

# HEBER PUBLIC UTILITY DISTRICT

## REPORT TO BOARD OF DIRECTORS

**MEETING DATE:** December 21, 2017

**FROM:** Laura Fischer, General Manager

**SUBJECT:** Adopt Resolution 2017-14 Amending Heber Public Utility District Policy Number 3040 Expense Authorization

**ISSUE:** Shall the Board Adopt Resolution 2017-14 to amend the HPUD Policy Number 3040?

### **General Manager's Recommendation:**

Adopt Resolution 2017-14 to amend policy number 3040 to add the following language:

3040.2 Any commitment of District funds for a purchase or expense greater than ~~\$5,000~~ \$15,000.00 shall first be submitted to the Board of Directors for approval, or shall be in conformance with prior Board action and/or authorizations.

3040.2.1 The General Manger may authorize expenditures greater than ~~\$5,000.00~~ \$15,000.00 in certain circumstances that require immediate action. The General Manager will immediately report any such expense to the Board of Directors.

### **FISCAL IMPACT:**

No impact to the budget. All expenditures must be included in the Board approved budget.

### **BACKGROUND:**

During the 2016-17 Fiscal Year audit, the auditor noted that the Budget Resolution and the recently adopted Board Policies do not clearly state the same amount as the General Manager's expenditure authorization. They recommended that the Board of Directors consider correcting this concern.

#### **HPUD Budget Resolution States:**

The General Manager has the authority to execute expenditures up to \$15,000 without prior approval of the Board of Directors.

#### **HPUD Board Policy Number 3040.2 states:**

Any commitment of District funds for a purchase or expense greater than \$5,000 shall first be submitted to the Board of Directors for approval, or shall be in conformance with prior Board action and/or authorizations.

#### **HPUD Board Policy Number 3040.2.1 states:**

The General Manager may authorize expenditures greater than \$5,000 in certain circumstances that require immediate action. The General Manager will immediately report any such expense to the Board of Directors.

The attached Resolution 2017-14 would include the following policy amendments:

**Staff Recommended Corrections:**

Policy Number 3040.2 Any commitment of District funds for a purchase or expense greater than \$15,000 shall first be submitted to the Board of Directors for approval, or shall be in conformance with prior Board action and/or authorizations.

Policy Number 3040.2.1 The General Manager may authorize expenditures greater than \$15,000 in certain circumstances that require immediate action. The General Manager will immediately report any such expense to the Board of Directors.

**DISCUSSION:**

There are some instances when the General Manager currently approves purchases that exceed the \$5,000 limit. The current purchasing procedures that are followed by HPUD General Manager and Manager staff are to approve purchases, including equipment outlay, that are identified within the adopted HPUD budget.

**Large Quantities of One Item:**

If a large quantity of items, such as meters, are included in the budge we follow the bidding requirements and purchase the meters. Meters cost about \$160.00 each, but we sometimes purchase up to 100 at a time, thus the invoice may exceed \$15,000. The General Manager signs the purchase order. Once the product is received, the invoice is signed by the Chief Operator, who verifies he received the correct product in good order. The invoice is also signed by the Finance Manager, who verifies that the funds are available and authorized in the budget. The General Manager also signs the invoice to verify that both Chief Operator and Finance Manager have approved, and that the expenditure is valid with prior approval by the Board in the budget. The check is prepared and executed by the General Manager and one Board Member (either the President or Vice-President).

**Purchase of Equipment Outlay:**

Large purchases of equipment outlay (approved in HPUD Budget) such as pumps, which may cost about \$15,000 or more, are processed through, either formal bidding, or by obtaining quotes. Some pumps or equipment purchases are sole sourced because of the process or equipment specific requirements at our water/wastewater plants. After we receive the bid/quote, the product is ordered. The General Manager authorizes the purchase order. Once the product has arrived, the same approval process mentioned above is followed.

If a large item is bid, such as a vehicle, the Board of Directors approves the purchase. Additionally, all Capital Expenditures, such as the Tito Huerta Park Project are approved via Notice of Award and Notice of Completion documentation.

**Operating and Maintenance Expenditures Routinely Exceed \$5,000 limit**

There are some instances when operating cost for one item may exceed the \$5,000 limit. One example is the purchase of chemicals for the plants. One T-Floc Tote at the Water Treatment Plant cost over \$6,000. We pay expenses to the IID, Medical Insurance, and our trash hauling company that exceeds the \$5,000 limit every month.

