



ITEM NO. 13

FINANCIAL MANAGEMENT COMMITTEE AGENDA

Monday, July 15, 2024 at 11:00 AM

**East Bay Dischargers Authority
2651 Grant Avenue, San Lorenzo, CA**

Committee Members: Andrews (Chair); Toy

- FM1. Call to Order**
- FM2. Roll Call**
- FM3. Public Forum**
- FM4. Disbursements for June 2024**
(The Committee will review the Lists of Disbursements.)
- FM5. Treasurer's Report for June 2024**
(The Committee will review the Treasurer's Report.)
- FM6. Review of the Authority's Investment Policy and Strategy**
(The Committee will review the policy.)
- FM7. Motion to Approve Revisions to the Authority's Conflict of Interest Policy**
(The Committee will consider the motion.)
- FM8. Motion to Approve Revisions to the Authority's Audit Policy**
(The Committee will consider the motion.)
- FM9. Adjournment**

Any member of the public may address the Committee at the commencement of the meeting on any matter within the jurisdiction of the Committee. This should not relate to any item on the agenda. Each person addressing the Committee should limit their presentation to three minutes. Non-English speakers using a translator will have a time limit of six minutes. Any member of the public desiring to provide comments to the Committee on any agenda item should do so at the time the item is considered. Oral comments should be limited to three minutes per individual or ten minutes for an organization. Speaker's cards will be available and are to be completed prior to speaking.

In compliance with the Americans with Disabilities Act of 1990, if you need special assistance to participate in an Authority meeting, or you need a copy of the agenda, or the agenda packet, in an appropriate alternative format, please contact the Juanita Villasenor at juanita@ebda.org or (510) 278-5910. Notification of at least 48 hours prior to the meeting or time when services are needed will assist the Authority staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

Agenda Explanation
East Bay Dischargers Authority
Financial Management Committee
July 15, 2024

In compliance with SB 343, related writings of open session items are available for public inspection at East Bay Dischargers Authority, 2651 Grant Avenue, San Lorenzo, CA 94580. For your convenience, agenda items are also posted on the East Bay Dischargers Authority website located at <http://www.ebda.org>.

**Next Scheduled Financial Management Committee is
Monday, September 16, 2024 at 11:00 am**

ITEM NO. FM4 DISBURSEMENTS FOR JUNE 2024

Disbursements for the month of June totaled \$306,353.01.

Reviewed and Approved by:

Angela Andrews, Chair	Date
Financial Management Committee	

Jacqueline T. Zipkin	Date
Treasurer	

EAST BAY DISCHARGERS AUTHORITY
List of Disbursements
June 2024

Check #	Payment Date	Invoice #	Vendor Name	Description	Invoice Amount	Disbursement Amount
26482	06/14/2024	196827	ENVIRONMENTAL SCIENCE ASSOCIATES	FIRST MILE PROJECT WORK ORDER NO. 3	52,000.33	56,879.33
26482	06/14/2024		ENVIRONMENTAL SCIENCE ASSOCIATES	FIRST MILE PROJECT WORK ORDER NO. 3	4,879.00	
26496	06/28/2024	42785245081	GARLAND / DBS INC	ROOF REPLACEMENT PROJECT	25,457.03	25,457.03
26496	06/28/2024	42785245732	GARLAND / DBS INC	ROOF REPLACEMENT PROJECT RETAINAGE	25,080.30	25,080.30
26479	06/14/2024	396295	CITY OF SAN LEANDRO	MDF O&M - APR	23,344.90	23,344.90
26501	06/28/2024	16885	REGIONAL GOVERNMENT SERVICES	MANAGEMENT AND ADMINISTRATIVE SERVICES	8,228.86	8,228.86
26501	06/28/2024	16280	REGIONAL GOVERNMENT SERVICES	REISSUE PAYMENT	7,146.70	7,146.70
26495	06/28/2024	047	CURRIE ENGINEERS, INC	PROJECT / CONSTRUCTION MANAGER SVCS - WORK ORDER NO. 2	6,851.25	6,851.25
26502	06/28/2024	772783	SOUTHERN COUNTIES LUBRICANTS LLC	OLEPS & HEPS DIESEL FUEL	5,849.81	5,849.81
26498	06/28/2024	218815	MEYERS NAVE	LEGAL SERVICES - MAY	5,003.20	5,003.20
26478	06/14/2024	6/7/2024	AZYURA	WATERBITS LICENSING AND SMR/EDMR REPORT SERVICES	5,000.00	5,000.00
26487	06/14/2024	EBDA-24/1	RAINWATER & ASSOCIATES	FIRST MILE PROJECT	4,365.00	4,365.00
26481	06/14/2024	Jan-24	DEBORAH QUINN	ACCOUNTING SERVICES - JAN	4,014.06	4,014.06
26488	06/14/2024	4246-0445-5568-7627	U.S. BANK	PURCHASING CARD EXPENSES	2,521.97	2,521.97
26499	06/28/2024	SW240198252	PETERSON POWER SYSTEMS	HEPS GENERATOR BLOCK HEATER REPLACEMENT	2,365.14	2,365.14
26483	06/14/2024	EA06-0524	EOA, INC	CONSULTING SERVICES	1,580.00	1,580.00
26500	06/28/2024	10638	REDWOOD PUBLIC LAW, LLP	LEGAL SERVICES - MAY	1,474.90	1,474.90
26484	06/14/2024	217664	MEYERS NAVE	LEGAL SERVICES - BRINE PROJECT	1,451.95	1,451.95
26494	06/28/2024	52205712	CITY OF HAYWARD	EMPLOYEE BENEFIT PROGRAMS - JUN	1,370.66	1,370.66
26490	06/28/2024	56714	CALCON	OPS & MDF SCADA BACKUP AND PROGRAMMING	1,280.20	1,280.20
26491	06/28/2024	720373	CALTEST	LAB TESTING SERVICES - MAY	976.36	976.36
26493	06/28/2024	8432	CAYUGA INFORMATION SYSTEMS	IT SERVICES	630.00	630.00
26486	06/14/2024	531762	R-COMPUTER	COMPUTER SOFTWARE	596.00	596.00
26489	06/28/2024	42929	BA MORRISON	HEPS HVAC SERVICE	410.00	410.00
26489	06/28/2024	42927	BA MORRISON	ADMIN HVAC SERVICE	290.00	290.00
26485	06/14/2024	3106664612	PITNEY BOWES INC	DIGITAL MAILING SYSTEM QUARTERLY LEASE CHARGE	150.55	150.55
26480	06/14/2024	56264	COMPUTER COURAGE	WEBSITE HOSTING	150.00	150.00
26497	06/28/2024	10231	MBC CUSTODIAL SERVICES INC	JANITORIAL SERVICES - MAY	130.00	130.00
26492	06/28/2024	4105160	CALTRONICS	COPIER USAGE AND MAINTENANCE	55.67	55.67
26422			ENVIRONMENTAL SCIENCE ASSOCIATES	VOID CHECK	(4,879.00)	(4,879.00)
26398			REGIONAL GOVERNMENT SERVICES	VOID CHECK	(7,146.70)	(7,146.70)
					180,628.14	180,628.14

