

**DELTA CONVEYANCE**  
DESIGN & CONSTRUCTION AUTHORITY

August 10, 2018

Delta Conveyance Design and Construction Authority  
Board of Directors

Members of the Board,

The next meeting of the Delta Conveyance Design and Construction Authority (DCA) Board of Directors is scheduled for **Thursday, August 16, 2018 at 2:00 p.m.** at the **Tsakopoulos Library Galleria, 828 I Street, East Room (1<sup>st</sup> floor), in Sacramento.**

Enclosed are the materials for the Thursday, August 16 Board meeting in a PDF file, which has been bookmarked for your convenience.

Sincerely,



Jill Duerig  
Interim Executive Director

**DELTA CONVEYANCE DESIGN AND CONSTRUCTION AUTHORITY  
BOARD OF DIRECTORS MEETING**

REGULAR MEETING

Thursday, August 16, 2018  
1:30 p.m.

SACRAMENTO PUBLIC LIBRARY, TSAKOPOULOS LIBRARY GALLERIA  
828 I Street, Sacramento, CA 95814

AGENDA

Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Interested person must request the accommodation at least two working days in advance of the meeting by contacting the Design and Construction Authority support staff at (916) 347-0486 or [info@dcdca.org](mailto:info@dcdca.org).

*California Environmental Quality Act (CEQA) Notice: Discretionary actions taken by the Delta Conveyance Design and Construction Authority (Authority) are pursuant to and in furtherance of a Joint Exercise of Powers Agreement with the Department of Water Resources (DWR) concerning the California WaterFix project. The Board of Directors of the Authority, acting as a Responsible Agency under CEQA, determined that it has reviewed and considered Lead Agency DWR's Final Environmental Impact Report and Addendum for the California Water Fix Project and adopted DWR's CEQA determinations, and filed Notices of Determination in compliance with CEQA in May 2018.*

**1. CALL TO ORDER**

**2. ROLL CALL**

**3. CLOSED SESSION – OPEN SESSION TO FOLLOW AT APPROXIMATELY 2:00 P.M.**

(a) Conference with Legal Counsel - Significant exposure to litigation pursuant to Gov't Code section 54956.9(d) (2): 1 case

(b) Public Employee Appointment - Pursuant to Government Code Section 54957. Title: Executive Director

**4. OPEN SESSION AND PLEDGE OF ALLEGIANCE, APPROXIMATELY 2:00 P.M.**

**5. REPORT OUT OF CLOSED SESSION**

**6. PUBLIC COMMENT**

*Members of the public may address the Authority on matters that are within the Authority's jurisdiction. Speakers are limited to three minutes each. Persons wishing to speak are requested to*

*complete speaker cards.*

**7. APPROVAL OF MINUTES: July 19, 2018 Regular Board Meeting**

**8. CONSENT CALENDAR**

*Items on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion and one vote. There will be no separate discussion of these items unless a director so requests, in which event the item will be removed from the Consent Calendar and considered separately.*

- a. None.

**9. DISCUSSION ITEMS**

- a. Consider Passing Resolution to Adopt Bylaws
- b. Consider Passing Resolution to Adopt Ethics Policy
- c. Consider Passing Resolution to Adopt Investment Policy
- d. Consider Passing Resolution to Adopt Protest Policy
- e. Consider Logo Options and vote to select one by minute order

**10. STAFF REPORTS AND ANNOUNCEMENTS**

- a. Executive Director's Report
- b. General Counsel's Report
- c. Treasurer's Report
- d. Verbal Reports, if any

**11. FUTURE AGENDA ITEMS**

**12. ADJOURNMENT**

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*Next scheduled meeting: September 20, 2018 at 2 p.m. in the Sacramento Public Library,  
Tsakopoulos Library Galleria, 828 I Street, Sacramento, CA 95814*

BOARD OF DIRECTORS MEETING

# MINUTES

**REGULAR MEETING**  
**Thursday, July 19, 2018**  
**2:00 PM**

(Paragraph numbers coincide with agenda item numbers)

## **1. CALL TO ORDER**

The regular meeting of the Delta Conveyance Design and Construction Authority (DCA) Board of Directors was called to order in the Sacramento Public Library, Tsakopoulos Library Galleria, 828 I Street, Sacramento, CA 95814, at 2:00 p.m.

## **2. PLEDGE OF ALLEGIANCE/NATIONAL ANTHEM**

Chairperson Estremera led all present in reciting the Pledge of Allegiance.

## **3. ROLL CALL**

Board members in attendance were Tony Estremera, Richard Atwater, Steve Blois, and Doug Headrick constituting a quorum of the Board. Sarah Palmer was represented by Alternate Director, SWC member at large, Doug Headrick in her absence.

Staff members in attendance were Jill Duerig, Interim Executive Director; Stefanie Morris, Interim General Counsel and June Skillman, Treasurer.

## **4. PUBLIC COMMENT**

Chairperson Estremera declared public comment open, limiting speaking time to three minutes, each.

Ms. Barbara Barrigan Parrilla, Restore the Delta, expressed opposition to the hiring of the Hallmark Group, as well as disappointment that the DCA did not take a position against the Calvert rider.

Mr. Mark Pruner, resident of Clarksburg, requested that the DCA look at alternatives for direct input by individuals directly affected by the Project (reference to Agenda Item 9),

Ms. Osha Meserve, representing local agencies in the North Delta, expressed opposition to the California WaterFix Project.

Chairperson Estremera closed the Public Comment.

## **5. APPROVAL OF MINUTES: May 17, 2018 Regular Board Meeting**

Recommendation: Approve minutes of the May 17, 2018 Regular Board Meeting

Ms. Duerig noted Director Headrick identified minor typographical errors related to vote count in the minutes, noting corrections would be made and postings updated.

Move to Approve Minutes with Changes, as noted: Atwater

Second: Blois

Yeas: Estremera, Atwater, Headrick and Blois

Nays: None

Abstains: None

Recusals: None

Absent: None

Summary: 4 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed as MO 18-7-01)

## **6. CONSENT CALENDAR**

- 6.a. Consider passing a resolution ratifying actions taken at May 17, 2018 DCA Board Meeting.

Recommendation: Ratify actions taken at May 17, 2018 DCA Board Meeting.

Move to Approve: Atwater

Second: Headrick

Yeas: Estremera, Atwater, Headrick and Blois

Nays: None

Abstains: None

Recusals: None

Absent: None

Summary: 4 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed as R 18-2)

## **7. DISCUSSION ITEMS:**

Chairperson Estremera noted for the record that copies of public comments received had been provided to the Directors, with extra copies available to the public.

- 7.a. Consider adopting the FY2018/29 Proposed Budget.

Recommendation: Adopt the FY 2018/19 Proposed Budget by Minute Order.

Ms. June Skillman, DCA Treasurer, provided the staff report on this item. Ms. Skillman reviewed the information on this item for the Board, noting that the Board had received a copy of the memo and presentation in their packet and that it had also been made available to the public on the website.

Move to Approve Budget: Blois

Second: Headrick

Yeas: Estremera, Atwater, Headrick and Blois

Nays: None

Abstains: None

Recusals: None

Absent: None

Summary: 4 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed as MO 18-7-02)

- 7.b. Consider Authorizing the Executive Director to Execute a Professional Services Agreement with The Hallmark Group to provide transition services.

Recommendation: Adopt a resolution authorizing the Executive Director to execute a six-month professional services agreement with The Hallmark Group to provide transition support services to be directed by the Executive Director

Ms. Duerig provided the staff report on this item. Ms. Duerig reviewed the information on this item for the Board. Chairperson Estremera requested that Ms. Duerig address the criticism received from the public related to the hiring of the Hallmark Group. Ms. Duerig noted that the Hallmark Group had been working with DWR for many years and that they are uniquely qualified to undertake transition services of this nature and that this short-term gap transition support service agreement will allow the DCA time to undertake a competitive RFP process to allow others to apply for this position.

Move to Approve Resolution: Atwater  
Second: Headrick  
Yeas: Estremera, Atwater, Headrick and Blois  
Nays: None  
Abstains: None  
Recusals: None  
Absent: None  
Summary: 4 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed as R 18-3)

- 7.c. Consider Authorizing the Executive Director to Begin the Process of Negotiating Terms and Conditions for leasing office space.

Recommendation: Authorize the Executive Director to Negotiate Terms and Conditions for lease of office space to be considered by the Board.

Ms. Duerig provided the staff report on this item. Ms. Duerig reviewed the information on this item for the Board. The information provided was noted as very preliminary, but provides expected costs for budgeting purposes.

Move to Approve: Headrick  
Second: Atwater  
Yeas: Estremera, Atwater, Headrick and Blois  
Nays: None  
Abstains: None  
Recusals: None  
Absent: None  
Summary: 4 Yeas; 0 Nays; 0 Abstains; 0 Absent. ((Motion passed as MO 18-7-03)

- 7.d. Consider Delegating Interim Contracting Authority to the Executive Director.

Recommendation: Adopt the resolution delegating interim contracting authority to the Executive Director

Ms. Stefanie Morris, Interim General Counsel, provided the staff report on this item. Ms. Morris reviewed the information on this item for the Board, noting that this item would be revisited at a later time once detailed contracting policies and procedures had been drafted and that this action was to provide for interim contracting authority for the Interim Executive Director in the amount of \$250,000 or less, in accordance with applicable contract procurement procedures.

Move to Approve: Headrick  
Second: Blois  
Yeas: Estremera, Atwater, Headrick and Blois  
Nays: None  
Abstains: None  
Recusals: None  
Absent: None  
Summary: 4 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed as R 18-4)

7.e. Consider Adoption and Approval of the Delta Conveyance Design and Construction Authority Records Retention Policy

Recommendation: Adopt resolution of a records retention policy.

Ms. Stefanie Morris, Interim General Counsel, provided the staff report on this item. Ms. Morris reviewed the information on this item for the Board.

Move to Approve: Headrick  
Second: Atwater  
Yeas: Estremera, Atwater, Headrick and Blois  
Nays: None  
Abstains: None  
Recusals: None  
Absent: None  
Summary: 4 Yeas; 0 Nays; 0 Abstains; 0 Absent. (Motion passed as R 18-5)

**8. STAFF REPORTS AND ANNOUNCEMENTS**

8.a. Executive Director Report

Ms. Duerig provided an update on activities since the May meeting, noting that the Board had received this information in their packet and that it had been posted online as well. Ms. Duerig noted that DCA website (DCDCA.org) has agenda packages, presentation materials and other information posted for everyone to access.

8.b. General Counsel Report

Ms. Morris noted that in addition to meeting materials available on the website, the meetings are also being webcast and archived so that they are available to the public. She went on to report that in addition to the activities identified in written report included

in the Board packet, DWR is in the process of initiating the Consistency Determination with the Delta Stewardship Counsel.

**8.c. Treasurer's Report**

Ms. Skillman reported on financial activities for June 2018.

Director Atwater introduced Brian Thomas, Interim Executive Director of the Delta Conveyance Finance Authority.

**8.d. Verbal Reports**

Ms. Barbara Daly, co-chair of North Delta Cares, was allowed to provide public comment at this time. Ms. Daly expressed opposition to the California WaterFix Project.

**9. FUTURE AGENDA ITEMS:**

Chairperson Estremera requested future agenda items include draft bylaws, and an update on Executive Director recruitment.

**10. ADJOURNMENT:**

The next meeting of the DCA will be held on August 16, at 2 p.m. in the Sacramento Public Library, Tsakopoulos Library Galleria, 828 I Street, Sacramento.

Chairperson Estremera adjourned the meeting at 2:52 p.m.

Approved:

Move to Approve:

Second:

Yeas:

Nays:

Abstains:

Recusals:

Absent:

Summary: .

Date:



## Board Memo

Contact: Stefanie Morris, Interim General Counsel

Date: 8/16/2018 Board Meeting

Item No. 9a

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**Subject:**

Adopt and Approve the Delta Conveyance Design and Construction Authority Bylaws

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**Executive Summary:**

Staff has prepared the attached Bylaws. The Bylaws build on and formalize governance as originally set forth in the DCA Formation Agreement, effective May 14, 2018. The Bylaws provide a rule book for the Board and employees.

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**Detailed Report:**

See attachments.

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**Funding:**

N/A

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**Recommended Action:**

Staff recommends adopting the Bylaws.

**Attachments:**

Attachment 1 – Draft Resolution 18-6

Attachment 2 – DCA Bylaws

**RESOLUTION NO. 18-6**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF DELTA CONVEYANCE DESIGN AND  
CONSTRUCTION JOINT POWERS AUTHORITY ADOPTING A BYLAWS**

**BACKGROUND**

Bylaws provide rules or administrative provisions adopted by a public agency for its internal governance. An agency's Bylaws are the principal guide, the primer, or rule book by which the agency conducts its business. The DCA Formation Agreement provided many of the rules for the DCA's governance and also for conducting its business. The attached Bylaws are consistent with the DCA Formation Agreement.

**RESOLUTION:**

1. The Board of Directors wishes to have Bylaws to guide its governance and how it will conduct DCA business.
2. These bylaws are provided pursuant to Article XV of the Joint Powers Agreement by and among the Alameda County Flood Control Zone 7 Water District, the Metropolitan Water District of Southern California, and the Santa Clara Valley Water District effective as of May 14, 2018, among the signatory parties thereto, as such agreement may be amended from time to time, to form a Joint Powers Authority.
3. The Secretary of the Board of Directors shall certify to the passage and adoption of this Resolution.

