



The Metropolitan District
water supply · environmental services · geographic information

**BOARD OF FINANCE
SPECIAL MEETING
WEDNESDAY, MARCH 24, 2021
12:00 PM**

**IN ACCORDANCE WITH GOVERNOR LAMONT'S EXECUTIVE ORDER #7B
THIS MEETING WILL BE A REMOTE ONLY MEETING**

Dial in #: (415)-655-0001; Access Code: 43808661#

[Meeting Video Link](#)

The general public is welcome to call into the meeting. Everyone on the call will need to mute their phone to limit background noise disrupting the meeting.

<u>Location</u>	<u>Commissioners</u>	<u>Citizen Members</u>
Dial in #: (415)-655-0001;	Adil	Angelo
Access Code: 43808661#	Currey	Gentile
<u>Meeting Video Link</u>	DiBella (Ex-Officio)	King-Corbin
	Hoffman (VC)	Tsegai
	Salemi (C)	
	Quorum: 5	

1. CALL TO ORDER
2. PUBLIC COMMENTS RELATIVE TO AGENDA ITEMS
3. APPROVAL OF MEETING MINUTES OF FEBRUARY 10, 2021
4. CONSIDERATION AND POTENTIAL ACTION RE: APPROVAL FOR STATE OF CONNECTICUT FINANCING - DWSRF 2020-7088
5. CONSIDERATION AND POTENTIAL ACTION RE: APPROVAL FOR STATE OF CONNECTICUT FINANCING - DWSRF 2021-7092
6. CONSIDERATION AND POTENTIAL ACTION RE: APPROVAL FOR STATE OF CONNECTICUT FINANCING - DWSRF 2021-7093
7. CONSIDERATION AND POTENTIAL ACTION RE: APPROVAL OF FINANCE DEPARTMENT POLICIES AND PROCEDURES:
 - A. BUDGET
 - B. GENERAL ACCOUNTING
 - C. TREASURY
8. OPPORTUNITY FOR GENERAL PUBLIC COMMENTS
9. COMMISSIONER COMMENTS & QUESTIONS
10. ADJOURNMENT

**APPROVAL FOR STATE OF CONNECTICUT FINANCING
DWSRF 2020-7088**

To: Board of Finance for consideration on March 24, 2021

Staff seeks approval from your Board to execute and deliver the Interim Funding Obligation and/or Project Loan Obligation to the State of Connecticut for DWSRF 2020-7088 having a principal amount of \$3,021,123.25 and having an interest rate of 2.00%.

The low interest loan and accompanying grant will fund the replacement of water mains in the Buckingham Street Area in Hartford.

The State of Connecticut, through the Drinking Water State Revolving Fund Program, will provide \$3,821,123.25 in state funding with \$800,000.00 in grants and \$3,021,123.25 in low interest loans at 2.00% to fund the expenses associated with this agreement.

Bond Counsel prepared the following resolution for your approval.

It is therefore RECOMMENDED that it be

VOTED: That the Board of Finance recommends to the District Board passage of the following resolution from Bond Counsel

RESOLVED:

Section 1. The Chairman, or in his absence, the Vice Chairman, and the District Treasurer, or in his absence, the Deputy Treasurer are authorized to execute and deliver the Project Loan and Project Grant Agreement DWSRF 2020-7088 to be entered into with the State of Connecticut (the "Agreement") and any and all Interim Funding Obligations and Project Loan Obligations for DWSRF 2020-7088 in the aggregate amount not to exceed \$3,021,123.25, to fund the replacement of water mains in the vicinity of Buckingham Street in Hartford. Such Interim Funding Obligations shall be dated as of their date of issue, shall mature within six months of the Scheduled Completion Date, as defined in the Agreement, shall bear interest at the rate of two percent (2.00%) per annum, shall be payable as to principal and interest as provided in the Agreement and, to the extent not paid prior to maturity from The Metropolitan District funds, may be renewed by the issuance of Interim Funding Obligations or Project Loan Obligations, all as provided in the Agreement. Capitalized terms used herein and not defined shall have the meanings ascribed to them in the Agreement.

Section 2. The Project Loan Obligations shall be dated as of their date of issue, shall mature no later than twenty years from the Scheduled Completion Date,

shall bear interest at the rate of two percent (2.00%) per annum and shall be payable as to principal and interest as provided in the Agreement.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Scott W. Jellison". The signature is stylized with a large, looped initial "S" and a cursive "Jellison".

Scott W. Jellison
Chief Executive Officer

**APPROVAL FOR STATE OF CONNECTICUT FINANCING
DWSRF 2021-7092**

To: Board of Finance for consideration on March 24, 2021

Staff seeks approval from your Board to execute and deliver the Interim Funding Obligation and/or Project Loan Obligation to the State of Connecticut for DWSRF 2021-7092 having a principal amount of \$3,071,879.20 and having an interest rate of 2.00%.

The low interest loan and accompanying grant will fund the replacement of water mains in the Saybrooke & Bonner Street Area in Hartford.

The State of Connecticut, through the Drinking Water State Revolving Fund Program, will provide \$3,871,879.20 in state funding with \$800,000.00 in grants and \$3,071,879.20 in low interest loans at 2.00% to fund the expenses associated with this agreement.

Bond Counsel prepared the following resolution for your approval.

It is therefore RECOMMENDED that it be

VOTED: That the Board of Finance recommends to the District Board passage of the following resolution from Bond Counsel

RESOLVED:

Section 1. The Chairman, or in his absence, the Vice Chairman, and the District Treasurer, or in his absence, the Deputy Treasurer are authorized to execute and deliver the Project Loan and Project Grant Agreement DWSRF 2021-7092 to be entered into with the State of Connecticut (the "Agreement") and any and all Interim Funding Obligations and Project Loan Obligations for DWSRF 2021-7092 in the aggregate amount not to exceed \$3,071,879.20, to fund the replacement of water mains in the vicinity of Saybrooke & Bonner Street Area in Hartford. Such Interim Funding Obligations shall be dated as of their date of issue, shall mature within six months of the Scheduled Completion Date, as defined in the Agreement, shall bear interest at the rate of two percent (2.00%) per annum, shall be payable as to principal and interest as provided in the Agreement and, to the extent not paid prior to maturity from The Metropolitan District funds, may be renewed by the issuance of Interim Funding Obligations or Project Loan Obligations, all as provided in the Agreement. Capitalized terms used herein and not defined shall have the meanings ascribed to them in the Agreement.

Section 2. The Project Loan Obligations shall be dated as of their date of issue, shall mature no later than twenty years from the Scheduled Completion Date, shall bear

interest at the rate of two percent (2.00%) per annum and shall be payable as to principal and interest as provided in the Agreement.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Jellison", written in a cursive style.

Chief Executive Officer
Scott W. Jellison

**APPROVAL FOR STATE OF CONNECTICUT FINANCING
DWSRF 2021-7093**

To: Board of Finance for consideration on March 24, 2021

Staff seeks approval from your Board to execute and deliver the Interim Funding Obligation and/or Project Loan Obligation to the State of Connecticut for DWSRF 2021-7093 having a principal amount of \$5,828,604.00 and having an interest rate of 2.00%.

The low interest loan and accompanying grant will fund the replacement of water mains in the Webster Hill Area, in West Hartford.

The State of Connecticut, through the Drinking Water State Revolving Fund Program, will provide \$6,128,604.00 in state funding with \$300,000.00 in grants and \$5,828,604.00 in low interest loans at 2.00% to fund the expenses associated with this agreement.

Bond Counsel prepared the following resolution for your approval.

It is therefore RECOMMENDED that it be

VOTED: That the Board of Finance recommends to the District Board passage of the following resolution from Bond Counsel

RESOLVED:

Section 1. The Chairman, or in his absence, the Vice Chairman, and the District Treasurer, or in his absence, the Deputy Treasurer are authorized to execute and deliver the Project Loan and Project Grant Agreement DWSRF 2021-7093 to be entered into with the State of Connecticut (the "Agreement") and any and all Interim Funding Obligations and Project Loan Obligations for DWSRF 2021-7093 in the aggregate amount not to exceed \$5,828,604.00, to fund the replacement of water mains in the vicinity of Webster Hill Area, in West Hartford. Such Interim Funding Obligations shall be dated as of their date of issue, shall mature within six months of the Scheduled Completion Date, as defined in the Agreement, shall bear interest at the rate of two percent (2.00%) per annum, shall be payable as to principal and interest as provided in the Agreement and, to the extent not paid prior to maturity from The Metropolitan District funds, may be renewed by the issuance of Interim Funding Obligations or Project Loan Obligations, all as provided in the Agreement. Capitalized terms used herein and not defined shall have the meanings ascribed to them in the Agreement.

Section 2. The Project Loan Obligations shall be dated as of their date of issue, shall mature no later than twenty years from the Scheduled Completion Date,

shall bear interest at the rate of two percent (2.00%) per annum and shall be payable as to principal and interest as provided in the Agreement.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Scott W. Jellison". The signature is stylized with a large, looped "S" and a cursive "Jellison".

Scott W. Jellison
Chief Executive Officer

FINANCE DEPARTMENT POLICIES AND PROCEDURES POLICY

To: Board of Finance for consideration on March 24, 2021

In conjunction with the District's efforts to improve financial reporting and internal controls, the Finance Department developed formal policies and procedures for each of its 3 major work streams--General Accounting, Treasury, and Budget. Following the Government Finance Officer's Associations Best Practices, the documentation of policies and procedures shall be evaluated annually and updated periodically, no less than once every three years, according to a predetermined schedule. Changes in policies and procedures that occur between these periodic reviews will be updated in the documentation promptly as they occur.

It is therefore RECOMMENDED that it be

VOTED: That the Board of Finance recommends to the District Board passage of the following resolution:

RESOLVED: That the District Board hereby approves the District Finance Department General Accounting, Treasury and Budget Policies and Procedures and authorizes staff to implement and administer said Policies.

Respectively submitted,

A handwritten signature in black ink, appearing to read 'Scott W. Jellison', written in a cursive style.

Scott W. Jellison
Chief Executive Officer



Budget and Planning

Policies and Procedures

This document codifies the policies and procedures of The Metropolitan District with respect to its Annual Budget Submission & Approval Process. Proprietary and Confidential.

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1. Overview

MDC implements this Annual Budget Submission & Approval Policies & Procedures ("Policy") Manual to outline the internal operations of the Finance Department ("Finance") with the primary purpose of documenting the annual budgeting process as it relates to the Budget Group.

This group is tasked with coordination and development of a consolidated annual budget adopted of approximately \$205 million (in 2021) which encompasses all four of the District's Primary Operational Activities ("Funds"): Water Services, Sewer Services, Capital Improvement Programs, and Hydroelectric Generation.

Consequently, it is the responsibility of the Chief Financial Officer ("CFO") to ensure compliance with the policies set forth in this handbook. It is also the responsibility of the CFO, working with the members of the Budget Group as well as broader organization to maintain and update these procedures as necessary.

2. Finance Organization, Roles, and Responsibilities

2.1 Organizational Structure

The broader Finance organization comprises the Treasury, Controller's Group, and Budget Departments. Each department has oversight of its respective functional areas and coordinates together for the purposes of preparing internal and external reporting, including but not limited to: Interim Financial Statements, Annual Audited Financial Statements, Annual Budget Plans, and other ad-hoc financial reporting requirements.

The primary focus of this document is the **Budget Department**, the structure of which is outlined in blue below.

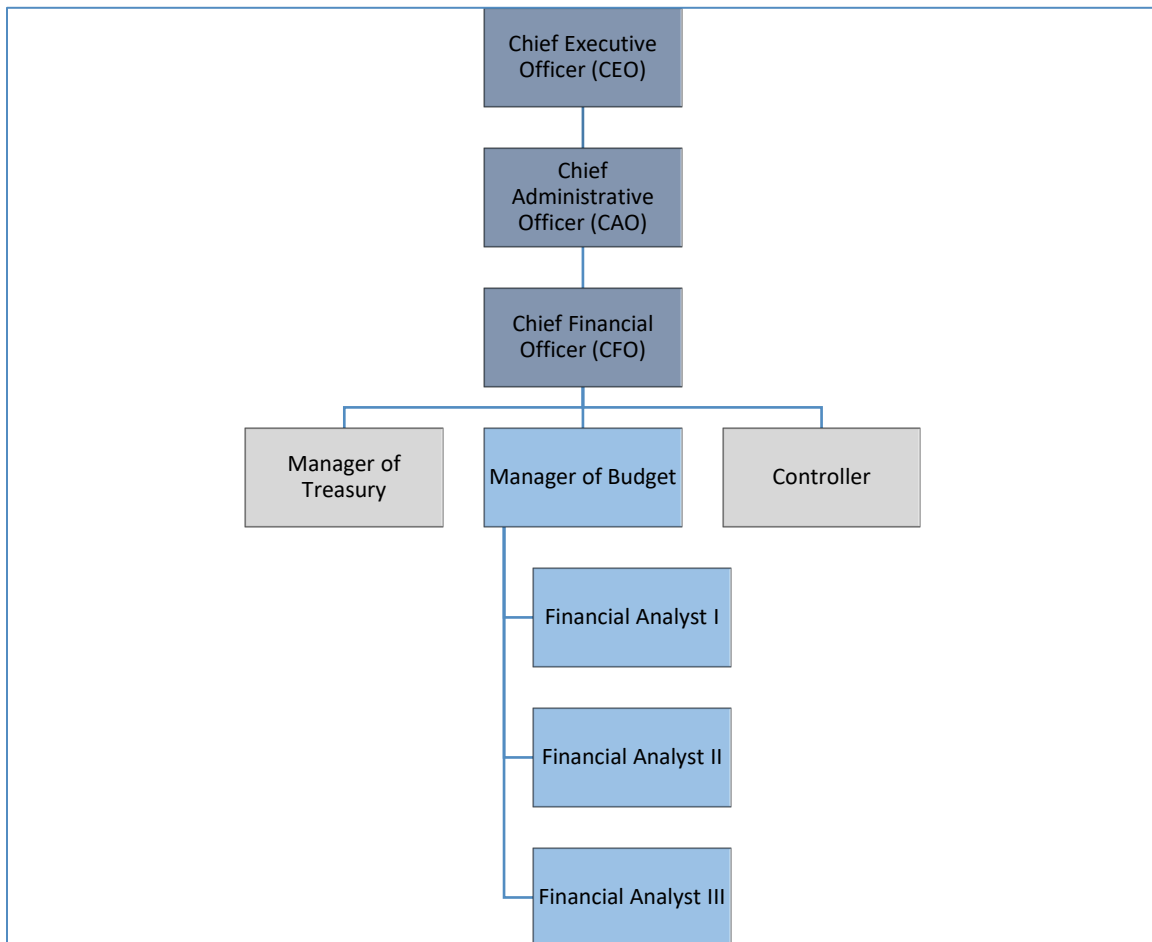


Figure 1 – Budget Organization Structure & Staffing and its relation to the Metropolitan District's Senior Management, Treasury, and General Accounting functions as of September 2020.

2.2 Departmental Budget Responsibilities

Participants in the Annual Budget Process

Across the organization, several functions (Executive Administration, Procurement, Engineering & Planning, Finance, and Treasury) contribute toward developing the underlying assumptions which directionally drive the outcome of the District's annual budget proposal.

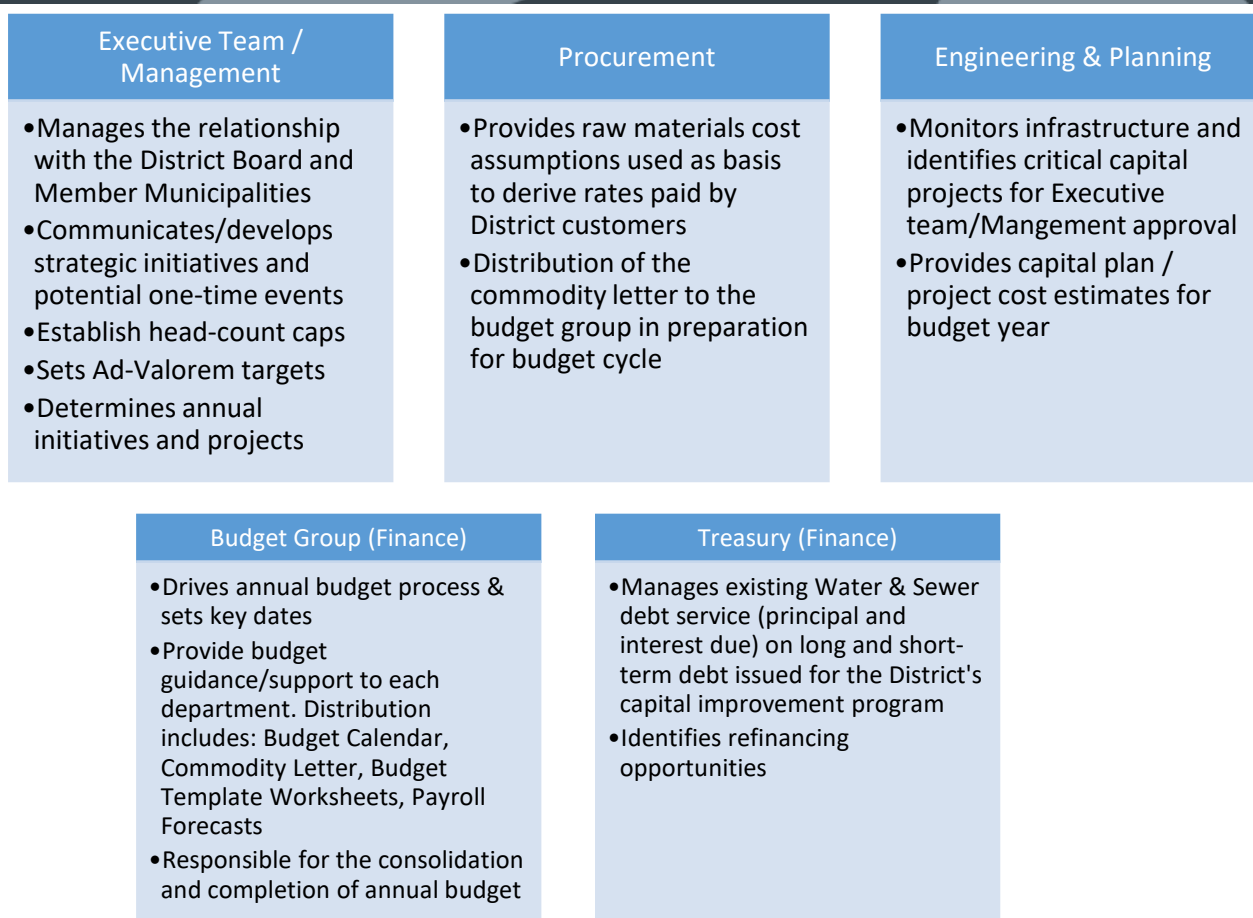


Figure 2 - The primary functional participants in the budgetary process responsible for development of the underlying assumptions which comprise the District's annual budget.

2.3 Budget Group Personnel Roles & Responsibilities

Budget Department – Staff Roles & Responsibilities

The Budget Department is responsible for developing, coordinating, reviewing, compiling and controlling the District's budget. The budget team works collaboratively with all functional areas of MDC, using a process that focuses on finding less expensive and more efficient ways of providing core services, while operating within mandated regulations and internal requirements.

The District's Budget Department is comprised of one Manager and three Budget Analyst positions. *(See Also: Appendix B for a table outlining a detail list of roles and responsibilities)*

Budget Manager

The manager-level role is responsible for coordinating the overall budget consolidation process and verifying its alignment with strategic objectives. The Budget Manager is also responsible for enforcing compliance with internal budgetary policies and procedures, including updating and communicating any changes to the policy handbook. Additionally, it is

the manager's responsibility to provide training, oversight, and quality control of the analysts' work product.

Financial Analyst

The analyst-level role serves as the liaison between finance and operations for all reporting and/or analytics pertaining to their assigned departments. To mitigate the risk of key-person dependency and enable organization's flexibility to react to fluctuating workflows, the analysts are cross trained to backfill all other analyst roles.

3. General Policies & Governance

3.1 Governance

Delegation of Authority Matrix

See Also: Section 3 of the General Finance Policy [is the reference "General Accounting Policy"?] (Rev. 11/2018).

District Board Governance

The MDC budget is developed in accordance with, and governed by, District Charter, general ordinances and the MDC by-laws. Complete documents are located on the organization's website. <https://themdc.org/district-board/charter-ordinances--by-laws>

The following table highlights key budget areas as noted within the District Charter:

Sec 3-2	Budget Estimates Referred to Board of Finance	The proposed budget of estimated expenditures and revenues shall be furnished to the District Board/ Board of Finance at or before its regular meeting in <u>November</u> of each year.
Sec 3-3	Board of Finance Reviews Budget	Board of Finance shall review and amend the annual Proposed Budget at its December meeting. The Budget shall be developed and presented into 3 distinct sections: Ad Valorem (Sewer), Water Functions and Hydro Funds
Sec 3-4	Part I of Budget, Tax Financed (Sewer)	Expenditures financed by taxation: estimated expenditures, including contingency fund, and estimated receipts (revenue), temporary/permanent improvement for purpose of financing wastewater facilities construction.
Sec 3-5	Part II of Budget, Water Functions	Functions and operations of the water department customarily financed from water revenues.
Sec 3-6	Part III of Budget, Enterprise Funds (Hydro, etc.)	Enterprise Funds to be established in connection with the issuance of revenue bonds or other facility, system or program specific obligations of the district issued pursuant to Section 4 of Special Act 90-27 and Sections 5 to 7 inclusive of Public Act 93-380 and funded from user charges, fees, rates, rentals and the Clean Water Project Charge (CWPC).
Sec 3-7	Publication and Adoption of Budget	Timing: Upon completion/ approval from Board of Finance, Budget shall be published for 3 consecutive days (except Sundays and Holidays, in one or more newspaper within District. Post-publication - referred to District Board for Adoption.

Sec 3-8	Limitations on Expenditures; Supplemental Appropriations; Transfers	Expenditures shall not exceed the appropriation or transfer any unexpended balance to any other appropriation in absence of Board of Finance and District Board approval, with certificate from CFO that balance actually exists free from encumbrance/ available.
Sec 3-9	Emergency Expenditures	Request and Approval of emergency expenditures follow same approval process for annual budget, however, without the need for publication.
Sec 3-10	Appropriations to be Approved by District Board	Appropriations to be financed by the issuance of bonds, notes or other obligations of the District may be made at any time upon approval of the District Board and Recommendation of the Board of Finance.
Sec 3-11	Appropriations Exceeding \$20,000,000	For any single appropriation item in excess of \$20,000,000 (as updated/indexed to annual inflation rate) expected to be covered with current revenues in the budget require a two-thirds vote of approval from the entire District Board.
Sec 3-16	Report to Office of Fiscal Analysis	<p>The Metropolitan District Commission shall annually prepare, no later than January 1st, a report that includes the following: (1) A list of all bond issues for the preceding fiscal year, and for each such issue, the financial advisor and underwriters, whether the issue was competitive, negotiated or privately placed, and the issue's face value and net proceeds</p> <p>(2) a list of all projects receiving financial assistance during the preceding fiscal year, including each project's purpose, location, and the amount of funds provided by the district</p> <p>(3) the cumulative value of all bonds issued, the value of outstanding bonds and capital projects associated with such bonds</p> <p>(4) as of February 15th of each fiscal year, an accounting showing all water revenue and expenditures by source, category and type</p> <p>(5) the affirmative action policy statement, a description of the composition of the district's work force by race, sex, and occupation and a description of the district's affirmative action efforts.</p> <p>(6) Personnel status report including the following information: total number of employees at the end of each quarter, positions vacated and filled during each quarter; and the positions estimated to be vacant/ to be filled at the end of the fiscal year.</p>

See Also: Chapter 3 of the Compiled Charter of The Metropolitan District (Rev. 1/2018) for budget guidelines

3.2 Accounting Basis & Standards

Accounting Basis & Budgetary Accounting Practices

Basis of accounting refers to the methodology under which revenues and expenses are recognized in the financial statements. Governmental Funds utilize the modified accrual basis of accounting under which revenues and related assets are recorded when measurable and available to finance operations during the year. Proprietary Funds are accounted for using the accrual basis of accounting and the flow of economic resources measurement focus. Revenues are recognized when they are earned, whereas expenses are recognized when they are incurred.

