

MUNICIPAL SERVICES AUTHORITY (MSA) AGENDA

Agenda materials may be viewed on the Agency's web site or by contacting the Executive Director prior to the meeting.

REGULAR MEETING
September 15, 2016
1:30 p.m.

Leshler Center for the Arts
Encore Room
1601 Civic Drive
Walnut Creek, CA 94596

1. CALL TO ORDER

- A. Election of Officers

Action

2. PUBLIC COMMENT

Each speaker is limited to two minutes. If you are addressing the Board on a non-agenda item, the Board may briefly respond to statements made or questions posed as allowed by the Brown Act (Government Code Section 54954.2). However, the Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report.

3. APPROVAL OF CONSENT AGENDA

Consent agenda items are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Executive Committee, staff or public request specific items to be removed for separate action.

- A. Approval of **May 19, 2016** Minutes

Action

4. TREASURER'S REPORT

- A. Review of Preliminary Fiscal-Year-To-Date Financial Reports through June 2016

Information

5. OLD BUSINESS

- A. Update on MSA Dental Pool
B. Update on Municipal Insurance Cooperative

Information

Information

6. NEW BUSINESS

- A. Approve **MSABOD2016-01** Updating Administrative and Financial Policies

Action

7. ADJOURN

The next Regular Meeting will take place on November 17, 2016 at 10:00 a.m. in Yountville.

Americans with Disabilities Act

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Richard Averett at (650) 587-7301. Notification in advance of the meeting will enable Agency to make reasonable arrangements to ensure accessibility.

**MUNICIPAL SERVICES AUTHORITY
BOARD OF DIRECTORS MINUTES
MAY 19, 2016**

Draft Action Minutes

The Municipal Services Authority held a regular meeting of the Board of Directors on May 19, 2016 at the Central Marin Police Authority Community Room. The meeting was called to order at 3:49 p.m.

1. CALL TO ORDER

Members Present: Ken Nordhoff, Chair

Dan Schwarz, Vice-Chair

Steve Rogers, Member

Other Attendees: Richard Averett, Executive Director

Jennifer Bower, Director of Administrative Services

Julie Carter, RGS Executive Committee Member

Tara Sanders, Deputy Clerk of the Board

2. PUBLIC COMMENT – None.

3. APPROVAL OF CONSENT AGENDA

A. Approval of **February 18, 2016** Minutes

Action: Moved and seconded (Rogers/Schwarz) to approve consent agenda items.

AYES: Nordhoff, Schwarz, Rogers

NOES: None

ABSTAIN: None

4. TREASURER’S REPORT

A. Review of Preliminary Fiscal-Year-To-Date Financial Reports through March 2016

This is an information item and no action was taken. Executive Director Averett reviewed the financial performance of the agency, noting net income of \$376,000 due in part to an additional \$200,000 mid-year contribution by Member RGS.

B. Approve FY2017 Budget

Executive Director Averett reviewed the FY2016 projected financial performance and the FY2017 proposed budget. JPA net income is forecasted to be \$434,000 - \$190,000 above budget for this fiscal year. FY2017’s budget is expected to add net income of \$244,000. Both fiscal years’ performance may be negatively impacted by claims expenses, whether actual and/or incurred but not reported.

Action: Moved and seconded (Rogers/Schwarz) to approve FY2017 budget.

AYES: Nordhoff, Schwarz, Rogers

NOES: None

ABSTAIN: None

C. Authorization to Extend External Auditor Engagement

Action: Moved and seconded (Rogers/Schwarz) to extend external auditor engagement.

AYES: Nordhoff, Schwarz, Rogers

NOES: None

ABSTAIN: None

5. OLD BUSINESS – None.

6. NEW BUSINESS – None.

7. ADJOURNMENT – The meeting adjourned at 3:52 p.m. The next regular meeting is scheduled for August 18, 2016 at 1:00 p.m. in Walnut Creek.

TO: BOARD OF DIRECTORS
FROM: Jefferson Kise, Finance Manager
SUBJECT: FINANCIAL REPORT ANALYSIS

EC Meeting: 09-15-2016
Item: 4A

RECOMMENDATION

No action is required of the Board of Directors. These are informational, preliminary financial reports through June 2016, and are attached for review.

ANALYSIS

All reports are draft and unaudited. Workers' Compensation and general liability expenses that have not yet been incurred, will be expenses in the final, audited financial statements based on the independent actuary's review.

Fiscal year to-date (FYTD), the net income for the JPA was \$435,947 after receiving an additional, mid-year \$200,000 RGS contribution to insurance reserves. Through the same period, net equity for the JPA was \$2,126,775. Financial operating performance has been on target, with only minor actual claims payments incurred.

| | Adopted FY16 Budget | May Projected FY16 | Pre-Audit Projected FY16 |
|--------------------------|--------------------------------|---------------------------|-------------------------------------|
| Revenues - Operating | \$457,000 | \$657,000 | \$657,000 |
| Ordinary Expenditures | 213,000 | 223,000 | 221,053 |
| Other Income/Expense | 0 | 0 | 0 |
| Net Gain/(Loss) | \$244,000 | \$434,000 | \$435,947 |

