



**POLICY COMMITTEE MEETING OF THE BOARD OF TRUSTEES**

**October 10, 2018**

**5:00 PM**

**AGENDA**

*The Policy Committee is not a decision-making body and only makes recommendations to the Board.*

*Policy Committee Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation (including auxiliary aids or services) to participate in this meeting; or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact District Manager Chindi Peavey at least five working days before the meeting at (650) 344-8592. Notification in advance of the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.*

*Public records that relate to any item on the open session agenda for a Policy Committee meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all Policy Committee members. The Policy Committee of the Board has designated the office of the San Mateo County Mosquito and Vector Control District, located at 1351 Rollins Road, Burlingame, for the purpose of making those public records available for inspection.*

**1. CALL TO ORDER.**

**2. PLEDGE OF ALLEGIANCE.**

**3. ROLL CALL.**

- Chairperson Kati Martin will take roll call. \_\_\_\_\_
- Robert Riechel, City of San Bruno \_\_\_\_\_
- Ed Degliantoni, City of San Mateo \_\_\_\_\_
- Donna Rutherford, City of East Palo Alto \_\_\_\_\_
- Carolyn Parker, City of Brisbane \_\_\_\_\_
- Kat Lion, City of Redwood City \_\_\_\_\_



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#### 4. PUBLIC COMMENTS AND ANNOUNCEMENTS.

- This time is reserved for members of the public to address the Policy Committee of the Board relative to matters of the Committee not on the agenda. No action may be taken on non-agenda items unless authorized by law. Comments will be limited to five minutes per person (ten minutes where a translator is being used).

#### 5. REGULAR AGENDA

##### District Policy Manual

##### A. District Policy 6040 Cash Disbursements – *no changes proposed*

**Action** Motion to recommend Board approval of District Policy 6040 - *no changes*

##### B. District Policy 6060 District Insurance – consider updates to the coverage amounts *in this policy and language changes for clarity*

**Action** Motion to recommend Board approval of changes in District Policy 6060

##### C. District Policy 6070 Investment of District Funds – *consider updating the name of the “Capital Projects Reserve Fund” to the “Capital Projects and Equipment Replacement Reserve Fund”*

**Action** Motion to recommend Board approval of changes to District Policy 6070

##### D. District Policy 6090 Accounts Payable Management – *Consider changing the word “expenses” to “expenditures” in Section 6090.20*

**Action** Motion to recommend Board approval of changes to District Policy 6090

##### E. District Policy 6120 District Reserves – *consider adding “buildings and structures” to the Equipment Replacement Reserve Fund and adding a Pension Rate Stabilization Reserve Fund*

**Action** Motion to recommend Board approval of changes to District Policy 6120

#### 6. ADJOURNMENT

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Agenda Item # 5A

**Review of District Policy 6040 Cash Disbursements**

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**BACKGROUND**

The Board is in the process of reviewing each of its Financial Policies. This month the Finance and Policy committees are reviewing four of these. District Policy 6040 Cash Disbursements needs no changes but should be reviewed by each of the Board members in order to ensure that the Board is familiar with it.

**Attachments**

1. District Policy 6040 Cash Disbursements – no changes



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## **POLICIES AND PROCEDURES**

**TITLE:** Cash Disbursements – Check Writing

**NUMBER:** 6040

**6040.10** It is the policy of the District to print vendor checks and expense reimbursement checks on a bi-weekly basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

**6040.20** All vendor and expense reimbursement checks shall be produced in accordance with the following guidelines.

**6040.21** Expenditures must be supported with the accounts payable (Policy #6090), and travel and business entertainment policy (Policy #1120).

**6040.22** Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors.

**6040.23** Generally, all vendors shall be paid within {30 days} of submitting a proper invoice and after delivery of the requested goods or services.

**6040.24** Total cash requirements associated with each check run is monitored by the finance department in conjunction with the available cash balance in the bank prior to the release of any checks.

**6040.25** All supporting documentation will be attached to the corresponding check prior to forwarding the entire package to any authorized check signer.

**6040.26** Checks shall be utilized in numerical order. No check number will be skipped.

**6040.261** Unused checks are stored in a locked safe in the Finance Department. The District Manager and District Finance Director have keys to the safe.

**6040.27** Checks shall never be made payable to “bearer” or “cash.”

**6040.28** Checks shall never be signed prior to being prepared.

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**6040.29** Upon the preparation of a check, vendor invoices and other supporting documentation shall immediately be marked in such a way to show that they have been entered into the financial system in order to prevent their subsequent reuse.

**6040.30** Checks of any value require the signature of one District Board Officer in addition to one authorized Staff member. This policy is in accordance with Section 2077 of the California Health and Safety Code.

**6040.31** No checks shall be signed prior to the check being completed in its entirety (no signing of blank checks).

**6040.40** It is the policy of the District that each check shall be signed by an individual other than the one who approved the transaction for payment.

**6040.41** All invoices are first approved by a Department Director.

**6040.42** Following approval by a Department Director the District Manager then reviews and approves all invoices. District Finance Director approves all expenditures by the District Manager.

**6040.50** Authorized check signers include the following.

**6040.51** District Board President

**6040.52** District Board Vice-President

**6040.53** District Board Secretary

**6040.54** District Board Assistant Secretary

**6040.55** District Manager

**6040.56** District Assistant Manager is authorized to sign checks only in the absence of the District Manager.

**6040.60** Check signers will examine all original supporting documentation to ensure that each item has been properly checked prior to signing a check.

**6040.61** Checks will not be signed if supporting documentation appears to be missing or there are any questions about the disbursement.

**6040.70** After signature, checks are returned to the District Accountant who prepares them and who then mails checks immediately.

**6040.71** Checks shall not be mailed by individuals who authorize expenditures.

**6040.80** Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as “VOID”.

**6040.81** All voided checks shall be retained to aid in preparation of bank reconciliations.

**6040.90** Stop payment orders may be made for checks lost in the mail or for other valid reasons.

**6040.91** Stop payments are processed by telephone instruction and/or email directly to the bank representative with notification and sent to County accounting personnel.

**6040.92** A journal entry is made to record the stop payment and any related bank fees.

**6040.100** District shall obtain a completed Form W-9 or equivalent substitute documentation from all required vendors to whom payments are made.

**6040.101** A record shall be maintained of all vendors to whom a Form 1099 is required to be issued at year-end. Payments to such vendors shall be accumulated over the course of a calendar year.

**Issued: January 14, 2004**  
**Revised: September 11, 2013**  
**Legal Review: August 27, 2013**  
**Finance Committee Review October 1, 2018**

Agenda Item # 5B

**Review of District Policy 6040 Cash Disbursements**

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**BACKGROUND**

District Policy 6060 District Insurance Program describes the Districts participation in the Vector Control Joint Powers Agency, a self-insurance program by which the District covers all categories of insurance. Through this program, vector control agencies from throughout the state pool their resources to cover liability and other insurance needs at a greatly reduced cost in comparison with coverage from an insurance company. The VCJPA formed in 1979, in response to rapidly escalating insurance costs. It currently offers insurance programs for worker's compensation, auto-physical damage, property, business travel accident, group fidelity, underground storage tanks, liability and employment risk management.

This policy needs to be updated to reflect currently coverage limits and to remove some confusion in the way the programs are described. A table of the coverage limits is included here as Attachment 3.

**Attachments**

1. District Policy 6060 District Insurance Program - track changes
2. District Policy 6060 clean copy
3. VCJPA Insurance Coverages for FY 2018-19



## POLICIES AND PROCEDURES

**TITLE:** District Insurance Program

**NUMBER:** 6060

**6060.10** The District approved the Vector Control Joint Powers Agency (VCJPA) Exercise of Powers Agreement, dated July 1, 1979, as amended on May 5, 1994.

**6060.20** Bickmore ~~Risk Services (BRS)~~ is the administrator of the District ~~insurance coverage~~ programs ~~under a contract between VCJPA and Bickmore.~~ ~~Programs-Coverage programs~~ include ~~general, auto, and employment practices liability;~~ ~~workers' compensation;~~ ~~property;~~ ~~business travel accident;~~ and auto ~~physical damage~~.