Fund Accounting Basis

MDC's budget is comprised of three "Funds": Sewer, or General Fund (Fund 1110), the Water Utility (Fund 1120), and Hydroelectric (Fund 1150) which have distinct attributes and restrictions on application within the budget.

Governmental Funds – Sewer

The General (Sewer) Fund provides funding for costs associated with the administration, operation and maintenance of the District's sewerage system.

Revenues are recognized when they become measurable and available:

- Revenues susceptible to accrual must be collected within 60 days following the end of the fiscal year and would generally include expenditure reimbursement grants, certain intergovernmental revenues and operating transfers and exclude miscellaneous revenues which are generally not measurable until actual receipt.
- Revenue from taxes on member towns is considered "measurable" in the year in which the taxes are levied and is recognized at that time.
- Interest revenue is susceptible to accrual since it is measurable and available.

Sanitary sewer assessments are recognized as revenue in the year in which an installment becomes due, since they are both measurable and available.

Sewer user charges are susceptible to accrual. They become measurable as the usage is known and available as billed.

With some exceptions, expenditures are recognized when the related fund liability is incurred:

- Except accumulated unpaid vacation, sick pay, and other fringe benefits.
- Principal & interest on general long-term debt which gets recognized when due.

Enterprise Funds – Water & Hydroelectric

The proprietary fund types Water Utility & Hydro Electric are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, whereas expenses are recognized when they are incurred.

The Water Utility Fund provides funding for the administration, operation, maintenance of the District's water supply, treatment, and distribution facilities.

The Hydro Electric Fund provides funding from revenues derived from the sale of power.

The Pension and the Other Post-Employment Benefits (OPEB) Funds were created by the District Board so employees of said district may participate in a pension and post-employment medical benefits which are provided by the District and funded by a combination of employer/employee contributions.

Contingency Fund

The Board of the MDC has expressed authority to establish a tax financed contingency fund based on estimated identifiable expenses determined by the Board of Finance for the forthcoming year from which these expenses will be met thereby addressing extraordinary events and minimizing the potential impact on its customer base, including from potential disruption in services and/or burden resulting from service-rate increases. *(See Also: Section 3.4 of the Compiled Charter of The Metropolitan District (Rev. 1/2018))*

All requests for contingency draws will require substantiation, including documentation of but not limited to:

- Total Request (e.g. total value of contingency anticipated used)
- Draw Schedule (e.g. \$X,XXX.00 / month for 6 Months)
- Operational Need (e.g. specification of how the request will be spent)
- Quantified Impact (e.g. downstream impact on operations budget or service rates)
- Causation (e.g. explanation of the unanticipated or extra-ordinary event or events)
- Exhaustion (e.g. all other avenues are unavailable to address the need)

Any and all approved contingency uses will be tracked and documented by the Budget Department and maintained for audit purposes in accordance with the District's records retention policy.

4. Budget Overview

4.1 Overview

The budget document serves many purposes. It is a policy and control document, a financial plan,



Figure 3 – Overview of the critical functions served by the budget document.

a guide for internal operations, and a device for external communications.

4.2 Timeline of Major Activities

The timeline for producing the Metropolitan District's annual budget through its adoption by the District Board spans approximately six-months and encompasses the activities shown below:



Figure 4 – The cadence of key budgetary process events & deliverables. (See Also: Section 6.5 for a more detailed description of these activities.)

5. Operating Budget

MDC's Annual Budget Proposal summarizes the projected financial activities of the organization for the upcoming fiscal year.

5.1 Current State Process – District Operations Budget

The Flow chart shown below illustrates the interactions between the various stakeholders who participate in the Operations budget process. (See Appendix H to view MDC District Annual Operating Budget)

5.2 Process & Procedures

Preparing the Annual Operating Budget is a collaborative process between various departments and stakeholders in the process. The chronological roles & responsibilities for each stakeholder are detailed below:

Pre-Budget Preparation Activities (January – June)

The Budget Department coordinates various activities which are used as the basis for communicating corporate strategy and objectives to the District's Cost Centers and Departments.

Activities	Month	Responsibility	Description
1. Corporate Guidance Developed	May	BGT, EXEC	Corporate Guidance includes: Caps on Head Count or expenses, one-time events, new district-board mandated initiatives.
2. Personnel & Labor Guidance Developed	May	EXEC, HR, BGT	Senior Management, HR, and Budget coordinate to prepare the 52 (or 53)-week payroll forecast for the upcoming budget year. See Also: Appendix D
3. Common Commodity Cost Guidance Developed	Jun.	PRCMT	Procurement analyzes the Commodity Letter provides the baseline cost of raw materials used to develop the end-user rates and charges for the services provided to District customers. See Also: Appendix D
4. Budget Kick-Off Meeting	Jun.	BGT, OPS	The Budget department coordinates a kick-off meeting with critical stakeholders in the budget process to communicate any global assumptions or guidance which should be incorporated into each department's request for appropriations.

Global Assumptions – Developing Corporate Guidance & Assumptions

In its capacity to serve as liaison to the District Board and Member Municipalities, Senior Management is privy to information regarding external one-time events or changes in organizational governance which may have a material impact on the MDC's operations and can gauge municipal sensitivity to any potential rate changes required to address them.

The Budget Department is responsible for collaborating with Senior Management to quantify the impact of these events on the District's Operations and assist in developing guidance which will be communicated to Departments for use in the submission of their annual budget appropriation request.

Generally, corporate guidance will address underlying global assumptions (e.g. expense caps), potential one-event, head count limitations, etc. and is communicated to the broader organization during the Budget Department's Kick-Off Meeting.

Project Review & Prioritization Process – Capital Improvement Program

Engineering & Planning reviews and prioritizes potential capital projects in advance of the CIP Budgeting Process, which occurs in parallel to the process for budgeting the District's operational activities. (See Also: Section 5)

Once a draft budget book has been prepared, it is included as an addendum to the proposed operations budget and submitted to the District Board reviews and approves the plan as of December. (See Also: Section 6)

Estimating Raw Material Cost & Service Contract Values – Commodity Letter Guidance

The Procurement department prepares guidance referred to as the Commodity Letter and communicated via email distribution to the organization. This document establishes future

estimated costs for common commodities and service contracts which are used across the organization.

Operationally, the baseline cost of raw materials and services is used to develop end-user rates and charges for the services the District provides its customers and is a critical driver of budgeted revenue for the year.

Labor Rates & Overhead Assumptions

The Budget Department is responsible for coordinating with Human Resources to ascertain organizational attrition and to obtain terms of newly effective collective bargaining agreements reached with the District's unionized labor.

Budget Kick-Off Meeting

The Budget Department prepares a kick-off package containing assumptions, key dates, and other relevant materials for distribution to each of the District's Departments. These materials are communicated to all departments during a budget kick-off meeting outlining due dates and expectations for all deliverables internally for review and externally for approval.

Currently, materials presented during this meeting include:

- **Cover Letter** (Corporate guidelines & budget template instructions)
- **Commodity Letter** (Cost assumptions for raw materials & services)
- **Budget Preparation Calendar** (Schedule outlining budget tasks and due dates)
- **52 (or 53)-Week Payroll Forecast** (Projected payroll forecast maintained in SAP)
- **Budget Template Share Drive Link** (Excel based worksheet for Projecting the balance of the current year as well as the proposed budget for next year)

Department Requests for Appropriation (June – August)

Post-Kick Off Meeting, each department is responsible for completing individual requests for appropriation and submitting it to the Budget Department to develop a consolidated corporate budget view. This consolidation forms the basis of the District's proposed budget submission and populates the schedules used in the final publication.

Activities	Month	Responsibility	Description
5. Budget Templates Prepared / Distributed	Jun.	BGT, OPS	The Budget department maintains input templates for each department at the district. These are cleansed annually and distributed via a shared drive to each stakeholder.
6. Payroll Model Prepared	Jun.	BGT, HR, EXEC	The budget department reviews the payroll forecast and updates the payroll model for changes since the previously approved budget. (See Also: Section 3.4.2)
7. TD Budget Model Updated	Jun.	BGT, EXEC	(See Also: Section 7.1)
8. Department Budgets Consolidated	Jul.	BGT	Budget Department compiles each template submitted by Operations Departments into a consolidated budget which is used to populate the financial schedules used for the Proposed Budget Submission.

Department Requests for Appropriations

The Budget department maintains input templates for each department at the district. These are cleansed annually and distributed via a shared drive to each stakeholder. Using these templates, the departments prepare performance measures, completed department budget templates and any schedules or forms supporting their submission.

Payroll Projections

Using the prior year's approved budget, the Budget Department updates the payroll model for any expected changes to personnel. As part of this process, any Collective Bargaining Agreements (CBA) changes are input into the model to produce the projected payroll for the upcoming budget year. These values are input directly into the consolidated model.

6. Capital Improvement Program (CIP) Budgeting

6.1 Current State Process – District Capital Improvement Program (E&P Activities)

The Flow chart in Appendix H illustrates the interactions between the various stakeholders who participate in the Capital Improvement Program budget process. *(See Also: Appendix H MDC Capital Improvement Program Process Flow page 1)*

Current State Process – District Capital Improvement Program (Corporate Guidance & Approval)

Baseline assumptions are developed concurrently with those of the operations budget before diverging into the distinct CIP process. Engineering & Planning reviews and prioritizes potential capital projects in advance of the CIP Budgeting Process, which occurs in parallel to the process for budgeting the District's operational activities. Once the budget proposal has been prepared, it goes through an internal review and approval process prior to the consolidation with the operating budget. *(See Also: Appendix H MDC Capital Improvement Program Process Flow page 2)*

6.2 Authorizations & Appropriations

Requests for budget authorization to fund projects under the District's capital improvement program generally cover and other improvements exceeding \$100,000.

Requirements for Appropriation Requests

All requests for appropriation utilize Budget Request Form B-11 and include a separate 5-year projection outlining the total spend of the project. The following information is required when requesting funding under the District's Capital Improvement Program:

Appropriation Year

The fiscal year of project funding request typically is the current budget year. However, this can also be used for future planning such as projects which have been vetted as viable but associated with a future appropriation year will not be included in the proposed CIP budget for the current fiscal year.

Project Description

An explanation of the project, specifically WHAT and WHERE it is located if possible. Long Hill Road Water Main, East Hartford and South Windsor - Construction, inspection and associated

work for new water mains along Long Hill Road and Chapel Road beginning at the East Hartford/South Windsor town line. District forces may be utilized for this project. District costs may include salary, benefits and overhead.

Project Justification

Description of existing conditions underlying the need for the project now or in the future, if associated with an appropriation year occurring in the future. Any justification should highlight benefits to the District, especially those pertaining to public and employee safety, regulatory compliance, or potential cost savings in terms of T&M ("Time & Materials") as this is a critical component of the District Board's review and approval of appropriations for projects.

Project Cost Estimates

A summarized estimate for the project should be prepared (Form B-11) outlining the following costs associated with a project:

Estimated Soft Costs

- **Design & Engineering** – Includes all estimated costs associated with a project prior to ("Design Phase") and during the Construction Phase.
- **Inspections & Testing** – Costs for outside services such as soil borings, surveys, or other investigative work during the Design Phase.
- **Other Outside Consulting Services** – Includes all other outside design or consulting services during all phases of a project.

Estimated Hard Costs

Construction Costs - Include all estimated construction costs for the project. For most water and sewer projects the estimate can be based on previous bids for similar work and would be as simple as " 2,500 linear feet of 16-inch ductile iron water main at \$130 per linear foot = \$325,000. Less typical projects such as "WPCF Odor Control" may require some research or assistance from a consultant.

Equipment Costs – Including the costs of equipment to be purchased by the District and incorporated into the project. A quotation or cost proposal from the equipment vendor should be the basis of the cost estimate.

Other Estimated Project Costs

Any miscellaneous costs should be outlined on Form B-11. Miscellaneous costs would include non-design or construction costs not classified within the cost categories above

Mark-ups on Estimated Project Costs

In addition to the design and construction cost component, all departments are required to include 10% mark-up for contingency in their estimate to account for unanticipated overruns during the construction of the project.

6.3 Other Required Documentation Required for Submission

A. Operating Budget Impact

Describe possible impacts on future operating budgets.

For example: "The proposed sewage pump station is expected to have a \$50,000 annual T & M cost, including preventative maintenance and electrical costs. "; or "The LED lighting retrofit at MDC headquarters is anticipated to reduce annual electricity expense by approximately 5% per year".

B. 5-Year Expenditure Projections

This item is intended to provide Senior Management & Finance a forecasted estimate of project expenditures for cash flow purposes.

For example: a \$1,500,000 appropriation is requested for water treatment plant improvements. If the project is expected to be completed within the appropriation year, the total \$1,500,000 would be needed that year. If construction is anticipated to take three years, the simple expenditure projection would be " \$500,000 per year for three years".

6.4 Procedure

Budgeting for the District's Capital Improvement Plan occurs in parallel with the Operations process. The CIP budget is a collaborative process, primarily between Engineering & Planning Departments and the Financial Control Team with ultimate approval by the District Board. The approved CIP Budget is included in the District's Adopted Budget.

On-Going Processes

- **Project Backlog** – Engineering & Planning maintains an Access Database of all potential capital improvement projects that the District has identified and is tracking. These projects have all been vetted for viability and have been prioritized in accordance with the needs and availability of funding for each project. The projects listed fall into two categories:
 - **Pending Projects** – Projects which have been submitted and previously approved / appropriated through the annual district budget process.
 - **Potential Projects** – Projects which have been fully vetted but have yet to be approved or funded through an annual budget appropriation.

Pre-Budget Preparation Activities (January – June)

Budget Notification

In conjunction with the development of the annual operations budget, corporate assumptions including Budget Due Dates, Staff Transfers, and Commodity Pricing is communicated to

Engineering & Planning (E&P). In addition, any caps on capital spend authorization are communicated at this time.

Senior E&P Directors distribute email notification to each CIP department (Water, Sewer, Maintenance, Information Technology) kicking off the CIP submission Process.

CIP Budget Development (June – August)

Project Requests Prepared

B-11 & 5-Year project plans are prepared using assumptions pulled from E&P's Access Database and saved on the departmental share drive once completed.

Analysis of Authorized Un-Funded Balances

An analysis of open fund balances from prior authorizations is performed and communicated to E&P. These open fund balances will be net against any new CIP funding requests.

Internal E&P Review Meetings

A meeting is scheduled between Senior E&P Directors with CIP department leads. During this time, the total funding request is confirmed to be within the NTE ("Not-To-Exceed") target authorization.

In the event a funding request exceeds the NTEs, E&P will direct departments to revise their submission to meet this threshold based on the projects/assumptions in the E&P database.

Engineering & Planning Recommendations

A schedule of recommended projects is prepared and submitted to Senior Management for approval. After incorporating any feedback/revisions, Senior Management will communicate approval and direct the preparation of a Draft CIP document.

7. Proposed Budget and Budget Approval (August – December)

7.1 Consolidated District Budget

The Budget Department consolidates all inputs into the budget model which produces a district-wide budget for internal review as well as draft versions of the schedules which comprise the published budget proposal.

Activities	Month	Responsibility	Description
9. Variance Analytics: YoY Change in Department Appropriations	Jul.	BGT, OPS	The Budget Department reviews department budget submissions for accuracy and applies a +/- 5% variance threshold for questioning. In the event of discrepancies or questions, the budget analyst contacts the applicable department(s) for clarifications and/or corrections. (See Also: Section 5.1)
10. Internal Review & Approvals	Aug.	BGT, TSY, EXEC	The Budget department distributes the draft budget proposal to Senior Management, Finance, and Treasury for review. Additionally,
11. Bond Counsel Review	Sept.		The Districts Bond Counsel review the proposed budget for legal issues /Charter conformance and drafts the required Bond Resolutions but does not have approval authority over the content of the budget

The consolidation process also includes internal analytics which is used to monitor performance, including:

Variance Analytics: +/-5% YoY Change In Appropriations Requests

The Budget Department applies a +/- 5% threshold to YoY appropriations requests. In the event of discrepancies or questions as to why the threshold has been exceeded, the budget analyst contacts the applicable department(s) for clarifications and/or corrections. (See Also: Section 5.1).

Reconciliation to Budget Model

The Budget Department reconciles budget submissions to its internal budget model to identify variances and question the underlying assumptions vs. corporate expectations to understand the drivers behind the difference.

Internal Budget Meetings

The Budget Department also coordinates internal budget meetings with each Department to review the budget submission with Senior Management, Financial Control, and Treasury Stakeholders. Required Attendees include:

- **Senior Management Attendees:** CEO & Assistant, CAO & Assistant, COO, and CFO.
- **Financial Control Attendees:** Treasury Manager, HR Director, Controller, and Financial Analyst.
- **Department Attendees:** Cost Center / Department Head & Key Department Staff

Analysis of Budget Funding Requirements

The Budget & Treasury Teams analyze the revenue requirements to support spending obligations. If projected revenues sufficiently cover expenses and the budget balances, Town Meetings are scheduled to begin to socialize the District Budget.

If revenues are insufficient, one or more actions may be required to maintain a balanced budget as mandated by the charter:

- **Option 1: Operating Expense Reductions** – The Budget team may direct district departments to hold the line vs. prior year submissions and/or make expenditure (Payroll and G&A) cuts to their proposed budgets. Such reductions do not require senior management approval.
- **Option 2: Water & Sewer Rates Increase** – Increase rates or Ad-Valorem taxes charged for the District's water and sewer services. Increasing rates requires Senior Management approval as the burden is being passed directly on to the District's customers. Similarly, increasing the levy for Ad-Valorem tax on the member towns would be passed on to the District's customers by the municipalities.
- **Option 3: Apply Surplus Fund Balances** – In the event the Water or Sewer Funds have a running surplus balance, this may be applied to close any shortfall in the budget for those funds. Surpluses cannot be comingled across funds – a sewer surplus can only be applied

to sewer funds vs. water surplus only to the water funds. This action requires senior management approval as any surplus is funded by the District's customer base.

Bond Counsel Review

Bond Counsel reviews proposed budget for legal issues/Charter conformance and drafts the required Bond Resolutions but does not have approval authority over the content of the budget (e.g. projects, cost, etc.).

7.2 Proposed Budget Book – Approval & Adoption Activities

The District's budget proposal goes through several layers of municipal review and approval which may or may not result in changes to the submission based on the District Board or its subcommittees' feedback prior to the formal vote on its adoption.

Activities	Month	Responsibility	Description
12. Public Hearing Process	Aug.	GOVT, BGT	Following internal approvals, the proposed budget is opened for public comments during a public hearing process.
13. Publication of Proposed Budget Book	Sept.	BGT	The Budget department sends the budget proposal to the printer to create the budget book. This book contains all schedules and supporting documentation for the budget request and is reviewed in detail during the municipal approval process.
14. District / Municipal Review Process	Sept. – Nov.	GOVT	Multi-layered approval process begins.
15. Formal Vote/Budget Adoption	Dec.	GOVT	Budget is adopted through a formal vote of the District Board. Once approved, the budget is final and no further changes may be made.
16. Upload to SAP	Dec.	BGT	The Budget Department is responsible for uploading the Final Budget file into the Accounting system of record.

Proposed Budget Publication & Submission.

The Budget Department prepares the Draft Budget Book and circulates it both via hard copy and by email to Senior Management for approval. This "Proposed" District Budget includes the Approved Capital Improvement Plan. *See Also: Section 6 – Capital Improvement Program*

Senior Management performs a final review of the budget to ensure it aligns with the District's objectives and corporate guidance before formally submitting the Proposed Operations Budget for the District Board's approval.

Public Hearings & Municipal Approval Process

Municipal Approval Process Begins – The formal approval for MDC's proposed budget is a multi-layered process involving the District Board, which recommends the budget to the Board of Finance and Government Committees for their input before Adoption. In addition, a public notice period provides for the general public's input into the District's budget proposal.

- Public Hearings (Town Meetings)

- District Board Meetings (3x September – October)
- Board of Finance Meeting
- Water Bureau Meeting
- Public Works Bureau Meeting
- Government Committee Meeting

Budget Adoption

At the conclusion of the municipal approval process, the District's budget proposal is subjected to a formal vote for adoption. If the vote succeeds, the Budget for the upcoming fiscal year is considered "final" and communicated to the District's Budget Department who uploads the approved district budget into SAP.

8. Budget Analytics & Routine Reporting

8.1 Analytics – Variance Thresholds

The District's Budget Department analyzes Departmental budget submissions to identify cost increases or decreases in excess of +/- 5% in year over year submissions. Such variances should be accompanied by an explanation as to the cause as well as any anticipated future impact on the operations budget for the organization.

8.2 Analytics – Budget Reconciliation Process

A budget reconciliation process is the primary vehicle for analyzing each Departments' budget submissions. Upon submission of annual appropriation requests, the budget team performs a gap analysis to identify material differences using a materiality threshold of +/- 5%.

This analysis forms the basis of a meeting between the department/cost center lead, budget department, finance, and senior management (as applicable) to understand the appropriations request and the circumstances driving any differences between corporate and department assumptions. The meeting allows departments to provide context supporting their request before a decision is made to increase, approve, decrease, or reject the appropriation. Any changes are subsequently incorporated into the Draft Budget Proposal to be submitted for District Board review and approval.

8.3 Financial Reporting

Internal Reporting

All reporting requests issued by senior management for internal or ad-hoc purposes should be clearly noted as such by watermark or header which states "FOR INTERNAL USE ONLY".

These reports or schedules may be used to support external reporting but should not be presented to any external parties, including but not limited to: The District Board, Municipal Governments, Outside Counsel.

External Reporting

Any reporting distributed to external parties is reviewed in draft form until approved and certified by the CFO in his/her capacity as executor of organizational fiscal policy, prior to its distribution.

8.4 Monthly Reporting

The Manager runs the SAP report and reviews the Budget vs Actuals report. Report is distributed to CFO, CAO, Controller and Manager of Treasury for review. The report is then given to Assistant to CEO for inclusion in the CEO monthly report.

8.5 Quarterly Reporting

In addition to coordinating efforts to compile the District's annual budget submission, the Budget Department is also responsible for the preparation of analytics which monitor District operational and fiscal performance.

Regular recurring performance analytics provides visibility to inform Senior Management's decision-making process with respect to organizational direction and drives external communication of results

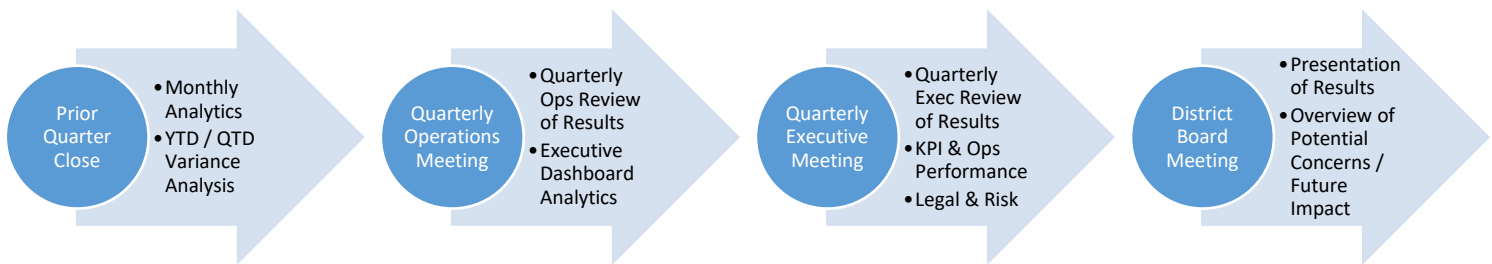


Figure 5 - The cadence and build-up of performance analytics from granular operational review to high-level presentation to external parties.

to the District Board, Member Towns, and the public.