8:19 AM

08/29/16

Accrual Basis

Municipal Services Authority
Profit & Loss
 July 2015 through June 2016

| | <u>Jul 15</u> | <u>Aug 15</u> | <u>Sep 15</u> | <u>Oct 15</u> | <u>Nov 15</u> | <u>Dec 15</u> | <u>Jan 16</u> | <u>Feb 16</u> | <u>Mar 16</u> | <u>Apr 16</u> | <u>May 16</u> | <u>Jun 16</u> | <u>TOTAL</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Income | | | | | | | | | | | | | |
| 440410 · Member Contributions | 38,083 | 38,083 | 38,083 | 38,083 | 38,083 | 38,083 | 38,083 | 238,083 | 38,083 | 38,083 | 38,083 | 38,083 | 657,000 |
| Total Income | <u>38,083</u> | <u>38,083</u> | <u>38,083</u> | <u>38,083</u> | <u>38,083</u> | <u>38,083</u> | <u>38,083</u> | <u>238,083</u> | <u>38,083</u> | <u>38,083</u> | <u>38,083</u> | <u>38,083</u> | <u>657,000</u> |
| Expense | | | | | | | | | | | | | |
| 520100 · Broker Expense | 3,639 | 3,639 | 3,639 | 3,639 | 3,639 | 3,639 | 3,639 | 3,639 | 3,639 | 3,639 | 3,639 | 3,639 | 43,667 |
| 520200 · Admin Fee Expense | 3,333 | 3,333 | 3,333 | 3,333 | 3,333 | 3,333 | 3,333 | 3,333 | 3,333 | 3,333 | 3,333 | 3,333 | 40,000 |
| 520300 · Gen Liability Insur Exp | 4,967 | 4,967 | 4,967 | 4,967 | 4,967 | 4,967 | 4,967 | 4,967 | 4,967 | 4,967 | 4,967 | 4,967 | 59,608 |
| 520400 · Worker Comp Insur ... | 5,437 | 5,437 | 5,437 | 5,437 | 5,437 | 5,437 | 5,437 | 12,399 | 5,437 | 5,437 | 5,437 | 5,437 | 72,208 |
| 520600 · Actuarial Services | | 3,000 | | | | | | | | | | | 3,000 |
| 550200 · Claims Expense - WC | | | | | | | | | 90 | 488 | 1,552 | 440 | 2,570 |
| Total Expense | <u>17,377</u> | <u>20,377</u> | <u>17,377</u> | <u>17,377</u> | <u>17,377</u> | <u>17,377</u> | <u>17,377</u> | <u>24,339</u> | <u>17,466</u> | <u>17,865</u> | <u>18,929</u> | <u>17,817</u> | <u>221,053</u> |
| Net Income | <u><u>20,707</u></u> | <u><u>17,707</u></u> | <u><u>20,707</u></u> | <u><u>20,707</u></u> | <u><u>20,707</u></u> | <u><u>20,707</u></u> | <u><u>20,707</u></u> | <u><u>213,745</u></u> | <u><u>20,617</u></u> | <u><u>20,219</u></u> | <u><u>19,154</u></u> | <u><u>20,267</u></u> | <u><u>435,947</u></u> |

Municipal Services Authority
Balance Sheet
As of June 30, 2016

| | <u>Jun 30, 16</u> |
|---|-------------------------|
| ASSETS | |
| Current Assets | |
| Checking/Savings | |
| 110010 · Union Bank Cash | 1,430 |
| Total Checking/Savings | <u>1,430</u> |
| Accounts Receivable | |
| 120100 · Due From/To RGS-LGS | 3,088,484 |
| Total Accounts Receivable | <u>3,088,484</u> |
| Total Current Assets | <u>3,089,914</u> |
| TOTAL ASSETS | <u>3,089,914</u> |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Long Term Liabilities | |
| 260001 · IBNR - GL | 25,000 |
| 260002 · IBNR - WC | 50,000 |
| 260010 · Workers Comp Claims Liab - ... | 25,074 |
| 260011 · General Liability Claims - LGS | 59,868 |
| 260020 · Workers Comp Claims Liab - ... | 157,719 |
| 260021 · General Liability Claims - RGS | 645,478 |
| Total Long Term Liabilities | <u>963,139</u> |
| Total Liabilities | 963,139 |
| Equity | |
| 320000 · Unrestricted Net Assets | 1,690,828 |
| Net Income | 435,947 |
| Total Equity | <u>2,126,775</u> |
| TOTAL LIABILITIES & EQUITY | <u>3,089,914</u> |

TO: BOARD OF DIRECTORS **BOD Meeting: 9-15-2016**
FROM: RICHARD AVERETT, Executive Director **Item: 6A**
SUBJECT: ADMINISTRATIVE AND FINANCIAL POLICIES UPDATE RESOLUTION

RECOMMENDATION

Approval of the annual update of Administrative and Financial Policies including all proposed changes detailed below by adopting Resolution **MSABOD2016-01**.

BACKGROUND

The Administrative and Financial Policies were last reviewed and approved April 16, 2015.

Proposed changes include:

- Resolution preface – Updating the Resolution section to clarify the approval of each agency. No substantive changes are proposed to this section.
- Cooperation and Utilization Policy – Revised to recognize the right of any one of the three JPAs to opt out of a policy or the cooperation agreement.
- Conflict of Interest Policy - Revised to include language clarifying that the policy is required by State law to be reviewed and reported on every two years, and to add Special Counsel as a Category 1 filer. No substantive changes are proposed to this policy.
- iPad/Tablet Policy - Re-named to the “Mobile Computing” Policy to better reflect the variety of mobile computing options available. Additional detail-specific items were also removed to allow for more flexibility in a member’s choice of mobile computing devices, and clarification was added as this policy’s reference to use once per individual regardless if the individual serves more than one of these three JPAs. No change is proposed to the reimbursement dollar amount, however those utilizing the reimbursement three or more years ago may reutilize this policy reimbursement to update or upgrade the device or accessories.
- Member in Good Standing Policy - For clarification purposes, a minor wording change is proposed.
- Board Training Funds Policy – Revised to reflect previously approved changes (at the 2016-02-18 Executive Committee meeting). The approved policy has been re-worded for clarification of the carryover portion of the training funds, and to clarify this policy’s reference to RGS Members only.
- Allocation of JPA Administrative Expenses – Establish a minimum charge of \$25,000 per month to LGS for RGS services, to reflect the fixed support costs for an agency requiring a full suite of benefits, as well as enhanced legal and executive management support. Increase the annual charge to MSA for administrative support to \$78,000 from \$40,000 in order to cover increased management involvement in the MIC insurance pool and in JPA insurance coverage matters.

There are no material changes to other policies contained within the Administrative and Financial Policies document. A redlined document is available for review. Approval of the document’s proposed changes is approval of the changes and renewal of those not changing, such as the Investment Policy and Financial

Reserves targets. The next annual review of Administrative and Financial Policies is scheduled for May 2017, with mid-year changes agendaized as needed.

FISCAL IMPACT

Adoption of the Resolution to approve proposed changes to the Administrative and Financial Policies may result in increased one-time RGS costs of up to \$50,000 for reimbursements eligible under the mobile commuting policy, increased annual RGS revenue of \$38,000 from MSA and increased annual RGS revenue in the first fiscal year of \$12,000 to \$24,000 from LGS for reimbursement of administrative support costs.

RESOLUTION NO. MSABOD2016-01

**A RESOLUTION OF THE BOARD OF DIRECTORS OF MUNICIPAL SERVICES
AUTHORITY UPDATING ADMINISTRATIVE AND FINANCIAL POLICIES**

WHEREAS, Municipal Services Authority (“MSA”) is a joint powers authority organized pursuant to the Joint Exercise of Powers Act, Government Code section 6500 *et seq.*; and

WHEREAS the Board of Directors has the authority to adopt rules, regulations, policies, bylaws and procedures governing the operation of MSA; and

WHEREAS, the Board of Directors desires to update the Administrative and Financial Policies of the JPA.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that Municipal Services Authority update the Administrative and Financial Policies including all proposed changes.