EAST BAY DISCHARGERS AUTHORITY
List of Disbursements
June 2024

Check #	Payment Date	Invoice #	Vendor Name	Description	Invoice Amount	Disbursement Amount
ELECTRONIC PAYMENTS						
	06/05/2024	5105948980-0	PG&E	GAS & ELECTRIC SERVICE	44,434.68	44,434.68
	06/10/2024	100000017547400	CALPERS	HEALTH PREMIUMS - JUN	8,247.28	8,247.28
	06/03/2024	100000017514612	CALPERS	PENSION CONTRIBUTION, CLASSIC 5/16 - 31/2024	5,710.87	5,710.87
	06/18/2024	100000017544115	CALPERS	PENSION CONTRIBUTION, CLASSIC 6/01 - 15/2024	5,710.87	5,710.87
	06/04/2024	6642756	MISSION SQUARE	DEFERRED COMPENSATION CONTRIBUTION 5/31/2024	2,106.70	2,106.70
	06/18/2024	6899129	MISSION SQUARE	DEFERRED COMPENSATION CONTRIBUTION 6/15/2024	2,106.70	2,106.70
	06/20/2024	1001649294	STATE COMPENSATION INSURANCE FUND	WORKERS COMPENSATION PREMIUM - JUN	878.00	878.00
	06/14/2024	51048304397166	AT&T	MDF TELEPHONE SERVICE	277.43	277.43
	06/05/2024	2406204916	INTERMEDIA.NET INC	EMAIL EXCHANGE HOSTING	101.53	101.53
	06/20/2024	9965528433	VERIZON WIRELESS	WIRELESS PHONE SERVICES - MAY	63.12	63.12
TOTAL ELECTRONIC PAYMENTS					69,637.18	69,637.18
PAYROLL						
	06/27/2024		ADP, LLC	PAYROLL PERIOD: 06/16-30/2024	31,957.53	31,957.53
	06/13/2024		ADP, LLC	PAYROLL PERIOD: 06/01-15/2024	23,940.24	23,940.24
	06/07/2024		ADP, LLC	PAYROLL FEES, 5/16-31/2024	102.06	102.06
	06/21/2024		ADP, LLC	PAYROLL FEES, 6/01-15/2024	87.86	87.86
TOTAL PAYROLL					56,087.69	56,087.69
TOTAL DISBURSEMENTS					306,353.01	306,353.01

ITEM NO. FM5 TREASURER'S REPORT FOR JUNE 2024

The cash balance as of June 30, 2024 is \$3,810,392.69. EBDA's LAIF balance is \$1,299,193.19, and the average monthly effective yield for June is 4.480%. EBDA's CAMP balance is \$1,568,593.06, and CAMP's 7-day yield is 5.43%.

Approval is recommended.

**EAST BAY DISCHARGERS AUTHORITY
TREASURER'S REPORT
June 2024**

FUND	FUND DESCRIPTION	BEGINNING CASH BALANCE	DEBITS (INCREASE)	CREDITS (DECREASE)	ENDING CASH BALANCE
12	OPERATIONS & MAINTENANCE	\$ 1,262,896.21	\$ -	\$ 185,933.95	\$ 1,076,962.26
13	PLANNING & SPECIAL STUDIES	167,303.12	-	57,945.33	109,357.79
14	RECLAMATION O & M (SKYWEST)	81,955.75	-	125.00	81,830.75
15	BRINE ACCEPTANCE	121,875.68	-	4,960.15	116,915.53
31	RENEWAL & REPLACEMENT	2,475,530.15	7,184.79	57,388.58	2,425,326.36
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TOTALS		\$ 4,109,560.91	\$ 7,184.79	\$ 306,353.01	\$ 3,810,392.69

Jun-24

7/11/2024

SUPPLEMENTAL TREASURER'S REPORT

DATE	TRANSACTION	RECEIPT	DISBURSEMENT CHECKING	DISBURSEMENT PAYROLL	PAYROLL TRANSFER	LAIF	CAMP	WELLS FARGO CHECKING BALANCE	WELLS FARGO PAYROLL BALANCE	LAIF BALANCE	CAMP BALANCE	TOTAL CASH
05/31/24	BALANCE							1,206,467.28	42,492.17	1,299,193.19	1,561,408.27	4,109,560.91
06/03/24	DIVIDENDS	7,184.79					7,184.79	1,206,467.28	42,492.17	1,299,193.19	1,568,593.06	4,116,745.70
06/03/24	ELECTRONIC BILL PAY		5,710.87					1,200,756.41	42,492.17	1,299,193.19	1,568,593.06	4,111,034.83
06/04/24	ELECTRONIC BILL PAY		2,106.70					1,198,649.71	42,492.17	1,299,193.19	1,568,593.06	4,108,928.13
06/05/24	ELECTRONIC BILL PAY		101.53					1,198,548.18	42,492.17	1,299,193.19	1,568,593.06	4,108,826.60
06/05/24	ELECTRONIC BILL PAY		44,434.68					1,154,113.50	42,492.17	1,299,193.19	1,568,593.06	4,064,391.92
06/07/24	PAYROLL FEES			102.06				1,154,113.50	42,390.11	1,299,193.19	1,568,593.06	4,064,289.86
06/10/24	ELECTRONIC BILL PAY		8,247.28					1,145,866.22	42,390.11	1,299,193.19	1,568,593.06	4,056,042.58
06/10/24	VOID CHECK 26398		(7,146.70)					1,153,012.92	42,390.11	1,299,193.19	1,568,593.06	4,063,189.28
06/10/24	VOID CHECK 26422		(4,879.00)					1,157,891.92	42,390.11	1,299,193.19	1,568,593.06	4,068,068.28
06/13/24	PAYROLL			23,940.24				1,157,891.92	18,449.87	1,299,193.19	1,568,593.06	4,044,128.04
06/14/24	DISBURSEMENT		100,053.76					1,057,838.16	18,449.87	1,299,193.19	1,568,593.06	3,944,074.28
06/14/24	ELECTRONIC BILL PAY		277.43					1,057,560.73	18,449.87	1,299,193.19	1,568,593.06	3,943,796.85
06/18/24	ELECTRONIC BILL PAY		2,106.70					1,055,454.03	18,449.87	1,299,193.19	1,568,593.06	3,941,690.15
06/18/24	ELECTRONIC BILL PAY		5,710.87					1,049,743.16	18,449.87	1,299,193.19	1,568,593.06	3,935,979.28
06/20/24	ELECTRONIC BILL PAY		878.00					1,048,865.16	18,449.87	1,299,193.19	1,568,593.06	3,935,101.28
06/20/24	ELECTRONIC BILL PAY		63.12					1,048,802.04	18,449.87	1,299,193.19	1,568,593.06	3,935,038.16
06/21/24	PAYROLL FEES			87.86				1,048,802.04	18,362.01	1,299,193.19	1,568,593.06	3,934,950.30
06/27/24	PAYROLL			31,957.53				1,048,802.04	(13,595.52)	1,299,193.19	1,568,593.06	3,902,992.77
06/28/24	PAYROLL TRANSFER				200,000.00			848,802.04	186,404.48	1,299,193.19	1,568,593.06	3,902,992.77
06/28/24	DISBURSEMENT		92,600.08					756,201.96	186,404.48	1,299,193.19	1,568,593.06	3,810,392.69