Operations Meeting

Quarterly budgetary run-rates are reviewed with department leads on a quarterly basis to quantify any potential areas at risk due to projected short falls (revenue) or overruns (expense). Budget burn is a key indicator of operational performance and measure of the departments' budgetary capabilities.

Supporting Activities:

- **Monthly Financial Performance Monitoring** – Following the monthly close, the budget department should compile and analyze financial performance internally. This analysis should be leveraged as part of the quarterly analysis which is performed to ensure actual performance aligns to the budget/plan.

- **Analytics Prepared for Prior Quarter** – Following quarter-close, the Budget Department begins preparations for producing quarterly YTD/QTD budget burn and forecasted run-rates to be reviewed with the Operations team. Analytics should include YTD and QTD performance metrics as well as other key metrics as defined by senior leadership and included with the Executive Dashboard Report for that audience.

Executive Meeting

Quarterly dashboard reporting analyzing high-level financial and operational performance for the previously closed quarter should be reviewed during a presentation to Senior Management. The meeting agenda should incorporate non-budgetary updates, including overview/updates of cash position, debt, insurance & risk, personnel, G&A, and any legal concerns.

Supporting Activities:

- **Quarterly Executive Dashboard Report** – Report analyzing high-level QTD & YTD financial and operational performance which is reviewed by senior management and serves as the basis for quarterly board presentations. The report should include key metrics developed with executive input as well as updates / overviews of critical non-budgetary concerns (Cash, Debt, Insurance, Legal, etc...)

District Board Meeting

The quarterly board meeting reviewing operational and financial performance is held. The analytics reviewed and presented to senior leadership should be leveraged as the basis for the Quarterly District Board Presentation.

Appendix

A. Budget Group Key Activities and Delegation Tables

The table below outlines personnel's roles and responsibilities, including but not limited to, monthly, quarterly, and annual activities perform in the budgeting department.

Key Activities Delegation Table (R – Reviewer, P – Preparer, B – Backup)

Performed By:	Budget Manager	Budget Analysts
Monthly Activities		
Monthly Variance Analysis	R	P
Monthly Variance Analysis Touchpoint Meeting with Assigned Department		X
Quarterly Activities		
Quarterly Analytics Package to Key Stakeholders	R	P
Review Quarterly Analytics Package to Key Stakeholders	R	
Quarterly Analytics Package Review Meeting with Operations	X	X
Quarterly Analytics Package Review Meeting with Senior Management	X	X
Quarterly Analytics Package Review Meeting with The District Board	X	X
Annual Activities		
Prior Year Budget Process Post-Mortem Analysis for Distribution to Key Stakeholders	X	
Post-Mortem Analysis Meeting with Key Stakeholders	X	X
Incorporate Updates/Changes to MDC Budget Policy & Procedure Guide - Based on Feedback from Post-Mortem Meeting	P	
Submit Policy & Procedure Revisions to CFO for Approval of Revisions	P	
Obtain Corporate Guidance Developed for Caps on Head Count, One Time Events, New District Board Mandated Initiatives	X	
Obtain Personnel & Labor Guidance the 52 (or 53) -week Payroll and Forecast for the Upcoming Budget Year for Senior Management, HR, and Budget Departments	X	
Prepare Templates for Budget Kickoff Meeting	R	P
Obtain Commodity Letter from Procurement	R	
Manager Kickoff Meeting: To communicate global assumptions or guidance which should be Incorporated into each Department's Appropriations Request, Corporate Guidelines & Budget Template Instructions, Budget Template Share	P	P

Performed By:	Budget Manager	Budget Analysts
Drive Link (Excel for Projecting the Balance of the Current Year as well as the Proposed Budget for Next Year)		
Distribute Budget Templates to each Stakeholder	X	X
Preparation of Town Hall Management Deck with input from Engineering of Completed CIP Projects and Work with CEO, CAO, CFO to Set the Rates	R	P
Review meeting of Town Hall Management Deck of CIP Projects and Rates for CEO presentation with Director of Engineering, Manager of Treasury, CFO	X	
District Operating Revenue Calculations	R	P
Miscellaneous Revenue Calculations	R	P
Non-Operating Revenue Calculations	R	P
Obtain and review Legal and Collections Projections from the Legal Department	X	
Obtain and review Debt and Financing Expense Projections from the Treasury/Debt Department	X	
Complete a +/- 5% Variance Analysis over submitted budget	R	P
Budget Variance Meeting with stakeholders	X	
Obtain and Consolidate Department Budgets and Incorporate CIP Budget		P
Senior Management Review of Positions	P	
Prepare Budget Presentation for Public Hearing		P
Prepare Budget Presentation for District/Municipal Review	P	
Submit Budget for a Formal Vote/Budget Adoption	P	
Submit Final Budget for Print		P
Enter Final Budget into SAP	R	P

B. District Operating Revenues

MDC has three primary sources of revenue which are recognized when they are earned: Water Utility, Sewer, and Hydroelectricity.

Water fund revenues provide funding for the administration, operation and maintenance of the District's water supply, treatment, and distribution facilities. The major source of water revenue is from the metered sale of water to approximately 94,000 residential household customers (*2014 District population estimated 366,000 as estimated by the US Department of Commerce, Bureau of Census and based on 2010 data*).

The General Fund generates revenue associated with the administration, operation and maintenance of the District's sewerage system for its eight member towns. The receipt of the tax levied ("Ad-Valorem") on the District's member municipalities is the major source of revenue for the General Fund.

The Hydroelectric Fund provides funding from revenues derived from the sale of power for the operation and maintenance of the Goodwin hydroelectric facility.

Water Utility Revenues

Direct Rate Charge

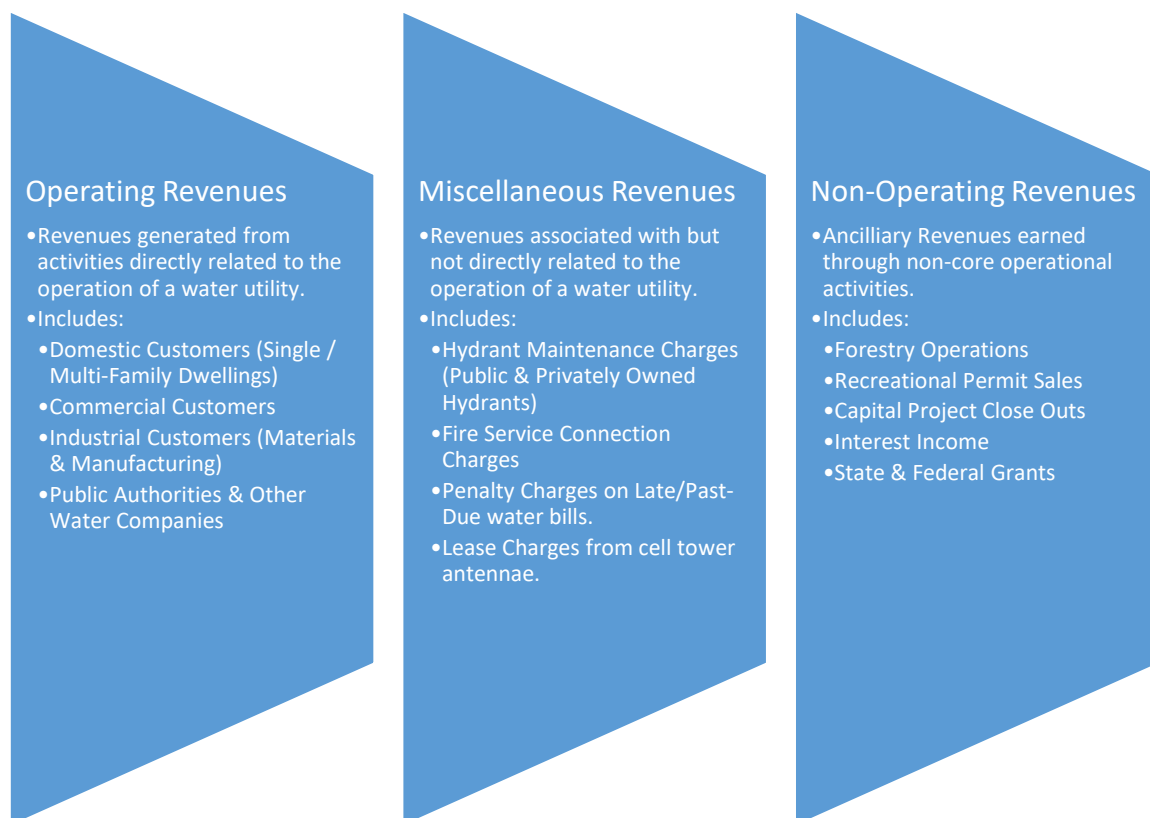
The funding of water services and related operations is principally derived through a direct rate charged to district customers. The direct rate is set by the District Board and Executive Leadership in its advisory capacity to the board.

Description of Revenues

Water Revenues and Other Financing Sources provide funds for a share of the general administration of the District and for the operation and maintenance of the District's water supply, treatment and distribution facilities and equipment. The major source of water revenue is the metered sale of water to approximately 366,000 people (94,000 residential customer billings) in the District's service area.

Budgeted Water Revenue Services

MDC budgets for Operating Revenues, Miscellaneous Revenues, and Non-Operating Revenues



which are outlined in the figure below.

Figure 6 - Overview of revenue streams which comprise the District's budget for the Enterprise (Water) Fund.

Sewer Revenues

Sewer Use Charges

The funding of sewer services and related operations is derived primarily through an “Ad-Valorem” tax on member municipalities, as well as a direct use charge to high-flow and tax-exempt district customers. The Ad-Valorem rate is set by the District Board and Executive Leadership in its advisory capacity to the board.

Description of Revenues

Sewer Revenues and Other Financing Sources provide funds for a share of the general administration of the District and for the operation and the maintenance of the District's sewer system facilities and equipment. The receipt of the tax levied on member municipalities is the major source of sewer revenue.

Budgeted Sewer Revenues

MDC budgets for the following sewer revenue categories:

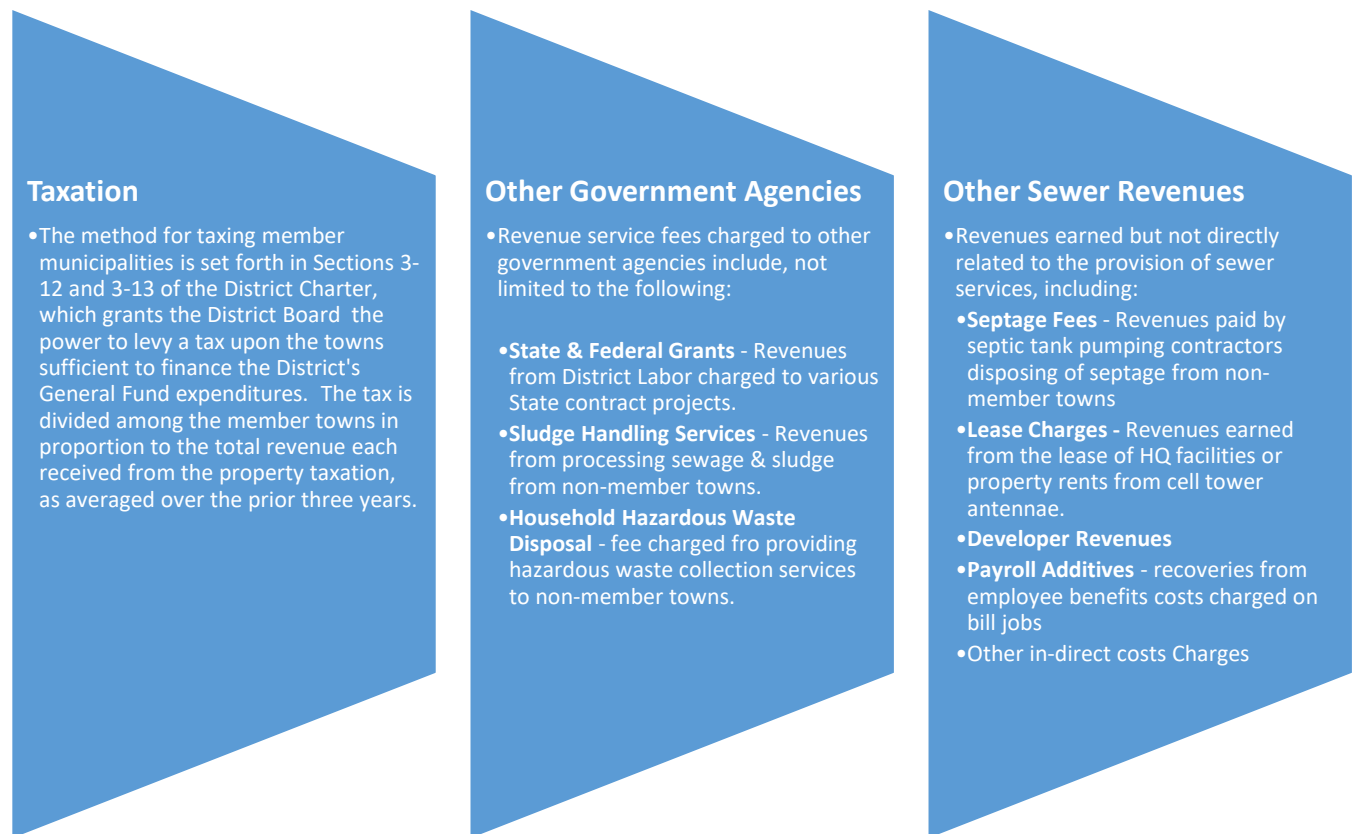


Figure 7 - Overview of the revenue streams which comprise the District's budget for the General (Sewer) Fund.

Hydroelectric Revenues

Sales of Power

Hydroelectric facilities at the Goodwin River Dam provide funding from revenues derived from the sale of power. Changes in seasonal weather conditions have a significant effect on water supplies used for power generation.

Description of Revenue

Hydroelectric Revenues provide the funds necessary for the operation, maintenance with the District's Goodwin hydroelectric power facility. The major sources of revenue for the Hydroelectric Operating Fund are derived from the sale of power generated at the Goodwin hydro facility.

Budgeted Hydroelectric Revenues

Revenue in support of hydroelectric expenditures is derived from: the sale of power produced at the District's Goodwin hydroelectric power facility; interest earned from the investment of available cash; and surplus funds if available designated to support the expenditure budget.

Calculations for Budgeted Operating Revenues

The following table summarizes key operational revenues budgeted annually by the District.

P&L Category / Item	Variable Unit of Measurement	Unit of Measurement	Current Methodology/Basis	Recommended Methodology/Basis	Seasonality Recommendations
Revenue					
Water Services					
Water Use Sales	Consumption measured by CCF (centum cubic feet)	CCF	Prior Year Consumption Per CCF	3-Year Avg Consumption Per CCF	Straight-Line budget monthly, but with a 20% increase monthly for June thru October
Hydrant Maintenance	Fixed	Number of Hydrants	Prior Year Budget	3-Year Avg Per Unit	Budget 90% of revenues in June and straight line the balance for the remaining 11 months
Sewer Services					
Ad-Valorem	Municipality 3-Year Annual Tax Receipts	Municipality Actual Annual Tax Receipts	Prior 3-Year Avg of Actual Annual Tax Receipts	None	Quarterly Budgeting for this Revenue allotment as we receive this quarterly
DPH Assessment Fee	None	Connections	Fixed Per Connection	None	Straight-Line budget monthly from January to April
Sludge Handling Services	Type and Amount of Sludge Material	Gallons or Tonnage by Sludge Material	Prior Year Budget	3-Year Avg Per Unit	Straight-Line budget February thru December
Collection/Li	X Days	X Days	Prior Year Budget	Percentage of	None

P&L Category / Item	Variable Unit of Measurement	Unit of Measurement	Current Methodology/Basis	Recommended Methodology/Basis	Seasonality Recommendations
ens	Outstanding	Outstanding		Budgeted Revenue	
Nor Other Misc.			Prior Year Budget	3-Year Avg Actual Revenues	Straight-Line budget except budget 60 of revenues in October
Sale of Material/Equipment		Material/Equipment	Prior Year Budget	3-Year Avg Actual Revenues	Straight-Line budget except budget 60 of revenues in October

C. District Operating Expenditures

Calculations for Budgeted Operating Expenses

The following table summarizes key non-commodity based operational expenses budgeted annually by the District. Recommended methodology to estimate budgeted expenses are based on a 3-year historical average.

P&L Category / Item	Current Methodology / Basis	Recommended Methodology / Basis	(x) - Variable	Seasonality Recommendations
Payroll Expenses				
Payroll	<p>Annualized Union Payroll = (37.5 Hours x (PY Hourly Wage ^ (1+ COLA %) x (Actual Weeks)) + (37.5 Hours x (Increment/Step Wage) x (Actual Weeks)) + (Longevity Adj. x 2)</p> <p>Annualized Non-Union Payroll = (40 Hours x (PY Hourly Wage ^ (1+ COLA %) x (Actual Weeks)) + (40 Hours x (Increment/Step Wage) x (Actual Weeks))</p>	None	Weeks	None
OT / DT (Premium) Time	Estimate	3-Year Annual Average	Head Count and Hours	Budget 20% of budget in January and 80% evenly from February to December.
Temporary Help	Estimate	3-Year Annual Average	\$ Spend	Budget 20% of the budget straight-lined from January thru May and September thru December. Budget 80% of the budget straight-lined June thru August.
Employee Benefits				

Longevity Pay	Years of Service - Based on Union or Nonunion	None	Years of Service	Budget 50% in June and 50% in November
Blue Cross	Estimated by CFO, Budget Manager & Treasurer	3-Year Annual Average	Established Premium Rates	Straight-line budget
Pension Regular	Estimated by CFO, Budget Manager & Treasurer	3-Year Annual Average	Contribution \$	Budget 50% in January and 50% in March
Insurance				
Liability-Claims	Estimated by CFO, Budget Manager & Treasurer	3-Year Annual Average	# of Claims	Straight-line budget
Fiduciary Claims	Manager of Treasury	3-Year Annual Average	# of Claims	Budget 100% in January
General Operations				
Office-Related Expenses	Prior Year with a Percentage Increase	3-Year Annual Average	\$ Spend	None
Technology-Related	Prior Year with a Percentage Increase	3-Year Annual Average	\$ Spend	None
Debt				
Financing Costs	Estimate	Forecast Actuals	New Debt	None
Nitrogen Credits	Prior Year with a Percentage Increase	3-Year Annual Average	\$ Spend	Budget 100% in July
OPEB	Estimated by CFO, Budget Manager & Treasurer	3-Year Annual Average	\$ Spend	Budget 100% in August
Infrastructure Software	Prior Year with a Percentage Increase	3-Year Annual Average	\$ Spend	None

Payroll & Entitlement Drivers and Assumptions

Payroll and entitlements are derived from contractual labor agreements and government-established rates for Social Security and Medicare withholding. It is assumed that any premium time will be budgeted on a zero-basis, with any budgeted premium time amounts substantiation as evidenced by approved operational requirements.

The Payroll Master Workbook produces the values and support schedules which are input into the Consolidated Budget Model. Drivers and Assumptions are calculated where applicable as follows:

Forecasted Headcount ("HC")

Forecasted HC is developed using the prior years' approved budget as a starting point and then layering in actual and projected changes based on guidance from Management, Operations, and HR departments.

$$HC = \text{Prior Year HC} + \text{YTD New Hires} - \text{YTD Attrition} + \text{Forecasted New Hires} - \text{Forecasted Attrition.}$$

Standard -Time Payroll

Collective Bargaining Agreements (“CBA”) & Non-Union Payroll Assumptions

The District’s payroll budget is derived from the updated headcount information and is calculated as the sum-product of all employees assuming a 37.5 or 40 hour work week and using terms specific to their seniority within the Union’s CBA, if applicable.

For Non-Union employees, terms are set by the employment contract for the employee’s specific role and subject to board approval. Non-Union Payroll can be calculated as the sum-product of all non-union employees assuming a 37.5 or 40-hour work week and using the specific terms of their District Board-approved position.

Annualized Union Payroll = $(37.5 \text{ Hours} \times (\text{PY Hourly Wage} \wedge (1 + \text{COLA } \%) \times (\text{Actual Weeks})) + (37.5 \text{ Hours} \times (\text{Increment/Step Wage}) \times (\text{Actual Weeks})) + (\text{Longevity Adj.} \times 2)$

Annualized Non-Union Payroll = $(40 \text{ Hours} \times (\text{PY Hourly Wage} \wedge (1 + \text{COLA } \%) \times (\text{Actual Weeks})) + (40 \text{ Hours} \times (\text{Increment/Step Wage}) \times (\text{Actual Weeks}))$

Wage Tables

Wages for Union and Non-Union labor are fixed with respect to the terms of the labor contracts for each union that the District utilizes during execution of its operations. The effective dates for union CBA’s span a period of 3 years and are renegotiated at the end of each CBA period.

Currently (2019), CBA’s have been reached Locals 3713, 184, and 1026 of the American Federation of State, County & Municipal Employees Union (“AFSCME”), which sets forth terms for hourly wages, longevity, medical, and pension benefits etc.

Non-Union District Employees utilize a wage scale structure determined by the District Board and periodically reviewed parallel to CBA negotiations.

As of the publication of this document the current CBA term is **2019 – 2022**. Contact Human Resources for revisions on newly executed CBAs.

Local 3713 Wage Schedule

	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8
PT01	23.91	24.59	25.27	25.96	26.64	27.32	28.01	28.69
PT02	25.09	25.81	26.53	27.24	27.96	28.68	29.40	30.11
PT03	26.36	27.11	27.87	28.62	29.37	30.13	30.88	31.63
PT04	27.66	28.45	29.24	30.03	30.82	31.61	32.40	33.19
PT05	29.08	29.91	30.74	31.57	32.40	33.23	34.07	34.90
PT06	30.43	31.30	32.17	33.04	33.91	34.78	35.65	36.52
PT07	31.99	32.91	33.82	34.74	35.65	36.57	37.48	38.40
PT08	33.59	34.55	35.51	36.47	37.43	38.39	39.35	40.31
PT09	35.26	36.27	37.27	38.28	39.29	40.30	41.31	42.32
PT10	37.02	38.08	39.14	40.19	41.25	42.31	43.37	44.43
PT11	38.89	40.01	41.12	42.23	43.34	44.45	45.57	46.68
PT12	40.83	42.00	43.16	44.33	45.50	46.67	47.84	49.00
PT13	42.88	44.11	45.33	46.56	47.78	49.01	50.24	51.46
PT14	45.04	46.33	47.62	48.91	50.19	51.48	52.77	54.06
PT15	47.10	48.45	49.80	51.14	52.49	53.84	55.18	56.53
PT16	49.60	51.02	52.44	53.86	55.28	56.70	58.12	59.54
PT17	52.11	53.60	55.09	56.58	58.07	59.56	61.05	62.54

Figure 2 - CBA Wage Scales: Unionized employees are associated with a specific position (1) has multiple steps of seniority (2) which determine their wage compensation.

Longevity

MDC non-union, 3713 and 1026 employees that have 10 years or more tenure receive longevity benefits set by the CBA. If an employee qualifies for such a benefit, it is paid June and November of each year.

Cost of Living ("COLA") Increases

The CBA also establishes the minimum COLA each union employee receives annual cost of living adjustments. Non-Union employees are also eligible for COLA increases at a rate per annum as determined by the District Board.

Entitlements (Social Security & Medicare)

Social Security's Old-Age, Survivors, and Disability Insurance Program ("OASDI") and Medicare Hospital Insurance Program ("HI") contributions are calculated as a fixed percentage of each employee's annualized taxable earnings.

Maximum taxable earnings for OASDI contributions fluctuates based on the national average wage index. Refer to the Social Security Administration Website for updates or revisions to the contribution and benefit bases.

LONGEVITY

Local 1026			
Year of Service	June	November	Total
10	\$ 137.50	\$ 137.50	\$ 275.00
11	\$ 137.50	\$ 137.50	\$ 275.00
12	\$ 137.50	\$ 137.50	\$ 275.00
13	\$ 137.50	\$ 137.50	\$ 275.00
14	\$ 137.50	\$ 137.50	\$ 275.00
15	\$ 187.50	\$ 187.50	\$ 375.00

Figure 4 - Tenured employees receive a longevity benefit for their length of service.

