

- **Board of Directors**
Budget and Finance Committee

July 11, 2000 Board Meeting

8-6

Subject

Three-year Budget Outlook and Board Review of the Annual Budget

Description

Three-year Budget Outlook

In 1996, a staff task group was established to examine Metropolitan's budgeting practices and explore alternatives for improving the process. These improvements were to include budget preparation, review and approval.

One of the task group's deliverables was to develop new budget report formats that meet the needs for both the board and Metropolitan's management. A three-year outlook was conceived as one of the new formats. While the board endorsed the three-year concept, it was not adopted as a formal policy.

The 1996-97, 1997-98 and 1998-99 budgets included a three-year forecast. However, no three-year forecast was made with the 1999-00 budget as Metropolitan was undergoing a management transition and considering various revenue options under the strategic planning process. Staff believed that these potential impacts to the organization and revenue structure did not support the development of three-year forecasts for the 2000-01 budget cycle.

The three-year outlook will provide information on projected water sales, revenues and expenses. The three-year outlook will include summary information on projected major expenditure categories such as the State Water Project, Colorado River programs, and debt service. It will also include personnel projections, a Capital Investment Plan (CIP) forecast, and Group CIP and operations and maintenance (O&M) budget forecasts. A Comparative Statements of Operations will present the summarized three-year outlook. The CIP forecast will provide a summary of the estimated spending plan for each project. The group forecasts will be summarized at the CIP and O&M level and will include staffing projections. Summary descriptions will be included.

At the June 12, 2000, Budget and Finance Committee Meeting, the Chair of the Subcommittee on Financial Policies and Reporting recommended that a three-year outlook would be helpful as Metropolitan moves forward and implements the Strategic Plan.

Board Review of the Annual Budget

In order to provide an overview of the budget, the board requested that a board workshop be conducted for the overall 2000-01-budget cycle, as opposed to committee review of individual group budgets. It is recommended that this review process continue.

The Administrative Code must be amended to formalize a three-year budget outlook in the annual budget and revise the board review process. The necessary revisions are shown in [Attachment 1](#) and [Attachment 2](#).

Policy

Administrative Code Section 5107, Annual Budget.

Board Options/Fiscal Impacts

Option #1

Approve the amendment to Administrative Code Section 5107 set forth in **Attachment 1** to incorporate a three-year budget outlook into the annual budget and revise the board’s review process. For convenience, **Attachment 2** shows the additions and deletions being made to the current section.

Fiscal Impact: None

Option #2

Approve the amendment to Administrative Code Section 5107 set forth in **Attachment 3** to incorporate a three-year budget outlook into the annual budget but do not revise the board’s review process. For convenience, **Attachment 4** shows the additions and deletions being made to the current section.

Fiscal Impact: None

Option #3

Approve the amendment to Administrative Code Section 5107 set forth in **Attachment 5** to revise the board’s review process of the annual budget but not adopt a formal policy regarding a three-year outlook. For convenience, **Attachment 6** shows the additions and deletions being made to the current section.

Fiscal Impact: None

Option #4

Status quo. Do not formalize a policy regarding a three-year outlook or change the board’s review process of the annual budget.

Fiscal Impact: None

Staff Recommendation

Option #1.



Brian G. Thomas
Chief Financial Officer

6/27/2000
Date



Ronald R. Jester
General Manager

6/27/2000
Date

- Attachment 1**
- Attachment 2**
- Attachment 3**
- Attachment 4**
- Attachment 5**
- Attachment 6**

§ 5107. Annual Budget.

(a) There shall be prepared, under the direction of the General Manager, a proposed annual consolidated budget which shall be submitted to the Board no later than the date of the regular Board meeting in June immediately preceding the fiscal year to which the budget applies. The proposed budget shall indicate by fund all anticipated expenditures and required reserves and the source of moneys to be used to meet such expenditures and provide such reserves. The proposed annual consolidated budget will include a three-year budget outlook. A Board workshop on the proposed annual consolidated budget will be conducted prior the June Budget and Finance Committee meeting. The Budget and Finance Committee shall review the proposed budget in its entirety, together with the recommendations from the Board workshop, and report its recommendations to the Board.

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