\* \* \* \* \*

This Resolution passed and adopted this \_\_\_\_\_ day of August, 2018, by the following vote:

Ayes: \_\_\_\_\_

Noes: \_\_\_\_\_

Absent: \_\_\_\_\_

Abstain: \_\_\_\_\_

\_\_\_\_\_  
Tony Estremera, Board President

Attest:

\_\_\_\_\_  
Sarah Palmer, Secretary

**BYLAWS OF THE  
DELTA CONVEYANCE DESIGN AND CONSTRUCTION  
JOINT POWERS AUTHORITY**

**Adopted \_\_\_\_\_, 2018**

**Effective \_\_\_\_\_, 2018**

## **PREAMBLE**

These bylaws are provided pursuant to Article XV of the Joint Powers Agreement by and among the Alameda County Flood Control and Water Conservation District, Zone 7, the Metropolitan Water District of Southern California, and the Santa Clara Valley Water District effective as of May 14, 2018, among the signatory parties thereto, as such agreement may be amended from time to time, to form a Joint Powers Authority to cooperate with the California Department of Water Resources (“DWR”) by undertaking certain design and construction activities related to the new Sacramento-San Joaquin Delta (“Delta”) water conveyance facilities for the purpose of conveying water from the Sacramento River north of the Delta directly to the existing State Water Project (“SWP”) and Central Valley Project (“CVP”) pumping plants located south of the Delta.

## **ARTICLE 1. THE AUTHORITY**

1.1 **Name.** The name of this joint powers authority is the Delta Conveyance Design and Construction Joint Powers Authority (hereinafter referred to as the “Authority”).

## **ARTICLE 2. DEFINITIONS**

### **2.1 Definitions.**

2.1.1 **Agreement** shall mean the “Joint Powers Agreement by and among the Alameda County Flood Control Water Conservation District, Zone 7, the Metropolitan Water District of Southern California, and the Santa Clara Valley Water District, effective as of May 14, 2018, among the signatory parties thereto, as such agreement may be amended from time to time, to form a Joint Powers Authority to cooperate with the California Department of Water Resources (“DWR”) through a Joint Exercise of Powers Agreement (“JEPA”) by undertaking the design and construction activities related to the California WaterFix (“Conveyance Project”) for the purpose of conveying water from the Sacramento River north of the Delta directly to the existing State Water Project (“SWP”) and Central Valley Project (“CVP”) pumping plants located south of the Delta..

2.1.2 **Board or Board of Directors** shall mean the governing body of the Authority as described in Section 5.1 herein.

2.1.3 **Brown Act** shall mean Chapter 9 of Part 1 of Division 2 of Title 5 of the California Government Code commencing with Section 54950, or with any successor provision.

2.1.4 **Bylaws** shall mean the bylaws of the Delta Conveyance Design and Construction Joint Powers Authority, contained herein.

2.1.5 **Director** shall mean a member of the Board of Directors, as defined herein.

2.1.6 **Joint Exercise of Powers Act** shall mean Chapter 5 of Division 7 of Title 1 of the California Government Code commencing with section 6500, or with any successor provision.

2.1.7 Members shall mean all the public entities that satisfy the requirements of Article V of the Agreement.

2.2 **Conflict Between Bylaws and Agreement.** Unless specifically defined in these Bylaws, all defined terms shall have the same meaning ascribed to them in the Agreement. If any term of these Bylaws conflicts with any term of the Agreement, the Agreement terms shall prevail, and these Bylaws shall be amended to eliminate such conflict of terms. Unless the context or reference to the Agreement requires otherwise, the general provisions, rules of construction and applicable statutory definitions will govern the interpretation of these Bylaws.

### ARTICLE 3. PURPOSE AND LIMITATIONS

3.1 **Purpose.** The Authority was formed with the purpose and intent of cooperating with the California Department of Water Resources (“DWR”) in its desire to design and construct the California WaterFix to be owned by DWR. The Authority’s cooperation is governed by the JEPA agreement entered into with DWR effective as of May 22, 2018, establishing that the Authority would undertake those activities required to complete the design and construction of the Conveyance Project in a manner consistent with the JEPA.

3.2 **Forming Statute; Limitations.** The Authority is created as a joint powers authority pursuant to the provisions of the Government Code of the State of California relating to the joint exercise of powers per Government Code sections 6500, *et seq.* On or before May 14, 2018, the Members each approved the Agreement. The Authority is a public entity separate from the Members to the Agreement. Pursuant to Government Code sections 6584 *et seq.* or as otherwise authorized by law, the Authority may exercise those common powers, and all independent, complete and/or supplementary powers necessary or appropriate to design and construct the Conveyance Project consistent with Article IV of the Agreement.

### ARTICLE 4. OFFICES

4.1 **Principal Office.** The principal office for the transaction of the activities and affairs of the Authority (“Principal Office”) is located at 1121 L Street, Suite 1045, Sacramento, CA 95814 .

4.2 **Board Meeting Location.** The principal location for holding Board meetings shall be at 828 I, Street, Sacramento, CA 95814.

4.3 **Other Offices.** The Board may at any time establish branch or subordinate offices at any place or places, within or without the Authority’s jurisdictional boundaries, where the Authority may conduct its activities.

4.4 **Amendment.** The Board may change the Principal Office, Board Meeting Location and other offices from one location to another pursuant to Article 6 of these Bylaws and consistent with Article VII of the Agreement. This Section may be amended to state the new location. The Board meeting location shall be held within the County of Sacramento, unless otherwise changed by the Board.

## **ARTICLE 5. DIRECTORS AND OFFICERS**

5.1 **Governing Board.** The Authority shall be governed by a Board of Directors. Pursuant to Section 6.1 of the Agreement, the Board shall ensure that the Board operates in a manner that is fully compliant with the Brown Act, the Joint Exercise of Powers Act, the Agreement, and all other applicable legal requirements.

5.1.1 **Directors.** Pursuant to Section 6.1.1 of the Agreement, the Board shall be initially composed of up to five (5) appointed representatives (each a “Director”), one from each of the following Members: the Metropolitan Water District of Southern California (“MWD”) in its SWP capacity, Kern County Water Agency (“KCWA”), Santa Clara Valley Water District (“SCVWD”), State Water Project contractor (“SWC”) selected by otherwise non-represented SWP contractors and the Metropolitan Water District of Southern California in a non-SWP capacity. Subject to an affirmative vote of four (4) out of five (5) or 80% of all Directors, the number of Directors may be expanded to seven (7) Directors if, at any point after the execution of the Agreement, there are three (3) or more CVP contractors, other than Santa Clara Valley Water District, that desire to become members. The governing body of each Member shall determine, in its sole discretion and pursuant to its own procedures and authorities, the person appointed to serve on the Board to represent the Member. Directors shall be appointed prior to the initial meeting or within 30 days of an entity becoming a Member and shall serve without terms and at the pleasure of the governing bodies that appointed them.

5.1.2 **Alternate Directors.** The governing board of the Member may designate an Alternate Director to act in place of its appointed Director during his or her absence. The designation of an Alternate Director shall be made in writing and shall provide such written designation to the Authority’s Secretary as soon as feasible.

5.1.3 **Policies.** The Board shall adopt procedures, rules and policies for the Authority as appropriate and necessary.

(a) The Board shall adopt a code of ethics for all Directors, Officers and employees of the Authority, whether elected or appointed, paid or unpaid.

(b) The Board shall develop and adopt a conflict of interest code for the Authority compliant with California law. Pursuant to Government Code Section 1090, Directors, Officers and employees of the Authority shall not have an interest in any contract made by the Authority.

(c) The Board shall adopt a purchasing policy for the Authority.

(d) The Board shall adopt an investment policy for the Authority.

(e) The Board shall adopt a records retention policy. This policy will provide criteria and procedures for the retention or destruction of Authority records.

5.1.4 **Travel Policy.** The Board shall establish a reimbursement policy under which a Director or others may receive actual, reasonable and necessary reimbursement for travel, meals, lodging, registration and similar expenses incurred on Authority business.

5.2 **Officers.** Pursuant to Section 6.2 of the Agreement, the officers of the Board shall consist of a President, Vice President, Secretary and Treasurer (each an “Officer”). The President, Vice President and Secretary must be members of the Board. The President, or if absent, the Vice President, shall preside at all Board meetings. In the absence of the President and Vice President, the Secretary shall chair the meeting. The President shall have the power to enforce meeting decorum and rules of order and to exercise such other powers and duties as may from time to time be assigned to the President. The Vice President, or in the Vice President’s absence, the Secretary shall perform the duties of the President in the absence or inability to act of the President. The President and/or Vice President shall exercise and perform such other powers and duties as may be assigned by the Board. The Vice President shall perform the Secretary’s duties if the Secretary is absent.

5.2.1 **Appointment.** The Secretary and Treasurer shall be chosen at the initial meeting or as soon as practical thereafter. The offices of President and Vice President shall be filled and shall rotate as follows:

Year	Construction JPA President	Construction JPA Vice-President	Environment Committee Chair	Environment Committee Vice-Chair
Year 1-2	Santa Clara Valley Water District (SCVWD)	Metropolitan Water District of Southern California (MWD)	Kern County Water Agency (KCWA)	State Water Contractor at large (SWC)
Year 3-4	MWD	KCWA	SWC	SCVWD
Year 5-6	KCWA	SWC	SCVWD	MWD
Year 7-8	SWC	SCVWD	MWD	KCWA
Year 9-10	SCVWD	MWD	KCWA	SWC
Year 11-12	MWD	KCWA	SWC	SCVWD
Year 13-14	KCWA	SWC	SCVWD	MWD
Year 15-16	SWC	SCVWD	MWD	KCWA

5.2.2 **Term of Office.** Officers shall serve two (2) year terms and, except for the offices of President and Vice President, serve at the pleasure of the Board. The Secretary and Treasurer may serve for multiple consecutive terms.

5.2.3 **Resignation.** An Officer may resign at any time by giving written notice to the Board in accordance with Section 16.3 of the Agreement. Any resignation takes effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in that notice, the acceptance of the resignation is not necessary to make it effective.

5.2.4 **Removal.** Officers of the Board may be removed and replaced at any time, with or without cause, by a majority vote of the Board. If the office of any Officer appointed pursuant to this Article becomes vacant at any time for any reason, such vacancy may be filled for the duration of the vacated term at any time by the Board in accordance with Article VI of the Agreement.

5.3 **Treasurer.** Pursuant to Sections 11.4 of the Agreement and Government Code Sections 6505.5 and 6505.6, the Board shall appoint a qualified person to act as the Treasurer for the Authority (“Treasurer”). The Board may contract with a Member for provision of the services described in this Section 5.3 by a Member’s employee or to assist an Authority Director appointed as Treasurer pursuant to an agreement between the Member and the Authority, provided that such agreement complies with Sections 11.4 of the Agreement.

5.3.1 The Treasurer shall be the depository and shall have responsibility for the depositing and custody of all funds held by the Authority from any source.

5.3.2 The Treasurer shall possess the powers of, and shall perform those functions required by provisions of applicable law, including those duties described in the Joint Exercise of Powers Act and in the Agreement, and which may be prescribed by the Board or these Bylaws.

5.3.3 Pursuant to Section 11.4 of the Agreement and applicable law, all funds of the Authority shall be strictly and separately accounted for and regular reports shall be rendered of all receipts and disbursements at least quarterly during the fiscal year. The Treasurer shall provide strict accountability of said funds in accordance with Government Code sections 6505 and 6505.5 and all other applicable provisions of law, including any amendments thereto.

5.4 **Secretary.** The Board shall appoint a Secretary who shall have the following duties and powers and may perform such other duties as may be prescribed by the Board. The Secretary must be a Member of the Board; however, the Board may contract with a Member’s employee to assist an Authority Director appointed as Secretary pursuant to an agreement between the Member and the Authority.

5.4.1 The Secretary shall give, or cause to be given, notice of all meetings of the Board and committees of the Authority required by the Bylaws and applicable law to be given.

5.4.2 The Secretary shall keep or cause to be kept, at the Principal Office or such other place as the Board may direct, a record of summary minutes of all meetings and actions of Directors, Alternate Directors and committees of the Authority, with the time and place of meeting, whether the meeting was regular or special, how any special meeting was authorized, the notice provided for the meeting, the names of those present at such meetings, and the votes, actions and proceedings of such meetings.

5.5 **Contracts for Services.** Any Member’s employee(s) providing services for the benefit of the Authority pursuant to an agreement between the Member and the Authority, including, but not limited to, management and administrative services and services for the Board under Sections 5.3 and 5.4 above, shall serve as an independent contractor of the Authority, shall remain a common law employee of the respective Member for all purposes, and shall act solely at the direction of the governing body of the respective Member or management employee(s) under the exclusive control of the governing body of the respective Member. The fee for services provided by the Authority to a Member for such services shall be the subject of an agreement between the applicable Member and the Authority.

5.6 **Increasing Members.** Additional proposed Members may join the Authority in accordance with Section 5.2 of the Agreement.



## ARTICLE 6. MEETINGS AND BOARD ACTION

6.1 **Regular Meetings.** The Board shall meet at least twice per year, or more frequently if the Board deems it necessary, for the purpose of conducting Authority business. Such regular meetings shall be at 2:00p.m. on the third Thursday of the months of January through December and, unless otherwise agreed to by the Board, or the Board may adopt a schedule of meetings at the beginning of the fiscal year.

6.2 **Special Meetings.** Special meetings of the Board may be called by the President or by a majority of all Directors, and shall be conducted pursuant to California Government Code section 54956. The call and notice shall specify the time and place of the special meeting and the business to be transacted or discussed. No other business shall be considered at a special meeting.

6.3 **Emergency Meetings.** Emergency meetings of the Board shall be conducted pursuant to California Government Code section 54956.5 and may be called by the President or by a majority of Directors.