This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED by the Board of Directors of Municipal Services Authority, this 15th day of September, 2016 by the following vote, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

Board Secretary
2630286.1

Ken Nordhoff, Chair

**Local Government Services,
Regional Government Services
and
Municipal Services Authorities**

**Administrative
and
Financial
Policies**

**Created
November 15, 2012**

**Last Approved
April 16, 2015**

Local Government Services Authority (LGS)
Regional Government Services Authority (RGS)
and
Municipal Services Authority (MSA)

Administrative and Financial Policies

Resolution:

WHEREAS, the ~~Finance Committee for~~ Local Government Services, ~~and~~ Regional Government Services and Municipal Services Authorities (The JPAs) are authorized to adopt rules and regulations for the regulation of administrative and financial policies of the JPAs; and

WHEREAS, the objectives of these Administrative and Financial Policies are to facilitate efficient and economical services to the government agency community; and

WHEREAS, these Administrative and Financial Policies ensure adherence to generally agreed to accounting principles; and

WHEREAS, at the same time, within the limits of administrative feasibility, considerable latitude shall be given to Executive Director and designee in the interpretation of these rules; now, therefore, be it

RESOLVED, that the ~~Finance Committee of the~~ JPAs **does** hereby adopt the following Administrative and Financial Policies.

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Introduction

JPA: ~~Local Government Services and/or~~ Regional Government Services, Local Government Services and/or Municipal Services Authorities, herein after, the JPAs, provide services to a variety of clients with employees assigned to perform those services. Employees are the JPA's representatives when performing services.

Board of Directors and Executive Committee: The Boards of Directors for Local Government Services, Regional Government Services and Municipal Services are each comprised of one representative from each JPA member organization/agency, except MSA which has two representatives from RGS. Finance Committee Members are appointed by the LGS and RGS Boards.

Name: These Administrative and Financial Policies (hereafter "Policies") generally describe the administrative and financial rules and procedures approved by the Committee, Board or Executive Director, in the case of internal administrative policies. These Policies attempt to reflect and encourage best practices for public agencies. These Policies apply to LGS, RGS and MSA, except where otherwise indicated in these Policies.

Conflicting Policies: These Policies were established to conform and be complementary to JPA procedures. In cases where there is deemed to be a conflict between a Policy and a procedure, the Policy shall prevail.

Additional Policies: The Executive Director is the executive leader of the JPAs and may issue additional rules or policies as deemed necessary for the efficient administration of the agencies. However, such administrative rules or policies shall not conflict with these Policies. In cases where there is deemed to be a conflict between an Administrative rule and these Policies, these Policies shall prevail.

Amendments: These Policies may be amended from time to time and approved by the Finance Committee and /or the JPA Governing Board.

Accessing Policies: These Policies are available to all employees and are posted on both the JPAs' websites. Employees are responsible for reading and complying with them.

Violation of Policies: Violations of the provisions of these Policies shall result in disciplinary action, up to and including dismissal, to be taken in accordance with the Personnel Rules and Regulations.

Discrepancies: In the event there is a discrepancy between the language in these Policies and state or federal law, federal or state law shall prevail over these Policies.

Severability: If any part of these Policies is determined to be unconstitutional or illegal, such part shall be severed from these Policies and the remaining Policies shall be given full force and effect.

Word Usage: The term Agency, JPA or JPAs as used in these Policies refers to Local Government Services Authority and/or Regional Government Services Authority and/or

Municipal Services Authority. Responsibilities and rights of the JPAs under these Policies are exercised by the Executive Director, and may be delegated by the Director in his/her discretion.

Executive Director: The term Executive Director refers to Local Government Services and/or Regional Government Services and/or Municipal Services Executive Director. The Executive Director may designate authority to the administration or human resources manager, as appropriate. When interpreting these Policies, anytime the Executive Director is listed, it should also be interpreted to mean the Executive Director or his/her designee.

Cooperation and Utilization Policy

Purpose: To reduce duplication of shared administrative procedural and policy actions.

Cooperation Agreement Utilization Plan: LGS, RGS and MSA adopted an updated Cooperation Agreement on ~~January~~ May 12, 2012. The Cooperation Agreement states that the agencies will share administrative resources, including staff and vendor services, to more cost-effectively achieve and coordinate their operational needs.

In order to more fully realize the value of the Cooperation Agreement, it is recommended that shared administrative actions taken by one signatory of the Cooperation Agreement ~~RGS~~ are effectively approved by ~~LGS and MSA as the other signatories, with each agency retaining the right to selectively opt out of a policy or to withdraw participation in the Cooperation Agreement signatories of the Cooperation Agreement. If LGS or MSA is the lead agency on administrative actions in the future, those actions will be effectively approved by the other agencies, as appropriate.~~

Conflict of Interest Policy

Purpose: The Political Reform Act of 1974 (Government Code Sections 81000 et seq.) requires state and local government agencies to adopt and promulgate Conflict of Interest Codes.

Conflict of Interest Code: The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. Section 18730), which contain the terms of a standard Conflict of Interest Code and can be incorporated by reference in an agency's code. After public notice and hearing, it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act.

Therefore, the terms of 2 California Code Regulations Section 18730 and any amendments duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. These regulations and the attached appendix, designating officials and employees and establishing disclosure categories, shall constitute the Conflict of Interest Code of the Regional Government Services Joint Powers Authority, Local Government Services Joint Powers Authority and the Municipal Services Joint Powers Authority.

Designated officials and employees shall file statements of economic interests with the Regional Government Services Authority, Local Government Services Authority and Municipal Services Authority who will make the statements available for public inspection and reproduction (Gov. Code Section 81008.) The Secretary will retain statements for all designated officials and employees.