TOTAL	7,184.79	250,265.32	56,087.69	200,000.00	-	7,184.79	756,201.96	186,404.48	1,299,193.19	1,568,593.06	3,810,392.69
CURRENT BALANCE							①	②	③	④	

Reconciliation - 06/30/2024

① Bank Statement Balance	\$ 855,122.10
Less: Outstanding Checks	98,920.14
	<u>\$ 756,201.96</u>
② Payroll Bank Statement	\$ 186,404.48
③ LAIF Statement	\$ 1,299,193.19
④ CAMP Statement	\$ 1,575,575.00
Less: Accrual Income Dividend	6,981.94

The Supplemental Treasurer's Report is prepared monthly by the General Manager. It also serves as EBDA's cash and investments reconciliation.

ITEM NO. FM6 REVIEW OF THE AUTHORITY'S INVESTMENT POLICY AND STRATEGY

Recommendation

Review the Authority's existing Investment Policy and Strategy and provide input to staff.

Background

The Authority engaged PFM Asset Management (PFM) in late 2018 to assist in the development of an Authority Investment Policy, in compliance with applicable law regarding public agency investments in California. The Policy was originally approved by the Commission in 2019 and updated as necessary to stay compliant with State law. The most recent review and reapproval occurred in July 2023. Staff reviews the Policy on an annual basis. No changes are recommended at this time, but the Policy is attached for the Committee's review and comment.

As part of the 2018 engagement, PFM also performed detailed cashflow modeling and analysis using five years of EBDA financial data. The purpose of this analysis was to establish EBDA's liquidity needs and inform the Authority's Investment Strategy. The attached Investment Strategy was originally adopted in March 2019 and most recently reviewed in July 2023.

Discussion

Staff is recommending no changes be made to the Authority's Investment Strategy, and no substantive changes to the Investment Policy. The recommendation continues to be informed by PFM's 2018/2019 analysis, which concluded that the administrative burden of investing EBDA's liquid funds in diversified and/or more volatile financial instruments significantly outweighed the benefits and potential gains. That conclusion, supported by the Financial Management Committee at the time, led to the Authority's strategy of investing its idle long-term funds in certificates of deposit (CDs), California's Local Agency Investment Fund (LAIF), or California Asset Management Program (CAMP). LAIF and CAMP are both pooled investments by public agencies.

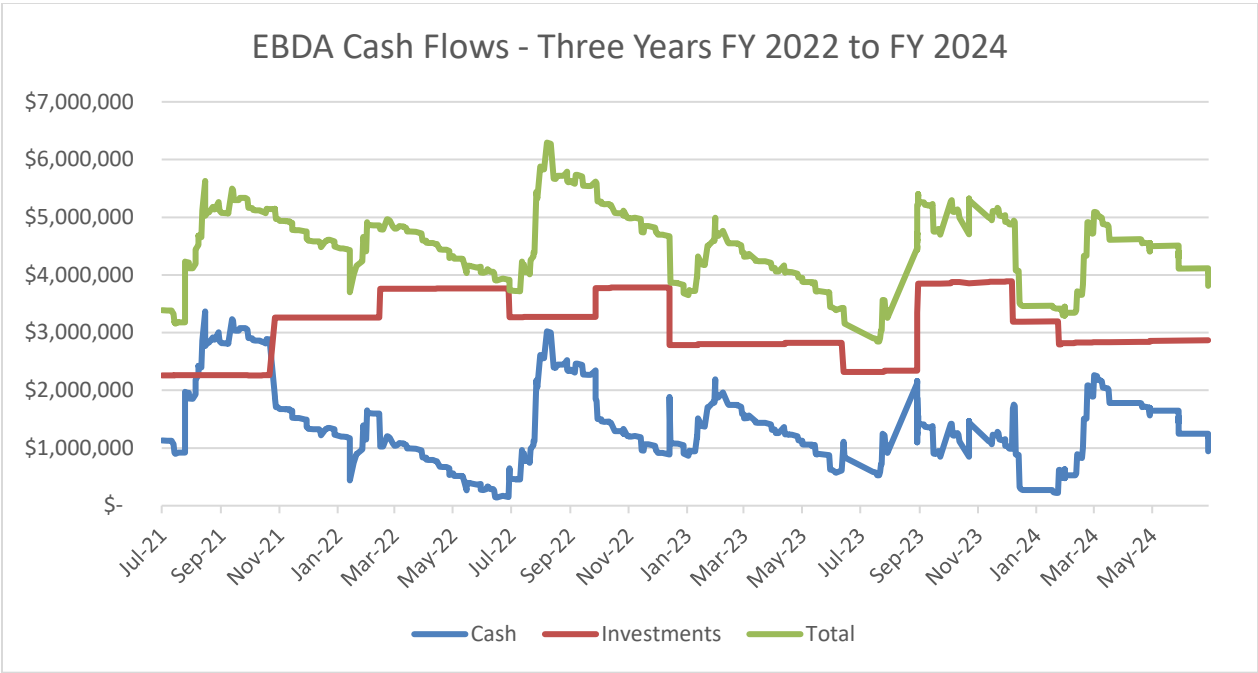
Staff does not believe that any material changes have occurred that lead to a different conclusion today. In addition, EBDA's liquidity needs have slightly increased as the Authority performs reimbursable work under the Cargill and grant-funded Nature-based Solutions projects.

