



Monterey One Water Budget CIP and Operating Budget Process and Policies

KEY FACTS

M1W maintains Balanced Budgets

Operating Budget Control at Dept Level

CIP Budget Control at Project Level

Changes to Budget over \$75K Approved by Board



Salinas River

Basis of Accounting and Budget

Basis of Accounting:

M1W reports its activities as Enterprise Funds, which are used to account for operations that are financed and operated in a manner similar to a private enterprise. Revenues and expenses are recognized on a full accrual basis in conformity with General Accepted Accounting Principles. Revenues and expenses are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Basis for Budget:

For budget presentation purposes, M1W excludes depreciation expense and includes loans proceeds for the Pure Water Monterey project as revenue. M1W's budget includes its Wastewater, Pure Water Monterey (PWM), CIP and Debt Service Funds.

Definition of Balanced Budget / Level of Budget Control

Budget Controls:

M1W shall maintain a balanced budget, which M1W defines as operating and non-operating revenues meeting/exceeding annual operational expenses. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses to planned revenues and expenses throughout the fiscal year. The GM, AGM and CFO are responsible for maintaining budgetary control and adopt policies to carry out that responsibility.

Levels of Budget Control:

The Board of Directors adopts an annual operations budget and a capital project budget for control purposes. M1W maintains budgetary control at the department or capital project Level. Capital project appropriations shall remain in effect until the project is completed or until modified in a subsequently adopted budget.

Budget Amendments

After the budget is adopted, any supplemental appropriations from reserves or fund balance and any budget amendments of over \$75,000 require Board approval. The General Manager can approve budget amendments up to \$75,000, while the Chief Financial Officer and the Assistant General Manager can approve up to \$35,000. All adjustments that increase in sum the total budget of a department or project are reported as an informational item to the Budget and Personnel Committee and the Board.

M1W partners with MCWRA to operate the SVRP, CSIP, and the SRDF. Any amendments to these budgets that increase their total budget require approval by the MCWRA.

Cost Allocation / Indirect Costs

M1W uses both direct and indirect methods for allocating costs. Direct costs are allocated to departments and projects based on employee timesheets. Indirect costs are applied to the Reclamation and PWM Department budgets and contract billings based on an internal cost allocation plan. This plan allocates a % of the administrative budgets to operational departments on a proportional basis. The amounts allocated are reflected in the Interfund/External Labor Charges in department budgets.