

Governance Policies of the Board

Title: Financial Management		
Category: Executive Limitations		
Policy No. EL-4	Adopted: September 28, 1999 Chair: Larry Wilson	Latest Revision: August 11, 2020 Chair: Nai Hsueh
The Board of Directors revised and adopted this policy at its public meeting on the latest revision date.		

Financial planning for any fiscal year shall be aligned with the Board's Ends, not risk fiscal jeopardy, and be derived from a multi-year plan. With respect to the actual, ongoing financial condition and activities, the BAOs shall provide for the development of fiscal sustainability. [See BAO Interpretation](#)

Further, a BAO shall:

Conditions and Activities

- 4.1. Expend only those funds that have been appropriated in the Operating and Capital budgets, reserves, and debt service.
- 4.2. Spend in ways that are cost-efficient. [See BAO Interpretation](#)
- [4.3 Pursue continual improvement efforts, benchmarking studies and best practice implementations.](#)

Planning and Budgeting

- ~~4.34.~~ [Annual financial planning will include](#) a credible [multi-year](#) projection of revenues and expenses, separation of capital and operational items, cash flow, staffing needs, external services, and disclosure of planning assumptions.
 - ~~4.34.1.~~ Produce an annual Rolling Five-Year Capital Improvement Plan with the first year [aligning with serving as](#) the adopted capital budget and the remaining years in place as a projected capital funding plan.
 - ~~4.34.2.~~ Solicit Board input on staffing and organizational changes resulting from major events before final decisions by the BAOs.
- ~~4.4. Plan the expenditure in any budget period within the funds that are conservatively projected to be received or appropriated from reserves in that period.~~

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- 4.4.13. Demonstrate to the Board the planned expenditures for the identified and selected capital projects in the Rolling Five-Year Capital Improvement Plan are aligned with the Board's ~~capital priorities~~ Ends Policies.
- 4.4.24. Inform the board on an annual basis of planned state subvention reimbursements and receive Board direction regarding use and/or spending as part of the budget process. Not allocate state subvention reimbursements for use and/or spending.
- 4.5. Budget fund reserves at or above reserve policy minimums.
- 4.6. At least annually present the Board with information about the District's financial reserves and schedule an opportunity for the public to comment thereon.

Treasury, Investment and Debt Management

- 4.7. Not indebt the organization, except as provided in the District Act, and in an amount greater than can be repaid by certain, otherwise unencumbered, revenues within 90 days, or prior to the close of the fiscal year.
 - 4.7.1. Not issue debt (long or short-term obligations that are sold within the financial marketplace) that conflicts with the District Act or the legal authority of the District without Board authorization;
 - 4.7.2. Not issue debt without a demonstrated financial need;
 - 4.7.3. Meet debt repayment schedules and covenants of bond documents;
 - 4.7.4. Establish prudent District Valley Water Debt Policies Policy that ~~are~~ is consistent with Board policies and provide guidance to employees in regards to administering the debt programs and agreements, including consideration for the appropriate level of debt for the District to carry and structuring debt repayment to address intergenerational benefits;
 - 4.7.5. Be consistent with the District's Valley Water Debt Policies Policy and any addendums when issuing debt;
 - 4.7.6. Maintain strong credit ratings and good investor relations.
 - 4.7.7. Valley Water shall not do business with banks who do not have an ESG ranking at or better than the "Average/Medium" category by at least one of the professional ESG research companies such as Sustainalytics, or other equivalent rankings published by other ESG research firms. Small and local banks/credit unions located within the nine Bay Area counties with total assets at or below \$10 billion are exempt from this provision.

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- 4.8. Not use any unappropriated long-term reserves or undesignated fund balance.
- 4.9. Not invest or hold funds of the District in accounts or instruments that are inconsistent with the following statement of investment policies:
 - 4.9.1. Public funds not needed for the immediate necessities of the District should, to the extent reasonably possible, be prudently invested or deposited to produce revenue for the District consistent with the [Board-Valley Water](#) Investment Policy and applicable law.
 - 4.9.2. The Treasurer or his or her designee shall submit quarterly investment reports to the Board as specified under Government Code Section 53646.
 - 4.9.3. No investments will be made in [the top 200](#) fossil fuel companies with significant carbon emissions potential. [See BAO Interpretation](#)

General Accounting

- ~~4.10. Not invoice/charge or demand payment from water customers (raw, ground, treated, or recycled) of the District that is inaccurate, illegal, and inconsistent with District and Board policies. (moved to Revenue Collection Section)~~
- 4.104. Not conduct unbudgeted interfund transfers in any amount greater than can be repaid by certain, otherwise unencumbered revenues within 90 days, or prior to the close of the fiscal year.
- 4.112. Settle payroll and debts in a timely manner.
- 4.123. Not allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.
- ~~4.14. Pursue receivables after a reasonable grace period in a timely and business-like manner. moved to Revenue Collection Section~~
- 4.135. Receive, process, or disburse funds under controls which meet audit standards.
- [4.14 File all federal, state and local mandated reports within the prescribed deadlines.](#)

Revenue Collection

- [4.15 Ensure all invoices, charges, or demands for payment to water customers \(raw, ground, treated, or recycled\) of the District shall be accurate, legal, and consistent with District and Board policies.](#)

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4.16 Pursue receivables after a reasonable grace period in a manner consistent with best practices.

4.17 Ensure adequate segregation of duties for all invoices preparation, collection of funds, and recording of payments into the system of record.