EBDA had a series of laddered CDs through Wells Fargo Advisors that have been moved to the Authority's cash accounts as they have matured. The last CD matured in June 2021. The Authority has not reinvested in CDs because interest rates have been so low. EBDA's advisor with Wells Fargo Advisors indicated that he does not currently have any offerings that are expected to out-perform the pooled investments. Therefore, all of EBDA's long-term funds are currently invested in LAIF and CAMP.

Over the past year, since the last review of this policy, CAMP has significantly out-performed LAIF. As of July 9, 2024, CAMP's current seven-day yield is 5.43%, whereas

LAIF's is 4.48%. CAMP and LAIF use slightly different investment strategies with regard to the maturity periods of their investments, with CAMP's shorter-term investments leading to higher yields in a current market environment of increasing interest rates. Staff has therefore placed a larger portion of EBDA's funds in CAMP during the preceding twelve-month period. Both LAIF and CAMP are fully liquid and therefore funds can easily be moved in and out of each pool as interest rates change.

For the Committee's information in assessing staff's recommendations, the following graphs show EBDA's recent cash flows.



POLICY NUMBER: 1.1

NAME OF POLICY: Finance - Investments

LAST REVIEWED: July 18, 2024

LAST REVISED: December 16, 2021

PREVIOUSLY REVISED: May 13, 2020

PURPOSE: All financial assets, including special revenue funds, capital project funds, internal service funds and other funds that may be created from time to time, shall be administered in accordance with the provisions of this Policy and are accounted for in the Annual Financial Report. This Investment Policy is used to guide Authority staff in investment decisions and transactions.

POLICY: It is the policy of East Bay Dischargers Authority (Authority) to invest public funds in a manner which prioritizes security over investment return, while meeting the daily cash flow demands of the Authority, and conforming to California Government Code Sections 53601 through 53686 and other statutes governing the investment of public funds.

DETAILED DISCUSSION:

A. OBJECTIVES:

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

- 1. Safety:** Safety of principal is the foremost objective of the investment program. Investments of the East Bay Dischargers Authority shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. **Liquidity:** The investment portfolio will remain sufficiently liquid to enable the East Bay Dischargers Authority to meet all operating requirements which might be reasonably anticipated.
3. **Return on Investments:** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. (CGC 53600.5)

B. STANDARD OF CARE:

- **Prudence:** All investments shall be made within the policy framework of liquidity, safety, and investment return, with the judgment and care a person of prudence and intelligence would, under the circumstances then prevailing, exercise in the management of his/her affairs.
- **Ethics and Conflict of Interest:** District officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officers and employee involved in the investment process shall abide by CGC Section 109, et seq. and the California Political Reform Act.
- **Delegation of Authority:** The authority to manage investment programs is granted to the Investment Committee which is comprised of the two members of the Financial Management Committee appointed by the Commission, and the General Manager/Treasurer. The responsibility for the operation and day-to-day maintenance of the investment program is delegated to the Authority's General Manager/Treasurer. The General Manager/Treasurer shall file with the Authority an official bond. The Authority shall pay the cost of said bonds.

C. PROCEDURES:

The General Manager/Treasurer shall establish written procedures and a system of internal controls for the operation of the investment program consistent with this investment policy to be incorporated into the Authority's Financial Management System Policy and Procedures Manual. Procedures should include references to: safekeeping, PSA repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy

and the procedures established by the Financial Management Committee. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The General Manager/Treasurer is a trustee and a fiduciary subject to the prudent investor standard. (CGC 53600.3)

D. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS:

The General Manager/Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization that are authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the General Manager/Treasurer shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations and familiar with the Government Code restrictions on public agency investments and have a substantial experience with other public agency investments.

Before engaging in investment transactions with a broker/dealer, the General Manager/Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the Authority's account with that firm has reviewed the Authority's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the Authority that are appropriate under the terms and conditions of the Investment Policy.

E. AUTHORIZED AND SUITABLE INVESTMENTS:

- The allowable investment instruments applicable to all local agencies, including the East Bay Dischargers Authority, are shown in the documents listed below and included by reference in this investment policy. California Government Code Section 5920-5924
- California Government Code Section 16429.1-16429.4
- California Government Code Section 53500-53505
- California Government Code Section 53600-53609

- California Government Code Section 53630-53686

See CGC 53601 for a detailed summary of the limitations and special conditions that apply to each of the above listed investment securities. A table summarizing allowable investments is included as Figure 1 in the California Debt and Investment Advisory Commission's Local Agency Investment Guidelines, available at the following website: <https://www.treasurer.ca.gov/cdiac/laig/guideline.pdf>. The Guidelines and table are updated periodically to reflect changes in law. The most recent version at the time of Policy adoption is attached here for reference.

F. PROHIBITED INVESTMENTS:

Under the provisions of CGC 53601.6 and 53631.5, the Authority shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

G. COLLATERALIZATION:

All certificates of deposits and repurchase agreements must be collateralized by U. S. Treasury Obligations. Collateral must be held by a third party and valued on a monthly basis. The percentage of collateralization on Repurchase Agreements will adhere to the amount required under CGC 53601(i)(2).

H. DIVERSIFICATIONS:

It is the policy of the Authority to diversify its investment portfolio. With the exception of funds invested in LAIF, United State Treasury Bills, notes, and bonds, the Authority will diversify its investments by security type and, within each type, by institution. Invested assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification shall be determined and revised periodically by the Treasurer in consultation with the Financial Management Committee. In establishing specific diversification strategies, the following guidelines shall apply:

- 1) Portfolio maturities shall be matched against projected liabilities to avoid an over concentration in a specific series of maturities.
- 2) Maturities selected shall provide for stability and liquidity.

- 3) Disbursement and payroll dates shall be covered by the scheduled maturity of specific investments, marketable U. S. Treasury Bills or Notes or other cash equivalent instruments, such as money market mutual funds.

I. PERFORMANCE STANDARDS:

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the Authority. The Authority shall establish a performance benchmark. Benchmarks may change over time based on changes in market conditions, investment preferences, or cash flow requirements.