**6060.30** The Pooled Liability Program offers ~~general and auto~~ liability coverage up to \$~~104~~ million. The District's retained limit is \$~~105,000.00~~. The amount from the District's retained limit to \$1 million is pooled within the VCJPA (~~primary layer~~). The amount in excess of \$1 million through \$~~104~~ million is pooled with other joint powers authorities through the California Affiliated Risk Management Authorities (CARMA) (~~excess layer~~). Within this program, are a Mid-Layer pool and an Aggregate pool ~~in the primary layer, and a Mid-Layer pool in the excess layer~~.

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**6060.31** The purpose for the Mid-Layer Pool ~~in the primary layer (Employee Risk Management Authority ERMA)~~ is to reduce the effect of severe claims from impacting the primary pool of the Pooled Liability Program. The Mid-Layer Pool pays for the layer of coverage on each claim that falls ~~between \$200,000 and \$1 million.~~ ~~s-between~~ ~~over \$250,000~~ ~~1,000,000 and \$12 million.~~ ~~The (California Affiliated Risk Management Authority CARMA) Pooled Program provides coverage up to \$14,000,000.~~ This is a mandatory feature of the Pooled Liability Program.

**6060.32** The Aggregate Pool provides a limit to the amount of retrospective adjustment charges that can be applied to any one district. The Aggregate Pool is a separate, mandatory feature of the Pooled Liability Program.

**6060.33** ~~The Pooled Liability Program also provides employment practices liability coverage to the District of \$25,000 inclusive of the District's \$10,000.00 retained limit. Coverage above \$25,000 is provided by another joint powers authority, the Employment Risk Management Authority (ERMA). ERMA's limit of coverage is \$2 million per claim per member, \$2 million aggregate per member, with a \$10 million policy aggregate. ERMA also provides live and web-~~

based employment practices liability training workshops, one hour per month of legal advice regarding day-to-day employment matters, and an employee reporting line.

**6060.40** The Pooled Workers Compensation Program offers workers' compensation coverage up to statutory limits. The District's retained limit is \$25,000. The amount from our retained limit to \$250,000-\$500,000 is pooled within the VCJPA's primary layer. ~~The amount Coverage for claims from \$250,000 to \$350,000~~ above \$500,000 is pooled with other ~~joint powers agencies and~~ public entities through the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX). From \$350,0005 million to statutory limits, LAWCX purchases excess coverage for its members through ~~Employer's Reinsurance Company~~ the California State Association of Counties Excess Insurance Authority (CSAC-EIA). Within this program's primary layer, are a Mid-Layer pool and an Aggregate pool.

**6060.41** The purpose for the Mid-Layer Pool is to reduce the effect of severe claims from impacting the primary pool of the Pooled Workers' Compensation Program. The Mid-Layer Pool pays for the layer of coverage on each claim that falls between \$250,000 and \$500,000. This is a mandatory feature of the Pooled Workers' Compensation Program.

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~~**6060.421**~~ The Aggregate Pool provides a limit to the amount of retrospective adjustment charges that can be applied to any one district. The Aggregate Pool is a separate, mandatory feature of the Pooled Workers' Compensation Program. This is a non-equity pool.

**6060.50** The Pooled Auto Physical Damage Program was established to provide districts with protection against physical damage to their automobiles and ~~declared~~ watercraft. Districts also have the option to purchase Unmanned Aircraft-hull coverage for unmanned aerial vehicles (aka drones) through the Auto Physical Damage Program. ~~This~~ Districts must participate in the Auto Physical Damage Program.

**6060.51** The Auto Physical Damage Program covers the ~~d~~District's<sup>2</sup> vehicles up to a maximum of \$~~30~~35,000 per vehicle, unless otherwise declared. The current deductible is \$~~5~~1,000 per ~~accident, per vehicle~~occurrence.

**6060.52** Claims for the Auto Physical Damage Program are handled by Bickmore ~~Risk Services (BRS)~~. Claims must be submitted to BickmoreRS with the VCJPA claim form accompanied by ~~three-two~~ estimates (unless the first estimate received states that it is a complete loss) for the cost of repairing the automobile.

**6060.60** The VCJPA purchases property and boiler/machinery coverage through the Alliant PropertyPublic Entity Property Insurance Program (APIPEPIP).

**6060.61** In addition to purchasing property coverage, the VCJPA has pre-funded a non-equity pool to cover the layer from \$500 to the APIPEPIP deductible of \$5,000. Because of this, the district's<sup>2</sup> portion for any one loss is only \$500.

**6060.70** The District is a member of the VCJPA Business Travel Accident Program. The limits of coverage are \$150,000 for life and accidental death and dismemberment for business

travel with an aggregate limit of \$750,000 per accident. We signed up all trustees and staff members.

**6060.80** The District is a member of the Alliant Crime Insurance Program (ACIP) through the VCJPA-Group Fidelity Program. The limits of coverage are \$21,000,000 each loss with a \$25,000 deductible per loss. The insurance policy includes an endorsement expanding coverage to for faithful performance of duty.

**6060.90** The District has coverage through the VCJPA under the Alliant Deadly Weapon Response Program (ADWRP). This coverage provides for third party liability, business interruption, crisis management, funeral expenses, counseling services, and first party property damage including demolition/clearance and memorialization when an event occurs on district property where a weapon has been used or brandished. The deductible is \$10,000 with a limit of \$500,000 per claim with a \$2,500,000 aggregate shared amongst the VCJPA members. Some sublimits also apply.

**Issued:** **September 11, 2002**

Review by VCJPA **October 5, 2018**  
Review by Policy Committee **October 10, 2018**



## **POLICIES AND PROCEDURES**

**TITLE:** District Insurance Program

**NUMBER:** 6060

**6060.10** The District approved the Vector Control Joint Powers Agency (VCJPA) Exercise of Powers Agreement, dated July 1, 1979, as amended on May 5, 1994.

**6060.20** Bickmore is the administrator of the District coverage programs under a contract between VCJPA and Bickmore. Coverage programs include general, auto, and employment practices liability; workers' compensation; property; business travel accident; and auto physical damage.

**6060.30** The Pooled Liability Program offers general and auto liability coverage up to \$1 million. The District's retained limit is \$10,000. The amount from the District's retained limit to \$1 million is pooled within the VCJPA (primary layer). The amount in excess of \$1 million through \$14 million is pooled with other joint powers authorities through the California Affiliated Risk Management Authorities (CARMA) (excess layer). Within this program, are a Mid-Layer pool and an Aggregate pool in the primary layer, and a Mid-Layer pool in the excess layer.

**6060.31** The purpose for the Mid-Layer Pool in the primary layer is to reduce the effect of severe claims from impacting the primary pool of the Pooled Liability Program. The Mid-Layer Pool pays for the layer of coverage on each claim that falls between \$200,000 and \$1 million. This is a mandatory feature of the Pooled Liability Program.

**6060.32** The Aggregate Pool provides a limit to the amount of retrospective adjustment charges that can be applied to any one district. The Aggregate Pool is a separate, mandatory feature of the Pooled Liability Program.

**6060.33** The Pooled Liability Program also provides employment practices liability coverage to the District of \$25,000 inclusive of the District's \$10,000.00 retained limit. Coverage above \$25,000 is provided by another joint powers authority, the Employment Risk Management Authority (ERMA). ERMA's limit of coverage is \$2 million per claim per member, \$2 million aggregate per member, with a \$10 million policy aggregate. ERMA also provides live and web-based employment practices liability training workshops, one hour per month of legal advice regarding day-to-day employment matters, and an employee reporting line.

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**6060.40** The Pooled Workers Compensation Program offers workers' compensation coverage up to statutory limits. The District's retained limit is \$25,000. The amount from our retained limit to \$500,000 is pooled within the VCJPA's primary layer. Coverage for claims above \$500,000 is pooled with other public entities through the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX). From \$5 million to statutory limits, LAWCX purchases excess coverage for its members through the California State Association of Counties Excess Insurance Authority (CSAC-EIA). Within this program's primary layer, are a Mid-Layer pool and an Aggregate pool.

**6060.41** The purpose for the Mid-Layer Pool is to reduce the effect of severe claims from impacting the primary pool of the Pooled Workers' Compensation Program. The Mid-Layer Pool pays for the layer of coverage on each claim that falls between \$250,000 and \$500,000. This is a mandatory feature of the Pooled Workers' Compensation Program.

