

REGIONAL WATER AUTHORITY POLICIES AND PROCEDURES MANUAL

Policy Type : Fiscal Management
Policy Title : Budget Policy
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BUDGET POLICY

The purpose of the budget process is to help the Board and Executive Director make informed choices about the provision of services and capital assets. It is important for the budget process to link organizational goals and objectives, focus on results and outcomes, and incorporate a long-term perspective. The Executive Committee of the Board along with the Executive Director will determine a proposed plan of action for RWA program objectives and deliverables. These objectives and deliverables are based upon the needs of the RWA members. This plan then drives the proposed expenses for the fiscal year.

The Budget

The annual operating budget is a summary of proposed expenditures for a particular fiscal year. The budget format summarizes expenditures by type, such as staffing costs, office costs, external professional costs, and other costs. The operating budget identifies the funding sources to pay for the expenditures, including proposed membership dues and other sources such as grants and investment earnings. The budget also estimates available cash designations/reserves used or contributed to and the estimated remaining balances for the end of the fiscal year.

Budget Approval

Each fiscal year, the Board will authorize a budget for the ensuing fiscal year. Adoption of the annual budget typically occurs in the May Board meeting, prior to the beginning of the next fiscal year on July 1. The Board adopts the annual overall budget which summarizes the objectives and the related expenses. The Executive Director is responsible for the execution of the budget, including contracting with vendors and operating within the guidelines of Authority Delegated to the Executive Director, Policy #300.1.

The annual budget also may project up to four future years of expenditures and revenues. This information allows the Board and members to understand the impact of the current year's decisions on future costs and programs. It also allows members to

plan for membership expenses in the future. However, approving the annual budget does not approve the projected budget for future years.

The annual budget will also include projections for subscription based services and expenses as part of cash flow planning. However, the subscription based services are usually based upon separate agreements with participating members. Approving the annual budget does not approve these subscription based services revenues and expenses since the separate agreements govern the execution and cost of these services.

Members and Contracting Entities (consistent with the terms of their agreements with RWA) will share in the general operating and administrative cost of operating the RWA, as outlined in the annual budget documents.

The Board of Directors may approve, from time to time, an advance or contribution to proposed projects or program specific activities (subscription-based services). The reimbursement of these start-up costs or contributions from subscribing Members and/or Contracting Entities will be required once the contemplated project or program is implemented as contained in the Project or Program Agreement, unless the Board of Directors determines otherwise by unanimous vote. Sometimes the payment of these proposed projects or program specific activities may have some other source, such as, but not limited to local, state and federal grants.

Overall Operating Principles

The overall operating principles that must be followed by the Executive Director in executing the approved budget are as follows:

- 1) Overall annual expenditures and expenses should be at or below budget, unless previously approved by the Executive Committee;
- 2) The Executive Director must follow Policy Number 300.1, the Authority Delegated to the Executive Director; and
- 3) Annual expenditures and expenses must meet the organizational objectives and goals outlined for the fiscal year.

In executing the Authority's objectives and goals, the Executive Director may re-allocate budget resources from one category to another in order to achieve those objectives. For example, in executing necessary staffing to achieve workload, it may be necessary to hire consulting services if an employee is unavailable to execute their duties. Any reallocation of budget resources shall follow the operating principles above, and must not increase any budget item by the lesser of 35% or \$150,000.

The budget line item re-allocation authority excludes re-allocation to salary costs and related staff benefits. Any changes exceeding a budget line item for these costs must be explicitly approved by the Executive Committee.

Quarterly Reporting

The Executive Director will provide a quarterly report of budget versus actual results for the current fiscal year. Additionally, the Executive Director will provide the information related to re-allocation of budget resources that became necessary to achieve the Authority's objectives.