[Government Code Section 87300, et seq. requires every local agency to review their conflict of interest code and to either amend the code if necessary or report that no amendment is necessary every even-numbered year.](#)

Appendix: Designated Officers and Employees

| <u>Position</u> | <u>Disclosure Category</u> |
|--|-----------------------------------|
| Board Directors, Alternates and Executive Committee Member | 1 |
| Executive Director/Chief Financial Officer | 1 |
| Director of Human Resources | 1 |
| General Counsel <u>and Special Counsel</u> | 1 |
| Consultants* | 1 |

*Consultants shall be included in the list of designated officials and employees and shall disclose pursuant to the broadest disclosure category in the Code subject to the following limitation:

The Chief Executive Officer, or his or designee, may determine in writing on a case by case basis that a particular consultant, although a designed position, is hired to perform a range of duties that is limited in scope and thus does not require compliance, or full compliance with disclosure requirements. Any such written determination shall include a description of the consultant's duties and a statement as to the extent of disclosure requirements. The Chief Executive Officer may determine whether a contract consultant

constitutes a “consultant” as defined in the Political Reform Act. The Chief Executive Officer’s determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code.

Disclosure Category 1: Persons in this category must disclose all investments and business positions in business entities, doing business in, and sources of income and interests in real property, in the state in which the Authority operates.

Records Retention Policy

Purpose: At the June 9, 2011 Board of Directors meeting, the Human Resources Director presented a Records Retention Policy which included a records retention schedule created by an expert in municipal government records.

The JPAs were desirous of adopting a Records Retention Policy to realize efficiency gains and cost savings by reducing current and future records storage costs, eliminating duplication of effort, increasing efficiency, and taking advantage of current technology and changes in law.

Records Retention Policy: JPA staff is to refer to the records retention schedules when making decisions as to the maintenance of JPA records. The full records retention schedule contains 13 comprehensive sections, each relating to a unique business area. They provide clear, specific records descriptions and retention periods, and apply current law and technology to the management of records.

The records retention schedule is a proprietary document and cannot be published in a public document. The full retention schedule is on file and available for JPA staff to reference when needed.

The records retention schedule can be amended by approval of the Board.

~~Board and Administrative Staff~~ iPad/Tablet Mobile Computing Device Policy

Overview

Regional Government Services (RGS), Local Government Services (LGS), and Municipal Services Authorities (MSA) Joint Powers Authorities have appointed officials who serve on one or more of these agencies in the capacity of a board member, a member of the executive committee, or a member of a sub-committee. Regional Government Services employs administrative staff, who ~~then~~ provide services to all three JPAs. As appointed officials and staff are located throughout the JPAs' service areas, a paperless agenda process is being implemented vital to streamline the agenda process, enhance efficiency and mobility, and provide a cost savings through the use of ~~iPads or similar tablet devices~~ mobile devices.

~~The JPA meetings rotate to Member Agency sites, with most Member Agencies' sites being able to operate multiple users concurrently.~~

iPad/Tablet Mobile Computing Device Eligibility

The JPA will provide an expense reimbursement to JPA Officials, management team, and designated other JPA staff as deemed necessary for work purposes by the JPA Executive Director. Reimbursement is for one device per individual for Board or Executive Committee Members, regardless of the number of Boards or Committees served.

iPad/Tablet Mobile Computing Device Expense Reimbursement Amount

This reimbursement is for the purchase of ~~an laptop or tablet~~ iPad/Tablet (not cell phone) to access agenda packets electronically, enhance efficiency, and align with established and emerging best practices. The amount of reimbursement will be up to \$1,000.00 to purchase the device, required and beneficial applications and accessories. Should the appointed official or employee choose options costing more than the JPA standard, the difference will not be paid by the JPA. Nor will the JPA reimburse for monthly or annual internet ~~or phone~~ or data services.

Technology and Reimbursement Amount Review

The executive director will review the state of technology every three years to determine if updated devices or reimbursement amounts are required reasonable taking into account current advancements in technology. The amount of the reimbursement is intended to be a one-time per user amount ~~and may be adjusted upon periodic administrative reviews~~ subject to review every three years.

Hardware, Software, and Accessories Requirements

- ~~Hardware: In terms of efficiency and mobility, utilization of an iPad/Tablet device allows all information to be stored in one location. Notes can be made while reviewing the documents for easy retrieval by using a bookmark in the annotation applications. The required JPA standard for tablet technology is a 16 GB iPad with Wi-Fi capability. Any eligible mobile computing device must have Wi-Fi capabilities and be able to support running core Microsoft Office programs and Adobe Reader. The device must be able to access the internet via an internet browser. Users may consider a 32GB cellular-enabled iPad, if users foresee dual purpose usage of the device (business needs and personal use).~~

~~An appointed official or staff may choose to use a different tablet device as long as it is capable of the paperless agenda process and is conducive to accomplishing JPA business processes. Use of a device other than iPad must be pre-approved by the Executive Director.~~

- ~~● **Accessories and Applications:** As individual owners of iPads, JPA officials and staff will be required to establish a personal iTunes account with personal credit card to set up an Apple/iTunes account in order to download necessary applications. While many of the applications needed for business purposes are free, some are required to be purchased for a nominal fee, which varies between applications.~~
 - ~~○ **Recommended Applications:** Some applications shall be required to support the paperless agenda process and are subject to change as technology evolves. Recommended applications are:
 - ~~▪ Dropbox or similar~~
 - ~~▪ iAnnotate or similar~~
 - ~~▪ iPassword or similar.~~
 - ~~▪ Evernote/Notability~~~~
- ~~● **Pages (Word Processing Application)** Applications currently utilized by the JPA are Microsoft Office and Adobe Acrobat. Any device purchased under this mobile computing device policy must have Adobe Reader and Microsoft Office installed.~~
- ~~● **AppleCare Warranty and Optional Accessories:** AppleCare+ for iPad extends owner coverage to two years from the original purchase date of the iPad and adds up to two incidents of accidental damage coverage.
 - ~~○ Coverage: AppleCare+ provides repair (both parts and labor) or replacement coverage, from Apple authorized technicians.~~
 - ~~○ Coverage includes: iPad, Battery, Time Capsule, or AirPort device, USB cable and Power Adaptor.~~
 - ~~○ Accidental damage coverage is subject to a \$50 deductible (user is responsible for cost of the deductible).~~~~
- ~~● AppleCare+ also includes technical support either in-store or over the phone. The purchase of an extended warranty or optional accessories such as covers or carrying cases will be included under the mobile computing device policy reimbursement amount up to the \$1,000.00 limit.~~
- ~~● **Additional Optional Accessories**
 - ~~○ iPad/Tablet cover~~
 - ~~○ Keyboard~~
 - ~~○ Protective screen cover~~~~

Damage

Should any damage or loss of function to the device occur, it is the responsibility of the owner to repair or replace device.