**6060.42** The Aggregate Pool provides a limit to the amount of retrospective adjustment charges that can be applied to any one district. The Aggregate Pool is a separate, mandatory feature of the Pooled Workers' Compensation Program. This is a non-equity pool.

**6060.50** The Pooled Auto Physical Damage Program was established to provide districts with protection against physical damage to their automobiles and watercraft. Districts also have the option to purchase hull coverage for unmanned aerial vehicles (aka drones) through the Auto Physical Damage Program. Districts must participate in the Auto Physical Damage Program.

**6060.51** The Auto Physical Damage Program covers the District's vehicles up to a maximum of \$35,000 per vehicle, unless otherwise declared. The current deductible is \$1,000 per occurrence.

**6060.52** Claims for the Auto Physical Damage Program are handled by Bickmore . Claims must be submitted to Bickmore with the VCJPA claim form accompanied by two estimates (unless the first estimate received states that it is a complete loss) for the cost of repairing the automobile.

**6060.60** The VCJPA purchases property and boiler/machinery coverage through the Alliant Property Insurance Program (APIP).

**6060.61** In addition to purchasing property coverage, the VCJPA has pre-funded a non-equity pool to cover the layer from \$500 to the APIP deductible of \$5,000. Because of this, the district's portion for any one loss is only \$500.

**6060.70** The District is a member of the VCJPA Business Travel Accident Program. The limits of coverage are \$150,000 for life and accidental death and dismemberment for business travel with an aggregate limit of \$750,000 per accident. We signed up all trustees and staff members.

**6060.80** The District is a member of the Alliant Crime Insurance Program (ACIP) through the VCJPA. The limits of coverage are \$1,000,000 each loss with a \$25,000 deductible per loss. The insurance policy includes coverage for faithful performance of duty.

**6060.90** The District has coverage through the VCJPA under the Alliant Deadly Weapon Response Program (ADWRP). This coverage provides for third party liability, business interruption, crisis management, funeral expenses, counseling services, and first party property damage including demolition/clearance and memorialization when an event occurs on district property where a weapon has been used or brandished. The deductible is \$10,000 with a limit of \$500,000 per claim with a \$2,500,000 aggregate shared amongst the VCJPA members. Some sublimits also apply.

**Issued:**

**September 11, 2002**

**Review by VCJPA**

**October 5, 2018**

**Review by Policy Committee**

**October 10, 2018**



**VECTOR CONTROL JOINT POWERS AGENCY**  
INSURANCE AND POOLED COVERAGES  
FOR FISCAL YEAR ENDED JUNE 30, 2019

~ San Mateo County MVCD ~

**PREMIUM**

\$47,179

**GENERAL LIABILITY, AUTOMOBILE LIABILITY, AND ERRORS & OMISSIONS (VCJPA Pooled Program)**

Memo Policy No.: VCJPA 2018 - 1GL  
Effective: 07/01/2018 to 07/01/2019  
Limits: \$1,000,000 per occurrence

**EMPLOYMENT PRACTICES LIABILITY COVERAGE (ERMA Program)**

Policy No.: ERMA 2018-1EPL  
Effective: 07/01/2018 to 07/01/2019  
Limits: \$2,000,000 per occurrence less \$25,000 SIR

**EXCESS LIABILITY (CARMA Pooled Program)**

Policy No.: CARMA 2018-GL  
Effective: 07/01/2018 to 07/01/2019  
Limits: \$14,000,000 per occurrence; Excess of \$1,000,000

\$89,030

**WORKERS' COMPENSATION (VCJPA Pooled Program)**

Memo Policy No.: VCJPA 2018-1WC  
Effective: 07/01/2018 to 07/01/2019  
Limits: \$500,000 any one loss

**EXCESS WORKERS' COMPENSATION (LAWCX Program)**

Memo Policy No: LAWCX 1819  
Effective: 07/01/2018 to 07/01/2019  
Limits: Statutory coverage for Workers' Compensation and \$5,000,000 for Employer's Liability. Subject to \$500,000 SIR.

\$4,628

**PROPERTY DAMAGE (VCJPA Pooled Program)**

Memorandum Policy No: VCJPA 2018-1PPROP  
Effective: 07/01/2018 to 07/01/2019  
Limits: \$10,000 any one loss  
Deductible: \$500 per loss

**ALL- RISK PROPERTY INSURANCE (APIP)**

Primary Policy No: PPROP1819  
Excess Policy No: Various  
Effective: 07/01/2018 to 07/01/2019  
Limits: \$1,000,000,000 per occurrence all members  
Deductible: \$10,000 per loss

**BOILER & MACHINERY (APIP)**

Primary Policy No.: PBOILER1819  
Excess Policy No.: Various  
Limits: \$100,000,000 per occurrence  
Effective: 07/01/2018 to 07/01/2019  
Deductible: \$2,500 ~ \$350,000 per loss, depends on the objects

\$9,112

**GENERAL FUND**

\$1,448

**AUTO PHYSICAL DAMAGE PROGRAM (VCJPA Pooled Program)**

Memo Policy No.: VCJPA 2018-APD  
Effective: 07/01/2018 to 07/01/2019  
Limits: \$35,000 per accident, or per scheduled endorsement  
Deductible: \$1,000 per loss

\$494

**BUSINESS TRAVEL ACCIDENT (AIG Life Insurance Company)**

Policy No.: GTP0009119483N  
Effective: 07/01/2017 to 07/01/2020 (3-year coverage)  
Limits: \$150,000 per accident, scheduled employees  
Deductible: N/A  
Aggregate Limit: \$750,000 per accident

\$7,014

**GROUP FIDELITY (Alliant ACIP Program Through National Union Fire Insurance Company)**

Policy No.: ACIP1719  
Effective: 07/01/2018 to 07/01/2019  
Limits of Employee Theft per loss: \$1,000,000  
Deductible per loss: \$25,000

\$224

**Alliant Deadly Weapons Protection Program**

Policy No.: PJ1800050  
Effective: 07/01/2018 to 07/01/2019  
Deductible: \$10,000  
Limits: \$500,000 per occurrence  
\$2,500,000 annual aggregate  
Sub-Limit: \$250,000 per covered expense

Agenda Item # 5C

**Review of District Policy 6070 Investment of District Funds**

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**BACKGROUND**

Only one change is recommended for District Policy 6070 Investment of District Funds. This would be to change the name of the Equipment Replacement Reserve Fund to the Capital Project and Equipment Replacement Reserve Fund to reflect the fact that it can be used both for equipment replacement and repairs/replacement of buildings.

**Attachments**

1. District Policy 6070 Investment of District Funds - track changes
2. District Policy 6070 clean copy



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## **POLICIES AND PROCEDURES**

**TITLE:** Investment of District Funds

**NUMBER:** 6070

**6070.10** The District participates in the “Pooled Fund Investment Program” of the San Mateo County, Office of the Treasurer. State and Federal Code regulate investment by the County Treasurer.

**6070.20** The County Treasurer provides monthly investment reports to the Board of Trustees reviewing all pooled earnings, settled trades-realized gains and losses, portfolio appraisal, transaction summary on settlement dates, rolling year projected cash flow, and historical yield curves.

**6070.30** The San Mateo County Controller’s Office on April 5, 1994 authorized the District to set up a Capital Project & Equipment Replacement Reserve Fund.

**6070.31** The Capital Project & Equipment Replacement Reserve Fund bears interest quarterly.

**6070.32** The District maintains a Capital Improvement Plan (CIP), which lists projects, and equipment purchases from the Capital Project Reserve Fund that are anticipated and scheduled over a period of ten years. The CIP allows the District to review, compare, and assign priorities to projects.

**6070.33** The District Manager proposes projects for inclusion into the CIP. The Board of Trustees reviews the CIP and adopts the plan at the July Board meeting. A second review occurs at the January Board meeting.

**6070.34** The Capital Project & Equipment Replacement -Reserve Fund is included in the District’s annual independent accounting audit.

**6070.40** The District authorized the Vector Control Joint Powers Agency (VCJPA) to set up a Member Contingency Fund Account for the District, on July 1, 1979.

**6070.41** The Member Contingency Fund covers worse-than expected losses covered by the VCJPA as well as fund losses not covered. Such uncovered losses might be

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indemnity payments for a wrongful termination claim, clean up mandated for pesticides found in the ground, pollution exposure, or general reserves for one year of insurance operating expenses.

