



CAP Budget

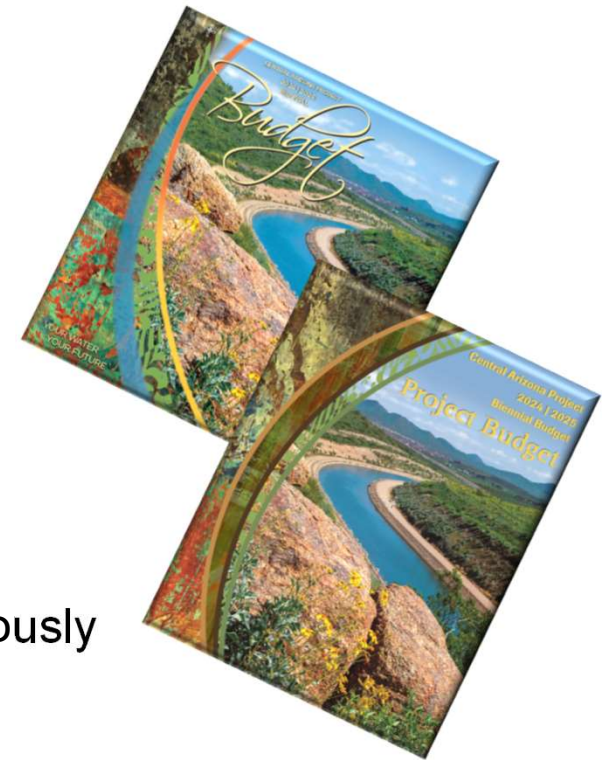
Terry Goddard, *CAWCD Board President*

Darrell Funk, *CAP Business Financial Planning Supervisor*

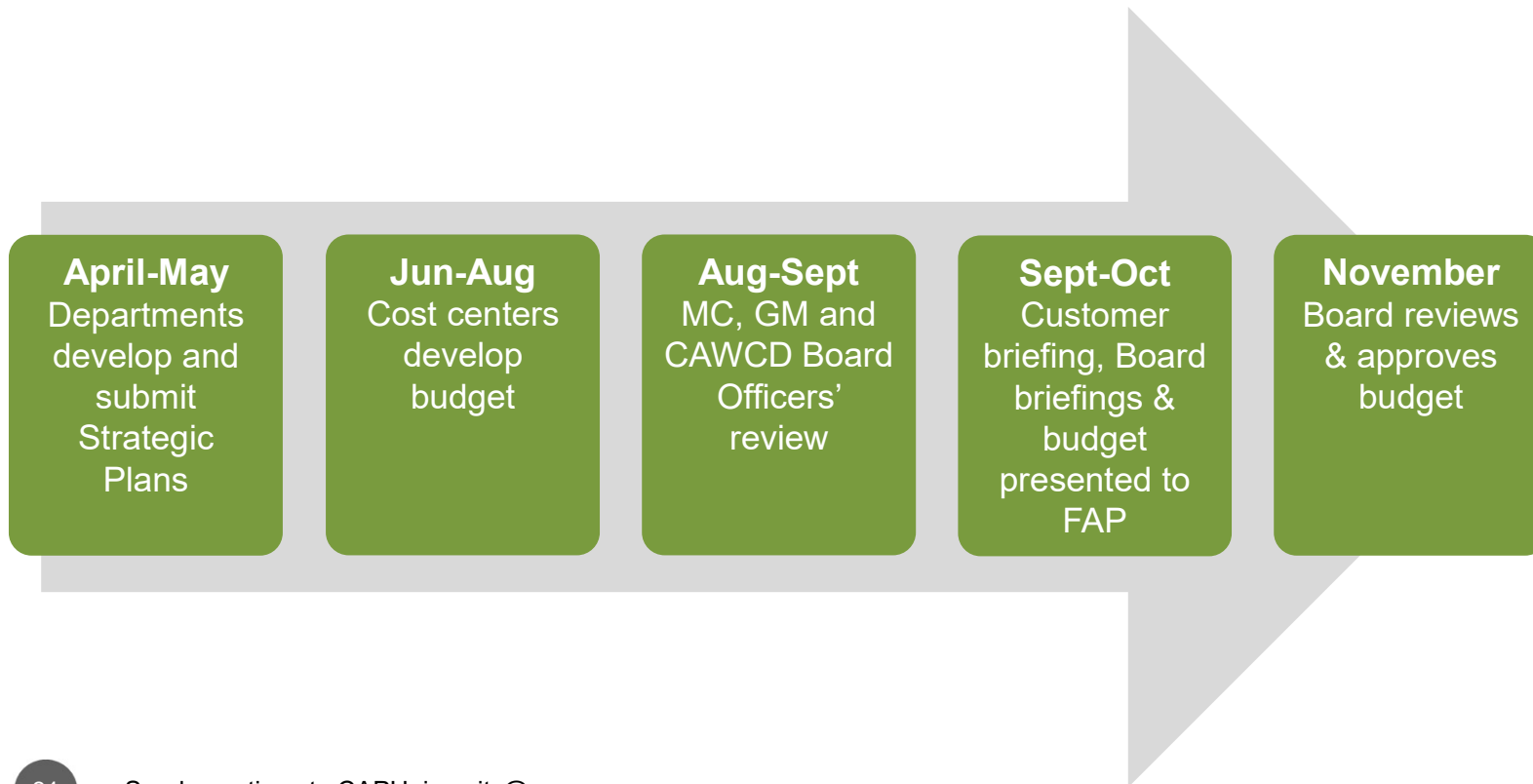
CAWCD Budget Overview

Biennial Budget Process

- Covers two one-year periods
- Reported on a calendar year
- As the first year draws to a close, the second year of the budget is reviewed
 - Determine if the budget should be amended to incorporate any significant impacts