JPA Member in Good Standing Policy

Overview

~~At the June 9, 2011~~The Executive Committee ~~meeting, during their discussion and approval of JPA Membership guidelines, the Committee directed the Executive Director to~~has developed a recommended definition of a “member in good standing”. ~~Criteria for establishing a member in good standing will to~~ assist the Executive Committee in exercising its authority to cancel an Agency’s JPA Membership.

Every member agency has one representative on the Board of Directors. The Directors, in turn, appoint members of the Executive Committee. ~~This policy applies to all Directors and All but one Committee Members is also a Board Director. Therefore, criteria for determining membership in good standing would appear to apply to both bodies.~~

Board of Directors and Executive Committee Member Responsibilities

~~The~~Board and ~~the~~Committee Members support the work of the JPA by participating in the governance, including attendance at JPA meetings, and in strategic planning workshops. They also serve a key role in promoting the mission of the JPA to provide professional and cost-effective services to public agencies and non-profits. Both governance and outreach require active participation by members. While day-to-day operations are led by the Executive Director, the Board-Executive Committee and Executive Director relationship is a partnership, and the appropriate involvement of the Board and Executive Committee members is both critical and expected. These guidelines are proposed to assist the governing bodies in determining membership in good standing.

- All members will be responsible for regularly attending meetings, either in person or by sending a designated alternate. A member in good standing will be one who either personally, or via an alternate, attended three-fourths (3/4) of scheduled meetings during the fiscal year.
- All members will actively contribute to the work of the Board and/or Executive Committee and show concern for the JPA’s development. This includes but is not limited to:
 - Informing other public agencies about the mission of the JPA.
 - Acting as an ambassador for the JPA, representing the JPA to other public agencies in a positive manner.
 - Keeping up to date on current trends in public governance and determining how the JPA can effectively serve other public agencies in light of changing trends.
 - Reviewing the annual financial statements of the JPA and ensuring, through their governance role, that the JPA is operated in an ethical, legal and financially sustainable manner.
- After successfully completing a year of service on the Board or Executive Committee, a Member Agency shall be fully eligible for training resources and reimbursements as other Members ~~Agencies~~; all of which are subject to appropriation and funding availability.

| It is the responsibility of the Executive Director and of ~~the~~ Board or Executive Committee members to encourage all members to actively engage in the work of the JPA. A recurring or continued failure of a member to actively participate shall result in an action item on the next regular agenda which will consider the removal of the member. Removal by the Board or Executive Committee shall be considered removal by the other body, and removal by the Executive Committee will cancel the Agency Membership represented by the member. Failure of a member to meet the above guidelines as determined by a two-thirds majority of the other members will result in the removal of the member.

Board Training Funds Policy

It is the policy of the JPA to provide training support to JPA governing member agencies in good standing. (See the Member in Good Standing policy for training support eligibility.) The purpose of JPA training support for governing member agencies is to recognize the contribution member agencies make to the governance of the JPA.

Training funds are available based on RGS funding availability and services provided the JPA. Beginning in FY 15/16, member agencies are eligible to receive training funds after completing one full fiscal year of service in good standing. Service of less than a fiscal year does not qualify for training funds. For each subsequent year in good standing, training funds are available at the beginning of the following fiscal year. Earned training funds may be carried over for one fiscal year only. In the current fiscal year, \$12,000 is budgeted per member agency. The amount per member agency may be adjusted annually based on the level of services provided the JPA and funds available for training support.

Training funds may be used for any of the following by member agency staff:

- RGS sponsored training, such as the California Local Governance Summer Institute at Stanford or other such premier leadership programs.
- RGS sponsored and provided training, such as enrolling employees into the various RGS-provided academies.
- Coaching provided by RGS staff.
- Human Resources assistance in a variety of functional areas provided by RGS advisors, including an assessment of your organization's human resource practices and procedures.
- Finance assistance as an assessment of your organization's finance functions, services, practices, and procedures.

The use of training funds (or credits) should encourage the awareness and/or use of JPA services by member agencies and other public agencies. To that end, the JPA will prepare message material (such as a video about the value of JPA membership or use of JPA services for member agencies' governing bodies and executive management).

Requests for specific use of training funds should be directed to the JPA Director of Administrative Services.

Investment Policy

I. INTRODUCTION

This statement will identify various policies and procedures that will foster a prudent and systematic investment program as well as organize and formalize investment related activities. The related activities which comprise good cash management include:

- Accurate cash projections;
- Timely collection of revenues;
- Control of disbursements;
- Cost-effective banking and financial services; and
- Adherence to a system of internal controls.

In accordance with the LOCAL & REGIONAL GOVERNMENT SERVICES AUTHORTIES Joint Powers Agreements as Amended and under authority granted by the Agencies' Board of Directors, the Agency Treasurer is responsible for investing the unexpended cash.

The investment of the funds of the LOCAL & REGIONAL GOVERNMENT SERVICES AUTHORTIES, and MUNICIPAL SERVICES AUTHORITY, is directed to the goals of safety, liquidity and yield. The authority governing investments for municipal governments is set forth in the California Government Code, Sections 53601 through 53659.

II. SCOPE

This policy applies to all financial assets and investment activities of the LOCAL & REGIONAL GOVERNMENT SERVICES AUTHORTIES and MUNICIPAL SERVICES AUTHORITY.

III. OBJECTIVES

Safety of Principal: The primary objective of this policy is to protect, preserve and maintain the cash and investments of the Authorities. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default or erosion of market value. The Agencies shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the Agencies' capital base and cash flow.

Market risk, defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by limiting the average maturity of the Agencies' investment portfolio to two years, the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long term securities for the sole purpose of short term speculation. Investments shall be placed in those securities as outlined by type and maturity sector in this document. Effective cash flow management and resulting cash investment practices are recognized as essential to good fiscal management and control. The Agencies' portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and Agency policy. Portfolio management requires continual analysis and as a result the balance between the various investments and maturities may change in

order to give the LOCAL & REGIONAL GOVERNMENT SERVICES AUTHORTIES the optimum combination of necessary liquidity and optimal yield based on cash flow projections.

Liquidity: An adequate amount of the portfolio will be maintained in liquid short-term securities which can be converted to cash, as necessary, to meet disbursement requirements. This amount will be determined from projected cash flow trends and disbursement requirements. Investments will be made in securities with active secondary or resale markets. Securities with low market risk will be emphasized. The Agencies' investment portfolio will remain sufficiently liquid to enable the Agencies to meet all reasonably anticipated operating requirements.

