

**SANTA MARGARITA WATER DISTRICT**  
**CODE OF CONDUCT AND EXPENSE REIMBURSEMENT**  
**POLICY**

The Board of Directors of the Santa Margarita Water District hereby establishes the following policy:

**ARTICLE I**

**GIFTS TO PUBLIC OFFICIALS**

**SECTION 1.0 Purpose; Meaning of Terms; Interpretation; Citation**

The District finds that the receipt of gifts by public officials from persons who do business with the District may erode public confidence in the impartiality of decisions made by those officials. The purpose of this article is to prohibit the donation and receipt of specified gifts, thereby eliminating, to the extent possible, such loss of confidence. Public officials shall not use the prestige or influence of their position for personal gain or advantage.

Unless otherwise expressly defined, the terms used in this policy shall have the same meaning as defined in the California Political Reform Act (Title 9 of the California Government Code) and regulations issued by the Fair Political Practices Commission pursuant to the authority of the Political Reform Act, as the Act and regulations shall be, from time to time, amended.

**SECTION 1.1 Definitions**

For the purposes of this article:

- (a) "District Officer" means every person who is elected or appointed to an office of the District.
- (b) "Designated Employee" means every employee of the District who is designated in the District's Conflict of Interest Codes to file a Statement of Economic Interest.
- (c) "Doing business with the District" means:
  - (1) seeking the award of a contract or grant from the District; or
  - (2) having sought the award of a contract or grant from the District in the past 12 months; or

- (3) being engaged as a lobbyist or lobbyist firm, as defined in the Article, from the time of such engagement until 12 months after the award of the contract grant, license, permit, or other entitlement for use, which was the subject of the engagement; or
  - (4) having an existing contractual relationship with the District, until 12 months after the contractual obligations of all parties have been completed; or
  - (5) seeking, actively supporting, or actively opposing the issuance, by the District, of a license, permit, or other entitlement for use, or having done any of these things within the past 12 months.
- (d) "Employee" means every regular or temporary employee of the District.
- (e) "Gift" shall have the meaning as defined in the California Political Reform Act, and the regulations issued pursuant to that Act<sup>1</sup>. The District as a matter of policy has determined to adopt stricter gift limitations as provided below:
- (1) Meals, beverages and incidental expenses related to a business meeting or event from persons doing business with the District shall not exceed \$150 from a single source during a calendar year.
  - (2) Unless determined to have no value as provided in the California Code of Regulations<sup>2</sup>, meals, beverages, and free admission at any event sponsored by, or for the benefit of, a bona fide educational, academic, or charitable organization, or a political fundraiser, with a cumulative value, from any single source, shall not exceed \$150 during a calendar year. Commemorative gifts may be received from such organizations with a cumulative value, from any single source, of \$150 or less during a calendar year.
  - (3) Flowers, plants, balloons or similar tokens which are given to express condolences, congratulations, or sympathy for ill health, or to commemorate special occasions, may be received provided that such gifts shall not exceed a

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<sup>1</sup> The Political Reform Act adjusted annual gift limitation amount in effect for the period of January 1, 2009, to December 31, 2010, is \$420.

<sup>2</sup> Section 18946.4, Chapter 9.5, Division 6, Title 2 of the California Code of Regulations (attached hereto) addresses tickets to nonprofit and political fundraisers.

cumulative value of \$50 from a single source during a calendar year.

- (4) A prize may be awarded on the basis of chance in a bona fide competition not related to the official status of the public official.
- (5) On January 1, and July 1, every District Officer and Designated Employee shall submit a listing of all gifts, if the gifts exceed the limits set forth herein, received from persons doing business with the District, or are otherwise required to be disclosed by the Political Reform Act and the regulations issued pursuant to that Act. The list shall be submitted to the President of the Board of Directors. The Board of Directors shall determine whether the District should reimburse those persons doing business with the District for the estimated cost of those gifts listed.
- (f) "Lobbyist" shall mean any individual, or business entity, including an attorney, who is employed or contracts for consideration, other than reimbursement of reasonable travel expenses, to communicate directly with any District Officer or employee for the purpose of seeking, actively supporting, or actively opposing the award of a contract or grant from the District, or the issuance by the District, of a license, permit, or other entitlement for use. An attorney shall not be considered a lobbyist when performing activities which can only be performed by a person admitted to the practice of law.
- (g) "Public Official" means every District officer and every employee.