- Operating and capital budgets are developed simultaneously
- Development of the budget is a “bottom-up” process



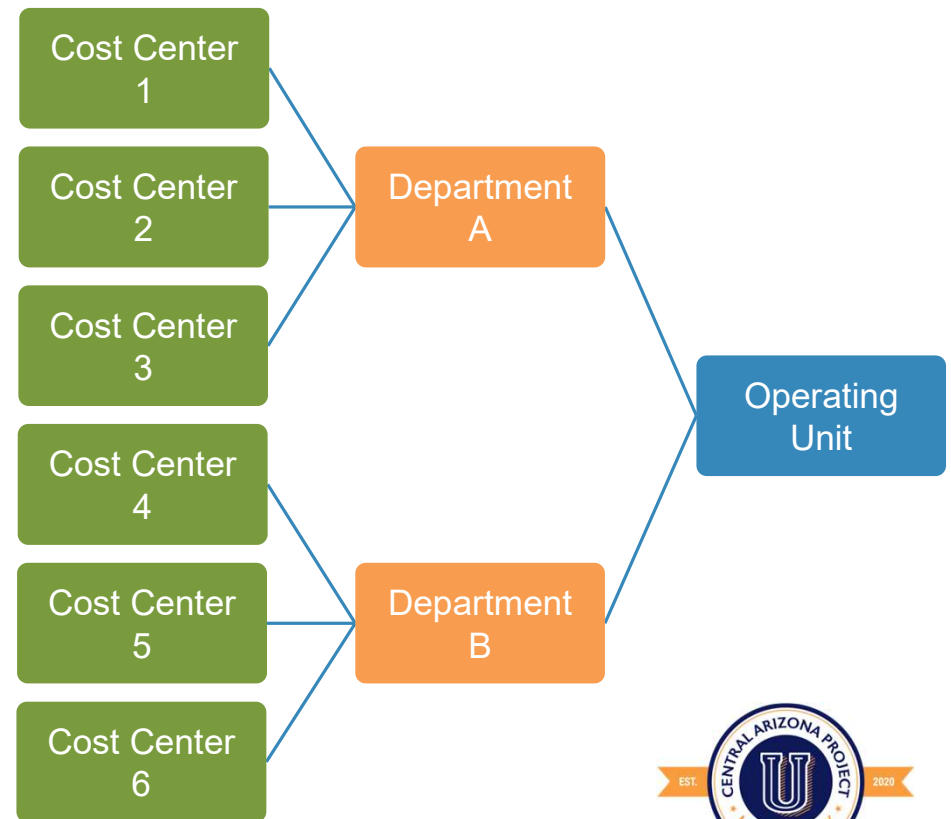
Budget Timeline



Budget Development

“Bottom-up” Process

- Cost centers prepare detailed budget request
- Cost center requests are consolidated into a Department budget
- Department budgets are rolled up to each operating unit
- Operating unit budgets are combined into CAWCD’s budget, completing the “bottom-up” process



