

Internal Monitoring Report

Policy: EL-2C Financial Planning/Budgeting

Frequency: Twice a year (May and August)

Date: May 23, 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. A copy of this document is attached.

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 a master agenda item for the August board meeting.

Prior to granting its approval, the board will be provided with a one month period of time for review and deliberation of cost increases in excess of 15% of the established budget for a project.

I report compliance.

Attachment:

2018 Capital Budget and Capital Improvement Plan