office	\$ 3.13
Restaurant/Tavern	\$ 4.25
Retail/Banks/Theater/Other	\$ 3.13
Round Table/Market	\$ 4.03
Sewer Only Accounts	\$ -
Sewer Units - Commercial	\$ 3.19
Single Family Residential	\$ 3.13
Two Sewer Units/Business	\$ 3.13
Two Sewer Units/Daycare	\$ 3.13
Brewery	\$ 11.20

Notes:

- [1] All sewer customers pay the same base charge.
- [2] Each customer class pays a different volumetric rate based on the strength of their respective sewer discharge.

Bill Comparison - Water

Description	Monthly Flow	Monthly Charges		\$ Amount Difference
		Existing	Proposed	
Residential				
5/8 Inch	0	\$ 19.80	\$ 20.45	\$ 0.65
5/8 Inch	100	\$ 23.45	\$ 24.68	\$ 1.23
5/8 Inch	200	\$ 27.10	\$ 28.92	\$ 1.82
5/8 Inch	300	\$ 30.75	\$ 33.15	\$ 2.40
5/8 Inch	400	\$ 34.40	\$ 37.38	\$ 2.98
5/8 Inch	500	\$ 38.05	\$ 41.61	\$ 3.56
5/8 Inch	600	\$ 41.70	\$ 45.84	\$ 4.14
5/8 Inch	700	\$ 45.35	\$ 50.07	\$ 4.72
5/8 Inch	800	\$ 49.00	\$ 54.31	\$ 5.31
5/8 Inch	1,000	\$ 61.98	\$ 64.47	\$ 2.49
5/8 Inch	1,200	\$ 74.96	\$ 74.63	\$ (0.33)
5/8 Inch	1,400	\$ 87.94	\$ 84.79	\$ (3.15)
5/8 Inch	1,600	\$ 100.92	\$ 94.95	\$ (5.97)
5/8 Inch	1,800	\$ 113.90	\$ 105.11	\$ (8.79)
5/8 Inch	2,000	\$ 126.88	\$ 115.27	\$ (11.61)



Bill Comparison - Sewer

Description	Monthly Flow	Monthly Charges		\$ Amount Difference
		Existing	Proposed	
Residential				
5/8 Inch	0	\$ 34.59	\$ 35.69	\$ 1.10
5/8 Inch	100	\$ 37.48	\$ 38.82	\$ 1.34
5/8 Inch	200	\$ 40.37	\$ 41.95	\$ 1.58
5/8 Inch	300	\$ 43.26	\$ 45.08	\$ 1.82
5/8 Inch	400	\$ 46.15	\$ 48.21	\$ 2.06
5/8 Inch	500	\$ 49.04	\$ 51.34	\$ 2.30
5/8 Inch	600	\$ 51.93	\$ 54.47	\$ 2.54
5/8 Inch	700	\$ 54.82	\$ 57.59	\$ 2.77
5/8 Inch	800	\$ 57.71	\$ 60.72	\$ 3.01
5/8 Inch	1,000	\$ 63.49	\$ 66.98	\$ 3.49
5/8 Inch	1,200	\$ 69.27	\$ 73.24	\$ 3.97
5/8 Inch	1,400	\$ 75.05	\$ 79.50	\$ 4.45
5/8 Inch	1,600	\$ 80.83	\$ 85.76	\$ 4.93
5/8 Inch	1,800	\$ 86.61	\$ 92.01	\$ 5.40
5/8 Inch	2,000	\$ 92.39	\$ 98.27	\$ 5.88

