GreenvilleWater **FINANCIAL POLICIES**	Policy/Revision: 1:00 Effective Date: 05/07/13 Page: 1 of 3 Policy Number: FIN-5	Greenville Water CEO: Legal Counsel: Date Commission Approved: ____________

GREENVILLE WATER

POLICY No. FIN-5 DATE: 05/07/2013

SUBJECT: Capital Planning, Budgeting & Management Policy

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I. Objective

The Capital Planning, Budgeting & Management Policy provides a means to systematically identify, plan, schedule, finance, as well as track and monitor capital projects to ensure cost-effectiveness as well as conformance to established policies and procedures.

II. Capital Improvement Program

Capital investments included in the Capital Improvement Program (CIP) are generally defined as having a useful life of greater than five years and a cost that exceeds $100,000.

CIP project requests are prepared by departments and submitted with a recommended expenditure plan. This includes all estimated capital costs and estimates of any new or substantially increased future operations and maintenance costs related to the implementation of projects upon completion.

The CEO, COO and CFO will evaluate the various CIP project requests and select those with the highest priority. Within available funding, the highest priority projects are then selected and funded in the CIP.

The following criteria will be considered when evaluating the relative priority of a proposed CIP project:

- improves water quality;
- provides capacity to meet current or future demand;
- mitigates risk to public health or safety;

- replaces existing infrastructure systematically;
- improves operational efficiency;
- coordinates with other projects or requirements;
- improves workplace safety; and
- promotes economic development.

Projects included in the CIP must be consistent with the Strategic Plan as well as master plans that have been prepared.

Facilities whose construction or acquisition results in new or substantially increased operating costs are considered only after an assessment indicates a clear need for the project and that recurring resources for funding the increased operating costs are available. All projects submitted to the Commission for approval shall include a projection of annual operating costs.

The five-year financial forecast, used in conjunction with the development of the CIP, will be used to determine the capacity to fund projects, their timing as well the appropriate mix of debt and pay-as-you-go financing in the funding of capital projects.

Capital improvements will be funded primarily through either pay-as-you-go or debt financing. Factors which favor pay-as-you-go financing include circumstances where:

- a project can be adequately funded from available current revenues and reserves;
- a project can be completed in an acceptable timeframe given available revenues;
- additional debt levels could adversely affect the credit rating or repayment sources; and
- market conditions are unstable or suggest difficulties in marketing debt.

Factors which favor long-term debt financing include circumstances where:

- revenues available for debt issues are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating, which can be maintained;
- market conditions present favorable interest rates and demand for our debt;
- a project is mandated by the state or federal government and current revenues or reserves are insufficient to pay project costs;
- a project is immediately required to meet or relieve capacity needs and existing unprogrammed reserves are insufficient to pay project costs; and
- the life of the project or asset financed is five years or longer.

Expenditures included in the CIP must equal estimated resources available for capital spending.

The CEO will submit a proposed CIP to the Commission on an annual basis. The Commission will adopt the CIP through a majority vote, taken at a posted Commission meeting, prior to the start of the next fiscal year.

All proposals for the expenditure of capital funds are formulated and presented to Commission within the framework of a CIP. Except in circumstances of an extraordinary opportunity or emergency, appropriations of capital funds will not be considered outside of the CIP process.

A regular status report will be prepared on active projects approved in the CIP.

III. Capital Budget

The first year of the adopted CIP will be the capital budget for that fiscal year. The adopted capital budget will be administered by the CEO within the authority provided in this policy.

IV. Capital Project Management

Each project shall have a designated project manager who will be responsible for all aspects of project management and budgetary control. In accomplishing the project for which the budget was authorized, project managers ensure that their respective budgets stay within the prescribed funding levels.

Budget transfers within a project or project category must be approved by the COO and the CFO. Budget transfers between projects or project categories must be authorized by the CEO and the CFO. The CEO is authorized to make transfers between projects or project categories working within the total amount of the Commission adopted capital budget for that fiscal year.

The Finance department will provide accurate, detailed regular expenditure reports to project managers and will ensure that purchases are allowable and appropriate and are charged to the proper accounts and categories. It will also audit expenditures on a regular basis and advise project managers of any current or pending expenditure overrun of a significant amount. The CEO will be informed of significant capital budget issues that emerge as a result of auditing or significant budget variances that cannot be reconciled.

Due to changing project scope or external factors that are beyond the control of the project manager, cost increases may occur after the Commission adopts the CIP. If it is determined that there are insufficient funds within a project's budget to finance an activity or acquisition, and if the CEO elects not use his or her transfer authority to address the funding issue, the project manager will prepare and submit a request proposing a supplemental appropriation to the CFO for review. After review, the CFO will forward a recommendation to the CEO. If the CEO approves the request, the CEO will place the request for a supplemental appropriation on a future Commission Meeting agenda for consideration.

Project managers must complete projects in a timely manner. Retainage and warranty issues must be resolved shortly after a project is complete. Project managers will notify the CFO upon completion that the project is ready for close-out.

If the project is completed under-budget; the CEO retains authority to determine where unspent balances shall be directed. If the project is over-budget, the project manager, in conjunction with the CFO, will determine the appropriate course of action to recommend to the CEO to resolve the project deficit. The Finance department will prepare all necessary accounting adjustments needed to close out a project.