

Internal Monitoring Report

Policy #: EL-2C Financial Planning/Budgeting
Frequency: Twice a year (May and August)

Date: July 26, 2016

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 to the utility the full amount established by the board for any given activity.
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 EL2D, and providing funds for board activities, and providing the board with adequate time for deliberation prior to approving significant cost increases over an established project budget.

Data directly addressing the General Manager's interpretation:

The Utility's 2016 Capital Improvement Program was approved by the board on May 24, 2016. 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 projects capital expenditures through 2022.

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 2017 Operating Budget was submitted to the City's Finance Dept. and is attached herewith. It is a balanced budget and includes the full amount established by the board for board governance capacity.

I report compliance.

Attachment:

2016 Water Utility Operating Budget