



CAMBRIA COMMUNITY SERVICES DISTRICT BUDGET POLICY

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I. PURPOSE

It is the policy of the Cambria Community Services District (CCSD) that an annual Budget be prepared, presented to the Board of Directors for approval, and used as the guide for District spending decisions each year.

The annual budget serves multiple purposes:

- Translate District plans into financial estimates of the impact of those plans.
- Provide a template for resource allocation.
- Establish spending controls consistent with District needs and Board objectives.
- Provide a basis for evaluation of actual spending during the year.
- Provide a guidepost for expectations and a basis for determining when actual events are inconsistent with those expectations.

With its approval, the Board of Directors authorizes the General Manager to plan for and take actions consistent with the Budget and within the limits of other Board policies. Before taking action inconsistent with the Budget or other policies, the General Manager shall raise the issue for discussion and approval at a public meeting.

II. PROCEDURES

A. Plans, Goals, Resources

A budget is a financial manifestation of plans and goals. To be meaningful, the Annual Budget must include a discussion of District goals and objectives, plans to accomplish those objectives (in the case of multi-year objectives, the Annual Budget shall address what is expected to be accomplished in the relevant year), available resources and discussion of trade-offs between competing priorities and available resources.

Plans and goals must be consistent with overall Board policy and direction, as set out in the District's Strategic Plan. They shall be developed in such a way that they are measurable. During the year and following each year, the General Manager shall report on achievements and gaps between what was achieved and initial plans and objectives. These reports shall include the financial implications of these achievements and gaps and plans for remediation if necessary. Interim reports shall be presented on at least a quarterly basis; these shall include a multi-year pro forma.

B. Calendaring

The Annual Budget must be prepared and presented to the Board under the following Fiscal Year schedule, which runs from July-June, according to Government Code section 61110:

- The preliminary budget shall be submitted for review to the Standing Finance Committee at the May meeting.

- The revised preliminary budget, incorporating input from the Standing Finance Committee where appropriate, shall be submitted to the Board at its regular June meeting to meet the required statutory adoption deadline by June 30th.
- Final budget submitted for review to the Finance Standing Committee at the July meeting.
- The Final Budget, incorporating input from the Finance Standing Committee, submitted for approval at the regular August Board meeting to meet the required statutory deadline of August 31st.
- Special meeting(s) of the Finance Standing Committee and/or the Board may be necessary to resolve complex issues before adopting the Preliminary or Final Budgets.

C. Mid-year Budget Update

If an event or events materially impact the assumptions in the Annual Budget, the General Manager shall propose and present a midyear update for approval. Any midyear update shall be prepared on a schedule that leads to approval as soon as practical after the regular December Board meeting but no later than the regular February Board meeting. Changes shall be limited to the impacts of the triggering event on plans, objectives, and financial performance.

The General Manager can also propose and present a quarterly budget update for approval. Any quarterly update shall be prepared on a schedule that includes a review by the Standing Finance Committee before the regular board meetings in November, February, June, and August.

D. Organization Chart and Position Allocation Listing

Budget documents shall include an organization chart, a position allocation listing, and a list of equivalent full-time employees. The list of full-time equivalent employees shall display the number of employees at the end of the current budget year and the planned headcount of the proposed budget year.

The full-time equivalent list shall only include District employees. Contractors, consultants and temporary employees or agencies shall be represented in the organization chart to give a clear picture of the staff required to fulfill the needs of the District. Vacant positions shall also be identified.

Potential open positions that shall not be filled due to budget constraints shall also be noted. New positions require justification, and the General Manager is encouraged to provide a discussion about the relative merits of creating and filling positions.

E. CIP & Other Capital Assets

Capital spending plans are, by their nature, multi-year. Each year, before budget preparation, the General Manager shall evaluate the resources needed to acquire or replace infrastructure, facilities, equipment, and other capital items for a period of five years or more. These plans

shall prioritize the acquisitions and identify funds available to achieve the plans. All plans shall discuss the impact of acquiring assets and/or failing to acquire them due to resource limitations.

The General Manager shall work with the Resources and Infrastructure Standing Committee to establish, change, and maintain the District's Capital Improvement Plan. The Capital Improvement Plan shall be adopted along with the Preliminary and Final Budgets and be amended as needed during the mid-year or quarterly budget updates.

F. Overhead Allocation

Overhead allocation is a tool to match the costs of administrative functions to the operating activities of the CCSD. Administrative functions shall be charged to the Administration Department in the General Fund. Allocation to the Fire Department, Facilities & Resources Department, and Enterprise Funds (Water, including the WRF, and Wastewater) is necessary to ensure that rates shall be set adequately to reimburse the General Fund for expenses necessary to the delivery of services.

Overhead allocation shall consider three criteria:

- Recovery based on equal distribution to all departments. (E Costs)
- Recovery based on the percentage of administrative labor applied to departments as determined by interviewing administrative personnel. (L Costs)
- Recovery based on the relative size of the department's full-time equivalent employees, per the Position Allocation. The term "relative size" is a subjective determination based on estimates of each department's use of resources and impact on the district's overall mission. (R Costs)

As part of the budget process, the charges to each operating department shall be the percentage of the total overhead budget derived from aggregating the recoveries applied to each spending line item. The percentage of overhead spending allocated to each operating department shall be set at the beginning of the year. It shall not be changed unless there is a material change in actual or anticipated overhead spending or a change in one or more operating departments that would cause a material change in the recovery methodologies.

G. Income Allocation – Property Tax and Other

Property taxes are the primary source of funds for the General Fund departments. Since administrative overhead is fully allocated to the departments, no property tax receipts shall be allocated to the Administration Department. The departments receiving property tax allocations are the Fire Department and the Facilities and Resources Department.

Ultimately, the allocation is the responsibility of the CCSD Board of Directors. The General Manager shall budget expenses for each of the General Fund departments with an understanding of the likely level of property tax receipts. Once expenses are projected, the General Manager shall recommend the appropriate allocation of property tax receipts to the Board. The recommendation shall include discussing the choices made in the spending projections and potential competition between departments for limited funds. The Board shall review the property tax allocations recommended by the General Manager and may modify those allocations as appropriate based on District priorities. If necessary, the Budget shall be revised to account for the Board's allocation decision.

Minor sources of income, such as fees and grants, are generally specified to certain funds. When the purpose is unspecified, the Board shall allocate funds based on recommendations by the General Manager.

H. Structure

Working with the General Manager, the Board sets operating and financial objectives. From a structural standpoint, the budget's financial documents must reflect the financial impact of these objectives. More specifically, budget documents must contain at least the following information:

- Beginning Fund Balance
- Receipts of funds
- Loan proceeds (external and interfund)
- Expenses
- Capital expenditures
- Loan repayments (external and interfund)
- Allocation to reserves for:
 - Emergency
 - Replacement
 - Unfunded liabilities such as employee benefits
 - Other
- Other receipts or expenses
- Ending Fund Balance

To the extent necessary, the budget shall contain appropriate documents with detail supporting the above line items.

I. Consolidation Entries

The budget shall include at least two consolidation levels: General Fund and District. In consolidation, internal transfers shall be eliminated to avoid overstating income and expenses. Internal transfers include, but are not limited to, overhead allocation and interfund loans.