

KITSAP PUBLIC HEALTH BOARD

BUDGET POLICY

Adopted January 2, 2018

ARTICLE I: PURPOSE

This policy sets forth the basic framework for the development, adoption, and administration of the Kitsap Public Health District's annual budget. The Kitsap Public Health Board (Board) and the Kitsap Public Health District (District) are accountable to the citizens of Kitsap County for the efficient use of financial resources, and to use those resources to address the priority health needs in the county. Budgeted funds will be used, to the extent possible, to address the health priorities identified and approved by the Board.

ARTICLE II: DEFINITIONS

- A. Designated Funds:** Funds that are designated for a specific use by Health District Administration or the Kitsap County Board of Health, but are not otherwise restricted by State or Federal law or contractual obligations.
- B. Operating Funds:** Funds that can be used by the Health District for any activity in which it can legally engage. These funds are not restricted and are used for current operations.
- C. Restricted Funds:** Funds that are limited in their use due to provisions established by State or Federal law, or contractual obligations.
- D. Un-Restricted Funds:** Equals designated funds plus operating funds.

ARTICLE III: BUDGET GOALS

- A.** To ensure diversified annual financial resources that are sufficient to provide for regular and ongoing operations, including resources necessary to ensure efficient cash flow.
- B.** To balance recurring operating expenses and debt service to recurring operating revenue.
- C.** To work towards the goal of providing adequate liquidity to provide for limited interruptions in revenues (natural disasters, unexpected loss of revenue source, etc.).
- D.** To maintain public trust and confidence by utilizing resources in the most efficient manner possible.
- E.** To ensure the legal use of public assets through an effective system of internal controls and to ensure that all local, state, and federal rules are followed.
- F.** To maintain a budgetary control system to ensure compliance with the approved budget policy.

- G.** To assist the State Auditor's Office with completion of an annual audit and issuance of a financial opinion. The annual audit shall be distributed to the Board, and any other interested party.
- H.** To provide budget and accounting reports demonstrating the status of financial activity and results on a timely basis to the Management Team, the Board's Finance Committee, and the State Auditor.
- I.** To the extent possible with available resources, to build a budget based on Board strategic priorities, as those priorities are updated.
- J.** To develop the annual budget in a format that is clear and understandable to the Board and the public.

ARTICLE IV: BUDGET RESPONSIBILITY

The District's Administrator is responsible to prepare, monitor, and implement the District's budget and ensure District compliance with this Budget Policy.

ARTICLE V: BUDGET PERIOD - ANNUAL

The District will establish an annual budget with the calendar year as the budget period.

ARTICLE VI: BUDGET BASIS

Both the District's budget and accounting will recognize financial activity on a cash basis, i.e., revenues will be recognized when received and expenses recognized when paid.

ARTICLE VII: BUDGET ORGANIZATION

The District's budget will be organized into program budgets and reported on a program budget basis. According to funding requirements, some program budgets may have multiple cost centers within a single program budget to provide accounting for specific revenue sources. Each program budget will be balanced meaning total estimated revenues equal total proposed expenditures. The District's budget will be balanced overall. A balanced budget means that the beginning fund balance plus revenues equals expenditures plus ending fund balance.

ARTICLE VIII: BUDGET SCHEDULE

The District's Administrator, or designee, will forward annual budget preparation instructions to the District's program managers each year. The District's annual program budgets will be submitted in draft form to the Administrator each July or as directed. The Administrator and the Finance & Accounting Program Manager will meet with each budget program manager and their director prior to the release of the first draft of the budget in September. The first draft of the budget will typically be reviewed by the Board's Finance Committee in September and/or October. The draft budget and the recommendations of the Finance Committee then go to the full Board in November for first review. Following the November Board meeting, the Finance Committee may review final revisions to the budget later in November. The final budget goes to the full Board for approval in December of the year preceding the budgeted year.

ARTICLE IX: BUDGET ADOPTION

The annual budget appropriation will be authorized by the Board.

ARTICLE X: BUDGET ADMINISTRATION – EXPENDITURES

- A.** Expenditure estimates included in program budgets will be based on estimates of cash to be paid out (disbursements) in the budget year.
- B.** For purposes of maintaining adequate internal control of expenditures, the budget will be administered at a greater level of detail than that at which it is legally adopted. Accordingly, appropriations will be controlled by the following expenditure categories within each program budget:
 - 1. Personnel Costs (salaries and benefits)
 - 2. Non-Personnel Costs (supplies, services, and other non-personnel costs)
 - 3. Overhead

There will be no transfer allowed between these expenditure categories without the approval of the District's Executive Leadership Team, except for adjustments made for hours worked by staff, assigned and paid for in one program budget, who are working some hours in another program budget. Program managers shall be limited to expending the amount appropriated within the program for each of these expenditure categories, unless otherwise approved by the Administrator.