**6070.42** Annual premium payments for insurance coverage to the VCJPA may be funded from the Member Contingency Fund.

**6070.43** The Member Contingency Fund is included in the District's annual independent accounting audit.

**6070.44** VCJPA Investment Policy is on file in the District Manager's office.

**6070.441** Investment policies and practices of the VCJPA are based on state law and prudent money management. All funds are invested in accordance with the VCJPA's Investment Policy and applicable California Government Code sections.

**6070.442** Investments shall be made with sound judgment and care – under circumstances then prevailing – and in accordance with written procedures and policies. The standard to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio.

**6070.443** The objectives are safety, liquidity, and return on investment.

**Issued:**  
**Reviewed By Finance Committee:**

**September 11, 2002**  
**October 1, 2018**

Agenda Item # 5D

**Review of District Policy 6090 Accounts Payable Management**

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**BACKGROUND**

Only one change is recommended for District Policy 6090 Accounts Payable Management. This is to change the word “Expenses” to “Expenditures” in section 6090.20.

“An *expenditure* is any payment or disbursement. The expenditure may be for the purchase of an asset, a reduction of a [liability](#), a distribution to the owners, or it could be an expense. For instance, an expenditure to eliminate a liability is not an expense, while expenditures for advertising, salaries, etc. will likely be recorded immediately as expenses.”

(from: Accounting Coach, LLC <https://www.accountingcoach.com/blog/difference-expense-expenditure>)

**Attachments**

1. District Policy 6090 Accounts Payable Management - track changes



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## **POLICIES AND PROCEDURES**

**TITLE:** Accounts Payable Management

**NUMBER:** 6090

**6090.10** The District strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

**6090.20** It is the policy of the District that the recording of assets or ~~expenses~~expenditures and the related liability is performed by an employee independent of the employee responsible for ordering and receiving.

**6090.21** The amounts recorded are based on the vendor invoice for the related goods or services.

**6090.22** The vendor invoice should be supported by an approved purchase order where necessary, and should be reviewed and approved by the District Manager and a Department Director prior to being processed for payment.

**6090.23** Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

**6090.30** The primary objective for accounts payable and cash disbursements is to ensure the following.

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**6090.31** Disbursements are properly authorized.

**6090.32** Invoices are processed in a timely manner.

**6090.33** Vendor credit terms and operating cash are managed for maximum benefits.

**6090.40** All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.

**6090.41** Accounts payable are processed on a bi-weekly basis. Information is entered into the system from approved invoices with all required documentation attached.

**6090.42** It is the policy of the District that only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be used to process a payment.

**6090.50** For purposes of the preparation of the District's monthly financial statements, all vendor invoices that are received, approved and supported with proper documentation by the 10th of the following month shall be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end.

**6090.60** Control of invoices is established by the District Accountant as soon as invoices are received. Vendors will be instructed to mail all invoices directly to the District Office (attn. accounts payable).

**6090.61** Upon receipt of invoices, each invoice shall be "date received" stamped, and distributed to the appropriate Director for approval. When approved by the Director, the invoices will then be distributed to the District Manager for their approval.

**6090.70** Prior to any accounts payable being submitted for payment, a “voucher package” shall be assembled. Each voucher package shall contain the following documents.

**6090.71** Vendor invoice (or employee or Trustee expense report)

**6090.72** Packing slip (where appropriate)

**6090.73** Purchase order (for purchases in excess of \$1,000)

**6090.74** Work order (for some purchases)

**6090.75** Any other supporting documentation deemed appropriate.

**6090.80** The following procedures shall be applied to each voucher package by the District Accountant.

**6090.81** Check the mathematical accuracy of the vendor invoice.

**6090.82** Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, packing slip and/or work order.

**6090.83** Document the general ledger distribution, using the District’s current chart of accounts.

**6090.84** Obtain the review and approval of the Department Director associated with the goods or services purchased.

**6090.841** Approvals by Department Director's indicate their acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, agreement with general ledger account coding's, and agreement to pay vendor in full.

**6090.842** Approvals shall be documented with initials or signatures and dates of the approving individual.

**6090.85** Obtain the review and approval of the District Manager for all purchases with signatures.

**6090.90** To the extent practical, it is the policy of the District to take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

**6090.100** Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form. All receipts must be attached, and a brief description of the business purpose of the trip or meeting must be noted on the form. Expense reports will be processed for payment in the next vendor payment cycle or through the payroll cycle.

**6090.110** At the end of each monthly accounting period, the total amount due to vendors per the accounts payable subsidiary ledger shall be reconciled to the total per the accounts payable general ledger account (control account).

**6090.1101** All differences will be investigated and adjustments will be made as necessary.

**6090.1102** The reconciliation and the results of the investigation of differences will be reviewed and approved by the Finance Director.

**6090.120** The District Accountant shall also perform on a monthly basis a check of all statements received for unprocessed invoices and check the purchase order file for open P.O.'s that are more than 60 days old and follow up.

**Issued:**

**July 10, 2013**

**Reviewed By Finance Committee:**

**October 1, 2018**

**Legal Review:**

**Review of District Policy 6120 District Reserves**

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**BACKGROUND**

The District ended FY 2018-19 with a one-time budget surplus. Staff proposes two changes to the District Reserve Policy related to this surplus. The first is to include buildings and structures among the things that the Equipment Replacement Reserve Fund can be used for, so that the District can reserve money for future building repairs and replacements.

The second change would be the creation of a Pension Rate Stabilization Reserve Fund. The Pension Rate Reserve Fund could be used to pay for any future unfunded liabilities that may arise in the pension system due to changes in market rate or actuarial assumptions. It is not intended to cover any increases to pension benefits, which are now severely restricted by state law. The recommended target level for the Pension Rate Stabilization Reserve Fund is \$100,000. All of the Reserve Funds are currently held in the County Treasury pool and invested according to the County Treasurer's investment policy.

The Finance Committee considered the financial ramifications of these changes on October 1 and recommended approval of both.

**Attachments**

1. District Policy 6120 District Reserves - track changes
2. District Policy 6120 clean copy



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## **POLICIES AND PROCEDURES**

**TITLE:** **District Reserve Fund and Working Capital Policy**

**NUMBER:** **6120**

### **OVERVIEW**

The District recognizes the importance of adopting policies for the management of its financial reserves. Formalizing written financial policies for designation of reserve funds is a critical element of sound fiscal management and a cornerstone of long-term financial planning.

This policy provides for the prudent accumulation and management of reserve funds to facilitate the attainment of long term program and financial goals. This Reserve Fund Policy was developed to identify how each of the reserve categories will be managed and that are consistent with the District's mission statement and philosophy of the Board of Trustees.

### **OBJECTIVES**

- To assure continued operation and solvency of the District, allowing it to carry out its stated mission.
- To maintain and enhance the sound fiscal condition of the District, maintain its ability to obtain credit and maintain a high bond rating.
- To maintain sufficient financial flexibility to be able to adapt to change, and to permit an orderly adjustment to unanticipated events.
- To maintain a diversified and stable long-term financial plan.
- To accumulate and maintain an amount equal to the stated target fund level for each specific reserve fund created by the District.
- To provide for periodic review of financial reserve funds to make appropriate changes, additions and/or deletions.
- To clearly define how financial reserves will be accumulated and put to use.

### **RESERVE FUND POLICY**

In order to achieve the objectives of this Policy, the Board of Trustees shall adhere to the following guidelines:

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- ✓ Reserve funds may be established from time to time by the Board of Trustees as an important component of sound financial management to meet both short and long-term financial objectives, and to ensure prudent financial management practices.
- ✓ Reserve funds may be designated by the Board of Trustees as “restricted reserve funds” or “non-restricted reserve funds.”
- ✓ Restricted reserve funds shall be segregated, and limited in use to specific and designated purpose(s) as defined and established by the Board of Trustees. As of January 2011, under GASB Statement 54 under the Government Accounting Standards Board the restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. These constraints may be imposed by grantors, bondholders, or higher levels of government, through constitutional provisions, or by enabling legislation.
- ✓ “Nonrestricted” reserve funds may be classified as “Committed Reserve Funds” , “Assigned Reserve Funds” or ”Unassigned Reserve Funds” and thus shall have no reference to specific accounting assets. These funds do not require the physical segregation of funds, but maybe segregated if desirable.
- ✓ Committed Reserve Funds are subject to internal constraints. These constraints are imposed by the District itself, using its highest level of decision-making authority (i.e. Board of Trustees).
- ✓ Committed Reserve Funds cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- ✓ Assigned Reserve Funds are those that the District intends to use for a specific purpose. This intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority
- ✓ Unassigned fund balance includes all balances that have not been assigned to other funds and are not restricted, committed, or assigned to specific purposes.
- ✓ All investment earnings from restricted and non-restricted reserve funds shall be credited to the District General Fund, unless otherwise stated herein.
- ✓ The Board of Trustee approval shall be required prior to the expenditure of restricted and committed reserve funds.