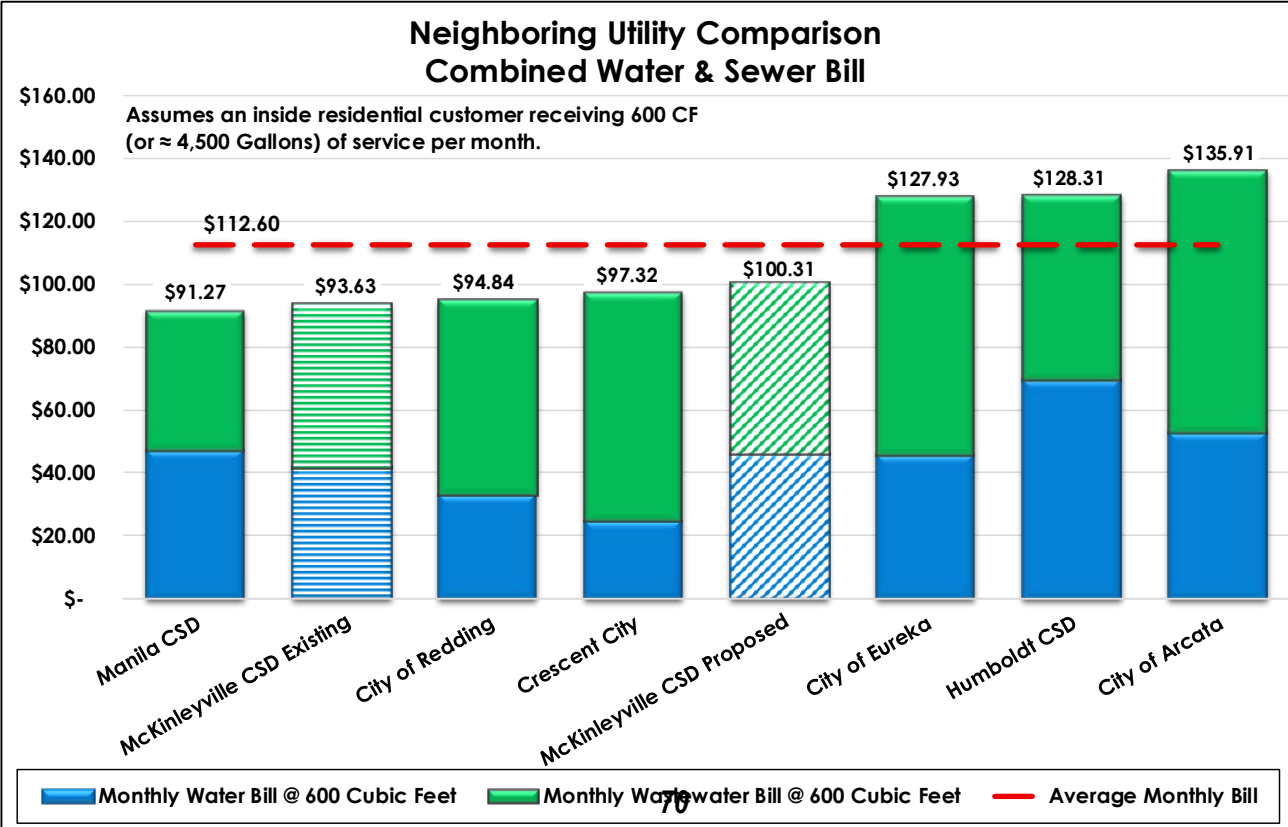


Bill Comparison - Combined

Description	Monthly Flow	Monthly Charges		\$ Amount Difference
		Existing	Proposed	
Residential				
5/8 Inch	0	\$ 54.39	\$ 56.14	\$ 1.75
5/8 Inch	100	\$ 60.93	\$ 63.50	\$ 2.57
5/8 Inch	200	\$ 67.47	\$ 70.87	\$ 3.40
5/8 Inch	300	\$ 74.01	\$ 78.23	\$ 4.22
5/8 Inch	400	\$ 80.55	\$ 85.59	\$ 5.04
5/8 Inch	500	\$ 87.09	\$ 92.95	\$ 5.86
5/8 Inch	600	\$ 93.63	\$ 100.31	\$ 6.68
5/8 Inch	700	\$ 100.17	\$ 107.66	\$ 7.49
5/8 Inch	800	\$ 106.71	\$ 115.03	\$ 8.32
5/8 Inch	1,000	\$ 125.47	\$ 131.45	\$ 5.98
5/8 Inch	1,200	\$ 144.23	\$ 147.87	\$ 3.64
5/8 Inch	1,400	\$ 162.99	\$ 164.29	\$ 1.30
5/8 Inch	1,600	\$ 181.75	\$ 180.71	\$ (1.04)
5/8 Inch	1,800	\$ 200.51	\$ 197.12	\$ (3.39)
5/8 Inch	2,000	\$ 219.27	\$ 213.54	\$ (5.73)