- C.** As long as expenditures do not exceed the program's total appropriation, program managers may transfer appropriation authority within the line items of their budget as necessary, except as provided in Article X.B. above.

ARTICLE XI: BUDGET ADMINISTRATION – REVENUES

Revenue estimates included in program budgets will be based on estimates of cash to be received (receipts) in the budget year. Failure of any program to realize budgeted revenues may necessitate corresponding reduction of authorized expenditures to maintain the integrity of the District budget.

ARTICLE XII: BUDGET ADMINISTRATION – FEES

The goal for the District's Environmental Health Division and Administrative Services Division fees is to recover the cost of service for fee related activities. The goal for the District's Community Health Division fees is to recover the cost of service to the extent practicable without significantly impacting access to services.

ARTICLE XIII: BUDGET ADMINISTRATION – DESIGNATED FUNDS

The following designated funds will be established and defined as follows:

- A. Operating Reserve:** Funds designated by the District to maintain a minimum cash and investment reserve to 1) ensure efficient cash flow necessary to cover expenses, and 2) use as necessary for unplanned emergency expenditures that cannot be accommodated by budgeted appropriations. The District's minimum operating reserve goal should equal no less than the cost of two months of budgeted operating expenses.
- B. General Leave Payout:** Funds designated to cover the cost of general leave paid out to employees who leave District employment. Funds designated for this purpose should equal the District's liability for general leave payouts for departing employees based on 25% of the estimated amount of leave accrued for all regular employees at year end.
- C. Insurance Deductibles and Co-Pays:** Funds designated to cover liability insurance co-pays and deductibles as established in the District's liability insurance policy. Funds designated for this purpose should equal the cost of the maximum deductible payable under the District's liability insurance coverage.
- D. Unemployment Insurance Payments:** Funds designated to cover the cost of State unemployment insurance payments to qualifying employees who leave District employment during the course of the year. Funds designated for this purpose equal one percent of annual budgeted salaries.
- E. Tuberculosis (TB) Services:** Funds designated to cover District costs associated with the mandatory isolation of TB patients. Funds for this purpose equal no less than \$100,000.

- F. Other:** Other designated funds may be established to cover vehicle depreciation, information technology upgrades, and other necessary large planned expenditures.

ARTICLE XIV: BUDGET ADMINISTRATION – BUDGET AMENDMENTS

A. Budget amendments are required when:

1. The District's total expenditures will exceed its approved Board appropriations; or
2. As otherwise determined by the Administrator.

- B.** Amendments shall be approved by the Board. If the requested adjustment changes the authorized appropriation, the Administrator will verify that sufficient resources are available in the budget for the adjustment. The Administrator shall prepare a resolution for consideration by the Board to accomplish the change. The Administrator will present the resolution to the Board for approval or disapproval.

ARTICLE XV: BUDGET ADMINISTRATION – APPROPRIATIONS AT YEAR END

Unspent appropriations will lapse at year end.

ARTICLE XVI: BUDGET MONITORING AND REPORTING

- A.** Each program manager will be responsible for monitoring their program budget(s). The District's Finance & Accounting Program Manager will send out monthly expenditure and revenue reports to each program manager and division director. These monthly reports will list expenditures and revenues that match the expenditure and revenue categories in the annual budget. When requested by the Administrator, program managers will explain all major deviations as to why a program is over in expenditures or under in revenue collections.
- B.** The Administrator shall inform the Board when there are major deviations to the approved budget that may result in result in revenues not meeting projections or expenditures exceeding appropriations.
- C.** At the end of each budget year, the District will report on the financial status of each program budget. The report will include a summary of performance measures by program.

ARTICLE XVII: BUDGET FUNDS AND INVESTMENTS

- A.** As required in RCW 70.46.080, the District's funds shall be placed in a "health fund" managed by the Kitsap County Treasurer. All sums received by the District from any source shall be placed into this fund, and all sums disbursed by the District shall be expended from this fund. Kitsap County manages the District's investments according to the procedures specified in the County's approved investment policy.

- B.** Pursuant to RCW 70.46.082, the District may act as custodian of funds with the consent of Kitsap County, Kitsap County Treasurer, Kitsap County Auditor, and the Board. The Administrator shall work with the Board to amend this Budget Policy before the District begins acting as custodian of funds.

Original Policy Adopted December 20, 2007.

First Amended Policy Adopted January 5, 2010.

Second Amended Policy Adopted November 1, 2011.

This Amended Policy Adopted January 2, 2018