

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF FEBRUARY 22, 2023

REGULAR MEETING

TO: Brian Veerkamp, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: Shiva Frentzen, Executive Officer

AGENDA ITEM #1: Staff and the Budget Committee recommend that the Commission approve the following:

- 1) Approve the changes to the Budget Policies (Sections 2.1.11, 2.7.5, and 2.10.5) of the El Dorado LAFCO Policies and Guidelines
- 2) Direct staff to publish the updated information on the El Dorado LAFCO website

Discussion and Background

The Budget Committee and staff have reviewed the Policies and Guidelines to bring these recommendations to the Commission.

Policies 2.1.11, 2.7.5, and 2.10.5 are updated to better align the fiscal goals of the agency and its operations. The new policies would assist with a more accurate fiscal operation of the agency and streamline the annual budgeting process.

Staff will publish the new documents on the web site for transparency and ease of access.

Attachment A: El Dorado LAFCO Policies & Guidelines Section 2 – LAFCO OPERATIONS

The El Dorado LAFCO Policies and Guidelines have been modified by the Executive Officer and reviewed by LAFCO Counsel. The Budget committee has met and recommended to bring these changes for Board approval. Sections 2.1.11, 2.7.5, and 2.10.5 (LAFCO OPERATIONS) of the El Dorado LAFCO Policies and Guidelines needs to be approved by the Commission. This attachment consists of the strikeout version.

Policy 2.1.11 – This policy is modified to allow the agency to use the Carryover/Fund Balance in the fiscal year immediately after the fund balance is calculated. The current policy has a one-year lag in using these funds which delays spending the available funds. Historically, the investment and disbursement of the Carryover/Fund Balance has not been aligned with El Dorado LAFCO Policies and Guidelines.

Existing Policy:

Carryover/Fund Balance Amounts: For purposes of this section and Policies and Guidelines Section 2.10, the carryover/fund balance amount is defined as the amount left over at the end of each fiscal year after all outstanding payments for that fiscal year have been made. The carryover/fund balance amount will be calculated at the close of the books for a fiscal year. After it has been calculated, the LAFCO Executive Officer must report the carryover/fund balance amount to the Commission and to LAFCO's auditors. The carryover/fund balance amount will be used as a revenue source for the fiscal year beginning on July 1 after the carryover/fund balance amount has been calculated. The LAFCO Executive Officer shall deposit these funds consistent with Policy 2.10.

Proposed Policy:

Carryover/Fund Balance Amounts: For purposes of this section and Policies and Guidelines Section 2.10, the carryover/fund balance amount is defined as the amount left over at the end of each fiscal year after all outstanding payments for that fiscal year have been made. The carryover/fund balance amount will be calculated at the close of the books for a fiscal year. After it has been calculated, the LAFCO Executive Officer must report the carryover/fund balance amount to the Commission and to LAFCO's auditors. The carryover/fund balance amount will be used as a revenue source for the fiscal year beginning on July 1 **immediately** after the carryover/fund balance amount has been calculated. The LAFCO Executive Officer shall deposit these funds consistent with Policy 2.10.

Policy 2.7.5 – This policy is modified to reflect a minor change in using the term “Emergency Reserve” instead of “Emergency Expense”.

Existing Policy:

To the extent that LAFCO's Plan with the California Public Employees' Retirement System has a funded ratio of less than 100%, and provided that the “Emergency Expense” fund is fully funded in accordance with Policies & Guidelines Section 2.10.5(c), it is the intent of this Commission to allocate any carryover monies that are in excess of the estimated carryover amount specified in the final budget towards paying down the unfunded accrued liability until the funded ratio reaches 100%. This allocation will continue until LAFCO's Plan's funded ratio is 100% or unless the “Emergency Expense” fund is not fully funded per Policies & Guidelines Section 2.10.5(c).

Proposed Policy:

To the extent that LAFCO's Plan with the California Public Employees' Retirement System has a funded ratio of less than 100%, and provided that the **“Emergency Reserve”** fund is fully funded in accordance with Policies & Guidelines Section 2.10.5(c), it is the intent of this Commission to allocate any carryover monies that are in excess of the estimated carryover amount specified in the final budget towards paying down the unfunded accrued liability until the funded ratio reaches 100%. This allocation will continue until LAFCO's Plan's funded ratio is 100% or unless the **“Emergency Reserve”** fund is not fully funded per Policies & Guidelines Section 2.10.5(c).

Policy 2.10.5 – This policy consists of multiple sections.

Policy 2.10.5.c: This policy is modified to truly reflect an emergency reserve with a minimum and maximum threshold to allow flexibility for funding this reserve.

Existing Policy 2.10.5.c:

Assigned: An “Emergency Expense” fund set at a maximum of 5% of the LAFCO budget for the purposes of funding non-budgeted legal expenses that may occur from time-to-time; unexpected catastrophic expenses; or an unexpected drop in revenues. Expenditure of “Emergency

Expense” funds must receive prior approval of the Commission. An emergency expense can be authorized from the “Emergency Expense” with approval of the Executive Officer and either Commission Chair or Vice Chair for an amount totaling less than \$10,000.00 during a monthly period. Assignments into this classification will not be allocated in the budget. Instead, assignments into this fund will come from any carryover monies that are in excess of the estimated carryover amount specified in the final budget. Upon the time the “Emergency Expense” fund is fully funded in accordance with this policy, the application of any excess carryover monies will be applied per Policies & Guidelines Section 2.7.5.

Proposed Policy 2.10.5.c:

Assigned: An “Emergency Reserve” fund set at a minimum of 15% and maximum of 25% of the Commission’s current year operating budget for the purposes of funding non-budgeted legal expenses that may occur from time-to-time; unexpected catastrophic expenses; or an unexpected drop in revenues. Expenditure of “Emergency Reserve” funds must receive prior approval of the Commission; however an emergency expense can be authorized from the “Emergency Reserve” with approval of the Executive Officer and either Commission Chair or Vice Chair for an amount totaling less than \$10,000.00 during a monthly period. Assignments into this classification will not be allocated in the budget. Instead, assignments into this fund will come from any carryover monies that are in excess of the estimated carryover amount specified in the final budget. Upon the time the “Emergency Reserve” fund is fully funded in accordance with this policy, the application of any excess carryover monies will be applied per Policies & Guidelines Section 2.7.5. The Executive Officer shall make recommendations to the Commission during adoption of the annual budget for replenishing this fund.

Policy 2.10.5.d: This policy is modified to eliminate the one-year delay in using the Carryover/Fund Balance and the need for the investment in CalTRUST account.

Existing Policy 2.10.5.d:

Unassigned: Carryover/Fund Balance amounts, as defined in Policy 2.1, can be deposited into LAFCO’s short-term CalTRUST account between the time the amount is calculated and its utilization on the fiscal year beginning with July 1 after the amount has been calculated.

Proposed Policy 2.10.5.d:

Unassigned: Carryover/Fund Balance amounts, as defined in Policy 2.1.

Policies 2.10.5.e and 2.10.5.f are removed for creating operating and financial management efficiencies.

- e. Unassigned: Earned Applicant Fees, as defined in Policy 2.1, can be deposited into Unassigned: Earned Applicant Fees, as defined in Policy 2.1, can be deposited into LAFCO’s short-term CalTRUST account between the time the earned fees are collected within a calendar year and until they are to be used as revenue for the following fiscal year beginning with July 1.
- f. Assigned: Monies budgeted towards the replacement of LAFCO’s IT infrastructure can be deposited into LAFCO’s medium-term CalTRUST account. These funds cannot be withdrawn without prior authorization from the Commission.