- ✓ If the Board of Trustees finds that the funds in a committed reserve are no longer required for the purpose for which it was established, the Board of Trustees may, by a four-fifths vote of the total membership of the board of trustees, discontinue the committed reserve or transfer the funds that are no longer required from the committed reserve to the uncommitted balance in the District's general fund.

## **RESERVE FUNDS**

The Board of Trustees hereby establishes and designates the following reserve funds:

- **Working Capital (Basic Liquidity).** Attachment 1. \*
- **Public Health Emergency Reserve Fund.** Attachment 2.
- **Natural Disaster Emergency Reserve Fund.** Attachment 3.
- **Equipment Replacement Reserve Fund.** Attachment 4.
- **Pension Rate Stabilization Reserve Fund.** Attachment 5.

\* Not a reserve pursuant to GAAP

## **TARGET FUND LEVELS**

The Board of Trustees shall establish a stated target fund level for each designated reserve fund. See Attachment 6 for a compendium of established target fund levels for designated funds.

## **ANNUAL EVALUATIONS**

The District Manager and Finance Director shall review and analyze each reserve fund balance and activity for presentation to the Board of Trustees (through the Finance Committee), as part of the annual budget. Upon any significant change to expenditures from a designated reserve fund, or for any other reason that it is determined that a reserve balance target needs to be revised, then a recommendation from the Finance Director and District Manager will be made.

<b>Original Issue Date:</b>	<b>March 12, 2014</b>
<b>Review by Finance Committee</b>	<b>October 2, 2017</b>
<b>Board Approval</b>	<b>October 11, 2017</b>
<b>Review by Finance Committee</b>	<b>October 1, 2018</b>
<b>Board Approval</b>	<b><u>October 10, 2018</u></b>

# ATTACHMENT 1

## SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT WORKING CAPITAL (GENERAL LIQUIDITY)

### **Fund Purpose:**

The Working Capital (General Liquidity) is necessary because the District receives the majority of its funding from the property taxes and benefit assessment collected by the County of San Mateo. These revenues are not transmitted to the District until January, six months into the fiscal year. Therefore, it is imperative that the District have an operating fund to fulfill its general operating costs. The Working General provides the District with funds to cover general operating costs from the beginning of the fiscal year on July 1 until the first receipt of tax revenue in January. The seasons for vector mosquitoes in San Mateo County extend throughout the year and the delay in receiving funding could inhibit the District's ability to provide services and protect public health. This liquidity will preserve credit worthiness, ensure adequate financial resources are available for timely payment of District obligations, and provide liquidity throughout the fiscal year.

### **Policy:**

In order to achieve the objectives of this policy the Board of Trustees shall adhere to the following guidelines:

1. The balance shall be known as the "Working Capital – General Liquidity."
2. This Working Capital /General Liquidity shall be designated as "unassigned fund balance".
3. The Working Capital/ General Liquidity may be invested in financial institutions and instruments which maintain the highest level of liquidity, such as checking, savings, and LAIF.
4. This policy shall be reviewed on an annual basis by the Finance Committee and the Board for long-term adequacy and use restrictions.

### **Target Fund Level:**

The target level for Working Capital (General Liquidity) is to maintain a minimum General Fund balance for operations equal to 60% of annual budgeted expenditures, as of July 1<sup>st</sup> of each fiscal year. This target fund level was established based upon the following general guidelines:

1. At the beginning of each fiscal year, the District shall have a balance in the Working General Fund equal to approximately sixty percent of budgeted expenditures for the fiscal year.
2. For the purpose of this policy, budgeted expenditures shall include all expenditures associated with the following:
  - a. Salaries and Employees Benefits
  - b. Services and Supplies

**ATTACHMENT 2**

**SAN MATEO COUNTY**

**MOSQUITO AND VECTOR CONTROL DISTRICT**

**PUBLIC HEALTH EMERGENCY RESERVE FUND**

**Fund Purpose:**

The purpose of the Public Health Emergency Reserve Funds is to accumulate sufficient financial reserves necessary to meet the requirements within the California Mosquito-Borne Virus Surveillance and Response Plan when we reach Level 2 (Emergency Planning) or Level 3 (Epidemic Conditions relative to the California Invasive Aedes Response Plan), or any other vector-borne disease response plan distributed by state or federal public health agencies that may apply to the District.. The California Health and Safety Code Section 2070 provide the Board of Trustees authorization to include a restricted reserve for public health emergencies. The District's Restricted Public Health Emergency Reserve Fund may only be spent when an increased threat to public health is threatened, as defined in one of the Response Plans described above.

**Policy:**

In order to achieve the objectives of this policy the Board of Trustees shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Public Health Emergency Reserve Fund."
2. The Public Health Emergency Reserve Fund shall be designated as a committed reserve fund.
3. The Public Health Emergency Reserve Fund shall be expended solely for the purpose of responding to and maintaining District entomological operations during a public health emergency as defined within the California Mosquito-borne Virus Surveillance and Response Plan, the Invasive Aedes Response Plan, or any other vector-borne disease response plan distributed by state or federal public health agencies that may apply to the District.
4. Authorization by the Board of Trustees is required prior to expenditure of Public Health Emergency Reserve Funds. The Board of Trustees can hold a special Board Meeting to provide this authorization to the District Manager to approve the expenditure of these funds for required essential services in response to a public health emergency.
5. If expenditures from this designated reserve fund are subsequently recovered, either partially or fully, from FEMA, OES, State, insurance and/or any other sources, said revenue shall be utilized solely for the purpose of refunding the Public Health Emergency Reserve Fund.
6. All investment earnings from the Public Health Emergency Reserve Fund shall be credited to the District's General Fund.
7. The Public Health Emergency Reserve Fund may be invested in financial institutions and instruments which maintain the highest level of liquidity, such as checking, savings, and LAIF.
8. This policy shall be reviewed on an annual basis by the Finance Committee and District Board for long-term adequacy and use restriction.

**Target Fund Level:**

The target level for the Public Health Emergency Fund shall be equal to a minimum of \$500,000 to a maximum of \$1,000,000 as of July 1 of each fiscal year unless otherwise directed by the Board of Trustees at a public meeting.

**ATTACHMENT 3**

**SAN MATEO COUNTY**  
**MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NATURAL DISASTER EMERGENCY RESERVE FUND**

**Fund Purpose:**

The purpose of the Natural Disaster Emergency Reserve Funds is to accumulate sufficient financial reserves necessary to ensure a timely response by the District to natural disasters. A natural disaster is a major adverse event resulting from natural processes of the Earth; examples include but not limited to wildfires, floods, earthquakes, tsunamis, and other disasters. This reserve fund will facilitate rebuilding of the damaged structures due to the natural disasters. Immediate repair of the District's buildings and infrastructure will allow the District's essential services to be maintained after natural disasters, including fires, floods and earthquakes.

