

Title: Budget	Policy Number: POL 135.001
Reference(s): RCW 70.46 – Health Districts Snohomish Health District Division of Responsibilities	Effective Date: Supersedes: Res. 13-11: Financial Policy (2013-08-13) Res. 16-020: Revision of financial policies – Reserves (2016-12-13)
Approved By: Stephanie Wright, Chair, Board of Health	Revised Date:

PURPOSE:

To provide budget policies used in the allocation of resources to programs and services.

PHILOSOPHY:

The financial integrity of the District is of vital importance. Written and adopted budget policies assist the Board of Health and staff in the annual financial management of the District. Budget policies provide a level of security for the community by ensuring revenue and resources are being used openly, legally, and in alignment with District approved plans and goals.

DEFINITIONS:

Statutorily Balanced Budget: ~~The total estimated resources (beginning fund balance plus revenues) equal the total appropriation (expenditures plus ending fund balance).~~

Structurally Balanced Budget: ~~The total expenditure appropriation is limited to the annual estimated revenues. The beginning fund balance may not be used as a revenue source.~~

Annual: Calendar year of January through December

Appropriation: A budget resolution authorization to spend money for a specific purpose or set of purposes

Balanced Budget: The total expenditure appropriation is limited to the annual estimated revenues. The beginning fund balance is not used as a revenue source.

Budget Amendment: A mechanism used to bring the budget into balance during the fiscal year update the budget based on changing conditions during the year.

Budgeting, Accounting, and Reporting System (BARS) Manual: The Washington State Auditor's Office (SAO) designed and manages the chart of accounts for local governments within Washington State called BARS. The BARS Manual prescribes accounting and reporting for local governments in accordance with RCW 43.09.200.

Conservatism: A generally accepted accounting principle (GAAP) requiring that losses be recognized as soon as they can be quantified and that gains are recorded only when they are realized.

Total Sources of Funds (Resources): The beginning fund balance plus revenues

Total Use of Funds: Expenditures plus fund balance

POLICY:

This policy is one of three (POL 130.001 - Finance, POL 130.006 - Asset Management, and POL 135.001 - Budget) that together informs and sets baseline standards for the District's financial well-being. The District's budget, informed by the agency's Strategic Plan, determines what services the agency will offer, the level of these services, and how funds will be provided to finance them.

The intent of these policies is that the budget be ~~structurally~~ balanced unless there is a significant justification for use of beginning fund balance as a resource:

- at the time of adoption;
- ~~throughout the budget year~~ at the time of amendment; and
- at year-end, taking into consideration other adopted fund balance policies.

The budget is based on the principle that current operating expenditures ~~will~~ should be funded with current revenues.

A. BUDGET:

1. Must comply with all laws related to budgeting in RCW 70.46 – Health Districts-, the District's Division of Responsibilities, and the BARS Manual for GAAP agencies.
2. Enable budget development to align with Resolution #20-17 – Supporting Equity and Inclusion
3. Ongoing operating expenditure budgets will not exceed the amount of ongoing revenue budgets to finance these costs. New program request costs will have to identify either a new ongoing source of revenue or identify offsetting/ongoing expenditures to be eliminated.
4. The district must present a plan to close the gap in years when annual budgeted costs exceed annual budget revenues.
5. ~~The District adopts a statutorily and structurally balanced budget.~~
6. The budget will incorporate the best available estimates of revenues and expenditures using reasonably conservative, but realistic assumptions.
7. ~~Purchases and expenditures~~ Expenditures will comply with legal requirements and policies and procedures as set forth by the District, including POL 130.002 – Purchasing.
8. Revenue Estimates will:
 - a. assess the full spectrum of resources that can be allocated for public health services;
 - b. annually review potential sources of revenue as part of the annual budget process;
 - c. follow a vigorous policy of collecting revenues
9. Non-recurring revenue sources:
 - a. Will not be used to fund on-going (recurring) uses such as salaries & benefits.
 - b. Should be considered for only one-time expenditures.
10. ~~Internal borrowing to fund operations is discouraged.~~
11. District leadership is responsible for preparation of District's proposed budget.
12. Expenditures:
 - a. The Board of Health establishes appropriations through the budget process and approves the final budget.
 - b. ~~Budget adjustments require Board approval.~~
 - c. Will be ~~reduced~~ adjusted as necessary to conform to the long-term revenue forecast.
 - d. Will be controlled by an annual budget at the division/~~fund~~ level.
13. Monitoring:
 - a. The Administrative Officer, Deputy Administrative Officer, Division Directors, Assistant Division Directors and Managers are responsible for managing their budgets within the total appropriation for their Division.
 - b. ~~Management will ensure compliance with the adopted budget.~~ The Administrative officer is responsible for managing the District's budget within the total agency appropriation.
 - c. A comparison of budget to actual expenditures will be reported to the Board of Health on a quarterly/monthly basis.

- d. Budget to actual expenditures variances suggesting a potential negative trend (total revenue or expenditure variance of more than 5%) will be reviewed in the following manner: ongoing significant decline in revenues or expenditure growth) will be promptly reviewed with the Board.
 - i. Program variances will be reviewed during monthly financial reporting at Administrative committee
 - ii. Division and/or District variances will be reviewed with the Board of Health Chair before the monthly Administration Committee meeting.
- e. If a year-end District deficit is projected during the course of a fiscal year, the District will institute a variety of measures to ensure spending remains below reduced revenues, including~~take steps to:~~
 - i. reduce expenditures, increase revenues, and/or use beginning unassigned fund balance in alignment with POL 130.001 - Finance Policy.
 - ii. or, if a deficit is caused by an emergency, seek Board of Health approval to use one of the existing reserves and/or line of credit.

14. Budget Amendment:

- a. The budget amendment process should be used to appropriate questionable revenues when they become certain and measurable.
- b. Required when annual expenditures are expected to exceed approved budget appropriations
- c. Requires Board of Health approval.