

Internal Monitoring Report

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

Date: August 28, 2012

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. 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 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 Utility's 2013 Capital Improvement Program was approved by the board on June 26, 2012. 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 2018. The 2013 Capital Budget was reviewed with the city's Finance staff and Mayor's office on July 24, 2012.

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.

The 2013 Operating budget was submitted to the City's Finance Dept. on August 6, 2012, and is attached. It is a balanced budget. As an agenda item for today's meeting, the board will

consider establishing a budget amount for board governance capacity as described in Board Process policies BP-2C and BP-2J.

I report compliance.

Attachment:

2013 Water Utility Operating Budget