



July 6, 2023

**TO:** LOCSD Board of Directors  
**FROM:** Ron Munds, General Manager  
**SUBJECT:** **Agenda Item 3A – 07/06/2023 FAC Meeting**  
Introduction to Optimized Investment Partners and Investment Updates

**STAFF RECOMMENDATION**

***Receive presentation, investment updates and provide input and direction.***

**DISCUSSION**

With the recent bank closures, economic uncertainties and higher interest rates, the District has been exploring options to contract with a financial advisor firm to assist with protecting while diversifying the District's financial assets. The effort resulted in the Finance Advisory Committee (FAC) receiving presentations from Wulff, Hansen & Company and Optimized Investment Partners, both financial advisor firms. Staff also discussed investment options from Mechanics Bank and requested and received investment information from Pacific Premier Bank.

Based on the research, input from the FAC and guidance from the District's Investment Policy, staff proceeded with contracting with Optimized Investment Partners (Optimized). Optimized provides services to agencies of all sizes but has special focus on smaller governmental agencies. Optimized provided, at no cost, the following complimentary services to the District prior to moving forward:

- Investment policy review/drafting
- Cash flow modeling
- Consultation to review the cash flow model and revenue projections
- Support services to provide information to FAC members

**Investment Update**

In order to move forward with developing an investment strategy with Optimized, staff was required to do the following tasks:

- Open a custodial account with US Bank
- Open a brokerage account with Time Value Investments
- Open an account with California Asset Management Program, a Joint Powers Authority that provides investment services for public agencies
- Transfer \$7,000,000 to the custodial account which involved closing two accounts at Pacific Premier Bank and moving money from Mechanics Bank

The investment strategy currently being considered will be a multi-year laddering approach, and will take advantage of the higher interest rates currently available. It will be based on the financial objective as stated in our Investment Policy. Those being:

- Safety
- Liquidity
- Yield

**President**  
Charles L. Cesena

**Vice President**  
Marshall E. Ochylski

**Directors**  
Matthew D. Fourcroy  
Troy C. Gatchell  
Christine M. Womack

**General Manager**  
Ron Munds

**District Accountant**  
Robert Stilts, CPA

**Unit Chief**  
John Owens

**Battalion Chief**  
Paul Provence

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- Compliance

Since the finalization of the strategy will be completed after the posting of this report, more details will be presented at the Board meeting.

Per the Investment Policy, quarterly updates will be provided to the FAC and Board which will enable the tracking of the investment strategy. The General Manager will be in contact with Optimized on a regular basis to provide oversight and approval of any transactions and/or changes to the strategy.

### **FINANCIAL IMPACT**

The initial strategy and resulting revenue is as follows:

- Approximately \$2.5 million in CD's on the longer end of the yield curve to maximize yield
- Investing in Treasuries on both the shorter end and for the specific dates that align with the District's cash flow requirements
- Approximately \$1 million will be deposited with CAMP; these funds are very liquid and can be moved to meet the District's cash flow needs while earning a high interest rate

### **Attachment**

Contract with Optimized Investment Partners  
2023 Investment Policy



## ***Attachment A (Proposal)***

June 9, 2023

Ron Munds  
General Manager  
2122 9<sup>th</sup> Street, Suite 110  
Los Osos, CA 93402

### **Re: Proposal (Attachment A) for Investment Advisory Services to the Los Osos Community Services District**

Dear Mr. Munds:

Optimized Investment Partners, LLC ("Optimized"), is pleased to present this proposal (**Attachment A**) to the Los Osos CSD ("Client" or "District") to provide investment advisory services related to the District's surplus funds portfolio to achieve preservation of capital and maintain appropriate levels of liquidity at market yields.

Optimized Investment Partners was formed for one reason. To serve you. Our president and CEO has been working in local government investments for over 18 years. He identified a huge disparity in the investment advisory industry. The larger agencies were offered more opportunities for services than smaller ones. Smaller agencies have been virtually ignored even though it's the smaller agencies that don't have the staffing resources to manage the diverse set of responsibilities required.

#### **I. BACKGROUND AND OBJECTIVE**

OPTIMIZED will provide specified professional investment advisory services consistent with California government code section 53600 as detailed in the scope of services section below. As a fiduciary to your District, Optimized will place preservation of capital as our top priority, while ensuring appropriate levels of liquidity for day-to-day operations. We will seek to earn market yields once the first two priorities have been achieved.

#### **II. SCOPE OF SERVICES**

OPTIMIZED proposes the following scope of work to assist Client with investment advisory services. Please note that the prospective assignment that OPTIMIZED proposes to provide are advisory in nature. OPTIMIZED will be making specific investment recommendations. None of OPTIMIZED's staff will act in a capacity as an elected official, an appointed official, as staff, or serve in a "designated" position.

1. Provide investment advisory services for all surplus funds identified by Optimized and Client in compliance with Government Code Section 53600 and other applicable government codes, local municipal codes, charters, and policies
2. Build a comprehensive cash-flow model to enhance liquidity management and increase the amount of funds invested in the investment portfolio
3. Investment Policy review and consulting
4. Provide general investment education to District Staff and Officials
5. Prepare reports of monthly/quarterly transactions
6. Monitor the credit of investment securities in the portfolio for compliance with District Investment Policy

7. Perform interest revenue projections as needed for analysis
8. If requested, deliver one virtual public presentation to a commission, special committee, or governing body (e.g. City Council, Board of Directors) of the District
9. As requested, assist with other compliance and audit review requirements as related to OPTIMIZED services, and/or attend publicly noticed District meetings.

**III. SCHEDULE AND REQUIRED DATA**

Optimized is prepared to commence work upon receipt of an executed Agreement. Client will promptly provide Optimized with project data requested, including three (3) years of cash transaction detail.

**Days 1-7**

- Kickoff meeting to discuss and confirm schedule
- Custodial account setup
- Broker/Dealer account setup
- Pool(s) account(s) setup

**Days 7-14**

- Portfolio recommendations
- Trade execution with Client broker/dealer

**IV. COMPENSATION/TERM**

Consultant shall receive compensation, including authorized reimbursements, for Services rendered under this Agreement at the rates set forth below. **Contract will be in force for an initial three (3) year, (1) month term, with the option to extend twice via one (1) year extension(s).**

Investment Advisory Annual Fee Schedule		
Contract Year	Annual Fee	Basis – Assets Under Management
Year 1 Fiscal Year Ending June 30, 2023	12 basis points	Ending Monthly Custodial Bank Balance and Collateral Accounts*
Year 2 Fiscal Year Ending June 30, 2024	12 basis points	Ending Monthly Custodial Bank Balance and Collateral Accounts*
Year 3 Fiscal Year Ending June 30, 2025	12 basis points	Ending Monthly Custodial Bank Balance and Collateral Accounts*
Year 4 Fiscal Year Ending June 30, 2026	12 basis points	Ending Monthly Custodial Bank Balance and Collateral Accounts*

\*Based on the ending monthly custodial bank balance, assets invested in certificates of deposit, and pooled account assets including cash and investments, as reported by the custodial bank, broker/dealers, other banks, and pooled account administrators. Optimized will submit an invoice calculated monthly with a statement provided (Example: \$10 million ending balance would be invoiced at \$10 million \* 0.0012% = \$12,000/12 = \$1,000 monthly).

To the extent alternative assignments are requested, compensation for requested Additional Tasks (defined below) will be based on hours spent at OPTIMIZED’s billing rates as shown on “**Exhibit 1.**”

**V. NON-DISCRETIONARY**

This contract does not grant discretionary power to Optimized, or its representatives, and the contract will not be assigned by Optimized without the consent of the Client. Optimized must secure client permission prior to effecting securities transactions for the Client in the client’s broker-dealer account(s).