Neighboring Utility Comparison





5- Year Financial Plan



Key Objectives

- 5-year water & sewer rate path
- Typical monthly bill over the 5-year financial plan
- Projected financial metrics & operating results over the 5-year financial plan

5- Year Rate Path: Water

Description	Existing Rates	Projected For Calendar Year Beginning January 1:				
		2023	2024	2025	2026	2027
Monthly Base Charge by Meter Size:						
General Service						
5/8 Inch	\$ 19.80	\$ 20.45	\$ 21.68	\$ 22.98	\$ 24.13	\$ 25.10
3/4 Inch	\$ 29.11	\$ 28.39	\$ 30.10	\$ 31.90	\$ 33.50	\$ 34.85
1.0 Inch	\$ 47.52	\$ 44.28	\$ 46.93	\$ 49.75	\$ 52.24	\$ 54.34
1.5 Inch	\$ 93.06	\$ 83.98	\$ 89.02	\$ 94.36	\$ 99.08	\$ 103.06
2.0 Inch	\$ 147.91	\$ 131.63	\$ 139.53	\$ 147.89	\$ 155.29	\$ 161.54
3.0 Inch	\$ 291.85	\$ 242.81	\$ 257.37	\$ 272.80	\$ 286.46	\$ 297.97
4.0 Inch	\$ 459.76	\$ 401.63	\$ 425.72	\$ 451.25	\$ 473.83	\$ 492.88
6.0 Inch	\$ 915.75	\$ 798.69	\$ 846.60	\$ 897.36	\$ 942.27	\$ 980.15
8.0 Inch	\$ 1,464.41	\$ 1,275.17	\$ 1,351.65	\$ 1,432.70	\$ 1,504.40	\$ 1,564.87
Volumetric Rates Per 100 Cubic Feet:						
0 - 800 Cubic Feet	\$ 1.89	\$ 2.47	\$ 2.62	\$ 2.78	\$ 2.92	\$ 3.04
Over 800 Cubic Feet	\$ 4.73	\$ 3.32	\$ 3.51	\$ 3.73	\$ 3.91	\$ 4.07
HBMWD Pass Through ^[1]	\$ 1.76	\$ 1.76	\$ 1.81	\$ 1.89	\$ 1.97	\$ 2.04
Notes:						
[1] All customers pay an additional pass-through charge per 100 cubic feet of flow used by Humboldt Bay Municipal Water District.						

5- Year Rate Path: Drought Surcharge

Description	Existing Rates	Projected For Calendar Year Beginning January 1:				
		2023	2024	2025	2026	2027
Monthly Base Charge by Meter Size						
General Service						
5/8 Inch	N/A	\$ 20.45	\$ 21.68	\$ 22.98	\$ 24.13	\$ 25.10
3/4 Inch	N/A	\$ 28.39	\$ 30.10	\$ 31.90	\$ 33.50	\$ 34.85
1.0 Inch	N/A	\$ 44.28	\$ 46.93	\$ 49.75	\$ 52.24	\$ 54.34
1.5 Inch	N/A	\$ 83.98	\$ 89.02	\$ 94.36	\$ 99.08	\$ 103.06
2.0 Inch	N/A	\$ 131.63	\$ 139.53	\$ 147.89	\$ 155.29	\$ 161.54
3.0 Inch	N/A	\$ 242.81	\$ 257.37	\$ 272.80	\$ 286.46	\$ 297.97
4.0 Inch	N/A	\$ 401.63	\$ 425.72	\$ 451.25	\$ 473.83	\$ 492.88
6.0 Inch	N/A	\$ 798.69	\$ 846.60	\$ 897.36	\$ 942.27	\$ 980.15
8.0 Inch	N/A	\$ 1,275.17	\$ 1,351.65	\$ 1,432.70	\$ 1,504.40	\$ 1,564.87
Drought Surcharge Per 100 Cubic Feet						
Tier 1	N/A	\$ 0.47	\$ 0.50	\$ 0.53	\$ 0.56	\$ 0.58
Tier 2	N/A	\$ 0.57	\$ 0.60	\$ 0.64	\$ 0.67	\$ 0.70
Total Volumetric Rates Per 100 Cubic Feet (Standard Volumetric Rate plus Drought Surcharge)						
0 - 800 Cubic Feet	N/A	\$ 2.94	\$ 3.12	\$ 3.31	\$ 3.48	\$ 3.62
Over 800 Cubic Feet	N/A	\$ 3.89	\$ 4.11	\$ 4.37	\$ 4.58	\$ 4.77
HBMWD Pass Through ^[1]	\$ 1.76	\$ 1.76	\$ 1.81	\$ 1.89	\$ 1.97	\$ 2.04
Notes:						
[1] All customers pay an additional pass-through charge per 100 cubic feet of flow used by Humboldt Bay Municipal Water District.						