Entitlement	Rate	Taxable Maximum (2019)	Maximum Contribution:
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Social Security (OASDI)	6.20 %	\$137,700	\$8,537.40
Medicare (HI)	1.45 %	None	N/A

Table 1 - The OASDI tax rate for wages paid in 2019 is set by statute at 6.2 percent for employees and employers, each. Employees with wages equal to or larger than \$132,900 in 2019 would contribute \$8,239.80 to the OASDI program and the District would contribute the same amount.

Premium-Time Payroll (Overtime)

A zero-based budgeting approach should be used for budgeting overtime and other premium-time requirements. Substantiation evidencing operational needs for the premium-time request should be submitted for Budget / Finance review and approval. Documentation should specify manpower requirements and purpose – specifically: employee(s), total anticipated hours, Duration (weeks) and purpose / explanation.

Premium Time Drivers/Assumptions	Multiplier (MP)	Union Limit (WL1)	Non-Union Limit (WL2)
Overtime	1.5x	37.5 Hrs.	40.0 Hrs.
Double-time	2.0x	37.5 Hrs.	40.0 Hrs.

Table 2 - Premium Hour Drivers & Assumptions are based on Union CBAs and non-union employment contracts. As of 2019, the unions which collectively bargain with the district do not earn double time.

Premium Time Payroll Calculations

If approved, premium time should be calculated for each employee in accordance with their Union CBA or the terms of their individual employment contract.

Component	Calculation
Weekly Manpower Requirement ("MPR")	= Total Anticipated Hours / Duration in Weeks
Premium Hour Burden ("PhB")	= MPR – (WL1 OR WL2)
Premium-Time Budget (\$)	= PhB x (Annualized Hourly Wage x MP)

Common Commodity & Service Contracts

The Commodity Letter provide future estimated costs for services and materials. They include key budgetary assumptions (i.e. pay increases, overtime, inflation, etc.). (See Also: Appendix G for a 2019-2020 Commodity Letter)

Legal & Collection Services

Legal and collections services should be projected using a zero-basis approach in conjunction with inputs submitted by the legal team. This process entails close coordination with Legal to determine expectations on ongoing litigation as well as potential and pending legal matters not underway.

Debt & Financing Expenses

All Debt-related expenses should be developed in conjunction with input from the District's Treasury/Debt function which maintains the amortization schedules for outstanding debt and can provide guidance on future expectations and timing for all financings expected to close during the upcoming fiscal year.

D. Cost Centers & Departments

Directors & Department Leads

Each department at MDC is responsible for compiling its annual operating budget for submission to the Budget Group, which in turn reviews and provides feedback to departments in an iterative process to align with organizational assumptions and restrictions.

The organization is currently composed of twenty-three functional areas that are required to prepare and submit annual budgets.

Cost Center / Department	Department Contact
1. Command Center	Manager of Command Center
2. Contingencies	Director of Finance
3. Debt Services	Manager of Treasury
4. District Board	Assistant to the CEO
5. Employee Benefits	Manager of Budgeting
6. Engineering & Planning	Director of Engineering & Planning
7. Environmental & Safety	Manager of Environment, Health & Safety
8. Executive Office	Assistant to the CEO
9. Finance	
➤ Administration	Chief Administrative Officer
➤ Financial Control	Director of Finance
➤ Treasury	Manager of Treasury
➤ Budgeting	Manager of Budgeting
➤ Procurement	Chief Administrative Officer
➤ Customer Service	Manager of Customer Service
10. General Insurance	Manager of Treasury
11. Human Resources	Director of Human Resources
12. Information Technology	
➤ Administration	Director of Information Technology
➤ GIS	Director of Information Technology
13. Laboratory Services	WPC Laboratory Administrator
14. Legal	District Counsel
15. Maintenance	
➤ Administration	Director of Facilities
➤ Maintenance – Facilities & Electronic Maintenance	Assistant Facility Maintenance Superintendent
➤ Maintenance – Central equipment Maintenance	Fleet Superintendent
➤ Maintenance – Warehouse	Fleet Superintendent
16. Operations	Utility Maintenance Superintendent
17. Special Agreements & Programs	Manager of Budgeting
18. Taxes & Fees	Manager of Budgeting

Cost Center / Department	Department Contact
19. Water Pollution Control	
➤ Administration	Manager of Water Pollution Control
➤ Hartford	Manager of Water Pollution Control
➤ East Hartford	Water Pollution Supervisor
➤ Poquonock	Water Pollution Supervisor
➤ Rocky Hill	Water Pollution Supervisor
20. Water Treatment & Supply	
• Administration	Manager of Water Treatment & Water Supply
• West Hartford	Water Treatment Plant Operations Supervisor
• Bloomfield	Water Treatment Plant Operations Supervisor
• Facilities & Grounds	Senior Water Supply Maintenance Supervisor
• Collinsville	Assistant Manager of Water Treatment & Water Supply
• Watershed	Natural Resources Administrator
• Reservoir Ops	Hydroelectric Plant Supervisor
• Recreation	Senior Water Supply Maintenance Supervisor
21. Patrol	District Patrol Commander – Manager of Police Service

Description of Cost Center & Department Operations

Contingencies

The Contingencies appropriation is a set-aside for emergencies and other unanticipated expenditures that may arise during the year. The transfer of funds from Contingencies to cover expenditures requires prior approval of the Board of Finance and the District Board.

Debt Services

The Debt Service account provides funding for the payment of interest and principal due on outstanding water, sewer and combined bonded debt. In addition, this account reflects the cost of interest and note issue expense when paid directly from the operating budget.

District Board

By Charter, the affairs and policies of The Metropolitan District are governed by a Board of Commissioners (the District Board) composed of thirty-three members: seventeen appointed by the District's member municipalities (Bloomfield, East Hartford, Hartford, Newington, Rocky Hill, West Hartford, Wethersfield and Windsor); eight appointed by the Governor; four appointed by the leadership of the Connecticut General Assembly; and four appointed by the non-member towns.

The District Board has broad authority with regard to providing services for the region, including the creation, maintenance, extension and operation of public water and sanitary sewer systems; the authority to collect and dispose of refuse; and the operation and maintenance of resources recovery facilities. The Metropolitan District is also authorized to

construct, operate and maintain hydroelectric dams and to provide for the transmission, sale and distribution of the electricity produced by District hydroelectric facilities.

The establishment of policy and oversight of the administration is the responsibility of two major bureaus of the District Board – the Bureau of Public Works and the Water Bureau – and of the following Chartered or standing committees: the Board of Finance; Commission on Regional Planning; Community Affairs; General Policy and Planning; Internal Audit; MDC Government; Organization; Personnel, Pension and Insurance; and Farmington River Watershed Advisory.

Employee Benefits

The Employee Benefits account comprises costs which consists of contributions for employee medical insurance and other employee benefits. The District provides a comprehensive medical insurance program for all of its full-time employees, a major element of the fringe benefit package, and for retirees. The District provides a defined benefit pension program for all full-time employees. The pension plan requires employees to contribute a specified percentage of their weekly wages (excluding overtime) to the pension fund, while the District contributes the balance needed to maintain an actuarially sound fund. The District also provides annual longevity payments to long-term employees. In addition, this budget reflects the District's costs for Social Security and Unemployment Compensation Insurance.

Engineering & Planning

Engineering & Planning - Administration

The Administration activity headed by the Director of Engineering and Planning, is responsible for the overall management of the department's major activities: Diversity, Technical Services, Engineering Services, Construction Services and Survey & Inspection. In this role, Administration develops and administers department-wide policies and allocates available resources to maximize operational efficiency and assure achievement of departmental goals and objectives.

The Director is also directly involved in the day-to-day administration and management of the District's Capital Improvement Plan and the planning of additional, related improvements.

Engineering & Planning – Diversity

The Office of Diversity is responsible for the fair and vigorous enforcement of the District's anti-discrimination, employment and supplier/vendor diversity policies and practices and to promote cultural awareness, understanding and respect within the District's working environment.

Engineering & Planning – Survey & Inspection

The Survey & Inspection department is a part of the Capital Improvement Program.

Engineering & Planning – Engineering Services

The Survey & Inspection department is a part of the Capital Improvement Program.

Engineering & Planning – Construction Services

The Survey & Inspection department is a part of the Capital Improvement Program.

Engineering & Planning –Technical Services

The Survey & Inspection department is a part of the Capital Improvement Program.

Chief Executive Office

Chief Executive Office – Administration

The Chief Executive Officer is appointed by the District Board and is responsible for implementing the policies of the Board and for providing overall management of District programs and operations. As the Commission's primary policy advisor, the CEO provides staff support to the District Board and its bureaus and committees and also serves as the primary liaison between the District and various federal, state, regional and local officials and agencies: Compilation of meeting agendas and finalization of minutes; the coordination and control of Commission, bureau and committee meetings and public hearings; and management of the sewer and water assessment programs.

Chief Executive Office – Communication

The Communication Department is responsible for the development and implementation of communication and project outreach programs and distribution of materials designed to improve the way project information is relayed to the public as well as internally throughout the District. This group is responsible for the management of Community Outreach Liaison Teams which support Project Outreach in the communities where District projects are taking place. In addition, this unit is responsible for the development and distribution of various communication vehicles which include, but are not limited to, the District bill insert, newsletter, and TV program.

Chief Executive Office – Human Resources

The Director of Human Resources has oversight responsibility for all human resources functions including Education and Training; Employee Benefits Administration; Employee Relations and Human Resources Administration.

The Human Resources Department is responsible for providing a full range of human resources services to MDC employees at multiple work sites. Human Resources' core functions and responsibilities include: policy development; risk services; job design; classification and reclassification; recruitment and retention; forecasting and succession planning; training and staff development; compensation administration; employee relations and communication; performance management; strategic planning; Human Resources Information Systems (HRIS); benefits administration; complaint resolution; recognition efforts; and quality and process improvement initiatives.

Legal

The District's Legal Department is administered by District Counsel and supported by two Assistant District Counsels, Labor Counsel and Legal Counsel. District Counsel may appoint and use additional counsel on an as-needed basis.

Primary duties of the Legal Department include labor contract negotiations, preparation of legal agreements, representation of the District in administrative proceedings and litigation, the provision of legal advice, legislative review, and various other legal responsibilities, as required.

Information Technology

Information Technology - Administration

The Information Systems Department plans, develops, applies and sustains a District-wide client/server system for integrated information storage, communication and computing. IT provides technical support, user training/assistance, applications development and network management for all departments.

Information Technology - GIS Services

The GIS Services activity is responsible for the development, management and application of the District's Geographic Information System (GIS). The GIS database and its computer capabilities support all departments in the planning, design, operation and maintenance of the District's infrastructure. Additionally, the GIS activity plays a key role in implementing this technology in member towns by providing technical support and application development.

The GIS activity continues to update and publish a wide variety of highly detailed maps used by the general public and officials from the public and private sector, including the District's street and utility services, a reservoir trails map, and the MDC and Environs map.

Finance

Finance – Administration

The Finance Department's Administration unit is headed by the Chief Financial Officer, who is supported by a Director of Finance and Assistant to the Chief Administrative Officer. The Chief Administrative Officer is responsible for overseeing and directing all District fiscal management and planning programs, as well as the programs and activities of the Treasury; Procurement; Financial Control; Customer Service and Payroll; and Unit.

Finance – Financial Control

The Financial Control activity, administered by the Manager of Financial Control, comprises the following units: Administration, Accounts Payable, General Accounting.

The Financial Control activity is responsible for payroll accounting; accounts payable; accounts payable; fixed asset records; general ledger accounting; cost accounting; management analyses; external reporting; internal auditing; the sale of materials and used equipment.

Finance – Treasury

The Treasury activity, headed by the Manager of Treasury, comprises four units: Administration and Revenue Accounting.

The Manager of Treasury is directly involved in the administration of revenue and debt management, which includes cash management, revenue forecasting, and regulatory compliance.

Additional responsibilities include assessment billing; receivable collections; claims management; and billings.

Finance – Budget Unit

The budgeting activity is administered by the Manager of Budgeting and responsible for the annual budget process as well as budget reporting; grant accounting; and the development; analysis and monitoring of various budget programs.

Additional responsibilities include fixed asset analysis; the review of project appropriations; expenditures and business areas within The District, this includes revenue, expenditure forecasting and management analysis.

Finance – Procurement

The purchasing activity is administered by the Chief Administrative officer and is responsible for the procurement of goods and services at the lowest cost of ownership to support the operations of the Metropolitan District in compliance with our Charter and Ordinances, Local, State and Federal regulations.

Finance – Customer Service

See Also: Treasury Function

General Insurance

The General Insurance account encompasses the costs of insurance policies that provide coverage for the District structures and contents (excluding dams). Coverage includes protection against fire, earthquake, flood, vandalism and damage to specialized equipment. In addition, this account provides for coverage to insure District vehicles for fire, theft and vandalism while garaged. The Liability-Compensation insurance program provides funding for claims by the public for bodily injury or property damage resulting from District operations and for injury/illness claims by District employees.

In addition, this account supports the cost of specialty insurance coverage for commissioners and employees, machinery and performance indemnification, and the cost of service fees from insurance brokers, consultants, and providers of technical/specialized support. The Self-Insurance program was initiated in 1987, at which time the District began self-insuring workers' compensation claims. Starting in 1988, the program was expanded to include the property and liability areas. This account provides a contribution to the District Self-Insurance Fund for payments of claims anticipated during the coming year that fall within self-insured retention levels.

Operating Office

Operations

Operations – Administration

The Operations Administration unit is responsible for the overall administration and management of the various activities and special programs.

Operations - Systems Repair & Maintenance

The Systems Repair & Maintenance unit is primarily responsible for the emergency repair of all components of the water distribution and sewer collection systems. This unit is also responsible for all service connection water taps required by developers and contractors and utility relocation work required by Towns and the State.

The Hydrant Maintenance crews maintain more than 10,700 hydrants, flushes more than 1,465 miles of water mains, and provides assistance in addressing water system emergencies.

The Sewer Cleaning crews are responsible for the cleaning and the inspection of more than 1,250 miles of pipes in the sewer collection system and 5,800 catch basins in Hartford's combined system. Additionally, Gate and Regulator Maintenance crews are responsible for more than 30,200 gates (valves), 36 regulators, 100 check valves, manholes, and other system appurtenances.

The Meter Installation and Repair crews are responsible for installing, testing and repairing larger water meters, providing turn-off and turn-on services for customers, investigating leaks, assisting in major shutdowns, and handling emergency pumping.

Environment, Health & Safety

Environmental, Health & Safety – Administration

The District's Environment, Health & Safety (EH&S) Department is responsible for the management and administration of environmental, health, and safety programs and activities on a District-wide basis. The Environment, Health & Safety Department is responsible for OSHA compliance, environmental permits and Consent Order compliance, safety training, environmental reporting and the Household Hazardous Waste Program.

Environmental, Health & Safety – Household Hazardous Waste – District & Non - District

The Household Hazardous Waste (HHW) program provides member towns and non-member towns with hazardous waste collection and disposal services via a regional collection program. A qualified, licensed hazardous materials-handling firm, under contract to the District, provides collection and disposal services. Staff's duties include planning, scheduling, contract administration, collection day supervision, business development, advertising and coordination of the program.

Command Center

Command Center – Administration

The Command Center, previously titled Customer Services, is headed by the Manager of Command Center, oversees the Administration activity.

The Command Center is responsible for responding to all customers related emergencies as well as shift operations for emergency standby.

Command Center – Utility Services

Working out of the District's Maxim Road Facility, the Utility Services activity is responsible for the FOG program, permitting and inspection of all new connections to the District's sewage collection and water distribution systems. Field inspectors prepare detailed records of each connection, including sketches of underground service piping, which are used by District forces and/or private contractors when repairs are needed. Utility Services is also responsible for the maintenance of facility records and the associated task of marking out underground facilities as mandated under Connecticut's "Call Before You Dig" program. Utility Services also assists in handling inquiries and complaints through on-site investigations of services and main line facilities. Office staff reviews plans for proposed residential, commercial, and industrial water and sewer connections. In addition, the activity tracks private contractor licenses, insurance and bonding, and enforces District ordinances regarding permitting requirements for both water and sewer.

Utility Services also coordinates services such as private fire hydrant maintenance, water meter installation, dye testing and investigations. In addition, the activity is responsible for the coordination and design of the relocation or adjustment of District facilities necessitated by Connecticut Department of Transportation highway projects, as well as member town road construction projects.

Laboratory Services

Laboratory Services – Administration

The Administration activity is responsible for the overall administration and management of the various activities and special programs that comprise the Laboratory Services department.

Laboratory Services – Operations

Laboratory Services-Operations is responsible for the laboratories at Reservoir #6 and Hartford Water Pollution Control Facilities.

The Reservoir #6 Laboratory is responsible for the extensive testing and analysis of the District's raw water, water in various stages of treatment, and treated water throughout the distribution system, in accordance with State and Federal requirements. Duties of the laboratory unit include the physical, chemical and biological testing of water samples, the preparation of reports for various regulatory agencies, and the preparation of special reports in response to problem or complaint investigations, and compliance testing to maintain State certification requirements. The Reservoir #6 Water Treatment Facility is the site of the District's water treatment laboratory that enables District staff to undertake additional and more sophisticated water quality testing. Recent security measures have resulted in additional testing requirements on the laboratory.

The Laboratory, located at the Hartford Water Pollution Control Facility, is responsible for testing samples of wastewater and sludge from various locations throughout the Hartford facility and the District's other Water Pollution Control Plants. Biological testing on samples from the District's four WPC facilities is done at the Hartford laboratory, as is the testing and monitoring of septic tank deliveries and sludge from non-member towns.

The routine sampling and testing of wastewater and sludge is performed at the East Hartford, Rocky Hill and Poquonock facilities under the direction of each plant's supervisor. More sophisticated testing, such as ammonia and other nitrogen species, oxygen demand and fecal coliform testing as required by National Pollutant Discharge Elimination System (NPDES) permits, is performed at the Hartford laboratory facility. Special testing on sewage/sludge samples and DEEP-approved industrial wastes is performed as required.

Brainard Road laboratory staff provides process control support and guidance for all WPC facilities. The staff also supports the WPC Administration on environmental issues, reviews industrial NPDES permit applications, advises on sludge processing services, monitors odor emissions, and provides technical assistance for research and development on special projects.

Water Pollution Control

The Water Pollution Control (WPC) activity is responsible for the processing and treatment of wastewater that flows into the District's East Hartford, Hartford, Poquonock and Rocky Hill facilities. Treatment is accomplished in accordance with the standards of National Pollutant Discharge Elimination System (NPDES) permits issued by the Connecticut Department of Energy and Environmental Protection (DEEP).

WPC – Administration

The Water Pollution Control (WPC) activity is responsible for the processing and treatment of wastewater that flows into the District's East Hartford, Hartford, Poquonock and Rocky Hill facilities. Treatment is accomplished in accordance with the standards of National Pollutant Discharge Elimination System (NPDES) permits issued by the Connecticut Department of Energy and Environmental Protection (DEEP).

WPC – Hartford

The Hartford Water Pollution Control unit is responsible for the primary and secondary treatment of wastewater that flows directly into the Hartford Water Pollution Control Facility (HWPCF) from Bloomfield, Hartford, Newington, West Hartford, and parts of Wethersfield and Windsor, as well as sludge delivered via force mains from the East Hartford and Rocky Hill facilities. Sludge from the Poquonock facility in Windsor is delivered by tanker truck.

The HWPCF also receives septic tank loads from member and non-member towns and sludge from the towns of Simsbury, Southington, Suffield, Windsor Locks, South Windsor, Enfield, Coventry, New Hartford and Plainfield, and other facilities on a spot market basis.

Operational procedures at the plant include grit and screenings removal, wet weather pumping/storage, primary sedimentation, aeration for the biological breakdown of sewage,

final clarification, effluent disinfection during the summer months, and thickening, dewatering, and incineration of sludge. Plant effluent pumping is performed when Connecticut River levels are elevated. This activity also handles routine maintenance/repair of its equipment and structures.

The HWPCF operates with three shifts, seven days per week, for all treatment processes, including primary, secondary, thickening, dewatering, and incineration will also include waste heat recovery for electricity production.

WPC – East Hartford

The East Hartford Water Pollution Control unit is responsible for the primary and secondary treatment of wastewater that flows into the East Hartford Water Pollution Control Facility (EHWPCF) from East Hartford and small sections of South Windsor and Manchester. Ongoing procedures at the facility include screening, grinding, grit removal, primary sedimentation, aeration for the biological breakdown of sewage, final clarification, effluent disinfection (chlorination during the summer), flow measurement, and pumping of removed solids to the Hartford facility for processing. Plant effluent pumping is performed when Connecticut River levels are elevated. This sub-activity also is responsible for the routine maintenance and repair of its equipment and structures. Basic laboratory testing is performed on site daily. The facility is staffed on a one-shift, five-day-a-week basis with scheduled facility checks on weekends and holidays.

WPC – Poquonock

The Poquonock Water Pollution Control unit is responsible for the primary and secondary treatment of wastewater that flows into the Poquonock Water Pollution Control Facility (PWPCF) from northern Windsor, Bradley International Airport and part of East Granby. Ongoing duties and procedures include grit removal, primary sedimentation, operation of trickling filters for the biological breakdown of sewage, final clarification, flow measurement, effluent disinfection and the operation of the sludge digestion tanks. Poquonock is also responsible for the routine maintenance and repair of facility equipment and structures. Basic laboratory testing is performed on site each weekday. The facility is staffed on a one-shift, five-day-a-week basis with scheduled facility checks on weekends and holidays.

WPC – Rocky Hill

The Rocky Hill Water Pollution Control unit is responsible for the primary and secondary treatment of wastewater that flows into the Rocky Hill Water Pollution Control Facility (RHWPCF) from Rocky Hill (all but the southwest corner tributary which flows to the Mattabassett District) and portions of Wethersfield, Newington and Cromwell. Ongoing procedures at the facility include flow measurement, screenings grinding, grit removal, primary sedimentation, aeration for biological breakdown of sewage, final clarification, effluent disinfection (chlorination during the summer) and the pumping of removed solids to the Hartford facility for processing. Storm water collected inside the facility's flood protection dike is pumped back to the Connecticut River when river levels return to normal. The Rocky Hill sub-activity is also responsible for the routine maintenance and repair of

facility equipment and structures. Basic laboratory testing is performed on site on a daily basis. The facility is staffed on a one-shift, five-day-a-week basis with scheduled facility checks on weekends and holidays.

Maintenance

The Maintenance cost center is a non-revenue generating business unit responsible for repairs and maintenance of district properties, plants, and equipment.

The Maintenance activity is responsible for repairing and maintaining all District buildings and grounds, building systems' process equipment and machinery at plants and pump stations, and all District radio and instrumentation equipment as well as operations of pump stations, stand-pipes, water storage, and reservoirs.

Maintenance – Administration

The Manager of Maintenance is responsible for the planning and scheduling of the preventive maintenance for, as well as the repair of, equipment, vehicles and District-wide structures. The Maintenance Administration unit is staffed by the Manager of Maintenance.

Maintenance – Facilities & Electronic Maintenance

The Facilities and Electronic Maintenance sub-activity is responsible for the operation and maintenance of 17 water pump stations, 71 wastewater pump stations, 7 storage tanks, 3 standpipes, and 3 distribution reservoirs. Other responsibilities include: maintaining and repairing machinery equipment and process systems at the District's water and wastewater treatment facilities; fabrication and machining of materials and parts needed to carry out repairs; and maintenance and updating of electrical system services and equipment on a District-wide basis.

Facilities and Electronic Maintenance is also responsible for major repairs and maintenance associated with the structures and facilities at the District's water and wastewater treatment plants, Headquarters, and other structures of the District (excluding the water supply facilities). Duties include repairing windows, walls, doors, roofs, floors, office renovation, and yearly inspections of all District facilities as part of long-range planning responsibilities.