**Policy:**

In order to achieve the objectives of this policy the Board of Trustees shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Natural Disaster Emergency Reserve Fund."
2. The Natural Disaster Emergency Reserve Fund shall be designated as an assigned reserve fund.
3. The Natural Disaster Emergency Reserve Fund shall be expended solely for the purpose of repairing damaged buildings and furnishings.
4. The District Manager is authorized to approve the expenditure of Natural Disaster Emergency Reserve Funds without prior approval of the Board of Trustees, for purposes of restoration and/or maintenance of essential service levels in response to a natural disaster. However, a detailed report of fund expenditures will be made to the Board of Trustees for ratification.
5. If expenditures from this designated reserve fund are subsequently recovered, either partially or fully, from FEMA, OES, State, insurance and/or any other sources, said revenue shall be utilized solely for the purpose of refunding the Natural Disaster Emergency Reserve Fund.
6. All investment earnings from the Natural Disaster Emergency Reserve Fund shall be credited to the District's General Fund.
7. Health and Safety Code 2071(d) states if the Board of Trustees finds that the funds in a restricted reserve are no longer required for the purpose for which the restricted reserve was established, the Board of Trustees may, by a four-fifths vote of the total membership of the Board of Trustees, discontinue the restricted reserve or transfer the funds that are no longer required from the restricted reserve to the District's General Fund.
8. The Natural Disaster Emergency Reserve Fund may be invested in financial institutions and instruments which maintain the highest level of liquidity, such as checking, savings, and LAIF.
9. This policy shall be reviewed on an annual basis by the Finance Committee and Board of Directors for long-term adequacy and use restriction.

**Target Fund Level:**

The target level for the Natural Disaster Emergency Reserve Fund shall be equal to a minimum of \$500,000 to a maximum of \$1,000,000 as of July 1 of each fiscal year unless otherwise directed by the Board of Trustees at a public meeting.

**ATTACHMENT 4**

**SAN MATEO COUNTY**

**MOSQUITO AND VECTOR CONTROL DISTRICT**

**EQUIPMENT REPLACEMENT RESERVE FUND**

**Fund Purpose:**

The purpose of the Equipment Replacement Reserve Funds is to accumulate sufficient financial reserves necessary to ensure a timely replacement and upgrade of the District's buildings, structures, -vehicles, mobile equipment, laboratory equipment, operational equipment, administrative equipment (CPU's, PC's, laptops, etc.) and appurtenances thereto. Safe, reliable and up-to-date vehicles and equipment, in good working order, are essential for the District to meet its mission of providing public health services in a timely and professional manner. The Equipment Replacement Reserve Fund will allow for replacing and upgrades to buildings, structures, vehicles, operational, administrative, and laboratory equipment if lost due to a disaster. In addition, due to the need for depreciation and replacement of buildings, structures, vehicles and other District equipment it is desirable for the District to set aside funds on an on-going basis for this purpose.

**Policy:**

In order to achieve the objectives of this policy the Board of Trustees shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Equipment Replacement Reserve Fund."
2. The Capital Project & Equipment Replacement Reserve Fund shall be designated as an assigned reserve fund.
3. The initial procurement for new vehicles and/or equipment (not replacement of existing) shall be paid for from the District's General Fund not by the Equipment Replacement Reserve Fund.
4. Each adopted budget of the District shall contain an allocation in the sum of \$50,000 for the replacement and/or upgrade of existing vehicles (outright purchase or lease) and District equipment.
5. In any one (1) fiscal year, whenever the total actual expenditures for replacement and/or upgrade of existing vehicles and District equipment is less than said \$50,000 allocation, the remaining balance shall be transferred to the Equipment Replacement Reserve Fund.
6. In any one (1) fiscal year, whenever the total actual expenditures for replacement and/or upgrade of existing vehicles and District equipment exceed said \$50,000 allocation, the necessary balance to accomplish the procurement(s) shall be provided by the Equipment Replacement Reserve Fund.
7. Funds transferred from the Equipment Replacement Reserve Fund shall be expended solely for the purpose of replacement and upgrade of existing District buildings, structures, vehicles and District equipment.
8. The District Manager is authorized to approve the expenditure of Capital Project & Equipment Replacement Reserve Funds, without prior approval of the Board of Trustees, in accordance with approved budget authorizations.
9. Upon expenditure of any Equipment Replacement Reserve Funds, the District Manager shall notify the Board of Directors at the earliest possible opportunity.

10. If expenditures from this designated reserve fund are subsequently recovered, either partially or fully, from FEMA, OES, State, insurance and/or any other sources, said revenue shall be utilized solely for the purpose of refunding the Equipment Replacement Reserve Fund.
11. All investment earnings from the Equipment Replacement Reserve Fund shall be credited to the District's General Fund.
12. The allocation amount shall be reviewed annually by the Finance Committee and Board of Trustees for appropriate vehicle and equipment retention schedules, depreciation schedules, and acquisition costs.
  
13. The Equipment Replacement Reserve Fund may be invested in financial institutions and instruments which maintain the highest level of liquidity, such as checking, savings, and LAIF.

**Target Fund Level:**

The target level for the Equipment Replacement Reserve Fund shall be equal to a minimum of \$500,000 to a maximum of \$1,000,000 as of July 1 of each fiscal year unless otherwise directed by the Board of Trustees at a public meeting.

**ATTACHMENT 5**  
**SAN MATEO COUNTY**  
**MOSQUITO AND VECTOR CONTROL DISTRICT**  
**PENSION RATE STABILIZATION RESERVE FUND**

**Fund Purpose:**

This reserve provides funding for the District to protect against future fluctuations in the employer contribution toward employee pensions as witnessed in past years. Over the past few years the District's Employer Contribution for employee pensions has increased and additional increases may occur in the future as a result of changes in the assumed rate set by SamCERA, an economic downturn or other factors. This reserve is created to set aside funds, as available, to pay future pension costs if needed. Funding may be provided at the end of the year from budget surpluses from prior fiscal years.

**Policy:** The District Board created this reserve to address future increase in its District's Unfunded Actuarially Accrued Liability (UAAL) resulting in increases to the employer contribution rate. In order to achieve the purpose of this policy, the Board of Trustees shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Pension Rate Stabilization Reserve Fund."
2. The Pension Rate Stabilization Reserve Fund shall be designated as a committed reserve fund.
3. The Pension Rate Stabilization Reserve Fund shall be expended solely for the purpose of paying the Employer share of contributions to the San Mateo County Employee Retirement Association.
4. Expenditure of the Pension Rate Stabilization Reserve Fund requires prior approval of the Board of Trustees.
5. All investment earnings from the Pension Rate Stabilization Reserve Fund shall be credited to the Fund itself.
6. The Pension Rate Stabilization Reserve Fund may be invested in financial institutions and instruments which maintain the highest level of liquidity, such as checking, savings, and LAIF.
7. This policy shall be reviewed on an annual basis by the Finance Committee and Board of Directors for long-term adequacy and use restriction.

**-ATTACHMENT 56**

**SAN MATEO COUNTY  
MOSQUITO AND VECTOR CONTROL DISTRICT  
SUMMARY OF RESERVE FUND  
TARGET FUND LEVELS**

<b>RESERVE FUND NAME</b>	<b>Type</b>	<b>TARGET LEVEL (As of July 1 of each year)</b>
Working Capital General Liquidity *	Uncommitted	\$ 2,500,000 \$4,000,000 * (60% of annual Operational Expenditures not including capital)
Public Health Emergency Reserve Fund	Committed	\$ 500,000 to \$ 1,000,000
Natural Disaster Emergency Reserve Fund	Assigned	\$ 500,000 to \$1,000,000
Equipment Replacement Reserve Fund	Assigned	\$ 500,000 to \$1,000,000
<u>Pension Rate Stabilization Reserve Fund</u>	<u>Assigned</u>	\$ <u>\$100,000</u>



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## **POLICIES AND PROCEDURES**

**TITLE:**                    **District Reserve Fund and Working Capital Policy**

**NUMBER:**                **6120**

### **OVERVIEW**

The District recognizes the importance of adopting policies for the management of its financial reserves. Formalizing written financial policies for designation of reserve funds is a critical element of sound fiscal management and a cornerstone of long-term financial planning.

This policy provides for the prudent accumulation and management of reserve funds to facilitate the attainment of long term program and financial goals. This Reserve Fund Policy was developed to identify how each of the reserve categories will be managed and that are consistent with the District's mission statement and philosophy of the Board of Trustees.

### **OBJECTIVES**

- To assure continued operation and solvency of the District, allowing it to carry out its stated mission.
- To maintain and enhance the sound fiscal condition of the District, maintain its ability to obtain credit and maintain a high bond rating.
- To maintain sufficient financial flexibility to be able to adapt to change, and to permit an orderly adjustment to unanticipated events.
- To maintain a diversified and stable long-term financial plan.
- To accumulate and maintain an amount equal to the stated target fund level for each specific reserve fund created by the District.
- To provide for periodic review of financial reserve funds to make appropriate changes, additions and/or deletions.
- To clearly define how financial reserves will be accumulated and put to use.

