

Number: **BP 048**

Authority: Board of Directors
Effective: March 24, 2022
Revised: October 11, 2023
Reviewed: November 16, 2023
Initiating Dept./Div.: Administration/Finance



BOARD POLICY

BUDGET

PURPOSE

To set forth a budget policy for Central San consistent with current and future goals as they pertain to fiscal responsibility, accountability, transparency, and sustainability.

POLICY

1. Central San recognizes the importance of the budgeting process to document resource needs, provide the foundation for effective financial management, and demonstrate that cost matters in the provision of service at responsible rates.
2. Transparency shall be a key goal in the preparation of the annual budget document, with key assumptions documented, and commentary provided on relevant financial policies and the proposed budget's relation to the long-term financial plan.
3. Budgets shall be presented to and adopted by the Board for each fiscal year (FY), which starts July 1 and ends June 30.
4. Public involvement shall be encouraged in the annual budget development and adoption process, which shall include presentation to Board Committee(s), the Board, and shall include a public hearing. Outreach to key agencies affected by Central San's proposed budget shall be conducted.
5. The annual Budget is prepared in the context of other key planning processes including strategic planning, long-term financial planning, and rate setting. Board input shall be obtained to shape the development of the proposed budget through these and other processes to ensure appropriate alignment and consistency.
6. Budgets shall incorporate strategic plan goals and strive to provide the resources necessary for achieving them.
7. Central San shall strive to achieve a long-term structurally balanced budget.

8. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) shall be at the fund level on a FY basis.
9. A secondary legal level of budgetary control for the Capital Improvement Budget (CIB) shall be at the total project level, which may overlap multiple FYs. Detailed parameters relating to the financial administration of capital projects is specified in other documents, including BP 037 - *General Manager Delegation of Authority*, and as outlined in the annual budget document.
10. The budget shall include a 10-year rolling forecast for long-range financial planning.
11. At the close of each FY, absent any alternative direction by the Board, any unspent CIB appropriations for active projects shall automatically rollover for reappropriation in the following FY's CIB. To achieve rate stability and prevent over-inflation of the CIB due to spend timing issues, the General Manager may request Board approval (through budget, financial plan and rate adoption) to direct all or part of the unexpended carryforward be allocated to sewer construction fund reserves for future years consistent with the 10-year capital improvement plan (CIP).
12. Appropriations for the CIB contingency shall be replenished annually through one or more of the following actions:
 - Budget transfer of unexpended and available budgetary carryforward from specific project(s),
 - Budget transfer of savings from closed capital projects, or
 - Reappropriation of full contingency amount in new fiscal year allowing prior year contingency carryforward to roll to reserves.
13. Any savings from closed capital projects or unused contingency in the CIB shall remain in the sewer construction fund.
14. Central San shall monitor its contractual commitments to ensure budgetary compliance and alignment with its long-range financial plan.

REPORTING AND ACCOUNTABILITY

Staff shall be accountable for monitoring and controlling their respective operational and project budgets. Finance shall develop and present budget-to-actual reports to the Finance Committee and Board, not less than quarterly, to demonstrate budgetary control, fiscal accountability, and compliance, where applicable. Projections of current year spending are compiled and reported on as part of the budget development process.

Following the close of the FY, a report of year-end results shall be provided to the Board for disposition of overall favorable or unfavorable budget variances, and impacts on reserve requirements as specified in BP 017 - *Fiscal Reserves*. This annual report shall also specify the amount of CIB rollover appropriations as previously described.

AUTHORITY

The General Manager has the authority to approve line-item transfers within funds between organizational units (i.e., departments or divisions) and/or accounts. Furthermore, the General Manager has the authority to approve inter-project budget transfers in the CIB up to the maximum threshold specified in BP 037. Inter-project budget transfers above this authority level must be approved by the Board.

Any spending above total fund appropriations specified in the adopted budgets must be accompanied by a budget amendment authorized by the Board. In the CIB, any increases to individual project budgets not covered by inter-project budgetary transfers are considered budget amendments, thereby requiring Board authorization.

For purposes of this policy, Board approval of a budget amendment shall be demonstrated by a motion passed via simple majority.

POLICY REVIEW

This policy shall be reviewed on an annual basis to reflect the highest standards of fiscal management and Central San's budgetary goals. Any changes must be approved by the Board after review by the Administration Committee.

[Original Retained by the Secretary of the District]