Intersection of Budget & Rates

Biennial budget & rate-setting process

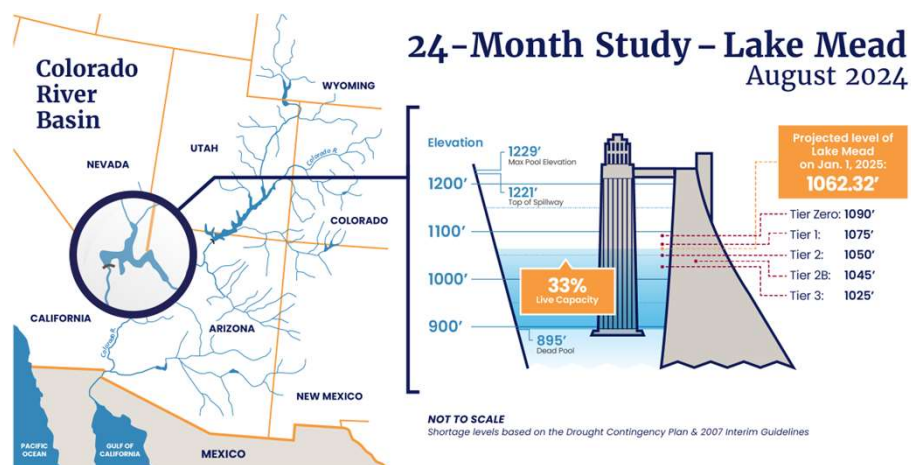
- Biennial process allows for staff to focus on budget one year and the next year to focus more on strategic areas requiring more in-depth analysis
 - First year of budget coincides with published firm rates
 - Second year of budget coincides with published advisory rates
- Rates are evaluated in the second year of the budget to see how they “fit” in the second year of the budget



Calendar Year vs Fiscal Year

Biennial Budget is based upon a calendar year

- Budget coincides with the Colorado River water accounting year
- Bureau of Reclamation August 24-month study forecasts the coming year's precipitation, runoff and water uses in the Colorado River Basin
 - This study projects the level of Lake Mead, the Lower Basin's reservoir, at the end of the calendar year
 - Provides the operating conditions and supply available for Colorado River water users in AZ, CA, NV and Mexico
- CAWCD water deliveries are then scheduled, delivered and reported based on the calendar year



Budgetary Controls

Operating and Capital budgets must be approved by the Board prior to the beginning of the period. The Board authorizes the General Manager or his/her designee to execute the budget and approve budget variances as follows:

Operating Budget Controls

- Up to 15% or \$1 million, whichever is less, within any fund, provided that the total expense within the affected fund does not exceed budget by the greater of \$250,000 or 2% of the annual budget
- General Fund non-operating expenses are considered separately from operating expenses
- Exclusions from budgetary controls:
 - Energy & Transmission (per policy administered by Energy Risk Oversight Committee)
 - CAGR water for recharge to meet obligation
 - Underwriting expenses of the Captive



Budgetary Controls cont'd

Capital Budget Controls

- up to 102% of the annual budget

During the budget period, the following controls are in place to manage the budget:

- Board approval is required for any contracts over \$300,000
- Finance is required to provide a quarterly budget and financial review to the Management Council and Board of Directors
- Budget transfers are not allowed between funds and line items
- Budgeted funds remaining at the end of the budget year are not rolled forward to the next year
- A new capital project, not in the budget, must be reviewed by the Project Steering Committee and managed within capital budget controls



Measuring Budget Performance

Quarterly Financial Reviews

- Cost center managers and supervisors are required to prepare quarterly budget-to-actual variance reports explaining variances that fall outside a defined range
- Finance staff analyze and evaluate actual budget performance, financial activity and trends
- Full-year forecast is developed for:
 - Revenues & Expenses
 - Capital Budget Spending
 - Statement of Net Position
 - General Fund Reserves
 - Water Delivery rates
- Results are provided to Management Council & the Finance, Audit and Power Committee



The CAP Budget: Key Take-Aways

- CAP operates on a Calendar Year basis
- CAP has a biennial budget cycle which is reviewed each calendar year to determine if changes in the second year are needed
- CAP develops the budget using a 'bottom up' process
- The CAP Board has approved robust budgetary controls
- Staff conducts quarterly financial reviews and analyses to track actual budget expenditures, financial activities, and trends





Thank you!

Email Questions to:
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