



## MEMORANDUM

---

**DATE:** November 9, 2021

**TO:** Port Director Kirk DeJesus

**FROM:** Katie Miller, Director of Human Resources and Administrative Services

**SUBJECT:** Commission Review of the Stockton Port District Policy Statement, including Recommended Changes

---

To prepare for the upcoming annual review of the Stockton Port District Policy Statement on Monday, November 15, 2021, attached please find a copy of the Policy Statement, which includes three (3) staff, recommended changes for your review.

Please note all formatting and table of content updates will be made once the Board has given final approval on the document.

The following policies contain recommended changes:

- Policy #001 – Powers and Functions of the Board of Port Commissioners
- Policy #005 – Purchasing of Supplies, Materials and Equipment
- Policy #013 – Conflict of Interest and Standards of Ethical Conduct

The recommended changes are identified with colored text and reasoning for the changes provided on the right side of page 2, page 10, and page 34.

As a reminder, due to the annual authority requirement (CA Governmental Code Section 53607), Policy #012 will need to be reviewed and approved by the Board no later than November 16, 2021 to be compliant. This date is one year from the last Board adoption of this particular policy.



## **STOCKTON PORT DISTRICT POLICY STATEMENT**

Policy Statement #'s 001-017  
As Adopted June 7, 1993

As Amended November 16, 2020

**DRAFT**

## TABLE OF CONTENTS

<u>POLICY NUMBER</u>	<u>PAGE NUMBER</u>	<u>SUBJECT</u>
001	1	POWERS AND FUNCTIONS OF THE BOARD OF PORT COMMISSIONERS
002	3	ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON, THEIR TERMS OF OFFICE, AND CONDUCT OF BOARD MEETINGS
003	6	POWERS AND FUNCTIONS OF THE PORT DIRECTOR
004	9	PROCEDURE FOR THE ADMINISTRATION OF CONTRACTS
005	10	PURCHASING OF SUPPLIES, MATERIALS AND EQUIPMENT
006	12	DOCUMENT REPRODUCTION FOR THE PUBLIC
007	13	COMMUNITY AND NON-PROFIT EVENTS PARTICIPATION AND SPONSORSHIP
008	15	REIMBURSEMENT OF TRAVEL AND EXPENSES
009	20	UTILIZATION OF PORT FACILITIES FOR SPECIAL EVENTS BY OUTSIDE GROUPS
010	22	LEASE OPTIONS FOR LAND DEVELOPMENT
011	23	LEASING NON-COMMERCIAL "RECREATIONAL" PROPERTIES IN THE SAN JOAQUIN DELTA
012	24	CASH AND INVESTMENTS
013	33	CONFLICT OF INTEREST AND STANDARDS OF ETHICAL CONDUCT
014	37	ELECTRIC INTERCONNECTION
015	40	ENVIRONMENTAL COMMITMENT
016	42	ADHERENCE TO UNIFORM GRANT GUIDANCE
017	47	DEBT MANAGEMENT

**Commented [SL1]:** Note change recommendation to Policy 001 Item #11 by K. DeJesus (see pg. 2)

**Commented [SL2]:** Note change recommendation to Policy 005 Item #2.a. by M. Bowling & J. Villanueva (see pg. 10)

**Commented [SL3]:** Note changes to Policy 013 Appendix A requested by M. Rodriguez (see pg. 34)

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #001

As Adopted 06/07/1993

As Amended 12/19/2016

As Reviewed 11/16/2020

Subject

POWERS AND FUNCTIONS OF THE BOARD OF PORT COMMISSIONERS

Purpose

To establish standing policies under which the Stockton Port District will be managed and that serve as general guidelines for the day-to-day conduct of the Board of Port Commissioners' business in keeping with the provisions of the State of California Harbors and Navigation Code of 1937.

Policy Statement

1. The Board shall exercise its vested powers to govern the Stockton Port District, which includes reviewing and approving the annual budget.
2. The Board shall set policies and establish controls consistent with the conditions of its trust as prescribed in the California Harbors and Navigation Code, and shall review such policies and controls annually.
3. A copy of the policy statement, in loose-leaf form, shall be maintained in the office of the Secretary of the Commission for inspection by the public. Copies shall be distributed to Port Commissioners and key members of Port staff.
4. All policies included in the statement shall be subject to approval by a majority of the Board.
5. The Board appoints the Port Director as chief executive officer and holds him/her fully accountable for the management of the District in accordance with the Board's established policies, rules and regulations.
6. The Board may enter into an employment agreement with the Port Director not to exceed a term of four years. The Board may prescribe rules and regulations pertaining to the selection of officers and employees of the district. It shall also fix the salary or wages of all officers and employees of the district. The term of each officer appointed by the Board shall be during the pleasure of the Board. (H&N Code 6249)
7. The Board shall assure that the District cooperates in the maritime and other industrial development, planning and activities of the cities within the District and San Joaquin County.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #001  
Continued

8. The Board shall make every reasonable effort to keep the public thoroughly informed of District operations. The Chairperson of the Board or his/her designee shall be the official source of communicating policy statements and major announcements.
9. The Board shall annually evaluate the performance of the Port Director and other officers appointed by the Board.
10. The Board shall conduct its business as a body at bi-monthly meetings or other meetings duly called in accordance with policies established by the Board.
11. The Board may, as an agenda item, authorize one or more, not to exceed three Commissioners to travel and to be reimbursed for such expense in accordance with the Port Travel Policy. An exception may be made for more than three Commissioners to travel and be reimbursed; however, the Board of Commissioners must specifically approve it.

**Commented [SL4]:** Edits to Item #11 requested by Port Director Kirk DeJesus: Port staff recommends this change to avoid a quorum of Board members attending a conference or seminar thereby reducing the chance for violation of Brown Act to occur.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #002

As Adopted 06/07/1993

As Amended 01/07/2019

As Reviewed 11/16/2020

Subject

ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON, THEIR TERMS OF OFFICE, AND CONDUCT OF BOARD MEETINGS

Purpose

To establish a policy governing the election of the Chairperson and Vice-Chairperson, their terms of office and for conducting Board meetings.

Policy Statement

1. The annual election of a Chairperson and Vice-Chairperson shall be an item of business at the first regular meeting of the Board of Port Commissioners in February of each year. Candidates for office need not be present. They may be nominated, elected, and installed at a later date.
2. The term of office of the Chairperson and Vice-Chairperson shall be from the date of election until the end of their term, or until the first regular meeting in February of the succeeding year at which time a successor shall be elected. A Chairperson shall not succeed himself/herself in office. (H&N Code 6240.3)
3. In the event the Chairperson or Vice-Chairperson does not complete a full term of office, an election will be held at the first meeting following notice of the vacancy to determine the Commissioner who shall serve the remainder of the unexpired term.
4. Board meetings shall be conducted according to Roberts' Rules of Order, by the Chairperson or Vice-Chairperson or senior member present.
5. The regular meeting of the Board shall be at 3:30 p.m. on the first and third Mondays of the month unless otherwise cancelled by the Chairperson.
6. The Board may meet, at the call of the Chairperson, for a "workshop session." At such "workshop sessions" discussions may be held with management on general or specific matters having an effect on the Port but on which no official action is contemplated. The Secretary shall mail the proper notice of all "workshop sessions."
7. All meetings of the Board shall be open to the public and all persons shall be permitted to attend any meeting except for closed sessions held pursuant to Chapter 9 (commencing with Section 54950) of Part 1 of Division 2, of Title 5 of the California Government Code and amendments thereto (commonly referred to as the Ralph M. Brown Act).

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #002  
Continued

8. Closed sessions shall be scheduled in accordance with the provisions of California law at the request of any Commissioner or the Port Director.
9. A majority of the members of the Board shall constitute a quorum for the transaction of business.
10. Port Commissioners shall receive an agenda which will summarize the background, analyze the subject matter, and state the Port Director's recommendation.
11. The agenda shall be prepared by the Port Director. Commissioners having comments or questions on technical items will make every attempt to bring them to the Director's attention at least one hour prior to meeting time.
12. The Port Director shall have the agenda delivered to all Commissioners no later than 5:00 p.m. three (3) business days preceding a regular meeting and have it posted as required by California law.
13. Only items appearing on the agenda shall be considered at the meeting, except that urgency items may be introduced:
  - 13.1. Upon determination by a majority vote of the Commission that an emergency situation exists as required by California law.
  - 13.2. Upon determination by a two-thirds vote of the Commission that the need to take action arose subsequent to the agenda being posted.
14. The order of business shall be:
  - 14.1. Call to Order
  - 14.2. Roll Call
  - 14.3. Consent Calendar, including Approval of Minutes
  - 14.4. Consideration of Items Removed from the Consent Calendar, if any
  - 14.5. Action on Other Agenda Items
  - 14.6. Committee Reports
  - 14.7. Port Director's Comments
  - 14.8. Correspondence
  - 14.9. Commission Comments
  - 14.10. Public Comments
  - 14.11. Adjournment
15. The Port Director, at his or her election, may place any item of Port business on the Consent Calendar. Any Commissioner or the Port Director may remove any item of business from the Consent Calendar prior to a vote on the Consent Calendar. The Consent Calendar shall be voted on as a single item. Any items

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #002  
Continued

removed from the Consent Calendar shall be considered immediately following the consideration of the Consent Calendar.

