

SUBJECT

Challenges of Monitoring: Policy 2.4 Financial Planning and Budgeting

REASON FOR CONSIDERATION BY THE BOARD

Reference: Policy 3.4 Agenda Planning.

Monitoring President's performance will be included on the agenda if Monitoring Reports show policy violations, or if policy criteria are to be debated.

A Board member provided feedback for discussion.

BACKGROUND

Generally speaking the purpose of a Monitoring Report review is to:

1. Remind the Board member of the criteria by which monitoring reports should be evaluated or assessed.
2. Provide feedback to other members if it is felt there are unreasonable policy interpretations or data that does not support the interpretation.
3. Provide a way for Board members to express their concerns. This should allow for the most effective use of Board time in resolving concerns or taking appropriate action.

Summary of Board Member Evaluation of Monitoring Report Policy 2.4 Financial Planning and Budgeting

Evaluations of 2.4 received from: Harris, Madden, McCarver, Michaels

McCarver:

1. Is there any area of this policy that concerns you that is not clearly addressed in existing policy?

It is very clear—my only question relates to Board expenditures—I don't have a clear sense of how the Board's budget is created, and if there is a systematic process to develop that, or if it is done based on a projection from the prior year. I would like to see a discussion regarding priorities for the year, with a budget developed based on that kind of planning

2. What policy language would you like to see incorporated to address your concern?

Statement regarding development of Budget for cost of Governance—this needs to match Board policy regarding planning and budgeting.

Policy Governance (PG) Feedback: Since this Policy is an Executive Limitation (EL) comments are more applicable for policy GP 3.7.2 "Budget". The budget should have been developed by the Board by April for inclusion in the overall budget.

With regard to the comments regarding board budget planning, it is the responsibility of the Chair (as stated in GP 3.5: "The job "product" of the Chair is, primarily, the responsibility of the Board's process") to ensure that board policy 3.7.2 Budget is acted upon. One would expect a budget process to result from that policy.

An alternative way of dealing with this concern:

One option would be for the Board member to create a new agenda item to discuss policy 3.7.2. The Board is currently not in compliance with this policy and they may wish to discuss steps to become so.

Board budgeting should be in the domain of the Board and therefore the budget "development" need not be part of EL.

In terms of the Board Member's adding a statement regarding development of budget for the cost of governance: Perhaps one way to look at this is for the board to ask themselves what concerns they might have about any reasonable interpretation of policy 2.4 (the parent to 2.4.4). Since funding of Board activities is fairly crucial to the Board's operation it is quite legitimate to have an EL stating the President shall not fail to provide budget funding for

Board initiatives – this is the intent of Policy 2.4.4. This policy should definitely be "linked" to the Board's appropriate GP policy (in the OurBoardroom application this will be occur). Although the President would be aware of the GP policy (since he/she has a responsibility to inform the board when they are out of compliance with any of their policies); I believe it is prudent for the Board to specifically include this limitation (Policy 2.4.4) to ensure adequate Board funding takes place. In summary, while the budget "development" may not be in the domain of the President, provision for its funding is.

A copy of the President's Monitoring Report on Policy 2.4 is provided below:

Date: April, 2005
Submitted to Board: April 29, 2005

Monitoring Report Executive Limitations Policy

2.4 Financial Planning and Budgeting

The President will not allow financial planning that deviates materially from the Board's Ends priorities, risks financial solvency, or fails to be part of a multi-year financial plan.

Further, without limiting the scope of the foregoing by this enumeration, the President shall not:

1. Fail to create the annual budget based on a strategic management plan.

Interpretation:

Each year the President shall work from the Strategic Plan in formulating budget priorities.

Data: Preliminary detailed annual operating and capital budgets presented to the Board at the May meeting addressing strategic initiatives. Final fiscal year annual budget presented to the Board for adoption at the June meeting. I report compliance.

2. Fail to include in the annual budget credible projections of revenues and expenses, or fail to separate capital from operational items, cash flows, or disclosure of planning assumptions.

Interpretation:

The annual budget materials shall include projections from relevant revenue sources that reflect a high probability of being obtained. Expense projections shall include contingencies and reserves to address unforeseen conditions.

Data:

Preliminary detailed annual operating and capital budgets presented to the Board at the May meeting presenting projections of revenues and expenditures for the forth coming fiscal year. Historic revenue and expense information, proposed annual budget, and detailed information with unusual revenue or expense changes are forecast. Final fiscal year annual budget presented to the Board for adoption at the June meeting.
I report compliance.

- 3. Plan the expenditure in any fiscal year of more funds than are conservatively expected to be received during that period.

Interpretation:

for Each fiscal year, the end of year financial statements must show that revenue that year equaled or exceeded expenditure.

Data:

Within the District’s June 30, 2004, Comprehensive Annual Financial Report (CAFR), Managements Discussion and Analysis, a disclosure is presented reporting Revenues, Expenses, and Changes in Net Assets. For the fiscal year ending June 30, 2004, I report compliance.

- 4. Underfund District Governing Board initiatives during the year as set forth in the “Cost of Governance” policy.

Interpretation:

Board The projected costs of addressing Board initiatives shall be reviewed by the prior to adoption of the initiatives.

Data:

Board agenda and minutes pertaining to the initiatives. Financial statements pertaining to the initiative upon their completion.

Date Submitted to Board: April 29, 2005

Evaluator: _____

Send to President’s Office by May 10, 2005

POLICY GOVERNANCE EXECUTIVE LIMITATIONS EVALUATION FORM

*A tool to be used by individual Board members
As they evaluate the internal monitoring reports designated in Board-President Linkage*

Policy being monitored: **2.4 Financial Planning and Budgeting**

- 1. Was this report submitted when due? __ Yes __ No
- 2. Did the report lay out the President's interpretation of the policy? __ Yes __ No
- 3. Is the interpretation justified? __ Yes __ No
- 4. Was I convinced that the interpretation is justified and reasonable? __ Yes __ No
- 5. Did the interpretation address all aspects of the policy? __ Yes __ No
- 6. Does the data show compliance with the President's interpretation of our policy? __ Yes __ No

Comments regarding further policy development:

- 1. Is there any area of this policy that concerns you that is not clearly addressed in existing policy?

- 2. What policy language would you like to see incorporated to address your concern?
