

INTRODUCTION

The Contractors see the State Water Resources Development System (SWRDS) Finance Committee as helping the Department of Water Resources (DWR) establish or ratify SWRDS-specific financial policy guidelines and dealing with any future modifications as necessary. We envision that once the Financial Management Improvement and Enhancement Work Plan is complete and the policies and structure are in place that the day-to-day financial functioning of the SWRDS will be under the supervision of the Chief Financial Manager (CFM). DWR and the Contractors, acting through technical committees as necessary, will deal with most implementation issues and only policy guideline issues would be brought to the SWRDS Finance Committee. We have included examples of some of these policy guideline issues in Attachment 1. This is not a conclusive list, but is intended to give DWR an indication of our vision of the scope of the Committee.

The following document assumes that DWR will designate a full-time, dedicated CFM that reports directly to the SWP Deputy Director. The CFM, through his/her organization, has the responsibility and authority throughout DWR to carry out the SWRDS financial policy guidelines ratified or recommended by the SWRDS Finance Committee. With the SWRDS Finance Committee's oversight and approval, the CFM will have the responsibility to develop a work plan that will ensure his/her organization has or can implement the processes and procedures necessary for the administration of the SWRDS financial policy guidelines. This organizational/reporting structure is key to implementing the financial enhancements we would like to see.

SWRDS FINANCE COMMITTEE ROLES AND RESPONSIBILITIES

The SWRDS Finance Committee's role is to provide financial oversight of the SWRDS, which is administered by DWR.

The SWRDS Finance Committee Oversight Responsibilities

The committee's oversight responsibility includes the following:

- Recommending SWRDS-specific financial policy guidelines to the Director or to the Director's delegate responsible for the area under consideration by the Committee. These financial recommendations shall focus on high-level guidelines that embrace the general goals and acceptable procedures or standards for managing or directing the enterprise fund. The recommendations do not include "day-to-day" financial matters. While the scope of policy guideline recommendations is broad as listed below, we expect many of the existing DWR policies will not need any changes. A discussion paper on SWRDS policy guidelines is provided in Attachment 1.
- Reviewing and recommending improvements to the financial policy guidelines on a periodic basis.

- Reviewing issues and recommendations by technical workgroups in key financial areas within SWRDS that could indicate a potential conflict and/or lack of financial policy guidance.
- Reviewing variance from SWRDS policy guidelines as identified by technical workgroups which are not resolved by the CFM or SWP Contractors/DWR technical workgroups.
- Recommending initiatives and monitoring progress of the *Financial Management Improvement and Enhancement Work Plan*.

The SWRDS Finance Committee Oversight Objectives

The objective of the SWRDS Finance Committee's oversight role is to recommend to the Director institutionalized controls or policy guidelines that can be used to:

- Provide financial direction that can be replicated and refined to manage the finances of SWRDS.
- Provide financial transparency and accountability.
- Promote consistent and uniform decision making by establishing financial policy guidelines, procedures and protocols.

The SWRDS Finance Committee's Specific Responsibilities Include:

- Approving the *Financial Management Improvement and Enhancement Work Plan*.
- Approving modifications to the funding levels of the General Operating Account and SWRDS Support Account.
- Monitoring and evaluating the financial enhancement work plan initiatives to ensure compliance with objectives defined in the project scope.
- Reviewing issues and recommendations by State Water Project Contractors/DWR technical workgroups in key financial areas within SWRDS.
- Reviewing and ratifying or recommending new or changed SWRDS-specific financial policy guidelines that maintain and improve the financial health and integrity of the SWRDS, including, but not limited to, guidelines regarding the following areas:
 1. Reporting
 2. Operating budget
 3. Long-range Forecasting
 4. Assets and Capital improvements plan or program (CIP)
 5. Debt
 6. Revenue/Costs
 7. Reserves (i.e. GOA)
 8. Equity Funds (i.e. SSA, SRA)
 9. Accounting, auditing, and financial reporting
 10. Cash-flow Management

ATTACHMENT #1

Illustrative Examples of SWRDS-Specific Policy Guideline Topics for the SWRDS Finance Committee Roles and Responsibility

Disclaimer: This listing provides some policy guideline topics for some of the section categories. We intentionally did not develop items for each section as the purpose of Attachment #1 was to give some examples. The Contractors assume (1) that the SWRDS Finance Committee’s recommendations would lead to the development of a SWRDS-specific financial policy guideline manual and (2) many of the financial policy guidelines will be a ratification of the DWR policies already in existence.

SECTION	Illustrative Example of Policy Guideline Topics/Questions For Consideration by the SWRDS Finance Committee
1.) Reporting	1. What are the minimum managerial reports requirements?
	2. How will DWR impose data integrity standards if reporting is created outside of the PR5 SAP system of record?
	3. What is the threshold for providing variance analysis for a Quarterly Managerial Budget vs. Actual Report?
2.) Operating budget	1. What is the budgeting period and how many years?
3.) Long-range Forecasting	1. How many years are to be included in the forecast?
4.) Assets and Capital improvements plan or program (CIP)	1. How are capital projects defined?
	2. Is capitalization policy required/related to the capital recovery?
	3. What period of time does the CIP cover (i.e., is the CIP plan for 3, 5, 10 or 20 years)?
5.) Debt	1. What type of debt instruments will be used?
	2. What projects will be financed with debt versus operating revenues?
6.) Revenue/Cost	1. How are revenue/cost projections developed?
	2. How often and what periods of time are covered in the revenue/cost projections?
	3. How often are revenue/cost projections reviewed and monitored?

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SECTION	Illustrative Example of Policy Guideline Topics/Questions For Consideration by the SWRDS Finance Committee
7.) Reserves	1. How is the GOA reserve level determined?
	2. How often should the GOA reserve level be evaluated?
8.) Equity Funds	1. What events trigger use and should an annual budget be developed for the SSA?
	2. How is the SSA level determined and revaluated?
	3. What are the investment objectives for the SRA?
	4. What SRA investment instruments are authorized?
	5. How should the SRA reinvestment in SWP capital facilities be triggered and approved?
	6. What is the required SRA liquidity ratio?
9.) Accounting, auditing, and financial reporting	1. What is the accounting basis for various reports?
10.) Cash-flow Management	1. What period should be covered by the cash-flow projection?