Description	Existing Rates	Projected For Calendar Year Beginning January 1:				
		2023	2024	2025	2026	2027
Monthly Base Charge ^[1]:						
All Customers	\$ 34.59	\$ 35.69	\$ 37.12	\$ 38.98	\$ 40.93	\$ 42.98
Volumetric Rates Per 100 Cubic Feet ^[2]:						
2 sewer Units/Commercial	\$ 3.03	\$ 3.13	\$ 3.25	\$ 3.41	\$ 3.58	\$ 3.76
Apartment/Multi Unit (Each)	\$ 2.89	\$ 3.13	\$ 3.25	\$ 3.41	\$ 3.58	\$ 3.76
Bakery	\$ 13.81	\$ 4.25	\$ 4.42	\$ 4.64	\$ 4.87	\$ 5.11
Barber/Beauty Shop	\$ 2.89	\$ 3.13	\$ 3.25	\$ 3.41	\$ 3.58	\$ 3.76
Car Wash	\$ 0.66	\$ 2.91	\$ 3.03	\$ 3.17	\$ 3.33	\$ 3.50
Church & Residence	\$ 3.41	\$ 3.13	\$ 3.25	\$ 3.41	\$ 3.58	\$ 3.76
Churches	\$ 3.03	\$ 3.13	\$ 3.25	\$ 3.41	\$ 3.58	\$ 3.76
Coast Guard Station/Airport	\$ 3.03	\$ 3.13	\$ 3.25	\$ 3.41	\$ 3.58	\$ 3.76
Dialysis Clinic	\$ 3.61	\$ 3.08	\$ 3.20	\$ 3.36	\$ 3.52	\$ 3.70
Fire Station/School	\$ 1.97	\$ 2.97	\$ 3.08	\$ 3.24	\$ 3.40	\$ 3.57
Gas Stations (No Market)	\$ 2.86	\$ 3.19	\$ 3.31	\$ 3.47	\$ 3.65	\$ 3.83
Laundromats	\$ 2.28	\$ 3.00	\$ 3.11	\$ 3.27	\$ 3.43	\$ 3.60
Market	\$ 11.56	\$ 4.26	\$ 4.43	\$ 4.64	\$ 4.88	\$ 5.12
Metered Septage Vault	\$ 3.24	\$ 3.55	\$ 3.69	\$ 3.87	\$ 4.06	\$ 4.26
Mobile Homes (Each)	\$ 2.89	\$ 3.13	\$ 3.25	\$ 3.41	\$ 3.58	\$ 3.76
Motels/Hotels	\$ 7.37	\$ 3.79	\$ 3.94	\$ 4.13	\$ 4.34	\$ 4.56
Office Building/Post Office	\$ 2.89	\$ 3.13	\$ 3.25	\$ 3.41	\$ 3.58	\$ 3.76
Restaurant/Tavern	\$ 13.81	\$ 4.25	\$ 4.42	\$ 4.64	\$ 4.87	\$ 5.11
Retail/Banks/Theater/Other	\$ 3.03	\$ 3.13	\$ 3.25	\$ 3.41	\$ 3.58	\$ 3.76
Round Table/Market	\$ 9.65	\$ 4.03	\$ 4.18	\$ 4.39	\$ 4.60	\$ 4.84
Sewer Only Accounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Units - Commercial	\$ 2.86	\$ 3.19	\$ 3.31	\$ 3.47	\$ 3.65	\$ 3.83
Single Family Residential	\$ 2.89	\$ 3.13	\$ 3.25	\$ 3.41	\$ 3.58	\$ 3.76
Two Sewer Units/Business	\$ 3.03	\$ 3.13	\$ 3.25	\$ 3.41	\$ 3.58	\$ 3.76
Two Sewer Units/Daycare	\$ 2.92	\$ 3.13	\$ 3.25	\$ 3.41	\$ 3.58	\$ 3.76
Brewery	\$ 23.12	\$ 11.20	\$ 11.63	\$ 12.20	\$ 12.81	\$ 13.45