## **SECTION 1.2 PROHIBITIONS**

- (a) Except as otherwise provided herein, all gifts to Public Officials or their immediate family from persons doing business with the District are forbidden. All existing laws governing the acceptance and reporting of gifts are contained in the Fair Political Practices Act (Government Code 82028 et seq.) District Officers and Designated Employees who file Statements of Economic Interest should refer to the manual on file at the District.
- (b) Except as otherwise provided herein, no Public Official shall solicit or accept any gift from any person whom he/she knows, or has reason to know is doing business with the District.
- (c) No Public Official shall accept any gift when the identity of the donor is not known to the public official.

- (d) The acceptance of plaques, commemorative mementos, and informational material, of nominal value or of value only to the recipient, is acceptable for all Public Officials.

**SECTION 1.3 ENTERTAINMENT FROM PERSONS DOING BUSINESS WITH THE DISTRICT**

Except as otherwise provided herein, the acceptance of meals, travel and lodging from persons doing business with the District is prohibited for all Public Officials or their immediate family. Tickets for entertainment (i.e., sporting) events provided by persons doing business with the District to a District Officer or Designated Employee shall be subject to the provisions of Section 1.1(e) (Gifts) and shall not be transferred to the District for distribution.

**SECTION 1.4 REPORTING OF GIFTS FROM PERSONS DOING BUSINESS WITH THE DISTRICT**

By January 31 of each calendar year, all persons doing business with the District shall submit a summary of all gifts claimed for internal vendor audits (including meals) made to, or on behalf of, Public Officials that have occurred in the normal course of business during the previous calendar year. Failure to provide this information to the District may result in termination of services. There shall be no reciprocation for meals and beverages between Public Officials and persons doing business with the District.

**SECTION 1.5 BUSINESS PURPOSE EXPENSES**

Public Officials who for District business purposes dine at District expense, and/or entertain vendors, contractors, consultants or other persons doing business or associated with the District, shall submit or cause to be submitted such expenses for review and approval by the Board of Directors. Business meals include meals paid by the District, either directly or by reimbursement, for Public Officials or non-employees associated with normal eating customs under circumstances considered conducive to furthering District business. The nature and/or purpose of the business meal shall be indicated on the meal expense receipt or other document accompanying the meal expense receipt.

**SECTION 1.6 OUTSIDE CONSULTING/BUSINESS ACTIVITY BY PUBLIC OFFICIALS**

- (a) Public Officials are prohibited from entering into consulting work for consideration with any persons doing business with the District. All

other outside consulting must receive pre-approval by the Board of Directors.

- (b) All other business associations with persons doing business with the District shall be subject to disclosure on the annual "Statements of Economic Interest" Form 700 filed by each District Officer and Designated Employee annually.

**SECTION 1.7            EMPLOYMENT OF DEPENDENTS OF DISTRICT  
PUBLIC OFFICIALS**

- (a) Unless approved by the General Manager, it is expressly forbidden for persons doing business with the District to employ dependents, as defined by the Internal Revenue Service, of Public Officials. Employment of dependents is allowable only if in the opinion of the General Manager or the Board of Directors, the duties and responsibilities of dependent's employment does not create a perception of conflict.
- (b) It is expressly forbidden for Public Officials to solicit jobs for immediate family or immediate relatives with persons doing business with the District.
- (c) Prior to May 19, 1993, pre-existing dependent employment by persons doing business with the District is permissible.