Delay in payments

Should the Board need to approve all payments over \$5,000, there will be a delay in our ability to pay in a timely manner as the Board only meets once a month.

**CONCLUSION:**

Adopting Resolution 2017-14 amending policy number 3040 will ensure that the District meets responsibilities to pay our expenses in a timely manner, and will reconcile the adopted Policies with the Budget Resolution regarding purchase limit for the General Manager.

Staff recommends adopting Resolution 2017-14 amending policy number 3040 to expenditure authorization to increase the expenditure authorization limit for the General Manager from \$5,000 to \$15,000.

**ALTERNATIVES:**

1. Do not modify Policy Number 3040, which will result in continuing comment from the District auditors. A copy is attached to this report.
2. Do not modify Policy Number 3040. Direct staff to modify the budget Resolution to lower the authority to execute expenditures from \$15,000 to \$5,000, and to bring this item before the Board in January 2018. This will result in a possible delay in paying some invoices.
3. Adopt Resolution 2017-14 with changes, which will result in continuing comment from the District auditors.

Respectfully Submitted,

Laura Fischer, General Manager

Attachments: Resolution 2017-14

**RESOLUTION NO. 2017-14**

**A RESOLUTION OF THE HEBER PUBLIC UTILITY DISTRICT AMENDING THE DISTRICT'S POLICY NUMBER 3040**

**WHEREAS**, the Heber Public Utility District Policy Manual was adopted via Resolution 2015-15 on October 15, 2015; and

**WHEREAS**, the Policy Manual established policy number 3040 Expense Authorization; and

**WHEREAS**, the Board of Directors desires to modify and amend policy number 3040 to include the following:

Policy Number 3040.2 Any commitment of District funds for a purchase or expense greater than **\$15,000** shall first be submitted to the Board of Directors for approval, or shall be in conformance with prior Board action and/or authorizations.

Policy Number 3040.2.1 The General Manager may authorize expenditures greater than **\$15,000** in certain circumstances that require immediate action. The General Manager will immediately report any such expense to the Board of Directors.

**NOW, THEREFORE, BE IT FURTHER RESOLVED**, that the Heber Public Utility District Board of Directors hereby amends the District's Policy Number 3040 attached hereto under Exhibit A, and directs management to make this policy effective immediately.

AYES: \_\_\_\_\_

NOES: \_\_\_\_\_

ABSENT: \_\_\_\_\_

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Heber Public Utility District held on the 21<sup>st</sup> day of December 2017.

\_\_\_\_\_  
Martin Nolasco, Jr., Board President

ATTEST:

I, RAQUEL R. CARRILLO, Secretary to the Clerk of the Board of the Heber Public Utility District, County of Imperial, State of California, DO HEREBY CERTIFY that the foregoing resolution was dully passed, approved and adopted by the Board of Directors of the Heber Public Utility District at its regularly scheduled meeting held on the 21<sup>st</sup> day of December 2017.

By \_\_\_\_\_  
Raquel R. Carrillo, Secretary to Clerk of the Board

**Resolution 2017-14 - Exhibit A**  
**POLICY TITLE: Expense**  
**Authorization POLICY NUMBER: 3040**

3040.1

3040.2

All purchases made for the District by staff shall be authorized by the General Manager, Finance Manager or Office Manager and shall be in conformance with the approved District budget.

3040.2.1

Any commitment of District funds for a purchase or expense greater than \$15,000 shall first be submitted to the Board of Directors for approval, or shall be in conformance with prior Board action and/or authorizations.

3040.4

The General Manager may authorize expenditures greater than \$15,000.00 in certain circumstances that require immediate action. The General Manager will immediately report any such expense to the Board of Directors.

Whenever employees or Directors of the District incur "out-of-pocket" expenses for item(s) or service(s) appropriately relating to District business as verified by valid receipts, said expended cash shall be reimbursed by check through the accounts payable procedures. In those instances when a receipt is not obtainable, the requested reimbursement shall be approved by the General Manager, Finance Manager, or Office Manager prior to payment. Any request for reimbursement without a receipt must be made in writing and signed by the employee or Director requesting reimbursement. The written request shall contain an acceptable explanation for the claimed expense and why there is no receipt and must be approved in writing by the General Manager.