New proposed policy 2.10.5.e: This policy is introduced to address the cash flow issue that the agency faces each fiscal year. El Dorado County pays for two months of operations in July until the agency contributions are collected and funds sent to El Dorado LAFCO. LAFCO receives the first check from the County by late July and the disbursement from the agencies around

December. This creates a cashflow issue for the agency that needs to be addressed in our policies.

Historically, LAFCO has been able to operate with no issues because of the high fund balances.

Proposed New Policy 2.10.5.e:

Unassigned: An "Operating Reserve" fund set at 30% of LAFCO's current year operating budget for the purpose of cash flow management with the timing of agency contribution reimbursement from El Dorado County. Disbursement of the "Operating Reserve" is at the discretion of the Executive Officer. Replenishment of the "Operating Reserve" for disbursement made in the same fiscal year is at the discretion of the Executive Officer. Assignments into this classification will not be allocated in the budget. Instead, assignments into this fund will come from any carryover monies that are in excess of the estimated carryover amount specified in the final budget. The Executive Officer makes recommendations to the Commission during adoption of the annual budget for replenishing this fund.

Attachment A: El Dorado LAFCO Policies & Guidelines Section 2 – LAFCO OPERATIONS

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2 **LAFCO OPERATIONS**

2.1 **LAFCO BUDGET**

As stated in Section 1.1, under the law and LAFCO's Policies and Guidelines, LAFCO is an independent Commission that adopts and administers its own budget and controls its expenditures. Government Code §56381, et. seq., and the following policies will control the LAFCO budget process:

- 2.1.1 **Adoption of Budget:** The Commission shall adopt annually, following noticed public hearings, a proposed budget by May 1 and final budget by June 15 in the manner prescribed by §56381.
- 2.1.2 **Open, Collaborative Process:** LAFCO will encourage an open, collaborative process in the development and approval of its budget. LAFCO will encourage efforts to equitably apportion or reapportion the cost of its budget. In addition, LAFCO will encourage cooperation and collaborative efforts among agencies in order to reduce the costs of special projects, studies and state mandates.
- 2.1.3 **Adoption of Work Plan:** LAFCO will annually review and adopt a work plan to fulfill the purposes and programs of state law and local policy. The work plan will guide the development of the budget.
- 2.1.4 **Resources:** The budget will identify the resources available for LAFCO's use under the law and those resources necessary for the purpose of carrying out state law and the Commission's goals and policies.
- 2.1.5 **Budget Administrator:** The LAFCO Executive Officer shall serve as budget administrator to prepare, present, transmit, review, execute and maintain the LAFCO budget.
- 2.1.6 **Fees:** Fees charged by LAFCO are set at the maximum justifiable level to recover the costs of processing applications and/or to recover the costs of providing services and materials to the public or to other government entities.
- 2.1.7 **Reserve:** LAFCO will appropriate monies to reserves consistent with Policy 2.10.
- 2.1.8 **Expense Claims:** All claims for expenses, other than usual employee costs (salaries and benefits), are to be reviewed by the Commission. Expenditure authorization for all expenses shall comply with Policy 2.9.
- 2.1.9 **Payments:** If the county, a city, or an independent special district does not remit its required payment within 60 days, the Auditor shall collect an

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equivalent amount from the property tax, or any fee or eligible revenue owed to the city, county, or special district (§56381(c)).

- 2.1.10 **Advance:** At the first of each fiscal year, the Board of Supervisors shall transmit an advance equal to 1/6 of the final LAFCO budget to cover the first two months expenses of each fiscal year (§56381 (c)).
- 2.1.11 **Carryover/Fund Balance Amounts:** For purposes of this section and Policies and Guidelines Section 2.10, the carryover/fund balance amount is defined as the amount left over at the end of each fiscal year after all outstanding payments for that fiscal year have been made. The carryover/fund balance amount will be calculated at the close of the books for a fiscal year. After it has been calculated, the LAFCO Executive Officer must report the carryover/fund balance amount to the Commission and to LAFCO's auditors. The carryover/fund balance amount will be used as a revenue source for the fiscal year beginning on July 1 immediately after the carryover/fund balance amount has been calculated. The LAFCO Executive Officer shall deposit these funds consistent with Policy 2.10.

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2.2 LAFCO FEES

2.2.1 Application of Fees

- (a) Effective May 2015, the Commission shall periodically review its fees and adopt a fee schedule for the purpose of recovering the costs pursuant to the Cortese-Knox-Hertzberg Act (§56383(a), §56384, §66016). See Section 8.3, Fee Schedule. The period between these reviews shall be no greater than once every five years.
- (b) The schedule of fees shall not exceed the estimated reasonable cost of providing the service for which the fee is charged and shall be imposed pursuant to §66016 and §56383.
- (c) No petition shall be deemed filed until the fee has been deposited (§56383(c)).
- (d) Any individual or entity that requests a LAFCO initiated study or service review of special district changes of organization or reorganization shall be responsible for required fees. Fees are due immediately after LAFCO acts to initiate the study. LAFCO will encourage cooperatively developed fee sharing agreements for LAFCO initiated multi-agency service reviews.

2.2.2 De Minimis Project Fee Waivers *(Approved September 4, 1997)*

- (a) Proposed projects which include requests for minor administrative or corrective actions shall be “De Minimis” for application processing and fee collection purposes if staff determines that the project:
 - is consistent with Section 56668, factors to be considered, and LAFCO policies and procedures;
 - will not cause significant adverse impacts upon any agency or individual;
 - does not involve any new extension of service;
 - is proceeding with the consent of all affected landowners; and
 - is defined as ministerial under, or qualifies for an Exemption from, the requirements of the California Environmental Quality Act.
- (b) De Minimis projects may be approved without notice or public hearing (§56662 and §56663).

2.2.3 Appeal of Fees

- (a) LAFCO fees may be appealed before the Commission.

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- (b) Appeals shall be submitted in writing with the application and contain specific justifications for the request. The appeal will be considered at the next LAFCO hearing.
- (c) Project processing will not begin until a fee determination is rendered by LAFCO.
- (d) The Commission may waive, defer or reduce fees based on the determination that the payment of such fee will result in undue and extra hardship to the applicant that is not caused by the applicant's own action, and where it can be demonstrated that the project is necessary for the public health, safety and welfare (§56383 (d)).
- (e) The Commission will consider the budget impacts of any fee waivers or reductions.

2.2.4 Refunds

- (a) If an application is withdrawn, LAFCO will refund fifty percent of the submitted fee, or a sum equal to the original fee minus processing costs to date, whichever ensures that LAFCO recovers its actual costs.
- (b) No refunds will be provided after a public hearing has been scheduled and LAFCO's scheduling procedure has been concluded. (Scheduling procedure includes mailed notices, legal ads, other agency notification.)
- (c) Projects which change substantially and require major revisions of previously completed work may be subject to the collection of additional fees (Adopted March 6, 1997).

2.2.5 Legal Defense Fees

- (a) The direct costs for legal defense of a LAFCO approval are considered application processing costs and are the responsibility of the applicant.
- (b) As a condition of approval for any action, the Commission will impose a condition which requires, in the event of legal challenges, that the applicant assume the full legal defense costs because they are a liability incurred by LAFCO after, and as a result of, project approval (§56886(f), §56383).
- (c) The Commission reserves the right to waive payment if it finds that payment of such fee will result in extraordinary hardship to the applicant, and where it can be demonstrated that the project is necessary for the public health, safety and welfare.

