

Internal Monitoring Report

Policy: EL-2C Financial Planning/Budgeting

Frequency: Twice a year (May and August)

Date: June 23, 2020

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 authorized 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.
4. Fail to provide the board with an estimated impact on the rate increase for capital projects with the annual presentation of the capital budget.

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.

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 and projects capital expenditures through the year 2026. The pace of investment has been adjusted to accomplish our objective of building cash reserves to the point where we can fund ongoing improvements such as water main replacements without debt financing.

In the past year, the board has always been 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.

Attachments:

Proposed 2021 Capital Budget