This sub-activity also handles the repair, maintenance and updating of all electronic systems, devices and equipment located at plants, pump stations and other structures of the District, as well as the maintenance of communication equipment and the District's radio-based pump station alarm system.

Maintenance – Facilities Administrative Maintenance

The Administrative Facilities Maintenance program addresses all maintenance and repair tasks associated with the District's Headquarters Building at 555 Main Street as well as 125 Maxim Road, 60 Murphy Road and 235 Brainard Road, Hartford. The unit's responsibilities include operation and maintenance of the building's heating, ventilation and air conditioning systems; building and grounds maintenance; electrical and plumbing maintenance, custodial services, security services and interior renovations and painting.

Maintenance – Central Equipment Maintenance

Central Equipment Maintenance (CEM) is responsible for fleet repair and maintenance, repair and maintenance of various stationary engines located in plants and pump stations, and engine-driven, pneumatic, hydraulic, and electrical tools and equipment used throughout the District. CEM also supports other functions and activities through its welding/fabricating shop, both in the shop and at remote locations. In addition, CEM is responsible for the operation, maintenance, repair and housekeeping of the Vehicle Maintenance Facility (VMF) at 50 Murphy Road, Hartford.

Maintenance – Warehouse

The Warehouse department is responsible for managing the sewer and water inventories, which includes spare parts, miscellaneous materials and capital spare parts.

Water Treatment & Supply

WTS – Administration

The Water Treatment Administration activity, which is headed by the Director of Water Treatment and Supply, oversees the following activities: Water Treatment, which includes the West Hartford and Bloomfield Water Treatment Facilities and Water Supply, which includes the Watershed Management, Reservoir Operations and Maintenance.

The Water Supply Administration sub-activity oversees the operation and maintenance of the District's supply reservoirs, dams, natural resources (timber, gravel, wildlife), watershed land and transmission pipelines. Four sub-activities - Watershed Management, Reservoir Operations and Maintenance - comprise this unit. In addition to managing the water supply and transmission system, the unit is responsible for monitoring and managing Farmington River flow releases; hydroelectric power generation at the Goodwin Dam; the Collinsville Water Treatment Facility; and watershed security.

Water Treatment

Water Treatment – West Hartford

The Water Treatment, West Hartford, sub-activity is responsible for the West Hartford Treatment Facility, an operation that involves the daily treatment of more than 40 million gallons of water; the washing and maintenance of slow sand filter beds; the maintenance of equipment.

Water Treatment – Bloomfield

The Water Treatment Bloomfield sub-activity is responsible for the operation of the Bloomfield (Reservoir No. 6) Water Treatment Facility. This operation includes the daily treatment of more than 15 million gallons of water, backwashing and maintenance of rapid sand filter beds, and maintenance of grounds, equipment, buildings and other structures.

Water Treatment – Facilities & Grounds Maintenance

The Water Treatment Facilities & Grounds Maintenance sub-activity is responsible for the lands adjacent to the watershed areas (including roads and grounds) associated with the series of reservoirs in West Hartford and Bloomfield.

Water Treatment – Collinsville

The Water Treatment, Collinsville sub-activity, is responsible for the treatment of approximately 460,000 gallons per day of water that is provided to the Connecticut Water Company's Collinsville division pursuant to an agreement. The operation includes treatment of water, backwashing and maintenance of the filtration system and maintenance of the treatment equipment and building structure.

Water Supply

Water Supply - Watershed Management

The Watershed Management unit is responsible for protecting the health of the public water supply watershed lands that drain to the MDC's drinking water supplies and managing MDC's land holdings and natural resources, including forests, wildlife, water, and sand and gravel in order to maintain safe and optimum sources of water supply. Duties include developing and implementing sustainable forestry and wildlife management practices on MDC lands, planning and overseeing timber harvesting operations, supervision of contract loggers, implementing erosion and sediment controls, conducting the annual Watershed Inspection Program to prevent potential sources of pollution on non-MDC owned watershed lands, making recommendations for the acquisition of watershed land, overseeing enforcement of environmental laws and regulations to protect water quality, conducting reservoir and stream sampling, and implementing emergency spill response. In addition, personnel conduct various forestry and watershed protection educational programs and projects.

Water Supply - Reservoir Ops

The Reservoir Operations and Maintenance unit operates and maintains water supply reservoirs, dams, raw water transmission pipelines, pump stations and tunnels, service roads, hydroelectric power facilities and recreation facilities. The unit is also responsible for balancing reservoir levels and control of water releases to the Farmington River. The unit performs emergency spill response to protect the reservoirs. The unit maintains District lands and the associated roads, bridges, fences, signs, and performs construction duties as required. The unit provides plumbing, electrical and maintenance support to the Water Treatment Department as needed.

Water Supply - Recreation

The Recreation unit is responsible for the operation and maintenance of the Lake McDonough Recreation Area during the summer recreation season. The unit maintains the grounds, reservoir levels, roads, beaches, boat house and restroom facilities and works closely with the Patrol Department and Summer Recreational staff.

Patrol

Patrol - Administration

Patrol is responsible for the security and surveillance of the District's water supply reservoirs, dams, water treatment facilities, watershed and some non-watershed lands (including land open to the public for recreation), and roadways in and adjacent to District properties. Patrol is responsible for the enforcement of MDC ordinances and state and local laws, as well as fish

and game, boating and motor vehicle regulations. When requested, District patrol officers assist State and local police. Officers undergo a training program mandated by State law and comply with all State requirements for law enforcement personnel with special police powers. Security forces will continue to focus on security issues to a greater degree in light of world events.

Patrol – Recreation

The Recreation unit is responsible for the supervision of swimming, boating and traffic control at Lake McDonough during the summer recreation season. Specific responsibilities include: lifeguard duties, ticket sales, boat rentals and launching, record keeping, radio communication, report writing, assisting in the upkeep of the area, and supervision of parking. The Recreation unit works closely with Water Supply and Patrol –Administration to provide safe and enjoyable recreational activities at Lake McDonough.

Hydroelectric

Hydroelectric – Goodwin

The MDC's Goodwin hydroelectric power facility is located at the Goodwin Dam in Hartland, Connecticut. A "run-of-the-river" facility, the Goodwin hydro facility operates 24-hours per day provided there are sufficient river flows to generate power. During a typical operating year, Goodwin generates approximately 12,500,000 kilowatt-hours of electricity, enough power to serve 2,000 homes for one year.

Hydroelectric – Development

The Hydroelectric Development budget reflects allocations of hydro revenue apart from the direct expenses associated with the operation of the Goodwin and Colebrook projects. Most significant of these allocations is the amount to be contributed, when available, to the General Fund, which will lower the tax on member municipalities.

Special Agreements & Programs

The Special Agreements and Programs budget reflects the costs of special agreements and certain consultant engagements, and other activities not allocated to departmental budgets.

Taxes & Fees

The District annually pays taxes on property it owns in several non-member towns, including Avon; Barkhamsted; Burlington; Colebrook; Farmington; Glastonbury; Hartland; New Hartford; Manchester; Simsbury; Granville, MA; Sandisfield, MA; and Tolland, MA. These properties are primarily used as controlled watershed areas necessary to protect the quality of water that flows into the District's supply reservoirs.

E. Commodity Letter Sample



THE METROPOLITAN DISTRICT

To: Department Managers and Directors
 From: Kelly Shane, Chief Administrative Officer

Subject: Projected Costs for Common Commodities and Service Contract Pricing for 2020 Budgeting Purposes

The following pricing for 2020 is provided based on inflation, current market conditions, current contracts in-place, and/or recent market research performed. These estimated costs for Fiscal Year 2020 should be considered when preparing your 2020 departmental budgets.

Unit Pricing	Actual	Estimate	Unit	Contract/ Vendor
	2019	2020		
Regular Gasoline	\$2.08 (avg. to date)	\$2.20	Gallon	State Contract/ Dime Oil
Diesel Fuel	\$2.16 (avg. to date)	\$2.30	Gallon	State Contract/ East River Energy
Motor Oil (Per Quart)	\$7.36	\$7.73	Quart	Market Rate/ CEM
Electricity – Rates (Includes both Generation and Delivery) +				
HWPCF Only	$\$0.0602 + 0.0542$ = \$0.1144	$\$0.0602 + 0.0580$ = \$0.1182	KWh	Contract 2017R- 17/ Constellation + Market Rate/ Eversource
Other Sites	$\$0.0718 + 0.0938$ = \$0.1656	$\$0.0718 + 0.0980$ = \$0.1698	KWh	Contract 2017R- 17/ Constellation + Market Rate/ Eversource
Natural Gas (Includes both Generation and Delivery)+				
Large Facilities (HWPCF, 125 Maxim Rd.)	\$0.2398	\$0.2450	CCF	Contract 2018R- 23/ Direct Energy + Delivery/CNG
Medium Facilities (Brainard Rd, Satellite WPCs)	\$0.9611	\$0.9800	CCF	Market Rate/ CNG
Small Facilities (Pump Stations)	\$1.2242	\$1.2400	CCF	Market Rate/ CNG
Office Supplies, (including toner for stand- alone printers)	Department Budget	No Increase	N/A	State Contract/ Suburban Stationers
Uniform Rentals and Mat Rentals	See Pages #2/3	See Pages #2/3	N/A	MDC Agreement/ Unifirst
Custodial Services	See Page #2	See Page #2	By Location	Current Contract expires Dec 2019
Chemicals:				
a. Sodium Hydroxide (2018B-30)	\$2.09	\$2.25	Gallon	MDC/ Univar
b. Hydrofluosilicic Acid (2018B-31)	\$1.87	\$1.89	Gallon	MDC/ Borden & Remington Corp.
c. Sodium Hypochlorite (2018B-29)	\$0.78	\$0.81	Gallon	MDC/ New Haven Chlor-Alkali
d. Orthophosphates (2018B-28)	\$4.47	\$4.93	Gallon	MDC/ Shannon Chemical Corp.
e. Aluminum Sulfate (2018B-35)	\$0.91	\$0.95	LB	MDC/ Holland Company, Inc.

G. Annual Budget Process Calendar

MDC Annual Budget Process Calendar

- Version 2 – Excel Document



MDC Annual
Budget Process Calendar

Annual Budget Process Calendar Metropolitan District

January		February		March		April	
		2/6	Prior-Year Budget Process Post-Mortem Analysis Completed and Results Distributed [Meeting with stakeholders]				
		2/10	Incorporate Updates/Changes to MDC Budgetary into Policy & Procedure Guide				
		2/13	Submit Policy & Procedure Revisions to CFO for Approval of Revisions				
Routine Reporting Activities		Routine Reporting Activities		Routine Reporting Activities		Routine Reporting Activities	
1/10	Prior Month Variance Analysis Completed	2/10	Prior Month Variance Analysis Completed	3/10	Prior Month Variance Analysis Completed	4/10	Prior Month Variance Analysis Completed
1/13	Operations Touchpoint Meetings to go over Variance Analysis	2/13	Operations Touchpoint Meetings to go over Variance Analysis	3/13	Operations Touchpoint Meetings to go over Variance Analysis	4/13	Operations Touchpoint Meetings to go over Variance Analysis
		2/15	Q4 Analytics Package Completed and Distributed to Key Stakeholders			4/15	Q1 Analytics Package Completed and Distributed to Key Stakeholders
		1/17	Q4 Meeting with Operations (Department Leads) to go over Reporting Package			4/17	Q1 Meeting with Operations (Department Leads) to go over Reporting Package
		1/19	Q4 Meeting with Executive Meeting (Senior Management) to go over Reporting Package			4/19	Q1 Meeting with Executive Meeting (Senior Management) to go over Reporting Package
		1/27	Q4 Meeting with District Board Meeting to go over Reporting Package			4/27	Q1 Meeting with District Board Meeting to go over Reporting Package
Meetings/ Other Key Dates		Meetings/ Other Key Dates		Meetings/ Other Key Dates		Meetings/ Other Key Dates	
1/6	District Board	2/10	District Board	3/2	District Board	4/6	District Board
		2/19	Board of Finance				

May		June		July		August	
5/15	Obtain Corporate Guidance Developed for Caps on Head Count, One Time Events, New District Board Mandated Initiatives	6/22	Commodity Letter Obtained from Procurement	7/5	Complete Town Hall Management Deck of Completed CIP Projects and Rates for CEO presentation	8/3	Town Hall Meeting
5/15	Personnel & Labor Guidance Develop a 52 week Payroll Forecast for the Upcoming Budget Year by Senior Management, HR, and Budget Departments (rates based on 4yr contract expiring 2022)	6/22	Manager Kickoff Meeting: To communicate global assumptions or guidance which should be Incorporated into each Department's Appropriations Request, Corporate Guidelines & Budget Template Instructions, Budget Template Share Drive Link (Excel for Projecting the Balance of the Current Year as well as the Proposed Budget for Next Year)	7/27	Payroll Worksheets Due	8/1	Budget Department Reviews Department Budget Submissions for Accuracy and a +/- 5% Variance Threshold for Questioning
5/15	Templates Prepped for Budget Kickoff Meeting	6/22	Budget Templates Distributed to each Stakeholder	7/27	Departmental Budgets Due to Manager of Budget for Consolidation into Financial Schedules used for the Proposed Budget Submission (Is it more feasible to receive the department budgets end of July or Aug10 to give the departments more time to prepare their budgets?)	8/10	Senior Management Review of Positions
		6/20	Begin Preparation of Town Hall Management Deck with input from Engineering of Completed CIP Projects and Work with CEO to Set the Rates			8/24	Senior Management Review of Budget Draft
						8/15	E&P Submission Review to Determine Recommended Projects Spreadsheet with Budget Reviewed by Senior Management (Engineering, CFO, Finance, and Treasury) for Approval
						8/17	Recommended Projects Spreadsheet is Submitted to CEO for Approval
						8/29	Complete the Consolidation of the Budget Book Including CIP
<u>Routine Reporting Activities</u>		<u>Routine Reporting Activities</u>		<u>Routine Reporting Activities</u>		<u>Routine Reporting Activities</u>	
5/10	Prior Month Variance Analysis Completed	6/10	Prior Month Variance Analysis Completed	7/10	Prior Month Variance Analysis Completed	8/10	Prior Month Variance Analysis Completed
5/13	Operations Touchpoint Meetings to go over Variance Analysis	6/13	Operations Touchpoint Meetings to go over Variance Analysis	7/13	Operations Touchpoint Meetings to go over Variance Analysis	8/13	Operations Touchpoint Meetings to go over Variance Analysis
				7/15	Q2 Analytics Package Completed and Distributed to Key Stakeholders		
				7/17	Q2 Meeting with Operations (Department Leads) to go over Reporting Package		
				7/19	Q2 Meeting with Executive Meeting (Senior Management) to go over Reporting Package		
				7/24	Q2 Meeting with District Board Meeting to go over Reporting Package		
<u>Meetings/ Other Key Dates</u>		<u>Meetings/ Other Key Dates</u>		<u>Meetings/ Other Key Dates</u>		<u>Meetings/ Other Key Dates</u>	
5/4	District Board	6/1	District Board to Execute & Deliver Project Loan & Grant; Provide Assessment Rates	7/13	District Board	8/3	District Board
5/27	Board of Finance			7/15	Non-Member Town Hall Meeting of list of Completed CIP Projects and Discuss Rates		Board of Finance

September		October		November		December	
9/17	Placeholder: Draft Budget Book Including CIP is Submitted for Print	10/1	Placeholder: Print Finalized Budget Book (confirm with Victoria)			12/10	Submit Questionnaire to Budgetary Stakeholders about the Pain Points or Bottlenecks Encountered/Observed during the Annual Budget Preparation Process
Routine Reporting Activities		Routine Reporting Activities		Routine Reporting Activities		Routine Reporting Activities	
9/10	Prior Month Variance Analysis Completed	10/10	Prior Month Variance Analysis Completed	11/10	Prior Month Variance Analysis Completed	12/10	Prior Month Variance Analysis Completed
9/13	Operations Touchpoint Meetings to go over Variance Analysis	10/13	Operations Touchpoint Meetings to go over Variance Analysis	11/13	Operations Touchpoint Meetings to go over Variance Analysis	12/13	Operations Touchpoint Meetings to go over Variance Analysis
		10/15	Q3 Analytics Package Completed and Distributed to Key Stakeholders				
		10/17	Q3 Meeting with Operations (Department Leads) to go over Reporting Package				
		10/19	Q3 Meeting with Executive Meeting (Senior Management) to go over Reporting Package				
		10/23	Q3 Meeting with District Board Meeting to go over Reporting Package				
Meetings/ Other Key Dates		Meetings/ Other Key Dates		Meetings/ Other Key Dates		Meetings/ Other Key Dates	
TBD	First Town Meeting	TBD	Second Town Meeting	11/4	District Board Meeting	12/7	District Board Meeting
TBD	First Board of Finance Meeting	TBD	Second Board of Finance Meeting	11/9	District Board Refers Budget to Board of Finance		
9/2	District Board Meeting	10/5	District Board Meeting	11/16	Water Bureau Meeting		

Color Legend

Obtained from MDC's 2021 timeline

Proposed/ Process to be confirmed with MDC BGT team

Capital Improvement Program

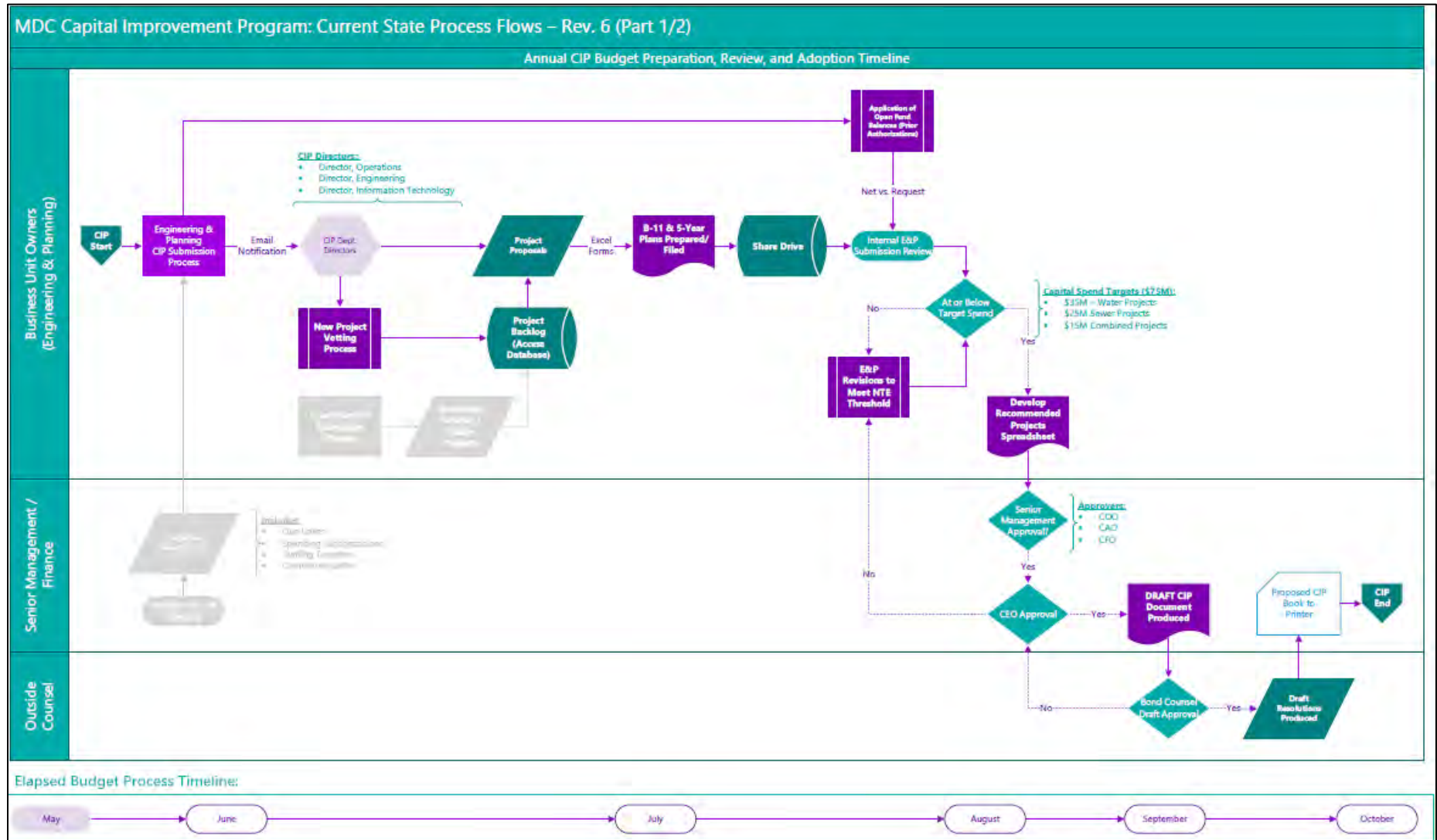
H. Process Flow Charts

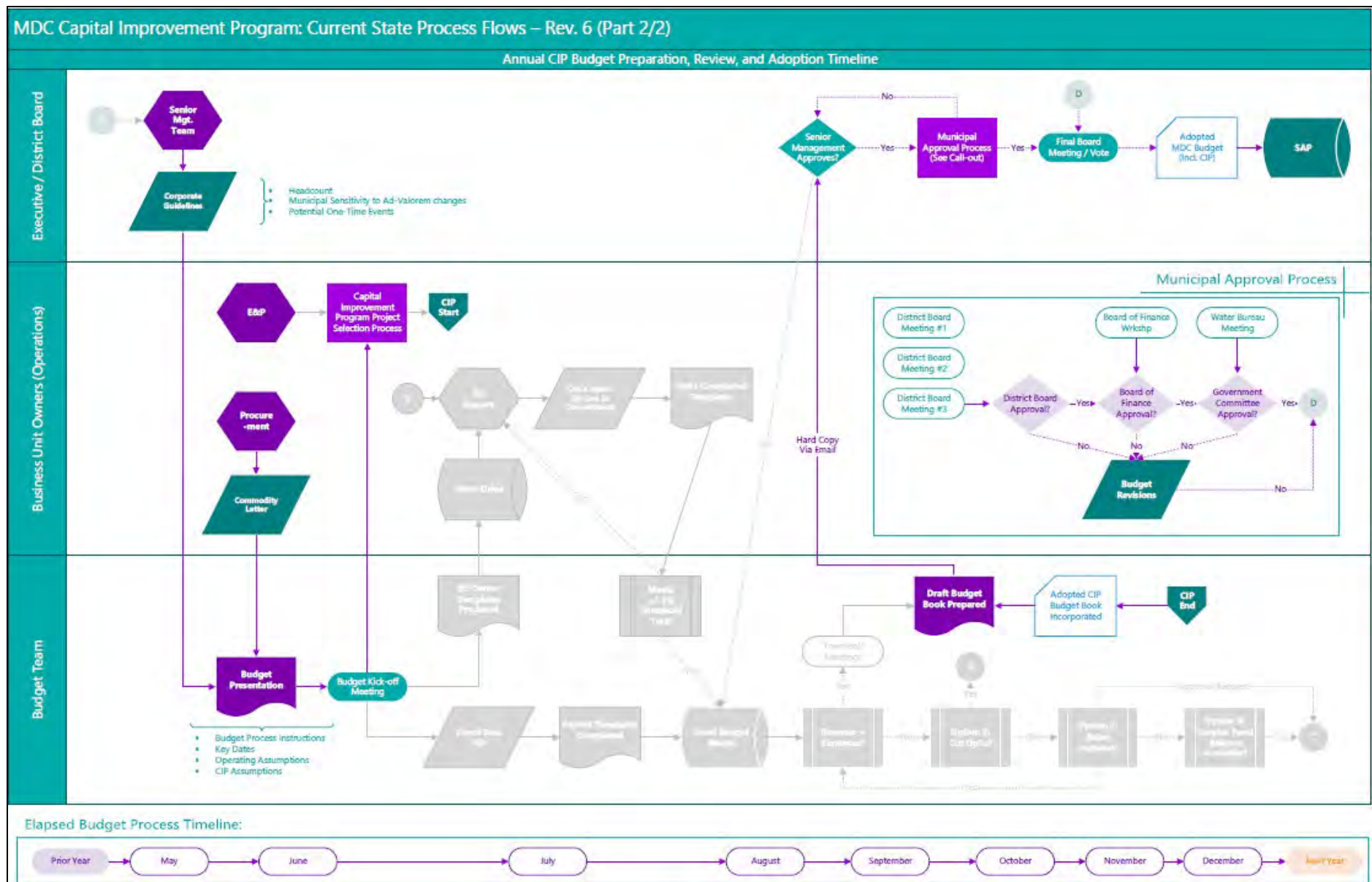
MDC Capital Improvement Program Process Flow

