



Topic: **Reservoir Committee Agenda Item 2.2**

**2021 July 15**

Subject: **Budget Policy**

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**Requested Action:**

Approve a new Budget Policy to provide budget approval requirements for the Sites Reservoir Project in line with governing board expectations.

**Detailed Description/Background:**

The Authority currently does not have a Budget Policy. The attached Budget Policy provides necessary flexibility to make budget transfers or assign unrestricted reserves expediently to support expected Project progress while maintaining rigorous accounting controls, ensuring internal and external transparency of operations, and in alignment with the Authority Board approved limitations set forth in the Delegation of Authority.

The Policy also provides for restricted reserve funds intended to cover approximately three months of critical activities to maintain project progress that can only be utilized following the approval of the Reservoir Committee and Authority Board.

Finally, the Policy provides for the development of fiscal year (i.e., calendar year) budgets that will be provided to the Authority for approval and satisfy the requirements for annual financial audits and tracking and reporting purposes.

**Prior Action:**

None.

**Fiscal Impact/Funding Source:**


There is no fiscal impact associated with the proposed policy.

**Staff Contact:**

Joe Trapasso

**Attachments:**

Attachment A – Sites Project Authority Budget Policy

	<b>DOCUMENT TYPE</b>	<b>Policy</b>
	<b>DOCUMENT NO.</b>	<b>F04</b>
	<b>ADOPTED</b>	<b>TBD</b>
	<b>LAST UPDATED</b>	<b>TBD</b>

## **SITES PROJECT AUTHORITY BUDGET POLICY**

### **1. Purpose:**

The Budget Policy is intended to provide budget approval requirements for the Sites Reservoir Project (Project) in line with governing board expectations. This policy provides necessary flexibility to make budget transfers or assign reserves expediently to support expected Project progress while maintaining rigorous accounting controls, ensuring internal and external transparency of operations, and in alignment with the Authority Board (Board) approved limitations set forth in the Delegation of Authority.

### **2. Definitions:**

**Accounting method:** The Sites Reservoir Project uses the accrual accounting method.

**Budget Transfer:** A reallocation of unspent subject area budget within the subject area or to another subject area budget within the approved budget.

**Fiscal Year:** The Sites Reservoir Project’s fiscal year corresponds to the calendar year. Any mention of “annual” refers to the fiscal year.

**Restricted Reserves:** Funds intended to cover approximately three months of critical activities to maintain project progress.

**Unrestricted Reserves:** Funds intended to cover unanticipated project expenses, including additional scope of work.

### **3. Policy:**

**Work Plan:** Total expenditures will be estimated by staff and will be approved for a specific period of performance or Work Plan (presumably multi-year efforts) by the Reservoir Committee and Authority Board and be reflected in Project Agreements.

**Annual Budget:** Annual budgets are based on the estimated fiscal year expenditures and are apportionments of the approved Work Plan. Annual budgets are intended to satisfy the requirements of annual financial audits and will be used for tracking and reporting purposes. Each annual budget will be budgeted and presented at the subject area level and

be approved by the Reservoir Committee and Authority Board. Staff will manage project expenditures to the annual budget. The annual budget will include uses and sources of funds.

**Source of Funds:**

- **Sites Joint Powers Authority Dues:** Separate budgets are established for the Authority Board and Reservoir Committee. The Authority Board budget will be based on revenues from annual Authority Board membership dues.
- **Contributed Project Funds:** The Reservoir Committee budget will be based on revenues from project participation and state and federal funding sources. Project expenses are allocated per subject area consistent with the Sites Project Authority Reservoir Project Agreement.
- **Unused and unaccrued funds:** Any balances remaining in unrestricted or restricted reserves at the beginning of the annual budgeting process will be considered as a source of funds for the subsequent budget.

**Reserve Assignment:** The Authority will maintain a restricted reserve and an unrestricted reserve as defined in Section 2.

Restricted reserves may be utilized only following approval by the Reservoir Committee and Authority Board.

When it is necessary to utilize unrestricted reserves, the Executive Director has authority to assign unrestricted reserves of no more than \$100,000 per occurrence to account for unanticipated project expenses, including additional scope of work.

Approval by the Reservoir Committee and Authority Board is required to execute unrestricted reserve assignments greater than \$100,000 per occurrence. Unrestricted reserves may be utilized until the budgeted unrestricted reserve amount has been exhausted. Assignment of unrestricted reserves will be reported quarterly in budget updates along with justification for the assignment.

**Budget Transfers:** The Executive Director has authority to approve budget transfers of no more than \$100,000 per occurrence. Budget transfers will be reported quarterly in budget updates along with justification for the transfer.

Approval of the Reservoir Committee and Authority Board is required to execute budget transfers greater than \$100,000 per occurrence.

**4. Process:**

Budgets will be developed by staff. Budgets will be approved at the appropriate Board meeting.

If necessary, the Executive Director will initiate a budget transfer or unrestricted reserves assignment in accordance with the administrative procedures.

**5. Policy Term:**

This policy will be reviewed as necessary to support effective implementation of the project.

**6. Reporting:**

All budget transfers and assignments of unrestricted reserves will be reported to the Joint Budget and Finance Committee. The Reservoir Committee and the Authority Board will receive a report when unrestricted reserves are assigned. Assignment of restricted reserves will be approved by the Reservoir Committee and Authority Board. Quarterly updates comparing actual to estimated expenditures in the approved budget will be reported to the Reservoir Committee and Authority Board.

As provided in Section 3: above, the following will be documented in the approved minutes of the appropriate Reservoir Committee and Authority Board meeting(s):

- Budget approvals,
- Board approval of budget transfers,
- Board approval of unrestricted reserve assignments,
- Board approval of restricted reserve assignments,
- Notifications of budget transfers and,
- Notifications of unrestricted reserve assignments.