RESOLUTION NO. 2018-019

RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE ADOPTING THE BUDGET POLICY

WHEREAS, Valley Clean Energy Alliance ("VCEA"), is a public agency formed in January 2017 under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et. seq., between the County of Yolo and the City of Davis to provide Community Choice Energy (CCE) programs within the member agencies, and in June 2017, the City of Woodland also joined VCEA adding to the overall VCEA service territory;

WHEREAS, the VCE budget policy will formalize processes for developing budgets, measuring budget compliance, amending budgets, re-class contingency funds and other budgetary oversight procedures;

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance hereby adopts a Budget Policy (Exhibit A).

PASSED, APPROVED AND ADOPTED at a regular meeting of the Valley Clean Energy Alliance, held on the 12th day of July, 2018, by the following vote:

AYES: Frerichs, Stallard, Saylor, Barajas, Carson
NOES: None
ABSENT: Chamberlain
ABSTAIN: None

Lucas Frerichs, VCEA Chair

ATTEST: Alisa Lembke

Alisa Lembke, Board Clerk

APPROVED AS TO FORM:

N/A

Interim General Counsel

EXHIBIT A – Budget Policy

EXHIBIT A

Budget Policy

Valley Clean Energy Alliance
Budget Policy

Adopted: July 12, 2018

Valley Clean Energy Alliance

A. LEGAL BASIS

The Board of Directors of Valley Clean Energy Alliance (VCE) has the authority and responsibility to adopt and oversee implementation of the VCE budget under the Joint Exercise Power Agreement and pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Sections 6500 et seq.) of the California Government Code.

B. PURPOSE

1. To establish minimum requirements for preparation, management, content and timeframes of the VCE budget, and
2. To promote financial stability and long-term planning, and
3. To provide a context to guide decisions during the budget process and throughout the fiscal year.

C. BUDGET REQUIREMENTS

1. The adopted final adjusted budgets must be balanced. Expenditures cannot be greater than the total anticipated unrestricted revenues and use of unrestricted net position.
2. The adopted budget shall provide for the presentation of data and information to include, at a minimum, estimated or actual amounts of the following items:
   a. Net Position categorized by net investment in capital assets, restricted and unrestricted.
   b. Operating revenues - For informational purposes the amounts shall be shown as follows:
      1) On an actual basis for the fiscal year two years prior to the budget year.
      2) On an actual basis, except for those sources that can only be estimated, for the fiscal year prior to the budget year.
      3) On an estimated basis for the budget year.
   c. Operating expenses - For comparative purposes the amounts shall be shown as follows:
      4) On an actual basis for the fiscal year two years prior to the budget year.
      5) On an actual basis, except for those sources that can only be estimated, for the fiscal year prior to the budget year.
      6) On an estimated basis for the budget year.
   d. Non-operating revenue and expenses.
   e. Expenditures for contingencies.
   f. The total annual expenditures limit.
3. There shall be a schedule in or supporting the adopted budget document or resolution, setting the following data for each position:
   a. Salary rate or range, as applicable.
   b. Total allocated positions approved by the Board.

D. AMENDING THE BUDGET

Staff may find it necessary to amend the budgets due to a change in estimates, change in economy, program changes, grant modifications, accounting changes, correction of budget errors, unanticipated revenue, etc. The budget adopted by the Board of Directors may be amended during the fiscal year within the parameters listed below:

Type of budget amendment	Official(s) authorized to approve amendment
Transfers not exceeding $5,000 per month between any budget account group	Interim General Manager
Increase of staffing (authorized position) levels	Board of Directors by two-thirds vote (with at least one vote from each member agency)
Transfer > $10,000/month from contingencies to account group	Board of Directors by two-thirds vote (with at least one vote from each member agency)
Unanticipated augmentation of the budget	Board of Directors by two-thirds vote (with at least one vote from each member agency)
Administrative corrections and revisions	Interim General Manager

E. BUDGET PRINCIPLES

The following will guide our budget and finance decisions:

1. Link budget to long-range plans - Each annual budget shall serve to connect successive budgets into a coherent strategy to realize long-term goals. The budget will be consistent with other long-term plans such as: Implementation Plan (IP), Long-term Procurement Plan (LTPP), and Integrated Resource Plan (IRP).

2. Regularly examine past spending patterns - Incremental budgeting should be used sparingly and each budget should include a critical review of past spending patterns.

3. Prioritize services - Budget decisions are based on prioritization of services and the priority will be linked to organizational goals and agency initiatives.

4. Performance Measurement - All programs and divisions shall develop performance measures that measure, community impact (effectiveness) and customer service (quality). Any new program requests shall include performance measures and anticipated outcomes.

5. Public Value - An appraisal of what is created by government on behalf of the public; the equivalent of shareholder value in public management. Adding public value means contributing both to what the public most values and also to what adds value to the public sphere.

6. Reserves - The budget shall fund reserves consistent with VCE's Financial Reserve Policy

F. BASIC BUDGET DEVELOPMENT PROCESS ELEMENTS

The following process reflects VCE's incremental approach to budgeting with initial steps toward performance-based budgeting. Budget formulation, adoption, and execution involve year-round interaction of many people including staff, the Interim General Manager and the Director of Finance. Each year the budget development process will include, at minimum, the following elements:

1. The review of the IP, LTPP, IRP and the high priority enterprise risks established and developed by the Enterprise Risk Oversight Committee (EROC).
2. Revenue and expenditure forecasts used to establish guidelines for the basis of policy decisions developed to achieve the overall goals of the Board. Trends, patterns, indexes, growth, etc. will be compiled, analyzed, and applied in the preparation of detailed projections.
3. An annual meeting with the Interim General Manager and his/her staff and the Board to set goals and priorities for the coming fiscal year.
4. Interim General Manager review and analysis of all operating budgets, capital improvement projects, and revenue projections for accuracy, content, and compliance with the previously determined priorities and policies.
5. A final balanced budget approved by the Board by June 30 of each year.

G. CONTINGENCY EXPENDITURES

Contingency expenditures provide the first line of defense against uncertainty and are budgeted to cover minor unanticipated needs of a non-recurring nature that may arise throughout the year or provide for small increases in service delivery costs that were not anticipated during budget development. During the annual budget process, the Interim General Manager recommends a specific level of expenditures for contingency.

H. FINANCIAL PLANNING

The Interim General Manager and Director of Finance will annually prepare and present an update to the Financial Proforma to the Board of Directors including a long-range (three to *five years) financial forecast. This forecast will provide a long-term overview of revenue,* operating expense, and capital activity. The Financial Proforma will provide the fiscal link to the VCE's IP, LTPP, IRP, other strategic goals and priorities set by the Board during the year and will:

1. Ensure priorities aimed at achieving Board goals and VCE's mission and vision are funded
2. Ensure VCE attains financial sustainability
3. Ensure VCE has sufficient long term information to guide financial decisions
4. Ensure VCE has sufficient resources to provide the core programs and services in line with VCE mission
5. Ensure potential risks to on-going operations are identified by EROC and communicated on a regular basis

I. **BUDGET CONTROL & ACCOUNTABILITY**

In order to maintain the financial stability of VCE it is necessary for the Interim General Manager to review and control expenditures such that the rate of expenditure does not exceed the approved budget.

J. **POLICY ADMINISTRATION**

The Board must approve amendments to this Policy.