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- (d) The Commission may include, within its resolution of approval, a condition which requires the applicant to defend, indemnify, and hold the Commission harmless, in the event that legal action is taken against LAFCO as a direct result of a project's approval.
- (e) The Executive Officer shall notify an applicant of any legal action brought challenging the Commission's action, and the Commission, its agents, and employees shall cooperate fully in the defense of that action.
- (f) The applicant may provide his or her own counsel in the defense of the action taken, under the supervision of LAFCO Counsel, or the applicant may elect to use the services of LAFCO Counsel in that defense. In either case, the Executive Officer may require a deposit of funds sufficient to cover estimated expenses of the litigation (§56383(c)).

2.2.6 **Earned Applicant Fees:** For purposes of this section and Policies and Guidelines Section 2.10, earned applicant fees is defined as the payments made by applicants for services rendered by LAFCO staff over a given period of time. Once earned, LAFCO staff will consider these applicant payments as discretionary revenue. Any earned fees collected within a calendar year will be shown as a revenue source for the following fiscal year beginning on July 1 on the year. After these earned fees are collected, the LAFCO Executive Officer must provide a periodic report detailing the collected earned fees to the Commission and to LAFCO's auditors. The LAFCO Executive Officer shall deposit these funds consistent with Policy 2.10.

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2.3 PERSONNEL POLICIES

The Commission intends to use the services available to county departments insofar as such services support the goals and mission of LAFCO. This shall not be construed to restrict or limit in any way the statutory authority of LAFCO as an independent local agency. LAFCO will comply with all applicable laws related to its operations and administration; the provisions of these policies are not intended to preempt state or federal laws.

2.3.1 **Employee Status:** All employees hold their employment in an “at-will” capacity. The Executive Officer serves at the will and pleasure of the Commission. All other employees serve at the will and pleasure of the Executive Officer. The Executive Officer shall conduct and perform the day-to-day business of the Commission (Government Code §56384), including the management and supervision of its staff. Policy and technical questions and suggestions for staff from Commissioners are routed through the Executive Officer.

2.3.2 **Number/Classification of Positions:** LAFCO shall specify the number and classification of all positions. A salary scale and position description specifying duties and responsibilities for each classification/position will be approved by LAFCO. The position description may be modified by the Executive Officer as necessary in order to accurately reflect any changes in job duties and responsibilities. However, any addition or deletion of a position must be approved by LAFCO.

2.3.3 **Employee Benefits:** Incorporated by reference into the LAFCO Policies and Guidelines are the LAFCO Personnel Policy and Procedure Guidelines, attached as Appendix F to this document. These guidelines set forth the employment policies, procedures, and benefits that apply to LAFCO employees. These guidelines are subject to review and may be changed at the discretion of the Commission.

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2.4 TRAVEL POLICIES *(Adopted August 27, 2003, Amended August 24, 2007)*

2.4.1 General Policies

LAFCO employees and Commissioners compelled to travel in the performance of their duties and in the service of the commission shall be reimbursed for their actual and necessary expenses, including transportation expense, lodging, and meals and other reasonable incidental costs.

LAFCO employees and Commissioners should not suffer any undue loss when required to travel on official LAFCO business, nor should said individuals gain any undue benefit from such travel.

All travel arrangements are coordinated through the Executive Officer and should be as economical as possible considering the travel purpose, traveler, and timeframe available to accomplish the travel mission, available transportation and facilities, and time away from other duties.

Requests for travel authorization and reimbursement are processed using the LAFCO travel authorization form to facilitate reimbursement. Receipts are required for reimbursement of lodging costs, registration fees, public transportation and for other expenses as may be necessary to facilitate reimbursement.

2.4.2 Travel Authorization and Approval

Authorization and approval by the Executive Officer or the Commission is required for all travel. Employees and Commissioners must obtain authorization for travel before incurring costs and before commencing travel.

2.4.3 Mode of Transport

Transportation shall be by the least expensive and/or most reasonable means available. Generally, costs in excess of the lowest feasible fare are not reimbursed.

- (a) Private auto reimbursement may be authorized by the Commission or the Executive Officer for LAFCO business travel. Reimbursement shall not be authorized for employees commuting to and from their residence to the assigned work site.
- (b) Rental cars or County vehicles may be used if such use is the most economical and practical means of travel. The use of a rental car must be noted on the Travel Authorization and authorized by the Commission or the Executive Officer before incurring costs and before commencing travel.

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2.4.4 Reimbursement – Transportation

(a) Public Transportation

Receipts are required for reimbursement of public transportation to facilitate payment. Costs in excess of the lowest possible fare are generally not reimbursed.

(b) Private Auto

Travel by private auto in the performance of “official LAFCO business” shall be reimbursed at the Federal rate as determined by the Internal Revenue Service on the date of travel.

The mileage reimbursement rate represents full reimbursement for private auto expenses for the use of a personal vehicle, including fuel, normal wear and tear, insurance, etc.

Reimbursement shall not be authorized for employees commuting to and from their residence to the assigned work site.

Mileage for travel shall be computed from the agency location or the point of origination, whichever is less.

(For example, an employee who works in Placerville and lives in Cameron Park is required to attend a meeting in Sacramento, originating and returning to their residence in Cameron Park. The employee is paid for the actual mileage, not the mileage from Placerville to Sacramento. An employee who works in Placerville, originating at home in Camino to attend the meeting in Sacramento would submit mileage based on the distance from Placerville to Sacramento.)

2.4.5 Reimbursement - Meals

Reimbursement rates will be at the same levels as for El Dorado County, on the date the expense is incurred.

Alcoholic beverages are not reimbursed.

Actual meal expenses are reimbursed for out-of-county travel. Meals will not be provided for in-county travel or meetings which do not involve overnight lodging, unless special circumstances are involved such as the following:

- (a) When meals are approved as part of a program for special training sessions, conferences, and workshops;

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- (b) When staff/commissioners traveling from the western slope of the county to Lake Tahoe and vice-versa are required to spend the entire work day at that location;
- (c) When staff/commissioners meet with other governmental agencies, community organizations, or private companies in a breakfast, lunch or dinner setting in order to conduct LAFCO business.

Actual costs of meals may be reimbursed up to the total allowed under the County reimbursement maximum without regard to how much is spent on individual meals (e.g., breakfast, lunch, dinner, snacks) and without receipts. If staff/commissioner is on travel status for less than a full day, costs may be reimbursed for individual meals.

County Maximum Allowable Meal Reimbursement (Effective 5/29/99)

Breakfast	\$ 8.00
Lunch	\$ 12.00
Dinner	\$ 20.00
Total for full day	\$ 40.00

2.4.6 Reimbursement - Lodging

Lodging within the county may be authorized by the Executive Officer or the Commission if assigned activities require a staff member to spend one or more nights in an area of the county which is distant from their place of residence. Receipts are required for reimbursement of lodging costs to facilitate payment. Overnight accommodations should be as economical as possible and practical.

Lodging is reimbursed up to \$125.00 per night, plus tax, single occupancy. The Executive Officer may approve extraordinary costs above these limits on a case by case basis.

Single rates will be paid except when the room is occupied by more than one LAFCO employee or commissioner. This policy shall not be construed to require shared sleeping accommodations while traveling on LAFCO business.

Lodging arrangements should be made, whenever possible and practicable, at hotels/motels which offer a government discount, will waive charges to counties for Transient Occupancy Tax, or at which the County or LAFCO has established an account. When staying at such a facility, the name of the staff/commissioner and the agency must appear on the receipt of the hotel/motel bill.

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2.4.7 Reimbursement - Other Expenses

All other reasonable and necessary expenses (i.e., parking, shuttle, taxi, etc.) will be reimbursed at cost if a receipt is submitted with the claim. Receipts are required except for those charges where receipts are not available such as bridge tolls and snow chain installation/removal fees. Claims submitted without receipts are subject to the approval of the Executive Officer or the Commission.