**SECTION 1.8            COLLECTIVE GIFTS TO THE DISTRICT**

Gifts to the District shall be addressed in accordance with the California Code of Regulations.<sup>3</sup> The Agency Head for purposes of determining and controlling the District's use of payments/gifts shall be the General Manager of the District. Gifts of tickets or passes provided to the District for admission to a facility, event, show or performance for entertainment, amusement, recreational, or similar purposes shall not be accepted by the District.

**ARTICLE II  
EXPENSE REIMBURSEMENT<sup>4</sup>**

**SECTION 2.0            TRAVEL, EXPENSES WHILE TRAVELING**

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<sup>3</sup> The disposition of collective gifts to the District shall be in accordance with the provisions of Section 18944.2, Chapter 9.5 (Ethics), Division 6, Title 2, of the California Code of Regulations (attached hereto).

<sup>4</sup> "Reimbursement" for purposes of this document and the provisions of AB 1234, means any expenses paid by the District.

The following limits and guidelines shall apply to identified expense categories and items. Exceptions to these limits and items may be authorized by the District's Board of Directors only, subject to the provisions of Section 2. This policy, its categories, limits and items shall be reviewed and approved periodically as appropriate or as otherwise required by law by the District's Board of Directors. Amendments and/or adjustments in dollar values specified shall be included in the review and supported by the appropriate findings. All travel shall be for the express purpose of performing tasks related to District business.

### **SECTION 2.1 Travel Authorization**

All requests for business travel relating to District business for which reimbursement of actual and necessary expenses will be sought are limited to: 1) appearances before or meetings with: a) administrative or regulatory agencies, b) legislators or their staff, c) other water, sewer or water reclamation (including flood control and joint powers) agencies and cities, d) energy purveyors; 2) ACWA, CSDA, AWWA<sup>5</sup> or other water, energy or conservation organization conferences; 3) organized educational activity; and, 4) promotional and training seminars. All of the foregoing shall be requested in writing by the employee or Board member. This individual shall state the purpose, estimated trip duration, and a summary of goals. The Board of Directors will review all upper management requests for travel, upon submission of estimated trip costs. The General Manager will review all employee requests for travel. A brief report shall be provided by the member(s) of the Board of Directors on the meeting(s) attended at the expense of the District at the next regular meeting of the District.

### **SECTION 2.2 Travel Reservations and Procedures**

All business travel shall be specified and justified by the appropriate supervisory personnel. All travel arrangements including air transportation, hotel and rental car reservations must be made through District approved providers. The secretary to the General Manager is designated as the position responsible for coordinating all travel arrangements. The secretary will advise which carriers, travel agents, car rental company, etc. are to be used. Each provider has been instructed to secure air transportation and hotel at the lowest reasonable fares and rates. All reasonable attempts shall be made to take advantage of promotional air, hotel, and ground transportation rates.

### **SECTION 2.3 Air Transportation**

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<sup>5</sup> **ACWA**: Association of California Water Agencies, inclusive of meetings/conferences or meetings of state or region boards, committees or sub-committees thereof; **CSDA**: California Special Districts Association, inclusive of meetings/conferences or meetings of state or region boards, committees or sub-committees thereof; **AWWA**: American Water Works Association, inclusive of meetings/conferences or meetings of state or region boards, committees or sub-committees thereof.

- (a) Cost-saving opportunities are enhanced by providing general departure and arrival times, rather than specifying certain carrier and flight numbers. Significant savings are realized by planning in advance. District employees are expected to exercise good business judgment and planning to avoid last minute ticket purchases which are the most costly. The District has instructed its providers to provide immediate notification as to the least expensive airline alternative. Government and group rates offered by a provider of transportation services shall be used when available.
- (b) All domestic air travel must be coach (upgrades will be paid personally). Changes to previously approved travel arrangements, while en-route, should not be taken for personal convenience purposes if it increases the cost of the flight.
- (c) Personal travel included within the itinerary of a business trip, which included additional costs will be paid by the employee.
- (d) Air travel expense shall be consistent with the daily expense limitation of Section 2.16.