**Exhibit 1**

**Optimized Investment Partners, LLC.  
2023 Public District Fee Schedule**

**Professional Services**

President & CEO	\$350.00/hour
Senior Project Manager	\$250.00/hour
Project Analyst / Project Research	\$150.00/hour
Clerical Support	\$ 75.00/hour

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• **Additional Expenses**

In addition to professional services (labor fees):

- 1) Out-of-pocket expenditures, such as travel and mileage, professional printing, and delivery charges for messenger and overnight packages will be charged at cost.
- 2) If Optimized retains Third Party Vendor(s) for Client (with Client's advance approval), fees and cost will be billed to Client at 1.1X (times) fees and costs.
- 3) Consultant's attendance or participation at any public meeting, in addition to 1 included virtual meeting in scope of services, whether such participation is in person, digital, video and/or telephonic (e.g., *City Council, Planning Commission, Public District Board, other*) requested by Client and are beyond those specifically identified in the Scope of Work will be billed at the professional services (hourly) fees as shown on this "Exhibit 1."

• **Charges for Court/Deposition/Expert Witness-Related Appearances**

Court-related (non-preparation) activities, such as court appearances, depositions, mediation, arbitration, dispute resolution and other expert witness activities, will be charged at a court rate of 1.5 times scheduled rates, with a 4-hour minimum.

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*Rates shall remain in effect until December 31, 2023.*



**AGREEMENT FOR PROFESSIONAL SERVICES  
TO PERFORM INVESTMENT ADVISORY SERVICES**

This AGREEMENT is entered into this 9th day of June, 2023, by and between the LOS OSOS COMMUNITY SERVICES DISTRICT, a municipal corporation (“DISTRICT”) and OPTIMIZED INVESTMENT PARTNERS, LLC. (“Optimized” OR “ADVISER”).

**RECITALS**

- A. The District desires for Investment Adviser to provide non-discretionary Investment Advisory services related to the District’s investment portfolio for investment of surplus funds to achieve preservation of capital and maintain appropriate levels of liquidity at market yields.
- B. The District does not have the personnel able and/or available to perform the services required under this agreement and therefore, the District desires to contract for advisory services to accomplish this work.
- C. The Adviser warrants to the District that it has the licenses, qualifications, and experience to perform the services under this Agreement.
- D. The District desires to contract with the Adviser to perform the services as described in Attachment A “The Proposal.”

**NOW, THEREFORE**, based on the foregoing recitals, the District and the Adviser agree as follows:

**1. CONSIDERATION AND COMPENSATION**

- A. As partial consideration, ADVISER agrees to perform the work listed in the SCOPE OF SERVICES, attached as Attachment A “The Proposal.”
- B. As additional consideration, ADVISER and DISTRICT agree to abide by the terms and conditions contained in this Agreement.
- C. As additional consideration, DISTRICT agrees to pay ADVISER for ADVISER’s services, based on “Compensation” as reflected in Attachment A “The Proposal,” unless otherwise specified by written amendment to this Agreement. General Manager

is authorized to allow an additional amount not to exceed twenty percent (20%) of the total estimated amount under this Agreement.

- D. No additional compensation shall be paid for any other expenses incurred, unless first approved by the General Manager or his/her designee.
- E. ADVISER shall submit monthly invoices to DISTRICT. DISTRICT shall pay ADVISER all uncontested amounts set forth in ADVISER's invoice within 30 days after it is received.

**2. SCOPE OF SERVICES.**

- A. ADVISER will perform the services and activities set forth in the SCOPE OF SERVICE attached hereto as Attachment A "The Proposal" and incorporated herein by this reference.
- B. Except as herein otherwise expressly specified to be furnished by DISTRICT, ADVISER will, in a professional manner, furnish all of the labor, technical, administrative, professional and other personnel, all supplies and materials, equipment, printing, vehicles, transportation, office space, and facilities necessary or proper to perform and complete the work and provide the professional services required of ADVISER by this Agreement.
- C. Optimized's attendance or participation at any publicly noticed meeting (in addition to the one virtual meeting included in the scope of services section), whether such participation is in person, digital, video and/or telephonic (e.g., City Council, Planning Commission, Public District Board, other), as requested by Client is in addition to stated compensation schedule (Additional Task) and will be billed at the professional services (hourly) fees as shown on Attachment A "The Proposal," Exhibit 1.
- D. Optimized's services outlined and described herein are advisory services only. Any decisions or actions taken or not taken by Client and affiliates, are deemed to be based on Client's understanding and by execution of this Agreement, acknowledgement that Optimized's services are advisory only and as such, cannot be relied on as to the results, performance and conclusions of any investment or project that Client may or may not undertake as related to the services provided including any verbal or written communications by and between the Client and Optimized. Client acknowledges that Optimized's use of work product is limited to the purposes contemplated within this Agreement. Optimized makes no representation of the work product's application to, or suitability for use in, circumstances not contemplated by the scope of work under this Agreement

- 3. PAYMENTS.** For DISTRICT to pay ADVISER as specified by this Agreement, ADVISER must submit a monthly invoice to DISTRICT in accordance with the schedule of compensation incorporated in Attachment A “The Proposal.” For the convenience of OPTIMIZED’s clients, we offer a secure ACH payment method. Bank account information provided on a separate form after contract execution. Services will be invoiced monthly at Consultant’s standard billing rates, as shown on Attachment A “The Proposal,” Exhibit 1. In addition to professional services (hourly) fees, invoices will include reimbursement for out-of-pocket expenses such as travel and mileage (provided that there shall be no overnight travel without the Client’s prior approval and that mileage shall be reimbursed at the current IRS mileage reimbursement rate), professional printing, conference calls, and delivery charges for messenger and overnight packages at actual cost. Unless otherwise agreed to in advance, out-of-area travel, if any, requires advance funding of flights and hotel accommodations. All standard deliverables will be provided electronically. No additional out-of-pocket expenses are assumed unless specifically requested by Client. The first monthly invoice will be generated after investment recommendations have been approved by Client and funds have been invested. Fees will not be charged on assets in District checking (i.e., demand deposit) accounts. Fees are char
- 4. TIME OF PERFORMANCE.** The services of the CONTRACTOR are to commence upon receipt of a notice to proceed from the DISTRICT and shall continue until all authorized work is completed to the DISTRICT’s reasonable satisfaction, in accordance with the schedule incorporated in Attachment A “The Proposal”, unless extended in writing by the DISTRICT.
- 5. FAMILIARITY WITH WORK.** By executing this Agreement, ADVISER represents that ADVISER has (a) thoroughly investigated and considered the scope of services to be performed; (b) carefully considered how the services should be performed; and (c) understands the facilities, difficulties, and restrictions attending performance of the services under this Agreement.
- 6. LIMITATION OF DAMAGES.** In the event Optimized is found liable for any violation of duty, whether in tort or in contract, damages shall be limited to the amount Optimized has received from Client.
- 7. KEY PERSONNEL.** ADVISER’s key person assigned to perform Investment Advisory services under this Agreement is David Bilby. ADVISER shall not assign other persons to be in charge of the work contemplated by this Agreement without the prior written authorization of the District.
- 8. TERM OF AGREEMENT.** The term of this Agreement shall commence upon execution by both parties and shall expire pursuant to Attachment A “The Proposal”, unless earlier termination occurs under Section 12 of this Agreement, or this Agreement is extended in writing in advance by both parties.