Yield

Within the constraints of safety and liquidity, the highest and best return will be sought. Because the portfolio is too small to allow investments in significant long-term purchases, the objective will be to maximize yield, taking into account risk constraints of the Authorities, cash flow characteristics of the portfolio and compliance with state and federal regulations.

Prudence

The standard to be used by investment officials shall be that of a "prudent investor" and shall be applied in the context of managing all aspects of the overall portfolio. 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 Agencies, 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 Agencies. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law. (Government Code Section 53600.3)

It is the Agencies' full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate of return.

The Agencies Treasurer and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

IV. INVESTMENT INSTRUMENTS AND MATURITIES

Permitted Investments

Investments will be within statutory limits imposed by Government Code Section 53601, as further limited herein.

1. Local Agencies Investment Fund (LAIF) which is a State of California managed investment pool, Investment Trust of California (the CalTRUST JPA pool) which is a joint powers authority under the provision of Title 1, Division 7, Chapter 5 of the California Government Code, and California county investment pools, may be used up to the maximum permitted by California State Law.
2. Time deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 25% of the investment portfolio may be invested in this investment type.
3. Various daily money market or sweep account funds administered for or by trustees, paying agents and custodian banks contracted by the LOCAL & REGIONAL GOVERNMENT SERVICES AUTHORTIES may be purchased as allowed under State of California Government Code. Only funds holding U.S. Treasury or Government Agency obligations can be utilized.
4. Direct obligations of the United States Treasury or any other obligation guaranteed as to principal and interest by the United States government, per CA Code 53601.7 e(1).
5. Bonds, notes, warrants, or other indebtedness of the local agency, or any local agencies within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agencies, or by a department, board, Agencies, or authority of the local Agencies, per CA Code 53601.7 e(4).
6. Local and Regional Government Services Authorities receivables.
7. Customized investments in or with other local governments, specifically and individually approved by the Board.

The following summary of maximum percentage limits, by instrument, is established for the Agencies' total portfolio. Maturities of investments will be selected based on liquidity requirements to minimize interest rate risk and maximize earnings.

| Investment Type | Percentage/Amount |
|-----------------------------------|---|
| Local Agencies Investment Fund | \$0 to \$40,000,000 per account |
| CalTrust and County Pools | 0% to 100% |
| Time Certificates of Deposit | 0% to 25% |
| Sweep Accounts – not applicable | 0% to 100% |
| U.S. Government Obligations | 0% to 25% |
| California Agencies' Indebtedness | 0% to 75%, limited to one year maturity |
| JPA Receivables | 0% to 75%, limited to one year maturity |

Excluded Investments

Ineligible investments are those that are not described herein, including but not limited to: common stocks; long term (over five years in maturity) notes and bonds; Reverse Repurchase Agreements; financial futures and financial options, inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages; any derivative security that could result in a zero interest accrual if held to maturity; and Guaranteed Small Business Administration (SBA) notes.

V. PERFORMANCE EVALUATION

The Agencies' investment portfolio is designed to attain safety and liquidity, with the rate of return being maximized while taking into account risk constraints of the Authorities, cash flow characteristics of the portfolio and compliance with state and federal regulations. Therefore, the Agencies are not establishing a benchmark because to do so would be impractical given the limited excess funds available for investment in longer-term, higher-yielding securities and the Authorities' liquidity needs.

Investment performance is monitored and evaluated by the Agencies' Executive Committees. Performance statistics and activity reports are generated on a quarterly basis for presentation to the Agencies' Executive Committees at their regularly scheduled meetings. Annually, a statement of investment policy, and any proposed changes to the policy, will be rendered to the Agencies' Boards of Directors for Board consideration at a public meeting.

VI. AUTHORITY TO INVEST MONIES

Government Code sections 53600 through 53601.6 provide legal authorization for investment of the funds of local agencies. All investments of the authority shall conform to the restrictions of those laws. LOCAL & REGIONAL GOVERNMENT SERVICES AUTHORTIES' Boards of Directors hereby assign responsibility for investing unexpended cash to the Agencies' Treasurer, who shall establish procedures for the operation consistent with this investment policy.

VII. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Additionally the Treasurer/CFO and other Agency officials authorized to approve investment transactions are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC).

VIII. INTERNAL CONTROL

A system of internal controls shall be established and maintained in written form. These controls shall be designed to prevent losses of public funds arising from fraud, error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employee/offers of the Authority. The most important controls are: control of collusion, separation of duties, separation of transaction authority from accounting and bookkeeping, custodial safekeeping, delegation of authority, limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimization of the number of authorized investment officials, documentation of transactions and strategies, and annual review of controls by the Treasurer.

In recognition of the Agencies' current limited investment staffing (one primary person performing daily cash management, and one primary approver plus one backup staff approver) and limited funds to invest (approximately four million dollars), the Agencies rely more heavily on: separation of wire transfer preparation and approval of funds duties between Authority staff; Executive Committee quarterly reviews of investments; annual independent audit of investments and investment transactions; and on an extremely conservative investment strategy that reduces risks associated with frequent investment transaction, negotiated investments, and with complex transactions. The Authority's investment products will be limited by this policy until such time that funds available to invest are sufficient to enable

longer-term commitments. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Authority's Finance Staff on a monthly basis. An independent analysis by an external auditor shall be conducted annually to review internal control, account activity and compliance with policies and procedures.

IX. REPORTING

The Agencies' Treasurer shall render quarterly reports to the Agencies Executive Committee. These reports shall include the face amount of the cash investment, the classification of the investment, the name of the institution or entity, the rate of interest, the maturity date, the current market value and accrued interest due for all securities. At the annual Boards of Directors meeting, the investment policy shall be submitted to the Boards for review and adoption.

X. BANKS AND SECURITIES DEALERS

In selecting financial institutions for the deposit or investment of Authority funds, the Treasurer shall consider their credit worthiness. The Treasurer shall continue to monitor their credit characteristics and financial history throughout the period in which Authority funds are deposited or invested. A commercial rating or bank watch service may be used to accomplish this objective.

Financial institutions/investment managers shall annually sign a certification form attesting that the individual responsible for the Authority's account with that firm has reviewed and understands the investment policy and intends to present only those investment transactions appropriate under the policy.

XI. LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated into the LOCAL & REGIONAL GOVERNMENT SERVICES AUTHORITY'S Investment Policy and supersedes any and all previous applicable language.