2.4.8 Advance Payments

The Executive Officer or the Commission may provide advance funds for estimated "out of pocket" expenses up to seventy-five percent (75%) of estimated travel expense, but no less than \$50.00. The "out-of-pocket" expenses may include meals, taxi and public transportation, lodging, parking, and pre-registration costs.

Requests for advance funds will be noted and itemized on the LAFCO Travel Authorization forms.

2.4.9 Claims for Travel Reimbursement

It is the responsibility of the claimant to understand and comply with these policies to receive reimbursement for travel.

Travel Claims are generally submitted to the Executive Officer or the Commission within 30 days after completion of travel.

Personal mileage and expense claim forms should be completed for each calendar month, one month per claim form unless the monthly amounts total a small amount (i.e. if cost of processing would exceed the amount being claimed). In the latter case, the claims for any individual may be accumulated and processed in a batch when a reasonable claim amount has accrued.

Claims must itemize expenses as indicated on claim forms, and must be processed with receipts attached.

All claims for travel reimbursement shall be made and submitted to the Executive Officer or the Commission for accounting and payment within the same fiscal year as the expense was incurred.

2.4.10 Cancellations

Cancellation of travel requires that any advanced funds be returned to the Executive Officer or the Commission as soon as possible or within five (5) working days of the cancellation.

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2.5 CAPITALIZATION POLICY AND CAPITAL ASSETS *(Approved February 25, 2004)*

- 2.5.1 Capital assets include furniture and fixtures with a useful life of ten years and a value of \$1500 or more. Equipment with an estimated useful life of five years and a value of \$1500 or more is considered a capital asset. Capital assets owned by LAFCO are stated at historical cost or estimated historical cost, if actual cost is not available.
- 2.5.2 It is LAFCO's policy to capitalize all capital assets. LAFCO will maintain an inventory of capital assets, including equipment and furniture. The inventory will be maintained by staff and will be updated annually at the close of the fiscal year. Capital assets are depreciated using the straight line method over the estimated useful life.
- 2.5.3 Assets become obsolete when the asset is no longer operable, has been replaced, or is no longer available for use. Notification of obsolescence is made annually at the time of audit and removed from the capital assets list thereafter.
- 2.5.4 The Commission shall review and approve a list of any capital assets to be declared surplus property. The Commission may dispose of surplus property by making the property available for donation to any non-profit or other agency listed or authorized by either the State of California or El Dorado County to receive surplus property donations. The Commission may dispose of surplus property through a negotiated contract with an auction company. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement.

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2.6 INVESTMENT POLICY *(Approved April 28, 2004)*

2.6.1 Scope

This policy provides guidelines for the prudent investment of El Dorado Local Agency Formation Commission (LAFCO) funds and for maximizing the efficiency of LAFCO's cash management system.

2.6.2 Objectives

The primary objectives of LAFCO's investment activities shall be, in order of priority:

1. Safety of Principal

Investments shall be undertaken in a manner that first seeks to ensure the preservation of principal. The Financial Officer shall evaluate, or cause to be evaluated, each potential investment, seeking both quality in issuer and in underlying security or collateral. The objectives will be to mitigate credit risk and interest rate risk.

2. Liquidity

Investments shall have maturity dates compatible with cash flow requirements and shall permit easy and rapid conversion into cash without substantial loss of value.

3. Return on Investment

Investments shall be undertaken to attain market rates of return, consistent with the higher priority objectives of safety of principal and liquidity.

2.6.3 Prudence

LAFCO shall manage its investments under the prudent person rule which states, in essence, that a trustee shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived (Government Code §53600.3).

Investment shall be made only in securities and with financial institutions in which LAFCO is legally empowered to invest funds.

Commissioners, officers, and employees involved in the investment process shall refrain from personal business activity that could conflict

with the prudent execution and management of LAFCO's investments, or that could impair their ability to make impartial decisions. Said individuals shall not serve on the board of directors of a financial institution in which LAFCO has invested funds.

2.6.4 **Delegation of Authority**

The Executive Officer is designated as the Financial Officer of LAFCO, and is responsible for investment management decisions and activities.

2.6.5 **Authorized Investments**

1. Passbook Savings and Money Market Checking Accounts. These accounts may be maintained in local branches of commercial banks and/or savings and loan associations. Amounts maintained in such accounts shall be fully insured by the FDIC or fully collateralized.
2. Certificates of Deposit. Cash may be invested in certificates of deposit only if they are fully insured by the FDIC or fully collateralized.
3. Local Agency Investment Fund of the State Treasury (LAIF) or *The Investment Trust of California, A Public Joint Powers Authority Otherwise Known as CalTRUST*.
4. El Dorado County Treasury. Funds may be deposited in the El Dorado County Treasury if the Financial Officer determines that the deposit would facilitate the use or purchase of county services until those services are no longer needed. Funds may also be deposited to facilitate compliance with Government Code §56381.

2.6.6 **Prohibited Investments**

Certain investment practices and instruments are inconsistent with the first objective of this policy, safety of principal, and are therefore prohibited:

LAFCO shall not engage in leveraged investing, including but not limited to margin accounts, hedging, or any form of borrowing for the purpose of investment.

2.6.7 **Reporting**

The Financial Officer shall submit to the Commission a quarterly investment report detailing all investments.

2.6.8 **Policy Revision**

This policy may be revised by the Commission as necessary.

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2.7 FINANCIAL POLICIES *(Approved June 23, 2004)*

2.7.1 Accounts and Signatures

- (a) Bank accounts shall be authorized upon approval of the Commission and established by the Executive Officer consistent with LAFCO's Investment Policy, Section 2.6 (Adopted April 28, 2004). Such accounts shall be used to manage LAFCO's financial affairs.
- (b) One or more accounts may be retained with the County Treasury to facilitate the purchase of County services until those services are no longer needed and for the County Auditor's convenience in implementing the provisions of Government Code §56381.
- (c) The Executive Officer is designated as the Financial Officer of LAFCO and shall have principal signature authority for all accounts, subject to procedures and safeguards adopted by the Commission.
- (d) Signature authority for any accounts retained with the County Treasury shall continue as defined in County policies and regulations. The Executive Officer will continue signature authority equivalent to the County Chief Administrative Officer and County Department Heads. The Office Manager/Commission Clerk, or other designee, will continue with signature authority previously authorized by the Executive Officer and allowed under County regulations.
- (e) Three commissioners, including the Chairman, Vice-Chairman and one additional designated individual, shall have signature authority for bank accounts and financial transactions.
- (f) The use of auto-pens, signature stamps, auto-signatures or similar devices to authorize checks and other financial transactions conducted by and for LAFCO are not allowed.
- (g) A budget update and financial statement will be reviewed by the Commission no less frequently than quarterly (Policy 2.6.7).
- (h) For ease of purchasing, LAFCO may have one credit card, which may be used for approved purchases up to five thousand dollars (\$5,000.00). The credit card may not in any circumstance be used by any LAFCO employee to pay for any non-LAFCO related items. Any LAFCO employee who uses the LAFCO credit card shall make their best effort to obtain a receipt for each credit card purchase. LAFCO should pay its credit card bill in a timely manner every month.

- (i) LAFCO will not request, obtain, acquire, accept, maintain or use a debit or ATM card from any financial institution.