9. **CHANGES.** DISTRICT may order changes in the services within the general scope of this Agreement, consisting of additions, deletions, or other revisions, and the contract sum and the contract time will be adjusted accordingly. All such changes must be authorized in writing, executed by ADVISER and DISTRICT. The cost or credit to DISTRICT resulting from changes in the services will be determined in accordance with written agreement between the parties.
10. **TAXPAYER IDENTIFICATION NUMBER.** ADVISER will provide DISTRICT with a Taxpayer Identification Number.
11. **PERMITS AND LICENSES.** ADVISER will obtain and maintain during the term of this Agreement all necessary permits, licenses, and certificates that may be required in connection with the performance of services under this Agreement.
12. **TERMINATION.**
  - A. Except as otherwise provided, DISTRICT may terminate this Agreement at any time with or without cause. Notice of termination shall be in writing.
  - B. ADVISER may terminate this Agreement. Notice will be in writing at least 30 days before the effective termination date.
  - C. In the event of such termination, the CONTRACTOR shall cease services as of the date of termination, and all finished or unfinished documents, data, drawings, maps, and other materials prepared by ADVISER shall, at DISTRICT's option, become DISTRICT's property, and ADVISER will receive just and equitable compensation for any work satisfactorily completed up to the effective date of notice of termination.
  - D. CANCELLATION PERIOD. If a copy of Optimized's ADV brochure has not been provided at least 48 hours prior to the signing of this document, the District is afforded a five-day cancellation option.
13. **INDEMNIFICATION.**
  - A. ADVISER shall indemnify, defend with counsel approved by DISTRICT, and hold harmless DISTRICT, its officers, officials, employees and volunteers from and against all liability, loss, damage, expense, and cost of every nature resulting from ADVISER's negligent or wrongful performance of work hereunder or its failure to comply with any of its obligations contained in this AGREEMENT, regardless of DISTRICT'S passive negligence, but excepting such loss or damage which is caused by the sole active negligence or willful misconduct of the DISTRICT.

B. The requirements as to the types and limits of insurance coverage to be maintained by ADVISER as required by Section 17, and any approval of said insurance by DISTRICT, is intended to and will limit or qualify the liabilities and obligations otherwise assumed by ADVISER pursuant to this Agreement, including, without limitation, to the provisions concerning indemnification.

14. **ASSIGNABILITY.** This Agreement is for ADVISER's professional services. ADVISER's attempts to assign the benefits or burdens of this Agreement without DISTRICT's written approval are prohibited and will be null and void.

15. **INDEPENDENT CONTRACTOR.** DISTRICT and ADVISER agree that ADVISER will act as an independent contractor and will have control of all work and the manner in which it is performed. ADVISER will be free to contract for similar service to be performed for other employers while under contract with DISTRICT. ADVISER is not an agent or employee of DISTRICT and is not entitled to participate in any pension plan, insurance, bonus or similar benefits DISTRICT provides for its employees. Any provision in this Agreement that may appear to give DISTRICT the right to direct ADVISER as to the details of doing the work or to exercise a measure of control over the work means that ADVISER will follow the direction of the DISTRICT as it relates to the end results of the work only.

16. **AUDIT OF RECORDS.**

A. ADVISER agrees that DISTRICT, or designee, has the right to review, obtain, and copy all records pertaining to the performance of this Agreement. ADVISER agrees to provide DISTRICT, or designee, with any relevant information requested and will permit DISTRICT, or designee, access to its premises, upon reasonable notice, during normal business hours for the purpose of interviewing employees and inspecting and copying such books, records, accounts, and other material that may be relevant to a matter under investigation for the purpose of determining compliance with this Agreement. ADVISER further agrees to maintain such records for a period of three (3) years following final payment under this Agreement.

B. ADVISER will keep all books, records, accounts and documents pertaining to this Agreement separate from other activities unrelated to this Agreement.

17. **CORRECTIVE MEASURES.** ADVISER will promptly implement any corrective measures required by DISTRICT regarding the requirements and obligations of this Agreement. ADVISER will be given a reasonable amount of time as determined by the District to implement said corrective measures. Failure of ADVISER to implement required corrective measures shall result in immediate termination of this Agreement.

**18. INSURANCE REQUIREMENTS.**

A. The ADVISER, at the ADVISER's own cost and expense, shall procure and maintain, for the duration of the contract, the following insurance policies:

1. If ADVISER has employees, Workers Compensation Insurance as required by law. The Adviser shall require all subcontractors similarly to provide such compensation insurance for their respective employees. Any notice of cancellation or non-renewal of all Workers' Compensation policies must be received by the DISTRICT at least thirty (30) days prior to such change. The insurer shall agree to waive all rights of subrogation against the DISTRICT, its officers, agents, employees, and volunteers for losses arising from work performed by the CONTRACTOR for District.
2. General Liability Coverage. The ADVISER shall maintain commercial general liability insurance in an amount of not less than one million dollars (\$1,000,000) per occurrence for bodily injury, personal injury, and property damage. If a commercial general liability insurance form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this Agreement or the general aggregate limit shall be at least twice the required occurrence limit.
3. Automobile Liability Coverage. The ADVISER shall maintain automobile liability insurance covering bodily injury and property damage for all activities of the ADVISER arising out of or in connection with the work to be performed under this Agreement, including coverage for owned, hired, and non-owned vehicles, in an amount of not less than one million dollars (\$1,000,000) combined single limit for each occurrence.
4. Professional Liability Coverage. Professional liability insurance appropriate to the Adviser's profession. This coverage may be written on a "claims made" basis and must include coverage for contractual liability. The professional liability insurance required by this Agreement must be endorsed to be applicable to claims based upon, arising out of or related to services performed under this Agreement. The insurance must be maintained for at least 3 consecutive years following the completion of Adviser's services or the termination of this Agreement. During this additional 3-year period, Adviser shall annually and upon request of the District submit written evidence of this continuous coverage.

B. Endorsements. Each general liability, automobile liability and professional liability insurance policy shall be issued by a financially responsible insurance company or companies eligible and authorized to do business in the State of California, or which is approved in writing by District, and shall be endorsed as follows.

- C. The ADVISER shall provide certificates of insurance with original endorsements to the DISTRICT as evidence of the insurance coverage required herein. Certificates of such insurance shall be filed with the DISTRICT on or before commencement of performance of this Agreement. Current certification of insurance shall be kept on file with the DISTRICT at all times during the term of this Agreement.
- D. Failure on the part of the ADVISER to procure or maintain required insurance shall constitute a material breach of contract under which the DISTRICT may terminate this Agreement pursuant to Section 11 above.
19. **USE OF OTHER ADVISERS.** ADVISER must obtain DISTRICT's prior written approval to use any Advisers while performing any portion of this Agreement. Such approval must include approval of the proposed Advisers and the terms of compensation. Adviser (Resume of key staff included in Appendix A) is deemed approved by District and no additional written authorization is required.
20. **FINAL PAYMENT ACCEPTANCE CONSTITUTES RELEASE.** The acceptance by the ADVISER of the final payment made under this Agreement shall operate as and be a release of the DISTRICT from all claims and liabilities for compensation to the ADVISER for anything done, furnished or relating to the ADVISER'S work or services. Acceptance of payment shall be any negotiation of the DISTRICT'S check or the failure to make a written extra compensation claim within ten (10) calendar days of the receipt of that check. However, approval or payment by the DISTRICT shall not constitute, nor be deemed, a release of the responsibility and liability of the ADVISER, its employees, sub-Advisers and agents for the accuracy and competency of the information provided and/or work performed; nor shall such approval or payment be deemed to be an assumption of such responsibility or liability by the DISTRICT for any defect or error in the work prepared by the Adviser, its employees, sub-Advisers and agents.
21. **NOTICES.** All communications pertaining to this Agreement to either party by the other party will be deemed made when received by such party at its respective name and mailing or email address as follows and receipt of communication is acknowledged in writing or by email:

District: LOS OSOS COMMUNITY SERVICES DISTRICT  
2122 9<sup>th</sup> Street, Suite 110  
Los Osos, CA 93402  
(805) 528-9370  
Attention: Ron Munds,  
General Manager

Adviser: Optimized Investment Partners, LLC.  
2212 Carol View Drive, 103  
Cardiff, CA 92007  
(858) 335-1141  
Attention: David Bilby, CEO

Changes may be made in the names or addresses of persons to whom notices are to be given by giving notice in the manner prescribed in this paragraph. All notices, requests, demands, and other communications which may be required under this Agreement shall be in writing and shall be deemed to have been received when transmitted; if personally delivered, if transmitted by telecopier, electronic or digital transmission method, upon transmission; if sent by next day delivery to a domestic address by a recognized overnight delivery service (e.g., Federal Express), the day after it is sent; and if sent by certified or registered mail, return receipt requested, upon receipt. In each case, notice shall be sent to the principal place of business of the respective party. Either party may change its address by giving written notice thereof to the other in accordance with the provisions of this paragraph.

