

Internal Monitoring Report

Policy: EL-2C Financial Planning/Budgeting

Frequency: Twice a year (May and August)

Date: July 25, 2017

Policy Language:

The General Manager shall not cause or allow financial planning to deviate materially from the board's Outcomes priorities, risk financial jeopardy or fail to be derived from a multiyear plan.

Accordingly, the General Manager shall not cause or allow conditions, procedures or decisions that:

1. Allow budgeting which would risk incurring those situations or conditions described as unacceptable in the Financial Condition and Activities policy (EL-2D).
2. Fail to provide the full amount established by the board according to the Agenda Planning to Achieve Board Outputs policy (BP-2C).
3. Fail to provide the board with an opportunity for one month's deliberation prior to approval of cost increases in excess of 15% of the established budget for a project.

General Manager's interpretation and its justification:

This Executive Limitations policy recognizes that financial planning and sound budgeting are necessary for the achievement of the board's Outcomes priorities and in order to avoid financial jeopardy. Sound budgeting is also necessary for the board to invest resources in improving its own governance capacity. The Utility has the responsibility to establish, manage and plan for the necessary water rates and debt to fund all expenditures to meet identified capital and operational requirements, and to budget accordingly.

The board has enumerated in this policy three specific areas: budgeting in accordance with policy EL-2D, and providing funds for board education and training as described in policy BP-2C, and providing the board with an adequate opportunity to deliberate and weigh options prior to making a decision on projects that are over the established budget.

Data directly addressing the General Manager's interpretation:

The proposed Water Utility Capital Budget and Capital Improvement Plan is aligned materially with the board's Outcomes priorities, including the Global Outcomes Policy and the Water Quantity, Water Quality and Reliability policies. In addition, it projects capital expenditures through the year 2023. It was presented to the board at the meeting on May 23, 2017.

The utility uses a financial planning model developed by Springsted Financial to evaluate and project funding required for financing infrastructure and operating needs. This model is being used to plan the budget, revenue bond offerings, and develop future rate requirements.

The 2018 Operating Budget is attached.

When cost increases are greater than 15% of the established budget for a project, staff will continue to provide the board with a one-month period of time for review and deliberation.

I report compliance.

Attachment:

2018 Capital Budget and Capital Improvement Plan



2018 Operating Budget Summary

		2018 Budget	2017 Adopted Budget	2017 Actuals as of 7/18/17	2016 Actuals
Total Revenues	4XXXX	42,472,395.00	42,775,305.00	20,001,027.00	34,531,584.00
Overtime -Perm&Hrly	51210 & 51310	(350,000.00)	(335,000.00)	(158,126.00)	(368,562.00)
All Other Salaries	51XXX	(8,634,519.00)	(8,631,785.00)	(3,921,204.00)	(7,616,531.00)
Total Salaries	51XXX	(8,984,519.00)	(8,966,785.00)	(4,079,330.00)	(7,985,093.00)
Health Insurance	52410	(1,612,936.00)	(1,609,206.00)	(1,002,636.00)	(1,476,033.00)
All Other Benefits	52XXX	(1,444,352.00)	(1,453,926.00)	(789,896.00)	(1,971,608.00)
Total Benefits	52XXX	(3,057,288.00)	(3,063,132.00)	(1,792,532.00)	(3,447,641.00)
Postage	53150	(340,000.00)	(375,000.00)	(165,488.00)	(323,977.00)
Work Supplies	53210	(800,000.00)	(1,200,000.00)	(634,188.00)	(947,636.00)
Machinery/Equipment/Vehicles	53410	(859,000.00)	(775,000.00)	(453,088.00)	(1,065,434.00)
All Other Supplies	53XXX	(913,000.00)	(942,000.00)	(338,890.00)	(681,324.00)
Total Supplies	53XXX	(2,912,000.00)	(3,292,000.00)	(1,591,654.00)	(3,018,371.00)
Electricity	54112	(2,600,000.00)	(2,600,000.00)	(1,167,604.00)	(2,326,591.00)
Street Improvements	54410	(440,000.00)	(700,000.00)	(124,333.00)	(436,046.00)
Consulting Services	54645	(650,000.00)	(40,000.00)	(106,564.00)	(68,170.00)
All Other Purchased Services	54XXX	(2,002,500.00)	(4,361,380.00)	(1,274,159.00)	(2,273,029.00)
Total Purchased Services	54XXX	(5,692,500.00)	(7,701,380.00)	(2,672,660.00)	(5,103,836.00)
Bonds/Pilot	56XXX	(23,864,256.00)	(21,767,934.00)	(13,357,114.00)	(18,855,430.00)
Property & Workers Comp Ins	57175 & 57176	(477,025.00)	(477,025.00)	(477,025.00)	(445,203.00)
All Other Inter Dept. Charges	57XXX	(247,953.00)	(326,845.00)	(63,206.00)	(381,873.00)
Inter Dept. Charges	57XXX	(724,978.00)	(803,870.00)	(540,231.00)	(827,076.00)
Urban Forestry Charges	58151	63,180.00	35,800.00	17,291.00	34,447.00
Sewer Charges	58183	2,419,396.00	2,485,976.00	320,779.00	2,339,772.00
Storm Water Charges	58184	280,570.00	298,020.00	77,314.00	304,602.00
Total Inter Dept. Billings	58XXX	2,763,146.00	2,819,796.00	415,384.00	2,678,821.00
		-	-	(3,617,110.00)	(2,027,042.00)