6.4 **Open Meetings.** All regular, special and emergency meetings of the Board shall comply with the Brown Act.

6.5 **Closed Sessions.** The Board shall comply in all respects with closed session requirements and procedures of the Brown Act.

6.6 **Agenda.** The Executive Director shall prepare the agenda for all meetings of the Board in accordance with the Brown Act, and regular meeting agendas shall be posted 72 hours before each meeting in compliance with said Act.

6.7 **Quorum.** A majority of the Board of Directors shall constitute a quorum in order to conduct business. Alternate Directors attending meetings shall not be counted as part of any meeting quorum unless such Alternate Director is formally representing an absent Director. In the absence of a quorum, no business may be transacted except the adjournment of a meeting by the remaining Directors. A Director shall be deemed present for the determination of a quorum if the Director is present at the meeting in person or if he or she participates in the meeting telephonically as provided by the Brown Act.

6.8 **Voting.** Voting shall be conducted pursuant to Section 8.2 of the Agreement. Each Director present at a meeting shall have one vote in any decision. Unless otherwise specified in the Agreement, simple majority of the quorum shall be required for the adoption of a motion, resolution, contract authorization or other action of the Board. Less than a majority may make a motion for adjournment. A vote of four (4) out of five (5) or 80% of Directors, or a majority vote of all Directors, whichever number is less, shall be required for those items listed in Section 8.2 of the Agreement.

6.9 **Action.** Action by the Board on all resolutions and ordinances shall be recorded in writing, signed by the President, and attested to by the Secretary. All other actions of the Board shall be by motion recorded in written minutes.

6.10 **Adjournments and Adjourned Meetings.** The Board may adjourn any regular, adjourned regular, special or adjourned special meeting to a time and place specified by the Board in accordance with applicable law. If less than a majority is present at a meeting, a majority of those members of the Board present may adjourn the meeting from time to time.

## **ARTICLE 7. ADMINISTRATION AND STAFFING**

7.1 **Staffing and Administrative Principles.** The Board shall hire an Executive Director and a General Counsel, as described below. By way of agreement with the subject Member and the Board, the Authority may also utilize the services of staff of one or more of the Members, as appropriate.

7.2 **Executive Director.** The Board may appoint an Executive Director under whose general supervision and control the activities of the Authority shall be conducted (the “Executive Director”) and shall be compensated for his/her services as determined by the Board.

7.2.1 The Executive Director may be a Member entity staff member, or a contract Executive Director retained by the Board and shall serve at the pleasure of the Board and continue in his/her capacity until he/she resigns or is terminated by the Board.

7.2.2 The Executive Director shall be the chief administrative officer of the Authority and shall have overall responsibility for the day-to-day operations and administration of the Authority. The Executive Director shall ensure that staff for the Authority are able to implement the Agreement, these Bylaws, and any other requirements imposed by law.

7.2.3 The Executive Director may employ such additional employees pursuant to Section 9.3 of the Agreement.

7.2.4 Under policy direction from the Board of Directors, the Executive Director shall be responsible for, among other duties as may be assigned by the Board, the following duties:

(a) Developing the annual operating budget and other budgets required under the Agreement and contracting for services that will allow the Authority to fulfill all of its obligations under the Agreement.

(b) Executing contracts, deeds and other documents and instruments as authorized by the Board, subject to any Board policy on spending and signature authority.

(c) Exercising general supervision over all property belonging to the Authority.

(d) Exercising responsibility for purchases of all supplies, materials, and equipment of the Authority.

(e) Coordinating Board meetings and public participation opportunities associated therewith, and in coordination with the Authority’s Legal Counsel, ensuring the Authority operates in a manner consistent with all legal requirements imposed by law on California public agencies.

(f) Ensuring that the requirements of the Joint Exercise of Powers Act (Cal. Gov. Code, § 6500 *et seq.*) are satisfied.

(g) Exercising such other powers and duties as may be prescribed by the Board or these Bylaws.

(h) Carrying out the direction of the Board.

7.3 **Interim Administration.** Until the Executive Director is appointed, and except for Treasurer functions, Authority administration may be accomplished through the appointment of an interim administrator and/or through a collaborative staffing model in which the professional and technical staff of the Members shall work together to provide staff leadership, management and administration of the Authority

7.4 **General Counsel.** The Board may appoint General Counsel to provide legal counsel and representation for the Board and the Authority (“General Counsel”).

7.4.1 General Counsel shall give advice or written opinions as needed, and shall prepare proposed resolutions, ordinances, rules, contracts and other legal documents as requested by the Board or Executive Director. General Counsel shall attend meetings of the Board and shall attend to all legal actions that involve the Authority or are of interest to the Authority. General Counsel shall recommend appointment of special legal counsel for matters requiring specialized legal expertise as required. The Board shall set the compensation of the General Counsel and any special counsel.

7.4.2 General Counsel shall, when deemed appropriate or called upon, seek the advice and consultation of the legal counsels, and possibly employees, as necessary, from Members of the Authority on legal issues facing the Authority; in such an instance, the communications shall be confidential and protected to the fullest extent possible under the law and said communications shall not in any way preclude staff or legal counsels from fulfilling their duties and obligations to their Member, including representation in any dispute or action.

## ARTICLE 8. COMMITTEES

8.1 **Standing Committees.** Pursuant to Article X of the Agreement, the Board may, from time to time, establish standing committees, including an Environmental Compliance and Mitigation Committee to be chaired in accordance with the table in Section 5.2.1 above or as modified in accordance with Section 6.3.1 of the Agreement, for the purpose of making recommendations to the Board on the various activities of the Authority. The establishment of any standing committee and its duties shall require a vote of the Board and the activities of the standing committee shall be subject to the provisions of the Brown Act. Standing committees shall exist for the term specified in the action creating the committee and the Board may dissolve a committee at any time through a vote of the Board. The Board shall determine the purpose and need for such committees and the necessary qualifications for individuals appointed to them.

8.1.1 **Membership.** Standing committee membership and appointments shall be at the Board’s sole discretion. Likewise, the Board shall have the sole discretion to remove or admonish any member, or members, of any standing committee at any time. The Board may, at

its sole discretion, appoint an alternate member to any standing committee. Each standing committee shall include at least one (1) Director and the Director shall act as the chair thereof. The Board may delegate such powers and authority to standing committees as the Board may determine by motion, resolution or ordinance.

8.1.2 **Conduct.** All standing committee meetings shall be noticed, held, and conducted in accordance with the provisions of the Brown Act. The Board shall appoint the respective committee chairs in consultation with the committee members and the Board may further establish rules of conduct for said standing committees. Each standing committee may establish a time and place for regular meetings and may call special meetings in the same manner as the Board. Standing committee meeting minutes shall be recorded and upon approval shall be distributed to the Board.

8.1.3 **Direction.** In establishing a standing committee, the Board shall provide specific direction to the standing committee regarding its tasks, expected duration for completion of its tasks, and a summary of the resources, including staff or consultant support, available to the standing committee in performing its tasks.

8.2 **Other Committees.** The President of the Board and the Board itself each has authority to establish ad hoc, technical or other committees, as appropriate.

8.3 **Advisory Committee.** The Board may create advisory committees in accordance with Article X of the Agreement. Advisory committees' purpose shall be to solicit information from other local agencies and potentially affected stakeholders within the jurisdictional boundaries of the Authority. Each standing committee shall include at least one (1) Director and the Director shall act as the chair thereof. The Board may delegate such powers and authority to advisory committees as the Board may determine by motion, resolution or ordinance. The Board shall determine the purpose and need for such committees and the necessary qualifications for individuals appointed to them.

## ARTICLE 9. POWERS

The powers of the Authority shall be as set forth in Section 4.2 of the Agreement and in Government Code sections 6584 *et seq.* or as otherwise authorized by law, necessary or appropriate to design and construct the Conveyance Project as described in Section 4.2 of the Agreement.

## ARTICLE 10. FINANCES

10.1 **Fiscal Year.** The fiscal year for the Authority shall begin on July 1st and end June 30th, unless the Board decides otherwise.

10.2 **Budget.** The Authority shall operate pursuant to a general operating budget and other Authority budgets adopted in accordance with Section 12.1 of the Agreement. The Authority shall endeavor to operate each year pursuant to an annually balanced operating budget so that projected annual expenses do not exceed projected annual revenues.

10.3 **Operating Budget and Expenditures.** The Board shall adopt an annual operating budget before the beginning of a fiscal year or any other date established by the Board, as required to conduct its business in a manner consistent with the purposes of the Authority. Unless otherwise required by the Agreement or California law, the Treasurer shall draw checks or warrants or make payments by other means for claims or disbursements not within an applicable budget only upon the approval of the Board. The Authority may invest any money in the treasury that is not required for its immediate necessities pursuant to Government Code section 6509.5 in the same manner, and upon the same conditions, as any local agency may do pursuant to Government Code section 53635.

10.4 **Funding for the Authority.** Funding for the Authority shall be in accordance with Section 12.5 of the Agreement.

10.5 **Alternative Funding Sources.** The Authority may, by a Board vote, seek funding from other alternative sources, including but not limited to state and federal grants or loans, and the issuance of bonds.

10.6 **Alternative Funding Source for Payments.** Pursuant to Sections 12.3 and 12.4 of the Agreement, the Board may arrange payment of the expenses of the Authority through an alternative funding source. The Board may direct repayment or return to the Members all or part of the contributions made by the Members, upon such terms as may be consistent with the Agreement. Unless otherwise prohibited by the alternative funding source, fund from said alternative source will be disbursed before Member contributions for covered Authority obligations.

## **ARTICLE 11. DEBTS AND LIABILITIES**

Except as may be specifically provided for in the Agreement and/or California Government Code Section 895.2 as amended or supplemented, the debts, liabilities and obligations of the Authority are not and will not be the debts, liabilities or obligations of any or all of the Members. However, nothing in this Article or in the Agreement prevents, or impairs the ability of, a Member or Members, from agreeing, in a separate agreement, to be jointly and/or severally liable, in whole or in part, for any debt, obligation or liability of the Authority, including but not limited to, any bond or other debt instrument issued by the Authority.

## **ARTICLE 12. RECORDS**

12.1 **Availability.** A copy of the Authority's Bylaws and the Agreement shall be kept at the Authority's Principal Office, as set forth in Section 4.1 above, and shall be open to inspection by the public at all reasonable times during office hours.

12.2 **Inspection.** Unless otherwise restricted by law, any Member and any Director may inspect any record of the Authority, including but not limited to the accounting books and records and minutes of the proceedings of the Board and committees of the Board, at any reasonable time. A designated representative of the Member may make any inspection and copying under this Section and the right of inspection includes the right to copy. As directed and permitted by law, Authority records shall be open to inspection by the public.

### ARTICLE 13. AMENDMENT AND REVIEW

13.1 **Amendment.** These Bylaws may be amended from time to time by resolution of the Board.

13.2 **Review.** The Bylaws of the Authority may be amended, added to, or repealed by a 2/3 vote of the Board of Directors at any meeting of the Board, provided notice of the proposed change or changes is given in the notice of regular or special meeting. In the event that a conflict exists between a provision in the Bylaws and a provision in the Agreement, the provision in the Agreement shall govern.

**CERTIFICATE OF ADOPTION**

I, the undersigned, certify that I am the duly appointed and authorized Secretary/ Executive Director of the DELTA CONVEYANCE DESIGN AND CONSTRUCTION JOINT POWERS AUTHORITY, a California joint powers authority, and the above stated Bylaws, consisting of 12 pages, are the Bylaws of this Authority as approved by the Board of Directors on \_\_\_\_\_ day of \_\_\_\_\_, 2018, to be effective as of \_\_\_\_\_, 2018.

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[name]

[Secretary/Executive Director]

## Board Memo

Contact: Stefanie Morris, Interim General Counsel

Date: 8/16/2018 Board Meeting

Item No. 9b

**Subject:**

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Consider Passing Resolution to Adopt Ethics Policy

**Executive Summary:**

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Adopt and Approve the Delta Conveyance Design and Construction Authority Board Policy on Ethics in Conducting DCA Business

**Detailed Report:**

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See attachments.

**Funding:**

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N/A

**Recommended Action:**

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Staff recommends adopting the Board Policy on Ethics in Conducting DCA Business.

**Attachments:**

Attachment 1 – Draft Resolution 18-7

Attachment 2 – Ethics Policy Exhibit A



**RESOLUTION NO. 18-7**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF DELTA CONVEYANCE DESIGN AND  
CONSTRUCTION JOINT POWERS AUTHORITY ADOPTING A BOARD POLICY ON ETHICS IN  
CONDUCTING DCA BUSINESS**

**BACKGROUND**

The most fundamental principle of public service ethics was stated by Henry Clay in 1829: "Government is a trust, and the officers of government are the trustees; and both the trust and the trustees are created for the benefit of the people." The law sets the floor for ethics and this ethics policy sets forth the standards upon which DCA business will be conducted.