22. **INTERPRETATION.** This Agreement was drafted in and will be construed in accordance with the laws of the State of California, and exclusive venue for any action involving this agreement will be in San Luis Obispo County.
23. **ENTIRE AGREEMENT; AMENDMENTS AND WAIVERS.** This Agreement, and its Attachments, sets forth the entire understanding of the parties. There are no other understandings, terms or other agreements expressed or implied, oral or written. This Agreement contains the entire agreement between the parties relating to the transactions contemplated hereby and any and all prior discussions, negotiations, commitments and understanding, whether written or oral, related hereto are superseded hereby. No addition or modification of any term or provision of this Agreement shall be effective unless set forth in writing signed by both parties. No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver of such provisions unless otherwise expressly provided. Each party to this Agreement has participated in its drafting and, therefore, ambiguities in this Agreement will not be construed against any party to this Agreement.
24. **LIMIT OF SCOPE OF WORK.** All services are provided by Optimized Investment Partners, LLC. (Optimized). Optimized is registered with FINRA through IARD as a registered investment adviser. Optimized is not registered with the United States Securities and Exchange Commission (SEC) but may require SEC registration in the future, based upon future assets under management. Those personnel of Optimized providing Investment Advisory services are registered as investment advisors pursuant to the requirements of the state of California. Optimized is a registered investment advisor under the rules and laws

of the State of California. Optimized is not a registered broker/dealer under the Securities Exchange Act of 1934 and does not provide broker/dealer services subject to those laws and the regulations thereunder. Optimized provides investment advisor and other services only in those jurisdictions where it is legally permitted to operate.

25. **TITLE AND CAPTIONS.** Titles and captions contained in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit, extend, or describe the scope of this Agreement or the intent of any provision herein.
26. **RULES OF CONSTRUCTION.** Each Party had the opportunity to independently review this Agreement with legal counsel. Accordingly, this Agreement will be construed simply, as a whole, and in accordance with its fair meaning; it will not be interpreted strictly for or against either Party.
27. **EXPIRATION OF PROPOSAL FOR SERVICES.** If this Agreement is not fully executed by the parties within thirty (30) days from the date of this letter, this proposal shall expire.
28. **SEVERABILITY.** If any term or provision of this Agreement shall be deemed invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, and each remaining term and provision of this Agreement shall be valid and in force to the fullest extent permitted by law.
29. **AUTHORITY/MODIFICATION.** The Parties represent and warrant that all necessary action has been taken by the Parties to authorize the undersigned to execute this Agreement and to engage in the actions described herein. This Agreement may be modified by written amendment with signatures of all parties to this Agreement. DISTRICT's General Manager, or designee, may execute any such amendment on behalf of DISTRICT.
30. **ASSIGNMENT.** Neither this Agreement nor any of the rights or obligations hereunder may be assigned by either party without the prior written consent of the other party.
31. **SUCCESSIONS & ASSIGNS.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
32. **ACCEPTANCE OF ELECTRONIC SIGNATURES.** The Parties agree that this Contract, agreements ancillary to this Contract, and related documents to be entered into in connection with this Contract will be considered signed when the signature of a party is delivered by scanned and delivered via electronic mail. Such facsimile or electronic mail copies will be treated in all respects as having the same effect as an original signature.
33. **COUNTERPARTS.** This Agreement may be executed in one or more counterparts, each of which constitutes an original, and all of which together constitute one and the same

instrument. The signature of any person on a telecopy of this Agreement, or any notice, action or consent taken pursuant to this Agreement shall have the same full force and effect as such person's original signature.

34. **FORCE MAJEURE.** Should performance of this Agreement be delayed or deemed impossible due to fire, flood, explosion, war, embargo, government action, civil or military authority, the natural elements, or other similar causes beyond the Parties' control, then the Agreement will immediately terminate without obligation of either party.
35. **TIME IS OF ESSENCE.** Time is of the essence to comply with dates and schedules to be provided.
36. **FURTHER ACTIONS.** The parties agree to execute such additional documents and take such further actions as may be necessary to carry out the provisions and intent of this Agreement.
37. **CONFIDENTIALITY.** Each of the parties agrees not to disclose this Agreement or any information concerning this Agreement to any persons or entities, other than to their attorneys and accountants, or as otherwise may be required by law.
38. **ATTORNEY'S FEES.** The parties hereto acknowledge and agree that each will bear his or its own costs, expenses, and attorneys' fees arising out of and/or connected with the negotiation, drafting and execution of the Agreement, and all matters arising out of or connected therewith except that, in the event any action is brought by any party hereto to enforce this Agreement, the prevailing party in such action shall be entitled to reasonable attorneys' fees and costs in addition to all other relief to which that party or those parties may be entitled.
39. **STATEMENT OF EXPERIENCE.** By executing this Agreement, ADVISER represents that it has demonstrated trustworthiness and possesses the quality, fitness, and capability to perform the Agreement in a manner satisfactory to DISTRICT. ADVISER represents that its financial resources, surety and insurance experience, service experience, completion ability, personnel, current workload, experience in dealing with private Advisers, and experience in dealing with public agencies all suggest that ADVISER is capable of performing the proposed contract and has a demonstrated capability to deal fairly and effectively with and to satisfy a public District.
40. **OWNERSHIP OF DOCUMENTS.** It is understood and agreed that the District shall own all documents and other work product of the Adviser, except the Adviser's notes and workpapers, which pertain to the work performed under this Agreement. The District shall have the sole right to use such materials in its discretion and without further compensation to the Adviser, but any re-use of such documents by the District on any other project without prior written consent of the Adviser shall be at the sole risk of the District.

Documents belonging to the District shall be transmitted to the District immediately and without delay upon any termination of this Agreement.

41. **DISCLAIMER.** Optimized's investment advisory services and work product, which may include but is not limited to pro forma analysis and tax projections, are projections only. Actual results may differ materially from those expressed in the analysis performed by Optimized due to the integrity of data received, market conditions, economic events and conditions, and a variety of factors that could materially affect the data and conclusions. Client's reliance on Optimized's analysis must consider the foregoing. Any material conflicts of interest have been disclosed within this Agreement.

42. **DISCLOSURE REQUIRED.** (District and Adviser initials required for one of the following paragraphs)

*By their respective initials next to this paragraph, District and Consultant hereby acknowledge that Consultant is a "Consultant" for the purposes of the California Political Reform Act because Consultant's duties would require him or her to make one or more of the governmental decisions set forth in Fair Political Practices Commission Regulation 18701(a)(2) or otherwise serves in a staff capacity, is an District for which disclosure would otherwise be required were Consultant employed by the District. Consultant hereby acknowledges his or her assuming-office, annual, and leaving-office financial reporting obligations under the California Political Reform Act and the District's Conflict of Interest Code and agrees to comply with those obligations at his or her expense. Prior to Consultant commencing services hereunder, the District's Manager shall prepare and deliver to Consultant a memorandum detailing the extent of Consultant's disclosure obligations in accordance with the District's Conflict of Interest Code.*

District Initials   *DR*  

Consultant Initials \_\_\_\_\_

OR

*By their initials next to this paragraph, District and Consultant hereby acknowledge that Consultant is not a "Consultant" for the purpose of the California Political Reform Act because Consultant's duties and responsibilities are not within the scope of the definition of Consultant in Fair Political Practice Commission Regulation 18701(a)(2)(A) and is otherwise not serving in staff capacity, is an District in accordance with the District's Conflict of Interest Code.*

District Initials   *DR*  

Adviser Initials   *DB*

**IN WITNESS WHEREOF** the parties hereto have executed this contract the day and year first hereinabove written.

DISTRICT:

LOS OSOS COMMUNITY SERVICES DISTRICT

By:   
Name: Ron Munds  
Title: General Manager

ADVISER:

Optimized Investment Partners, LLC.