2.7.2 Expenditures

- (a) The Executive Officer will review all claims and invoices received by LAFCO and may authorize payment as appropriate within the framework and limitations of the budget adopted by the Commission.
- (b) The signature authority allowed by this section is as follows:
 - i. Disbursements for the payment of the usual health insurance premiums for LAFCO employees in excess of \$7,000 will require two signatures.
 - ii. Disbursements for goods in excess of \$5,000 or services in excess of \$10,000 will require two signatures. At the discretion of the Executive Officer, a second signature for disbursements of less than these amounts may be required.
- (c) All claims for expenses, other than usual employee costs (salaries and benefits), are reviewed by the Commission (Policy 2.1.8).

Expenditure authorization for all expenses shall comply with Policy 2.9. The Executive Officer shall strive to authorize payment of routine claims in an expeditious manner in order to avoid late charges, ensure prompt payment and to qualify for early payment discounts.

- (d) An outside financial audit of LAFCO's financial statements shall be conducted annually following the close of each fiscal year and presented to the Commission when complete.

2.7.3 Internal Financial Controls

Financial duties and responsibilities are separated so that no one person has sole control over cash receipts, disbursements, payroll, the signing of checks, and reconciliations. The following are the internal controls and safeguards of LAFCO:

- (a) The Office Manager/Commission Clerk, or other designee, and Executive Officer will follow adopted procedures for invoices, claims, disbursements, receipt and deposits of revenues. The Office Manager/Commission Clerk, or other designee, shall initiate transactions such as Check Request and/or Credit Card Request and payment of invoices and claims.

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- (b) The Executive Officer and/or the Commission shall authorize transactions. The Commission, in a frequency no less than quarterly, will review all claims as specified by Policy 2.1.8.
- (c) The Office Manager/Commission Clerk, or other designee, will prepare payments and checks as specified in the approved procedures.
- (d) The Executive Officer will review and sign all checks in a manner consistent with Policy 2.7.2(b).
- (e) The Office Manager/Commission Clerk, or other designee, shall maintain and reconcile records of all financial transactions. The Executive Officer will review reconciliations monthly; however, the Executive Officer is prohibited from reconciling any financial records. Financial updates and budget reports will be prepared and presented to the Commission no less frequently than quarterly.

2.7.4 Fraud/Ethical Behavior

It is the policy of El Dorado LAFCO to follow ethical, responsible, and reasonable procedures related to purchasing, claims, auditing, money management, and other financial matters. This policy applies to any irregularity, or suspected irregularity, involving employees, consultants, vendors, contractors, outside agencies, and/or any other parties with a business relationship with LAFCO.

El Dorado LAFCO is committed to protecting its assets against the risk of loss or misuse. Accordingly, it is the policy of LAFCO to identify and promptly investigate any possibility of fraudulent or related dishonest activities against LAFCO and, when appropriate, to pursue all legal remedies available under the law.

Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of personal gain or for the purpose of inducing another to act upon it to his or her injury. Each employee or member of LAFCO should be familiar with the types of improprieties that might occur in his or her area of responsibility and be alert for any indication of irregularity. Any fraud that is suspected or detected shall be reported immediately to the Executive Officer or alternatively to the Chair of the Commission.

Actions Constituting Fraud

The terms fraud, defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

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1. Any dishonest or fraudulent act.
2. Forgery or alteration of any document or account belonging to LAFCO.
3. Forgery or alteration of a check, bank draft, or any other financial document.
4. Misappropriation of funds, securities, supplies, equipment, or other assets of LAFCO, including the temporary removal of "borrowing" of LAFCO assets.
5. Impropriety in the handling or reporting of money or financial transactions.
6. Disclosing confidential and proprietary information to outside parties.
7. Accepting or receiving anything of material value from contractors, vendors, or persons providing goods or services to LAFCO.
8. Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment.
9. Personal use of LAFCO Credit Card.
10. Claim for reimbursement of expenses that are not job-related or authorized by current Policy.
11. Authorizing or receiving payment for goods not provided by or services not performed by LAFCO.
12. Any violation of Federal, State, or Local laws related to dishonest activities or fraud .
13. Any similar or related irregularity as those delineated above.

Whistleblower Protection

Employees will be granted whistle-blower protection when acting in accordance with the reporting provisions of this policy. When informed of a suspected impropriety, LAFCO, anyone from LAFCO, or any person acting on behalf of LAFCO is prohibited from carrying out any of the following for retaliatory reasons:

1. Dismiss or threaten to dismiss the reporting employee,
2. Discipline, suspend, or threaten to discipline or suspend the reporting employee,

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3. Impose any penalty upon the reporting employee, or
4. Intimidate or coerce the reporting employee.

Violations of the whistle-blower protection will result in discipline up to and including dismissal. Nothing herein shall prevent LAFCO from otherwise taking non-retaliatory disciplinary action under these policies or under LAFCO's Personnel Policies and Procedures.

Investigation Procedures

Any investigation of fraud will be conducted in an objective and impartial manner without regard to the suspected wrongdoer's length of service, position, title, or relationship to LAFCO.

The Executive Officer is designated as the investigator for all allegations of fraud or other wrongdoing unless the Executive Officer is the subject of the investigation. In that case, the Chair of LAFCO will appoint an alternate investigator. The investigator has the primary responsibility for investigating suspected fraudulent acts and may use whatever internal and/or external resources are necessary to conduct an investigation.

Investigator Responsibilities

1. Upon receiving an allegation of Fraud or other irregularities, the Investigator will promptly conduct a thorough investigation, the scope of which is appropriate to the circumstances. To the extent that is possible, investigations should be conducted in a confidential manner and will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This will avoid damaging the reputations of persons who may be suspected, but where the allegations are subsequently found to be unsubstantiated.
2. Employees must cooperate with the Investigator. Refusal to cooperate, or the conveyance of inaccurate information or deliberate attempt to manipulate the investigation, may subject an employee to disciplinary action up to and including dismissal.
3. The Investigator shall be available and receptive to receiving relevant, confidential information to the extent allowed by law.
4. Results of any investigation and subsequent actions will be reviewed by LAFCO Counsel and referred to the Commission if appropriate.
5. If evidence is uncovered showing possible dishonest or fraudulent activities, the Executive Officer, or the LAFCO Chair if the Executive Officer is the subject of the investigation, will proceed as follows:

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- a. Take immediate action, in consultation with LAFCO Counsel, to prevent the theft, alteration, or destruction of evidentiary records pertinent to the investigation. Such action may include, but is not limited to:
 - 1) Removing the records and placing them in a secure location or limiting access to the records.
 - 2) Preventing the individual suspected of committing the fraud from having access to the records.
 - b. Take immediate action to improve internal control. Such action shall result in the Executive Officer, or the LAFCO Chair if the Executive Officer is the subject of the investigation, having reasonable assurance that the changes in procedures will prevent similar future occurrences.
 - c. Following his or her review of the investigation results, the Executive Officer, or the Chair if the Executive Officer is the subject of the investigation, will take appropriate action regarding employee misconduct. Disciplinary action shall be imposed in accordance with LAFCO's Personnel Policies and Procedures and can include a disciplinary action up to and including termination.
 - d. If appropriate, take immediate action, in consultation with LAFCO Counsel, to notify law enforcement and the District Attorney's Office for possible arrest and prosecution of the wrongdoing parties.
 - e. Pursue every reasonable effort to recover any financial loss incurred by LAFCO from the offender or other appropriate sources.
5. Unless exceptional circumstances exist (as determined in the reasonable discretion of the Executive Officer or, if the Executive Officer is the subject of the investigation, the LAFCO Chair), a person under investigation for fraud is to be given notice in writing of the investigation so that the individual is apprised of the nature of the allegations against them. The person against whom allegations are being made may submit a written explanation to the investigator no later than five (5) business days after notice is received. At the conclusion of the investigation, the person against whom allegations are being made will be advised of the outcome of the investigation (i.e. whether the allegations were sustained or not sustained).

