

Finance Policy 2: Budget Adoption, Control and Reporting

I. Purpose

This Budget Adoption, Control and Reporting Policy ("Budget Policy") provides clarity about budget authority for the Chief Executive Officer (CEO) of Silicon Valley Clean Energy (SVCE) and lays out budget adoption and periodic budget reporting requirements. The policy also allows for sufficient flexibility to address the volatility of the power supply portfolio consistent with SVCE's Financial Reserves Policy.

II. Scope

All budget requirements.

III. Policy

A. Budget Adoption

- The CEO, in concurrence with the Finance and Administration Committee, shall prepare a budget for the Board for the following fiscal year one month prior to the end of the fiscal year. The proposed budget shall be balanced and in alignment with the proposed Strategic Plan. The budget shall reflect all activities, including operating, capital programs expenditures, revenues and risk. The CEO will maintain standards related to showings for capital expenditures for budgeting purposes. A balanced budget is one in which expenditures are matched by revenues and recommended changes to reserves.
- The CEO shall submit a recommended budget document for adoption to the Board of Directors for approval by Resolution. When approved by the Board, the budget shall be considered adopted and appropriated at the level it is controlled by the CEO, discussed below.
- In the event that the Board does not adopt the proposed budget by the end of the fiscal year, the Board of Directors may adopt a continuing appropriations resolution until such time as a budget is adopted. A continuing appropriations resolution would provide that payments for services performed on behalf of the Agency and authorization of awarded contracts would continue until such time as the budget is adopted.

- Staff will prepare a five-year financial forecast as part of the budget process projecting revenues and expenditures for all operating funds and planned capital projects in alignment with the Strategic Plan.
- The budget document will also contain the following, at minimum, a schedule showing revenues, expenses, and changes to financial reserves. The first year of the five-year horizon is the budget to be considered and formally adopted by the Board by Resolution. The final four years are shown for planning purposes and may be shown at more summary levels.
- The first-year proposed budget shall further show:
 - Expenditures by expense type/category across the organization;
 - Projected revenues;
 - Organization chart(s) showing all proposed budgeted positions in the organization;
 - A current salary schedule for job classifications to be in effect for the proposed fiscal year (Salaries may be adjusted by the CEO in the fiscal year, with salary changes being reported to the Board).

B. Budget Control

- After adoption, the budget shall be controlled by the CEO at the total annual expenditure level for the SVCE organization, which includes power purchases, employee costs, contract and professional services, capital improvements, debt service, and all other costs. Customer Generation Rates will be set per the Board approved budget for the corresponding fiscal year or as designated by the Board after establishing the budget. The total budget may be amended by the Board during the year by Resolution.
- The CEO may institute separate budget procedures internally that give the CEO further controls at the department and/or expenditure category level if the CEO so desires.

C. Budget Reporting

- A budget-to-actual status update report shall be presented to the Board on a quarterly basis.

D. Authority to Flexibly Staff and Overhire Budgeted Positions

- Under the Human Resources Policy 01: Personnel and Reimbursement, the CEO is authorized to hire in excess of 10% of the number of positions shown in the annual budget without prior approval of the Board.
- In no case shall positions be added or salaries be adjusted during the year that cause the total annual budget to be exceeded in total by fiscal year-end without prior Board approval by Resolution.

E. Power/Energy Purchases Contingency

- The nature of the power markets is one of rapid changes in prices and market volatility. The ability to quickly adapt to those changes is important for maintaining consistent power delivery to customers. Therefore, the CEO is granted authority to overspend the total annual budget for power supply purchases by the lesser of 15% of the annual power supply budget, or \$50 million, without Board approval provided the over expenditure is due to higher power supply costs or greater customer demand. Overspending for these purposes may require use of reserves and the conditions on use of reserves as stated in the Financial Reserves Policy apply, where reserves cannot be drawn down more than 15% of the year's budgeted cost of power supply or \$50 million, whichever is less, nor below the baseline Minimum Operating Reserve level without Board approval.

IV. Policy Compliance

A. Violations

- Any known violations of this policy must be immediately reported to the Finance and Administration Committee, CEO, and General Counsel.
- Any employee found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

B. Cadence for Review

- This Policy will be reviewed at least every five (5) years.