By: *David Bilby*  
Name: David Bilby  
Title: CEO

**LOS OSOS COMMUNITY SERVICES DISTRICT  
PROCUREMENT POLICIES AND PROCEDURES**

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Chapter 2 – General.....

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Chapter 4 – Procurement of Professional Services.....

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**Chapter 1 - Policy**

**1.1 Purpose**

It is in the interest of the Los Osos Community Services District ("LOCSD") to establish administrative procurement practices that facilitate efficient business operations and provide fair compensation and local workforce opportunities whenever possible within a framework of high quality, competitive service offerings.

**1.2 Procedures**

This Procurement Policy provides the authority, approval requirements and procedures for the procurement of materials, supplies, equipment, services, and Public Works referenced in the approved fiscal year budget.

**1.3 Definitions**

- A. General Manager. The LOCSD General Manager or, in his/her absence, the Administrative Services Manager.
- B. Administrative Services Manager. The Administrative Services Manager.
- C. Utility Systems Manager. The Utility Systems Manager.
- D. Board of Directors or Board. The Board of Directors of the LOCSD that establishes policies for the operation of the LOCSD.
- E. Capital Equipment. Equipment with a purchase price of five thousand dollars (\$5,000) or more as designated by the General Manager.

- F. Contract. A written agreement covering the performance of work or services including the furnishing of labor, materials, tools and equipment in performing services to the LOCSD. The term Contract includes Purchase Orders.
- G. LOCSD. Los Osos Community Services District.
- H. Department Manager. The General Manager, Administrative Services Manager, Utility Services Manager, and Battalion Chief.
- I. Change Order or Contract Amendment. Alterations, deviations, additions to or deletions from the plan, specifications and/or scope of services, including the right to increase or decrease the quantity of any item or portion of the work or services or to delete any item or portion of the work or services as may be deemed to be necessary, as determined by the LOCSD, for the proper completion, construction of the work or services contemplated.
- J. Task Order Contract. Contract with pre-qualified consultant or contractor where specific services are contracted for by Task Orders.
- K. Emergency. "Emergency" means a sudden, unexpected occurrence, involving a clear and imminent danger, demanding immediate action to prevent or mitigate loss of, or damage to, life, health, property, or essential public services.
- L. Purchasing Agent. Department Manager.
- M. Purchase Order. A form designed to contain all necessary information and signatures relevant to purchases by the LOCSD and is used as a written order to a vendor and may be either an original order or may confirm a verbal order. The current Purchase Order forms may be developed and/or modified from time to time at the discretion of the General Manager.
- N. Recurring Expenditures. Administrative expenditures that occur from time to time in the normal course of LOCSD business, including, but not limited to, the following: Utilities (electricity, natural gas, telephone service, etc.), servicing of LOCSD equipment under contract, fuel for operation of LOCSD vehicles and equipment, debt service payments, payroll, payroll taxes and benefits, insurance, postage, postage meter rental and ongoing rental payments.
- O. Warrants. Checks and electronic payment for materials, supplies, equipment, Public Works and services received by the LOCSD.

#### **1.4 Fiscal Year Budget**

The fiscal year budget approved by the Board provides the authority to LOCSD staff to procure materials, supplies, equipment, services, and Public Works referenced in the approved budget for the upcoming fiscal year.

#### **1.5 Conflicts with the Law**

To the extent any provision herein conflicts or is inconsistent with State or Federal law, then said State or Federal law shall control, but only to the extent of the inconsistency, and no other provisions herein shall be affected.

#### **1.6 Severability**

If any one or more of the provisions/sections contained in this Procurement Policy shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions hereof, and such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Procurement Policy shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

#### **1.7 Monitoring**

- A. It is important for the LOCSD to evaluate materials, equipment, and services of all current suppliers. Suppliers with a low rating can be viewed as costing the LOCSD time and money, and, therefore, should be terminated upon documentation.
- B. In an effort to obtain the best prices possible, vendors contacted for quotes and/or bids shall be regularly reviewed to ensure competitive pricing and maintenance of vendor lists.
- C. This Procurement Policy should be reviewed on a periodic basis and updated where deemed appropriate to reflect changes in the LOCSD's operations. The General Manager, acting with the Board, may at any time make changes to this Procurement Policy to facilitate a more efficient and accountable procurement process for the LOCSD.

#### **1.8 Procurements Containing Both Equipment and Services**

When contracting for services that include the purchase and installation of equipment such as computers and electronic devices, the determination of whether the purchase should be as a procurement of material, supplies, and equipment or the procurement of services shall be made at the General Manager's discretion after giving consideration to the costs of the equipment,

whether or not the equipment is unique to the person or firm providing the services and the cost of the services.

### **1.9 Compliance with Other District Policies and Potential Conflicts**

Procurement practices must comply with other District policies and procedures such as, but not limited to, the Recovered Organic Waste Product Procurement Policy. If there is a conflict between policies, the General Manager will use their discretion to determine the appropriate solution.

### **1.10 Federally Declared Emergencies**

In the event of an emergency declared by the President of the United States, LOCSD must comply with Federal procurement standards as a condition of receiving public assistance funding from the Federal Emergency Management Agency (FEMA) for contract costs for eligible work. FEMA funding is governed by Title 2 of the Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. In the event of a Federally declared emergency, LOCSD will utilize the required FEMA purchasing regulations for all new expenditures that may be eligible for reimbursement. When possible, LOCSD will still abide by the District's Procurement Policies, but if a conflict exists, the Federal regulations will take precedence.

### **1.11 Procurement Related to Federal Grants**

In the event the District receives Federal grant awards, LOCSD must comply with Federal procurement standards as a condition of receiving funding as governed by Title 2 of the Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards for all related purchases. When possible, LOCSD will still abide by the District's Procurement Policies, but if a conflict exists, the Federal regulations will take precedence.

### **1.12 Conflicts of Interest**

- A. LOCSD employees, department managers, and Directors are prohibited from using the following practices in conducting business activities:
  - 1. Practices which might result in unlawful activity, including, but not limited to, rebates, kickbacks, commissions, or other unlawful consideration.
  - 2. Participating in the selection process when the employee, department manager, or Director has a relationship with a person or business entity seeking a contract which would subject the employee to the same prohibition as in Government Code Section 87100 related to Conflicts of Interest, which provides.

*"No public official at any level of state or local government shall make, participate in making or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest."*

3. Purchasing or otherwise acquiring LOCSD property and equipment, including surplus property and equipment, for personal use or profit.
- B. No LOCSD employee, department manager, or Director shall accept, directly or indirectly, any gift, rebate, money or anything else of value from any person or entity if such gift, rebate, money or anything of value is intended to reward or be inducement for conducting business, placing orders with, or otherwise using the recipient's position with LOCSD to secure an agreement with the LOCSD.