**SECTION 2.4 Ticketing Procedures**

- (a) It is advised that tickets not be received until as late as practical due to the possibility of changes or cancellation in travel plans or scheduled meetings. Changes en-route, if necessary, should be made with the travel agency office during their normal operating hours.
- (b) Unused Tickets: In the event a trip is canceled or changed and the traveler is in the possession of unused tickets, he/she is responsible for returning them to the travel secretary for return to the travel agent. A photocopy of returned tickets must be kept for the traveler's records. Unused airline tickets should never be attached to the expense report.
- (c) Canceled prepaid arrangements should be reported to the District immediately to obtain authority to process a refund.
- (d) Lost Tickets: Lost tickets must be reported immediately so that the District can process the appropriate lost ticket application.

**SECTION 2.5 Lodging**

- (a) The District has requested that its designated travel agent select moderately priced facilities in reasonable proximity to the office or location where the traveler's business is being performed. Receipts for lodging must accompany the report of expenses.

- (b) When corporate rates have been negotiated locally with specific hotel properties, these hotels must be used. If the lodging is in connection with a conference or organized educational activity lodging costs shall not exceed the maximum group rate published by the conference or activity sponsor, provided that lodging at the group rate is available at the time of booking. If the group rate is not available, government or group rates shall be used when available for comparable lodging and, if not, lodging expense shall be consistent with the daily expense limitation of Section 2.16.
- (c) All hotel rooms will be guaranteed for late arrival. In this case, if the traveler does not show up, the District will still be charged for the room. Therefore, it is mandatory for the traveler to notify the travel agent or the hotel, if their itinerary changes, and a room needs to be canceled. No lodging expenses in Orange County shall be reimbursed unless specifically approved by the District Board of Directors.

#### **SECTION 2.6 Automobile Rental**

- (a) Rental cars should be used only when less expensive transportation is not available, i.e. shuttle vans, taxis, etc. Approved District travel providers shall use their best efforts to secure the most cost effective rental rates on compact and mid-size vehicles. The cost of rental will not be reimbursed for weekend or holiday travel unless the car is required and used for District business during this time. Government and group rates offered by a provider of transportation services shall be used when available.
- (b) Do not obtain additional insurance when renting cars. Directors and employees are covered for car rentals by existing District insurance policies, as long as the rental is being made for business purposes.
- (c) Traveling personnel must use their best efforts to fill up with fuel before returning rental as gasoline charges from rental companies are excessive. Non compliance must be explained on the expense report.
- (d) Fines for parking or speeding violations are not reimbursable.
- (e) In the event of any accident, a Policy Report must be obtained. The Director or employee must notify the District by telephone immediately. If the accident occurs after normal business hours, the Director or employee shall notify the District at the beginning of the next work day. Follow the accident instructions listed in the rental car company's rental agreement/receipt.

- (f) Directors or employees driving rental vehicles on District business are bound by the same rules prohibiting alcohol consumption during working hours. Driving a rental vehicle while under the influence of alcohol or any substance is prohibited. Driving a rental vehicle while under the influence of alcohol or drugs will result in immediate disciplinary action against an employee including but not limited to termination.
- (g) Automobile rental expense shall be consistent with the daily expense limitation of Section 2.16.

**SECTION 2.7            Meals**

- (a) Actual costs of meals, with reasonable limits, plus associated tips are reimbursable. Receipts for all meals expenses must be submitted with business purpose clearly stated. The following reimbursable limits **including customary tips** for meals will apply:

Breakfast	\$ 10/day
Lunch	\$ 20/day
Dinner	\$ 30/day

With approval by the Board of Directors, limits can vary commensurate with trip destination.

