MEMORANDUM

January 26, 2010

To: The Board of Directors

From: Lee Michelson

Subject: Revised District Board Policy 15

Following are revisions to District Policy 15 for your consideration at the February 3rd board meeting. The Board may wish to make other changes as well.

MEMORANDUM

TO: Lee Michelson

FROM: Mark D. Hudak

DATE: January 26, 2010

SUBJECT: Limitations on Director's Benefits

Current Board Policy 15.2 provides that the District will pay a health care premium for an elected director (or reimburse the director for the premium). Established practice has been that this benefit includes the director's spouse. Policy 15.2 does not have an express limit on the amount of the premium to be paid by the District or reimbursed.

The Board will be considering modifications to Policy 15.2. As proposed, Policy 15.2 would clarify that the benefit shall include the director's spouse and dependents and will impose a limitation of $1,200 per month for the premium or reimbursement. This will bring Policy 15.2 in line with the benefit and limitation afforded to employees.

California law permits a special district to pay a health care premium for an elected official (Government Code §53205) and the spouse and dependent children of the elected official (Government Code §53205.1). These provisions apply to the elected directors of a health care district, as confirmed by an opinion of the California Attorney General (66 Ops. Cal. Atty. Gen. 13). Therefore, the benefit provided in Policy 15.2 is authorized.

However, if the Board adopts the new Policy 15.2, the limitation on the monthly premium cannot be applied to the Directors during their current terms. In a matter involving City Council members, the Attorney General has opined that such a limitation can only be imposed on members after their current terms end and they are re-elected (or others take their place). 80 Ops. Cal. Atty. Gen. 119. The reasoning of this opinion would apply to the directors of a heath care district as well as the City Council members who were the immediate subjects of the opinion. Thus, the limitation would go into effect for the two Directors who are elected in 2010 and then to the three Directors who are elected in 2012. In the meantime, the Directors are entitled to continue to receive full reimbursement of their premiums, without the $1,200 monthly limitation.

Because the elected officials are not "employees" of the District, the temporary difference in the health care benefits of Directors and regular employees with regard to the limitation should not create a problem under ERISA or similar laws.

POLICY NO. 15 REMUNERATION AND REIMBURSEMENT

15.1 Directors shall receive no fee for attending meetings of the District Board of Directors.

15.2 The District shall pay the premiums for health care insurance for the Directors and their spouses and dependents (or reimburse the Directors for their payment of such premiums) up to $1,200 per month, while Directors are on the District Board of Directors. Such payments shall cease effective at the end of the month the Director leaves the Board.

15.3 The District shall reimburse Directors for actual necessary traveling and incidental expenses incurred in the performance of official duties as Directors, subject to the requirements of these Policies and Procedures and the law.

15.4 The following types of occurrences qualify for reimbursement if attended in the performance of official duties as Directors of the board and if prior approval is obtained as set forth in Policy 16.2:

a. Training workshops, seminars, and conferences.
b. Educational workshops, seminars, and conferences.
c. Meetings of or sponsored by ACHD (the Association of California Health Care Districts), by CSDA (the California Special Districts Association), and by other state or national organizations relevant to the purposes of the District.
d. Meetings of local governmental entities and bodies and committees thereof.
e. Meetings of local nonprofit organizations.
f. Meetings of community or civic groups or organizations.
g. Meetings of advisory groups and committees organized or conducted by District staff.
h. Meetings with District consultants, advisors, and other professionals.
i. Any other activity approved by the Board in advance of attendance, whether the request for attendance was initiated by the Board or by a Director.

15.5 ~~Except as otherwise set forth in policies 15.6, 15.7, and 15.8 and~~ Subject to policies 15.7~~9~~ and 15.8~~10~~, reimbursement for travel, meals, lodging, and other expenses shall be made in accordance with Section 7.05 of the District's Employee Handbook, except as otherwise provided in Policy 16. ~~at the Internal Revenue Service rates established in Publication 463 or successor publication.~~ The provisions of Policy 16.6 shall not be deemed to create any exception to this Policy 15.5.

~~15.6 Subject to policies 15.9 and 15.10, Directors shall obtain lodging at the group rate provided in connection with a conference or organized educational activity or other authorized occurrence, if the group rate is available to the Director at the time of booking, in which case, reimbursement shall be at the group rate obtained by the Director.~~

~~15.7 Subject to policies 15.9 and 15.10, Directors shall use government and group rates offered by providers of transportation if available, in which case, reimbursement shall be at the government or group rate obtained by the Director.~~

15.6~~8~~ Subject to Policy 15.5 ~~15.9 and 15.10,~~ if there is no Internal Revenue Service rate established for an expense and if such expense is not reimbursable under Policy 15.5 ~~15.6 or~~

~~15.7~~, such expense shall not be reimbursed unless the District board approved such expense in a public meeting before the expense was incurred.

15.7~~9~~ No expense shall be reimbursed except pursuant to an expense report meeting the requirements of this Policy and submitted by the Director to (and received by) District staff, within four weeks after the final date of the occurrence in connection with which the expense was incurred. The expense report shall document that the expenses meet the requirements of Policies 15 and 16 and shall include receipts for all expenses for which reimbursement is being requested.

15.8~~10~~ No reimbursement shall be paid unless, at the next regular meeting of the board following the occurrence for which the expense report was submitted, the Director submitting the expense report makes a brief report on the occurrence attended. If the Director is not in attendance at such next regular board meeting, a written report submitted by the Director and read aloud by staff or another Director shall suffice as the required brief report.