J. INTERNAL CONTROLS:

The Authority shall establish a set of internal controls which shall be documented in writing. The internal controls will be reviewed by the Authority and with the independent auditor. The controls shall be designed to prevent employee error, misrepresentations by third parties, and unanticipated changes in financial markets or imprudent actions by officers or employees of the Authority.

K. SAFEKEEPING & CUSTODY:

All security transactions entered into by the Authority shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the Authority by book entry, physical delivery or by third party custodial agreement. (CGC 53601). The Treasurer shall deposit securities in which the Authority holds funds in a safe deposit box in the name of East Bay Dischargers Authority.

L. REPORTING:

The Treasurer shall submit to the Commission a monthly report. The report shall include a complete description of the portfolio, the type of investment, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed by third party contractors. The report will also include the source of the portfolio valuation. In the case of funds invested in The Local Agency Investment Fund (LAIF), FDIC Insured accounts or county investment pools, current statements from those institutions will satisfy the above reporting requirement. The report will also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the Authority will meet its expenditure obligations for the next six months. [CGC 53646(b)]. The Treasurer shall maintain a complete and timely record of all investment transactions.

M. INVESTMENT POLICY ADOPTION:

The Investment Policy shall be adopted by the Commission of the East Bay Dischargers Authority. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Commission.

GLOSSARY:

ASK PRICE: The price at which a seller offers to sell a security to a buyer.

ASSET-BACKED SECURITIES: Bonds created from various types of consumer debt.

Returns on these securities come from customer payments on their outstanding loans. The primary types of asset-backed securities are mortgages, home equity loans, auto loans, leases, credit card receivables and student loans.

BANKERS' ACCEPTANCE: A letter of credit issued in a foreign trade transaction which allows exporters to receive payment prior to importation of their goods. Banks provide short-term financing to facilitate the transaction and may sell the obligation to a third party. Bankers' Acceptances are secured by the issuer of the bill, while the underlying goods also serve as collateral.

BANK DEPOSITS: Collateral in the form of currency that may be in the form of demand accounts (checking) or investments in accounts that have a fixed term and negotiated rate of interest.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID PRICE: The price at which a buyer offers to purchase a security from the seller.

BOND: A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate called a coupon payment. Bonds are used by companies, municipalities, states and the U.S. government to finance a variety of projects and operating activities.

BROKER: A broker aligns buyers and sellers of securities and receives a commission when a sale occurs. Brokers generally do not hold inventory or make a market for securities.

CALIFORNIA LOCAL AGENCY OBLIGATIONS: Bonds that are issued by a California county, Authority, Authority and county, including a chartered Authority or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

CD (CERTIFICATE OF DEPOSIT): Time deposits issued by a bank, savings or federal credit union, or state-licensed branch of a foreign bank. Negotiable Certificates of Deposits rely on the credit rating of the issuing entity.

COLLATERAL: Securities, evidence of deposit, or other property that a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZATION: Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

COMMERCIAL PAPER: Short-term unsecured promissory note issued by a company or financial institution. Commercial paper is issued at a discount and matures at face value. Usually a maximum maturity of 270 days, and given a short-term debt rating by one or more nationally recognized statistical rating organizations (NRSROs).

COUNTY POOLED INVESTMENT FUNDS: The aggregate of all funds from public agencies placed in the custody of the county treasurer or chief finance officer for investment and reinvestment.

COUPON: The annual rate of interest that a bond's issuer promises to pay the bondholder, expressed as a percentage of the bond's face value.

CREDIT RISK: Credit risk is the likelihood that an issuer will be unable to make scheduled payments of interest or principal on an outstanding obligation.

CUSTODIAN: An agent such as a broker or a bank that stores a customer's investments for safekeeping. The custodian does not have fiduciary responsibilities.

DEALER: A dealer, as opposed to a broker, acts as a principal in security transactions, selling securities from, and buying securities for his/her own position.

DEFAULT: To default is to fail to repay principal or make timely interest payments on a bond or other debt investment security, or failure to fulfill the terms of a note or contract.

DELIVERY VERSUS PAYMENT (DVP): A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: The weighted average time to maturity of a bond where the weights are the present values of future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates.

FIDUCIARY: An individual who holds something in trust for another and bears liability for its safekeeping.

FLOATING RATE INVESTMENTS: Notes whose interest rate is adjusted according to the interest rates of other financial instruments. These instruments provide protection against rising or falling interest rates, but may pay lower yield than fixed rate notes.

FUTURES: Commodities, which are sold in the present time and are to be delivered at a future date.

INTEREST ONLY STRIPs: Securities with cash flow based entirely on the monthly interest payments received from a mortgage, Treasury, or bond payment. No principal is included in these types of securities.

INVERSE FLOATING RATE INVESTMENTS: Variable-rate notes (such as inverse floating rate notes) whose coupon and value increase as interest rates decrease.

INVESTMENT PROGRAM: The process of modern portfolio management. The process includes establishing investment policy, analysis of the economic and capital markets environment, portfolio monitoring and rebalancing, and measuring performance.

LIQUIDITY: The ease with which investments can be converted to cash at their present market value. Liquidity is significantly affected by the number of buyers and sellers trading a given security and the number of units of the security available for trading.

LOCAL AGENCY BONDS: These bonds are issued by a county, Authority, Authority and county, including a chartered Authority or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

LOCAL AGENCY INVESTMENT FUND (LAIF): A voluntary investment fund open to state and local government entities and certain non-profit organizations in California in which organization pools their funds for investment. LAIF is managed by the State Treasurer's Office.

MARKET RISK: Market risk is the risk that investments will change in value based on changes in general market prices.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract which includes provisions specific to the governmental agency that is signed by an authorized officer with each counterparty. A master agreement will often specify details to the nature of transactions, the relationship of the parties to the agreement, parameters pertaining to the ownership and custody of collateral, and remedies in the event of default by either party.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES (MTN): Unsecured, investment-grade senior debt securities of major corporations that are sold either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MORTGAGE-BACKED SECURITIES: A debt instrument with a pool of real estate loans as the underlying collateral. The mortgage payments of the real estate assets are used to pay interest and principal on the bonds.

MORTGAGE PASS-THROUGH SECURITIES: A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUTUAL FUNDS: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. **Money market mutual funds** invest exclusively in short-term (1-day to 1-year) debt obligations such as Treasury bills, certificates of deposit, and commercial paper. The principal objective is the preservation of capital and generation of current income.

OFFER: The price asked by a seller of securities. See Ask Price and Bid Price.