XII. LIMITING MARKET VALUE EROSION

The longer the maturity of securities, the greater their market price volatility. Therefore, it is the general policy of the Agencies to limit the potential effects from erosion in market values by adhering to the following guidelines:

- All immediate and anticipated liquidity requirements will be addressed prior to purchasing all investments.
- Maturity dates for long-term investments will coincide with significant cash flow requirements where possible, to assist with short term cash requirements at maturity.
- All long-term securities will be purchased with the intent to hold all investments to maturity under then prevailing economic conditions. However, economic or market

conditions may change, making it in the Agencies' best interest to sell or trade a security prior to maturity.

XIII. PORTFOLIO MANAGEMENT ACTIVITY

The investment program shall seek to augment returns consistent with the intent of this policy, identified risk limitations and prudent investment principals. These objectives will be achieved by use of the following strategies:

Active Portfolio Management. Through active fund and cash flow management, taking advantage of current economic and interest rate trends, the portfolio yield may be enhanced with limited and measurable increases in risk by extending the weighted maturity of the total portfolio.

Portfolio Maturity Management. When structuring the maturity composition of the portfolio, the Agencies shall evaluate current and expected interest rate yields and necessary cash flow requirements. It is recognized that in normal market conditions longer maturities produce higher yields. However, the securities with longer maturities also experience greater price fluctuations when the level of interest rates change.

XIV. POLICY REVIEW

The LOCAL & REGIONAL GOVERNMENT SERVICES AUTHORTIES' investment policy shall be adopted by the Agencies' Boards of Directors on an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to Agencies Boards of Directors for approval.

Glossary of Terms

- **Accrued Interest-** Interest earned but not yet received.
- **Active Deposits-** Funds which are immediately required for disbursement.
- **Amortization-** An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.
- **Asked Price-** The price a broker dealer offers to sell securities.
- **Basis Point-** One basis point is one hundredth of one percent (.01).
- **Bid Price-** The price a broker dealer offers to purchase securities.
- **Bond-** A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.
- **Bond Swap –** Selling one bond issue and buying another at the same time in order to create an advantage for the investor. Some benefits of swapping may include tax-deductible losses, increased yields, and an improved quality portfolio.
- **Book Entry Securities –** Securities, such stocks held in “street name,” that are recorded in a customer's account, but are not accompanied by a certificate. The trend is toward a certificate-free society in order to cut down on paperwork and to diminish investors' concerns about the certificates themselves. All the large New York Agencies banks, including those that handle the bulk of the transactions of the major government securities dealers, now clear most of their transactions with each other and with the Federal Reserve through the use of automated telecommunications and the “book-entry” custody system

maintained by the Federal Reserve Bank of New York. These banks have deposited with the Federal Reserve Bank a major portion of their government and Agencies securities holdings, including securities held for the accounts of their customers or in a fiduciary capacity. Virtually all transfers for the account of the banks, as well as for the government securities dealers who are their clients, are now affected solely by bookkeeping entries. The system reduces the costs and risks of physical handling and speeds the completion of transactions.

- **Bearer and Registered Bonds** - In the past, bearer and registered bonds were issued in paper form. Those still outstanding may be exchanged at any Federal Reserve Bank or branch for an equal amount of any authorized denomination of the same issue. Outstanding bearer bonds are interchangeable with registered bonds and bonds in “book-entry” form. That is, the latter exist as computer entries only and no paper securities are issued. New bearer and registered bonds are no longer being issued. Since August 1986, the Treasury’s new issues of marketable notes and bonds are available in book-entry form only. All Treasury bills and more than 90% of all other marketable securities are now in book-entry form. Book-entry obligations are transferable only pursuant to regulations prescribed by the Secretary of the Treasury.
- **Book Value**- The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.
- **Broker** – In securities, the intermediary between a buyer and a seller of securities. The broker, who usually charges a commission, must be registered with the exchange in which he or she is trading, accounting for the name registered representative.
- **Certificate of Deposit**- A deposit insured up to \$100,000 by the FDIC at a set rate for a specified period of time.
- **Collateral**- Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.
- **Comprehensive Annual Financial Report (CAFR)** - The annual financial report for multi-fund municipal agencies. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principals (GAAP).
- **Constant Maturity Treasury (CMT)** - An average yield of a specific Treasury maturity sector for a specific time frame. This is a market index for reference of past direction of interest rates for the given Treasury maturity range.
- **Coupon**- The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.
- **Credit Analysis**- A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.
- **Current Yield**- The interest paid on an investment expressed as a percentage of the current price of the security.
- **Custody**- A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.
- **Delivery vs. Payment (DVP)** - Delivery of securities with a simultaneous exchange of money for the securities.
- **Discount**- The difference between the cost of a security and its value at maturity when quoted at lower than face value.

- **Diversification-** Dividing investment funds among a variety of securities offering independent returns and risk profiles.
- **Duration-** The weighted average maturity of a bond's cash flow stream, where the present value of the cash flows serve as the weights; the future point in time at which on average, an investor has received exactly half of the original investment, in present value terms; a bond's zero-coupon equivalent; the fulcrum of a bond's present value cash flow time line.
- **Fannie Mae-** Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.
- **Federal Reserve System-** The central bank of the U.S. that consists of a seven member Board of Governors, 12 local banks and 5,700 commercial banks that are members.
- **Federal Deposit Insurance Corporation (FDIC) -** Insurance provided to customers of a subscribing bank that guarantees deposits to a set limit (currently \$100,000) per account.
- **Fed Wire-** A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.
- **Freddie Mac-** Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.
- **Ginnie Mae-** Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.
- **Inactive Deposits-** Funds not immediately needed for disbursement.
- **Interest Rate-** The annual yield earned on an investment, expressed as a percentage.
- **Investment Agreements-** An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.
- **Liquidity-** Refers to the ability to rapidly convert an investment into cash.
- **Market Value-** The price at which a security is trading and could presumably be purchased or sold.
- **Maturity-** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable CD-** An uncollateralized CD issued by a large banking institution which trades in the secondary market. Minimum size is \$1 million, but most are much larger.
- **New Issue-** Term used when a security is originally "brought" to market.
- **Perfected Delivery-** Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.
- **Portfolio-** Collection of securities held by an investor.
- **Primary Dealer-** A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.
- **Purchase Date-** The date in which a security is purchased for settlement on that or a later date.
- **Rate of Return-** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.
- **Repurchase Agreement (REPO) -** A transaction where the seller (bank) agrees to buy back from the buyer (Agencies) the securities at an agreed upon price after a stated period of time.