For reference, the following is Policy 7.05 from the District's Employee Handbook, adopted 12/2/09.

7.05 Expense Reimbursement

This policy establishes standards for Sequoia Healthcare District ("District") Employees who incur expenses during the course of business activities on behalf of or at the request of District. The purpose of this policy is to provide uniform standards for those employees who incur, authorize and approve business travel, out-of-pocket and entertainment expenses. The policy also defines the documentation necessary to support reimbursement for business travel, out-of-pocket and entertainment expenses.

Employees will be reimbursed for mileage at the rate allowed by the Internal Revenue Service. Meals will be reimbursed upon presentation of valid receipts. Personal cell phones used in the course of District business upon presentation of a valid invoice will be reimbursed up to $75/month.

Employees are to exercise good judgment in incurring business travel and entertainment expenses. Reimbursement will be made for authorized business expenses that are reasonable, necessary and appropriately documented.

A. Business Travel Expenses

Business travel expenses are reasonable and necessary expenses that an employee incurs while traveling away from home on District business or related activities approved by District. This Section A applies to basic expenses associated with travel on District business. Section B contains separate requirements related to business entertainment expenses.

1) Hotel Accommodations - Employees should use hotels that balance the needs for convenience, safety, and lower cost. Employees may not stay at luxury hotels such as Ritz Carlton, Four Seasons or utilize similarly expensive lodging unless it is a designated conference hotel. Employees will not be reimbursed for bottled water, in-room movies or mini-bar expenses.

2) Airfare - Employees must travel coach/economy class at the most economical rate available to reasonably accommodate business schedules.

Use of the long-term parking lots and/or off airport parking is encouraged to reduce overall travel costs.

3) Mileage/Ground Transportation - When it is more practical to use a personal automobile when traveling on business, reimbursement will be made at the currently established IRS rate per mile for the actual miles necessary to conduct the relevant business.

Other ground transportation (e.g. taxi, bus, subway, rail, etc.) will be reimbursed if it relates to District business.

Other costs associated with ground transportation such as parking and bridge tolls will be reimbursed.

4) Rental Cars - Luxury and premium cars are not reimbursable.

5) Meals - District will reimburse reasonable meal expenses incurred by employees traveling out-of-town on District business. Such meals should not exceed $15 for breakfast, $25 for lunch and $35 for dinner.

District will not reimburse meal expenses for an employee's spouse.

6) Telephone Calls/Faxes/Mail Service While Traveling - Necessary business related telephone calls, faxes or mail service and business use of personal cell phone, home phone or faxes will be reimbursed with appropriate documentation.

Personal calls while traveling, such as reasonable calls to home, family members, baby sitters, etc., are allowable business expenses.

7) Spouse Travel - No reimbursement is allowed for travel expenses, (including, but not limited to, airfare, hotel, meals, transportation, tips, etc.) paid or incurred by an employee with respect to a spouse, dependent or other individual accompanying an employee on a business trip.

B. Business Entertainment Expenses (including meals and gifts)

Business entertainment expenses are those expenses incurred by the employee while (i) conducting/discussing District business and (ii) meeting with other District employees (including subordinates) and/or other persons who directly (or through another entity) do business with or support District.

1) Business Meals - Business entertainment and meal expenses must be reasonable and appropriate taking into consideration the location of the meal/event, the participants, the nature of the event, and other relevant factors.

District will only reimburse meal expenses involving District-only participants when a significant amount of the discussion/purpose of the meal is business related – whether the meeting takes place in a restaurant or the office.

Employees are reminded that they represent the District while on company business and that alcohol use, if any, must be responsible and in conjunction with a meal.

2) Business Gifts - Modest business gifts to non-employees (including board members and sponsors) will be reimbursed with the approval of the District's CEO or Board President and appropriate documentation.

3) Gifts to Employees - Generally, District will not reimburse an employee for gifts (including flowers) to subordinates, peers, or supervisors, including events such as a birthday, holiday (e.g., Christmas), wedding, special days (i.e., secretary day), birth of child or other life event.

With the CEO's or Board President prior approval, an employee may expense a gift to a District employee or board member for exceptional performance, as a thank you for a special effort, as a going away gift, or as an acknowledgement for completing a degree or training program. In addition, an employee may expense flowers or another appropriate and reasonable gift sent to a subordinate, peer, supervisor, or board member in the event of the death of an employee or immediate family member, the hospitalization of the employee or employee family member or other family crisis.

C. Expense Reporting and Documentation Requirements for the Paper Process

Expense reports must be completed in accordance with the requirements of this policy.

1) Expense Reporting Signature and Approvals - Expense reports must be signed by the employee and approved by the employee's supervisor or the Board President. By signing the expense reports, employees and the individual approving reports are representing and confirming that the expense report complies with these standards.

2) Forms to be Used - Employees must use the current District expense report form(s) for reimbursement of out-of-pocket expenses, the current District mileage and associated reimbursement form for reimbursement of mileage.

3) Attachments to Forms - When preparing expense reports, receipts should be attached.

4) Substantiation of Expenses - Generally, a receipt should be provided in support of out of pocket expense items. Exceptions to this general requirement include bridge tolls, highway tolls, modest bus or subway fares, and tips to baggage handlers in hotels, airports. A receipt should accompany all District credit card purchases.