OPTION: A contract that provides the right or obligation, depending on the buyer or seller's position within the contract, to buy or to sell a specific amount of a specific security within a predetermined time period at a specified price. A call option provides the right to buy the underlying security. A put option provides the right to sell the underlying security. The seller of the contracts is called the writer.

PORTFOLIO: A collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRINCIPAL ONLY STRIPS: Securities with cash flow based entirely on the principal payments received from an obligation.

RANGE NOTES: A range note is a bond that pays interest if a specified interest rate remains above or below a certain level and/or remains within a certain range.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price.

REPURCHASE AGREEMENT (RP, Repo): A contractual transaction between an investor and an issuing financial institution (bank or securities dealer). The investor exchanges cash for temporary ownership or control of collateral securities, with an agreement between the parties that on a future date, the financial institution will repurchase the securities.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held by the bank in the customer's name.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES AND EXCHANGE COMMISSION (SEC): A federal government agency comprised of five commissioners appointed by the President and approved by the Senate. The SEC was established to protect the individual investor from fraud and malpractice in the marketplace. The Commission oversees and regulates the activities of registered investment advisers, stock and bond markets, broker/dealers, and mutual funds.

STATE OBLIGATIONS: Registered treasury notes or bonds of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the 50 United States.

STRIPS: Bonds, usually issued by the U.S. Treasury, whose two components, interest and repayment of principal, are separated and sold individually as zero-coupon bonds. Strips are an acronym for Separate Trading of Registered Interest and Principal of Securities.

SUPRANATIONALS: International financial institutions that are generally established by agreements among nations, with member nations contributing capital and participating in management. Supranational bonds finance economic and infrastructure development and support environmental protection, poverty reduction, and renewable energy around the globe.

TRUSTEE: An individual or organization, which holds or manages and invests assets for the benefit of another. The trustee is legally obliged to make all trust-related decisions with the trustee's interests in mind, and may be liable for damages in the event of not doing so.

U.S. AGENCY OBLIGATIONS: Federal agency or United States government-sponsored enterprise obligations (GSEs), participations, or other instruments. The obligations are issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. Issuers include: Fannie Mae, Farmer Mac, Federal Farm Credit Banks, Freddie Mac, Federal Home Loan Banks, Financing Corporation, Tennessee Valley Authority, Resolution Trust Funding Corporation, World Bank, Inter-American Development Bank, and PEFCO.

U.S. TREASURY OBLIGATIONS (TREASURIES): Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

Treasury Bills: All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury Bills (T-bills). The Treasury currently issues 3-month and 6-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth cash flows.

Treasury Notes: All securities issued with initial maturities of 2- to 10-years are called Treasury Notes (T-notes), and pay interest semi-annually.

Treasury Bonds: All securities issued with initial maturities greater than 10-years are called Treasury Bonds (T-bonds). Like Treasury Notes, they pay interest semi-annually.

WAL: Weighted Average Life: The average life of all the securities that comprise a portfolio, typically expressed in days or years.

YIELD: The rate of annual income return on an investment, expressed as a percentage. Yield does not include capital gains.

Income Yield is obtained by dividing the current dollar income by the current market price for the security.

Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

ZERO-COUPON BOND: A bond on which interest is not payable until maturity (or earlier redemption), but compounds periodically to accumulate to a stated maturity amount. Zero-coupon bonds are typically issued at a discount and repaid at par upon maturity.

FIGURE 1

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2024)^A APPLICABLE TO ALL LOCAL AGENCIES^B

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY ^C	MAXIMUM SPECIFIED % OF PORTFOLIO ^D	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations— CA And Others	5 years	None	None	53601(c) 53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40% ^E	None	53601(g)
Commercial Paper—Non-Pooled Funds ^F (under \$100,000,000 of investments)	270 days or less	25% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H	53601(h)(2)(c)
Commercial Paper—Non-Pooled Funds ^I (min. \$100,000,000 of investments)	270 days or less	40% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H	53601(h)(2)(c)
Commercial Paper— Pooled Funds ^J	270 days or less	40% of the agency's money ^G	Highest letter and number rating by an NRSRO ^H	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% ^K	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	50% ^L	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50% ^L	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days ^M	20% of the base value of the portfolio	None ^N	53601(j)
Medium-Term Notes ^O	5 years or less	30%	"A" rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20% ^P	Multiple ^{Q, R}	53601(l) and 53601.6(b)
Collateralized Bank Deposits ^S	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities ^T	5 years or less ^T	20%	"AA" rating category or its equivalent or better ^T	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple ^U	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund ^V	N/A	None	None	16340
Supranational Obligations ^W	5 years or less	30%	"AA" rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

TABLE OF NOTES FOR FIGURE 1

- ^A Sources: Sections 16340, 16429.1, 27133, 53601, 53601.6, 53601.8, 53630 et seq., 53635, 53635.8, and 57603.
- ^B Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.
- ^C Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years from the settlement date. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year remaining maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.
- ^D Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.
- ^E No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.
- ^F Applies to local agencies, other than counties or a city and county, with less than \$100 million of investment assets under management. Includes agencies defined as a city, a district, or other local agency that do not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body.
- ^G Local agencies, other than counties or a city and county, may purchase no more than 10% of the outstanding commercial paper and medium-term notes of any single issuer.
- ^H Issuing corporation must be organized and operating within the U.S., have assets in excess of \$500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, have program wide credit enhancements, and have commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating organization.
- ^I Applies to counties or a city and county, and the City of Los Angeles that have \$100 million or more of investment assets under management.
- ^J Includes agencies defined as a county, a city and county, or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set forth in Section 53601(h)(2)(C).
- ^K No more than 30% of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).
- ^L Effective January 1, 2020, no more than 50% of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30%. Investments made pursuant to 53635.8 remain subject to a maximum of 30% of the portfolio.
- ^M Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.
- ^N Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.
- ^O "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States."
- ^P No more than 10% invested in any one mutual fund. This limitation does not apply to money market mutual funds.
- ^Q A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Sections 53601 and 53635.
- ^R A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years' experience investing in money market instruments with assets under management in excess of \$500 million.
- ^S Investments in notes, bonds, or other obligations under Section 53601(n) require that collateral be placed into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, among other specific collateral requirements.
- ^T Security types authorized under Section 53601(o) that are issued or guaranteed by an issuer identified in subdivisions (b) or (f), are not subject to the limitations placed on privately issued securities authorized in Section 53601(o)(2)(A)(B).
- ^U A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of \$500 million, and has at least five years' experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).
- ^V Local entities can deposit between \$200 million and \$10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.
- ^W Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less.

