

PURPOSE:

The Commission affirms the importance of financial planning and budgeting and sets forth its expectations for the General Manager (GM) in terms of the effective development, implementation, monitoring, updating, and reporting of a financial plan and budget connected to the Commission's approved strategic plan.

POLICY:

The General Manager will propose for Commission approval a financial plan and budget that supports the Strategic Plan and provides credible projections of expenses and revenues (in major categories), reserve fund balances, and key financial ratios annually. The GM will propose a balanced budget where revenues exceeding expenses is required. Prior year's revenues or cash reserves may be used to meet this requirement, provided that all utilities cash targets meet or exceed internal goals, bond or any legal requirements. The GM will monitor and report the financial plan and budget to the Commission.

The basis of budgeting is identical to the basis of accounting and financial reporting used in the audited financial statements for all enterprise funds. The principles set forth as the basis of accounting are strictly observed in the budgeting process. All budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Each enterprise fund service activities will be self-supporting to the greatest extent possible by user charges/fees.

The General Manager shall implement financial planning and budgeting that:

1. Includes reliable projections of revenues, expenses, cash flow, reserve funds, utility fund balances, and key financial indicators based on credible assumptions.
2. Includes reliable projections of capital expenses and borrowing needs.
3. Includes revenue requirements with proposed planned rate adjustments based on each utility cost of service/rate study.
4. Recognizes the need for appropriate adjustments or contingencies to the financial plan and budget that may arise during implementation as a result of changed conditions and unexpected events.
5. Clearly communicates the financial plan and budget connection to the strategic plan.
6. Provides quarterly financial reports to the Commission which accurately and adequately describe all utilities financial condition.
7. Provides financial report presentations which discuss any material changes (\$250,000 or greater than 5% greater of annual revenues for each utility enterprise) and any appropriate corrective actions.
8. Allows the GM to reallocate a budgeted dollar amount among line items in the approved capital and operating budgets without prior approval by the Commission, if the amount is less than 5% of annual revenues for each utility enterprise.
9. Follows all Minnesota State Statutes related to legal compliance, financial, and bond covenants.