Notes:

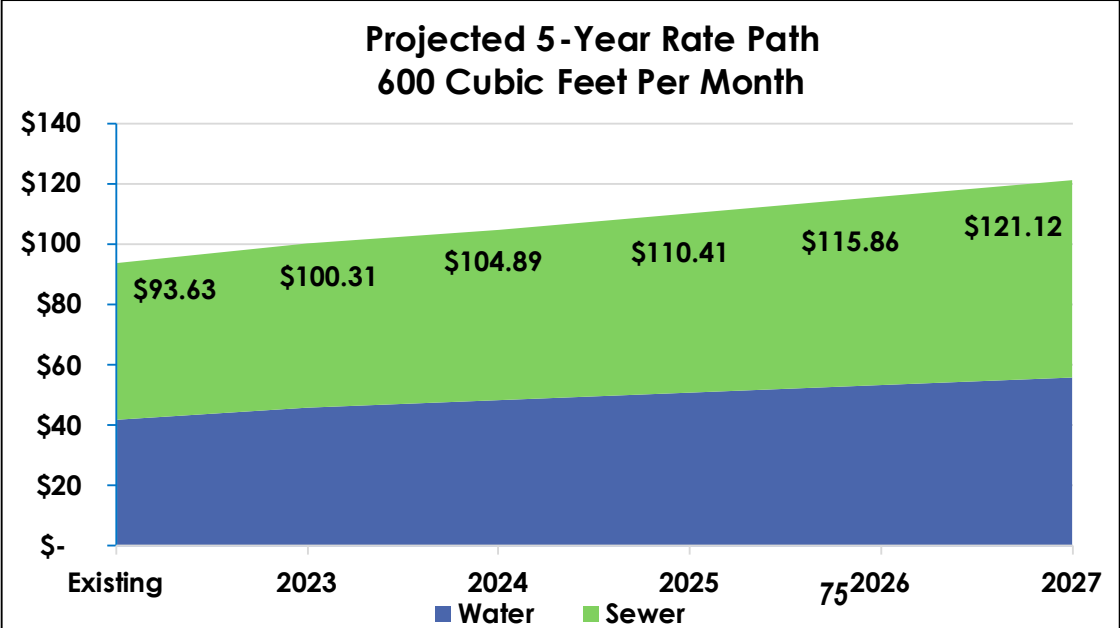
- [1] All sewer customers pay the same base charge.
- [2] Each customer class pays a different volumetric rate based on the strength of their respective sewer discharge.

5- Year Rate Path: Sewer



Description	Existing Rates	Projected For Calendar Year Beginning January 1:				
		2023	2024	2025	2026	2027
Water	\$ 41.70	\$ 45.84	\$ 48.27	\$ 50.97	\$ 53.45	\$ 55.58
Sewer	\$ 51.93	\$ 54.46	\$ 56.62	\$ 59.44	\$ 62.41	\$ 65.54
Combined	\$ 93.63	\$ 100.31	\$ 104.89	\$ 110.41	\$ 115.86	\$ 121.12
Change from Prior		\$ 6.68	\$ 4.58	\$ 5.52	\$ 5.45	\$ 5.26