**RESOLUTION:**

1. The Board Policy on Ethics in Conducting DCA Business, attached hereto as Exhibit "A" incorporated herein by reference and made a part hereof, is hereby adopted as the official Board Policy on Ethics in Conducting DCA Business ("Ethics Policy").
2. The Board of Directors hereby finds that the Ethics Policy is important to guide Directors, employees and consultants in conducting DCA business.
3. The Board of Directors finds that the Ethics Policy will maintain the highest standards of ethics by its Board Directors in carrying out their duties to achieve the DCA's missions and the proper operation of the DCA requires decisions and policies to be made in the proper channels of governmental structure, that public office not be used for personal gain, and that all individuals associated with the DCA remain impartial and responsible toward the public.
4. The Board finds that the Ethics policy will maintain Directors, employees and consultants to the highest standard of personal honesty and fairness in carrying out their duties and to do so in conformity with these DCA Guidelines for operations and procedure.
5. The Board finds that the Ethics Policy sets forth the minimum ethical standards to be followed by the Board of Directors of the Delta Conveyance Design and Construction Authority and the manner in which the DCA and the DCA Board of Directors shall operate. The objectives of this policy are:
  - i. to establish uniform guidelines and operating procedures for the Board of Directors;
  - ii. to heighten awareness of ethics, and values and critical elements in Directors' conduct;
  - iii. to provide guidance for dealing with ethical conflict issues; and
  - iv. to improve ethical decision-making and values-based management.

6. The Secretary of the Board of Directors shall certify to the passage and adoption of this Resolution.

\* \* \* \* \*

This Resolution passed and adopted this \_\_\_\_ day of August, 2018, by the following vote:

Ayes: \_\_\_\_\_

Noes: \_\_\_\_\_

Absent: \_\_\_\_\_

Abstain: \_\_\_\_\_

\_\_\_\_\_  
Tony Estremera, Board President

Attest:

\_\_\_\_\_  
Sarah Palmer, Secretary

## DELTA CONVEYANCE DESIGN AND CONSTRUCTION AUTHORITY (DCA)

### BOARD POLICY ON ETHICS IN CONDUCTING DCA BUSINESS

#### **PREAMBLE**

The most fundamental principle of public service ethics was stated by Henry Clay in 1829:  
"Government is a trust, and the officers of government are the trustees; and both the trust and the trustees are created for the benefit of the people."

#### **SECTIONS:**

1. PURPOSE AND SCOPE
2. RESPONSIBILITIES OF PUBLIC OFFICE
3. FAIR AND EQUAL TREATMENT
4. PROPER USE AND SAFEGUARDING OF DCA PROPERTY AND RESOURCES
5. USE OF CONFIDENTIAL INFORMATION
6. CONFLICT OF INTEREST
7. SOLICITING POLITICAL CONTRIBUTIONS
8. INCOMPATIBLE OFFICES
9. 8A. POTENTIALLY INCOMPATIBLE POSITIONS
10. DIRECTORS' COMPENSATION & EXPENSE REIMBURSEMENT
11. VIOLATION OF ETHICS POLICY
12. IMPROPER ACTIVITIES AND THE REPORTING OF SUCH ACTIVITIES;  
PROTECTION OF "WHISTLE BLOWERS"
13. COMPLIANCE WITH THE BROWN ACT
14. BOARD OF DIRECTORS' ROLES AND DUTIES; EXECUTIVE DIRECTOR'S ROLE  
AND DUTIES
15. BOARD-EXECUTIVE DIRECTOR RELATIONSHIP
16. BOARD OFFICERS AND BOARD COMMITTEES
17. BOARD MEETINGS; QUORUM; VOTING
18. BOARD MEETING AGENDA
19. BOARD DECORUM

#### **SECTION 1. PURPOSE AND SCOPE**

The policy of the Delta Conveyance Design and Construction Authority (DCA) is to maintain the highest standards of ethics by its Directors in carrying out their duties to achieve the DCA's mission. The proper operation of the DCA requires decisions and policies to be made in the proper channels of governmental structure, that public office not be used for personal gain, and that all individuals associated with the DCA remain impartial and responsible toward the public. Accordingly, it is the policy of the DCA that Directors and DCA employees maintain the highest standard of personal honesty and fairness in carrying out their duties and to do so in conformity with these DCA Guidelines for operations and procedure. This policy sets forth the minimum ethical standards to be followed by the Board of Directors of the Delta Conveyance Design and

Construction Authority and the manner in which the DCA and the DCA Board of Directors shall operate. The objectives of this policy are:

- (1) to establish uniform guidelines and operating procedures for the Board of Directors;
- (2) to heighten awareness of ethics, values and critical elements in Directors' conduct;
- (3) to provide guidance for dealing with ethical conflict issues; and
- (4) to improve ethical decision-making and values-based management.

## **SECTION 2. RESPONSIBILITIES OF PUBLIC OFFICE**

Directors are public officers, sworn to uphold the Constitution of the United States and the Constitution of the State of California. Directors will comply with applicable laws regulating their conduct, including conflict of interest, financial disclosure and open government laws. Directors will work in cooperation with other public officials unless prohibited from so doing by law or officially-recognized confidentiality of their work.

## **SECTION 3. FAIR AND EQUAL TREATMENT**

Directors will not, in the performance of their official functions, discriminate against or harass any person on the basis of race, religion, color, creed, age, marital status, national origin, ancestry, sex, sexual preference, medical condition or disability. A Director will not grant any special consideration, treatment or advantage to any person or group beyond that which is available to every other person or group in similar circumstances.

## **SECTION 4. PROPER USE AND SAFEGUARDING OF DCA PROPERTY AND RESOURCES**

Except as specifically authorized, a Director will not use or permit the use of DCA owned vehicles, equipment, telephones, materials or property for personal convenience or profit. A Director will not ask or require an DCA employee to perform services for the personal convenience or profit of a Director or employee. Each Director must protect and properly use any DCA asset within his or her control, including information recorded on paper or in electronic form. Directors will safeguard DCA property, equipment, moneys and assets against unauthorized use or removal, as well as from loss due to criminal act or breach of trust.

## **SECTION 5. USE OF CONFIDENTIAL INFORMATION**

- A. A Director is not authorized, without approval of the Board of Directors, to disclose information that qualifies as “confidential information” under applicable provisions of law to a person not authorized to receive it, that
  - (1) has been received for, or during, a closed session meeting of the Board;
  - (2) is protected from disclosure under the attorney/client or other evidentiary privilege; or
  - (3) is not required to be disclosed under the California Public Records Act.
- B. This section does not prohibit any of the following:
  - (1) making a confidential inquiry or complaint to the DCA’s General Counsel or Grand Jury concerning a perceived violation of law, including disclosing facts to the DCA’s General Counsel or Grand Jury that are necessary to establish the alleged illegality of an action taken by the DCA;

- (2) expressing an opinion concerning the propriety or legality of actions taken by the DCA in closed session, including disclosure of the nature and extent of the allegedly illegal action; or
- (3) disclosing information acquired by being present in a closed session that is not confidential information. Prior to disclosing confidential information pursuant to (1) or (2), above, however, a Director is encouraged to first bring the matter to the attention of either the President of the Board or the Board, in a lawful and appropriate manner, to provide the Board an opportunity to cure an alleged violation.

C. A Director who willfully and knowingly discloses for pecuniary gain confidential information received by him or her in the course of his or her official duties may be guilty of a misdemeanor under Government Code section 1098.

## **SECTION 6. CONFLICT OF INTEREST**

A. A Director will not have a financial interest in a contract with the DCA, or be a purchaser at a sale by the DCA or a vendor at a purchase made by the DCA, unless the Director's participation was authorized under Government Code section 1091. A Director will not participate in the discussion, deliberation or vote on a matter before the Board of Directors, or in any way attempt to use his or her official position to influence a decision of the Board, if he or she has a prohibited interest with respect to the matter, as defined in the Political Reform Act, Government Code sections 81000, and following, relating to financial conflicts of interest.

Generally, a Director has a financial interest in a matter if it is reasonably foreseeable that the Board's decision would have a material financial effect:

- (1) on a business entity in which the Director has a direct or indirect investment in an amount as established by the Fair Political Practices Commission (FPPC);
- (2) involving real property in which the Director has a direct or indirect investment interest, in an amount as established by the FPPC;
- (3) involving a source of income of the Director in an amount as established by the FPPC within twelve months before the Board decision;
- (4) involving a source of gifts to the Director in an amount as set or adjusted January 1 of each odd-numbered year by the FPPC, within twelve months before the Board decision; or
- (5) on a business entity in which the Director holds a position as a director, trustee, officer, partner, manager or employee.

The above circumstances would constitute a material financial effect if distinguishable from the effect on the public generally. For additional information or questions, see [www.FPPC.ca.gov](http://www.FPPC.ca.gov) or contact the FPPC at 1-866-ASK-FPPC, or consult with the DCA General Counsel.

An "indirect interest" means any investment or interest owned by the spouse or dependent child of the Director, by an agent on behalf of the Director, or by a business entity or trust in which the Director, or the Director's spouse, dependent child or agent, owns directly, indirectly or beneficially, a ten percent or greater interest. A Director will not accept gifts that exceed the limitations set forth above in subsection (4) or honoraria. Directors will report all gifts, honoraria, campaign contributions, income and financial information as required under the

DCA's Conflict of Interest Code and the provisions of the Fair Political Practices Act and the FPPC Regulations.

- B. If a Director believes that he or she may be disqualified from participation in the discussion, deliberations or vote on a particular matter due to a conflict of interest, the following procedure will be followed:
  - (1) if the Director becomes aware of the potential conflict of interest before the Board meeting at which the matter will be discussed or acted on, the Director will notify the DCA's Executive Director or General Counsel of the potential conflict of interest, so that a determination can be made whether it is a disqualifying conflict of interest;
  - (2) if it is not possible for the Director to discuss the potential conflict with either the Executive Director or the General Counsel before the meeting, or if the Director does not become aware of the potential conflict until during the meeting, the Director will immediately disclose the potential conflict during the Board meeting, so that there can be a determination whether it is a disqualifying conflict of interest; and
  - (3) upon a determination that there is a disqualifying conflict of interest, the Director:
    - a. will not participate in the discussion, deliberation or vote on the matter for which a conflict of interest exist, which will be so noted in the Board minutes; and
    - b. will leave the room until after the discussion, vote and any other disposition of the matter is concluded, unless the matter has been placed on the portion of the agenda reserved for uncontested matters, except that the Director may speak on the issue during the time that the general public speaks on the issue.
- C. A Director will not recommend the employment of a relative by the DCA. In addition, a Director will not recommend the employment of a relative to any person known by the Director to be bidding for or negotiating a contract with the DCA.
- D. A Director who knowingly asks for, accepts or agrees to receive any gift, reward or promise thereof for doing an official act, except as may be authorized by law, may be guilty of a misdemeanor under Penal Code section 70.

## **SECTION 7. SOLICITING POLITICAL CONTRIBUTIONS**

Directors are prohibited from soliciting political funds or contributions at DCA facilities or from DCA employees. A Director will not accept, solicit or direct a political contribution from DCA vendors or consultants who have a material financial interest in a contract or other matter while that contract or other matter is pending before the DCA. A Director will not use the DCA's seal, trademark, stationery or other indicia of the DCA's identity, or facsimile thereof, in any solicitation for political contributions as per state or federal law.

## **SECTION 8. INCOMPATIBLE OFFICES**

Pursuant to California Government Code Section 1099, it shall be prohibited for any Director appointed or elected to the DCA Board of Directors to simultaneously hold two public offices that are incompatible. Offices are incompatible when any of the following circumstances are present, unless simultaneous holding of the particular offices is compelled or expressly authorized by law:

- (1) Either of the offices may audit, overrule, remove members of, dismiss employees of, or exercise supervisory powers over the other office or body.
- (2) Based on the powers and jurisdiction of the offices, there is a possibility of a significant clash of duties or loyalties between the offices.
- (3) Public policy considerations make it improper for one person to hold both offices.

When two public offices are incompatible, the Director shall be deemed to have forfeited his/her Directorship on the DCA Board upon acceding to the second.

## **SECTION 8A: POTENTIALLY INCOMPATIBLE POSITIONS**

Pursuant to California Government Code Section 53227, active DCA employees may not be sworn into office as a member of the DCA Board of Directors unless he/she resigns as an employee.

Failure to resign shall result in his/her employment automatically terminating upon his/her being sworn into office.

Section 9, above, generally does not apply to employees of other local agencies whose public offices may be deemed incompatible. However, in the event that the scope and nature of the employment and associated authority is such that any of the factors set forth above are present, then such employment may be deemed incompatible with that of the Office of DCA Director.

## **SECTION 9. DIRECTORS' COMPENSATION AND EXPENSE REIMBURSEMENT**

Members of the Board of Directors are subject to the provisions of any DCA Board of Directors' Compensation and Expense Reimbursement Policy.

## **SECTION 10. VIOLATION OF ETHICS POLICY**

A Any actual or perceived ethical violation by a Director should be referred to the President of the Board or the Board of Directors for investigation, and consideration of any appropriate action warranted. A violation of this policy may be addressed by the use of such remedies as are available by law to the DCA, including but not limited to:

- (1) adoption of a resolution expressing disapproval of the conduct of the Director who has violated this policy;
- (2) injunctive relief; or
- (3) referral of the violation to the DCA General Counsel and/or the Grand Jury.

## **SECTION 11. IMPROPER ACTIVITIES AND THE REPORTING OF SUCH ACTIVITIES; PROTECTION OF "WHISTLE BLOWERS"**

- A. The Executive Director has primary responsibility for:
- (1) ensuring compliance with the DCA's policies and procedures and ensuring that DCA staff, assistants, consultants and contractors do not engage in improper activities;
  - (2) investigating allegations of improper activities; and
  - (3) taking appropriate corrective and disciplinary actions.