- Reverse Repurchase Agreement (REVERSE REPO) - A transaction where the seller (Agencies) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.
- Risk- Degree of uncertainty of return on an asset.
- Safekeeping- see custody.
- Sallie Mae- Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.
- Secondary Market- A market made for the purchase and sale of outstanding issues following the initial distribution.
- Settlement Date- The date on which a trade is cleared by delivery of securities against funds.
- Time Deposit – A deposit in an interest-paying account that requires the money to remain on account for a specific length of time. While withdrawals can generally be made from a passbook account at any time, other time deposits, such as certificates of deposit, are penalized for early withdrawal.
- Treasury Bills- U.S. Treasury Bills which are short-term, direct obligations of the U.S. Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of \$10,000 in multiples of \$5,000 above the minimum. Issued in book entry form only. T-bills are sold on a discount basis.
- U.S. Government Agencies- Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular Agencies.
- Yield- The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.
- Yield to Maturity- The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.
- Yield Curve- The yield on bonds, notes or bills of the same type and credit risk at a specific date for maturities up to thirty years.

Allocation of JPA Administrative Expenses

Purpose: To equitably distribute administrative expenses between the JPAs.

JPA Allocation: Administrative expenditures that benefit two or all JPAs are shared amongst those JPAs that benefit based on the perceived benefit derived by the expenditures. Where appropriate, proportionality is determined by relative client net operating revenues to the agency. Within the agency, these expenses are further allocated by net client or project operating revenue as a percent of the agency net operating revenue. Thus, the allocation between RGS and LGS shall be based on the relative share of revenue earned by each. Based on the impact to RGS of its support of LGS and MSA, LGS shall be charged a minimum \$25,000 per month. The charge to MSA shall be \$6,500 per month.

Expenses shall be direct charged when appropriate or shall be allocated as indirect costs on a monthly basis.

~~The work papers used to determine these allocations shall be filed in the Authorities' network until such time as software allows filing as an attachment to the Journal Entry within the Financial System.~~

Audit Rotation Policy

Purpose: The purpose of this policy is to provide for the periodic rotation of independent auditing firms or audit staff who perform the annual examination of the Joint Powers Authorities financial statements and render an opinion thereon. The audit is dependent on the individual auditor's assessment of risk in the Authority's control procedures and financial statement disclosures and is designed to provide reasonable, but not absolute, disclosure of such risk. Periodically changing independent auditing firms or the audit manager provides the Authority with a different risk assessment and, therefore, a different approach to testing risk in the Authority's control procedures and financial statement disclosures.

Selection Process: The Finance Committee is responsible for overseeing the solicitation and selection process and may also conduct final interviews prior to the Finance Committee's selection of a firm to conduct the annual audit of the JPAs. A competitive process will be held at least every five years for the selection of the independent auditing firm. The Executive Director shall, on behalf of the Committee, solicit proposals for independent auditors as soon as feasible following the completion of the fifth year audit, but at least by April 1 of what would otherwise be year six.

The current auditing firm may be considered to serve beyond a five-year consecutive period, provided that they will assign a new audit manager to the Authorities. Otherwise qualified firms may serve more than a five-year period provided that there is a minimum three-year break in their service to the Authorities.

Term of Contract: The initial contract term will be for three years. Providing services are satisfactory, the contract may be extended for an additional two years, subject to Board approval.

Scope of Services: The firm will perform the annual audit review of the Authorities' Financial Statements for the proceeding year and express an opinion about whether those statements are fairly presented in all material respects, in conformity with generally accepted accounting principles. Vendor shall conduct the audit in accordance with auditing standards as in general use in the United States; the standards contained in Government Auditing Standards issued by the General Comptroller of the United States; and otherwise assist staff in analyzing/implementing accounting pronouncements including those of the Government Accounting Standards Board (GASB).

Amendments or Exceptions: Amendment of or exceptions to this policy may be made by action of the JPA Board of Directors-, including the exclusive authority to extend an auditor's engagement beyond the five-year maximum continuous service period.

Financial Reserves Designation-Net Assets Policy

Purpose: To establish a prudent financial reserve targets for contingencies and to provide for inter-agency loans.

Background: The Board of Directors and the Executive Committee sought to establish prudent net assets for contingencies, and a policy was approved at their February 11, 2010 meetings. Subsequently, the Finance Committee was formed to provide additional financial oversight and Municipal Services Authority was formed to provide pooled insurance services for RGS and LGS. The Boards and Finance Committee directed staff to recommend revisions to policy that would provide appropriate reserves for all three agencies. Adequate reserves in RGS and LGS will enable each JPA to smoothly adapt to significant and rapid increases or decreases in client workload, and for use as an opportunity fund enabling the agency to take advantage of unique circumstances that have a high likelihood of resulting in increased reimbursement revenue. Adequate reserves in MSA will allow for higher self-retentions and therefore reduced premium costs.

Net Asset Amounts: The RGS and LGS are unique public sector providers of staffing and consulting services to public agencies, many with defined benefit pension plans. Considerable time and effort has been expended since 2001 to establish the platform, client and employee contracts and operating procedures necessary to minimize risks of an employer-of-record status adverse ruling. However, it still is prudent that the Agency establish a reserve amount that is sufficient to meet the three objects noted above: adverse determinations, normal business risks (e.g. significant and rapid loss of revenue) and business opportunities. With the formation of an insurance pool, a reserve is needed for potential claims expenses that might otherwise disrupt normal operations by depleting cash.

At the August 21, 2014 meeting, the Finance Committee approved minimum net assets of \$500,000 each for RGS and LGS, and \$1,050,000 for MSA. Additionally, the Finance Committee approved longer term target net assets of \$1,500,000 for RGS and LGS and \$2,100,000 for MSA. These amounts would represent roughly 25 percent of RGS and LGS operating budgets and twice the MSA self-insured retention. It is proposed that Staff would annually present recommended amounts for each agency, for the year concluding with the proposed next fiscal year budget. The designation will then appear on the Agency's audited financial statements.

Loans and Transfers Between Agencies: The RGS Board of Directors, acting as lead agent for all three agencies under the Cooperation Agreement, may authorize interagency loans and transfers as needed for operational, investment, net asset objectives or other needs. No interest charge will be incurred for inter-agency loans, with all earnings retained by the lead agency (RGS at this time) as compensation for its provision of investment services. The Executive Director will track loans outstanding and report regularly on their status.