



Financial Policies and Procedures for Small Water Systems

IACC Conference S-4
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1:45 – 2:40 pm

Rural Community Assistance Partnership



Welcome

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RCAC

Financial
Policies

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Do We Really Need Them?

POLICIES



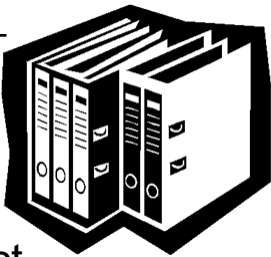
What Do Policies Look Like and Do?

- Clarify roles & responsibilities
- Standardize procedures
- Establish consistency
- Set boundaries
- Establish standards of conduct



What Do Policies Look Like and Do?

- Clarify _____ & _____
- _____ procedures
- Establish _____
- Set _____
- Establish standards of conduct



Typical Water/Wastewater Utility Policies

- C _____ S _____
- G _____
- F _____
- P _____



Typical Water/Wastewater Utility Policies

- Customer Service
- Governance
- Financial
- Personnel



What Makes A Good Policy?

- Clearly written
- Fair and equitable
- Readily available
- Conforms to state and federal laws



How Often Should I Review my Policies?

- Customer service policies
- Governance policies
- Financial policies
- Personnel policies

- **Often!**
- **Often enough to stay current with regulations**
- **As needed to react to changing internal conditions**



Poll Question...

- How would you describe your water system's current set of policies?
 - A. Good
 - B. Fair
 - C. Poor or outdated
 - D. **WHAT** policies?



Where Can I Find A
Set Of Sample Policies?

RCAC
Association of Washington Cities
Municipal Research (MRSC)
Legal Counsel
Networking with other Utilities
Internet



Sample Policy Manual Contents


General Board Policies		Board of Director Policies	
- Adoption of policies	- Conflict of Interest	- Code of ethics	- Attendance at meetings
- Public complaints	- Amending policies	- Reimbursement	- Role of officers
- Copying public documents	- Claims Procedure	- Basis of authority	- Committees
Over 35 Personnel Policies		Operations Policies	
- Family & medical leave	- Nepotism	- Accounting	- Budget preparation
- Advancement of wages	- Sick leave	- Expense authorization	- Purchasing
- Educational assistance	- Substance abuse	- Illness & injury prevention	- Easement abandonment
- Computer usage & security	- Employment status	- Encroachment permits	- Records retention
- Internet & e-mail ethics	- Jury duty		
Board Meeting Policies		Facilities Development Policies	
- Meeting Agenda	- Actions & decisions	- Annexation procedures	- Project approval
- Minutes	- Rules of order	- Development agreements	- Development/Improvement Standards
- Conduct	- Review of decisions		

Typical Policy (example)

POLICY TITLE: Budget Preparation

POLICY NUMBER: 3020

QUESTION: Who should be involved?


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Typical Policy (example)

POLICY TITLE: Budget Preparation

POLICY NUMBER: 3020

- WHO SHOULD BE INVOLVED IN THE BUDGET DEVELOPMENT PROCESS AND WHAT SHOULD THEIR ROLE BE?


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Typical Policy (example)

POLICY TITLE: Budget Preparation
POLICY NUMBER: 3020

- WHO SHOULD BE INVOLVED IN THE BUDGET DEVELOPMENT PROCESS AND WHAT SHOULD THEIR ROLE BE?
- OPERATOR – Knows system and what scheduled maintenance should be performed to extend life of assets, and keep system running smoothly.



Typical Policy (example)

POLICY TITLE: Budget Preparation
POLICY NUMBER: 3020

- WHO SHOULD BE INVOLVED IN THE BUDGET DEVELOPMENT PROCESS AND WHAT SHOULD THEIR ROLE BE?
- BOOKKEEPER – Can provide documentation/records on the historical line item costs, plus general and administrative costs



Typical Policy (example)

POLICY TITLE: **Budget Preparation**
POLICY NUMBER: **3020**

- WHO SHOULD BE INVOLVED IN THE BUDGET DEVELOPMENT PROCESS AND WHAT SHOULD THEIR ROLE BE?