- B. The Board has a duty to ensure that the Executive Director is managing the DCA according to the law and to the policies approved by the Board. Directors are encouraged to fulfill their obligation to the public and the DCA by disclosing to the Executive Director to the extent not expressly prohibited by law, improper activities within their knowledge.
- C. Directors will not interfere with the Executive Director's responsibilities in identifying, investigating and correcting improper activities, unless the Board determines that the Executive Director is not properly carrying out these responsibilities. Nothing in this section affects the responsibility of the Board to oversee the performance of the Executive Director.
- D. A Director will not directly or indirectly use or attempt to use the authority or influence of his or her position for the purpose of intimidating, threatening, coercing, commanding or influencing any other person for the purpose of preventing such person from acting in good faith to report or otherwise bring to the attention of the Executive Director or the Board any information that, if true, would constitute: a work-related violation by a Director or a DCA employee or contractor of any law or regulation, gross waste of DCA funds, gross abuse of authority, a specified and substantial danger to public health or safety due to an act or omission of an DCA official or employee, use of an DCA office or position or of DCA resources for personal gain, or a conflict of interest of an DCA Director or DCA employee.
- E. A Director will not use or threaten to use any official authority or influence to affect any action as a reprisal against a DCA Director or DCA employee who reports or otherwise brings to the attention of the Executive Director, General Counsel, Board President, Assistant Executive Director, or other legal authority any information regarding the subjects described in this section.

## **SECTION 12. COMPLIANCE WITH THE BROWN ACT**

The members of the Board of Directors will fully comply with the provisions of the State's open and public meeting law applicable to public agencies and public officials (the Ralph M. Brown Act; Government Code sections 54950, *et seq.*).

Interpretation of Brown Act provisions shall be within the purview of the DCA's General Counsel.

## **SECTION 13. BOARD OF DIRECTORS' ROLES AND DUTIES; EXECUTIVE DIRECTOR'S ROLE AND DUTIES**

- A. The Board of Directors holds governing authority for the DCA. Its role and responsibilities are:
  - (1) Establish policies, procedures and regulations for DCA operations;
  - (2) Establish policies for and oversee the DCA's finances and approve budgets;
  - (3) Provide the resources needed by management and staff to carry out DCA policies;
  - (4) Define the mission of the DCA to be consistent with the JEPA;
  - (5) Approve and ensure the development and implementation of the DCA's Strategic Plan to be consistent with the JEPA; and
  - (6) Appoint and evaluate the Executive Director.



- B. Directors Individually: Apart from his/her normal function as a part of the Board of Directors, each individual Director's role and responsibilities are as follows:
- (1) Functions only as one member of the Board;
  - (2) Has no individual authority unless authorized by the Board;
  - (3) Not commit, nor represent that he/she can commit the DCA to any policy, act, or expenditure; and
  - (4) Is encouraged to support decisions made by the Board
- C. The DCA's Executive Director:
- (1) Has full operational and management charge and control of the design and construction of the California WaterFix as approved by the DCA Board and DWR;
  - (2) Has full charge and control of the day-to-day management, operation and administration of the DCA;
  - (3) Has full power and authority to employ and discharge consultants, contractors, employees and assistants, consistent with DCA policy and other provisions of law;
  - (4) Prescribes the tasks and duties of employees, assistants, consultants and contractors, consistent with DCA policy; and
  - (5) Fixes and alters the compensation of employees, assistants, contractors and consultants, subject to approval by the Board.

#### **SECTION 14. BOARD-EXECUTIVE DIRECTOR RELATIONSHIP**

The Board sets the policy for the DCA under the terms of the JEPA. The DCA's Executive Director serves by appointment of the Board. The Board provides policy direction and general instructions to the Executive Director on matters within the authority of the Board by the requisite vote of the Board during duly-convened Board meetings. Members of the Board will address matters within the authority of the Executive Director through the Executive Director and not through other DCA employees. Members of the Board will refrain from making requests directly to DCA employees, contractors or consultants (rather than to the Executive Director) to undertake analyses, perform other work assignments or change the priority of work assignments. A director's requests for non-confidential, factual information regarding DCA operations should be made through the Executive Director, Treasurer or General Counsel so that the appropriate DCA staff may be assigned to provide the information for the Director(s) in the most efficient and effective manner.

#### **SECTION 15. BOARD OFFICERS AND BOARD COMMITTEES**

The Board President and Board Vice President shall assume office on July 1 of even number years in accordance with the DCA Agreement. Not later than the first regularly scheduled Board meeting of each July of even years, the Board shall select its Secretary to serve for the following twenty-four month period. Nominations shall be made by Director(s) and if the nomination is seconded, it shall be submitted to a vote of the Board. A majority vote of members present shall be required to ratify the election of the nominated Member.

The Board President shall be responsible for the orderly and timely conduct of Board meetings and shall have the discretion to impose reasonable time limits for statements or discussion by members of the public and members of the Board.

The Vice President of the Board shall preside over any Board meeting at which the Board President is absent and shall assume the responsibilities of the Board President for the conduct of that meeting.

## **SECTION 16. BOARD MEETINGS; QUORUM; VOTING**

- A. The DCA's Board meetings shall be conducted following the general guidelines of "Rosenberg's Rules of Order: Simple Parliamentary Procedures for the 21st Century," League of California Cities, or any updated version thereof.
- B. Regular meetings of the Board shall be held on the third Thursday of each month, beginning at 2:00 pm in the Sacramento Public Library, Tsakopoulos Library Galleria, 828 I Street, Sacramento, CA 95814. The agenda for regular Board meetings shall be posted in a public place at least 72 hours prior to the meeting. Any changes to that schedule must be determined at a regularly scheduled board meeting at least two months earlier than the scheduled meeting.
- C. Special meetings of the Board shall be held for the purpose of discussing DCA matters that:
  - (1) require prompt Board consideration and action which cannot be delayed until the next regularly scheduled Board meeting;
  - (2) concern matter(s) of a specialized topic/nature which would benefit from focused Board consideration and deliberation;
  - (3) matters continued from the last regular Board meeting; or
  - (4) simply at the discretion of the President of the Board of Directors.

Notice and posting of Special Meetings shall be in conformity with the provisions of the Brown Act.

- D. The DCA and the Executive Director will respond to emergency situations and take necessary actions to protect public health or safety. The Board hereby delegates all necessary authority to respond to such urgent circumstances to the Executive Director, who shall consult with either the President of the Board or, if unavailable, one of the other Directors, prior to taking any such action. The Executive Director shall then report his/her actions to the full Board of Directors during its next meeting.

In non-emergency situations where action is required prior to the time when the Board is able to convene a Special Meeting (i.e., those times when it is critical from a business standpoint to take immediate action), the Board also hereby delegates all necessary authority to respond to such circumstances requiring immediate action to the Executive Director, who shall consult with either the President of the Board or, if unavailable, one of the other Directors, prior to taking any such action. The Executive Director shall then report his/her actions to the full Board of Directors during its next meeting.

- E. A quorum of the members of the Board of Directors shall be present in order to convene an official regular or special meeting of the Board for the transaction of business. A quorum is established by the presence of no less than three (3) Directors. In the event a quorum of the Board is not present at a noticed and agendized regular or special meeting, no actions shall be taken and the meeting shall be adjourned to a future date pursuant to the provisions of Government Code sections 54955 or 54954.2(b)(3).

- F. Directors shall, at the earliest opportunity, advise the Executive Director in the event that he/she is unable to attend a scheduled meeting of the Board.
- G. A majority vote of the members of the Board present at a regular or special meeting shall be required to constitute an official act of the Board unless a greater number of votes is otherwise required by law. Abstentions are to be considered neutral and do not count as affirmative or negative votes.

## **SECTION 17. BOARD MEETING AGENDAS**

Any Director may request items be placed onto the board agenda of upcoming Board meetings by submitting a request to the President of the Board and Executive Director no later than ten (10) business days prior to the scheduled Board meeting at which the item is requested to be considered, a written document explaining the item and offering recommendations. The Board President and/or the Executive Director shall determine whether such request shall be granted.

Alternatively, Directors may request that items be calendared for future Board agendas during the “Items for Future Agendas” portion of the agenda at a regular meeting of the Board.

DCA staff shall send regular Board meeting agendas and supporting documents to each member of the Board no later than the Friday immediately preceding the regularly scheduled Board meeting. Directors should thoroughly review the agenda and accompanying materials and be prepared to discuss same at the scheduled Board meeting. Any questions regarding the agenda, items contained therein and/or supporting documents and materials, shall be directed to the Executive Director, the Treasurer or the General Counsel at the earliest opportunity.

## **SECTION 18. BOARD DECORUM AND COMMUNICATIONS WITH THE PUBLIC**

Directors shall at all times conduct themselves with the utmost decorum. Members shall afford due respect to one another, DCA staff and the public. Members shall be courteous and shall not engage in personal attacks or make malicious or offensive statements or comments during the conduct of DCA business. In carrying out their duties, Directors shall bear in mind the Board’s role, the DCA’s mission and the interests of the constituency the Board serves. Director participation shall be relevant to the subject matter at hand and should be expressed in a thoughtful, clear, succinct and articulate manner.

When communicating with members of the public or other public DCA representatives, individual Directors shall refrain from making personal commitments or promises on behalf of the DCA. In addition, when expressing personal views and opinions orally or via social media to third parties concerning matters within the jurisdiction of or affecting the DCA, Directors shall duly qualify them as such to avoid misinterpretation of those views and opinions as those of the DCA or the Board of Directors.

Conversely, when specifically authorized by the Board of Directors to speak on behalf of the DCA at other public agencies’ meetings, clearly state that what is said has been approved by the Board or that the Board has no position on an issue.

Directors are encouraged to support DCA policy and avoid personal statements that conflict with Board-adopted policy and decisions. Members shall afford due respect for other Member's differing opinions and viewpoints. When expressing a dissenting view to members of the public, other public agencies, other public officials and/or to the media, to avoid stimulating or inflaming controversy.

## Board Memo

Contact: June Skillman, Treasurer

Date: 8/16/2018 Board Meeting

Item No. 9c

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**Subject:**

Adopt and Approve the Delta Conveyance Design and Construction Authority Investment Policy

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**Executive Summary:**

Staff has prepared the attached Investment Policy. By section 53600, *et. seq.*, of the Government Code of the State of California, the authority to invest Authority public funds has been delegated to the DCA's Treasurer. This policy is intended to provide guidelines for the prudent investment of surplus cash, reserves, trust funds, bond proceeds and restricted monies. Finally, it is necessary to adopt an Investment Policy before a Conflict of Interest Code can be drafted and adopted by the Board. General Counsel will present a Conflict of Interest Code to the Board at subsequent meetings.

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**Detailed Report:**

See attachments.

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**Funding:**

N/A

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**Recommended Action:**

Staff recommends adopting the Investment Policy.

**Attachments:**

Attachment 1 – Draft Resolution 18-8

Attachment 2 – DCA Investment Policy Exhibit A

**RESOLUTION NO. 18-8**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF DELTA CONVEYANCE DESIGN AND  
CONSTRUCTION JOINT POWERS AUTHORITY ADOPTING INVESTMENT POLICY**

**BACKGROUND**

This policy is intended to provide guidelines for the prudent investment of surplus cash, reserves, trust funds, bond proceeds and restricted monies held by the DCA, if any.

**RESOLUTION:**

1. Pursuant to section 53600, *et. seq.*, of the Government Code of the State of California, the authority to invest Authority public funds has been delegated to the DCA’s Treasurer.
2. The Board adopts this Investment Policy to safeguard the principal of the funds under the Treasurers control when investing public funds.
3. The Board further adopts this Investment Policy to maintain liquidity as required by the Authority.
4. Finally, in the event that the DCA has surplus cash, reserves, trust funds, bond proceeds and restricted monies held by the DCA, the Board adopts this Investment Policy with the objective receiving a return on investment of such funds.
5. The Secretary of the Board of Directors shall certify to the passage and adoption of this Resolution.

\* \* \* \* \*

This Resolution passed and adopted this \_\_\_\_\_ day of August, 2018, by the following vote:

Ayes: \_\_\_\_\_  
Noes: \_\_\_\_\_  
Absent: \_\_\_\_\_  
Abstain: \_\_\_\_\_

\_\_\_\_\_  
Tony Estremera, Board President

Attest:

\_\_\_\_\_  
Sarah Palmer, Secretary

## DELTA CONVEYANCE DESIGN AND CONSTRUCTION DCA (DCA)

### BOARD POLICY ON INVESTMENT

#### **PREAMBLE**

This policy is intended to provide guidelines for the prudent investment of surplus cash, reserves, trust funds, bond proceeds and restricted monies.

#### **SECTION 1. POLICY**

It is the policy of the Board of Directors of the Delta Conveyance Design and Construction Authority (“DCA”) to invest public funds in a manner which conforms to the three fundamental criteria in order of importance, as listed:

- Safety of Principal
- Liquidity
- Return on Investment, or Yield

#### **SECTION 2. INVESTMENT AUTHORITY**

In accordance with Section 53600, *et. seq.*, of the Government Code of the State of California, the authority to invest DCA public funds has been delegated to the DCA’s Treasurer.

#### **SECTION 3. DELEGATION OF AUTHORITY**

Responsibility for the investment program is specifically delegated by the Board to the Board-appointed Treasurer or, if no such appointment has been made, to the Executive Director, hereafter referred to as Treasurer who will establish procedures for the investment program, consistent with this Investment Policy. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities, including procedures to execute investment transactions in the absence of the Treasurer.

#### **SECTION 4. STATEMENT OF OBJECTIVES**

Per Section 53600.5 of the California Government Code, the primary objective of the Treasurer shall be to safeguard the principal of the funds under his or her control when investing public funds. The secondary objective will be to maintain liquidity as required by the DCA and the third objective is to obtain a return on investment of these funds.