16. The affirmative vote of the quorum shall be required for any official act of the Board except as otherwise provided by law. A quorum for a regularly scheduled meeting is four (4) of the seven (7) Commissioners present. Telephonic meetings are authorized subject to compliance with the Ralph M. Brown Act.
17. At the request of any Commissioner, his/her absence from any Board meeting shall be excused by the Board of Port Commissioners following the roll call, whenever the absence is caused by official business of the Stockton Port District, or where illness or other urgent necessity prevents his/her attendance. Any Commissioner may be excused from attending a meeting by notifying the Chairperson or the Port Director prior to the absence.
18. Absence for "Port District business" shall be so reported in the official minutes of the Board meetings.
19. In accordance with Section 54956 of the Government Code as may be subsequently amended, special meetings may be called at any time by the Chairperson or by a majority of the Board. For purposes of the Port a quorum to call and conduct an emergency meeting is four (4) Commissioners.
20. To the extent practical and feasible the Port Commission may consider and approve a resolution directed to the City of Stockton, County of San Joaquin or both requesting that a proclamation of emergency be promptly adopted. If in the opinion of the Port Director practical and feasible considerations or other exigent circumstances prevent the Port Commission from considering a resolution requesting the proclamation of an emergency in a timely manner then the Port Director is authorized to directly contact the City of Stockton, County of San Joaquin or both requesting that a proclamation of emergency be promptly adopted. The Port Director will keep the Commission, either individually or as a whole, informed of the situation and action taken as soon as practicable.
21. Admission of evidence at Commission hearings. Formal rules of evidence or procedure applicable to judicial actions and proceedings shall not apply in any Commission proceeding. However, all written evidence and testimony shall be submitted to the Secretary of the Board at least five (5) business days before the hearing. Written evidence or testimony submitted after that time shall not be admitted into evidence at the hearing and shall not be considered by the Commission.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #003

As Adopted 06/07/1993

As Amended 12/02/2019

As Reviewed 11/16/2020

Subject

POWERS AND FUNCTIONS OF THE PORT DIRECTOR

Purpose

To delineate policy on the exercise of powers and functions of the Port Director.

Policy Statement

1. The Director shall have all powers and duties which may lawfully be delegated to him/her to be performed and executed by him/her in accordance with the policies adopted by the Board.
2. The Port Director shall be the Chief Executive and shall manage the Stockton Port District for the Board in accordance with the California Harbors and Navigations Code and the Board's policies.
3. The Port Director shall recommend plans, policies and objectives to the Board for the development of all facilities of the Port and shall review the status of District plans with the Board on a regular prescribed basis
4. The Port Director shall implement approved plans and policies to attain prescribed objectives.
5. The Port Director shall appoint, lay off or remove any employee of the Port District.
6. The Port Director, in accordance with Board direction, shall be responsible for:
  - a. Regulating the berthing, anchoring, towing, loading, unloading and mooring of vessels within the District.
  - b. Issuing receipts, negotiable or otherwise, for property or merchandise in its charge or possession.
  - c. Fix all rates, dockage, rentals, tolls, wharfage and charges for the use and occupation of the public facilities or appliances of the Port and for services rendered by the Port, and provide for the collection thereof.
  - d. In accordance with the California Association of Port Authorities and Federal Maritime Commission Agreement No. 224-007345-022, decide the establishment of and/or adjustment of rates, charges, classifications, rules, regulations or practices to General Tariff No. 1 and Terminal Tariff No. 5.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #003

Continued

- e. Entering into a written instrument, consistent with the scope of the Port Director's power and duties, including but not limited to granting, obtaining or modifying temporary easements not to exceed five (5) years or rights of way, or licenses, beneficial to developing Port real property. Also may include but not limited to service agreements pertaining to the daily operation of the Port, such as services for surveys, stevedores, engineering, environmental, pest control, landscaping, personnel benefit administration, liability insurance and information technology services. Any such agreements or instruments whereby the anticipated cost to the Port, either monthly or in the aggregate over a year, exceeds \$75,000 shall be presented to the Board for approval. The authority contained herein excludes the authority of the Director to grant a fee interest in Port property or to enter into a lease of Port property for a term of more than five (5) years. Compliance with the California Harbors and Navigation Code, Public Contract Code and other applicable laws shall be maintained.
  - f. Giving such bonds of assurances as may be required by the United States government in the operations permitted hereunder.
  - g. Providing and equipping offices within or without the Port, within other states or foreign countries, and such employees and agencies as deemed expedient.
  - h. Contracting for and operating foreign trade zones within the Port area or auxiliary to the Port area.
  - i. Promoting the maritime and commercial interests of the District by advertising its advantages and facilities and by solicitation of business.
  - j. Providing an annual succession plan for response to emergency situations in the event the Port Director is not available or unable to promptly respond to a Port emergency. The acting Port Director, based upon such succession plan, shall collaborate with available Board members and executive staff to make decisions, in a timely manner as much as practicable, during such Port emergency.
7. During an emergency situation, the Port Director has authority to make emergency expenditures to the extent necessary to provide immediate protection of life, health and/or property until the Board can hold an emergency meeting or until the immediate threat ceases to exist, whichever occurs first. The Port Director will keep the Commission, either individually or as a whole, informed of the situation and action taken as soon as practicable.
8. The Port Director, or his/her designated representatives, shall officially represent the District in professional, governmental and civic organizations and committees unless otherwise directed by Board resolution.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #003  
Continued

9. The Port Director shall provide the Board with a series of regular management reports on a quarterly basis, and any special reports as may be requested by the Board.
10. The Port Director shall be responsible for authorizing travel and incurring necessary expenses by members of the staff conducting Port business.
11. The Port Director shall have the power to enter into and execute all rental and occupancy permits, and grants of privileges and franchises, not exceeding five (5) years in duration, including (as the decision maker under CEQA) approval authority for any necessary CEQA actions related thereto, in accordance with policies established or to be established by the Board. In addition, the Port Director is authorized to approve an assignment of a long term lease when (i) there is no change to the length of the lease or any material economic term and/or condition; and (ii) where the Port Director finds based upon credible information that the creditworthiness of the assignee and the ability of the assignee to operate the business located on the leased site is equal to or greater than the creditworthiness of the current lessee at the time in which the lease was entered. The Port Director shall inform the Board monthly of the agreements or grants executed.
12. The Port Director shall periodically review the terms and conditions of all privileges, grants and franchises, and shall make recommendations to the Board concerning the continuance, revocation, renewal or replacement with a lease.
13. The Port Director shall serve as the Board's bargaining agent in all matters relating to labor disputes and contract negotiations. While the Port Director is the Board's principle negotiator, the Board shall vote on formal adoption of final negotiated labor contracts.
14. The Port Director shall have the authority and responsibility to (i) appoint, monitor, remove and replace members of the committee who serve as the Plan Administrator and trustee(s) of the retirement plans and (ii) amend the retirement plans in order to make necessary clarifications to the plan documents and to maintain the plans in compliance with current and future applicable laws, rules and regulations.
15. The Port Director shall, every two years, provide the Board with a revised five-year plan, verbally reviewing his/her recommendations in a regular public meeting.
16. The Port Director shall be responsible for securing adequate legal services to meet the needs of the District unless otherwise directed by Board resolution. Additionally, the Board shall receive a report on all litigated cases whereby attorney fees or exposure are anticipated to exceed \$25,000.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #004

As Adopted 06/07/1993

As Amended 01/07/2019

As Reviewed 11/16/2020

Subject

PROCEDURE FOR THE ADMINISTRATION OF CONTRACTS

Purpose

To establish a policy governing the processing and administration of contracts.

