



EAST VALLEY WATER DISTRICT Administrative Policies & Programs

Policy Title: Operating and Capital Budget Policy

Original Approval Date:
August 22, 2018

Last Revised:

Policy No: 7.7

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Purpose

The Operating and Capital Budgets are developed on an annual basis through the establishment of District-wide goals, a Capital Improvement Program (CIP), program/departmental goals and objectives, and performance measures/key performance indicators. Together, these goals and activities provide a comprehensive plan to deliver efficient services to ratepayers and stakeholders of the East Valley Water District (District) in a manner that aligns resources with the policies, Strategic Plan, and Vision of the District.

The formulation of the Operating and Capital Budgets, including the publication of a comprehensive budget document, is one the most important financial activities that the District undertakes each year. This budget policy is intended to provide guidelines to assist in the formulation and consideration of broader implications of financial discussions and decisions, which ultimately assist in completing financial planning cycles that deliver efficient and effective public service.

Authority

The Board of Directors are responsible for policy formulation, and overall direction setting of the District. This includes the approval of financial policies which establish and direct the operations of the District. The General Manager/CEO is responsible for carrying out the policy directives of the Board of Directors and managing the day-to-day operations of the District. This policy shall be administered on behalf of the District by the General Manager/CEO and Chief Financial Officer.

Scope

This policy shall apply to all Funds under the budgetary and fiscal control of the Board of Directors.



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Policy

A. Basis of Budgeting

1. The District's Proprietary Funds are budgeted on the Full Accrual Basis of Accounting with the following exceptions:
 - a. Changes in the fair value of investments are not treated as adjustments to revenue in the annual operating budget;
 - b. Compensated absence liabilities are expensed when paid;
 - c. Pension expense is budgeted based on employer contribution rates;
 - d. Principal payments on long-term debt are treated as expenses in the annual operating budget;
 - e. Depreciation expense is not recognized in the annual operating budget; and
 - f. Capital purchases are recognized as an expense in the annual operating budget.

B. Budgetary Control

1. The District shall adopt an annual balanced budget on or before June 30 of each year, in accordance with all state and county laws.
2. Program management is responsible for administering their respective Programs within the financial constraints described by the adopted budget.
3. The Chief Financial Officer will provide updates on the District's financial position by regularly reporting to the Board of Directors the status of actual expenditures, expenses, and revenues compared to the adopted budget. Further, the Chief Financial Officer will ensure that program management has access to timely and accurate financial data.

C. Balanced Budget

1. The District shall adopt a balanced budget for each Fund which this policy covers. A budget is balanced when the sum of estimated revenues and appropriated Net Position are equal to expenditures.



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2. Operating Revenues and Other Financing Sources must fully cover Operating Expenditures/Expenses, including Debt Service, and Other Financing Uses. Operating Expenditures/Expenses for the purposes of balancing the annual budget shall include that year's contribution to the CIP.
3. One-time revenue sources and development fees must not be used to fund operational costs.
4. Minimum Reserve policy levels must be maintained unless reserves are being used in accordance with the purposes permitted by the District's policy (see District Reserve Policy for further guidance).
5. The balancing of Operating Revenues with Operating Expenditures (as defined above) is a goal that should be applied over a period of time which extends beyond current appropriations. Temporary shortages or operating deficits, can and do occur, but they will not be permitted as extended trends.

D. Formation of the Budget

1. District Vision - The budget shall be constructed around the Board of Directors' vision for the long-term direction of District services and the associated desired culture and environment. When appropriate, a needs assessment of stakeholders' priorities, challenges, and opportunities shall be integrated into the visioning process to assist with the establishment of both short-term and long-term goals.
2. Programmatic Budgeting - The budget shall be based on Programs in order to provide insight into the costs of service that the District provides. Deliverables and specific actions shall be detailed at the Programmatic level, which support the goals and objectives outlined within the Strategic Plan and District Vision.
3. Financial Information - The budget shall display estimated beginning Net Position, estimated revenue and receipts, appropriations, and the estimated year-end Net Position.

E. Estimates of Revenue, Expenditures, and Expenses

1. Objective Estimates - The District shall take an objective and analytical approach to forecasting revenues, expenditures, and expenses as accurately as possible. Though the District will use the best information available to estimate revenues,



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absolute certainty is impossible. Should revenues be overestimated, the spending plans and priorities established during the budget process shall be used to propose appropriations and spending as required to bring the budget into balance.

2. Regular Monitoring of Projections - The Finance department shall monitor revenue incomes and expenditure/expense outflows to assess the implications of the annual budget in order to provide timely updates on actual financial performance.
 3. Long-Term Forecasts - The Finance department shall develop and maintain long-term financial forecasts, at least five years into the future, in order to help the District assess its long-term financial sustainability.
- F. Stakeholder Participation - The District shall provide meaningful opportunities for the stakeholders to provide input into the financial planning and budget process, before a budget is adopted.
- G. Create Value for the Stakeholders - The District seeks to maximize the value each stakeholder receives through its spending. Accordingly, staff should develop budget tools and methods to measure and maximize value, particularly by critically examining existing spending patterns.
- H. Address Long-Term Liabilities - The District shall fully fund current portions of long-term liabilities in order to maintain the trust of creditors and avoid accumulating excessive long-term liabilities.
- I. Responsibilities and Calendar - The District's fiscal year runs from July 1 through June 30. The Chief Financial Officer shall submit or cause to be submitted annually to the Board of Directors no later than June during a Public Board Meeting, a proposed budget governing expenditures/expenses of all District Funds, including Capital Outlay and CIP, for the following fiscal year. The budget, after being reviewed and adopted, shall constitute the Board of Directors' appropriation of all Funds for such fiscal year.
- J. Budget Amendments - Amendments shall be considered and adopted by the Board of Directors during a Public Board meeting except for specific adjustments when limited authority is delegated to the General Manager/CEO.



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Quality Control and Quality Assurance

It is the responsibility of the Chief Financial Officer to ensure the presence of procedures that provide sufficient guidance to affected District personnel to fulfill the intent of this policy.