In order of priority, the three fundamental criteria shall be followed in the investment of funds:

- (1) **Safety of Principal** – Investments shall be undertaken in a manner which first seeks to ensure the preservation of principal in the portfolio. Each investment transaction shall be entered only after taking into consideration the quality of the issuer, the underlying security or collateral, and diversification of the portfolio. Cash flow analysis will be conducted and utilized to avoid the need to sell securities prior to maturity. The DCA shall seek to preserve principal by mitigating both credit and market risk.

- (2) **Liquidity** – Every effort shall be made to ensure that the DCA’s portfolio is sufficiently liquid to meet current and anticipated operating requirements. Cash flow analysis should be performed on an ongoing basis. Investments shall be made to ensure maturities are compatible with anticipated cash flow requirements.
- (3) **Return on Investment, or Yield** – Investments shall be undertaken to produce an investment return consistent with the primary objectives of Safety of Principal and Liquidity, and the Prudent Investor Standard.

The Treasurer shall have an overall investment objective of holding investments to maturity and not investing with the objective of actively trading or trading for speculative purposes. However, the Treasurer may, from time to time, swap or sell securities in order to reposition securities to current coupon issues, maintain proper asset allocation limits, or to realize profits from market value appreciation.

The Treasurer may sell securities in order to protect the overall quality of the portfolio under the following circumstances:

- (1) To raise cash to meet unanticipated cash-flow requirements;
- (2) To swap old securities for current coupon securities;
- (3) To maintain portfolio allocation limits; and
- (4) To avoid further erosion and loss of investment principal due to deterioration in credit-worthiness, as well as to respond to rapidly changing interest rate environments.

## **SECTION 5. SCOPE**

The Investment Policy applies to all available funds of the DCA with the exception of proceeds of notes, bonds or similar external financings which would be invested pursuant to bond indentures or State of California Government Code Section 53600, *et. seq.*, as applicable.

## **SECTION 6. PRUDENT INVESTOR STANDARD**

All investments and evaluation of such investments shall be made with the Prudent Investor Standard as set forth in the California Government Code, Sections 53600.3 and 27000.3, which is defined as a standard of conduct whereby any person authorized to make investment decisions on behalf of the DCA acts with care, skill, prudence and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the DCA with the aim to safeguard principal and meet the liquidity needs of the DCA.

## **SECTION 7. PORTFOLIO ADJUSTMENTS**

Portfolio percentage limitations for each category of investment are applicable only at the date of purchase. Should an investment percentage be exceeded due to instances such as the fluctuation in overall portfolio size, or market valuation changes, the Treasurer is not required to sell the affected securities.

Should a security held in the portfolio be downgraded below the minimum rating criteria specified in this Investment Policy, the Treasurer shall sell such security in a manner designed to minimize losses. If the security is downgraded to a level that is less than investment grade, the Treasurer shall perform a credit analysis of such security to determine whether hold or sell the security. The Treasurer



may elect to sell the security immediately to minimize losses in the event that an orderly disposition with minimal losses cannot be achieved. If the security matures within sixty (60) days of the rating decline, the Treasurer may choose not to sell the affected security.

The Treasurer shall note in a quarterly report securities which have been downgraded below investment grade and the status of disposition.

## **SECTION 8. SAFEKEEPING AND CUSTODY**

All securities transactions entered into by the DCA shall be conducted on a delivery-versus-payment (DVP) basis pursuant to a custodial safekeeping agreement. All securities owned by the DCA shall be held in safekeeping by an independent custodian designated by the Treasurer. Financial institutions providing safekeeping services shall provide reports or receipts which verify securities held in safekeeping.

## **SECTION 9. REPORTING**

The Treasurer shall submit a quarterly report within 30 days following the end of the quarter covered by the report to the DCA Board of Directors pursuant to California Government Code Section 53646 (b)(1). The report shall at a minimum provide information on compliance to this policy and on the composition of the portfolio for each fund with:

- Types of investment
- Issuer
- Maturity dates
- Par and dollar amount
- Market values including source of the valuation
- Rates of Interest
- Expected yields to maturity

In addition, the quarterly report shall also include a statement denoting the ability to meet the DCA's expenditure requirements for the next six (6) months.

## **SECTION 10. INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES**

Section 53600, *et seq.*, of the Government Code of the State of California prescribes the statutory requirement relating to investments by local treasurers, providing guidance on:

- Allowable investments
- Portfolio diversification requirements including proportional limits on investment types, maximum maturity, and minimum credit rating criteria.

The maximum maturity of any investment in the portfolios shall not exceed five (5) years except when specifically authorized by the DCA Board of Directors through resolution. When practical, the Treasurer shall solicit more than one quotation on each trade for the purpose of awarding investment trades on a competitive basis. The DCA will conform to the legal provisions set forth in the Government Code with further and more specific requirements about allowable investments and restrictions as detailed below:

### **10.1 US Treasury Bonds, Bills and Notes**

Bills, notes and bonds issued by the U.S. Treasury which are direct obligations of the federal government.

- Maximum limit: 100% of the portfolio
- Maximum maturity of five (5) years
- Credit Requirement: N.A.

## **10.2 Federal Agency Bonds and Notes**

Notes and bonds of federal agencies, government-sponsored enterprises and international institutions. Not all are direct obligations of the U. S. Treasury but may involve federal sponsorship and/or guarantees, in some instances.

- Maximum limit: 100% of the portfolio
- Maximum maturity of five (5) years
- Credit Requirement: N.A.

## **10.3 Banker's Acceptances**

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

- Maximum limit: forty percent (40%) of the portfolio
- Issued by banks with total deposits of over one billion dollars (\$1,000,000,000)
- Maximum maturity of one-hundred eighty (180) days
- Twenty-five percent (25%) limitation to any one issuer
- Credit requirement: Ratings of A1, P1 or F1 or better by two of the three nationally-recognized rating agencies: S&P, Moody's, or Fitch, respectively. No rating may be lower than any of the rating listed above.
- Issued by banks from offices in the USA.

## **10.4 Commercial Paper**

Commercial paper is defined as short-term, unsecured promissory notes issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

- Maximum limit: Twenty-five percent (25%) of the portfolio
- Maximum Maturity of two hundred seventy (270) days
- Maximum Issuer Exposure: Ten percent (10%) limitation on outstanding commercial paper to any one issuer
- Credit requirement: Ratings of A1, P1 or FI or better by two of the three nationally-recognized rating agencies: S&P, Moody's, or Fitch, respectively. No rating may be lower than any of the rating listed above.
- Limited to paper issued by corporations organized and operating in the U.S. with total assets in excess of five hundred million (\$500,000,000), and having "A" or higher ratings for the issuer's debt, other than commercial paper, if any, as provided by national recognized rating agency.

## **10.5 Medium Term Corporate Notes**

Corporate Bonds, Corporate Notes and Deposit Notes. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These debt obligations that are generally unsecured.

- Maximum limit: Thirty percent (30%) of the portfolio
- Maximum maturity of five (5) years
- Maximum Issuer Exposure: No more than 5% of the portfolio shall be invested in any single issuer

- Credit Requirement: Must be rated A3, A- or AA or better by two of the three nationally-recognized rating agencies: S&P, Moody's, or Fitch, respectively. No rating may be lower than any of the ratings listed above.
- Eligibility: Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any State and operating within the United States.

#### **10.6 Negotiable Certificates of Deposit**

Issued by commercial banks and thrifts, and foreign banks (Yankee CD's).

- Maximum limit: Thirty percent (30%) of the portfolio, with five percent (5%) per issuer
- Maximum maturity of five (5) years
- Credit Requirement: Rated A, A2 or A (S&P, Moody's or Fitch, respectively)
- Issued by banks with total deposits of one billion dollars (\$1,000,000,000) or more

#### **10.7 Certificates of Time Deposit**

Time deposits, which are non-negotiable, are issued most commonly by commercial banks, savings and loans and credit unions with federal deposit insurance available for amounts up to two hundred-fifty thousand (\$250,000).

- Maximum limit: Thirty percent (30%) of the portfolio for all deposits
- Maximum maturity five (5) years
- On uncollateralized deposits, limited to FDIC insured amount of two hundred- fifty thousand (\$250,000)
- Amounts over FDIC insured amount must be fully collateralized
- Credit Requirement: For federally-insured deposits of two hundred-fifty thousand (\$250,000) or less, no minimum credit rating required. For deposits over two hundred-fifty thousand (\$250,000): Ratings of A, A2, or A or better by two of the three nationally-recognized rating agencies: S&P, Moody's, or Fitch, respectively.

Pursuant to Government Code 53637, the DCA is prohibited from investing in certificate of deposits of a state or federal credit union if a member of the legislative body or decision-making authority serves on the board of directors or committee.

#### **10.8 Money Market Mutual Funds**

Regulated by the SEC, these funds operate under strict maturity and diversification guidelines. These funds have no federal guarantee but are viewed as a very safe short-term cash investment.

- Maximum Maturity: N/A
- Maximum limit: Twenty percent (20%) of the portfolio
- Rating Requirement: Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations
- Daily liquidity
- Net Asset Value (NAV) requirement: one dollar (\$1.00)
- Funds must be invested in securities and obligations permitted under the California Government Code

#### **10.9 State of California, Local Agency Investment Fund (LAIF).**

LAIF is a pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state.

The maximum investment amount currently authorized by Local Agency Investment Fund (LAIF) is sixty-five million (\$65 million), which is subject to change. The LAIF is in trust in the custody of the State of California Treasurer. The DCA's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget.

- Maximum limit: 100% of the portfolio
- Maximum Maturity: N/A

#### **10.10 Municipal Bonds and Notes**

Municipal obligations issued by a municipality within the State of California and any other of the states in the union. This may include bonds, notes, warrants, or other evidences of indebtedness of a local agency within the state.

- Maximum limit: Forty percent (40%) of the portfolio
- Maximum maturity of five (5) years
- Must be issued by State of California or California local agency
- Credit Requirement: Prudent person standard applies

#### **10.11 Repurchase Agreement**

A repurchase agreement is a purchase of authorized securities with terms including a written agreement by the seller to repurchase the securities on a future date and price.

- Maximum limit: Twenty percent (20%) of the portfolio
- Maximum maturity of two hundred seventy (270) days
- Master Repurchase Agreement must be on file
- Limited to primary dealers or financial institutions rated "A" or better by Moody's or equivalent.
- Fully collateralized at market value of at least one hundred two percent (102%) with US government or federal agency securities

#### **10.12 California Asset Management Program (CAMP)**

- Maximum limit: Ten percent (10%) of the portfolio
- Rated highest short term rating by largest nationally recognized rating services

### **SECTION 11. CREDIT RATING**

Credit rating requirements for eligible securities as specified in this policy shall mean alpha numeric designations assigned by the following rating agencies:

- Moody's Investors Service
- Standard & Poor's Rating Services
- Fitch IBCA, Inc.
- Thompson Bank Watch

Please see Rating Description table herein, below.

### **SECTION 12. MONITORING SAFETY AND LIQUIDITY**

The Treasurer shall monitor on an ongoing basis investments for exposure to risk and credit deterioration to ensure primary objectives of safety of principal and liquidity are adhered to. Such matters shall be reported to the DCA Board of Directors as part of the Treasurer's quarterly and/or annual report.

### **SECTION 13. ADMINISTRATION**

The Treasurer may, at any time, establish more restrictive requirements for securities approved for investment as deemed appropriate in this Investment Policy. These restrictions may include, but are not limited to, higher credit ratings, lower percentage limits by security type or issuer, shorter maturities and additional collateral requirements for collateralized investments.

## **SECTION 14. PURCHASING ENTITIES**

Investments not purchased directly from the issuer will be purchased from institutions licensed by the State of California as a broker/dealer, including:

- National or California State Chartered Banks
- Federal or California Chartered Savings Institutions
- Brokerage firms designated as a primary government dealer by the Federal Reserve Bank
- Member of a federally-regulated securities exchange
- Institutions licensed by the State of California as a broker/dealer
- Federal or state savings institutions or associations as defined in Finance Code Section 5102

The Treasurer or designee will maintain a current and eligible list of reputable primary and regional dealers, brokers and financial institutions with whom securities trading and placement of funds are authorized. A strong capital base credit worthiness, and, where applicable, a broker/dealer staff experienced in transactions with California local governments are the primary criteria for inclusion on the DCA's approved list.

Approved dealers and brokers shall be limited to primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and which provide: proof of Financial Industry Regulatory DCA (FINRA) certification; proof of California State registration; and a completed agency broker/dealer questionnaire. In addition, prior to approval and for every two years thereafter, approved dealers and brokers must provide: an audited financial statement; certification of receipt, review of and willingness to comply with the current Investment Policy; and certification of compliance with Rule G-37 of the Municipal Securities Rulemaking Board regarding limitations on political contributions to the Board of Directors of the DCA or to any candidate for these offices.

The Treasurer may remove a firm from the approved list at any time due to: any failure to comply with any of the above criteria; any failure to successfully execute a transaction; any change in broker/dealer staff; or any other action, event or failure to act which, in the sole discretion of the Treasurer is materially adverse to the best interests of the DCA.

## **SECTION 15. INVESTMENT SECURITY**

To ensure a high degree of internal control, the DCA shall comply with the following;

- All securities purchased from dealers and brokers shall be held in safekeeping by the DCA's custodial bank, a national bank, a State chartered bank or trust company, established for this purpose as someone other than the selling party of the security. Securities purchased will be covered by a trust or safekeeping receipt in a manner that establishes the DCA's ownership. All transactions completed on a delivery versus pay basis (DVP).
- All trade confirmation shall be received directly and reviewed for conformity to the original transaction by an individual other than the person originating the transaction. All trade confirmation must be an original; copies of confirmations are not allowed. Any discrepancies will be brought to the attention of the Treasurer.