### **1.13 Ethical Conduct in Procurement**

- A. Ethical conduct in managing the LOCSD's procurement activities is absolutely essential. Staff must always be mindful that they represent the District and the Board of Directors and share a professional trust with other staff and the general public. Therefore, when making a purchase, keep in mind the following factors:
1. Is this purchase necessary for the job at hand or for the LOCSD to carry on its normal business activities?
  2. Is this a reasonable and lowest possible cost for this type of purchase?
- B. This Policy explicitly prohibits splitting purchase orders in a fiscal year for the purpose of evading the specified dollar limits and avoiding its procurement requirements. Splitting purchases does not allow for a competitive marketplace, increases administrative workflow, and may create ethical issues.

## **Chapter 2 - General**

### **2.1 Signing Authority**

The General Manager, or in their absence the Administrative Services Manager or Utility Systems Manager, is hereby authorized to sign on behalf of the LOCSD the following documents:

- A. Any documents necessary to conduct the general business of the LOCSD that do not require prior approval of the Board.
- B. Any documents necessary to conduct the general business of the LOCSD requiring approval of the Board, after said documents have received approval of the Board, unless the Board specifies that the document be signed by the Board President.

### **2.2 Budgeted Procurements**

- A. Budget. At the beginning of each fiscal year, the General Manager shall issue a complete LOCSD Budget approved by the Board. This budget will contain the purchasing account titles (General Ledger codes), and numbers corresponding with budgeted funds for each account. Each LOCSD department will receive its own budget for conducting purchasing transactions. It is the responsibility of each Department Manager to control spending and monitor the funds in the account line items that they are authorized to use. A monthly

status report will be issued showing a comparison between budgeted amounts and the department's purchasing activity.

The General Manager is authorized to exceed budgeted expenditures by twenty percent (20%) without Board approval. If this occurs, the General Manager shall account to the Board at the mid-year budget review or if after its completion, within sixty (60) days of the expenditures and request the appropriate budget amendments and/or transfers.

B. General Manager Approval. Subject to Section C, below, the General Manager or, in their absence, the Administrative Services Manager or Utility Systems Manager shall approve all Contracts, Contract Amendments, Change Orders, Task Order Contracts (and related Task Orders) and Purchase Orders. "Absence" means the General Manager's inability to exercise their authority at the time when the LOCSD needs to take the necessary steps to procure goods or services.

C. Board Approval Required. Board approval is required for the following.

1. Contracts, Contract Amendments and Purchase Orders for the purchase of supplies, equipment, materials or recurring expenditures where the estimated cumulative cost is fifty thousand dollars (\$50,000) or more.
2. Professional service contracts and Amendments where the estimated cumulative cost is fifty thousand dollars (\$50,000) or more.
3. Public Works contracts where the estimated cumulative cost is two hundred thousand dollars (\$200,000) or more.
4. Any procurement referred to the Board for their consideration by the General Manager or Administrative Services Manager.

### 2.3 Emergency Procurements.

Upon the written finding of the General Manager that an emergency situation exists, the General Manager is authorized to approve unbudgeted expenditures up to fifty thousand dollars (\$50,000). The General Manager shall account to the Board within thirty (30) days of the expenditures and request the appropriate budget amendments and/or transfers.

### 2.4 Methods of Procurements

The following chart summarizes methods of procurement by category.

A. Supplies, Equipment, and Recurring Expenditures. See Chapter 3, below, for procedures and limitations.

DOLLAR AMOUNT	PROCUREMENT METHOD

\$0-\$5,000	No Purchase Order Required.
\$5,001-\$10,000	Written Quote (minimum 1 quote) Purchase Order or Contract Required.
\$10,001-\$49,999	Written Quote (minimum 2 quotes) Purchase Order or Contract Required.
\$50,000 +	Prepare Notice of Inviting Proposals for Board Approval – Board Approval Required for Contract or Purchase Order.

**B. Professional Services.** See Chapter 4, below, for procedures and limitations.

DOLLAR AMOUNT	PROCUREMENT METHOD
\$0-\$49,999	Solicit Proposals from a Qualified Consultant/Professional by Whatever Method the Purchasing Agent Deems Appropriate Under the Circumstances.
\$50,000 +	Prepare Request for Proposals for Board Approval – Board Approval of Contract Required.

**C. Public Works.** See Chapter 5, below, for procedures and limitations.

DOLLAR AMOUNT	PROCUREMENT METHOD
(Dollar limits are provided in the Uniform Public Construction Cost Accounting Act and may subsequently be amended)	(Informal bidding procedures are provided in the Uniform Public Construction Cost Accounting Act and may subsequently be amended)

<p>\$0-\$60,000</p>	<p>May be performed by LOCSD employees by force account, by negotiated contract, or by purchase order.</p>
<p>\$60,001-\$200,000</p>	<p>Contract by informal procedures as set forth in the Uniform Public Construction Cost Accounting Act. Board Approval of Contract Required.</p>
<p>\$200,001+</p>	<p>Contract by formal procedures as set forth in the Uniform Public Construction Cost Accounting Act. Board Approval of Contract Required.</p>

**Chapter 3 – Procurement of Materials, Supplies, Equipment, and Recurring Expenditures**

**3.1 Introduction**

- A. The following procedures are established for the procurement of materials, supplies and equipment, as referenced in Government Code Section 54202.
- B. In addition to the procedures of this Chapter:
  - 1. The LOCSD may request the State Department of General Services to make purchases of materials, equipment, supplies, or recurring expenditures on its behalf pursuant to Public Contract Code Section 10298.
  - 2. The LOCSD may request the Purchasing Agent of the County of San Luis Obispo to make purchases of materials, equipment, supplies, or recurring expenditures on its behalf pursuant to Article 7 (commencing with Section 25500) of Chapter 5 of Division 2 of Title 3 of the Government Code.
  - 3. The LOCSD may rely on a legally compliant solicitation conducted by another local, regional, state, or national public agency provided that the materials, supplies, and equipment are provided to the LOCSD at the same price, and on the same terms and conditions as in that solicitation.
- C. Methods of Procurement:
  - 1. Purchases of materials, supplies, equipment, and recurring expenditures are normally made pursuant to Purchase Orders as described in this Chapter.

2. In the discretion of the Purchasing Agent and with the approval of the General Manager and LOCSD Legal Counsel, a contract may be substituted for a Purchase Order.

### **3.2 Purchases of Materials, Supplies and Equipment with an Estimated Cost of Less Than Fifty Thousand Dollar (\$50,000).**

For purchases of materials, supplies and equipment with an estimated cost of less than \$50,000 the following shall apply:

#### **A. Types of Quotations**

1. No purchase order is required for standard or non-complex materials with an estimated price of \$5,000 or less.
2. Verbal. Verbal requests for quotations will be provided to a minimum of two (2) vendors for purchases of standard or non-complex materials with an estimated price of \$5,001 to \$10,000 and not covered by a contractual agreement.
3. Written. Written requests for quotations (RFQ) will be sent to a minimum of two (2) vendors under the following conditions.
  - a. Purchases estimated to exceed \$10,000, but less than a total of \$50,000.
  - b. All Capital Equipment purchases exceeding \$10,000, but less than a total of \$50,000.
  - c. Non-standard conditions, requirements, instructions, etc.
  - d. Any occasion where more permanent documentation is advisable.
  - e. Any purchase based on best value rather than lowest price.

- B. **Award of Purchase Orders**. The Department Manager will examine the quotations for completion and thereon determine the most responsive bidder with consideration of price, date of delivery, and quality. The quotation will be attached to the Purchase Order. The purchase order and the award will be made by the Department Manager after review by the General Manager. The Department Manager or his/her designee will notify the successful and unsuccessful vendors.

