

Internal Monitoring Report

Policy # EL-2C Financial Planning/Budgeting

Date: September 27, 2011

I certify that the following information is true.

Signed  General Manager

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).

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. MWU 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 two specific areas: budgeting in accordance with EL-2D, and providing funds for board education and training as described in policy BP-2C.

Data directly addressing the General Manager's interpretation:

The 2012 Water Utility Capital Improvement Program was presented to the board in June. It 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 projected capital expenses through 2017. The 2012 Capital Budget was approved by the city's Board of Estimates on September 13, 2011.

The Utility has implemented and uses a financial planning model to evaluate and project funding required to finance infrastructure and operating needs. Through the use of this model, bond sales are planned and rate increases are developed.

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The 2012 Operating budget has been submitted to the Mayor's Office and is attached. It is a balanced budget which includes an amount for board governance capacity as described in Board Process policies BP-2C and BP-2J.

I report compliance.

Attachments:

2012 Water Utility Operating Budget