**SECTION 16. FUND WIRE PROCEDURES**

Payment for securities purchased from broker dealers that are ineligible for safekeeping will be made through the DCA's custodial bank. Funds will only be transferred subsequent but immediately following the custodial bank's acknowledgement that they are prepared to make settlement on the terms and conditions specified by the DCA. Payment for securities purchased from bank investment departments that will be safely kept with the trust department of the bank will be made immediately upon confirmation of the trade.

**SECTION 17. PERFORMANCE REVIEW AND INTERNAL CONTROL**

The Treasurer or designee shall maintain a system of internal controls designed to ensure compliance with the Investment Policy and to prevent losses due to fraud, employee error, and misrepresentations by third parties or unanticipated changes in financial markets. The internal control includes; the activities of any subordinate officials acting on behalf of the DCA. Procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. As part of the annual audit, the DCA's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

**SECTION 18. ETHICS AND CONFLICT OF INTEREST**

All officers and employees involved in the investment process shall refrain from engaging in any personal business activity which could conflict with proper execution of investments subject to this Policy. Any material financial interests in financial institutions which do business with the DCA should be disclosed to the Executive Director of the DCA. All individuals involved in the investment process are required to report all gifts and income in accordance with California State Law.

## SUMMARY TABLE OF INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
US Treasury Bonds, Bills and Notes	100%	N/A	5 Years	<i>N/A</i>
Federal Agency Bonds & Notes	100%	N/A	5 Years	<i>Full backing by the federal government of the United States of America</i>
Bankers Acceptance	40%	25% limitation to a single issuer	180 days	<i>“A-1/P-1” rated by S&amp;P and Moody’s or equivalent for domestic banks</i>
Commercial Paper	25%	10% limitation to single issuer	270 days	<i>“A-1/P-1” rated by S&amp;P and Moody’s or equivalent</i>  <i>“AA” rated by S&amp;P or equivalent for US branch of foreign banks</i>
Medium Term Corporate Notes	30%	5% limitation to a single issuer. Limited to US licensed and operating corporations	5 years	<i>“A3” rated by at least one nationally recognized rating service</i>
Negotiable CD	30%	National or state chartered bank, S&L, or branch of foreign bank	5 years	<i>“A” rated by one or more nationally rated credit rating agencies</i>
Certificates of Time Deposit	30%	See California Government Code Section 53637	5 Years	<i>Limit to FDIC Insured amount \$250,000, Fully collateralized on amounts over the insured amount in accordance with California Government Code</i>
Money Market Mutual Funds	20%	Must maintain constant NAV of \$1.00	Daily Liquidity	<i>Top ranking or highest letter and numerical by 2 of the 3 nationally recognized rating services</i>

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
				<i>Fund must be invested in securities and obligation permitted under Government Code</i>
State of California, Local Agency Investment Fund (“LAIF”)	100%	None	N/A	<i>Subject to California Government Code Section 16429.1 limitations</i>
Municipal Bonds & Notes	40%	State of California or California agencies	5 Years	<i>Prudent person standard</i>
Repurchase Agreements (“REPO”)	20%	Limited to primary dealers or financial institutions rated “A” or better by Moody’s	270 days	<i>Fully collateralized (min 102% of funds borrowed with daily mark to market) with US Government or federal agency securities with maximum 5 year maturities</i>
California Asset Management Program (“CAMP”)	10%	N/A	Daily Liquidity	<i>Highest short term rating by S&amp;P, Moody’s and/or Fitch</i>



## RATING DESCRIPTION TABLE

Long Term Debt Ratings			
Credit Quality	Moody's	S&P	Fitch
Strongest Quality	Aaa	AAA	AAA
Strong Quality	Aa1/Aa2/Aa3	AA+/AA/AA-	AA
Good Quality	A1/A2/A3	A+/A/A-	A
Medium Quality	Baa1/Baa2/Baa3	BBB+/BBB/BBB-	BBB
Speculative	Ba1/Ba2/Ba3	BB+/BB/BB-	BB
Low	B1/B2/B3	B+/B/B-	B
Poor	Caa	CCC+	CCC
Highly Speculative	Ca/C	CCC/CCC-/CC	CC
Short Debt Ratings			
Credit Quality	Moody's	S&P	Fitch
Strongest Quality	P-1	A-1+	F1
Strong Quality		A-1	
Good Quality	P-2	A-2	F2
Medium Quality	P-3	A-3	F3

Note: Investment Grade ratings applies to securities with at least a medium credit quality or higher by one of the nationally recognize rating organization, anything below the medium credit quality is non-investment grade.

## EXHIBIT A

### GLOSSARY

**ACCRETION:** Adjustment of the difference between the prices of a bond bought at an original discount and the par value of the bond.

**AGENCIES:** Federal agency securities and/or Government-sponsored enterprises (GSEs), also known as U.S. Government instrumentalities. Securities issued by Government National Mortgage Association (GNMA) are considered true agency securities, backed by the full faith and credit of the U.S. Government. GSEs are financial intermediaries established by the federal government to fund loans to certain groups of borrowers, for example homeowners, farmers and students and are privately owned corporations with a public purpose. The most common GSEs are Federal Farm Credit System Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Association, and Federal National Mortgage Association.

**AMORTIZATION:** Accounting procedure that gradually reduces the cost value of a limited life or intangible asset through periodic charges to income. For fixed assets, the term used is “depreciation”. It is common practice to amortize any premium over par value paid in the purchase of preferred stock or bond investments.

**APPRECIATION:** Increase in the value of an asset such as a stock bond, commodity or real estate.

**ASKED PRICE:** The price a broker/dealer offers to sell securities.

**ASSET BACKED:** A type of security that is secured by receivables, such as credit card and auto loans. These securities typically pay principal and interest monthly.

**BANKERS' ACCEPTANCE (BA):** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. This money market instrument is used to finance international trade.

**BASIS POINT:** One-hundredth of one percent (i.e., 0.01%).

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

**BID PRICE:** The price a broker/dealer offers to purchase securities.

**BOND:** A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

**BOOK VALUE:** The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

**BROKER:** A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

**CALLABLE SECURITIES:** A security that can be redeemed by the issuer before the scheduled maturity date.

**CASH EQUIVALENTS (CE):** Highly liquid and safe instruments or investments that can be converted into cash immediately. Examples include bank accounts, money market funds, and Treasury bills.

**CASH FLOW:** An analysis of all changes that affect the cash account during a specified period.

**CERTIFICATE OF DEPOSIT (CD):** A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

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

**COLLATERALIZED MORTGAGE OBLIGATION (CMO):** A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

**COMMERCIAL PAPER:** Short-term, unsecured, negotiable promissory notes of corporations.

**CORPORATE NOTE:** Debt instrument issued by a private corporation.

**COUPON:** The annual rate at which a bond pays interest.

**CREDIT RATINGS:** A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these

**CREDIT RISK:** The risk that an obligation will not be paid and a loss will result due to a failure of the issuer of a security.

**CUSIP:** Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and operated by Standard & Poor's—facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

**CURRENT YIELD:** The annual interest on an investment divided by the current market value.

Since the calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

**CUSTODIAN:** A bank or other financial institution that keeps custody of stock certificates and other assets.

**DEALER:** A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own risk and account or inventory.

**DEBENTURES:** A bond secured only by the general credit of the issuers.

**DELIVERY VERSUS PAYMENT (DVP):** Delivery of securities with a simultaneous exchange of money for the securities.

**DERIVATIVES:** A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

**DIRECT ISSUER:** Issuer markets its own paper directly to the investor without use of an intermediary.

**DISCOUNT:** The difference between the cost of a security and its value at maturity when quoted at lower than face value.

**DIVERSIFICATION:** Dividing investment funds among a variety of securities offering independent returns and risk profiles.

**DURATION:** A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration measures the price sensitivity of a bond to changes in interest rates.

**FACE VALUE:** The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

**FAIR VALUE:** The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

**FANNIE MAE:** Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):** A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently \$250,000.

**FEDERAL FARM CREDIT BANK (FFCB):** Government-sponsored enterprise that

consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. government guarantees.

**FEDERAL FUNDS RATE:** The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

**FEDERAL GOVERNMENT AGENCY SECURITIES:** Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

**FEDERAL HOME LOAN BANKS (FHLB):** Government sponsored enterprise (currently made up of 12 regional banks) that regulates and lends funds and provides correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. Although the banks operate under federal charter with government supervision, the securities are not guaranteed by the U. S. Government.

**FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC):** Government sponsored enterprise that helps maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. Its discount notes and bonds do not carry direct U.S. government guarantees.

**FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA):** Government sponsored enterprise that is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted.

**FEDERAL OPEN MARKET COMMITTEE (FOMC):** A committee of the Federal Reserve Board, which establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

**FEDERAL RESERVE SYSTEM:** The central bank of the U.S. which consists of a seven member Board of Governors, 12 regional banks and about 5,700 commercial banks that are members.

**FED WIRE:** A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

**FREDDIE MAC:** Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. government sponsored enterprise.

**GINNIE MAE:** Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

**GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB):** A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

**GUARANTEED INVESTMENT CONTRACTS (GICS):** An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

**INTEREST RATE:** The annual yield earned on an investment, expressed as a percentage.

**INTEREST RATE RISK:** The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

**INVESTMENT AGREEMENTS:** A contract providing for the lending of issuer funds to a financial institution which agrees to repay the funds with interest under predetermined specifications.

**INVESTMENT GRADE (LONG TERM RATINGS):** The minimum, high quality ratings for long term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P), and A- (Fitch).

**INVESTMENT PORTFOLIO:** A collection of securities held by a bank, individual, institution or government DCA for investment purposes.

**LIQUIDITY:** A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

**LOCAL DCA INVESTMENT FUND (LAIF):** An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

**LOCAL AGENCY INVESTMENT POOL:** A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

**MARKET RISK:** The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

**MARKET VALUE:** The price at which a security is currently being sold in the market. See FAIR VALUE.

**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:** The date that the principal or stated value of a debt instrument becomes due and payable.

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

**MODIFIED DURATION:** The percent change in price for a 100 basis point change in yields. This is a measure of a portfolio's or security's exposure to market risk.

**MONEY MARKET:** The market in which short term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

**MORTGAGED BACKED SECURITIES:** A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

**MUNICIPAL BONDS:** Debt obligations issued by states and local governments and their agencies, including cities, counties, government retirement plans, school Agencies, state universities, sewer agency, municipally owned utilities and authorities running bridges, airports and other transportation facilities

**MUTUAL FUND:** An entity that pools money and can invest in a variety of securities which are specifically defined in the fund's prospectus.

**NEGOTIABLE CERTIFICATE OF DEPOSIT:** A large denomination certificate of deposit which can be sold in the open market prior to maturity.

**NET PORTFOLIO YIELD:** Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earnings during the period divided by the sum of all Average Daily Portfolio Balances.

**NATIONALLY RECOGNIZED RATING ORGANIZATION (NRSRO):** is a credit rating agency that issues credit ratings that the U.S Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.

**OPEN MARKET OPERATIONS:** Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit. Sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**PAR VALUE:** The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond. See FACE VALUE.

**PORTFOLIO:** The collection of securities held by an individual or institution.

**PREMIUM:** The difference between the par value of a bond and the cost of the bond, when the cost is above par.

**PRIMARY DEALER:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. These dealers are authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of market operations to carry out U.S. monetary policy. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

**PRIME (SHORT TERM RATING):** High quality ratings for short term debt such as commercial paper. Prime ratings are as follows: P1 (Moody's), A1 (S&P), and F1 (Fitch).

**PRINCIPAL:** The face value or par value of a debt instrument, or the amount of capital invested in a given security.

**PRIVATE PLACEMENTS:** Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

**PROSPECTUS:** A legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

**PRUDENT INVESTOR STANDARD:** A standard of conduct for fiduciaries. Investments shall be made with judgment and care--under 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.

**PUBLIC DEPOSIT:** A bank that is qualified under California law to accept a deposit of public funds.



**PURCHASE DATE:** The date in which a security is purchased for settlement on that or a later date. Also known as the “trade date”.

**RATE OF RETURN:** 1) The yield which can be attained on a security based on its purchase price or its current market price. 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

**REALIZED GAIN (OR LOSS):** Gain or loss resulting from the sale or disposal of a security.

**REGIONAL DEALER:** A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

**REPURCHASE AGREEMENT (RP or REPO):** A transaction in which a counterparty or the holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the DCA) with a simultaneous agreement to repurchase them at a fixed date. The security "buyer" (e.g. the DCA) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the “buyer” for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

**REVERSE REPURCHASE AGREEMENT (REVERSE REPO):** The opposite of a repurchase agreement. A reverse repo is a transaction in which the DCA sells securities to a counterparty (e.g. investment dealer) and agrees to repurchase the securities from the counterparty at a fixed date. The counterparty in effect lends the seller (e.g. the DCA) money for the period of the agreement with terms of the agreement structured to compensate the buyer.

**RISK:** Degree of uncertainty of return on an asset.

**SAFEKEEPING:** A service which banks offer to clients for a fee, where physical securities are held in the bank’s vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank’s name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or on the call date, if called.

**SECURITIES AND EXCHANGE COMMISSION (SEC):** DCA created by Congress to protect investors in securities transactions by administering securities legislation.

**SECONDARY MARKET:** A market for the repurchase and resale of outstanding issues following the initial distribution.

**SECURITIES:** Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness or equity.

**SETTLEMENT DATE:** The date on which a trade is cleared by delivery of securities against

funds.