East Bay Dischargers Authority Investment Strategy

Last Updated: March 21, 2019

Subsequently Reviewed and Confirmed without Changes: July 20, 2023

In the interest of prudent investment of EBDA's funds, and to preserve the primary investment objectives of safety, liquidity and yield, EBDA adopts the following strategy:

- Within the framework of California Government Code Section 53601-53606 detailing allowable investments, EBDA will invest its idle long-term funds in Certificates of Deposits (CDs), the State of California's Local Agency Investment Fund (LAIF), and California Asset Management Program (CAMP).
- Staff may select which of the above instruments in which to invest and in what quantities, as long as there is less than a 50 basis point (0.5%) differential between the instruments. If the differential is higher, staff shall direct funds to the instrument with higher returns.
- Individual securities such as CDs will have a maturity of no longer than three (3) years and be FDIC insured.
- The portfolio mix will be adjusted as needed to react to changes in liquidity requirements, market changes, and legal constraints.

This strategy will be evaluated and reviewed at least annually for cost-effectiveness. Guidance on permissible investment instruments, standards of care for invested funds, and the role of staff in the investment program are located in EBDA's Investment Policy.

**ITEM NO. FM7 MOTION TO APPROVE REVISIONS TO THE AUTHORITY'S
CONFLICT OF INTEREST POLICY**

Recommendation

Approve revisions to the Authority's Conflict of Interest Policy.

Strategic Plan Linkage

3. **Financial:** Develop financial strategies and practice sound fiscal management to ensure wise use of ratepayers' resources.

Background

The Political Reform Act requires every local government agency to review its Conflict of Interest Code (Code) for accuracy biennially and to notify the County Board of Supervisors whether it does or does not need to be amended. Updates to the Authority's Code were last approved by the Alameda County Board of Supervisors on September 20, 2022. The Biennial Notice must be submitted to the County Board of Supervisors no later than October 1, 2024.

Discussion

Staff and legal counsel have reviewed the Authority's Conflict of Interest Policy and recommend very minor changes to capitalization. The proposed Policy is attached in tracked changes and clean versions for the Committee's review. Upon approval by the Commission, the Policy will be submitted to the County.

CONFLICT OF INTEREST CODE

OF EAST BAY DISCHARGERS AUTHORITY OF ALAMEDA COUNTY

SECTION 1. Purpose. Pursuant to the provisions of Government Code sections 87300 et seq., EAST BAY DISCHARGERS AUTHORITY (“AUTHORITY”) OF ALAMEDA COUNTY hereby adopts the following Conflict of Interest Code. Nothing contained herein is intended to modify or abridge the provisions of the California Political Reform Act of 1974.

SECTION 2. Incorporation of Regulation. The California Fair Political Practices Commission adopted a regulation (Title 2 California Code of Regulations section 18730) which contains the terms of a standard conflict of interest code which can be incorporated by reference in an agency’s code. Therefore, the terms of Title 2 California Code of Regulations section 18730 and any amendments to it duly adopted by the California Fair Political Practices Commission are hereby incorporated herein by this reference. The provisions of Title 2 California Code of Regulations section 18730 and the provisions below, designating officials and employees and establishing disclosure categories, along with the applicable sections of the California Political Reform Act, shall constitute the Conflict of Interest Code of the Authority.

SECTION 3. Designated Positions and Disclosure Categories. Persons holding a Designated Position listed below shall file a Statement of Economic Interest in the form of a Form 700. Those individuals holding a Designated Position are deemed to be in a position to make, or participate in the making of, decisions on behalf of the AUTHORITY which may foreseeably have a material effect on their economic interests.

<u>Designated Position</u>	<u>Disclosure Category</u>
Commission Member	1
General Manager	1
Treasurer/Controller	1
Legal Counsel	1
Consultant	2

Disclosure Category 1: Designated Positions in this category shall disclose all of the following interests: investments, interests in real property within the AUTHORITY’s jurisdiction*, personal income, business entity income, and business positions held or received during the previous calendar year.

Disclosure Category 2: Persons in this category shall disclose investments and business positions in business entities, and income from business entities of the type to provide bids, supplies, vehicles and equipment of the type used by the AUTHORITY.

Disclosure Category 3: Consultants shall disclose all of the interests required to be

disclosed pursuant to Disclosure Category 2, subject to the following limitation: The General Manager may determine in writing that a particular consultant, although a “~~D~~esignated ~~P~~osition,” is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements of the broadest disclosure category, but instead must comply with more tailored disclosure requirements specific to that consultant. Such written determination shall include a description of the consultant’s duties and, based upon that description, a statement of the extent of disclosure requirements. The General Manager’s determination is a public record and shall be retained for public inspection in the same manner and location as this ~~C~~onflict of ~~I~~nterest ~~C~~ode.

*The AUTHORITY’s “jurisdiction” as set forth above in the disclosure categories is Alameda County. For the purposes of this Conflict of Interest Code, an interest in real property is located within the jurisdiction of the AUTHORITY if any part of the property is located in, or within two miles of, Alameda County, or if the property is located within two miles of any land owned or used by the AUTHORITY.

SECTION 4. Place, Manner and Time of Filing.

(a) Individuals holding a Designated Position shall file their Statements of Economic Interests with the AUTHORITY, which will make the statements available for public inspection and reproduction (Government Code Section 81008). The AUTHORITY will retain copies of the Statements of Economic Interests and file the original statements with the Alameda County Clerk of the Board of Supervisors.

(b) All designated filers shall comply with the provisions of Title 2 California Code of Regulations section 18730 along with the applicable sections of the California Political Reform Act, (and as that section may be amended), which contains detailed instructions regarding the scope and types of interests to be reported as well as the manner of reporting them. The regulation can be found online at:
<https://www.fppc.ca.gov/content/dam/fppc/NS-Documents/LegalDiv/Regulations/Index/Chapter7/Article2/18730Provisions-of-Conflict-of-Interest-Codes.pdf>.

(c) Initial Statements. All designated filers shall file statements within 30 days after the effective date of this code. Thereafter, each person already in a position when it is designated by an amendment to this code shall file an Initial Statement within 30 days after the effective date of the amendment.

(d) Assuming Office Statements. All persons assuming Designated Positions after the effective date of this code shall file an Assuming Office Statement within 30 days after assuming the ~~D~~esignated ~~P~~ositions.

(e) Leaving Office Statements. All persons who leave ~~D~~esignated ~~P~~ositions shall file a Leaving Office Statement within 30 days after leaving office.