Policy Statement

1. The Port Director shall be responsible for following all procedures required by the California Harbors and Navigation Code and the Public Contracting Code and other laws as applicable in the processing and administration of contracts awarded by the Port.
2. The Port Director is authorized to negotiate and execute a contract change order which decreases the contract, or increases the contract by no more than fifteen percent (15%) or \$100,000 whichever is less cumulatively of the base contract amount.
3. In the event of an emergency, the Board shall act in accordance with Public Contract Code 20751.1 and other applicable law(s), as may be subsequently amended, related to a need for immediate expenditure of District money to safeguard life, health or property.
4. Quarterly, during the period of any agreement for consulting services authorized by the Board or the Port Director, the Port Director shall provide a written report to the Commission setting forth, among other things, the total "not to exceed" amount of the agreement, the amount and percentage expended to date and a general description of the work accomplished to date, and a brief description of any problems encountered in administering the agreement. The quarterly reports shall be placed on a Commission agenda as a consent item.
5. The Port Director or his/her designated representative shall execute all contracts, agreements and leases, and other official documents on behalf of the District except as otherwise provided by law. Upon the completion of public work contracts, the Port Director is authorized to execute "Acceptance and Notice of Completion" required for filing for record under the provisions of the Mechanic's Lien Law.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #005

As Adopted 06/07/1993

As Amended 01/07/2019

As Reviewed 11/16/2020

Subject

PURCHASING OF SUPPLIES, MATERIALS AND EQUIPMENT

Purpose

To establish a policy governing the procedure for purchasing supplies, materials and equipment.

Policy Statement

1. The Port Director and his/her designated representative shall be responsible for following all procedures required by the California Harbors and Navigation Code and other applicable statutes in making purchases of supplies, materials and equipment.
2. When supplies, equipment or materials are to be purchased which are not to be furnished for public works, the Port Director shall proceed as follows:
  - a. The Port Director may make purchases of supplies, materials and equipment in an amount not to exceed \$25,000 in any one transaction. When the estimated expenditure in any one purchase is in excess of ~~\$5,000~~10,000, written competitive quotations shall be secured.
  - b. When the estimated expenditure of supplies, materials, or equipment exceeds \$25,000:
    - i. The contract shall be let by the Board.
    - ii. If the competitive quotations yield a single quotation, the Port Director may utilize consultants, engineering estimates, market comparisons, or any other reliable method to help determine the reasonableness of the single quotation. The results of such determination shall be presented to the Board for consideration.
  - c. Supplies, materials and equipment that are designed for a particular use at the Port of Stockton, or single source equipment, may be purchased without competitive quotations. Even though the equipment is single source or specially designed, the cost shall not be unreasonable compared with other similar equipment.

**Commented [SL5]:** Edit to Item #2.a. requested by Michelle Bowling, Director of Finance, and Juan Villanueva, Director of Development & Planning: Port staff recommends this change to adjust for the rising cost of goods over the past several years.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #005  
Continued

3. Expenditures for prospective tenants / projects shall not exceed the authority granted by the Board without the prior approval of the Board.
4. The Port of Stockton supports the purchase of recycled and environmentally preferred products in order to minimize environmental impacts relating to Port operations. The Board strongly recommends the purchase of environmentally preferable products whenever they perform satisfactorily and are available at a reasonably competitive price.  
Consistent with the requirements of Assembly Bill 939, requiring a 50% reduction of material going to landfills, and the economics of effectively managing costs for solid waste disposal, the Board will promote the use of recycled/recyclable supplies and materials as a priority. In so doing, the Port shall:
  - a. Encourage waste prevention, recycling, market development and use of recycled/recyclable materials through lease agreements, contractual relationships and purchasing practices with vendors, contractors, businesses and other governmental agencies.
  - b. Adopt waste prevention, recycling and use of recycled supplies/materials as a Port priority.
  - c. Generate less waste material by reviewing how supplies, materials and equipment are manufactured, purchased, packaged, delivered, used, and disposed.
  - d. Serve as a model for the San Joaquin County region to influence waste prevention, recycling and procurement efforts.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #006

As Adopted 06/07/1993

As Amended 12/07/2015

As Reviewed 11/16/2020

Subject

DOCUMENT REPRODUCTION FOR THE PUBLIC

Purpose

To establish a policy for a schedule of charges for furnishing copies of official District documents to the public, in accordance with the requirements of the California Public Records Act.

Policy Statement

1. Copies of District documents or drawings will be prepared for the public upon the payment of fees covering direct costs of duplication or other fees as provided for by statute. The District currently charges \$.30 per copied page.
2. Upon application by any person, any of the following documents, papers or official records of the District shall be furnished upon the payment of the following fees:
  - a. Agendas of the Board of Port Commissioners' meetings per copy mailed to the applicant annually \$14.00, semi-annually \$7.50, and quarterly \$4.00.
  - b. Minutes of Board meetings per copy mailed to the applicant annually \$75.00, semi-annually \$40.00, quarterly \$22.50.
3. One copy of any of the foregoing Port District documents, minutes or records shall be furnished to any federal, state, county, municipal, district, or governmental agency. However, any such governmental agencies or officials may be required to pay the stated fees for all copies in excess of one.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #007

As Adopted 06/07/1993

As Amended 12/02/2019

As Reviewed 11/16/2020

Subject

COMMUNITY AND NON-PROFIT EVENTS PARTICIPATION AND  
SPONSORSHIP

Purpose

To establish a policy governing the Port's participation in and sponsorship of community and non-profit events.

The Board believes that it is in the Port's best interests to increase public awareness and understanding of the Port, its operations and programs, and to promote overall goodwill within the community. By participation in community and non-profit events, the Port has the ability to increase awareness of Port facilities and capabilities, cultivate a spirit of cooperation and collaboration among key stakeholders, strengthen its marketing program by promoting the importance of international trade, dispense good will and foster valuable community relations.

In order to promote these endeavors as well as to comply with applicable state law, the Board sets forth the following guidelines concerning community and non-profit event participation and sponsorships.

Policy Statement

1. The Port Director, at his/her discretion, may authorize the Port's sponsorship of a community activity or purchase tables at a non-profit event. These activities include any advertising that raises the presence of the Port in the community but is not reasonably expected to enhance or increase the amount of international trade conducted by the Port. Hence, for all policies and for purposes of the budget, the term "advertising" means purchasing promotional advertising designed to increase the Port's domestic and international visibility or anticipated to contribute to increasing the Port's total international trade. The cumulative total of all such sponsorships shall not exceed the fiscal year's budgeted threshold for such expenses.
2. In the event the Port Director recommends a single event or cumulative contribution or donation to any one recipient for any purpose of \$10,000 or more in a fiscal year, he/she will obtain the prior written approval of the Chair or, if the Chair is unavailable, the Vice-Chair.
3. The budget for these activities shall not exceed ten percent (10%) of the previous fiscal year's net profit unless the budget is increased by a vote of the Board or the event is authorized by a vote of the Board. Organizations requesting a multi-year

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #007  
Continued

agreement and/or sponsorships in excess of ten percent (10%) of the budgeted amount, cumulatively or for a single event, shall be authorized by a vote of the Board.

4. The Port Director shall keep the Board apprised of all sponsorships on a quarterly basis. Sponsorships that would exceed the current fiscal year's budgeted threshold must be submitted to the Board for consideration at a public meeting or, in the alternative, the Board may consider increasing the fiscal year's budgeted amount.
5. Participation in community and non-profit events will have a benefit to the Port. For example, a table sponsorship should provide an opportunity for current or prospective tenants, business associates, Commissioners, Port employees, labor representatives or elected officials to interact with the community.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #008

As Adopted 06/07/1993

As Amended 12/07/2015

As Reviewed 11/16/2020

Subject

REIMBURSEMENT OF TRAVEL AND EXPENSES

Purpose

The Board recognizes that the District has the public purpose of promoting economic development and enticing international commerce, thereby creating jobs for the community. The Board believes that it is important that its members remain informed and trained in issues affecting the affairs of the District and that attendance at institutes, hearings, meetings, conferences, trade missions, or other gatherings is of value to the District and its citizens. The benefits include:

- a. The opportunity to discuss the community's concerns with state and federal officials;
- b. Participation in regional, state, national, and international organizations whose activities affect the District;
- c. Attending educational seminars to improve the Board's skill and information levels;
- d. Participating in international trade missions that affect and benefit the District and specifically are intended to increase tenant and maritime activities at the Port; and
- e. Assisting in soliciting and enticing tenants and commerce that will affect and is expected to benefit the District.

In order to promote these endeavors, to protect District resources and to comply with state law requirements regarding reimbursement of expenses, the Board hereby sets forth the travel and expense reimbursement policies for its members.

Policy Statement

1. All anticipated conferences, conventions and professional meetings shall be budgeted for in the current operating budget. All expenditures for overnight travel shall be considered by the Board of Commissioners for majority approval at a public meeting. As the trip is being paid for with District funds, it shall be the responsibility of the Commissioner undertaking the trip to make every effort to attend the entire conference, trade mission or meeting, or as much of it as possible.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #008  
Continued

2. *Authorized Expenses:* District funds, equipment, supplies (including letterhead), titles, and staff time must only be used for authorized District business. Expenses incurred in connection with the following types of activities generally constitute authorized expenses, as long as the other requirements of this policy are met:
- a. Communicating with representatives of regional, state, national, and foreign governments on District adopted policy positions;
  - b. Attending educational seminars designed to improve the Board's skill and information levels;
  - c. Participating in regional, state, national, and international organizations whose activities affect the District's interests;
  - d. Attending District events;
  - e. Participating in trade missions;
  - f. Implementing a District-approved strategy for attracting or retaining tenants and businesses to the District, which will typically involve at least one staff member and Commissioners as well; and
  - g. Expenses incurred in the solicitation and enticement of commerce beneficial to the District.

