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## SITES PROJECT AUTHORITY BUDGET POLICY

### 1. Purpose:

The Budget Policy is intended to provide budget approval requirements for the Sites Reservoir Project (Project) consistent with its governing board's expectations. This policy provides necessary flexibility to make budget transfers or assign contingency expediently to support expected Project progress while maintaining rigorous accounting controls, ensuring internal and external transparency of operations, and in alignment with the Authority Board (Board) approved limitations set forth in the Delegation of Authority.

### 2. Definitions:

**Accounting method:** For budgeting purposes, the Sites Reservoir Project uses the modified accrual accounting method.

**Budget Transfer:** A reallocation of unspent ~~subject area~~ **project** budget within or between ~~the subject area or to another subject area budget within the~~ approved **project** budgets. ~~This also includes the transferring of funds in or out of the approved unrestricted contingency budget~~

**Fiscal Year:** The Sites Reservoir Project's fiscal year corresponds to the calendar year. Any mention of "annual" refers to the fiscal year.

**Project Agreement:** The Third Amendment to 2019 Reservoir Project Agreement By and Among Sites Project Authority and the Project Agreement Members Listed Herein Dated as of January 1, 2022.

**Minimum Cash Operating ~~Unrestricted~~ Reserve:** A minimum threshold of cash sufficient to cover approximately three months of critical activities to maintain project progress, and is the minimum ~~fund~~ **cash** balance retained by the Authority.

**Unrestricted Contingency:** Budgeted amount intended to cover unanticipated project expenses, including additional scope of work.

**Work Plan:** Document developed for a specific phase of the Project that includes scope, budget, and schedule by ~~subject area~~ **project level**, **deliverable**, and year of the Project Phase.

### 3. Policy:

**Work Plan:** Total expenditures will be estimated by staff and will be approved for a specific period of performance or Work Plan (presumably multi-year efforts) by the Reservoir Committee and Authority Board and be reflected in Project Agreements.

**Annual Budget:** Annual budgets are based on the estimated fiscal year expenditures and are apportionments of the approved Work Plan. Annual budgets are intended to satisfy the requirements of annual financial audits and will be used for tracking and reporting purposes. Each annual budget will be prepared and presented at the ~~subject area~~ **project** level and be approved by the Reservoir Committee and Authority Board. Staff will manage project expenditures to the annual budget. The annual budget will include uses and sources of funds.

**Source of Funds:**

- **Sites Project Authority Dues:** Separate budgets are established for the Authority Board and Reservoir Committee. The Authority Board budget will be based on revenues from annual Authority Board membership dues.
- **Contributed Project Funds:** The Reservoir Committee budget will be based on revenues from project participation, state and federal funding sources, **and accrued interest**. Project expenses are allocated per ~~subject area~~ **project** consistent with the Sites Project Authority Reservoir Project Agreement.
- **Unused and unaccrued funds:** Any remaining amounts in unrestricted contingency **or unspent project budgets** at the end of the fiscal year will be considered as a source of funds for the subsequent budget.

**Minimum Cash Operating Unrestricted Reserve Threshold:** The Authority will maintain a Minimum Cash Operating Reserve as defined in Section 2. If the reserve level falls below the minimum cash operating reserve, the Reservoir Committee and Authority Board must be notified.

**Contingency Assignment:** The Authority will maintain an unrestricted contingency as defined in Section 2.

When it is necessary to utilize unrestricted contingency, the Executive Director has authority to assign unrestricted contingency of no more than \$100,000 per occurrence to account for unanticipated project expenses, including additional scope of work. **The maximum aggregate authorized amount in a single month is \$500,000 unless otherwise approved in advance by the Authority Board Treasurer.**

Approval by the Reservoir Committee and Authority Board is required to execute unrestricted contingency assignments greater than \$100,000 per occurrence. Unrestricted contingency may be utilized until the budgeted unrestricted contingency amount has been exhausted. Assignment of unrestricted contingency will be reported quarterly in budget updates along with justification for the assignment.

**Budget Transfers:** The Executive Director has authority to approve budget transfers of no more than \$500,000 per occurrence. ~~The maximum aggregate authorized amount in a single month of budget transfers between projects for each occurrence of~~ is \$500 ~~2,500,000~~ unless otherwise approved in advance by the Authority Board ~~Chair~~ Treasurer. Budget transfers will be reported quarterly in budget updates along with justification for the transfer. Approval of the Reservoir Committee and Authority Board is required to execute budget transfers greater than \$100 ~~500~~,000 per occurrence.

**4. Process:**

Budgets will be prepared by staff. Budgets will be approved by the Reservoir Committee and Authority Board at the appropriate Board meeting.

~~If necessary, the Executive Director may initiate a budget transfer or unrestricted contingency assignment in accordance with the administrative procedures.~~

**5. Policy Term:**

This policy will be reviewed as necessary to support effective implementation of the project.

**6. Reporting:**

All budget transfers and assignments of unrestricted contingency will be reported to the Joint Budget and Finance Committee. Staff will provide notice to the Reservoir Committee and the Authority Board in the Quarterly Financial Report when unrestricted contingency is assigned. Quarterly reports comparing actual to estimated expenditures in the approved budget will be reported to the Reservoir Committee and Authority Board.

As provided in Section 3 above, the following will be documented in the approved minutes of the appropriate Reservoir Committee and Authority Board meeting(s):

- Budget approvals
- Board approval of budget transfers
- Board approval of unrestricted contingency assignments
- ~~Notification of falling below the minimum cash operating unrestricted reserve threshold~~
- Notifications of budget transfers
- Notifications of unrestricted contingency assignments