Investigation results are confidential and will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This will avoid damaging the reputations of persons who may be suspected, but subsequently found innocent of wrongful conduct.

- 2.7.5 To the extent that LAFCO's Plan with the California Public Employees' Retirement System has a funded ratio of less than 100%, and provided that the "Emergency Expense Reserve" fund is fully funded in accordance with Policies & Guidelines Section 2.10.5(c), it is the intent of this Commission to allocate any carryover monies that are in excess of the estimated carryover amount specified in the final budget towards paying down the unfunded accrued liability until the funded ratio reaches 100%. This allocation will continue until LAFCO's Plan's funded ratio is 100% or unless the "Emergency Expense Reserve" fund is not fully funded per Policies & Guidelines Section 2.10.5(c).

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2.8 RECORDS RETENTION (*Approved September 26, 2007*)

Legal authority citations are listed in parenthesis at the end of each section where applicable and use the following abbreviations:

LEGAL AUTHORITY ABBREVIATIONS

CCP	Code of Civil Procedure (CA)	IRC	Internal Revenue Code
CFR	Code of Federal Regulations	LC	Labor Code (CA)
GC	Government Code (CA)	USC	United States Code

2.8.1 Administrative

2.8.1.1 Accounts Payable

- *Until audited + five (5) years (GC 34090; CCP 337)* – Journals, statements, asset inventories, account postings with supporting documents, vouchers.
- *Four (4) years [GC 34090; 26 CFR 31.6001-1(e)(2)]* – Invoices, checks, reports, investments, purchase orders.

2.8.1.2 Accounts Receivable

- *Five (5) years [26 CFR 31.6001-1(e)(2)]* – Invoices, checks, reports, investments, receipt books.
- *Until audited + four (4) years* – Checks, coins, currency
- *Invoices – Until audited + two (2) years (GC 34090)*

2.8.1.3 Budget – *Until audited + eight (8) years (GC 34090)*
Adjustments, journal entries, account transfers

2.8.1.4 Statements of Economic Interest – Form 700 (originals)– *Seven (7) years (can be imaged after two) [GC 81009(e)(9)]*
Originals of statements of designated persons, elected officials and employees

2.8.1.5 Financial

- *Annual Financial Reports – Until audited + four (4) years (GC 34090)*
Independent auditor analysis
- *Audit Reports – Permanent (GC 34090)*
Financial services; internal and/or external reports
- *Bank Account Reconciliation – four (4) years [26 CFR 31.6001-1(e)(2)]*
Bank statements, canceled checks, certificates of deposit
- *Checks – Until audited + two (2) years (GC 34090)*
Includes canceled and voided checks and stop payments
- *Deferred Compensation –three (3) years (26 CFR 516.5; 29 CFR 1627.3)*
Pension/retirement funds
- *Fixed Assets, Inventory – Until audited + two (2) years (GC 34090)*
Reflects purchase date and cost

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- Fixed Assets, Surplus Property – *Until audited + four (4) years (GC 34090; CCP 337)*
Auction, disposal, listing of property
 - Fund Transfers – *Until audited + two (2) years (GC 34090)*
Internal; bank transfers & wires
 - General Ledgers – *Permanent (GC 34090; CCP 337)*
All annual financial summaries
 - Grants – *Until completed + four (4) years (GC 34090; 24 CFR 570.502; 24 CFR 85.42)*
Grants documents and all supporting documents: applications, reports, contracts, project files, proposals, statements, sub-recipient dockets, environmental review, grant documents, inventory, consolidated plan, etc.
 - Unemployment Insurance Records – *Four (4) years (IRC 3301-3311)*
 - Vouchers/Payments *Until audited + four (4) years (GC 34090; CCP 337)*
Account postings with supporting documents
- 2.8.1.6 Forms – *Until superseded*
- 2.8.1.7 Code of Ethics – *Current + six (6) years (GC 34090)*
Elected and public officials (Commissioners)
- 2.8.1.8 Payroll
- Federal/State Reports – *Ten (10) years (GC 60201)*
Annual W-2's, W-4's, Form 1099s, etc.; quarterly and year-end reports
 - Deductions/Authorizations – *While current + ten (10) years [GC 60201; 29 CFR 516.6(c)]*
 - Registers – *Seven (7) years [GC 60201; 29 CFR 516.6(a)]*
 - Records, Terminated Employees – *Ten (10) years from date of last entry (GC 60201; 29 CFR 516.5)*
 - Timecards – *Ten (10) years (GC 60201)*
 - Wage Rates/Job Classifications – *While current + seven (7) years (GC 60201)*
- 2.8.1.9 Office/Administrative Procedure Manuals – *Current + two (2) years (GC 34090)*
- 2.8.1.10 Public Records Request – *Two (2) years (GC 34090)*
Requests from the public to inspect or copy public documents
- 2.8.1.11 Reports
- Insurance, Risk Management Reports – *Five (5) years (Federal), two (2) years (State) (GC 34090; 29 CFR 1904.4)*
Federal OSHA forms; loss analysis report; safety reports; actuarial studies
 - Demographic/Statistical Data – *Current + two (2) years (GC 34090)*

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- 2.8.2 **Agency Files & Sphere of Influence** – *Permanent (GC 34090)*
 - 2.8.3 **Conducting Authority Proceedings** – *Permanent (GC 34090)*
 - 2.8.4 **Contracts/Agreements**
 - 2.8.4.1 *Four (4) years after termination/completion (CCP 337)* – Original contracts and agreements and back-up materials, including leases.
 - 2.8.4.2 Insurance, Joint Powers Agreement – *Current + two (2) years (GC 34090)*
Accreditation, MOU, agreements and agendas
 - 2.8.4.3 Insurance, Liability/Property – *Current + two (2) years (GC 34090)*
May include liability, property, Certificates of Participation, deferred, use of facilities
 - 2.8.5 **Correspondence**
 - 2.8.5.1 Electronic Correspondence – *30 days*
E-mail not otherwise related to projects
 - 2.8.5.2 Regular Correspondence
 - Citizen Feedback – *Two (2) years (GC 34090)*
 - Complaints/Requests – *Two (2) years (GC 34090)*
Various files not related to specific lawsuits involving the agency and not otherwise specifically covered by the retention schedule.
 - General correspondence – *Two (2) years (GC 34090)*
Including various letters, not otherwise specifically covered by the retention schedule
 - 2.8.5.3 Legislation
 - Political Support/Opposition, Requests & Responses – *Two (2) years (GC 34090)*
 - 2.8.6 **Legal**
 - 2.8.6.1 Litigation
 - Claims against the Agency – *Permanent (May be imaged after three (3) years) (GC 34090)*
 - Case Files – *Permanent (GC 34090)*
 - 2.8.6.2 Legal Opinions – *Permanent (GC 34090)*
Confidential - not for public disclosure (attorney-client privilege)
 - 2.8.7 **Maintenance Files**
 - 2.8.7.1 Maintenance Manuals – *Current only (GC 34090)*
Equipment service/maintenance
 - 2.8.7.2 Maintenance/Repair Records – *Two (2) years (GC 34090)*
Equipment

2.8.8 Meeting Records

2.8.8.1 Affidavits of Publication/Posting/Notices (all meetings) – *Two (2) years (GC 34090)*

Legal notices for public hearings not otherwise related to projects, publication of ordinances, etc.

2.8.8.2 Agenda/Agenda Packets

- *Permanent (GC 34090.5)* – Agendas, agenda packets, staff reports and related attachments, supplemental items and documentation submitted by staff/public in relation to agenda items. Originals may be imaged for **permanent records retention** after two (2) years; the imaged record may serve as the permanent record.
- Review of Claims – *Until audited + two (2) years (GC 34090)*
Record of payments issued; approved by the Commission (copy is normally retained as part of agenda packet information).

