

# Root Creek Water District Budget Policy

Adopted: October 11, 2017

## **Purpose and Scope**

The purpose of this policy is to enact Root Creek Water District's (the "District") budgetary guidelines and to ensure all District resources are allocated in a manner consistent with the District's broader objectives, goals, and existing policies. The scope of this policy is limited to all matters related to the District's budget—setting, monitoring, reporting/balancing, and, if needed, amending the budget to maximize the District's effective and efficient use of District funds to provide residents and landowners within the District's boundaries with the best services possible.

## **Policy Statement**

The District is committed to carrying out its fiduciary duties and oversight role consistent with the highest standards of fiduciary practice. To do that, the Board establishes this policy to clarify the District's budget making, monitoring, and reporting processes. It is the Board of Directors' express intention that this policy and the District's budgeting processes be transparent. The District's use of public funds to execute the budget(s) shall comply with best practices germane to California Water Districts.

## **Budget Setting**

The District's budget shall consist both of a current year (or "operating") budget and a three-year projected budget. The District's budget shall be structured using generally accepted accounting principles, and at a minimum shall identify income and expenses, including categories and subcategories of the same, as needed. The primary sources the District shall use to set both the current year and three-year projected budgets shall be: (i) the immediately preceding single-year budget, as amended if amended; (ii) known and anticipated increases/decreases in income and/or expenses for the coming year; (iii) rate of inflation (using the U.S. Bureau of Labor Statistics, Consumer Price Index for the San Francisco Area); and (iv) other District policies and adopted objectives (i.e., capital projects, expansion of services, etc.) that may require the District to change its allocation of funds in order to meet such stated policies and/or objectives. Additional sources of information may also be used, as pertinent and prudent, in the budget setting process. Additionally, the District shall conduct an annual "mid-year" review of its budget and may at that time make adjustments to the budget, as needed and as approved by the District Board of Directors.

## **Budget Monitoring**

The District Board of Directors, or one of its committees, such as a Finance or Budget Committee, shall be responsible for monitoring the performance of the budget; however, the District's General Manager shall be responsible for monitoring all day-to-day, week-to-week, and month-to-month budgetary considerations. If at any point the District's General Manager learns that the District is likely to materially deviate from an adopted budget—whether due to an increase in costs and/or expenses, or due to unforeseen/unpredicted circumstances, or for any

other reason—the General Manager shall immediately notify the District Board of Directors of the potential material deviation, or its Finance or Budget Committee, if any. “Material deviation,” for the purpose of this policy, means either (i) an increase in any expense category or subcategory in excess of five percent (5%) of the budgeted amount for that expense category or subcategory, or (ii) a decrease in any income category or subcategory in excess of five percent (5%) of the budgeted amount for that expense category or subcategory.

### **Budget Reporting/Balancing**

The District’s General Manager shall, at a minimum, prepare or cause to be prepared, on a monthly and quarterly basis, budget reports to be delivered to the Board of Directors. Such budget reports shall include, at a minimum, a balance sheet and an income statement.

Additionally, the General Manager shall prepare or cause to be prepared any other financial or budgetary report requested by the Board of Directors or Finance or Budget Committee, if any.

The Board of Directors shall determine whether or not the budget reports will be vetted by a Board committee prior to being delivered to the Board. The Board may revisit this determination and may change the timing or other aspects of the District’s budget reporting process as it sees fit and prudent to do so.

### **Amending the Budget**

The Board of Directors may supplement the budget at any time after an adoption to so amend or supplement by majority vote of the Board of Directors.

### **Fiscal Year**

The fiscal year of the District shall begin on the first day of January and end on the last day of December of each year.

### **Amendment**

This policy is subject to changes in the regular operation of the District, as it may be revised from time to time by the Board of Directors.

### **Policy Review**

This policy shall be reviewed by the District regularly, but in no event less than once every three years.