All expenses that do not fall within the Policy for Reimbursement of Travel and Expenses shall be presented for consideration by the Board of Commissioners in a public meeting before the expense is incurred.

3. *Expenses Not Eligible for Reimbursement:* Examples of personal expenses for which Board members will not be reimbursed include, but are not limited to:
- a. The personal portion of any trip, which includes but is not limited to the employee's personal travel companion and personal grooming expenses;
  - b. Political contributions or events;
  - c. Personal or entertainment expenses of any kind, unless attended with a customer, tenant, or prospective customer or tenant of the District or others who may significantly affect the business interests of the Port;
  - d. Non-mileage personal automobile expenses, including repairs, traffic citations, insurance or gasoline; and

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #008  
Continued

- e. Personal losses incurred while on District business.

Any questions regarding the propriety of a particular type of expense should be resolved by the Board before the expense is incurred.

- 4. *Compensation for Attendance at Meetings:* In accordance with Harbors and Navigation Code Section 6251, Commissioners shall serve without salary or compensation.
- 5. *Transportation:* Government and group rates must be used when available and practical. When said rates are not available or practical, reasonable rates under the circumstances shall be used.

Airfare. Airfares that are reasonable under the circumstances shall be eligible for purposes of reimbursement.

Domestic Air Travel: All domestic air travel will be by the most reasonable available coach accommodations, taking into account cost, duration and most direct route. As an exception, for air travel which has a duration of three (3) hours or more, the next level of travel class may be used.

International Air Travel: International air travel may be by business class.

Automobile. Automobile mileage is reimbursed at Internal Revenue Service ("IRS") rates in effect at the time of travel or at rates established by the Board. These rates are designed to compensate the driver for gasoline, insurance, maintenance, and other expenses associated with operating the vehicle. This amount does not include parking fees and bridge and road tolls, which are also reimbursable. IRS rates will not be paid when Port owned vehicles or rental cars are used; only receipted fuel expenses, parking fees, and bridge and road tolls will be reimbursed.

Car Rental. Rental rates that are reasonable under the circumstances shall be eligible for purposes of reimbursement.

Taxis/Shuttles. Taxis or shuttle fares may be reimbursed, including a fifteen percent (15%) gratuity per fare, when the cost of such fares is equal or less than the cost of car rentals, gasoline and parking combined, or when taxi or shuttle transportation is necessary for time-efficiency.

- 6. *Lodging:* Lodging expenses will be reimbursed or paid for when travel on official District business reasonably requires an overnight stay. Government and group rates offered by the lodging services shall be used when available. If the lodging is in connection with a conference or organized educational activity, lodging expenses must not exceed the group rate published by the conference sponsor for the meeting in question if such rates are available at the time of booking. If the

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #008  
Continued

group rate is not available, the lodging costs reimbursed must be comparable to the group or government rate.

7. *Meals:* A local expense reimbursement policy identifying a “per diem” of reasonable rates for meals is not adopted. Receipts for meal expenses shall be required. Actual expenses shall be reimbursed. Consideration shall be made as to the reasonable cost, suitability, convenience and nature of business involved under the circumstances. Expenses for alcoholic beverages are not considered a suitable item for reimbursement unless the expense is incurred while entertaining a client or potential client of the District or others who may significantly affect the business interests of the Port.
8. *Miscellaneous:* Commissioners will be reimbursed for actual telephone, cellular phone and fax expenses incurred on District business. Telephone bills should identify which calls were made on District business.
9. *Pre-payment of Travel Expenses:* The District does not issue credit cards to individual Commissioners. Commissioners may arrange for pre-payment of travel expenses (such as airline tickets and hotel reservations) through the Port Director’s office or they may charge these items on their personal credit card and request reimbursement. Original receipts documenting expenses incurred in compliance with this policy must be submitted with the Commissioner’s expense report within a reasonable period of time.

In the event the Commissioner does not attend the trip and non-refundable expenses have been incurred for registration, lodging and/or travel, the non-attending Commissioner shall submit a written explanation of the reasons for non-attendance to the District. The District shall determine if the District funds advanced must be reimbursed to the District. Any decision of the District may be appealed to the Board.

10. *Expense Report Content and Submission Deadlines:* All pre-paid expenses and expense reimbursement requests must be submitted on an expense report form provided by the District. This form shall include the following advisory:

*All expenses reported on this form must comply with the District’s policies relating to expenses and use of District resources.*

*Penalties for misusing District resources and violating the District’s policies may include, but are not limited to, loss of reimbursement privileges, restitution, civil and criminal penalties as well as additional income tax liability. The information submitted on this form is a public record.*

Expense reports must document that the expense in question met the requirements of this Policy. Commissioners must submit their expense reports within thirty (30) calendar days of an expense being incurred, accompanied by

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #008  
Continued

receipts documenting each expense. Restaurant receipts, in addition to any credit card receipts, are also part of the necessary documentation. Inability to provide such documentation in a timely fashion may result in the expense being borne by the Commissioner.

All expenses are subject to verification that they comply with this Policy.

11. *Reports to Board:* At the next regular Board meeting, each Commissioner shall briefly report on meetings attended at District expense. If multiple Commissioners attended, a joint report may be made.
12. *Compliance with Laws; Violation:* Commissioners should keep in mind that some expenditures may be subject to reporting under the Political Reform Act and other laws. All agency expenditures are public records subject to disclosure under the Public Records Act and other applicable laws. Use of District resources or falsifying expense reports in violation of this Policy may result in any or all of the following: 1) loss of reimbursement privileges; 2) a demand for restitution to the District; 3) the agency's reporting the expenses as income to the Commissioner to state and federal tax authorities; 4) civil penalties of up to \$1,000.00 per day or three (3) times the value of the resources used, whichever is greater; and 5) prosecution for misuse of District resources.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #009

As Adopted 06/07/1993

As Amended 12/03/2007

As Reviewed 11/16/2020

Subject

UTILIZATION OF PORT FACILITIES FOR SPECIAL EVENTS BY OUTSIDE  
GROUPS

Purpose

To establish a policy governing the use of Port facilities involving outside groups.

Policy Statement

1. Utilization of Port facilities by outside groups shall be considered according to individual merit and for the furtherance of the mission of the Stockton Port District. Permission to use any facilities shall be at the discretion of the Port Director, who shall keep the Board of Port Commissioners apprised of all such requests.
2. The request will not be granted if it would interfere with the Port's, its customers', or its tenants' normal business operations, or if it may directly or indirectly impair the Port's security operations or plans. Consideration will also be given to any environmental impacts such usage may present.
3. An outline of complete plans for the event shall be submitted to the Port Director at least thirty (30) days prior to the date of the event with the following supportive documents:
  - a. Date and hours of the proposed utilization of a specific facility.
  - b. What type of organization is requesting permission to utilize said facility and what will be done with any funds raised.
  - c. Documents insuring that the Stockton Port District, its commissioners, officers and employees shall be held harmless from any and all liability. The opinion of the Port's attorney will guide the Board in determining the adequacy of such documents.
  - d. The applicant shall provide appropriate insurances as determined to be adequate for the event by the Port Director.
4. Prior to the special event, the applicant shall obtain any necessary permit(s) from the appropriate issuing agency and shall submit verification of such permit(s) to the Port Director.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #009  
Continued

5. Port of Stockton rules, including applicable Homeland Security rules, shall be observed by all persons on Port property at all times.
6. The Port Director may establish such special rules and conditions for use of Port facilities by the public as may be deemed necessary.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #010

As Adopted 06/07/1993

As Amended 12/17/2007

As Reviewed 11/16/2020

Subject

LEASE OPTIONS FOR LAND DEVELOPMENT

Purpose

To establish policies under which the Port District grants lease options to encourage land development in a manner that shall be in the District's best interest.

Policy Statement

1. OPTIONS TO LEASE land shall be for a term not to exceed three (3) years and shall be in compliance with the District's development policy and plans.
2. On recommendation of the Port Director, the Board, at its discretion, may grant an option for a longer period if the prospective tenant brings to the Port an acceptable plan for development that is to be implemented within a specified time frame.
3. A fee shall be charged for lease options at the rate of at least thirty-five percent (35%) per year of the established rental value.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #011

As Adopted 06/07/1993

As Amended 12/07/2015

As Reviewed 11/16/2020

Subject

LEASING NON-COMMERCIAL "RECREATIONAL" PROPERTIES IN THE SAN JOAQUIN DELTA

Purpose

To establish a policy to secure optimal use of non-commercial, recreational properties adjacent to the Stockton Ship Channel designated for such use by the Port Director.

