

## **Policy 2060 Budget Preparation and Financial Planning**

This policy establishes the framework by which the District prepares, adopts and administers its annual budget to ensure fiscal responsibility, structural balance, and alignment with the long-term needs of the community.

### **PURPOSE**

The District shall prepare and adopt an Annual Budget for each fiscal year (July 1 – June 30). The budget serves as the District’s primary financial planning document, guiding the allocation of resources across all service areas—water, sewer, fire protection and emergency medical services, solid waste, and administration—in a manner that is transparent, fiscally sound, and aligned with the District’s Strategic Plan and long-term financial policies.

### **SCOPE**

This policy applies to all District departments and funds, including the General Fund (Fire), Utility Enterprise Funds (Water, Sewer, Garbage), and all capital reserve accounts. It governs the preparation, adoption, amendment, and administration of the Annual Budget and applies to all revenues, expenditures, and fund transfers. The General Manager has the authority to approve administrative budget adjustments within an approved fund, provided such adjustments do not increase the total fund appropriation, create a new project, or add authorized staffing positions. The Board of Directors retains sole authority to approve new projects, create new positions, or draw on undesignated reserves.

### **POLICY**

#### **A. Structural Balance**

The District shall maintain a balanced budget in which total proposed expenditures do not exceed total estimated revenues plus available fund balance, exclusive of reserves, for any fund. Current revenues shall be sufficient to support current expenditures. Beginning fund balances shall not be used as a revenue source to mask a structural imbalance. If a projected shortfall exists, the General Manager or Finance Manager shall present the Board with a corrective financial plan demonstrating that the imbalance will not recur.

#### **B. One-Time Revenues**

One-time revenues—such as grants, insurance proceeds, asset sales, or non-recurring receipts—shall be used only for one-time expenditures. They shall not be used to fund ongoing operating costs or mask a structural imbalance between recurring revenues and expenditures.

#### **C. Operating Carryover**

Unspent operating appropriations shall lapse at the fiscal year-end and shall not automatically carry over to the following year. Re-appropriation of lapsed funds requires Board approval. Capital project appropriations and grant-funded project budgets may be carried forward as needed to complete active projects.

## **D. Reserve Funding**

Each annual budget shall include contributions to capital reserve accounts consistent with the District's Long-Term Capital Replacement Plans and the Cost of Service Analysis and Rate Study. Reserve targets for each service area—Water, Sewer, Fire, Garbage, and Bike Trail Snow Removal—shall be reviewed at least every five years and adjusted to reflect current infrastructure conditions, cost projections, and service demands. The District's goal is to minimize reliance on debt financing or sudden rate increases.

## **E. Debt and Long-Term Obligations**

The Annual Budget shall fully appropriate all required debt service payments and mandated contributions, including CalPERS Unfunded Accrued Liability (UAL) payments and OPEB prefunding contributions to the California Employer's Retiree Benefit Trust (CERBT). Debt financing and any new long-term debt requires Board approval.

## **F. Multi-Year Financial Planning**

In order to determine the effect of current-year decisions on the District's future, a five-year financial forecast, projecting revenues and expenditures for all operating funds, shall be developed as part of each year's budget process. Individual and aggregate revenue categories, as well as expenditures, shall be projected by revenue and expenditure type. Historical growth rates, inflation assumptions, and expenditure priorities will be used in developing the forecast. This tool shall be used as a planning document to develop the budget guidelines and to evaluate the future impact over the subsequent five years.

## **TRANSPARENCY AND REPORTING**

The District is committed to open, accessible, and accountable budget practices:

- **Public Process** – The proposed Annual Budget shall be made available for public review prior to Board adoption, with opportunity for public comment at a noticed Board meeting.
- **Website Publication** – The adopted budget shall be published on the District's website at [www.ovpsd.org](http://www.ovpsd.org).
- **Annual Audit** – Budget-to-actual results shall be reported in the District's Annual Comprehensive Financial Report, prepared in accordance with GAAP and audited by an independent CPA firm under Government Auditing Standards.
- **Monthly Review** – Staff shall present the Finance Committee with a monthly review identifying material variances, updated projections, and any recommended amendments.
- **Policy Review** – This policy shall be reviewed periodically and updated as necessary.

*(Adopted 05-26-2026)*