### **RESERVE FUND POLICY**

In order to achieve the objectives of this Policy, the Board of Trustees shall adhere to the following guidelines:

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- ✓ Reserve funds may be established from time to time by the Board of Trustees as an important component of sound financial management to meet both short and long-term financial objectives, and to ensure prudent financial management practices.
- ✓ Reserve funds may be designated by the Board of Trustees as “restricted reserve funds” or “non-restricted reserve funds.”
- ✓ Restricted reserve funds shall be segregated, and limited in use to specific and designated purpose(s) as defined and established by the Board of Trustees. As of January 2011, under GASB Statement 54 under the Government Accounting Standards Board the restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. These constraints may be imposed by grantors, bondholders, or higher levels of government, through constitutional provisions, or by enabling legislation.
- ✓ “Nonrestricted” reserve funds may be classified as “Committed Reserve Funds” , “Assigned Reserve Funds” or ”Unassigned Reserve Funds” and thus shall have no reference to specific accounting assets. These funds do not require the physical segregation of funds, but maybe segregated if desirable.
- ✓ Committed Reserve Funds are subject to internal constraints. These constraints are imposed by the District itself, using its highest level of decision-making authority (i.e. Board of Trustees).
- ✓ Committed Reserve Funds cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- ✓ Assigned Reserve Funds are those that the District intends to use for a specific purpose. This intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority
- ✓ Unassigned fund balance includes all balances that have not been assigned to other funds and are not restricted, committed, or assigned to specific purposes.
- ✓ All investment earnings from restricted and non-restricted reserve funds shall be credited to the District General Fund, unless otherwise stated herein.
- ✓ The Board of Trustee approval shall be required prior to the expenditure of restricted and committed reserve funds.

- ✓ If the Board of Trustees finds that the funds in a committed reserve are no longer required for the purpose for which it was established, the Board of Trustees may, by a four-fifths vote of the total membership of the board of trustees, discontinue the committed reserve or transfer the funds that are no longer required from the committed reserve to the uncommitted balance in the District's general fund.

### **RESERVE FUNDS**

The Board of Trustees hereby establishes and designates the following reserve funds:

- **Working Capital (Basic Liquidity).** Attachment 1. \*
- **Public Health Emergency Reserve Fund.** Attachment 2.
- **Natural Disaster Emergency Reserve Fund.** Attachment 3.
- **Equipment Replacement Reserve Fund.** Attachment 4.
- **Pension Rate Stabilization Reserve Fund.** Attachment 5.

**\* Not a reserve pursuant to GAAP**

### **TARGET FUND LEVELS**

The Board of Trustees shall establish a stated target fund level for each designated reserve fund. See Attachment 6 for a compendium of established target fund levels for designated funds.

### **ANNUAL EVALUATIONS**

The District Manager and Finance Director shall review and analyze each reserve fund balance and activity for presentation to the Board of Trustees (through the Finance Committee), as part of the annual budget. Upon any significant change to expenditures from a designated reserve fund, or for any other reason that it is determined that a reserve balance target needs to be revised, then a recommendation from the Finance Director and District Manager will be made.

<b>Original Issue Date:</b>	<b>March 12, 2014</b>
<b>Review by Finance Committee</b>	<b>October 2, 2017</b>
<b>Board Approval</b>	<b>October 11, 2017</b>
<b>Review by Finance Committee</b>	<b>October 1, 2018</b>
<b>Board Approval</b>	<b>October 10, 2018</b>

# ATTACHMENT 1

## SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT WORKING CAPITAL (GENERAL LIQUIDITY)

### **Fund Purpose:**

The Working Capital (General Liquidity) is necessary because the District receives the majority of its funding from the property taxes and benefit assessment collected by the County of San Mateo. These revenues are not transmitted to the District until January, six months into the fiscal year. Therefore, it is imperative that the District have an operating fund to fulfill its general operating costs. The Working General provides the District with funds to cover general operating costs from the beginning of the fiscal year on July 1 until the first receipt of tax revenue in January. The seasons for vector mosquitoes in San Mateo County extend throughout the year and the delay in receiving funding could inhibit the District's ability to provide services and protect public health. This liquidity will preserve credit worthiness, ensure adequate financial resources are available for timely payment of District obligations, and provide liquidity throughout the fiscal year.

### **Policy:**

In order to achieve the objectives of this policy the Board of Trustees shall adhere to the following guidelines:

1. The balance shall be known as the "Working Capital – General Liquidity."
2. This Working Capital /General Liquidity shall be designated as "unassigned fund balance".
3. The Working Capital/ General Liquidity may be invested in financial institutions and instruments which maintain the highest level of liquidity, such as checking, savings, and LAIF.
4. This policy shall be reviewed on an annual basis by the Finance Committee and the Board for long-term adequacy and use restrictions.

### **Target Fund Level:**

The target level for Working Capital (General Liquidity) is to maintain a minimum General Fund balance for operations equal to 60% of annual budgeted expenditures, as of July 1<sup>st</sup> of each fiscal year. This target fund level was established based upon the following general guidelines:

1. At the beginning of each fiscal year, the District shall have a balance in the Working General Fund equal to approximately sixty percent of budgeted expenditures for the fiscal year.
2. For the purpose of this policy, budgeted expenditures shall include all expenditures associated with the following:
  - a. Salaries and Employees Benefits
  - b. Services and Supplies

**ATTACHMENT 2**

**SAN MATEO COUNTY**

**MOSQUITO AND VECTOR CONTROL DISTRICT**

**PUBLIC HEALTH EMERGENCY RESERVE FUND**

**Fund Purpose:**

The purpose of the Public Health Emergency Reserve Funds is to accumulate sufficient financial reserves necessary to meet the requirements within the California Mosquito-Borne Virus Surveillance and Response Plan when we reach Level 2 (Emergency Planning) or Level 3 (Epidemic Conditions relative to the California Invasive Aedes Response Plan), or any other vector-borne disease response plan distributed by state or federal public health agencies that may apply to the District.. The California Health and Safety Code Section 2070 provide the Board of Trustees authorization to include a restricted reserve for public health emergencies. The District's Restricted Public Health Emergency Reserve Fund may only be spent when an increased threat to public health is threatened, as defined in one of the Response Plans described above.

**Policy:**

In order to achieve the objectives of this policy the Board of Trustees shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Public Health Emergency Reserve Fund."
2. The Public Health Emergency Reserve Fund shall be designated as a committed reserve fund.
3. The Public Health Emergency Reserve Fund shall be expended solely for the purpose of responding to and maintaining District entomological operations during a public health emergency as defined within the California Mosquito-borne Virus Surveillance and Response Plan, the Invasive Aedes Response Plan, or any other vector-borne disease response plan distributed by state or federal public health agencies that may apply to the District.
4. Authorization by the Board of Trustees is required prior to expenditure of Public Health Emergency Reserve Funds. The Board of Trustees can hold a special Board Meeting to provide this authorization to the District Manager to approve the expenditure of these funds for required essential services in response to a public health emergency.
5. If expenditures from this designated reserve fund are subsequently recovered, either partially or fully, from FEMA, OES, State, insurance and/or any other sources, said revenue shall be utilized solely for the purpose of refunding the Public Health Emergency Reserve Fund.
6. All investment earnings from the Public Health Emergency Reserve Fund shall be credited to the District's General Fund.
7. The Public Health Emergency Reserve Fund may be invested in financial institutions and instruments which maintain the highest level of liquidity, such as checking, savings, and LAIF.
8. This policy shall be reviewed on an annual basis by the Finance Committee and District Board for long-term adequacy and use restriction.

**Target Fund Level:**

The target level for the Public Health Emergency Fund shall be equal to a minimum of \$500,000 to a maximum of \$1,000,000 as of July 1 of each fiscal year unless otherwise directed by the Board of Trustees at a public meeting.