- (b) It is expressly stated that the District will not reimburse for alcoholic beverages consumed. Furthermore, it is against District policy to consume alcohol during business hours while on the job. Alcoholic beverages shall not be consumed during working business meetings.
- (c) Meal limits are amounts that can be reimbursed. Any amount above prescribed limits will be the responsibility of the Director or employee.
- (d) Meal expense shall be consistent with the daily expense limitation of Section 2.16.

**SECTION 2.8            Personal Expenses**

Personal expenses are not authorized and are not reimbursable by the District. Personal expenses are defined as those expenses not essential to the conducting of District business. Examples of such items are personal entertainment (theaters, nightclubs, sporting events, golf games, haircuts, shoe shines, newspapers, magazines, tobacco, etc.)

**Section 2.9            Telephone Expenses**

Business-related phone calls and reasonable family calls to advise the traveling employee's family will be reimbursed, subject to the daily expense limitation of Section 2.16.

#### **SECTION 2.10 Laundry or Valet Service**

The reasonable actual costs of such services are allowable when the travel exceeds five business days. On shorter trips, laundry or valet service will be allowed only in unusual circumstances subject to the daily expense limitation of Section 2.16.

#### **SECTION 2.11 Tips**

Other than meals, no tips will be reimbursed. Meal tips must be reasonable. Normal non-business standards are a good guide to reasonability; 12-15% is typical in most instances, subject to the daily expense limitation of Section 2.16.

#### **SECTION 2.12 Spouses, Friends, and Family Members**

Expenses for spouses or friends on business trips will not be paid by the District. Any exceptions to this policy, e.g. employee retirement function, must be approved in advance by the District's General Manager. Exceptions for the General Manager must be approved in advance by the District Board of Directors.

#### **SECTION 2.13 Additional Nights Stay**

When the overall net cost savings to the District is the result of a Director or an employee extending a business trip to utilize lower excursion rates for air fare, the employee's supervisor shall have the authority to reimburse the employee for additional expenses incurred due to the extension of the trip. The additional expenses eligible will be limited to the cost of an additional night's lodging and a reasonable allowance for one additional day(s) Meal(s) as prescribed in Section 2.7.

#### **SECTION 2.14 Insurance**

All employees who travel on District business are covered by District travel accident insurance. Employees will not be reimbursed for expenses incurred in purchasing additional individual travel insurance.

#### **SECTION 2.15 Travel Reporting Procedures**

- (a) Travel Advances. Travel expense advances will be allowed upon pre-approval by the District's Director of Finance.
- (b) Expense Reports. All travel expenses must be submitted within a reasonable time after incurring the expense, itemized on the standard Expense Report Form and provided to the Accounting Department with appropriate approvals, and receipts. Appropriate approvals are the signatures of the employee's supervisor. Original receipts must be included.
- (c) It is not intended that a Director or an employee incur any financial loss while on District business nor is it intended that he/she realize a financial gain. If a Director or an employee incurs expenses which do not appear to be covered under this policy, but which are believed to be charges to the District, the Director or employee should submit these charges on an Expense Report Form with a full explanation and supporting receipts. The District will not be responsible for interest payments or late charges that occur on Directors' or employees' credit cards. It is the Director's or employee's personal responsibility to submit an Expense Report Form and make the payments within a reasonable time. The District will in turn make every effort to reimburse properly documented and approved expenses in a timely manner.
- (d) It is the policy of the Accounting Department to reimburse approved Expense Reports within seven business days. Check signatories are not authorized to sign reimbursement checks payable to the signatories. Expense reports will be subject to review on submission of proper receipts.

**SECTION 2.16 DAILY EXPENSE REIMBURSEMENT LIMIT**

Reimbursement for lodging, travel, meals, and other actual and necessary expenses as provided herein shall not collectively exceed \$500 per day<sup>6</sup>. Expenses exceeding this amount shall be approved by the Board of Directors in a public meeting before the expense is incurred.