Policy Statement

1. Leases shall be negotiated at the same rate of return as the value established by the Port for land (land improvements, if any) as is used for commercial land leases at the time the lease is granted. All leases shall contain a rent escalation clause.
2. Such lease(s) will contain the condition, unless otherwise negotiated by the Port Director, that all permanent buildings and/or structures erected, installed or made by tenant shall become the property of the Stockton Port District at the expiration of such lease(s). The Port may require property to be restored to its original condition as determined by the Port Director. In any event, all leases shall be specified as to the ownership of all improvements at the end of the term of such lease(s).
3. All improvements made on Port of Stockton non-commercial, recreational leased property shall be reviewed and approved by the Port prior to submission to the appropriate agency for required permits. All improvements shall comply with all applicable land use rules and building codes. Failure to meet such rules and codes shall be cause for termination of the Recreational Lease Agreement. The Port of Stockton reserves the right to inspect property improvements at any time to determine compliance with such rules and codes. It is the responsibility of the Lessee to determine which rules and codes may apply to such improvements.
4. Sixty (60) days prior to formal Commission action upon a non-commercial, recreational lease, the request for said lease shall be announced at a regular meeting of the Board of Port Commissioners, and a notice shall be published in a local newspaper. If, during the sixty (60) day interim period, an alternate proposal is made by another individual(s), such offer(s) shall be considered. A tenant presently occupying the premises, who is petitioning for a lease, shall have the opportunity to meet said offer, and have the right of first refusal.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #012

As Adopted 06/07/1993

As Amended 12/02/2019

As Reviewed 11/16/2020

Subject

CASH AND INVESTMENTS

Purpose

To establish guidelines for the management of the Port's cash and investments.

Policy Statement

1. Governing Authority

The investment program shall be operated in conformance with federal, state, and other legal requirements, including the California Government Code, Section 53600 et seq.

2. Scope

This policy applies to the investment of all funds, excluding the investment of employees' retirement funds, proceeds from certain bond issues, or grant/endowment assets.

3. General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

a. *Safety*

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

i. Credit Risk

The Port will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VII of this Investment Policy;
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #012  
Continued

ii. Interest Rate Risk

The Port will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see section VIII).

b. *Liquidity*

The investment portfolio, which may include local government investment pools, money market funds, certificates of deposit, and government securities, shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

c. *Yield*

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #012  
Continued

*d. Local Considerations*

Where possible, funds may be invested for the betterment of the local economy or that of local entities within the Community. The Port may accept a proposal from an eligible local institution with a reduced rate of interest.

*e. Liquidity Reserves*

The Port's objective is to maintain cash and investments sufficient to fund its operating expenses during downturns in business for a desired period of time. Exhibit "A" shall be used as a report format in maintaining this level of liquidity. The Days of Cash on Hand goal is 360 days, based on a 360-day year. The Port will achieve this by utilizing the annual budget and controlling discretionary costs during the fiscal year.

4. Standards of Care

*a. Prudence*

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

*b. Ethics and Conflicts of Interest*

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #012  
Continued

undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Port.

c. *Delegation of Authority*

Authority to manage the investment program is granted to the Port Director and his/her designated "investment officer" for a period of one year until the delegation of authority is revoked or expired, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

5. Authorized Financial Institutions, Depositories, and Broker/Dealers

a. *Authorized Brokers and Dealers*

All broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of National Association of Securities Dealers (NASD) certification (not applicable to Certificate of Deposit counterparties)
- Proof of state registration
- Certification of having read and understood and agreeing to comply with the Port's investment policy
- Evidence of adequate insurance coverage.

An annual review of the financial condition and registration of all qualified broker/dealers will be conducted by the investment officer.

b. *Minority and Community Financial Institutions*

The investment officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, the Port may accept a proposal from an eligible institution with a reduced rate of interest.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #012  
Continued

6. Safekeeping and Custody

a. *Delivery vs. Payment*

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

b. *Safekeeping*

Securities will be held by the Port as evidenced by safekeeping receipts in the Port's name and/or a portion of the securities can be held by an independent third-party custodian (broker) selected by the Port as evidenced by safekeeping receipts in the Port's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

c. *Internal Controls*

The investment officer shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the investment committee, where present, and with the independent auditor. The controls shall be designed to prevent the loss of District funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Port.

7. Suitable and Authorized Investments

a. *Investment Types*

The following investments will be permitted by this policy and are those defined by state and local law where applicable:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available;
- U.S. government agency and instrumentality obligations that have a liquid market with a readily determinable market value;
- Certificates of deposit and other evidences of deposit at financial institutions;
- Bankers' acceptances;

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #012  
Continued

- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency;
- Investment-grade obligations of state, provincial and local governments and public authorities;
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

Investment in derivatives of the above instruments shall require authorization by the appropriate governing authority.

b. *Collateralization*

Where allowed by state law, full collateralization will be required on certificates of deposit not covered by FDIC or NCUA insurance.

8. Investment Parameters

a. *Diversification*

The investments shall be diversified by:

- limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- limiting investment in securities that have higher credit risks,
- investing in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (i.e. LAIF), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #012  
Continued

*b. Maximum Maturities*

The Port shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Port will not directly invest in securities maturing for more than two (2) years from the date of purchase unless approved by the Commission.

Reserve funds for bonds and other funds with longer-term investment criteria may be invested in securities exceeding ten (10) years if the maturities of such investments are tied with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed to the Commission.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

*c. Competitive Bids*

The investment officer shall obtain competitive bids from at least two brokers or financial institutions on all purchases of investment instruments purchased on the secondary market except when the investment terms are short term (two years or less) and have comparable rates as posted in the *Wall Street Journal*.

9. Reporting

*a. Methods*

The investment officer shall render a monthly report of all investment transactions to the Board of Port Commissioners, in accordance with Government Code Sections 53607 and 53646. Additionally, the investment officer will also render a quarterly investment report that shall include the type of investment, issuer, date of maturity, par and dollar amount invested on all securities, investments and moneys held by the local agency, and shall additionally include a description of any of the local agency's funds, investments, or programs that are under the management of contracted parties, including lending programs. With respect to all securities held by the local agency, and under management of any outside party that is not also a local agency or the State of California Local Agency Investment Fund, the report shall also include a current market value as of the date of the report, and shall include the source of this same valuation.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #012  
Continued

b. *Performance Standards*

The investment portfolio will be managed in accordance with the parameters specified within this policy.

c. *Marking to Market*

The market value of the portfolio shall be calculated monthly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed.

10. Approval of Investment Policy

The investment policy shall be formally approved and adopted by the Board of Port Commissioners on an annual basis.

**EXHIBIT "A"**

**Port of Stockton  
Cash and Working Capital Goals**  
*(dollars are in thousands)*

	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Average	GOALS
<b><u>Days of Cash</u></b>							
Operating Expenses (360 days)	\$	\$	\$	\$	\$	\$	\$
Cash outlay / day	\$	\$	\$	\$	\$	\$	\$
Cash Balance	\$	\$	\$	\$	\$	\$	\$
Days of cash							
Cash Required to meet goals	\$	\$	\$	\$	\$	\$	
<b><u>Working Capital/Current Ratio</u></b>							
Current Assets	\$	\$	\$	\$	\$	\$	\$
Current Liabilities	\$	\$	\$	\$	\$	\$	\$
Working Capital	\$	\$	\$	\$	\$	\$	\$
Current Ratio							

Template updated 12/20/2018

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #013

As Adopted 06/07/1993

As Amended 12/02/2019

As Reviewed 11/16/2020

Subject

CONFLICT OF INTEREST CODE AND STANDARDS OF ETHICAL CONDUCT

Purpose

To define and establish guidelines for the Port's conflict of interest policy and standards of ethical conduct.

Policy Statement

1. The Political Reform Act (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 California Code of Regulations Section 18730) that contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. After public notice and hearing, the standard code may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation and the attached Appendices, designating positions and establishing disclosure categories, shall constitute the conflict of interest code of the Port.
2. Individuals holding designated positions shall file their statements of economic interests with the Port, which will make the statements available for public inspection and reproduction (Gov. Code Sec. 81008). All statements will be retained by the Port.
3. Port employees shall avoid situations where their personal interests could conflict with, or appear to conflict with, the interests of the Port. In addition, Port employees have a duty to seek guidance whenever they are unsure whether or not their actions, or the actions of others, could pose a conflict of interest and to disclose any instances where a possible conflict of interest exists.
4. The acceptance of gifts from those who have, or are likely to have, influence on or business with the Port is prohibited. For purposes of this policy, gifts such as inexpensive advertising items, edible gifts of nominal value (less than \$50) that are shared with colleagues at the Port, mementos, plaques or trophies, or items that can be displayed in public areas are acceptable and shall not be prohibited. Compliance with this policy shall not excuse compliance with the Political Reform Act's requirements relating to gifts.