- Version 6 – PDF Document



MDC Process Flow -
Budget Optimization \



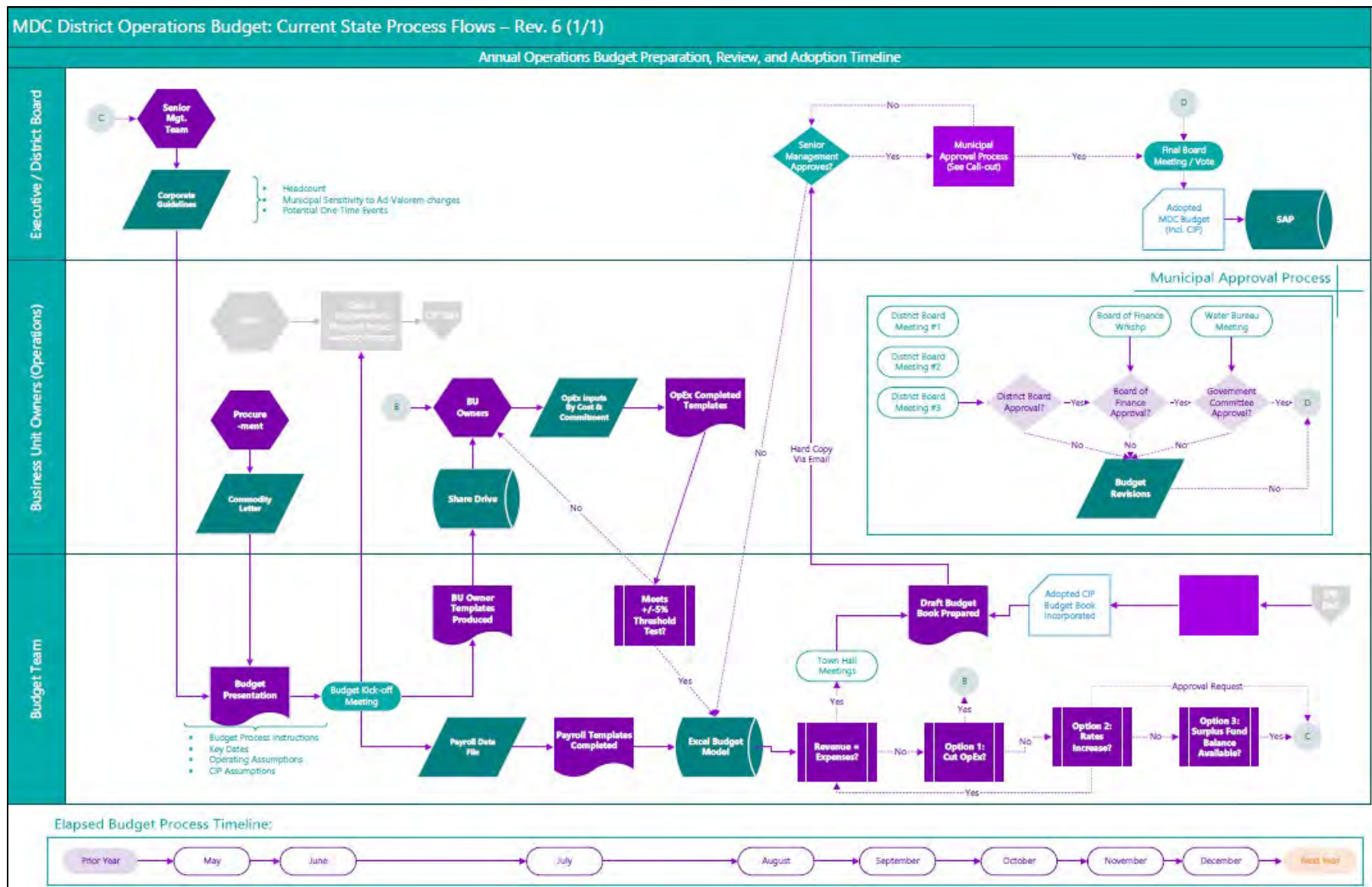


MDC District Annual Operating Budget Process Flow

- Version 6 – PDF Document



MDC Process Flow -
Budget Optimization \



I. Budget Forms & Templates [MDC to insert examples]

Administrative

- Budget Department – Roles & Responsibilities Department

Operating Budget

- Department Annual Operating Expense Templates

Capital Improvement Program

- Form B-11
- 5-Year Project Cashflow Projection

Budget Reports & Templates [Placeholder]

Budget Preparation Templates

- Department Budget Input Templates

Monthly Reports

- Monthly Variance Analysis – YTD/QTD/MTD – Budget vs. Actual

Quarterly Reports

Executive Dashboards

District Board Reports

Further Reference Materials

The Metropolitan District Website (www.mdc.org)

As a public utility, the following District & Board-related documents are public domain and can be referenced on-line:

District Board Organization & Composition

- Current Board Members
- Bureaus & Committees, Board Member Assignment
- Board Meeting Schedule
- Board Meeting Agendas, Notices, and Minutes; including meeting recordings.
- Public Hearing Agendas & Notices
- District Charter, Ordinances, and By-Laws
- Board Meeting Calendar
- Agendas & Meeting Minutes

The Metropolitan District Organization & Financial

- Current Leadership Team
- Comprehensive Annual Financial Reports
- Federal Single Audit Reports
- District Operating Budgets
- District Capital Improvement Plan Budgets
- Official Statements
- Legislative Filings

J. Revision History

Revision	Prepared/Edited By	Transition Date	Effective Date	Revision Notes
1.0	CohnReznick LLP	TBD	01/01/2020	Initial version prepared by CR in consultation with Budget (Operations Budget) and E&P (Capital Improvement Program).
2.0	Lisa Remsen	1/29/21	1/29/21	Corrections/Modifications



The Metropolitan District
Hartford, Connecticut

POLICIES AND PROCEDURES

General Accounting and Monthly Close Process

Abstract

This document codifies the policies and procedures of The Metropolitan District with respect to its General Accounting and Monthly Close Process. Proprietary and Confidential.

POLICY EFFECTIVE DATE: 01/01/2020

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1. Overview

The Metropolitan District ("MDC") is a municipal corporation chartered by the Connecticut General Assembly in 1929 to provide a complete system of water supply, sewage collection and disposal facilities for its member municipalities and certain non-member municipalities on a regional basis. The mission of the MDC is to provide customers with safe, pure drinking water, environmentally protective wastewater collection and treatment and other services that benefit the member towns.

MDC implements this General Accounting Policies ("Policy") Manual to outline the internal operations of the Finance Department (Finance). The primary purpose is to document financial reporting procedures as it relates to the Controller's Group. MDC prepares annual financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as issued by the Governmental Accounting Standards Board (GASB).

MDC generates financial information on a fiscal year cycle beginning on January 1 and ending on December 31st. The financial statements are prepared on both on a full accrual (revenue is recognized when earned and expenses are recognized when the obligation is incurred) and modified accrual basis (revenue is recognized when available and measurable and recognize expenditures when incurred) of accounting. Consequently, it is the responsibility of the Chief Financial Officer (CFO) to ensure compliance with the Accounting Policy. It is also the responsibility of CFO, working with the members of the Finance Department, to maintain and update these procedures, as necessary.

2. Finance Organization

2.1 Controllers' Group Functions

The broader Finance organization is comprised of the Treasury, Controller's Group, and Budget Departments. Each department has oversight of its respective functional areas and coordinates together for the purposes of preparing internal and external reporting, including but not limited to: Annual Audited Financial Statements, Annual Budget, and other ad-hoc financial reports.

The primary focus of this document is the Controllers' Group, which is outlined in the figure below.

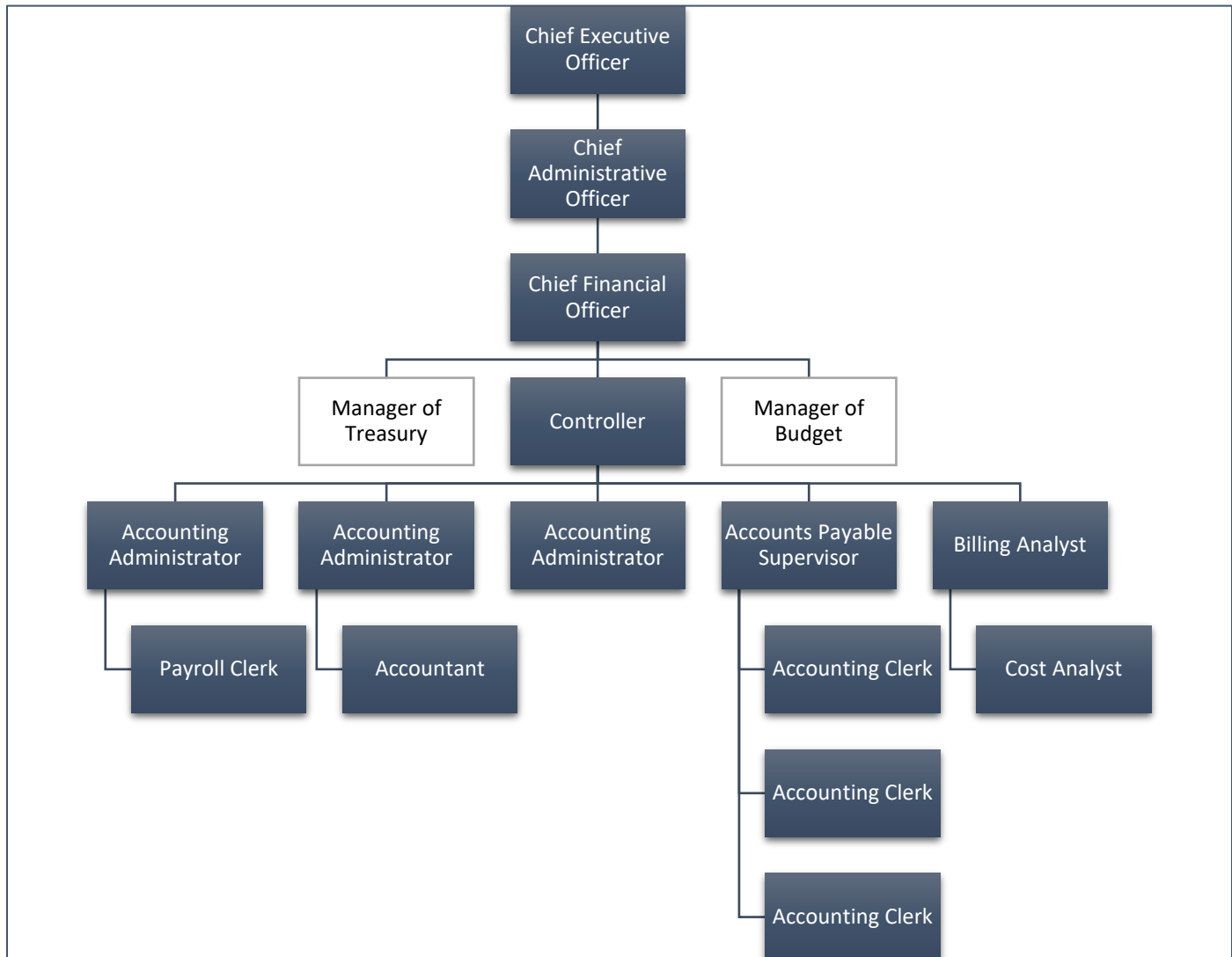


Figure 1 - General Accounting Organization Structure – As of 1/1/2020

3. Policies & Procedures

3.1 Delegation of Authority

Pursuant to Section 7-148(c)(1)(A) & (B) of the Connecticut General Statutes, Section 1-2f of the Compiled Charter of the Metropolitan District (the "MDC"), and by the authority granted to the Chief Executive Officer for the Metropolitan District under Section B2d of the By-Laws of the District Board of The Metropolitan District (the "Board"), the following corporate matters will require formal approval from the Board, except as otherwise indicated in the matrix below.

These authorizations will be in addition to other internal financial controls put in place by the District's executive-level employees, and / or the District's independent auditors.

- Borrowing money (other than periodic draws and pay-downs of revolving credit, or equivalent, facilities, in the ordinary course of business).
- Pledging assets of the MDC to secure an obligation.
- Real estate transactions committing the MDC to contracts to purchase or sell land or real estate.
- Budgets: The Board will approve an Annual Budget as well as an Annual Capital Improvement Program.
- Capital expenditures require Board approval for expenditures that are not included in the Board-approved Annual Capital Improvement Program.
- Employment arrangements and the adoption of new benefit plans require Board approval.
- Insurance matters require Board review in conjunction with each annual audit.

The Delegation of Authority Matrix provides a description of MDC's corporate signing authority matrix. The document identifies by business process, the MDC staff member(s) who have authority to sign on behalf of the MDC (collectively, "authorized signatories"), and limits the maximum amount of that signing authority.

[Delegation of Authority Matrix continued on next page]

Function/ Description	By-Law / Charter §	Authorized Signatories	Authority Limits
CASH MANAGEMENT			
Bank Account Set-Up	BL-§B2.i	Fiscal Officer/Treasurer & CEO sign w/ bank	All Values
Check Signing (Manual) ⁽¹⁾	BL-§B5.b	Fiscal Officer/Treasurer	All Values

Wires	N/A	Treasury Initiates/ Release	<=\$250,000	
	N/A	Treasury Initiates/ Release	> \$250,000	
Credit Card Account Set up	BL-§B2.i	Fiscal Officer/Treasurer & CEO	All Values	
Expense reports/ T&E/ Miscellaneous	N/A	Business Unit Owners	\$0 - \$1,500	
	N/A	Controller	\$1,500 – \$4,999	
	N/A	CFO	\$5,000 and above	
REQUISITIONS / PURCHASE ORDERS / INVOICING			PO	NON-PO
Requisitions / Purchase Orders ⁽¹⁾	N/A	Department Head	<=\$25,000	N/A
	N/A	CAO	<=\$25,000 & >\$25k up to approved budget	<=\$25,000 & >\$25k up to approved budget
	N/A	CFO / COO	<=\$500,000	<=\$500,000
	BL-§B2.d	CEO	>\$500,000	>\$500,000
Invoices	N/A	Department Head	<=\$25,000	N/A
	N/A	Controller	<=\$100,000	<=\$100,000
	N/A	CFO	> \$100,000	> \$100,000
CONTRACTS			PO	NON-PO
Supplier / Vendor Agreements ¹	N/A	Director Purchasing	<=\$25,000 & >\$25k up to approved budget	<=\$25,000 & >\$25k up to approved budget
	N/A	CFO / COO	<=\$500,000	<=\$500,000
	BL-§B2.d	CEO	> \$500,000	> \$500,000
Equipment Lease Agreements	N/A	Director Purchasing	<=\$25,000 & >\$25k up to approved budget	<=\$25,000 & >\$25k up to approved budget
	N/A	CFO	<=\$500,000	<=\$500,000
	BL-§B2.d	CEO	> \$500,000	> \$500,000
Debt Agreements	BL-§B2.i	CFO	All Values (Lend)	N/A
	BL-§B2.a	Board Chairman /Deputy Treasurer	All Values (Borrow)	N/A
Building Lease Agreements	CH-§1-1, §1-2f	District Board	All Values	N/A
M&A/ New Business Lines ²	CH-§1-2, §1-4, §1-7	District Board	All Values	N/A
LEGAL & AUDIT				
Legal Claims and Settlements	BL-§B.2f	District Counsel	Up to \$5,000	
	CH-§1-2f	District Board	> \$5,000	
Non-Disclosure / Confidentiality (new)	BL-§B.2f	District Counsel	All Values	
Employee NDA / Confidentiality	BL-§B.2f	District Counsel	All Values	
HUMAN RESOURCES				
Hiring / Terminations ³	BL-§B2.d	CEO	Below Director-Level	
	CH-§1-2f	PPI Committee / District Board	Director-Level & Above	
Collective Bargaining Negotiations ⁴	BL-§B.3h	CEO / PPI Committee / District Board	All Values	
Annual Benefit Plans Approval ⁵	BL-§B.3h	PPI Committee	All Values	

3.2 Consolidated Annual Financial Report (CAFR) Policies

3.2.1 Financial Statement Reporting Requirement Selection Criteria

¹ Delegation signing authority to CEO for non-director level employees is pursuant to District By-Laws §B.2.d. in accordance with Memo dated 4/1/2019. Pending formal authorization by board action.

² District Board authority is not as broad as a private sector company here, but has some powers to expand and supplement its operations under District Charter §1-2b, §1-2c, §1-2d, §1-2e, §1-2f, §1-4, §1-7c and §1-7d.

³ Includes the offer letter and compensation [salary and hourly], relocation packages.

⁴ Includes promotions, compensation tiers, job title changes, job description changes.

⁵ Includes pension and retirement plans, general liability, workers compensation

Consolidated Annual Financial Statements should be prepared for all District funds which meet the criteria for inclusion as set forth in the Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards No. 14.

Accounting principles generally accepted in the United States of America (GAAP) require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable and other organizations, which by the nature and significance of their relationship with the primary government, would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government.

3.2.2 Accounting Basis & Measurement Focus

Government-wide, proprietary fund & fiduciary fund financial statements are reported using the economic resources measurement focus and the **accrual basis of accounting**, which requires that all revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sewer taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as any eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the **modified accrual basis of accounting**. Revenues are recognized as soon as they are both measurable and available. Revenues are available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues, including sewer assessments, to be available if they are collected within 60 days after the end of the current fiscal period.

Taxes on member municipalities, sewer assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are measurable and available only when cash is received by the District.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Major District Funds as of the effective date of this document are listed in the table below:

Governmental Funds	Proprietary Funds	Fiduciary Funds
General Fund	Water Utility Fund	None
Debt Service Fund	Internal Service Fund	
Clean Water Project Fund	Pension and Other Employee Benefit Trust Funds	
Capital Project Fund		

Table 1 - District Operating Funds By Type

In general, the effects of interfund activity are been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

3.2.2.1 CAFR Presentation Assumptions

In order to prepare the District's annual financial statements, the following assumptions are made in order to align the CAFR with GAAP standards.

ASSETS

Cash Equivalents

For reporting purposes, all savings, checking, money market accounts and certificates of deposit with an original maturity of less than 90 days from the date of acquisition are cash equivalents.

Investments

All investments should be reported at fair market value (FMV).

Stored Materials, Inventory & Prepaid Expenses

All inventories are valued at cost. Inventory in the governmental and enterprise funds is recorded as an expenditure when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Receivables & Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are presented net of an allowance for uncollectible balances.

Compensated Absences

All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets such as water and sewer mains, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recognized at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their lives are expensed currently.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Depreciable Life (Est.)
Buildings	50 – 75 years
Machinery & Equipment	6 – 20 years
Infrastructure	50 – 150 years

Table 2 - Asset Depreciation

Deferred Outflow

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources expenditure until then.

The District reports a deferred charge on refunding and deferred outflows related to pension and OPEB in the government-wide statement of net position and statement of net position - proprietary funds.

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs or contributions made to the plan after the measurement date,

and differences between projected and actual earnings on pension and OPEB plan investments.

These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees).

LIABILITIES

Deferred Inflow

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources until that time.

The District reports deferred inflows of resources related to pensions in the government-wide statement of net position and statement of net position - proprietary funds.

A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience and differences between projected and actual earnings on pension and OPEB plan investments. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees).

The District reports unavailable revenue for governmental funds which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from special assessments.

These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

Bond premiums, discounts and losses on bond refunds are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and unamortized losses on bond refunds. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other

financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position.

The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Net OPEB Liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

EQUITY & CAPITAL INVESTMENTS

Fund Balances

The equity of the fund financial statements is defined as "fund balance" and is classified in the following categories:

a. Non-Spendable Fund Balance

This balance represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

b. Restricted Fund Balance

This balance represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

c. Committed Fund Balance

This balance represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (District Board). Amounts remain committed until action is taken by the District Board (resolution) to remove or revise the limitations.

d. Assigned Fund Balance

This balance includes amounts constrained for the intent to be used for a specific purpose by the District Board that has been delegated authority to assign amounts by the Charter.

e. Unassigned Fund Balance

This balance represents fund balance in the General Fund in excess of non-spendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

a. Net Investment in Capital Assets

This category represents all capital assets, net of accumulated depreciation and related debt.

b. Restricted Net Position

This category represents amounts restricted to use by outside parties.

c. Unrestricted Net Position

This category represents the net position of the District not restricted for use.

3.3 Accounts Receivable / Allowance for Doubtful Accounts Reserve

The allowance for doubtful accounts related to accounts receivable is determined by management based on an assessment of their collectability. Management considers past history, current economic conditions and overall viability of the third party in determining the allowance (reserve for bad debt expense).

Management's analysis first includes direct identification of significant customer balances that are deemed uncollectible, and a reserve of up to 100% of the total accounts receivable balance may be reserved for these accounts.

Management's next analysis is to identify customer accounts that are on payment plans, bankruptcy, receivership, or have a lien. A reserve is set up for these balances as management deems necessary.

Table 3 – AR Allowance For Doubtful Accounts

Days Aged	Allowance (%)
< 30 Days	5.00%
31 – 60 Days	5.00%
61 – 90 Days	5.00%
91 – 180 Days	10.00%
181 – 360 Days	25.00%
> 360 Days	50.00%

The remaining accounts receivable population is reviewed based on the historical aging of each category of accounts receivable. Management has determined the following percentages should be applied as a reserve to each aging bucket as shown at right.

Accounts receivable is only to be written off when management deems the amounts uncollectable.

Table 4 - Accounts Receivable / Allowance for Doubtful Accounts Reserve Policy

3.4 Minimum Available General Fund Balances

It is the policy of the MDC to maintain, to the extent possible, an adequate available general fund balance equal to between 30% and 35% of general fund revenues for the most recent completed fiscal year. Any expenditure of all or part of the available general fund balance must be authorized as provided in Chapter 3 of the Compiled Charter of the District.

If the available general fund balance established under Section 1 above falls below the minimum target of 30% of general fund revenues for the most recent completed fiscal year, the District's Chief Financial Officer shall present a plan to restore the available general fund balance to the target within no more than three fiscal years to the District Board for its consideration.

If the available general fund balance realized in any given fiscal year exceeds the target set forth in Section 1 above, the District Board may authorize, pursuant to Chapter 3 of the Compiled Charter of the District, the expenditure of any excess available funds as it deems appropriate.

4. Controllership Activities

4.1 Period Close Process

The Controller's Group completes all activities as outlined in the month-end close checklist to ensure an accurate and timely close.

As tasks are completed by the assigned preparer, he/she should sign and date the checklist (available on the Finance shared drive) and notify the designated reviewer via e-mail communication.

This notification should include the purpose of the journal entry in the subject line and include all relevant supporting documentation (or a link thereto). Upon notification, the reviewer will verify the task (i.e. journal entry, reconciliations, etc.) has been completed accurately, timely, and fully supported; once completed, the assigned reviewer should sign and date the checklist located on the shared drive.

At the end of the month, Day 14, the Controller will review and certify all activities noted on the month close checklist has been completed and maintain this certification electronically for audit purposes. After certification, he/she will initiate an internal review process prior to presenting to the CFO for review on Day 15.

It is the District's objective to complete all period-close activities, including CFO approval within 15-business days from the end of the previous period.