**ARTICLE III**  
**COMPLIANCE**

**SECTION 3.0 Compliance with State Law Reporting Requirements**

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<sup>6</sup> Travel costs will be averaged over the duration of the conference or other event for purposes of complying with the daily expense limit.

- (a) All "Statements of Economic Interest" Form 700 filings shall be reviewed by a committee of the Board and Secretary of the Board. The committee and Secretary will review for compliance, form, and accuracy based upon the information supplied by the employee or director. The committee's filings may be reviewed by the remainder of the Board not comprising the committee. The filed forms shall be signed and dated by the reviewing parties as having been reviewed. All filings will be returned to the respective individual by March 20 of each calendar year. It is the filing individual's responsibility to transmit the completed Form 700 to the Secretary in a timely manner. All filings are due to the Board Secretary and Registrar of Voters by March 31 of the calendar year, as specified in Section 3.0(b).
- (b) The District's Board of Directors, and all Designated Employees and others as required by State law, shall annually file "Statement of Economic Interest" Form 700 with the District's Secretary by March 1, of each year. The Secretary will file the Directors' Statements of Economic Interest forms with the Orange County Registrar of Voters by March 31 of each calendar year.

**ARTICLE IV**  
**PERSONAL AUTOMOBILE USE**

**SECTION 4.0**      **Personal Automobile Use Criteria**

- (a) An employee who uses a personal vehicle for District business will be reimbursed for mileage at the rate allowable under IRS guidelines. Parking and toll charges will be reimbursed upon submission of receipts.
- (b) No additional allowance will be paid for passengers who travel with the employee, even if they are on District business.
- (c) All employees who are to use their personal automobile for District use are responsible for carrying the required level of general liability coverage, as required by state law.
- (d) Personal automobile use reimbursement shall be consistent with the daily expense limitation of Section 2.16.

**SECTION 5.0**      **ETHICS TRAINING**

Directors, and employees designated by the Board of Directors, shall receive at least two (2) hours of training in general ethics principles and ethics laws relevant to his or her public services every two (2) years in accordance with the provisions of California Government Code Section 53234 through 53235.2, which provisions prescribe,

among other things, training curricula and maintaining records of training for at least five (5) years after the training.

## **SECTION 6.0 DIRECTOR COMPENSATION**

Members of the Board of Directors shall be eligible to receive compensation in the amount provided by law for meetings of the Board of Directors<sup>7</sup>, meetings of standing or ad hoc Board committees, meetings of advisory bodies, meetings with District staff, the events and occasions set forth in Section 2.1, and ethical training described in Section 5.0.

## **SECTION 7.0 DISCIPLINARY ACTIONS FOR NON-COMPLIANCE**

- (a) Intentional non-compliance with the District's Code of Conduct and Expense Reimbursement Policy by District employees shall subject the employee to disciplinary actions commensurate with the violation up to and including dismissal. Inadvertent non-compliance will be taken under consideration by a review committee comprised of the General Manager, Director of Finance and President of the Board of Directors.
- (b) The Code of Conduct and Expense Reimbursement Policy shall be reviewed periodically as appropriate or as otherwise required by law by the District's Board of Directors and amended when appropriate. Amendments shall require majority consent of the Board.
- (c) The Board of Directors reserves the right to consult with experts in advance of changing, modifying, or amending this Code of Conduct and Expense Reimbursement Policy.

This Code of Conduct & Expense Reimbursement Policy was unanimously approved by the Board of Directors of the Santa Margarita Water District at its regularly scheduled meeting held on May 13, 1993 and amended on September 20, 1993, January 14, 2005, December 16, 2005 and December 20, 2006.

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<sup>7</sup> "Meeting", defined for purposes of this document in California Government Code Section 54952.2(a), "includes any congregation of a majority of the members of a legislative body at the same time and place to hear, discuss, or deliberate upon any item that is within the subject matter jurisdiction of the legislative body or the local agency to which it pertains."