(f) Annual Statements. All designated filers shall file an Annual Statement no later than April 1 every calendar year.

SECTION 5. Disqualification. No designated filer shall make, participate in making, or in any way attempt to use their position to influence the making of any governmental decision which they know or has a reason to know will have a reasonably foreseeable material financial effect, distinguishable from its effect on the public generally, on the official or a member of the official's immediate family or on any reportable interest of the public official as defined in Title 2 California Code of Regulations section 18730(b)(9).

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Commission Member	1
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Legal Counsel	1
Consultant	2

Disclosure Category 1: Designated Positions in this category shall disclose all of the following interests: investments, interests in real property within the AUTHORITY’s jurisdiction*, personal income, business entity income, and business positions held or received during the previous calendar year.

Disclosure Category 2: Persons in this category shall disclose investments and business positions in business entities, and income from business entities of the type to provide bids, supplies, vehicles and equipment of the type used by the AUTHORITY.

Disclosure Category 3: Consultants shall disclose all of the interests required to be

disclosed pursuant to Disclosure Category 2, subject to the following limitation: The General Manager may determine in writing that a particular consultant, although a “Designated Position,” is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with the disclosure requirements of the broadest disclosure category, but instead must comply with more tailored disclosure requirements specific to that consultant. Such written determination shall include a description of the consultant’s duties and, based upon that description, a statement of the extent of disclosure requirements. The General Manager’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.

*The AUTHORITY’s “jurisdiction” as set forth above in the disclosure categories is Alameda County. For the purpose of this Conflict of Interest Code, an interest in real property is located within the jurisdiction of the AUTHORITY if any part of the property is located in, or within two miles of, Alameda County, or if the property is located within two miles of any land owned or used by the AUTHORITY.

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<https://www.fppc.ca.gov/content/dam/fppc/NS-Documents/LegalDiv/Regulations/Index/Chapter7/Article2/18730Provisions-of-Conflict-of-Interest-Codes.pdf>.

(c) Initial Statements. All designated filers shall file statements within 30 days after the effective date of this code. Thereafter, each person already in a position when it is designated by an amendment to this code shall file an Initial Statement within 30 days after the effective date of the amendment.

(d) Assuming Office Statements. All persons assuming Designated Positions after the effective date of this code shall file an Assuming Office Statement within 30 days after assuming the Designated Positions.

(e) Leaving Office Statements. All persons who leave Designated Positions shall file a Leaving Office Statement within 30 days after leaving office.

(f) Annual Statements. All designated filers shall file an Annual Statement no later than April 1 every calendar year.

SECTION 5. Disqualification. No designated filer shall make, participate in making, or in any way attempt to use their position to influence the making of any governmental decision which they know or has a reason to know will have a reasonably foreseeable material financial effect, distinguishable from its effect on the public generally, on the official or a member of the official's immediate family or on any reportable interest of the public official as defined in Title 2 California Code of Regulations section 18730(b)(9).

ITEM NO. FM8 MOTION TO APPROVE REVISIONS TO THE AUTHORITY'S AUDIT POLICY

Recommendation

Approve revisions to the Authority's Audit Policy.

Strategic Plan Linkage

4. **Financial:** Develop financial strategies and practice sound fiscal management to ensure wise use of ratepayers' resources.

Background

In May 2019, the Commission adopted Policy 1.3 Finance – Audit. Review of this policy has been conducted annually, with no changes recommended since the initial adoption.

Beginning with the audit of the year ended 6/30/2021, the Authority contracted with Cropper Accountancy Corporation for annual audit services; those services were to provide an audit of the Authority's annual Financial Statements through the 6/30/2023 statements. Cropper's engagement was extended by the Commission last month to include the audit of the Authority's 6/30/2024 and 6/30/2025 Financial Statements.

Discussion

In June 2024, the Committee reviewed a revised version of the Audit Policy that incorporated two recommended changes:

1. Improve the precision of the language referencing Generally Accepted Accounting Principles (GAAP) and U.S. Government Accountability Office's *Generally Accepted Government Auditing Standards (GAGAS)*.
2. Affirm the Commission's approval of using the Authority's auditors for the preparation of the Financial Transactions Report to the State Controller's Office when it is in the best interest of the Authority to do so. This report is commonly, but not exclusively, prepared for local agencies by their auditors because the auditors often have the information at hand if they assist in the publication of statements.

The Committee supported approval of the Policy with these proposed revisions. Redline and clean versions of proposed Audit Policy revisions are attached for Commission consideration.

POLICY NUMBER: 1.3

NAME OF POLICY: Finance - Audit

LAST REVISED: June 20, 2024~~May 16, 2019~~

PREVIOUSLY REVISED: May 16, 2019 (N/A – New Policy/Initial Adoption of a New Policy)

PURPOSE: The purpose of the Audit Policy is to ensure that EBDA's financial information adheres to Generally Accepted Accounting Principles (GAAP), and that the independent auditors conform to the independence Standard promulgated in the U.S. Government Accountability General Accounting Office's Generally Accepted Government Auditing Standards (GAGAS).

POLICY: It is the policy of the Authority that an annual financial audit will be performed by an independent public accounting firm with an Independent Auditor's Report to be included along with EBDA's fiscal year-end financial statements.

The audit will consist of review of EBDA's financial records and procedures in accordance with GAAP. The audit shall take place as soon as practical after EBDA staff closes the books for the fiscal year. The results of the audit will be presented to the Commission within six months of the end of the fiscal year.

The independent audit firm will be selected through a competitive bidding process at least once every five years. In no case will price serve as the sole criterion for the selection of an independent auditor ~~or firm~~.

Professional standards allow independent auditors to perform certain types of non-audit services for their clients. A common example of this would be the annual preparation of the Financial Transactions Report to the State Controller's Office; preparation of this report by the independent audit firm is approved within this policy when this is the most efficient means of generating the Financial Transactions Report. Any other significant non-audit services —will be approved in advance by the Commission.

POLICY NUMBER: 1.3

NAME OF POLICY: Finance - Audit

LAST REVISED: June 20, 2024

PREVIOUSLY REVISED: May 16, 2019 (Initial Adoption of a New Policy)

PURPOSE: The purpose of the Audit Policy is to ensure that EBDA's financial information adheres to Generally Accepted Accounting Principles (GAAP), and that the independent auditors conform to the Independence Standard promulgated in the U.S. Government Accountability Office's *Generally Accepted Government Auditing Standards (GAGAS)*.

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