2.8.8.3 Meeting Minutes

- Hard copy – *Permanent (GC 34090)*
May be imaged for **permanent records retention** after two (2) years.
- Audio recordings – *May be destroyed two (2) years after Commission adoption of Minutes unless requested by a member of the public or Commission to retain for a longer period of time. A copy of the recording may also be sent electronically to any member of the public who requests it provided said recording is still available.*

2.8.9 Personnel

2.8.9.1 Accident/Illness/OSHA – *Duration of employment + 30 years [8 CCR 14307; 8 CCR 3204; 8 CCR 5254 (c)]*

Not a public record; employee medical records & employee exposure records, including Material Safety Data Sheets (MSDS).

2.8.9.2 Employee File – *While current + seven (7) years [8 USC 1324(a)b3; GC 12946; GC 6254(c) 29 CFR 16273; LC 1174]*

Not a public record. Includes general information (name, address, date of birth, occupation, etc., including records relating to evaluations, promotion, demotion, transfer, disciplinary actions, lay-off, termination); payroll records, Employment Eligibility Verification (I-9 Forms), all family and medical leaves, (records of leave taken, agency policies relating to leave, notices, communications relating to taking leave), Workers Compensation (work-injury claims [including denied claims]; claim files, reports, etc. and work-injury claims [including denied claims]; claim files, reports, etc.), Employee Benefits – CALPERS.

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- 2.8.9.3 Employee – *Length of employment + three (3) years (GC 34090; GC 12946; 29 CFR 1627.3)*
May include release authorizations, certifications, all training records, outside employment, commendations, pre-employee medicals, identification cards, medical health benefits
- 2.8.9.4 Employee Programs – *Current + two (2) years (GC 34090; GC 12946)*
Includes EAP and Recognition
- 2.8.9.5 Employee Recruitment – *Current + two (2) years (GC 34090; 12946; 29 CFR 1602 et seq.; 29 CFR 1627.3)*
Alternate lists/logs, examination materials, examination answer sheets, job bulletins.
- 2.8.9.6 Employee Rights – *Length of employment + two (2) years (GC 12946; 29 CFR 1602.31)*
- 2.8.9.7 Employment Applications – *Not hired – Two (2) years (GC 34090; GC 12946; 29 CFR 1627.3)*
Applications submitted for existing or anticipated job openings, including any records pertaining to failure or refusal to hire applicant.
- 2.8.9.8 Recruitments and Selection – *Three (3) years (29 CFR 1627.3)*
Records relating to hiring, promotion, selection for training
- 2.8.9.9 Vehicle Mileage Reimbursement Rates – *Until superseded (GC 34090)*
- 2.8.10 **Policies**
 - 2.8.10.1 Personnel Rules and Regulations – *Current + two (2) years GC 34090)*
Employee handbook
 - 2.8.10.2 Policies and Procedures – *Current + two (2) years (GC 60201)*
All policies and procedures adopted by the Commission; directives rendered by the agency not assigned a resolution number; Commission Bylaws
- 2.8.11 **Project Files**
 - 2.8.11.1 Annexations and Reorganizations – *Permanent (GC 34090; GC 60201)*
Notices, Resolutions, Certificates of Completion; documents may be imaged, but the originals can never be destroyed.
 - 2.8.11.2 Articles of Incorporation – *Permanent (GC 34090; GC 60201)*
 - 2.8.11.3 Environmental Quality; California Environmental Quality Act (CEQA) – *Permanent (GC 34090; GC 60201)*
For all project-related environmental reviews: Exemptions, Environmental Impact Reports, mitigation monitoring, Negative

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Declarations, Notices of Completion and Determination,
comments, Statements of Overriding Considerations

2.8.11.4 Environmental Quality Review – *Completion + two (2) years*
(GC 34090)

Correspondence, consultants, issues, conservation

2.8.11.5 Requests for Qualifications (RFQs) and Request for Proposals
(RFPs) – *Current + two (2) years* (GC 34090)

2.8.11.6 Resolutions – *Permanent* (GC 34090; GC 60201)

2.8.12 **Subject Files** – *Permanent* (GC 34090; GC 60201)

2.8.13 **Approved LAFCO Resolutions** – *Permanent* (GC 34090; GC 60201)
Not otherwise related to projects

2.9 PURCHASING POLICIES AND PROCEDURES

2.9.1 Overview

THE POLICIES DESCRIBED IN THIS SECTION APPLY TO ALL PURCHASES, AGREEMENTS AND CONTRACTS MADE BY EL DORADO LAFCO.

It is the policy of El Dorado LAFCO to follow a practice of ethical, responsible and reasonable procedures related to purchasing, agreements and contracts, and related forms of financial commitment. The policies in this section describe the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities. The policies and procedures are intended to provide for the cost-effective use of public resources, including funds and staff time.

2.9.2 Authorizations and Purchasing Limits

2.9.2.1 All purchases should adhere to the following guidelines:

Purchase Limit	Minimum Number of Quotes	Form of Quote	Approval Authority
Goods			
Up to \$1,000	1	Verbal	Executive Officer
\$1,001 - \$5,000	2	Written	Executive Officer
\$5,001 - \$10,000	3	Written	Chair
Over \$10,000	3	Written	Commission
Services			
Under \$1,000	1	Verbal	Executive Officer
\$1,001 - \$10,000	1	Written	Executive Officer
Over \$10,000	2	Written	Commission

2.9.2.2 Any contract or agreement for services greater than \$10,000 within a fiscal year shall be presented to the Commission for approval and execution.

2.9.2.3 Any contract or agreement for which there are not sufficient funds contained in the appropriate line item of the LAFCO budget, regardless of the amount of the contract or agreement, shall be presented to the Commission for approval and execution.

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2.9.2.4 Any amendment to an existing contract or agreement for services which would cause the total amount of the contract or agreement to exceed \$10,000 in a fiscal year shall be presented to the Commission for approval and execution.

2.9.2.5 Any furniture or fixtures with a useful life of ten years or equipment with an estimated useful life of five years costing \$1,500 or more must be inventoried as a capital asset in compliance with Policy 2.5.

2.9.2.6 At the end of each fiscal year, the Commission shall review all open ended contracts, agreements and amendments and all unexpired limited term contracts, agreements and amendments.

2.9.3 Conflict Avoidance

2.9.3.1 Goods or services shall not be purchased from members of the Commission, Commission employees, other vendors that are related to Commissioners or Commission employees, or vendors in which Commissioners or employees have a financial interest.

2.9.3.2 Strict observance to Policy 2.7.4 will be observed at all times.

2.9.4 Required Solicitation of Quotations

2.9.4.1 Solicitation only requiring verbal quotes

2.9.4.1.1 Solicitor must document the quote amount in writing.

2.9.4.1.2 The written record must be retained for the appropriate period of time as indicated in Policy 2.8.1.

2.9.4.1.3 All purchases must be reviewed by the Commission as specified in Policy 2.1.8

2.9.4.2 Solicitations requiring written quotes

2.9.4.2.1 All purchases of goods must be reviewed by the Commission as specified in Policy 2.1.8.

2.9.4.2.2 Written approval from the Chair must be in the form of an agreement or contract executed by Chair, signed authorization from the Chair to the Executive Officer, or via e-mail from the Chair to the Executive Officer.

2.9.4.2.3 Where expected costs are equal to or greater than \$10,000 within a fiscal year, a bid or formal request for proposal (RFP) process is required. The process should provide for all of the following:

- A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive

procurements, such a description shall not contain features that unduly restrict competition. Requirements that the bidder must fulfill, and/or outcomes that the bidder must deliver or perform, and all other factors to be used in evaluating bids or proposals.

