



BUDGET POLICY

Policy No. 10 (2012)

Replaces: New

Date Passed: September 24, 2012

Purpose

To establish principles for the preparation of the annual budget. In some cases these principles will stand alone, while in others the principles are excerpts from separate policies established by the Board.

Policy

The adoption of the Commission's annual operating budget is one of the most critical functions undertaken by the Board.

The annual budget shall be developed in a consistent and planned manner, and the budget shall take into consideration the impacts on future years and the Commission's ability to fund those impacts.

The annual operating budgets shall be prepared and approved for a one (1) year period. The Commission will strive to maintain an appropriate transfer to capital reserves in the operating budget to support the 10-year capital plan.

Commission expenditures will be funded entirely from reserves and self supporting utility rates.

Standards

1. General

- a. The approved operating budget shall serve as the financial plan for the Commission and as the policy document of the Board for implementing the Commission's goals and objectives. The approved operating budget shall provide Administration with the direction and resources necessary to accomplish Board determined service levels.
- b. The annual operating budget shall be prepared in accordance with this policy and in accordance with the Bylaws of the Commission.

2. Capital Funding

- a. The capital funding is a base funding amount within the operating budget that supports the 10- year capital plan. Capital contributions shall be carried out through:
 - i. annual transfers to reserves in accordance with the 10 year capital plan and reserve policy;
- b. A decrease (increase) in costs related to debt servicing shall result in an increase (decrease) to the other components of the capital funding for the 10 year capital plan.

3. Balanced Budget

- a. The Commission shall adopt a budget where operating revenues are equal to or exceed operating expenditures for each year. Budgeted surplus shall not exceed 1% of total revenues.
- b. Any Commission year-end operating surpluses will be applied to:
 - i. reserves for use in maintaining reserve levels set by Commission policy; or
 - ii. one-time expenditures

4. One-time Revenues

- a. Major one-time revenues will be applied to:
 - i. reserves for use in maintaining reserve levels set by Commission policy; or
 - ii. one-time expenditures
- b. Operating surpluses and one-time revenues will not be used to fund ongoing expenditures, as these results in annual expenditure obligations, which may be unfunded in future years.

5. Use of Unpredictable Revenues

Unpredictable revenue sources will not be relied upon to directly fund expenditures until the revenue has been received.

6. Annual Budget Adjustments

- a. Emergency expenditures items such as facility or infrastructure repairs shall be considered by the Board on a case by case basis and as determined by the Administrator.
- b. The Administrator will have the authority to vary individual expense items within the budget up to \$5,000. Variations in individual expense items must not result in an overall change to the overall budget, unless approved by the Board.

7. Reserves

- a. The Commission will maintain appropriate Reserves as determined by the Board through its reserve policy and planning.

- b. The Budget will allocate an appropriate level of funds to Reserves in order to maintain services throughout economic cycles:
 - i. to ensure against unforeseen costs and revenue reductions;
 - ii. to provide bridge financing for capital; and/or
 - iii. to allow the Commission to take advantage of grants and/or market opportunities.
- c. In addition to its capital reserve funds, the Commission may establish reserves:
 - i. to fund large, long-term liabilities; and/or
 - ii. to fund multiple year special projects.
- d. Use of reserves is planned and is not considered as an alternate-funding source in place of good financial practice. Long-term liabilities will be reviewed on an annual basis. Reserves and reserve funds will be established as required and maintained.
- e. The Commission will maintain Capital Reserves in order to ensure a current and sufficient asset base to support Commission programs and services. Contributions to these reserves will be based on the Board's reserve policy.

8. Infrastructure

- a. The Commission will endeavor to preserve and renew its infrastructure, as a priority over developing new infrastructure.
- b. Projects and maintenance will not generally be deferred unless the need for the project or maintenance changes. As a result, projects in the 10-year capital forecast advance from year to year in an orderly fashion. Maintenance is not deferred to meet funding constraints since deferred maintenance generally results in increased operating or replacement costs in the future.

9. Revenue Estimates

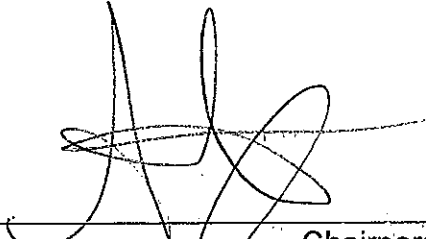
Operating revenue projections will be based on actual historic trends, supplemented with additional knowledge of future expectations including forecasted water sale projections.

10. Original Scope of Capital Projects

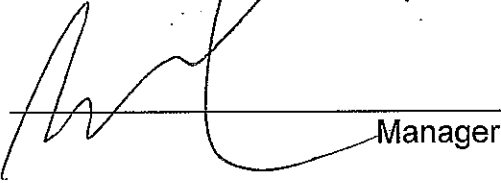
- a. At times, throughout the budget period, opportunities arise to change the original scope of a project due to:
 - i. lower tender results from budget;
 - ii. additional funding from unexpected revenues such as grants or contributions from agencies.
- b. The original scope of an approved project shall only be changed with formal approval from the Board.

11. Policy Review

This policy shall be reviewed annually by Administration. Any changes shall be recommended to the Board for approval.



Chairperson



Manager