Projected Water & Sewer Bill @ 600 Cubic Feet Per Month

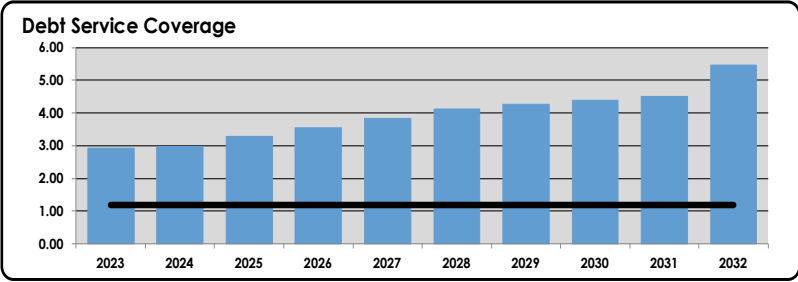
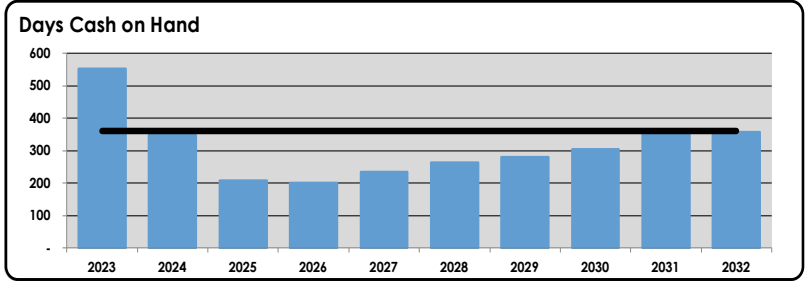
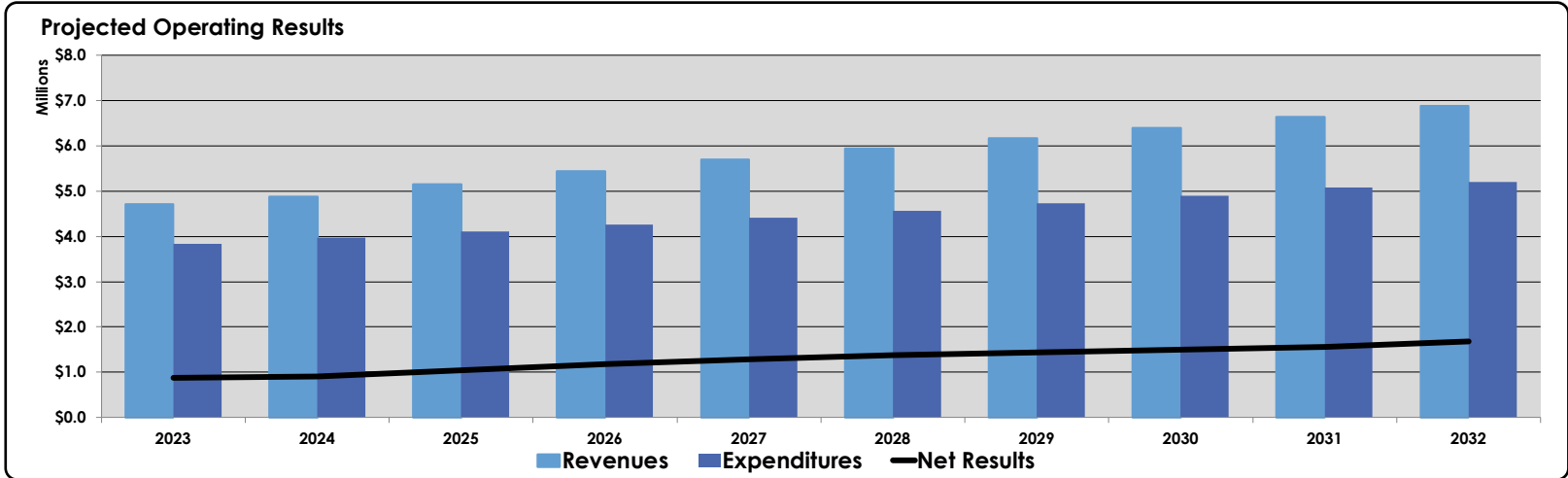


Revenue Adjustments

Description	Projected For Fiscal Year Ending June 30:				
	2023	2024	2025	2026	2027
Water	6.00%	6.00%	6.00%	5.00%	4.00%
Sewer	4.00%	4.00%	5.00%	5.00%	5.00%