### **3.3 Purchases of Materials, Supplies and Equipment Equal to Or Greater Than Fifty Thousand Dollars (\$50,000)**

- A. Purchases of material, supplies and equipment equaling to or greater than fifty thousand dollars (\$50,000) shall be approved by the Board with the vendor who, in response to the Notice of Inviting Proposals, submits a proposal that most closely meets the LOCSD's specifications with the consideration of price and delivery dates.
- B. The Request for Proposals (RFP) shall be published and distributed by the Department Manager in a manner to reasonably assure that the proposed purchase is made to a

vendor that most closely meets the LOCSD's specification with consideration of price, availability of service and delivery dates.

C. The Request for Proposals shall include the following:

1. A statement of specifications of equipment and/or supplies to be purchased;
2. The location and deadline for submission of proposals;
3. The location where the specifications and proposal forms, if required, may be secured;
4. The proposed delivery date and place of delivery;
5. The date, time and place assigned for the opening of sealed proposals;
6. The type and character of proposal security required, if any;
7. A statement that the LOCSD intends to award the Contract to the vendor who submits a proposal that most closely meets the LOCSD specifications with the consideration of price and delivery dates;
8. That the LOCSD reserves the right to reject all proposals; and
9. Notice that no vendor can withdraw its proposal for a period of sixty (60) days from the date of opening proposals.

D. Alternative Procedure. As an alternative to the procedures described in Paragraphs A, B and C, above, the Board may approve the purchase of supplies and equipment by accepting a proposal submitted by a vendor to another public agency for similar equipment and/or supplies upon the Board approving the purchase by Resolution making the following findings:

1. The other agency's procedures for the purchase were substantially similar to the LOCSD's procedures as stated in Paragraphs A, B and C, above.
2. The equipment and/or supplies to be purchased by LOCSD is substantially similar to the supplies and equipment purchased by the other agency, so that the submitted proposals would be responsive to the LOCSD's specifications.
3. The negotiations regarding the purchase are minor and the proposed purchase is consistent with the policy of awarding the contract to the most responsive vendor with the consideration of price and delivery date.

### **3.4 Non-Competitive Negotiations**

- A. Under some circumstances, the LOCSD competitive solicitation requirements may be dispensed with when the services, materials, supplies, equipment, and recurring expenditures are only available from one source either because the brand or trade name article, goods, or product is the only one which will properly meet the needs of the LOCSD or the item is unique and available only from a sole source.

B. This approach involves procurement of materials, supplies, and equipment through solicitation of a proposal from only one source. Such negotiations may be used in limited situations when the award of a contract or purchase order is not feasible under other methods upon the following findings:

1. The purchase price is reasonable; and
2. One or more of the following exists:
  - a. The product is the only one that will properly meet the needs of the LOCSD because:
    - i. The item is unique and is available only from a sole source; or
    - ii. The item is unique and is designed to match others used in or furnished to a particular installation, program, facility or location.
  - b. The product will be used in a field test or experiment to determine the product's suitability for future use.
  - c. The procurement is for the renewal or extension of a contract for continuing professional services to the LOCSD.
  - d. Public exigency or emergency will not permit delay.
  - e. A Federal Grantor authorized non-competitive negotiations.

C. Findings

1. The Department Manager shall make written findings referenced in subparagraph B2 above to be approved by the General Manager for purchases less than fifty thousand dollars (\$50,000) that are not otherwise approved by the Board.
2. The Board by Resolutions shall adopt findings for purchases referenced in subparagraph B2 above for purchases of fifty thousand dollars (\$50,000) or more.

### **3.5 Purchase Order Preparation**

- A. Purchase orders shall be prepared from a properly completed purchase order form. The form is designed to contain all the necessary information and signatures relevant to the purchase within the LOCSD.
- B. The purchase order form is used as a written order to a vendor and shall include a Purchase Order number. A Purchase Order may also serve as a written change order. Purchase Orders must be approved as referenced in Section 3.2 above.
- C. Each purchase order form shall be filled out by the LOCSD employee prior to LOCSD funds being obligated for a purchase and shall contain the following information:
  1. Purchase order number, date, department, and who wrote it.

2. To whom the purchase order is issued, together with a complete address.
  3. Quantity/unit and description of item(s) to be purchased.
  4. General Ledger account number to be charged.
  5. Unit price and extended amount (depending upon quantity).
  6. If applicable, the words "OPEN PO" and "EXPIRATION DATE," not to exceed past the end of the current fiscal year, at the top of the purchase order form.
  7. The words "NOT TO EXCEED" if it is for a repetitive purchase or a contract amount.
  8. The total amount of the purchase order shall include charges for freight and tax, if applicable.
  9. The initial purchase order MUST have attached to it the following: the written quote or estimate or a copy of the contract, or other backup supporting documentation.
- D. The purchase order must be submitted immediately to the General Manager or his/her designee. The purchase order date must precede the order date.
- E. Any incomplete purchase orders will be returned to the Department Manager for completion.
- F. Insofar that it does not conflict with any other Procurement Policy limitations, a purchase order may be exceeded by up to 10% of the original purchase order amount. No increase may be given for quoted prices.

### **3.6 Open Purchase Orders**

- A. A blanket or open purchase order can be used to reduce the time-consuming process of filling out a purchase order form for each purchase when it is with the same vendor and for repeat materials.
- B. Open purchase orders are to be used when the LOCSD will:
1. Purchase repetitive, specified services or items, or categories of items from the same vendor over a period of less than one year, or on a monthly basis.
  2. Order standard materials or maintenance supplies, which require numerous shipments.
  3. Obtain more favorable pricing through volume commitments.
- C. An employee making a purchase with an open purchase order vendor shall immediately transmit the invoice to their Department Manager for processing. The Department Manager shall sign the invoice and indicate the budgetary account upon the face of the invoice and promptly route the invoice to Accounts Payable for payment.

- D. Open purchase orders generally should NOT be used when:
  - 1. No benefit will be derived over and above a regular purchase.
  - 2. Prices are unknown at ordering time, or subject to change later without notice.
  - 3. Quality of vendor or service is questionable.
  - 4. Control over LOCSD expenditures would be weakened significantly.
- E. An open purchase order differs from the normal purchase order only in the date entry block that now has a date range not to exceed past the end of the current fiscal year.
- F. Each year during the month of June, each Department Manager will review all department blanket purchase orders and reissue all necessary blanket purchase orders effective July 1.

## **Chapter 4 – Procurement of Professional Services**

### **4.1 Applicability**

- A. The procedures established herein are for the procurement of professional and consulting services including, but not limited to, auditors, electricians, financial advisors, technology advisors, rate consultants, plumbers, private architects, landscape architect, engineers, environmental consultants, land surveyors, and/or construction project managers, or other individuals or organizations possessing a high degree of professional, unique specialized technical skill or expertise, not always adaptable to competitive bidding.
- B. It is the policy of the LOCSD to employ professional and other consultant services whenever it is in the LOCSD's best interest.
- C. The requirements to solicit proposals referenced in Sections 4.4 & 4.5, below, do not apply to:
  - 1. Contract Amendments so long as the amendment is related to the completion of the contemplated work or services of the original Contract.
  - 2. Contracts for the continuation of professional service where the key personnel providing services have relocated to a different firm or company.
  - 3. Contracts for services related to litigation.

### **4.2 Method of Procurement**

Procurement of Professional Services is normally made pursuant to a Contract or Task Order Contract.

### **4.3 Qualifications**

Professional service contracts shall be awarded on the basis of demonstrated competence and qualifications for the type of service to be performed and at a fair and reasonable price to the LOCSD.

### **4.4 Professional Services with An Estimated Cost of Less Than Fifty Thousand Dollars (\$50,000)**

- A. For contracts estimated to be less than fifty thousand dollars (\$50,000) the Purchasing Agent will solicit proposals from the qualified consultants and professionals by whatever method the Purchasing Agent deems most appropriate under the circumstances.
- B. Professional services will only be procured by a contract that is approved by the General Manager and LOCSD legal counsel.