Exhibit A

Designated Positions

The following is a list of those positions who are required to submit Statements of Economic Interests pursuant to the Political Reform Act of 1974, as amended:

List of designated positions required to file Form 700:

Position:	Disclosure Category:
Commissioners	1
Port Director	1
Senior Deputy Port Director	1
Deputy Port Director	1
Environmental and Public Affairs Director	1
Facilities, Maintenance, and Construction Director	1
Finance Director	1
Maritime Operations Director	1
Controller	1
Chief of Police	1
Development and Planning Manager	1
Development and Planning Director	1
Environmental and Regulatory Affairs Manager	1
Facilities, Maintenance, and Construction Manager	1
Human Resources Manager	1
Human Resources and Administrative Services Director	1
Maritime Marketing Manager	1
Real Estate Marketing Manager	1
Operations Manager	1
Police Captain	1
Port Real Estate and Properties Development Manager	2
Properties Manager	2
Facilities, Maintenance and Construction Superintendent	3
Projects and Contract Administration Manager	3
Deferred Compensation Plan Trustee	3
Money Purchase Pension Plan Trustee	3
Accounting Manager	4
Information Technology Manager	4
Emergency Management and Safety Officer	4
Environmental Manager	4
Telecommunications Manager	4
Assistant Controller	4
Maritime Accounts and Tariffs Manager	4
Grants Manager	4

**Commented [SL6]:** Total of 2 changes to this policy were submitted by M. Rodriguez (one edited job title and one new job title): This change is required for compliance with the Political Reform Act.

Designated employees are those positions within the Port who may exercise independent judgement and make or participate in the making of governmental decisions which may foreseeably have a material effect on any financial interest.

## Exhibit B

### Disclosure Categories

Individuals holding designated positions must report their interests according to their assigned disclosure category.

An investment, income or real property interest is reportable if it may be affected materially by any decision made or participated in by the designated employee by virtue of the employee's position.

#### Disclosure Category 1:

1. Investments and business positions in any business entity located within, doing business or planning to do business within the sphere of influence of the Stockton Port District or within two (2) miles of any property owned or used by the Stockton Port District. (See FPPC Form 700 Schedules A-1 and A-2 Instructions)
2. Income, including loans, gifts and travel payments, from all sources wherever located. (See FPPC Form 700 Schedules C, D and E Instructions)
3. Financial interests in real property within the sphere of influence of the Stockton Port District or with two (2) miles of any property owned or used by the Stockton Port District. (See FPPC Form 700 Schedules B Instructions)

#### Disclosure Category 2:

1. All investments within the sphere of influence of the Stockton Port District or within a two (2) mile radius of the sphere of influence of the Stockton Port District. (See FPPC Form 700 Schedules A-1 and A-2 Instructions)
2. All investments and business entities which in the last two years, have contracted, or in the future may contract with the Stockton Port District to provide services, supplies, materials, machinery or equipment. (See FPPC Form 700 Schedules A-1 and A-2 Instructions)
3. All investments in business entities in the construction or building industry within the sphere of influence of the Stockton Port District. (See FPPC Form 700 Schedules A-1 and A-2 Instructions)
4. All interests in real property within the sphere of influence of the Stockton Port District. (See FPPC Form 700 Schedules B Instructions)
5. All sources of personal income. (See FPPC Form 700 Schedules C Instructions)
6. The name of each business entity not specified above in which he or she is a director, officer, partner, trustee, employee or is holding any position of management. (See FPPC Form 700 Schedules A-2 Instructions)
7. Income, including loans, gifts and travel payments, from all sources wherever located. (See FPPC Form 700 Schedules C, D and E Instructions)

Disclosure Category 3:

1. All investments, income or real property interest within the sphere of influence of the Stockton Port District or within a two (2) mile radius of the sphere of influence of the Stockton Port District. (See FPPC Form 700 Schedules A-1 and A-2 Instructions)
2. Investments in or income from persons or business entities engaged in the acquisition or disposal of real property within the sphere of influence of the Stockton Port District (See FPPC Form 700 Schedules B Instructions)
3. The name of each business entity not specified above in which he or she is a director, officer, partner, trustee, employee or is holding any position of management. (See FPPC Form 700 Schedules A-2 Instructions)
4. Income, including loans, gifts and travel payments, from all sources wherever located. (See FPPC Form 700 Schedules C, D and E Instructions)

Disclosure Category 4:

1. Investments and business positions in any business entity that manufacture or sell supplies, machinery or equipment of the type utilized by the Stockton Port District (See FPPC Form 700 Schedules A-1 and A-2 Instructions)
2. Investments in or income from business entities that are contractors or subcontractors and are, or have been, within the previous two-year period doing business with the Stockton Port District (See FPPC Form 700 Schedules A-1 and A-2 Instructions)
3. Income, including loans, gifts and travel payments, from sources that manufacture, sell or provide goods, equipment, vehicles, machinery or services, including training or consulting services. (See FPPC Form 700 Schedules C, D and E Instructions)

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #014  
As Adopted 10/15/2018  
As Reviewed 11/16/2020

Subject

ELECTRIC INTERCONNECTION

Purpose

To outline terms and conditions the Port may impose on tenants seeking electric service from the Port.

Policy Statement

1. Introduction

Electrical service is one of several services the Port of Stockton (Port) provides to its tenants. A rapidly changing electric utility industry, including evolving and more complicated environmental mandates, the sufficiency and capacity of transmission lines owned or operated by unrelated third parties and other factors affecting the ability of the Port to provide electric service and prevents the Port from guaranteeing a certain quantity of electrical service at all times. This policy outlines some but not all of the terms and conditions that the Port may impose on tenants seeking electric service from the Port.

This Electrical Interconnection Policy shall apply to all tenants located at the West Complex, and any tenants located at the East Complex or outside of the Port's boundary receiving electrical service from the Port. All tenants located at the West Complex shall only receive energy from the Port and from no other entity and failing to comply with this policy requirement shall constitute a material breach of the lease or license that the tenant received from the Port.

2. Basis for New Port Energy Policies

By statute and public policy California has aggressively moved to develop renewable energy resources such as wind and solar as part of its overall efforts to combat climate change. Recent enacted Legislature requirements compel the Port to obtain a majority of the renewable energy through contracts of at least 10 years' duration. This requires the Port to make significant long term financial commitments irrespective of whether high energy demand Port tenants remain or depart from the Port. California has also instituted a program requiring a year of dedicated supply to serve total electric demand, and this requirement may be increased up to five years. This changes both the Port's method of purchasing power in wholesale energy markets for the benefit of its customers, and the Port's electric service risk profile.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #014  
Continued

### 3. Changes to Port Policies

The Port, at the Port's absolute and exclusive discretion, may require a Credit Support Agreement (CSA) or equivalent agreement or terms in an executed lease or lease amendment as part of its contractual relationship with each tenant with an existing or reasonable future electric requirement of 1MW or more. A CSA is designed to ensure that long term energy commitments made by the Port on behalf of a tenant will be supported by the tenant's financial payments and enforceable assurances over the life of the commitment to provide the tenant with energy.

Each agreement will be structured to take into account the tenant's electric requirements, the tenant's financial credit worthiness, and requirements imposed by other government entities. A CSA shall seek to provide sufficient risk mitigation to the Port and its other tenants flowing from the Port's regulatory obligation to enter into long term energy contracts and other financial obligations.

The Port will use its best efforts to inform each tenant of the financial requirements prior to the date a lease is entered into with the Port. However, it is anticipated that government regulations may change and impose additional or more substantial requirements that in turn will require the Port to require additional financial security from tenants in order to protect the Port and other tenants.

### 4. Mitigation of Financial Liability Risk

The Port shall require each tenant with an existing or anticipated future electric load exceeding 1 MW to provide sufficient financial collateral to ensure the Port does not assume a financial risk that in the exclusive judgment of the Port constitutes an excessive financial risk.

This requirement will be determined on a case by case basis and a decision by the Port concerning one tenant shall not be precedent for the decision involving another tenant. In making these decisions, the Port shall be guided by the following non-binding and advisory guidelines:

- Guarantees on behalf of the tenant from an entity with an investment grade rating from Moody's, S&P, or Fitch of BBB or higher or its equivalent.
- Cash collateral in an amount determined by the Port that is sufficient to cover the Port's forward market financial liabilities
- Other forms of functionally equivalent collateral acceptable to the Port

### 5. Availability of Service and Connections to PG&E

The Port is dependent upon the transmission capacity and capabilities of the Pacific Gas and Electric Company ("PG&E") system to deliver sufficient power to the Port. The Port does not control the transmission system that interconnects with the Port. That system is owned by PG&E and is operated by the California

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #014  
Continued

Independent System Operator (CAISO). Even minor upgrades to facilities owned by PG&E can take extended periods of time to design, approve and complete.