Table 5 - Key Monthly Close Milestone Dates

Key Dates (Business Days):	
On: Day 0	FI/CO ledgers are opened on the <u>last business day</u> of the prior period.
On: Day 1	Prior period is closed and automatically triggers the next sequential period to open for MM
By: Day 10	All JE and Accruals are completed and assigned reviewer has been notified to review and entries have been posted to SAP.
By: Day 13	All Reconciliations are completed and reviewer has been notified to begin review.
By: Day 14	Controller certifies completion of close tasks; internal review of financial statements completed
On: Day 15	Completed/Internally Reviewed Financial Statements Presented to CFO For Review/Sign-off

4.2 Journalizing Transactions

The creation and approval of general ledger journal entries is the responsibility of the Controller's Group. These entries include, but are not limited to, manual, recurring, accrual, reversal and adjusting entries.

Accountants or Accounting Administrators are responsible for preparing their assigned journal entries and any documentation or supporting schedules required for substantiation. Notification will be provided to the assigned reviewer that the entry is complete and that supporting documentation for any unusual entries is available for review.

Reviewers are responsible for verifying the entry as well as investigating significant fluctuations in the account balances prior to approving and posting the entry. Once any fluctuations have been investigated and/or resolved the reviewer should post the journal entries.

Both preparer and reviewer are required to sign-off on the close checklist to evidence timeliness of completion and that journal entries have been prepared and posted in accordance with the District's policy regarding the segregation of duties.

Journal entries and corresponding documentation should be maintained for audit trail purposes in the month-end close folder on the finance shared drive.

Note: While security protocols in SAP do not permit the same person to enter and post entries, this policy establishes an added layer of controls.

4.2.1 Entry Methods

There are three methods for processing journal entries that are available to MDC accountants: (1) directly enter a journal entry into SAP, (2) bulk entry via upload template, and (3) posting automatic-JEs.

MDC's Finance Management is in the process of developing standardized methodology and best-practice guidelines¹ for method of processing journal entries.

SAP allows accountants to add attachments to individual transactions parked or posted to the G/L.

This feature should be leveraged as a matter of best-practice guidelines to allow for easier reconciliation of accounts and audit trail purposes.

4.2.1.1 Direct Entry Method

Direct Entry allows the user to input journal entry details into SAP manually. This method creates systematic controls by parking the journal entry initially to allow for another individual to review and then subsequently release and post the transaction to the general ledger.

This method is best utilized for low volume entries (e.g. a single cash entry) as it requires both the preparer and reviewer to manually perform their activities within SAP. However, it creates a clear audit trail from an internal control perspective.

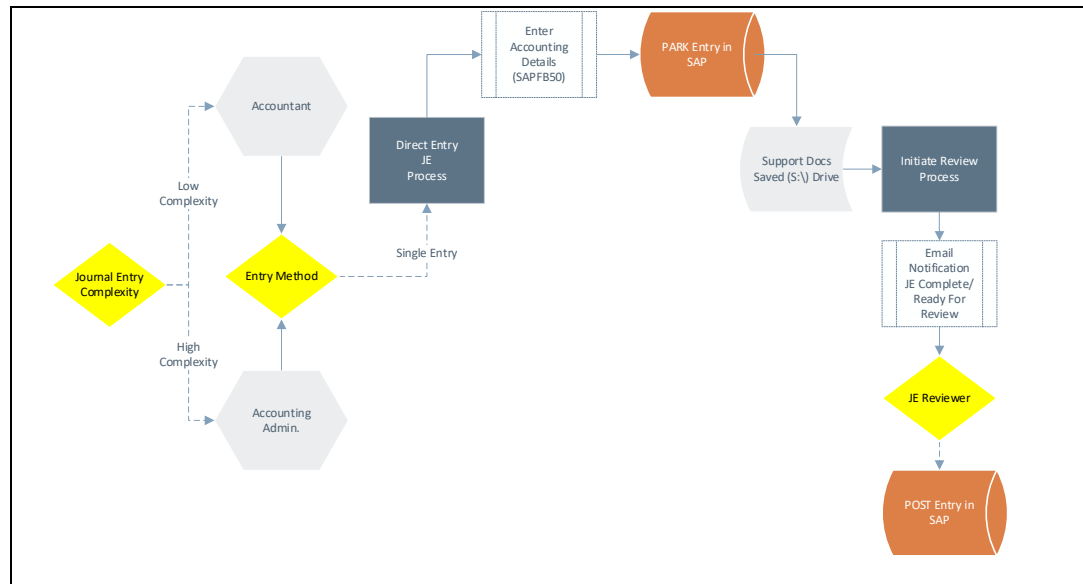
¹ Methodology and best practices guidelines are contingent on the successful implementation of the District's Business Transformation initiatives and will be further defined during FY2020.

For journal entries or accruals defined as using the **Direct Entry Method** pursuant to MDC guidelines, the preparer will be pre-designated per the month-end close check list based on journal entry complexity.

These entries are input directly into SAP, provided that the preparer has the minimum required accounting details shown in the table below.

It should be noted that there are several description fields which should be leveraged to provide granularity to facilitate future reconciliation and analysis.

Figure 2 - Direct Entry Process Flow



After all information has been entered, the entry should be parked in SAP and any support documents (e.g. invoices, calculations, or schedules) saved in the designated location. In lieu of routing rules, notification to the assigned reviewer should be provided electronically via the corporate accounting email inbox.

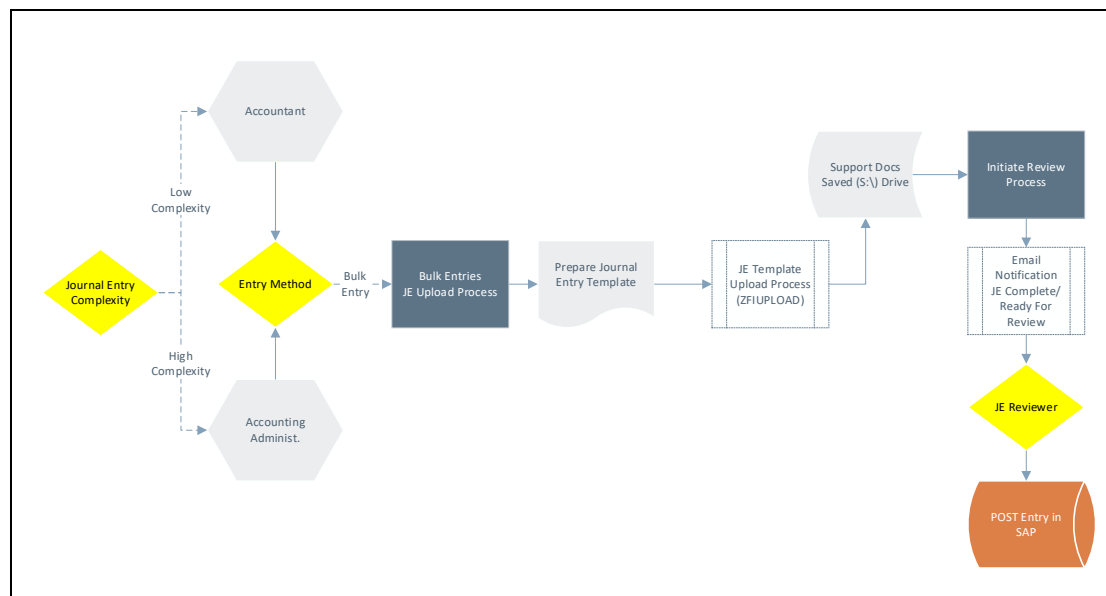
This notification will initiate the review process to approve and then post the parked entry. Rejected entries will be re-routed back to the preparer to investigate and adjust before being committed to the general ledger in SAP. [\(See Also: 4.2.2\)](#)

4.2.1.2 Bulk Entry Method

Bulk Entry allows accountants to upload many entries via MDC's standardized upload template. This method is best utilized when processing high-volume entries as the template can quickly be prepared in excel and loaded to the system rather than creating one transaction at a time in SAP.

The accountant with review authority is responsible for ensuring correctness off-line prior to posting the entry. Bulk entry posts directly to SAP and does not allow for a user to Park an entry.

Figure 3 - Bulk Entry Process Flow



For journal entries or accrual defined as using the **Bulk Entry Method** pursuant to MDC guidelines, the preparer will be pre-designated per the month-end close check list based on Journal Entry Complexity.

These entries can be made using the **Standardized Journal Entry Template** provided that the preparer has the minimum required accounting details shown in the table below. *(See Also: 6.3.2)*

It should be noted that there are several description fields which should be leveraged to provide granularity to facilitate future reconciliation and analysis.

After it has been completed, the journal entry template and any support documents (e.g. invoices, calculations, or schedules) saved in the designated location. In lieu of routing rules, notification to the assigned reviewer should be provided electronically via the corporate accounting email inbox that an entry is ready for review.

This notification will initiate the review process for approval and posting to SAP. If approved, the reviewer will upload and post the completed entry template. Rejected entries will be re-routed back to the preparer for resolution before posting to the G/L. *(See Also: 4.2.2)*

4.2.1.3 Automatic Entry Processing

Automatic Entry Processing allows accountants to post automatic journal entries which are pre-determined, reviewed, and parked at the beginning of the year. This method is used for routine transactions with low risk / value such as pre-paid expense amortization, posting settlements to SAP, and other transactions which are calculated on a straight-line basis (e.g. 1/12 for a monthly entry).

For journal entries or accrual defined as using the **Automatic Processing Method** pursuant to MDC guidelines, the preparer will be pre-designated per the month-end close check list based on Journal Entry Complexity.

Pre-Parked period-close entries will not require an additional layer of review prior to posting as the review occurs concurrently with the preparation and parking of the entry at an earlier date.

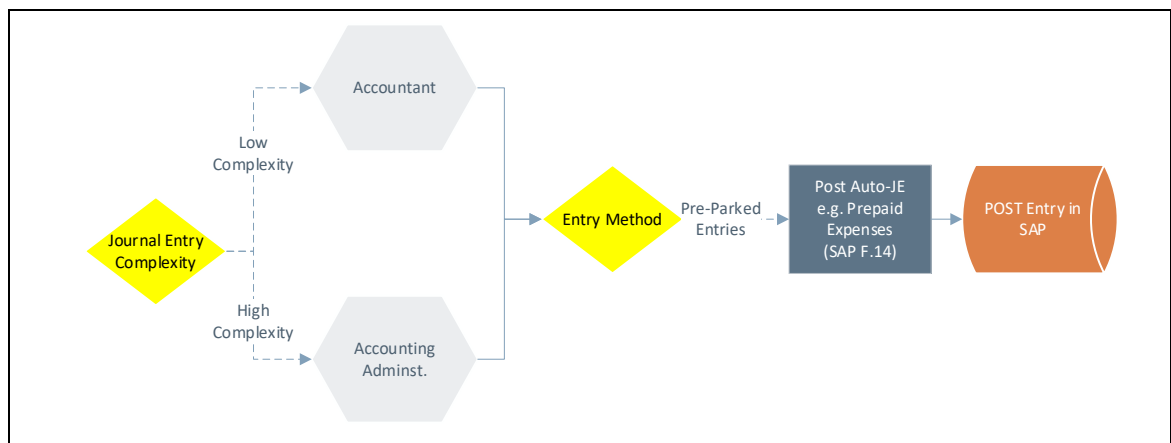


Figure 4 - Auto-Post Journal Entries Process Flow

4.2.1.4 Reversing Entries

Entries can be reversed directly using SAP transactions (individually or in bulk). These reversible entries are posted and require a separate transaction run to initiate the auto-reversal. These entries will be assigned a distinct document # to differentiate it from the original posting.

4.2.2 Preparation, Review & Approval

MDC has established a policy whereby the determination of the responsible accountant for preparing an entry shall be based on the complexity of the calculation. Journal entry assignments are defined and documented in the month end close checklist. [\(Refer to 6.3.1\)](#)

Oversight and review authority for an entry prior to posting to SAP is also determined by the same methodology, whereby more complex or key entries will be reviewed by the organization's Controller before being posted. This policy ensures segregation of duties between the accountant preparing the journal entry and the reviewer / individual posting to the general ledger.

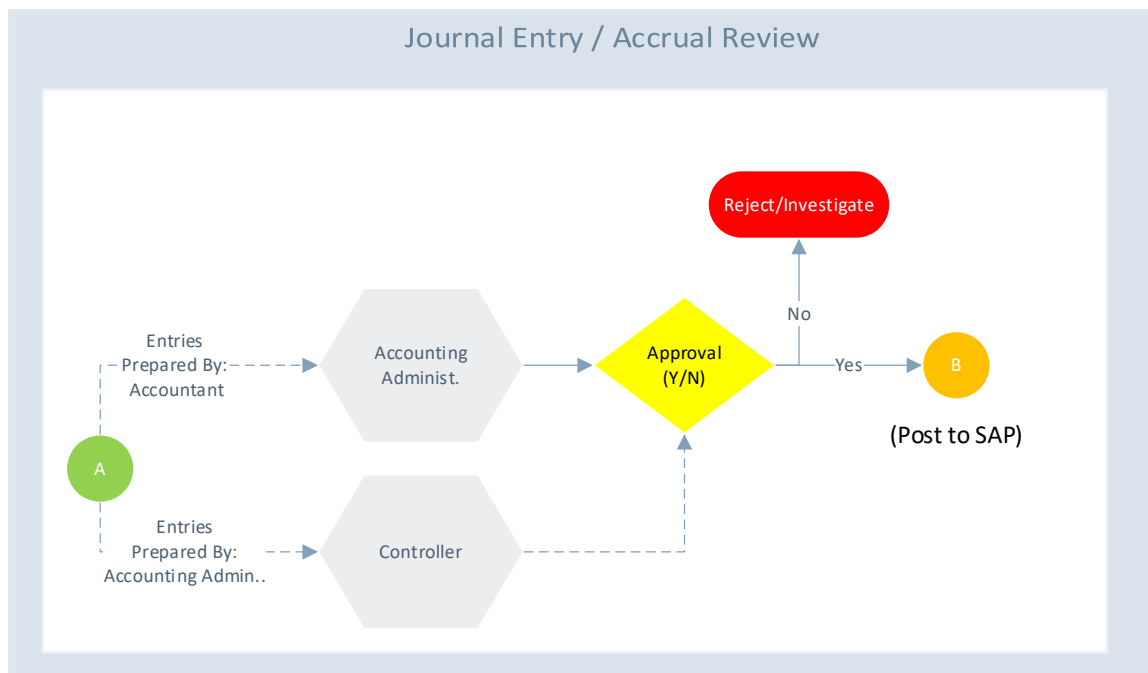


Figure 5 – JE and Accrual Approval Matrix.

The tables which follow delegate responsibility for preparation, review, and approval of regularly recurring journal entries made during the period-close process as well as periodic ad-hoc entries.

Table 6 - Monthly Recurring JE Activity Matrix

Monthly Activities		APPROVED BY:	
		Controller	Accounting Administrator
ASSIGNED TO:	Accountant		
	1515 expense Auto Allocation	-	X
	Accounts Receivable - Cell Tower Rents	-	X
	Depreciation	-	X
	Intercompany Rev/Expense Entries	-	X
	Missing Cost Center Entries	-	N/A ¹
	Pcard - purchases to hit budget	-	X
	Cash Position Adjustments	-	X
	Project Settlements (Auto)	-	X
	Project Settlements (Manual)	-	X
	Reclass BS Entries: From 1515 to 1010/2020	-	X
	Reverse Monthly Closing entries	-	X
	Prepaid Expense Amortization	-	N/A ¹
	Accounting Administrator		
	Anthem BC/BS Claims and Retiree Reclass	-	X
	Cash pool interest allocation (JE)	X	-
	CWPC Debt Payment + Transfers	X	-
	Hydro Power Sales - Goodwin & Colebrook (Actual/Accrual)	X	-
	Intercompany [Due to/Due From] Good Issued Entries	X	-
	Payroll Posting Regular JE	X	-
	Payroll Posting Split Bal	X	-
	Reserve Ground Water Remediation	X	-
	Special Sewer Surcharge accrual & reversal	X	-
	USBank Entries	X	-
	Water sales accrual & reversal	X	-
	Medical Contributions to Internal Service Fund	X	-

¹ Automatic entries do not require additional review during the period close as they are reviewed prior to being parked in SAP, typically at the beginning of the year (e.g. Prepaid Expense Amortization; Missing Cost Center Entries).

Table 7 - Quarterly Recurring JE Activity Matrix

Quarterly Activities ¹		APPROVED BY:	
		Controller	Accounting Administrator
ASSIGNED TO:	Accountant		
	Bad debt reserve	X	-
	A/P Accrual	X	-
	Accounting Administrator		
	Compensated Absence Accrual	X	-
	Member Municipalities Installments JE	X	-

Table 8 - Annually Recurring JE Activity Matrix

Annual Activities ²		APPROVED BY:	
		Controller	Accounting Administrator
ASSIGNED TO:	Accountant		
	Developer billing accrual	X	-
	Other misc billing accrual	X	-
	Employee pension contribution accrual	X	-
	Sewer Collection (60 day)	X	-
	OPEB True-up (Actuarial report)	-	X
	Pension True-up (Actuarial report)	-	X
	Developer contributed capital assets calculation	-	X
	Capital Asset Estimate to BS [JE]	-	X
	Assets Under Construction (AUC) Allocation	-	X
	Insurance True-up (i.e. work comp, medical claims, etc.)	X	-
	CMS drug subsidy (Contra-expense JE/ Other Income?)	X	-
	Accounting Administrator		
	Payroll accrual	X	-
	Reclass and clear bond principal payment GL 508360 2020 as liab	X	-
	Debt Service - Water Bond Int. Accr.	X	-
	Debt Service - Water PLO Int. Accr.	X	-
	Sewer Revenue - PMU OH, Hydro Fund, Assessable Sewer Fund, Debt Service	X	-

¹ Quarterly recurring journal entries are made in addition to the monthly and/or annual recurring journal entries.

² Annual recurring journal entries are made in addition to the monthly and/or quarterly recurring journal entries.

Table 9 - Periodic / Non-Regularly Recurring JE Activities

Ad-Hoc Activities ¹		APPROVED BY:	
		Controller	Accounting Administrator
APPROVED BY:	Accountant		
	Cash Receipts JE(s)	-	X
	Reimbursement JE 1010/2020 for OPEB expenses from 4014	-	X
	Reclass Vendor discount from revenue in BA 1515 to appropriate expense account	-	X
	Accounting Administrator		
	Debt Service - (New Bonds, Reallocations, IFO to PLO etc.)	X	-
	Debt Service JE	X	-
	Grants & Loans JE	X	-

¹ Ad-hoc activities are made to address one-time special circumstances and other non-regularly recurring events (e.g. new bond offerings, write-offs, or other one-time special adjustments).

4.3 Account Reconciliations

The purpose of reconciliations is to ensure that account balances reflected in sub ledgers agree to the general ledger, and that Finance has properly and completely recorded all transactions.

Accountant(s) prepare assigned reconciliations and any corresponding supporting documentation. All supporting documentation / sub-ledger reports are attached to the standardized reconciliation template.

The Controller is responsible for review and approval of reconciliations and should ensure any material variances are followed up on and resolved. Evidence of independent review is maintained; this is documented electronically or via hard copy.

All documents generated from the month-end close process are stored on the Finance's shared drive. Access to this folder is restricted to the Finance Team. (*See Also: 6.3.3*)

Table 10 – Monthly Recurring Reconciliations Matrix

		APPROVED BY:	
	Monthly Activities	Controller	Accounting Administrator
ASSIGNED TO:	Accountant		
	Accounts Receivable	X	-
	Accounts Payable	X	-
	Bank Accounts	X	-
	Purchase Cards (P-Card)	X	-
	Pension Obligations	X	-
	Accounting Administrator		
	Assessable Sewer and Water	X	-
	FM to FI Ledgers	X	-
	FM & CO Ledgers (Payroll)	X	-
	GR/IR Ledgers	X	-
	Cash Position (BA vs. Cash Pool – Global Rec Process)	X	-

Table 11 - Quarterly Recurring Reconciliations Matrix

		APPROVED BY:	
	Quarterly Activities	Controller	Accounting Administrator
ASSIGNED TO:	Accountant		
	Capital Assets / Depreciation Report	-	X
	Inventory Reconciliation	X	-
	Allowance for Doubtful Accounts	X	-
	Fixed Assets	X	-

Table 12 - Ad-Hoc / Non-Recurring Reconciliations Matrix

		APPROVED BY:	
	Ad-Hoc Activities	Controller	Accounting Administrator
ASSIGNED TO:	Accounting Administrator		
	GR/IR Reconciliation	X	-

5. Financial Reporting

5.1 Regular-Recurring Reporting Procedures

The income statement and balance sheet are prepared monthly as part of the period close process. Other schedules will be prepared on a quarterly and annual basis and support the year end CAFR presentation.

Typically, the P&L will be subject to more scrutiny in line with The MDC's budgetary focus. Priority may shift due to monthly business activities which require additional review directed toward a business area(s). In addition to and with input from the District's Budget Department, General Accounting will be responsible for analyzing MoM/YoY variances against budget projections for the General and Water Utility funds.

Once prepared, notification is provided to the Finance and Budgeting groups to review the financial statements and variance report via email and a meeting is organized with the CFO to finalize the statements. All reports and schedules should be reviewed and approved by the District's controller before submission to the CFO for certification and publication.

All finalized financial statements are maintained electronically on a corporate share-drive with hard-copies provided on an as-needed/on-request basis. Additionally, an email notification is provided to individuals in the Finance, Budgeting, and Procurement departments that financial statements are complete and available for review.

[I agree with chart except the Budget vs. Actual which I think should be "quarterly".]

Table 13 - Periodic Recurring Financial Reports

Schedule	Fund(s)	Variance	Frequency	Note
Income Statement	All Funds	Current YTD vs. Prior YTD	Monthly	
Balance Sheet	All Funds	Current YTD vs. Prior YTD	Monthly	
Construction in Progress (CIP)	Governmental Funds; Proprietary Funds (Water)	Actual YTD/ITD vs. Budget YTD/ITD	Monthly	
Grants & Loans	All Funds	N/A	Monthly	
Debt Schedule	All Funds	N/A	Monthly	
Budget vs. Actual	All Funds	Actual YTD vs. Budget YTD	Quarterly	By Fund, Fund Center & Commitment Item
Billing & Consumption Report	Water Utility Fund	Actual YTD vs. Budget YTD	Quarterly	
Accounts Receivable Aging Report	All Funds	N/A	Quarterly	See Also: Section 3.3 – AR / Allowance for Doubtful Accounts Policy.
Consolidated Annual Financial Reports (CAFR)	All Funds	N/A	Annual	

5.1.1 Quarterly Board of Finance (BOF) Package

On a quarterly basis, a board package is prepared and presented directly to the Board of Finance by the CFO. This report includes revenue and expense breakdown specific to the report which aligns with the budgetary format.

Following agenda and resolution protocol, if the Board of Finance meeting is on a Monday, the agenda and resolutions are emailed/mailed the prior Thursday. Once presented at Board of Finance, the report is in the public domain. In this perspective, the MDC would plan to present March report at the May BOF, June Report at the August (September if August is cancelled) BOF and Sept Report at the November BOF.

The approved board package is maintained electronically on a corporate share-drive with hard-copies provided on an as-needed/on-request basis. Additionally, an email notification is provided to individuals in the General Accounting, Budget, and Treasury Departments that financial statements are complete and available.

5.1.2 Consolidated Annual Financial Reports (CAFR)

The Metropolitan District engages with external auditors to audit the financial statements of the organization. Auditors are typically on-site as needed for CAFR preparation and audited financial statements are finalized not later than 180 days after year end (June 30th).