- MANAGER – Provides input and oversight of short and long-term planning based upon input from operator and needs of system, plus changes in regulatory issues



Typical Policy (example)

POLICY TITLE: **Budget Preparation**
POLICY NUMBER: **3020**

- **3020.10** An annual budget proposal shall be **prepared** by the General Manager [FINANCE DIRECTOR, or other responsible managing employee].
- **3020.20** Prior to review by the Board of Directors, the Board's Finance Committee shall meet with the General Manager [FINANCE DIRECTOR, or other responsible managing employee] and **review** his/her annual budget proposal.
- **3020.30** The proposed annual budget as reviewed and **amended** by the Finance Committee shall be reviewed by the Board at its regular meeting in [MONTH].
- **3020.40** The proposed annual budget as amended by the Board during its review shall be **adopted** at its regular meeting in [MONTH].



Policies Summary

- Key responsibility!
- Many forms and locations
- Combine into one document if possible



Patience and Wisdom



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Operations Policies and Plans

- Policies state what _____
- Operation plans detail _____



Written Financial Plan

- Have plan in writing
- Avoids future confusion
- Establish financial policies
- Other public agencies



Financial Management Policies

A road map for performing financial processes....

- Demonstrates:
 - Financial accountability
 - Compliance
 - Sound business practices
- Internal controls
- Segregation of duties



Financial Policy Contents

- 3020 Budget Preparation
- 3030 Fixed Asset Accounting Control
- 3032 Credit Card Purchases
- 3035 Investment of District Funds
- 3037 Customer Payment Arrangements
- 3040 Expense Authorization
- 3080 Purchasing



Safeguarding Assets Policies

- Enterprise fund
- Conform to GAAP (GASB)
- Fidelity Bond Coverage
 - For all who handle money
- Insurance
 - General Liability and D&O
- No Conflicts of Interest



Cash Management Policies

- General (approval processes)
- Cash disbursements
 - Authorized check signers
 - Bookkeeper is not a signer
 - Payment to board authorized reserve accounts
- Cash receipts
- Bank accounts



Other Policies to Consider....

- Compensation and Payroll policies
 - Employee versus Contract Labor
 - Compensation
- Purchasing policies
 - Authorization
 - Credit Cards
 - Bidding
- Travel
- Financial Reporting
- Document Retention

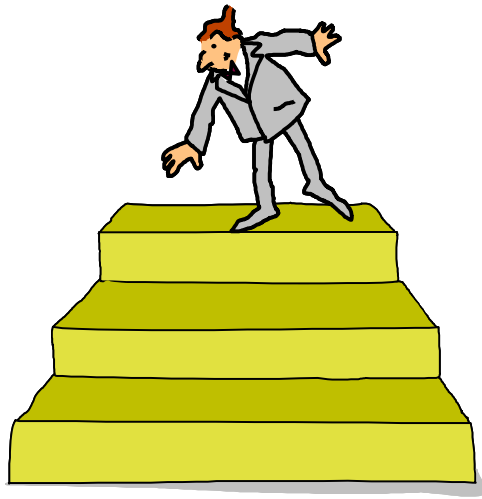


Internal Control Policies

What are some policies, procedures or systems that might be included?



Customer Policies



Policies that Generate \$\$

- **Obtaining Service**
 - Connection (Hook up) fees
 - Meter (Customer) deposits
- **Terminating Service**
 - Disconnect fees (voluntary and temporary)
 - Re-connect fees
 - Shut off fees (lack of payment)

Don't forget a Deferred Payment Plan



Encourage Timely Payments

- **Customer Billing**
 - Service and usage charges
 - How often to bill
- **Payment terms:**
 - Payment due date
 - Late fees
 - Returned check fees
 - Shut off notices



Group Exercise

Some of your board members seem to routinely miss meetings with no explanation, often causing postponement of important votes. Your General Manager and Chief Operator are actively seeking work elsewhere after several years of exemplary service. Why is this happening? How would you fix it?



Group Exercise

For the last 3 years your General Manager has established a pattern of poor decisions, poor judgment and ineffective leadership skills. Three of your board members are calling for her termination, but your attorney is advising against it. Why is this happening? How would you fix it?



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Group Exercise

- Three of your board members meet every day at a local restaurant for coffee. Your board president is pushing to sell some unused property to the District, and the matter is scheduled for the upcoming agenda. News media have suddenly begun attending your meetings after a five year absence. List possible reasons and/or corrective actions for this situation.



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Where can I find a set of sample policies?

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Questions / Discussion