Hence, additional significant electric demand, from either existing tenants or new tenants, can require transmission system upgrades. As a result, it may not be possible for the Port to accommodate requests for new or expanded load demands from new or existing tenants. The Port will exercise its sound discretion, taking into account Port-wide goals, objectives and purposes in determining how service requests are or can be successfully accommodated.

This Policy provides existing, future and prospective tenants with an understanding of the terms and conditions, and changing circumstances facing the Port as it seeks to provide energy to tenants and emphasizes reasons why the Port cannot guarantee an exact amount of energy to any one tenant during the duration of the leasehold interest.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #015  
As Adopted 01/07/2019  
As Reviewed 11/16/2020

Subject

ENVIRONMENTAL COMMITMENT

Purpose

To reflect the District's commitment to maximizing commerce, environmental stewardship and community involvement.

Policy Statement

1. The Stockton Port District shall fully comply and adhere to the California Environmental Quality Act (CEQA), as well as, applicable local, state and federal regulations related to District operations. The District is committed to managing resources and conducting its business in such a manner as to be environmentally, socially, and fiscally responsible. The District will strive to manage the environmental impacts of Port operations on the local community, consistent with CEQA as well as applicable local, state and federal regulations, through the implementation of pollution prevention measures and by partnering with vendors and customers that have shared environmental goals.
2. Guiding Principles
  - a. Optimize commerce in an environmentally responsible manner. Encourage and foster environmental stewardship and the protection of natural resources.
  - b. Engage, educate, and collaborate with the local community, District customers and tenants.
  - c. Protect the community from harmful environmental impacts of District operations.
  - d. Distinguish the District as a leader in environmental stewardship and compliance.
  - e. Promote sustainability.
3. The Port of Stockton Environmental Policy includes six basic program elements, each with an overall goal:
  - a. Wildlife – Protect, maintain or restore aquatic ecosystems and Delta wildlife habitats.
  - b. Air – Reduce harmful air emissions from District activities.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #015  
Continued

- c. Water – Improve the quality of the San Joaquin River and Delta waters.
- d. Soils/Sediments – Remove, treat, or render suitable for beneficial reuse contaminated soils and sediments in the District.
- e. Community Engagement – Interact with and educate the community regarding District operations and environmental programs.
- f. Sustainability – Implement sustainable practices in design and construction, operations, and administrative practices throughout the District.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #016  
As Adopted 01/07/2019  
As Reviewed 11/16/2020

Subject

ADHERENCE TO UNIFORM GRANT GUIDANCE

Purpose

To establish a policy ensuring that the federal Uniform Grant Guidance criteria is followed when managing Federal Award Agency grant funds.

Policy Statement

1. Cash Management

The District will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the District, in accordance with the Cash Management Improvement Act at 31 CFR Part 205. Generally, the District receives payment from Federal Award Agencies (FAA) on a reimbursement basis. 2 C.F.R. §200.305. However, if the District receives an advance in federal grant funds, the District will remit interest earned on the advanced payment quarterly to the FAA consistent with 2C.F.R. §200.305(b)(9).

When calculating the interest earned on FAA grant funds, regardless of the date of obligation, interest is calculated from the date that the federal funds are drawn down until the date on which those funds are disbursed.

Interest would not accrue if the District uses nonfederal funds to pay the vendor and/or employees prior to the funds being drawn down, commonly known as a reimbursement.

2. Payment Methods

- a. Reimbursements: The District will initially use nonfederal funds for federal grant expenditures.

The District will request reimbursement for actual expenditures incurred under the federal grants as expeditiously as possible and typically on a monthly basis. Allowable costs are determined by the Grants Department. Reimbursement requests are prepared by the Accounting department utilizing documentation such as invoices, time sheets, payroll stubs, project general ledger reconciliations, and other documents as needed. Reimbursement requests are then submitted to the Grants Department for review and approval and then submitted to the Grants Department for final approval before the reimbursement is submitted. The form and method of

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #016  
Continued

reimbursement will be determined by the FAA requirements. All reimbursements are based on actual disbursements, not on obligations.

Consistent with state and federal requirements, the District will maintain source documentation supporting the federal expenditures (invoices, time sheets, payroll stubs, etc.) and will make such documentation available for the FAA review upon request.

Reimbursements of actual expenditures do not require interest calculations.

- b. Advances: To the extent the District receives advance payments of federal grant funds; the District will strive to expend the federal funds on allowable expenditures as expeditiously as possible. Specifically, the District attempts to expend all drawn downs of federal funds within 72 hours of receipt.

The District will hold federal advance payments in interest-bearing accounts, unless an allowable exception applies. The District will begin to calculate interest earned on cash balances once funds are deposited into the District's account. Interest will be calculated on cash balances per grant and applying the District's current LAIF interest rate.

The District will remit interest earned on grant funds as per the requirements of the FAA. The District may retain up to \$500 of interest earned per year.

### 3. Allowability of Costs

When determining how the District will spend its grant funds, District staff will review the proposed cost to determine whether it is an allowable use of federal grant funds before obligating and spending those funds on the proposed good or service. All costs supported by federal funds must meet the standards outlined in 2 C.F.R. Part 200, Subpart E, which are provided in the bulleted list below. District staff must consider these factors when making an allowable cost determination.

- a. Be Necessary and Reasonable for the performance of the federal award. District staff must consider these elements when determining the reasonableness of a cost. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #016  
Continued

When determining reasonableness of a cost, consideration must be given to:

- i. Whether the cost is a type generally recognized as ordinary and necessary for the operation of the District or the proper and efficient performance of the federal award.
  - ii. The restraints or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state and other laws and regulations; and terms and conditions of the federal award.
  - iii. Market prices for comparable goods or services for the geographic area.
  - iv. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the District, its employees, its students, the public at large, and the federal government.
  - v. Whether the district significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost. 2 C.F.R. §200.404
- b. While 2 C.F.R. §200.404 does not provide specific descriptions of what satisfies the "necessary" element beyond its inclusion in the reasonableness analysis above, necessary is determined based on the needs of the program. Specifically, the expenditure must be necessary to achieve an important program objective. A key aspect in determining whether a cost is necessary is whether the District can demonstrate that the cost addresses an existing need, and can prove it.
- i. Allocable to the federal award. A cost is allocable to the federal award if the goods or services involved are chargeable or assignable to the federal award in accordance with the relative benefit received. This means that the federal grant program derived a benefit in proportion to the funds charged to the program. 2 C.F.R. §200.405.
  - ii. Consistent with policies and procedures that apply uniformly to both federally financed and other activities of the District.
  - iii. Conform to any limitations or exclusions set forth as cost principles in Part 200 or in the terms and conditions of the federal award.

STOCKTON PORT DISTRICT  
POLICY STATEMENT

Policy #016

Continued

- iv. Consistent treatment. A cost cannot be assigned to a federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been assigned as an indirect cost under another award.
- v. Adequately documented. All expenditures must be properly documented.
- vi. Be determined in accordance with general accepted accounting principles (GAAP), unless provided otherwise in Part 200.
- vii. Not included as a match or cost-share, unless the specific federal program authorizes federal costs to be treated as such. Some federal program statutes require the non-federal entity to contribute a certain amount of non-federal resources to be eligible for the federal program.
- viii. Be the net of all applicable credits. The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the state relate to the federal award, they shall be credited to the federal award, either as a cost reduction or a cash refund, as appropriate. 2 C.F.R. §200.406.

Part 200's cost guidelines must be considered when federal grant funds are expended. As provided above, federal rules require state- and District-level requirements and policies regarding expenditures to be followed as well. For example, state and/or District policies relating to travel or equipment may be narrower than the federal rules, and the stricter State and/or District policies must be followed. Further, certain types of incentives are allowable under federal law, but are not allowable under State law.

#### 4. Selected Items of Cost

Part 200 examines the allowability of 55 specific cost items (commonly referred to as Selected Items of Cost) at 2 C.F.R. §§ 200.420-200.475.

District personnel responsible for spending federal grant funds and for determining allowability must be familiar with the Part 200 selected items of cost section. The District must follow these rules when charging these specific expenditures to a federal grant. When applicable, District staff must check costs

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #016  
Continued

against the selected items of cost requirements to ensure the cost is allowable. In addition, State, District and program-specific rules may deem a cost as unallowable and District personnel must follow those non-federal rules as well.

The District intends to comply with the Part 200's cost guidelines.

