



Coachella Valley Water District
Financial and Budget Policy

September 26, 2017

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FINANCIAL AND BUDGET POLICY

General Financial Goals

1. Ensure delivery of an adequate level of water-related services, by assuring reliance on ongoing resources and maintaining an adequate financial base.
2. Ensure the District is in a position to respond to changes in the economy or new service requirements, without an undue amount of financial stress.
3. Assure ratepayers and taxpayers that the District is well-managed financially.
4. Adhere to the highest accounting and management policies as set by the Government Finance Officers Association (GFOA), Governmental Accounting Standards Board (GASB), and other professional standards for financial reporting and budgeting.

Cash and Investment Goals

1. Maintain cash and investment programs in accordance with the Investment Policy, ensuring proper controls and safeguards are maintained.
2. Manage District funds in a prudent and diligent manner, with an emphasis on safety of principal, liquidity, and financial return on principal, in that order.
3. Grant funds advanced (not reimbursed) to the District will be deposited into interest-bearing accounts.

Revenue Guidelines

1. Revenues will not be dedicated for specific purposes, unless required by Board action, law, or GAAP.
2. Unrestricted revenue will be deposited in the appropriate fund and appropriated by the budget process.
3. Current revenues will fund current expenses.
4. One-time revenues may be dedicated to one-time expenses or one-time use of funds.
5. One-time revenues may be dedicated to funding reserve shortfalls.
6. Enterprise user fees and charges will be examined on a cyclical basis, ensuring that they recover all direct and indirect costs of service, and must be approved by the Board.
7. Programs financed with grant monies will be budgeted in separate projects within the appropriate enterprise fund.
8. Interest income earned on federal grant funds advanced, in excess of \$500 per fiscal year, will be remitted to the federal government after the completion of the audit.

Operating Management and Budget Guidelines

1. Revenue and expense forecasts will be prepared to evaluate the District's ability to absorb operating costs due to changes in the economy, service demands, and capital improvements. The forecast will be updated quarterly and focus on a five-year outlook.

2. Alternative means of service delivery will be evaluated, ensuring that quality services are provided to our ratepayers at the most competitive and economical cost.
3. The budget process is intended to weigh all requests for resources, within expected fiscal constraints. Requests made outside the budget process are discouraged. Appropriations requested after adoption of the original budget will be approved only after considering the elasticity of revenues. All additional appropriations require Board approval.
4. Budget development will use strategic multi-year fiscal planning, conservative revenue forecasts, and modified zero-based expenses analysis.
5. Based on the District's definition of a balanced budget, current operating expenses will be paid from current revenues and reserves carried forward from the prior year. The District will avoid budgetary and accounting practices that balance the current budget at the expense of future budgets.
6. Additional personnel will only be requested to meet program initiatives and policy directives after service needs have been thoroughly examined, and it has been determined that additional staffing will result in increased revenue, enhanced operating efficiencies, or service levels. Personnel cost reductions will be achieved through attrition, to the extent feasible.

Capital Management and Replacement Guidelines

1. A multi-year replacement schedule of rolling stock and other equipment has been developed and is updated based upon the District's project of future replacement needs. The operating budget will provide for adequate maintenance of the District's capital and equipment. Replacement funds for rolling stock and other equipment are accumulated in the unrestricted reserves of each enterprise fund.
2. A five-year Capital Improvement Plan (CIP) has been developed and will be updated annually, including anticipated funding sources. The CIP should include adequate funding to support repair and replacement of deteriorating infrastructure, and avoidance of a significant unfunded liability.
3. Future operating, maintenance, and replacement costs associated with new capital improvements, will be forecasted and included in the operating budget.
4. Capital project requests will include a fiscal impact statement, disclosing the expected operating impact of the project.

Reserve Policy

1. The Finance Department will perform a biennial reserve review to be submitted to the General Manager and Board of Directors.
2. In addition, a reserve review will be required when a major change in conditions threatens the reserve levels established by this policy.

3. The biennial review determines if the funding levels are still appropriate and aligned with Board goals and objectives.