

RESOLUTION NO. 09 - 13433

A RESOLUTION RESTATING AND REVISING POLICIES AND DELEGATING AUTHORITY REGARDING CAPITAL BUDGET APPROVAL AND BUDGET REVISIONS AND RESCINDING RESOLUTION NO. 08-13324

**FACTUAL BACKGROUND**

The Commission has previously adopted and modified policies and procedures regarding project approvals and budget revisions. Those policies and procedures require additional modifications and updating to clarify language regarding Operating Budget Revisions. This resolution outlines the applicable processes, procedures and delegation of authority to District management staff. The purpose of these processes is to provide accountability, transparency and operational efficiency within the District.

**PROPOSED POLICY**

**CAPITAL BUDGETS**

The Commission shall approve capital spending on a calendar year basis by system. A list of authorized capital projects will be maintained on a capital items list by the District's Controller. Only items on this list shall be authorized to utilize budgeted funds. The District will provide project estimates by system for the upcoming calendar year during the annual budget process. Approved budget funds can be utilized by District staff for approved projects on the capital items list.

**CAPITAL BUDGET CONTROLS**

Commitments which result in an overrun of the system budget are not to be released until a budget revision has been completed subject to approval levels identified below. At a project level, any commitments made that would cause a project to exceed the total project amount identified on the capital items list will not be released until the new project amount has been approved pursuant to approval levels identified below.

Additionally, projects will be established as needed for line extensions, customer job orders, customer modifications, damage claims and other work for which the District receives reimbursement, but will not be maintained on the capital items list.

Deferred projects may be established by a Business Advisor or other person designated by the appropriate Executive Manager for activities pertaining to projects that may be capitalized at a later date. All costs associated with these deferred projects shall be budgeted. Any capitalization of deferred projects shall be approved by the District's Controller.

**BUDGET REVISIONS**

A clearly defined process for budget revisions is in the best interests of the District. Flexibility and accountability are important considerations. The recommended Budget Revision Policy is as follows:

It is the intent of the District to maintain the Commission approved budget throughout the year. However, it is also recognized that new opportunities and information often become available after the budget is approved. Consequently, these budget revision and capital items list policy are intended to address those items or changes in scope to items that were not anticipated during the budget process. This policy is intended to provide District management with the flexibility to perform their duties effectively and efficiently while still maintaining accountability and transparency.

**(1) Capital Budget Revisions**

Annual budgetary control is maintained at the system level. A budget revision is required when the estimated expenditures for all projects within a system are expected to exceed the approved system budget for the calendar year.

**(2) Capital Items List**

The capital items list identifies projects that are authorized to utilize system budgeted funds. The Commission shall authorize items on the list for spending up to the total project amount approved as long as the total of all project expenditures in a calendar year does not exceed the annual budgeted amount by system. Items on the capital items list will have a specified system, annual estimate for the current budget year, and a total project amount. Items on the list shall be updated as soon as known changes to the project item have been identified.

A budget revision, increase to the total project amount for an existing capital project or the addition of a new capital project to the capital items list shall be approved as follows:

<u>Annual Project Revision</u>	<u>Approval required</u>
\$0-\$50k	Director and Business Advisor
>\$50k-\$150k	Executive Manager
>\$150k-\$500k	General Manager
>\$500k	Board of Commissioners

Approval amounts are cumulative and require approval based on the total of all revisions within a calendar year.

**(3) Operating Budget Revisions**

The Controller will monitor budget performance and determine when a budget revision is necessary. Operating budget revisions shall be approved as follows.

It is the responsibility of District management staff to manage the performance and costs associated with their department. Upon determination that a department will have a significant operating budget variance, the responsible staff will notify the appropriate Business Advisor for further action. Increases in some departments are expected to be offset by decreases in other departments. A budget revision will be required when the total of all variances causes the Combined District to be over the total Operating expense budget (excluding purchased power) or as otherwise determined by the appropriate Business Advisor.

Budget revisions shall be approved as follows:

<u>Amount of variance</u>	<u>Approval required</u>
\$0-\$50k	No action required
>\$50k-\$150k	Executive Manager
>\$150k-\$500k	General Manager
>\$500k	Board of Commissioners

Approval amounts are cumulative and require approval based on the total of all revisions within a calendar year.

District staff and the General Manager recommend that the resolutions formerly adopted by the Commission implementing the processes, procedures and policies regarding capital project approval and budget revision procedures should be rescinded.

**ACTION**

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, as follows:

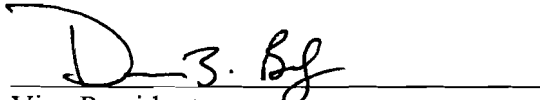
Section 1. The capital budget approval and budget revision policy as stated above includes proper internal controls and delegated authority within defined limits. Said policy is hereby approved and adopted as being in the best interest of the District.

Section 2. Resolution No. 08-14424 is rescinded and superseded by this resolution.

DATED this 2nd day of March 2009.

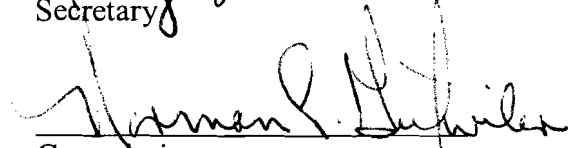
  
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President

ATTEST:

  
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Vice President

  
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Secretary

  
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Commissioner

  
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