Likewise, it is possible for the State and/or District to put additional requirements on a specific item of cost. Under such circumstances, the stricter requirements must be met for a cost to be allowable. Accordingly, the District must consult federal, State and District requirements when spending federal funds.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #017  
As Adopted 11/16/2020

Subject

DEBT MANAGEMENT

Purpose

This Debt Policy is intended to comply with Government Code Section 8855(i), and shall govern all debt issued by the District. The District hereby recognizes that a fiscally prudent debt policy is required to:

- a) Maintain the District's sound financial position.
- b) Ensure the District has the flexibility to respond to changes in future service priorities, revenues, and operating expenses.
- c) Protect the District's credit-worthiness.
- d) Ensure that the District's debt is consistent with the District's planning goals and objectives and capital improvement program or budget, as applicable.

Policy Statement

1. Purpose for Which Debt May Be Issued

*a. Long-Term Debt.*

Long-term debt may be issued to finance the construction, acquisition, and habilitation or rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the District. Long-term debt financings are appropriate:

- i. When a project to be financed is necessary to provide District services.
- ii. When the project to be financed will benefit the District and its operations over several years.
- iii. When total debt does not constitute an unreasonable burden to the District.
- iv. When the debt is used to refinance outstanding debt to reduce the total cost of the debt or to realize other benefits of a debt restructuring, such as increased flexibility in the use of cash and reserves.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #017  
Continued

- Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses. The District may use long-term debt financings subject to the following conditions:
  - The project to be financed must be approved by the District Board.
  - The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%.
  - The District estimates that sufficient revenues will be available to service the debt through its maturity.
  - The District determines that the issuance of the debt will comply with the applicable state and federal law.

*b. Short-Term Debt.*

Short-term debt may be issued to provide financing for the District's operational cash flows to maintain a steady and even cash flow balance as in anticipation of periodic receipts of grant funds and other revenues. Short-term debt may also be used to finance short-lived capital projects; for example, the District may undertake lease-purchase financing for equipment consistently with debt limit requirements of article XVI of the California Constitution, article XVI, § 18.

*c. Financings through Other Entities.*

The District may also find it beneficial to issue debt through other governmental agencies or private third parties to further the public purposes of District. In such cases, the District shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with this policy.

*d. Conduit Debt*

The District will support the issuance of conduit bonds by its tenants and customers through one of the statewide conduit bond issuers (such as the California Statewide Communities Development Authority CSCDA), when the project demonstrates a significant public benefit.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #017  
Continued

2. Types of Debt

a. The following types of debt are allowable under this Debt Policy:

- i. General Obligation Bonds (GO Bonds)
- ii. Bond or Grant Anticipation Notes (BANs)
- iii. Lease Revenue Bonds, Certificates of Participation (COPs) and Lease-Purchase Transactions
- iv. Other revenue bonds and COPs
- v. Tax and other Revenue Anticipation Notes (TRANS)
- vi. Refunding Obligations
- vii. State revolving loan funds
- viii. Commercial Paper  
Commercial Paper should only be considered as an alternative when taking into account not only the expected interest to be paid but the cost of the letter of credit and remarketing fees to be incurred to maintain the financing.
- ix. Lines of Credit  
Lines of Credit should only be considered as an alternative to other short-term borrowing options. The lines of credit shall be structured to limit concerns as to the Internal Revenue Code.
- x. Multiple Series  
In instances where multiple series of bonds are to be issued, the District shall make a final determination as to which facilities are of the highest priority and those facilities which will be financed first, pursuant to funding availability and the proposed timing of facilities development.
- xi. Promissory Notes  
The district may issue negotiable promissory notes bearing interests at a rate not to exceed 7 percent per annum; provided, however, that said notes shall be payable from revenues for purposes of the District other than the payment of principal and interest on any bonded debt of the District; and provided further, that the maturity shall not be longer than 20 years, and that the total aggregate amount of such notes outstanding at any one time shall not exceed 1 percent of the assessed valuation of the taxable property in the District, or if said

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #017  
Continued

assessed valuation is not obtainable, 1 percent of the county auditor's estimate of the assessed valuation of the taxable property in the district evidenced by their certificate, in accordance with Harbors and Navigation Code § 6311.

b. Other Types of Debt:

i. Variable Rate Debt

The District does not plan to issue variable rate debt anytime in the foreseeable future due to volatility and added interest rate risk.

ii. Interest Rate Swaps and Other Derivatives

The District does not believe these products should be part of the District's financing plans due to the complicated nature of the products.

3. Methods of Issuance

The District will determine, on a case by case basis, whether to sell its bonds competitively, private placement sale approach, or through negotiation.

a. Competitive Sale. In a competitive sale, the District's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official Notice of Sale.

b. Negotiated Sale. The District recognizes that some securities are best sold through negotiation. In its consideration of a negotiated sale, the District shall assess the following circumstances:

- Bonds issued as variable rate demand obligations.
- A complex structure which may require a strong pre-marketing effort.
- Size of the issue which may limit the number of potential bidders.
- Market volatility is such that the District would be better served by flexibility in timing its sale in changing interest rate environments.

Other criteria to consider: the absence of investment grade rating of the bonds; timing considerations beyond "market volatility" (e.g., refundings).

c. Novel structuring approach. When a novel structuring requires advance selling by the managing underwriter(s), a negotiated sale may be appropriate.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #017  
Continued

- d. Complex or unrated debt An unrated financing (BAA or below) or a complex set of credit arrangements can also favor a negotiated sale. If a complex or unrated credit requires more pre market or advance sales preparation by a managing underwriter, a negotiated sale may be appropriate.
- e. Volatile market conditions In times when the bond market experiences wide swings in interest rates over short periods, and when the bond issue is interest rate sensitive, a negotiated sale offers more latitude in bringing an issue to market.
- f. Rejection of competitive bids Should the District hold a competitive sale and reject the bids due to unanticipated unfavorable market conditions, the District may select among those underwriters which it deems most responsive and negotiate the sale as and when market conditions improve. This option should be utilized only in those circumstances when market conditions have changed markedly immediately prior to the sale.

In instances where none of the above factors are present, a competitive sale approach may be utilized. In those instances, where a negotiated sale is used, the selection of underwriter(s) by the District shall be one or more of the underwriters from the District's approved list of underwriters.

4. Relationship of Debt to Capital Improvement Program and Budget

The District is committed to long-term capital planning. The District intends to issue debt for the purposes stated in this Debt Management Policy and to implement policy decisions incorporated in the District's capital budget and/or capital improvement plan.

The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues ("pay as you go"). The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

The District shall integrate its debt issuances with the goals of its capital budget and/or capital improvement plan by timing the issuance of debt to ensure that projects are available when needed in furtherance of the District's public purposes.

5. Policy Goals Related to Planning Goals and Objectives

The District is committed to long-term financial planning, maintaining appropriate reserves and employing prudent practices in governance, management and budget administration. The District intends to issue debt for the purposes stated in

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #017  
Continued

this Debt Policy and to implement policy decisions incorporated in the District's annual operations budgets.

It is a policy goal of the District to use conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical total borrowing costs.

The District will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for rates and charges.

When refinancing debt, it shall be the policy goal of the District to realize, whenever possible, and subject to any overriding non-financial policy considerations, (i) minimum net present value debt service savings approximately 3.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than any escrow fund negative arbitrage.

The District shall seek to avoid the use of debt to fund infrastructure and facilities Improvements in circumstances when the sole purpose of such debt financing is to temporarily reduce annual budgetary expenditures. Capital investments intended to reduce District operating costs indefinitely, as by improving the efficiency of its operations, are appropriate for long-term debt.

The District shall seek to time debt issues to avoid need for unplanned general fund expenditures for capital improvements or equipment. However, the need to use reserves for temporarily funding capital projects is permitted as long as the reserves are maintained at policy levels and will be reimbursed through the issuance of bonds or other debt instruments.

6. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the District shall comply with the Harbors and Navigation Code, any other applicable policies regarding initial bond disclosure, including, continuing disclosure, post-issuance compliance, and investment of bond proceeds. Without limiting the foregoing, the District will periodically review the requirements of and will remain in compliance with the following:

- a. Any continuing disclosure undertakings entered into by the District in accordance with SEC Rule 15c2-12 (17 CFR § 240.15c2-12 "Municipal securities disclosure").
- b. Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance.
- c. The District's investment policies as they relate to the use and investment of bond proceeds.

STOCKTON PORT DISTRICT  
POLICY STATEMENT  
Policy #017  
Continued

- d. The District's recordkeeping policies and all books and records.

Proceeds of debt will be held either (a) by a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the District upon the submission of one or more written requisitions by the Port Director (or his or her written designee), or (b) by the District, to be held and accounted for in a separate fund or account to ensure debt proceeds are expended only for the purposes for which the debt was issued, the expenditure of which will be carefully documented by the District in records compliance with current accounting standards and subject to the District's annual audit.