**ATTACHMENT 3**

**SAN MATEO COUNTY**  
**MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NATURAL DISASTER EMERGENCY RESERVE FUND**

**Fund Purpose:**

The purpose of the Natural Disaster Emergency Reserve Funds is to accumulate sufficient financial reserves necessary to ensure a timely response by the District to natural disasters. A natural disaster is a major adverse event resulting from natural processes of the Earth; examples include but not limited to wildfires, floods, earthquakes, tsunamis, and other disasters. This reserve fund will facilitate rebuilding of the damaged structures due to the natural disasters. Immediate repair of the District's buildings and infrastructure will allow the District's essential services to be maintained after natural disasters, including fires, floods and earthquakes.

**Policy:**

In order to achieve the objectives of this policy the Board of Trustees shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Natural Disaster Emergency Reserve Fund."
2. The Natural Disaster Emergency Reserve Fund shall be designated as an assigned reserve fund.
3. The Natural Disaster Emergency Reserve Fund shall be expended solely for the purpose of repairing damaged buildings and furnishings.
4. The District Manager is authorized to approve the expenditure of Natural Disaster Emergency Reserve Funds without prior approval of the Board of Trustees, for purposes of restoration and/or maintenance of essential service levels in response to a natural disaster. However, a detailed report of fund expenditures will be made to the Board of Trustees for ratification.
5. If expenditures from this designated reserve fund are subsequently recovered, either partially or fully, from FEMA, OES, State, insurance and/or any other sources, said revenue shall be utilized solely for the purpose of refunding the Natural Disaster Emergency Reserve Fund.
6. All investment earnings from the Natural Disaster Emergency Reserve Fund shall be credited to the District's General Fund.
7. Health and Safety Code 2071(d) states if the Board of Trustees finds that the funds in a restricted reserve are no longer required for the purpose for which the restricted reserve was established, the Board of Trustees may, by a four-fifths vote of the total membership of the Board of Trustees, discontinue the restricted reserve or transfer the funds that are no longer required from the restricted reserve to the District's General Fund.
8. The Natural Disaster Emergency Reserve Fund may be invested in financial institutions and instruments which maintain the highest level of liquidity, such as checking, savings, and LAIF.
9. This policy shall be reviewed on an annual basis by the Finance Committee and Board of Directors for long-term adequacy and use restriction.

**Target Fund Level:**

The target level for the Natural Disaster Emergency Reserve Fund shall be equal to a minimum of \$500,000 to a maximum of \$1,000,000 as of July 1 of each fiscal year unless otherwise directed by the Board of Trustees at a public meeting.

**ATTACHMENT 4**

**SAN MATEO COUNTY**

**MOSQUITO AND VECTOR CONTROL DISTRICT EQUIPMENT**

**REPLACEMENT RESERVE FUND**

**Fund Purpose:**

The purpose of the Equipment Replacement Reserve Funds is to accumulate sufficient financial reserves necessary to ensure a timely replacement and upgrade of the District's buildings, structures, vehicles, mobile equipment, laboratory equipment, operational equipment, administrative equipment (CPU's, PC's, laptops, etc.) and appurtenances thereto. Safe, reliable and up-to-date vehicles and equipment, in good working order, are essential for the District to meet its mission of providing public health services in a timely and professional manner. The Equipment Replacement Reserve Fund will allow for replacing and upgrades to buildings, structures, vehicles, operational, administrative, and laboratory equipment if lost due to a disaster. In addition, due to the need for depreciation and replacement of buildings, structures, vehicles and other District equipment it is desirable for the District to set aside funds on an on-going basis for this purpose.

**Policy:**

In order to achieve the objectives of this policy the Board of Trustees shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Equipment Replacement Reserve Fund."
2. The Capital Project & Equipment Replacement Reserve Fund shall be designated as an assigned reserve fund.
3. The initial procurement for new vehicles and/or equipment (not replacement of existing) shall be paid for from the District's General Fund not by the Equipment Replacement Reserve Fund.
4. Each adopted budget of the District shall contain an allocation in the sum of \$50,000 for the replacement and/or upgrade of existing vehicles (outright purchase or lease) and District equipment.
5. In any one (1) fiscal year, whenever the total actual expenditures for replacement and/or upgrade of existing vehicles and District equipment is less than said \$50,000 allocation, the remaining balance shall be transferred to the Equipment Replacement Reserve Fund.
6. In any one (1) fiscal year, whenever the total actual expenditures for replacement and/or upgrade of existing vehicles and District equipment exceed said \$50,000 allocation, the necessary balance to accomplish the procurement(s) shall be provided by the Equipment Replacement Reserve Fund.
7. Funds transferred from the Equipment Replacement Reserve Fund shall be expended solely for the purpose of replacement and upgrade of existing District buildings, structures, vehicles and District equipment.
8. The District Manager is authorized to approve the expenditure of Capital Project & Equipment Replacement Reserve Funds, without prior approval of the Board of Trustees, in accordance with approved budget authorizations.
9. Upon expenditure of any Equipment Replacement Reserve Funds, the District Manager shall notify the Board of Directors at the earliest possible opportunity.

10. If expenditures from this designated reserve fund are subsequently recovered, either partially or fully, from FEMA, OES, State, insurance and/or any other sources, said revenue shall be utilized solely for the purpose of refunding the Equipment Replacement Reserve Fund.
11. All investment earnings from the Equipment Replacement Reserve Fund shall be credited to the District's General Fund.
12. The allocation amount shall be reviewed annually by the Finance Committee and Board of Trustees for appropriate vehicle and equipment retention schedules, depreciation schedules, and acquisition costs.
  
13. The Equipment Replacement Reserve Fund may be invested in financial institutions and instruments which maintain the highest level of liquidity, such as checking, savings, and LAIF.

**Target Fund Level:**

The target level for the Equipment Replacement Reserve Fund shall be equal to a minimum of \$500,000 to a maximum of \$1,000,000 as of July 1 of each fiscal year unless otherwise directed by the Board of Trustees at a public meeting.

**ATTACHMENT 5**

**SAN MATEO COUNTY**  
**MOSQUITO AND VECTOR CONTROL DISTRICT**  
**PENSION RATE STABILIZATION RESERVE FUND**

**Fund Purpose:**

This reserve provides funding for the District to protect against future fluctuations in the employer contribution toward employee pensions as witnessed in past years. Over the past few years the District's Employer Contribution for employee pensions has increased and additional increases may occur in the future as a result of changes in the assumed rate set by SamCERA, an economic downturn or other factors. This reserve is created to set aside funds, as available, to pay future pension costs if needed. Funding may be provided at the end of the year from budget surpluses from prior fiscal years.

**Policy:** The District Board created this reserve to address future increase in its District's Unfunded Actuarially Accrued Liability (UAAL) resulting in increases to the employer contribution rate. In order to achieve the purpose of this policy, the Board of Trustees shall adhere to the following guidelines:

1. This reserve fund shall be known as the "Pension Rate Stabilization Reserve Fund."
2. The Pension Rate Stabilization Reserve Fund shall be designated as a committed reserve fund.
3. The Pension Rate Stabilization Reserve Fund shall be expended solely for the purpose of paying the Employer share of contributions to the San Mateo County Employee Retirement Association.
4. Expenditure of the Pension Rate Stabilization Reserve Fund requires prior approval of the Board of Trustees.
5. All investment earnings from the Pension Rate Stabilization Reserve Fund shall be credited to the Fund itself.
6. The Pension Rate Stabilization Reserve Fund may be invested in financial institutions and instruments which maintain the highest level of liquidity, such as checking, savings, and LAIF.
7. This policy shall be reviewed on an annual basis by the Finance Committee and Board of Directors for long-term adequacy and use restriction.

## ATTACHMENT 6

SAN MATEO COUNTY  
MOSQUITO AND VECTOR CONTROL DISTRICT  
**SUMMARY OF RESERVE FUND  
TARGET FUND LEVELS**

<b>RESERVE FUND NAME</b>	<b>Type</b>	<b>TARGET LEVEL (As of July 1 of each year)</b>
Working Capital General Liquidity *	Uncommitted	\$ 2,500,000 \$4,000,000 * (60% of annual Operational Expenditures not including capital)
Public Health Emergency Reserve Fund	Committed	\$ 500,000 to \$ 1,000,000
Natural Disaster Emergency Reserve Fund	Assigned	\$ 500,000 to \$1,000,000
Equipment Replacement Reserve Fund	Assigned	\$ 500,000 to \$1,000,000
Pension Rate Stabilization Reserve Fund	Assigned	\$ \$100,000