

GREENVILLE WATERPOLICY No. FIN-4DATE: 05/07/2013SUBJECT: Operating Budget Policy**CONTENTS**

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I. Objective

The Operating Budget Policy provides guidelines to the Commission and staff for their consideration of the broader implications of the budget process and the development of an operating budget that is consistent with public finance best practices.

II. Key Budget Features

The operating budget is the annual financial operating plan for Greenville Water. An annual operating budget will be adopted each fiscal year. The operating budget will be prepared on a cash basis in order to be consistent with the approach used in the five-year financial forecast and our rate-setting methodology.

A balanced budget will be adopted, meaning that:

- operating revenues must fully cover operating expenditures, including debt service; and
- the ending reserve balance must be maintained as set forth in the Reserve Policy.

Under this policy, it is allowable for total expenditures to exceed revenues; however, in this situation, the reserve balance can only be used to fund capital improvement plan projects, or other "one-time" non-recurring expenditures.

Budgetary practices that balance current expenditures at the expense of meeting future years' expenses will be avoided. Examples include postponing necessary expenditures, accruing future years' revenues or rolling over short-term debt. Long-term debt will not be used to fund current expenditures. The operating budget will provide for adequate maintenance, repair and

replacement of capital plant and equipment. Sufficient funding will be provided to cover annual debt service costs.

The operating budget will be developed in accordance with the policies and priorities set forth in strategic plans, master plans, the five-year financial forecast and Commission goals.

III. Budget Process

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

IV. Budget Control System

A budgetary control system to ensure adherence to the budget and a budget/encumbrance control system will be used to ensure proper budgetary control. Regular reports will be prepared comparing actual revenues and expenditures to budgeted amounts.

Budget accountability rests primarily with the department heads; they are responsible for ensuring that their respective budgets stay within prescribed funding levels. Departments must stay within budget for each major expense category: personnel, operating, and capital. Within each of these three categories, the department may exceed the available balance in an account if the department head ensures that a sufficient balance exists in another account within the same expenditure category. Departments are not authorized to use salary savings to purchase unbudgeted items or to cover overruns in operating/capital expenditures, without approval of the CEO.

Budget transfers within the same department are used during the fiscal year as priorities develop and change and to accurately reflect a department's expenditure needs between divisions. Department heads can make budget transfers between accounts within each of the three major expense categories in the same division. Budget transfers between categories and divisions must be authorized by the CFO. Budget transfers between departments must be authorized by the CEO.

V. Amendments to the Budget

The Commission may amend or supplement the budget at any time after its adoption by majority vote of its members. The CEO has the authority to make administrative adjustments to the budget as long as those changes will not have a significant policy impact nor affect reserve balances.