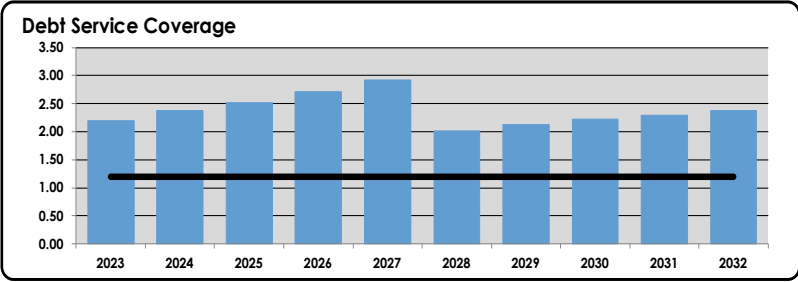
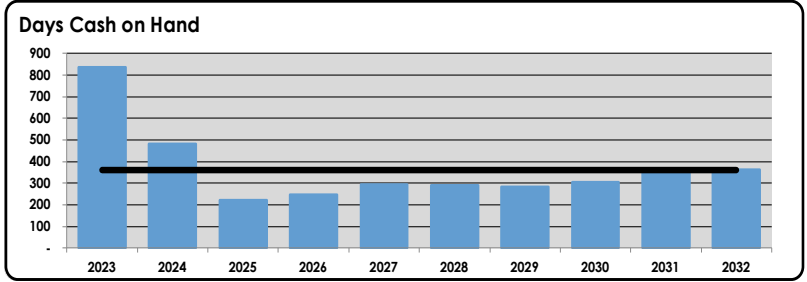
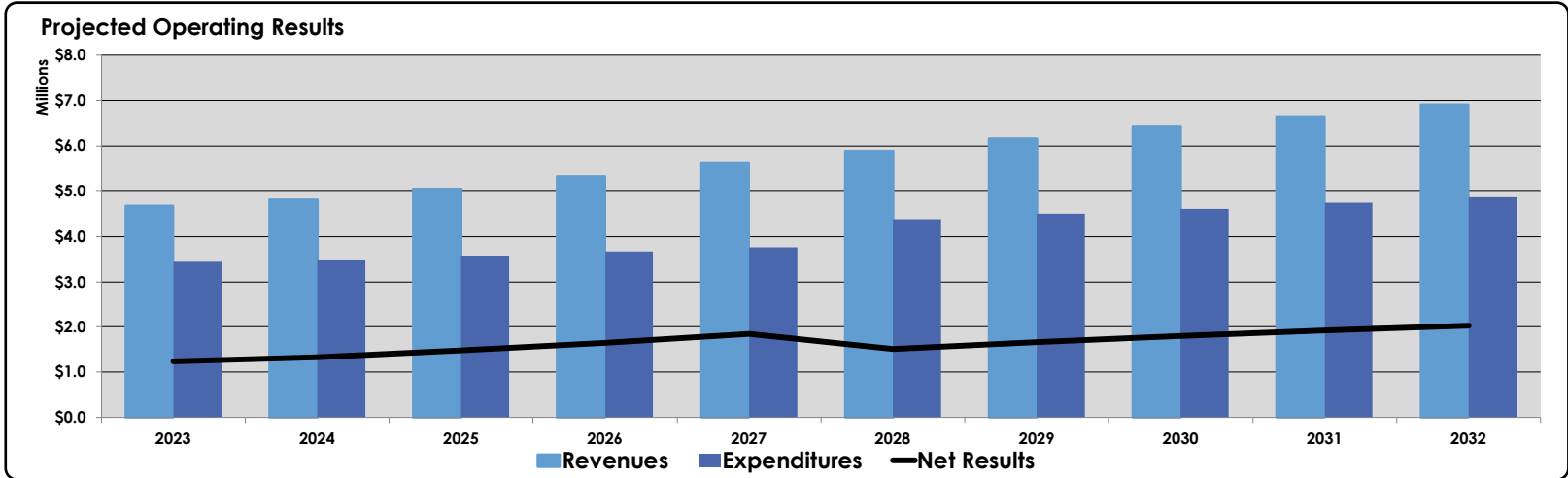
Adjusted Financial Metrics: Water