**SPREAD:** The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

**STRUCTURED NOTE:** A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include “inverse floating rate” notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising and “dual index floaters”, which pay interest based on the relationship between two other interest rates, for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

**SUPRANATIONALS:** are international institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through sustainable economic growth. The Government Code allows local agencies to purchase the United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

**TIME DEPOSIT:** A deposit with a California bank or savings and loan association for a specific amount and with a specific maturity date and interest rate. Deposits of up to \$250,000 are insured by FDIC. Deposits over \$250,000 are collateralized above the insurance with either government securities (at 110% of par value), first trust deeds (at 150% of par value), or letters of credit (at 105% of par value).

**TOTAL RATE OF RETURN:** A measure of a portfolio’s performance over time. It is the internal rate of return which equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity.

**TRUSTEE OR TRUST COMPANY OR TRUST DEPARTMENT OF A BANK:** A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

**UNDERWRITER:** A dealer which purchases a new issue of municipal securities for resale.

**UNIFORM NET CAPITAL RULE:** Securities and Exchange Commission requirement that member firms as well as nonmember broker/dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**U.S. GOVERNMENT AGENCY SECURITIES:** Securities issued by U.S. government agencies, most of which are secured only by the credit worthiness of the particular agency. See AGENCIES.

**U.S. TREASURY OBLIGATIONS:** Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are the benchmark for interest rates on all other securities in the U.S. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal, taxes.

**TREASURY BILLS:** Securities issued at a discount with initial maturities of one year or less. The Treasury currently issues three-month and six-month Treasury bills at regular weekly auctions. It also issues very short-term “cash management” bills as needed to smooth out cash flows.

**TREASURY NOTES:** Intermediate-term coupon-bearing securities with initial maturities of one year to ten years.

**TREASURY BOND:** Long-term coupon-bearing securities with initial maturities of ten years or longer.

**UNREALIZED GAIN (OR LOSS):** Gain or loss that has not become actual. It becomes a realized gain (or loss) when the security in which there is a gain or loss is actually sold. See REALIZED GAIN (OR LOSS).

**VOLATILITY:** Characteristic of a security, commodity or market to rise or fall sharply in price within a short-term period.

**WATERFIX BONDS:** Those bonds issued by the California Department of Water Resources to fund the California WaterFix, a conveyance project to further the co-equal goals of the State Legislature, pursuant to Section 85054 of the California Water Code.

**WEIGHTED AVERAGE MATURITY:** The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

**YIELD:** The annual rate of return on an investment expressed as a percentage of the investment. See CURRENT YIELD; YIELD TO MATURITY.

**YIELD CURVE:** Graph showing the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

**YIELD TO MATURITY:** Concept used to determine the rate of return if an investment is held to maturity. It takes into account purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. It is the rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

## Board Memo

Contact: Stefanie Morris, Interim General Counsel

Date: 8/16/2018 Board Meeting

Item No. 9d

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**Subject:**

Adopt and Approve a Protest Policy

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**Executive Summary:**

The DCA will be issuing many contracts through a competitive bidding process. Before we award any contracts through the competitive bidding process it is important to establish a policy related to how bid protests will be handled in the event a protest is received. It is also important for the DCA to handle protests in a similar fashion, which this Policy will ensure. This Policy applies protests received in connection with the procurement of competitively solicited goods, materials, and services.

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**Detailed Report:**

See Attachments.

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**Funding:**

N/A

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**Recommended Action:**

Staff recommends adopting the Protest Policy.

### Attachments:

Attachment 1 – Draft Resolution 18-9

Exhibit A – DCA Protest Policy

**RESOLUTION NO. 18-9**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF DELTA CONVEYANCE DESIGN AND  
CONSTRUCTION JOINT POWERS AUTHORITY ADOPTING A PROTEST POLICY**

**BACKGROUND**

This policy is intended to provide guidelines for how to handle protests received by the DCA through the procurement of goods, materials and services.

**RESOLUTION:**

1. The DCA will be entering into many contracts through a competitive bidding process.
2. The Board adopts this Protest Policy attached as Exhibit A to provide guidance to DCA staff and a uniform practice for handling protests.
3. The Board further adopts this Protest Policy to provide notice and clarity to those bidding for DCA contracts regarding the policy for handling protests.
4. The Secretary of the Board of Directors shall certify to the passage and adoption of this Resolution.

\* \* \* \* \*

This Resolution passed and adopted this \_\_\_\_\_ day of August, 2018, by the following vote:

Ayes: \_\_\_\_\_

Noes: \_\_\_\_\_

Absent: \_\_\_\_\_

Abstain: \_\_\_\_\_

\_\_\_\_\_  
Tony Estremera, Board President

Attest:

\_\_\_\_\_  
Sarah Palmer, Secretary

**DELTA CONVEYANCE  
DESIGN AND CONSTRUCTION AUTHORITY  
PROTEST POLICY**

- A. **Applicability.** This Policy applies to the procurement of competitively solicited goods, materials, and services. Protests shall be handled in accordance with the following.
- B. **Timeliness.** Any protest of a solicitation (e.g., Request for Bid, Request for Proposal, Request for Qualification) must be made in writing and received by the Delta Conveyance Design and Construction Authority (“DCA”) at 1121 L Street, Suite 1045 Sacramento, CA 95814 and to [protests@dcdca.org](mailto:protests@dcdca.org).
1. Protests of award/selection must be received no later than five (5) working days after notification of protestor’s selection status.
  2. The protest must be made in writing (e.g., letter and e-mail) and must contain the following information:
    - a) Name, address and phone number of the protestor
    - b) The title and solicitation number and title of the solicitation being protested
    - c) A detailed statement providing the basis for the protest and all supporting documentation
  3. The DCA will respond after an investigation of the facts citing any actions that will or will not be taken regarding the solicitation.
  4. Late protests shall be dismissed.
- C. **Exclusive Remedy.** The procedure and time limits set forth in this section are mandatory and are the sole and exclusive remedy in the event of a Protest. A Protestor’s failure to comply with these procedures will constitute a waiver of any right to further pursue a Protest, including filing a Government Code Claim or initiation of legal proceedings.
- D. **Right to Award.** The DCA reserves the right to award the Contract to the Respondent it has determined to be the Respondent submitting the lowest responsive bid, in the case of a Request for Bid, or to the Respondent submitting the best value proposal or the Respondent that is the most qualified, in the case of a Request for Proposal or Statement of Qualifications, and to issue a notice to proceed with the Work notwithstanding any pending or continuing challenge to its determination.

## **BOARD MEMO**

**Contact: Jill Duerig, Interim Executive Director**

**Date: 8/16/2018 Board Meeting**

**Item No. 9e**

**Subject:**

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Possible logos for the DCA

**Executive Summary:**

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Four possible logo options have been developed for consideration.

**Detailed Report:**

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Attached are four options for DCA logos that have been developed by Management Partners' graphic designer associates. The designer tried to capture the mission of the DCA to implement the California WaterFix, showing either the WaterFix logo or tunnel impressions.

Staff recommends discussing these options and selecting one of them as the logo for the new entity.

**Funding:**

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No funding requirements.

**Recommended Action:**

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Discuss and select a logo for the DCA

**Attachments:**

Attachment 1- Logo Option Sheet

LOGO 1



LOGO 2



LOGO 3



LOGO 4





## **Board Memo**

**Contact: Jill Duerig, Interim Executive Director**

**Date: 8/16/2018 Board Meeting**

**Item No. 10a**

**Subject:**

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Executive Director's Report

**Executive Summary:**

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Activities since the July meeting have been ramping up. The first Inter-Agency Agreements have now been executed (with Metropolitan Water District of Southern California for administrative services and treasurer). The contract with the Hallmark Group to provide transition support services has also been executed. Insurance is now in place for the DCA and its board and officers. Coordination with DWR continues through its Design Construction Oversight (DCO) team.

**Detailed Report:**

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In compliance with the Joint Exercise of Powers Agreement (JEPA) with DWR, memos have been sent to the DCO requesting authorization to commence transition activities, agreement on the DCA budget and notification of execution of the Hallmark Group contract (which includes a clause that names DWR as a third-party beneficiary).

Initial meetings have been taking place with both MWD and Hallmark staff. These kick-off meetings have been productive in establishing roles and expectations within the DCA team. Functional teams are being formed and beginning their work. Procedures and templates for procurement are already nearing completion. Approaches to invoice processing and documentation are also being discussed.

Other inter-agency agreements for best-in-class individuals at DWR and various public water agencies are in process. Evaluation teams have been formed to begin processing the responses received to the four RFQs previously distributed (geotechnical, Engineering Design Manager, real estate and surveying); staff anticipate completing the evaluations in a couple months for possible board approval as early as the October Board meeting. The long-term Executive Director selection will be facilitated by the recruitment firm, Ralph Andersen and Associates. A new Request for Proposals for the Project Manager role should be distributed by the end of this month. A Request for Proposals for the long-term Executive Director will probably go out by the end of September.

**Recommended Action:**

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Information, only.

## Board Memo

Contact: Stefanie Morris, Interim General Counsel

Date: 8/16/2018 Board Meeting

Item No. 10b

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**Subject:**

General Counsel's Report

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**Executive Summary:**

General Counsel has spent most time working on necessary regulatory filings, drafting policies and coordination with the Executive Director.

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**Detailed Report:**

General Counsel has continued to work with the Executive Director to develop Inter-Agency agreements and other necessary consultant contracts. General Counsel has worked with the Executive Director to draft an Ethics Policy, Bylaws, Investment Policy and Protest Procedures. General Counsel continues to coordinate with Executive Director regarding application of the JEPA with DWR, as well as coordination with DWR. If the Board adopts the Investment Policy, General Counsel will develop the necessary Conflict of Interest Code and bring it back to the Board for consideration.

There are several critical items that are currently underway related to California WaterFix. Attached to this report is a timeline that outlines major milestones in 2018 and 2019. General Counsel will orally report on this timeline.

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**Recommended Action:**

Information, only.

**Attachments:**

Attachment 1 - California WaterFix Schedule of Major Milestones 2018/2019

# California WaterFix Schedule of Major Milestones 2018/2019

ACTIONS	DATES*		2018						2019						
	Start	End	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
PERMITS/AUTHORIZATION															
CPOD															
Rebuttal Hearing	<b>8/2/2018</b>	9/15/2018													
Closing Briefs Due		11/1/2018													
Draft Order		12/1/2018													
Hearing on Draft Order	12/15/2018	12/30/2018													
Order Issued		1/31/2019													
Delta Plan Consistency															
DWR Submits		<b>7/27/2018</b>													
Appeal Deadline		8/26/2018													
Hearing	10/24/2018	10/29/2018													
Draft Ruling		11/1/2018													
Public Workshop		11/15/2018													
Final Ruling		12/20/2018													
CONTRACTOR PARTICIPATION/FUNDING															
Contract Amendment															
Draft AIP		<b>6/27/2018</b>													
CEQA	<b>7/13/2018</b>	2/1/2019													
Contract Language	8/1/2018	12/30/2018													
PWA Approval	2/1/2019	2/28/2019													
DWR Approval		2/15/2019													
Multi-Year Transfers															
CEQA	8/1/2018	12/30/2018													
Negotiate Agreements	8/1/2018	1/15/2019													
PWA Approval	1/15/2018	1/30/2019													
DWR Approval		2/15/2019													
Ag Contractors															
Approve Participation	1/15/2018	1/30/2019													
PWA-DWR Agreements															
Final Gap Funding Participation		1/30/2019													
Master Agreement		1/30/2019													
FINANCING															
Establish Finance Authority		7/3/2018													
WIFIA															
WIFIA LOI and Evaluation	7/31/2018	11/30/2018													
WIFIA Application/Negotiations	12/1/2018	11/30/2019													
Bond Financing															
Assignment Agreement		1/30/2019													
Installment Purchase Agreement		6/30/2019													
Bond Support Agreement		6/30/2019													
DWR Bond Financing Agreement		6/30/2019													
1st Issuance/Planning Cost Refund		7/1/2019													
DESIGN/CONSTRUCTION (see separate schedule for detail)															
RFPs/RFQs/Staffing															
Earliest Start of Construction		2/15/2019													

\* Bold represents firm dates.

## **Board Memo**

**Contact: June Skillman, Treasurer**

**Date: 8/16/2018 Board Meeting**

**Item No. 10c**

**Subject:**

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Treasurer's Monthly Report, July 2018

**Executive Summary:**

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- During July 2018, receipts totaled \$1,041, consisting of interest earned on the DCA Start-up Trust cash balance in June 2018.
- Expenditures from the DCA Start-up Trust totaled \$12,363.
- The balance in the DCA Start-up Trust at July 31, 2018 was \$785,116.

**Detailed Report:**

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See attached.

**Funding:**

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N/A

**Recommended Action:**

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N/A

## **Attachments:**

Attachment 1 - June 2018 DCA Start-up Trust Statement

Attachment 2 - July 2018 DCA Start-up Trust Statement

DELTA CONVEYANCE DESIGN AND CONSTRUCTION AUTHORITY  
Statement of Cash Receipts and Disbursements  
Month Ended June 30, 2018

Receipts:	
Contributions from member agencies	\$ 800,000
Disbursements:	
Consulting services	3,562
Net change in cash	796,438
Cash at beginning of month	—
Cash at end of month	\$ 796,438

DELTA CONVEYANCE DESIGN AND CONSTRUCTION AUTHORITY  
Statement of Cash Receipts and Disbursements  
Month Ended July 31, 2018

## Receipts:

Interest receipts from June	\$ 1,041
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## Disbursements:

Legal Services	12,363
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Net change in cash	(11,322)
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Cash at beginning of month	796,438
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Cash at end of month	\$ 785,116
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