### **4.5 Professional Services with An Estimated Cost of Fifty Thousand Dollars (\$50,000) Or More**

The following procedures shall apply the procurement of professional services with an estimated cost of fifty thousand dollars (\$50,000) or greater.

- A. The Board of Directors shall approve the request for proposals and the award of professional service contracts.
- B. The written contract shall be awarded to the professional service provider who, in response to a request for proposals, submits a statement of qualifications and proposal for services that most closely meets the LOCSD's requirements at a fair and reasonable cost.

### **4.6 Non-Competitive Negotiations**

- A. Under some circumstances, the LOCSD competitive solicitation requirements may be dispensed with when the professional service is only available from one source either because the professional service provider is the only provider which will properly meet the needs of the LOCSD or the professional service is unique and available only from a sole source.
- B. This approach involves procurement of professional services through solicitation of proposals from only one source. Such negotiations may be used in limited situations based on the following findings:
  - 1. The service provider is qualified pursuant to Section 4.3.
  - 2. The cost of the services is reasonable; and
  - 3. One or more of the following exists:
    - a. The proposed service provider is uniquely knowledgeable and qualified because similar/related services have been previously provided to the LOCSD; or

- b. An Emergency will not permit delay.

### C. Findings

1. The Department Manager shall make written findings referenced in subparagraph A, above, to be approved by the General Manager for Professional Services Contracts where the cumulative costs are estimated at less than fifty thousand dollars (\$50,000) that are not otherwise approved by the Board.
2. The Board by Resolutions shall adopt findings references in subparagraph A, above, for Professional Services Contracts where the cumulative costs are estimated at fifty thousand dollars (\$50,000) or more.

## **Chapter 5 – Procurement of Public Works**

### **5.1 Uniform Public Construction Cost Accounting Act (UPCCAA)**

Pursuant to Public Contract Code Section 20682(g), the LOCSD has elected to become subject to the Uniform Public Construction Cost Accounting Act ("UPCCAA"), Public Contract Code Sections 22000 et seq., when contracting for the construction of public projects, as defined by Public Contract Code Section 22002. Where applicable, the LOCSD will adhere to the alternative bidding procedures provided by the UPCCAA. Public projects (as defined in Public Contract Code Section 22002) that do not exceed the dollar limits in Public Contract Code Section 22032(b) (as such limits currently exist or may subsequently be amended) may be let to contract by informal procedures as set forth in the UPCCAA.

### **5.2 UPCCAA Contracting Procedures and Dollar Amount Limitations**

Contracts for public projects shall be awarded pursuant to the dollar limitations established by the UPCCAA (Public Contract Code Section 22032(b)), which as of the time of the adoption of this Policy are as follows:

- A. Public projects of sixty thousand dollars (\$60,000) or less may be performed by the employees of a public agency by force account, by negotiated contract, or by purchase order.
- B. Public projects of two hundred thousand dollars (\$200,000) or less may be let to contract by informal procedures as set forth in the UPCCAA. Contracts between \$60,001 and \$200,000 require Board approval.
- C. Public projects of more than two hundred thousand dollars (\$200,000) shall, except as otherwise provided in the UPCCAA, be let to contract by formal bidding procedures. Contracts over \$200,000 require Board approval.

Pursuant to Public Contract Code Section 22033, it shall be unlawful to split or separate into smaller work orders or projects any public project for the purpose of evading the requirements of the UPCCAA.

### **5.3 Informal Bidding Procedures**

Pursuant to the UPCCAA (Public Contract Code Section 22034), the LOCSD enacted an informal bidding ordinance to govern the selection of contractors to perform public projects subject to informal bidding procedures under Public Contract Code Section 22032(b). The LOCSD's informal bidding ordinance is codified in Chapter 2.43 of the LOCSD Code.

Pursuant to Public Contract Code Section 22034(d), if all bids received pursuant to the LOCSD's informal bidding procedures are in excess of two hundred thousand dollars (\$200,000), the Board may, by adoption of a resolution by a four-fifths vote, award the contract, at two hundred twelve thousand five hundred dollars (\$212,500) or less, to the lowest responsible bidder, if it determines the cost estimate of the LOCSD was reasonable.

### **5.4 Formal Bidding Procedures**

The formal bidding procedures provided by the UPCCAA (Public Contract Code Sections 22037 et seq.) will govern the selection of contractors to perform public projects subject to formal bidding procedures under Public Contract Code Section 22032(b).

### **5.5 Emergencies**

- A. Pursuant to Public Contract Code Section 22035, in cases of emergency when repair or replacements are necessary, the Board may proceed at once to replace or repair any public facility without giving notice for bids to let contracts. The work may be done by day labor under the direction of the Board, by contractor, or by a combination of the two.
- B. In case of an emergency, if notice for bids to let contracts will not be given, the public agency shall comply with Chapter 2.5 of the Public Contract Code (commencing with Section 22050).

## **Chapter 6 – Payment**

### **6.1 Warrants**

- A. All supporting documents including the Purchase Order, Task Order, proof of receipt, packing slip, etc. will be attached to the Invoice and presented to the General Manager for payment pursuant to subparagraph B, below. The Invoices will be reviewed and approved (paper or digital signature) by the General Manager verifying that the documents are internally consistent, that invoices being paid are original, that receipt of goods or services has been acknowledged by the LOCSD Department Manager and that the amounts agree between documents.
- B. A copy of the Warrant shall be made prior to it being mailed. The Invoice and supporting documentation shall be attached to the copy of the Warrant and then filed (paper or digital) by vendor/service provider and separated by the fiscal year in which the payment was made.

## **6.2 Check Signing Procedures**

- A. The Directors of the LOCSD and the General Manager, are authorized to sign check(s) on behalf of the LOCSD.
- B. All checks under fifty thousand dollars (\$50,000) in value issued by the LOCSD shall contain one (1) signature.
- C. All checks over fifty thousand dollars (\$50,000) in value issued by the LOCSD shall contain two (2) signatures, one of which shall be a Director of the LOCSD.

## **6.3 Payment Via LOCSD Credit Cards**

- A. All purchases using a LOCSD credit card are subject to the same requirements and procedures as outlined in this policy, and the following additional requirements:
  - 1. All LOCSD credit cards shall be issued on a department basis in the name of each Department Manager. The General Manager shall manage the administration of LOCSD credit cards.
  - 2. Only the General Manager, Department Managers, and Supervisors are authorized to sign credit card purchases. Department Managers may allow their department employees to use the department credit card; however, the Department Manager is responsible for its care and control.
  - 3. Credit care purchased related to travel will adhere to the District's Travel and Reimbursement Policy.
  - 4. The credit limit on the LOCSD credit cards shall be twelve thousand dollars (\$12,000) per month for the General Manager and five thousand dollars (\$5,000) per month for each Department Manager.
  - 5. Credit card purchases for orders that are made via telephone or Internet are permitted. A receipt must be obtained and turned in to Accounts Payable.
  - 6. The use of LOCSD credit cards for personal purchases or spending is prohibited. Any violation of this policy will result in loss of LOCSD credit card privileges and violations are subject to disciplinary action.
  - 7. Cash advances on any LOCSD credit card are prohibited. Any violation of this policy will result in disciplinary action.

## **6.4 Payment by Electronic Funds Transfer**

- A. LOCSD may make payments by Electronic Funds Transfer (EFT), Automated Clearing House network (ACH), and electronic check(s) in compliance with the applicable payment provisions of this Chapter 6 and banking rules and regulations.
- B. LOCSD may make payments by Wire Transfer for exceptional circumstances with prior approval from the General Manager or the Board. Examples of exceptional circumstances include instances when expediency is required, or for real estate transactions. If other

types of payment options are available, Wire Transfers should not be used due to their increased cost and lower security compared to other forms of electronic payment.