Description	Projected for Fiscal Year Ending June 30, (\$1,000s)					
	Existing 2023	Proposed 2023	2024	2025	2026	2027
Revenues:						
Water Sales	\$ 4,274	\$ 4,373	\$ 4,513	\$ 4,778	\$ 5,046	\$ 5,285
Other Revenues	342	342	359	377	395	415
Total Revenues	\$ 4,616	\$ 4,714	\$ 4,872	\$ 5,155	\$ 5,442	\$ 5,700
O&M Expenses	(3,380)	(3,380)	(3,512)	(3,657)	(3,810)	(3,961)
Net Income For Debt	\$ 1,235	\$ 1,334	\$ 1,360	\$ 1,498	\$ 1,631	\$ 1,739
Debt Service:						
Existing	\$ 456	\$ 456	\$ 456	\$ 457	\$ 458	\$ 453
Future	-	-	-	-	-	-
Total Debt Service	\$ 456	\$ 456	\$ 456	\$ 457	\$ 458	\$ 453
Balance After Debt	\$ 780	\$ 878	\$ 905	\$ 1,041	\$ 1,173	\$ 1,286
Other Expenditures & Transfers:						
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Expenditures & Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Results	\$ 780	\$ 878	\$ 905	\$ 1,041	\$ 1,173	\$ 1,286
Fund Balance Activity:						
Operating Fund						
Beginning Balance	\$ 6,125	\$ 6,125	\$ 5,130	\$ 3,357	\$ 2,087	\$ 2,099
Deposit/(Withdrawal) from Operations	780	878	905	1,041	1,173	1,286
Cash Funded Capital Projects	(1,874)	(1,874)	(2,678)	(2,310)	(1,162)	(833)
Total Operating Fund Balance	\$ 5,031	\$ 5,130	\$ 3,357	\$ 2,087	\$ 2,099	\$ 2,552
Ending Fund Balance	\$ 5,031	\$ 5,130	\$ 3,357	\$ 2,087	\$ 2,099	\$ 2,552
Debt Coverage	2.71	2.93	2.99	3.28	3.56	3.84

Projected Operating Results: Water

Adjusted Financial Metrics: Sewer

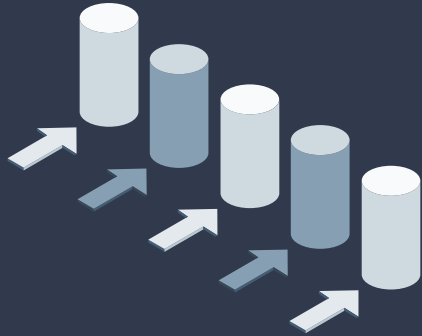


Description	Projected for Fiscal Year Ending June 30, (\$1,000s)					
	Existing 2023	Proposed 2023	2024	2025	2026	2027
Revenues:						
Wastewater Sales	\$ 4,186	\$ 4,271	\$ 4,383	\$ 4,603	\$ 4,864	\$ 5,139
Other Revenues	407	407	421	437	452	469
Total Revenues	\$ 4,593	\$ 4,678	\$ 4,805	\$ 5,040	\$ 5,316	\$ 5,608
O&M Expenses	(2,402)	(2,402)	(2,502)	(2,597)	(2,696)	(2,797)
Net Income For Debt	\$ 2,191	\$ 2,275	\$ 2,303	\$ 2,442	\$ 2,620	\$ 2,811
Debt Service:						
Existing	\$ 1,039	\$ 1,039	\$ 970	\$ 973	\$ 972	\$ 966
Future	-	-	-	-	-	-
Total Debt Service	\$ 1,039	\$ 1,039	\$ 970	\$ 973	\$ 972	\$ 966
Balance After Debt	\$ 1,151	\$ 1,236	\$ 1,333	\$ 1,469	\$ 1,648	\$ 1,845
Other Expenditures & Transfers:						
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Expenditures & Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Results	\$ 1,151	\$ 1,236	\$ 1,333	\$ 1,469	\$ 1,648	\$ 1,845
Fund Balance Activity:						
Operating Fund						
Beginning Balance	\$ 6,257	\$ 6,257	\$ 5,497	\$ 3,304	\$ 1,551	\$ 1,809
Deposit/(Withdrawal) from Operations	1,151	1,236	1,333	1,469	1,648	1,845
Cash Funded Capital Projects	(1,996)	(1,996)	(3,526)	(3,223)	(1,390)	(1,438)
Total Operating Fund Balance	5,412	5,497	3,304	1,551	1,809	2,216
Ending Fund Balance	\$ 5,412	\$ 5,497	\$ 3,304	\$ 1,551	\$ 1,809	\$ 2,216
Debt Coverage	2.11	2.19	2.37	2.51	2.70	2.91

Projected Operating Results: Sewer



Next Steps



- Conduct Public Hearing
- Tabulate written protests
- If no majority protest, Council discussion
- Adopt and implement the utility rates