- A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
- A description of the proper format, if any, in which proposals must be submitted, including the name of the LAFCO staff contact to whom proposals should be sent.
- The date by which proposals are due.
- Required delivery or performance dates/schedules.
- Clear indications of the quantity(ies) requested and unit(s) of measure.

2.9.5 **Special Purchasing Conditions**

- 2.9.5.1 Emergencies: Where equipment, materials, parts, and/or services are needed to protect the health, welfare, safety, etc., of staff and/or to avoid damage or loss of Commission property, quotations will not be necessary. However, such purchases will be subject to approval by the appropriate authority subject to the limits depicted previously, except that the Executive Officer may approve such purchases if time does not allow for Commission approval and reasonable efforts to contact the Chair have been unsuccessful. The purchase must be reported back to the Commission within 90 days or by the next available meeting, whichever is later.
- 2.9.5.2 Equipment, supplies and furniture purchases from discount warehouses will not require multiple quotes; however, such purchases will be subject to approval by the appropriate authority subject to the limits depicted previously.
- 2.9.5.3 Single Distributor/Source: Where there is only one (1) distributor for merchandise needed and no other product meets the stated needs or specifications, quotations will not be necessary.
- 2.9.5.4 The Commission can delegate its authority to the Chair or Executive Officer on a case-by-case basis.

2.9.5.5 Extending the purchase of goods or services under the terms of an existing agreement/contract will not require additional quotes unless the cost exceeds \$10,000 within a fiscal year. In those instances, Commission review and authorization under Policy 2.9.2 is required.

2.9.6 Vendor Files and Required Documentation

2.9.6.1 The creation of vendor files for each new vendor from whom LAFCO purchases goods or services will comply with established procedures for the retention of accounts payable documentation.

2.9.6.2 All reasonable steps should be taken to verify the authenticity and identity of the vendors contracting with LAFCO. As Financial Officer to LAFCO, the Executive Officer may not enter new vendors into the accounts payable system.

2.9.6.3 When a vendor file is created, if that vendor is not used again, the purging of their file must be in compliance with Policy 2.8.1.

2.10 FUND BALANCES

- 2.10.1 Fund balances are classified in accordance with the Governmental Accounting Standards Board (GASB) Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Reporting of fund balance in LAFCO's CAFR will be based on the amounts and classifications listed in the fund balance summary of LAFCO's Annual Budget. Classification of fund balance reflects the current plans of the Commission with respect to the use of fund balance. These plans represent current intention and are subject to change and assignment. Furthermore, the classification of funds (reflecting current plans for asset use) does not in any way limit the ability of LAFCO to use those funds for other purposes, as deemed necessary by LAFCO.
- 2.10.2 Under GASB Statement Number 54, fund balances will be classified as "Non-Spendable" and "Spendable". Spendable categories will be further classified as *Restricted, Committed, Assigned, and Unassigned*.
- 2.10.3 Non-Spendable: The Commission shall designate fund balance as "Non-Spendable" for amounts that cannot be spent or are not in spendable form (i.e. prepaid items, land held for resale, long-term receivables), or are legally or contractually required to be maintained intact. Although, if the use of the proceeds from the sale of those properties or from the collection of those receivables is restricted, committed, or assigned, then they should be included in the correct spendable classification rather than the Non-Spendable classification.
- 2.10.4 Spendable Category Definitions
- a. Restricted: The Commission shall designate fund balance as "Restricted" for amounts that are externally imposed by creditors, grantors, contributors, or laws and regulations of other governments. The Commission shall also designate fund balance as "restricted" if required by imposed enabling legislation or regulations.
 - b. Committed: The Commission shall designate fund balance as "Committed" for amounts committed for specific purposes by formal action of LAFCO, such as enacted ordinances, resolutions, or action items, which prevent the amounts from being used for any other purpose without formal action of LAFCO. Committed funds also include contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
 - c. Assigned: The Commission or Executive Officer may designate fund balance as "Assigned" for amounts intended to be used for specific purposes without formal action. This authority to determine the portions of a fund balance that is to be reported as "Assigned" in

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LAFCO's CAFR may be delegated to the Executive Officer or the Executive Officer's designee.

- d. Unassigned: The Commission shall designate fund balance as "Unassigned" for amounts that are in excess of Non-Spendable, Restricted, Committed, and Assigned fund balances.

2.10.5 LAFCO will allocate the fund balances in the following manner:

- a. Assigned: An "Accrued Leave" fund to cover the balance of all employees' vested time off (vacation and sick leave), allocated annually as a line item in the budget. Funds may be expended for the sole purpose of compensating an employee who leaves the agency's employment of the balance of his/her accrued time off, in accordance with applicable Federal and State laws and in conformance with LAFCO's policies. Disbursement of the Accrued Leave is delegated to the Executive Officer.
- b. Assigned: An "Operating Contingency" fund set at 10% of total operating expense, allocated annually as a line item in the budget. Funds may be expended to cover increases in cost for other budget items or unexpected expenses within the scope of other items in the budget. Disbursement of the operating contingency is at the discretion of the Executive Officer.
- c. Assigned: An "Emergency Expense Reserve" fund set at a minimum of 15% and maximum of 25% maximum of 5% of the LAFCO's current year operating budget for the purposes of funding non-budgeted legal expenses that may occur from time-to-time; unexpected catastrophic expenses; or an unexpected drop in revenues. Expenditure of "Emergency Expense Reserve" funds must receive prior approval of the Commission; however, an emergency expense can be authorized from the "Emergency Expense Reserve" with approval of the Executive Officer and either Commission Chair or Vice Chair for an amount totaling less than \$10,000.00 during a monthly period. Assignments into this classification will not be allocated in the budget. Instead, assignments into this fund will come from any carryover monies that are in excess of the estimated carryover amount specified in the final budget. Upon the time the "Emergency Expense Reserve" fund is fully funded in accordance with this policy, the application of any excess carryover monies will be applied per Policies & Guidelines Section 2.7.5. The Executive Officer shall make recommendations to the Commission during adoption of the annual budget for replenishing this fund.
- d. Unassigned: Carryover/Fund Balance amounts, as defined in Policy 2.1, ~~can be deposited into LAFCO's short-term CalTRUST account~~

~~between the time the amount is calculated and its utilization on the fiscal year beginning with July 1 after the amount has been calculated.~~

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- ~~e. Unassigned: Earned Applicant Fees, as defined in Policy 2.1, can be deposited into Unassigned: Earned Applicant Fees, as defined in Policy 2.1, can be deposited into LAFCO's short-term CalTRUST account between the time the earned fees are collected within a calendar year and until they are to be used as revenue for the following fiscal year beginning with July 1.~~
- ~~f. Assigned: Monies budgeted towards the replacement of LAFCO's IT infrastructure can be deposited into LAFCO's medium-term CalTRUST account. These funds cannot be withdrawn without prior authorization from the Commission.~~
- e. Unassigned: An "Operating Reserve" fund set at 30% of LAFCO's current year operating budget for the purpose of cash flow management with the timing of agency contribution reimbursement from El Dorado County. Disbursement of the "Operating Reserve" is at the discretion of the Executive Officer. Replenishment of the "Operating Reserve" for disbursement made in the same fiscal year is at the discretion of the Executive Officer. Assignments into this classification will not be allocated in the budget. Instead, assignments into this fund will come from any carryover monies that are in excess of the estimated carryover amount specified in the final budget. The Executive Officer makes recommendations to the Commission during adoption of the annual budget for replenishing this fund.