Accountants coordinate with the auditors to provide various supporting schedules, analysis, and documentation as requested. Reports and schedules are shared using a secure file-share service (e.g. Box.com, Dropbox) as well as email, hard copies, and thumb drives [we should review this statement for consistency with MC IT policies on file sharing] for files too large for other electronic transfer methods. *See Also: Section 3.2 – Consolidated Annual Financial Report Policies.*

EXPLANATION OF KEY CAFR SCHEDULES

The government-wide financial statements (e.g. Statement of Net Position; Statement of Activities) report information on all of the nonfiduciary activities of the District's primary government and generally exclude interfund activity. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those expenses that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or benefit directly from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

6. Appendix

6.1 Journal Entry & Accruals Overview

The entries in the tables below are listed in order of frequency by P&L category and due date, where applicable. Refer to appendix section 8.1 for more detail around these entries.

6.1.1 Sales, Revenue & Accounts Receivable

Table 14 – Monthly Recurring Sales, Revenue & Receivable Entries

Close Day	Entry	Description
5	Cellular Tower Rent Receivable	Monthly payments for cell tower rents are made in accordance with the terms of each lease. On receipt of payment, the receivable needs to be booked to apply the payment against it.
5	Clean Water Project Charge (CWPC)	The CWPC applies to business area 7032 and uses the “ZF02 Revenue and Consumption Report” from SAP which provides the consumption/billing and rates used for the entry’s calculation.
5	Water Sales Accrual & Reversal	The water sales accrual for business area 2020 (Water) uses the “ZF02 Revenue and Consumption Report” provides consumption and billing rates used for the calculation.
5	Other Sewer Revenue & Contributions	MDC’s other sewer revenue includes revenue and contributions associated with the hydro fund (5400), clean water fund (2057), assessable sewer fund (5630), and debt service fund (7031) which is established as part of the OPEX Budget and recorded on the fifth day of each period close. All entries are made on an actual basis, with the exception of the contribution to the debt service fund which is made in 12 equal payments based on the debt service schedule.
10	Hydro Power Sales	Hydro power sales are billed out monthly for actuals. In certain instances, an accrual should be made if the billing does not occur within the period. A GL inquiry using the FS10N transaction can be used to determine if revenue pertains to the previous period.

Table 15 - Quarterly Recurring Sales, Revenue & Receivable Entries

Entry	Description
Member Municipality Installments	Ad-valorem payments are established as part of the OPEX Budget and recorded in four equal quarterly payments for the months of January, April, July, and October.

Table 16 – Annually Recurring Sales, Revenue & Receivable Entries

Entry	Description
Developer & Miscellaneous Billings	Accrual to account for actual expenses incurred for 1010/2020 funds that posted after year end. Accountants can query the GL using SAP Transaction FS10N for expenses that meet this criteria.
Sewer Revenue	Entry to accrue for sewer revenue based on consumption/billing and rates using the “ZF02 Revenue and Consumption Report” from SAP.

Table 17 - Ad-Hoc (Non-Regularly Recurring) Sales, Revenue & Receivable Entries

Entry	Description
Cash Receipts	Entry is made to record January & February cash receipts as prior year revenue using the collection report from NOVAK. The basis of the adjustment is on Actuals.

6.1.2 Capital Assets & Depreciation

Table 18 – Monthly Recurring Capital Asset & Depreciation Entries

Close Day	Entry	Description
3	Project Settlements (Automatic)	This entry capitalizes costs posted to the CO Ledger for all CIP projects. Accountants can verify which projects have settled by running a CO report over the BA 9980 and those areas capturing CIP. This is an automatic process that is scheduled to occur monthly as part of the close process.
3	Project Settlements (Manual)	This entry is made to zero out CIP/AUC assets in sewer CIP Business Areas as well as to balance them with BA 9980. Currently, this entry applies only for pre-2008 expenses. Accountants should run a Trial Balance and analyze the data in excel as needed.
4	Asset Depreciation	Asset depreciation is recorded using the straight-line method and posted to SAP automatically based on the depreciation key which is an SAP table tracking depreciable life by asset type. After posting, depreciation should be reconciled to GL Accounts 502370 and 188010.

6.1.3 Debt Service Entries

Table 19 – Monthly Recurring Debt Service Entries

Close Day	Entry	Description
4	CWPC Debt Service & Transfers	CWPC Debt service and transfers are based on monthly statements as well as amortization tables stored in Microsoft Access. On a monthly basis, funds are transferred to the Debt Service Fund (7032) for payment.
4	US Bank Entries	Entries are made for the purposes of tracking and reconciliation of the US Bank accounts that are associated with the CWPC and revenue bonds. Accountants reconcile the statements to the general ledger and make adjusting entries as necessary.

Table 20 – Annually Recurring Debt Service Entries

Entry	Description
Bond Principal Payment Reclass	An entry reclassing bond principal expense against the liability at year end.
Water Bond/PLO Interest Accrual	A year over year adjusting entry made to accrue for debt interest at year end.

Table 21 - Ad-hoc (Non-Regularly Recurring) Debt Services Journal Entries & Accruals

Entry	Description
Grants & Loans	The revenue associated with grants and loans is booked periodically based on state statements. At year end, any outstanding invoices are accrued for in the prior year.
Bond Insurance Entries	Periodically new bonds will be issued and need to be recorded based on the information provided by the Board as well as closing documents from legal.

6.1.4 Expenses & Accounts Payable Entries

Table 22 – Monthly Recurring Expense & Accounts Payable Entries

Close Day	Entry	Description
2	Pre-paid Expense Amortization	Pre-paid expenses are typically contractual expenses which are determined as part of the annual budgeting process and amortized over 12 months. Accountants post these expenses by running the F.14 transaction out of SAP. At year end, accountants are responsible for reconciling the prepaid balance and expensed amount with the amount calculated.
3	Internal Service Fund Contributions	Each MDC Fund makes monthly contributions to the Internal Service Fund (ISF) for medical. The annual amount contributed by each fund is determined as part of the annual budgeting process and made in 12-equal monthly installments on the third day of each month.
4	P-Card Purchases	Transactions from P-Cards are downloaded from JP Morgan and recorded based on actual charges incurred. Credit Card postings must equal the amount shown on the statement and the amount paid to JPM Chase.
4	Anthem Blue Cross/Shield Claims and Retiree Reclass	An entry is required when Anthem does not submit an invoice in a timely manner. The calculation is based on the percentage average of retiree medical claims over the course of a year and the claims expense is recorded on GL account 502500 Medical/Dental Claims as part of the daily cash entries. A portion of this JE is reclassified into OPEB fund 4014 for retirees. <i>NOTE: With the institution of the new Anthem Billing Portal, this accrual entry has not been required as of 2018.</i>
6	Payroll Expenses	Payroll expenses are drawn from ADP and loaded into the upload template for aggregate entry into SAP. Once uploaded, a manual process is undertaken to allocate the expense from BA 1515 to BA 1010 / 2020 to reflect the approved allocation percentage between water and sewer of 49% / 51%.

Table 23 – Quarterly Recurring Expense & Accounts Payable Entries

Entry	Description
Compensated Absences Entries	The compensated absence entries record the district's liability for accrued time-off payouts for each employee based on their classification or union rules.
Accounts Payable Accrual	Entries are made to accrue for invoices/receipts posted to SAP after the end of a calendar year which are applicable to the prior year. In some cases a pro-rata calculation is used for these entries.

Table 24 – Annually Recurring Expense & Accounts Payable Entries

Entry	Description
Payroll Accrual	An entry is made at year end to record payroll associated with the final pay-period of the year that falls in the new year. The adjustment varies based on what day of the week 12/31 falls on in conjunction with the Sunday-Saturday pay-week at MDC.
Employee Pension Contribution Accrual	Entry made to accrue for pension contributions from the final week of the year which are not received by Aetna until January.
OPEB & Pension True-Up	Entries adjusting the GL to agree with the estimates in the actuarial report issued by Milliman.
Insurance True-Up	Entries adjusting the GL to agree with estimates from the Anthem Blue Cross/Shield and Milliman reports.
CMS Drug Subsidy	The CMS drug subsidy records the Medicare reimbursement for retirees.

Table 25 - Ad-hoc (Non-Regularly Recurring) Expense & Accounts Payable Entries

Entry	Description
OPEB Expense Reimbursement	An entry is made periodically to reimburse BA 1010/2020 for expenses paid on behalf of BA 4014, which is not part of the cash pool. The reimbursement is calculated based on actuals incurred and the due to/from account between business areas is reconciled as part of the

Entry	Description
	process.
Vendor Discount Reclass	Some vendors provide discounts for quick payments. In these instances, the credit needs to be reclassified out of revenue and a credit to expense. The entry should net to zero at the end.

6.1.5 Miscellaneous / Other Entries:

Table 26 – Quarterly Recurring Miscellaneous Entries & Accruals

Entry	Description
Bad Debt Reserve	Quarterly entry is made based on SAP data by percentage of aging buckets. As part of the quarter close process, the reserve may be adjusted as needed based actuals.

Table 27 - Annually Recurring Miscellaneous Entries & Accruals

Entry	Description
60-Day Sewer Collection	Entry is made to record January & February cash receipts as prior year revenue using the collection report from NOVAK. The basis of the adjustment is on Actuals.
Bad-Debt Reserve	Entry made to record adjustment to the annual bad debt calculation. The basis of this adjustment is the percentage of aging buckets which is output from SAP.

6.2 Definitions

6.2.1 SAP Ledger Relationships:

The following table outlines object correlation and equivalencies between ledger modules utilized in SAP. Note: Object granularity increases from top to bottom.

Table 28 - Ledger-Object Equivalencies

	Funds Mgmt Ledger (FM)	=	General Ledger (FI)	=	Controlling Ledger (CO)
Objects	Fund	=	Business Area	=	Business Area
	Fund Center	=	Cost Center	=	Cost Center
	Commitment Item	=	G/L Account	=	Cost Element

GENERAL SAP TERMINOLOGY

Ledgers – Ledgers are the sets of books which maintain the financial information used to generate financial statements, manage cash flow, budget for projected expenses record actual transactions as they occur.

The Metropolitan District maintains three sets of books, which are defined in further detail below: Funds Management, General, and Controlling Ledgers.

Objects – Objects are organizational units within ledgers which represent the structure of the organization (areas of responsibility, departments, projects, funds) in the form of a hierarchy.

FUNDS MANAGEMENT LEDGER (“FM”)

The Funds Management Ledger records commitments established as part the annual budgeting process and captures **projected** expenses by commitment item. This ledger reflects cash-basis accounting. Note:

FM consists of the following objects, which are further defined below: Funds, Fund Centers, and Commitment Items.

Funds – Funds are finite financial resources that are only available for a specific time/purpose and are managed separately.

Fund Centers – Fund Centers are an organizational unit within the FM module which represents the structure of an organization. They do not necessarily correlate to cost centers on a 1:1 basis.

Commitment Items – Commitment Items are the lowest level of granularity utilized within the FM ledger and represent individual

Note: Commitment Items correlate on a 1:1 basis with G/L Accounts which capture actual expenses as they are incurred.

line items within a fund center. Commitment Items are used to record the District's annual budget.

GENERAL LEDGER ("FI")

The FI ledger, also known as the "Financial Accounting Ledger", operates as the organization's general ledger and captures **actual** expenses by G/L account as they are incurred.

FI consists of the following objects, which are further defined below: Business Areas, Cost Centers, and G/L Accounts.

Business Areas – Business Areas are organizational unit of external accounting that corresponds to a specific business segment within a company (Water, Sewer, Water & Sewer Combined, etc.).

Cost Centers – Cost Centers are organizational units within the organization which incur costs and indirectly drive profitability (e.g. Engineering, Legal, Customer Service, etc.).

G/L Accounts – G/L Accounts are the lowest level of granularity utilized within the FI ledger and represent the individual line item detail within a cost center utilized to record actual expenses as they occur.

Note: G/L accounts correlate on a 1:1 basis with commitment items on the FM ledger.

CONTROLLING LEDGER ("CO")

The CO Ledger records closing entries and adjustments required to report financial performance on a modified accrual basis. The CO module consists of the following objects: Business Areas, Cost Centers, and Cost Elements.

Business Areas – Business Areas are organizational unit of external accounting that corresponds to a specific business segment within a company (Water, Sewer, Water & Sewer Combined, etc.).

Cost Centers – Cost Centers are organizational units within the organization which incur costs and indirectly drive profitability (e.g. Engineering, Legal, Customer Service, etc.).

Cost Elements – represents a category of costs for internal reporting used by management to track like costs (payroll, taxes, insurance, etc.).

Note: Cost elements are directly mapped to GL and Commitment items on a 1:1 basis.

GENERAL ACCOUNTING TERMINOLOGY AND DEFINITIONS

CAFR – Consolidated Annual Financial Report which is prepared and presented to the District Board. In addition to financial statements, the CAFR contains key reports such as Compensated Absences and Statistical Tables.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Government-Wide Financial Statements – The government-wide financial statements are an overview of the District's finances similar to financial statements produced by private-sector businesses.

The governmentwide financial statements distinguish functions of the District that are principally supported by taxes, sewer user charges and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities).

Governmental Funds – Governmental funds account reported as governmental activities in the government-wide financial statements, but only focus on near-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the year.

Major Funds consist of the General Fund, Debt Service Fund, Assessable Sewer Construction Fund, Sanitary Sewer Overflow Construction Fund, 2006 Clean Water Project Referendum and 2012 Clean Water Project Referendum. Other Capital Project governmental funds are combined into a single non-major governmental fund.

Proprietary Funds – The District maintains three enterprise type funds. Enterprise funds report the same functions as presented by the business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its water and hydroelectricity operations and Mid-Connecticut Project.

Fiduciary Funds – Fiduciary funds are used to account for assets held by the District in a trustee capacity for the benefit of parties outside the government.

Parked Entries – An interim entry that has been entered in the system but has not been posted. These entries do not hit the general ledger and will not have an impact on any financial reporting that is produced until posted by an accountant. Parking an entry allows for review and approval to occur within SAP.

Posted Entries – An entry that has been entered in the system and has a financial impact on the general ledger.

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6.3.2 Close Checklist



Month End Closing
Checklist Dec 2019.x

6.3.3 Journal Entry Bulk Upload Template



Doc# 1xxxxx Journal
Entry Template.xlsx

6.3.4 Reconciliation Template



Reconciliation
Templates_Example.xl



Global Reconciliation
July 2018 09-06-2018.

6.3.5 General Accounting Organizational Flow Chart



Future State Flow
Chart 110118_Final.pdf

6.4 Revision Matrix

Revision	Prepared/Edited By	Transition Date	Effective Date	Revision Notes
1.0	CohnReznick LLP	11/01/2018	01/01/2019	Initial version prepared by CR in consultation with Finance/Accounting.
1.1	CohnReznick LLP	12/15/2019	01/01/2020	Preliminary review (1/15/21) by CFO/ new Controller, T. Phan



The Metropolitan District
Hartford, Connecticut

TREASURY

Policies and Procedures

[Abstract](#)

This document codifies the policies and procedures of The Metropolitan District with respect to its Treasury group and its functions. Proprietary and Confidential.

POLICIES AND PROCEDURES HANDBOOK

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POLICIES AND PROCEDURES HANDBOOK

1. Introduction & Overview

Background

The Metropolitan District (“MDC”) is a non-profit municipal corporation chartered by the Connecticut General Assembly in 1929 to provide a complete system of potable water supply and sewage collection for the incorporated municipalities within the District: The City of Hartford and Towns of East Hartford, West Hartford, Wethersfield, Rocky Hill, Newington, Bloomfield, and Windsor, as well as other non-member service areas by special agreements.

The mission of The MDC is to provide customers with safe, pure drinking water, environmentally protective wastewater collection, and treatment and other services at a reasonable cost to the residents of the communities the District serves.

Document Overview

The primary purpose is to document the process/procedures and key policies as it relates to the Treasury department. This document is broken out by the three core components of the Treasury function; cash management, debt management, and risk management. Each section will provide a general overview and framework of all service areas and should be used as a reference for onboarding new employees as well as acting as a resource for existing personnel.

In order to fully realize the stated benefits of this Policy, it is essential that it is maintained up to date through an ongoing review process and periodic formal revisions which account for future changes or developments on an at-minimum annual basis. All revisions are subject to ratification by The District’s BOF. Consequently, it is the responsibility of the Chief Financial Officer (“CFO”) to ensure compliance with the policies set forth in this handbook.

2. Treasury Organization

2.1 Departmental Organization Structureⁱ

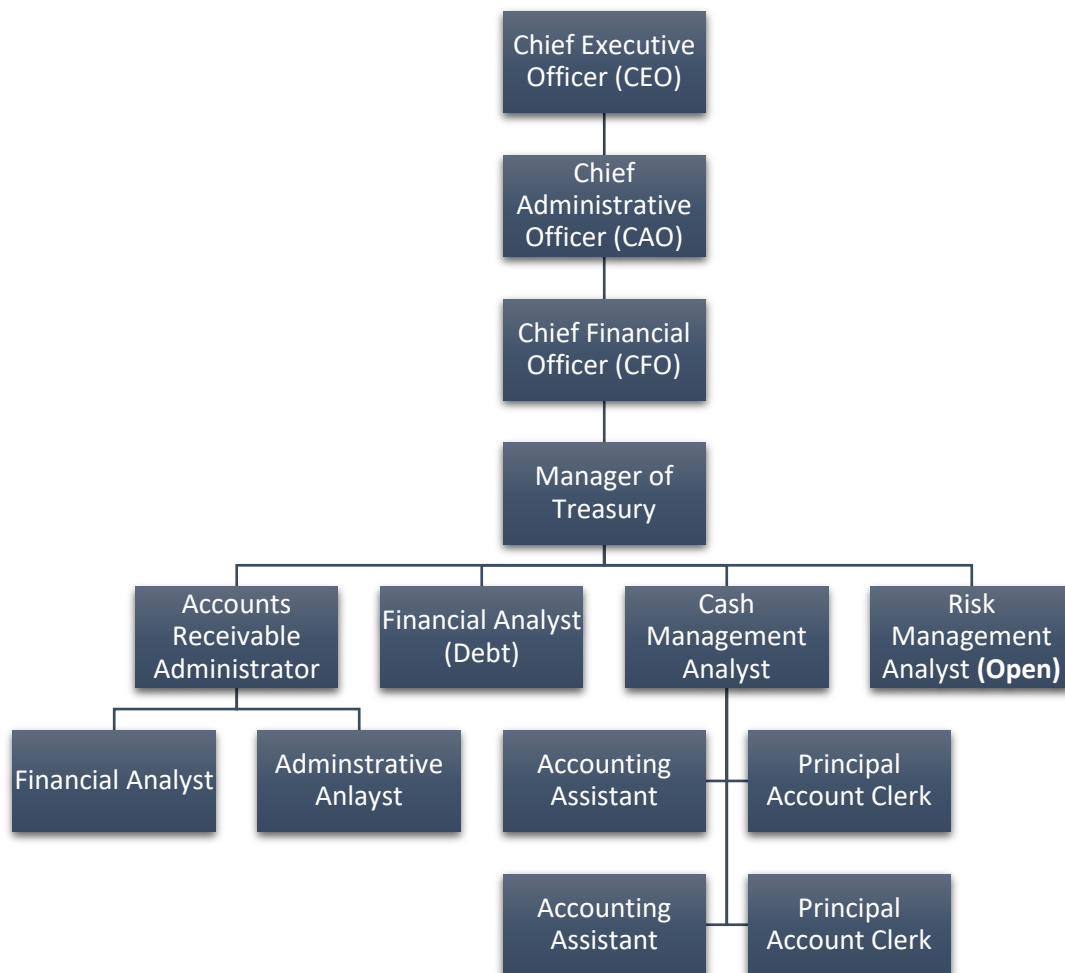


Figure 1 - Treasury Organization Structure: As of 03/01/2020

Manager of Treasury

This role is to manage and oversee the daily activities of the Treasury Department, including cash, liquidity management, debt management and risk management. This position manages direct cash investments, bonding, accounts receivable, claims, insurance risk, pension asset allocations, Other Post-Employment Benefits ("OPEB") investments, daily cash flow, and employee benefit accounting.

Cash Management Analyst (CMA)

This role is responsible for day to day cash management which includes reporting, cash planning and analysis, cash forecasting, as well as oversight of the Principal Account Clerks and Accounting Assistants. The CMA manages all relationships with the financial institutions where the MDC holds banking accounts.

Accounting Assistant

This role is responsible to perform accounting transactions including processing and research of customer payments, responding to customer inquiries and request, as well as performing daily bank reconciliation tasks. Work involves analyzing financial information, compiling reports and recording a wide variety of financial actions and producing documentation.

Principal Account Clerk

This role collects customer payments for water and sewer billings at the MDC customer service location. Duties will include placing customers on payment plans, reconciliation of the daily cash drawer and Brinks deposit package, as well as providing other customer service functions. This role currently resides within the Treasury Department however a future transition to Customer Service is anticipated.

Accounts Receivable Administrator

This role is responsible for the day to day accounts receivable functions of the department which includes analysis of delinquent accounts, negotiating payment arrangements on escalated accounts, reporting and bad debt forecasting as well as oversight of the Administrative Analyst and Financial Analyst.

Administrative Analyst

This Role performs customer account level transactions (manual postings) such as posting court costs, chapter 13 interest and lien release fees. Duties also include auditing check request forms to ensure the proper authorizations have been given and flagging them for refund in SAP, processes Lien Release documentation and septic reimbursement refunds.

Financial Analyst

This role performs professional administrative work including the development and administration of debt and reporting of debt data in the routine budget process. Duties include monitoring issued and unissued bonds, compiling budget information, and conducting future funding needs analysis. Essential reporting is compiled and conducted for tax reporting purposes and MDC's overall debt position to stakeholders and member towns.

POLICIES AND PROCEDURES HANDBOOK

3. General Policies

3.1 Delegation of Authorityⁱⁱ

Pursuant to Section 7-148(c)(1)(A) & (B) of the Connecticut General Statutes, Section 1-2f of The Compiled Charter of The Metropolitan District (the “MDC”), and by the authority granted to the Chief Executive Officer for The Metropolitan District under Section B2d of the By-Laws of The District Board of The Metropolitan District (the “Board”), the following corporate matters will require formal approval from the Board, except as otherwise indicated in the matrix below.

These authorizations will be in addition to other internal financial controls put in place by the Company’s executive-level employees, and / or the Company’s independent auditors.

In the event the delegation matrix below is updated the edits will need to be reflected in the General Accounting Policies and Procedure. The table below is an excerpt extracted from the full delegation of authority matrix noted in the General Accounting Policies and Procedures document.

Function/ Description	By-Law / Charter §	Authorized Signatories	Authority Limits
CASH MANAGEMENT			
Bank Account Set-Up	BL-§B2.i	Fiscal Officer/Treasurer & CEO sign w/ bank	All Values
Check Signing (Manual)	BL-§B5.b	Fiscal Officer/Treasurer	All Values
Wires	N/A	Treasury Initiates/ Release	<=\$250,000
	N/A	Treasury Initiates/ Release	> \$250,000
Credit Card Account Set up	BL-§B2.i	Fiscal Officer/Treasurer & CEO	All Values
Expense reports/ T&E/ Miscellaneous	N/A	Business Unit Owners	\$0 - \$1,500
	N/A	Controller	\$1,500 – \$4,999
	N/A	CFO	\$5,000 and above
CONTRACTS			
Debt Agreements	§B2i	Fiscal Officer / Treasurer	All Values (Lending)
	§B2a	Board Charman & Fiscal Officer / Treasurer	All Values (Borrowing)

Table 1 – Cash Management excerpt from Delegation of Authority Matrix Rev. 03-2020

POLICIES AND PROCEDURES HANDBOOK

4. Cash Management Functions

4.1 Cash Forecasting

4.1.1 Overview

The purpose of Cash Forecasting is to analyze the District's cash flow and accurately forecast anticipated cash needs through collaboration with other key organizational stakeholders, including General Accounting, Operations, Budgeting, Legal and Executive level management.

This function resides within the Treasury Department and is led by the Cash Management Analyst.

4.1.2 Monthly Cadence / Calendar

On an annual basis, the finance calendar is prepared and distributed to the finance team, establishing key dates¹ and deliverables due over the course of the upcoming fiscal year. Recurring monthly activities are shown below and are integral inputs into the cash forecasting process.

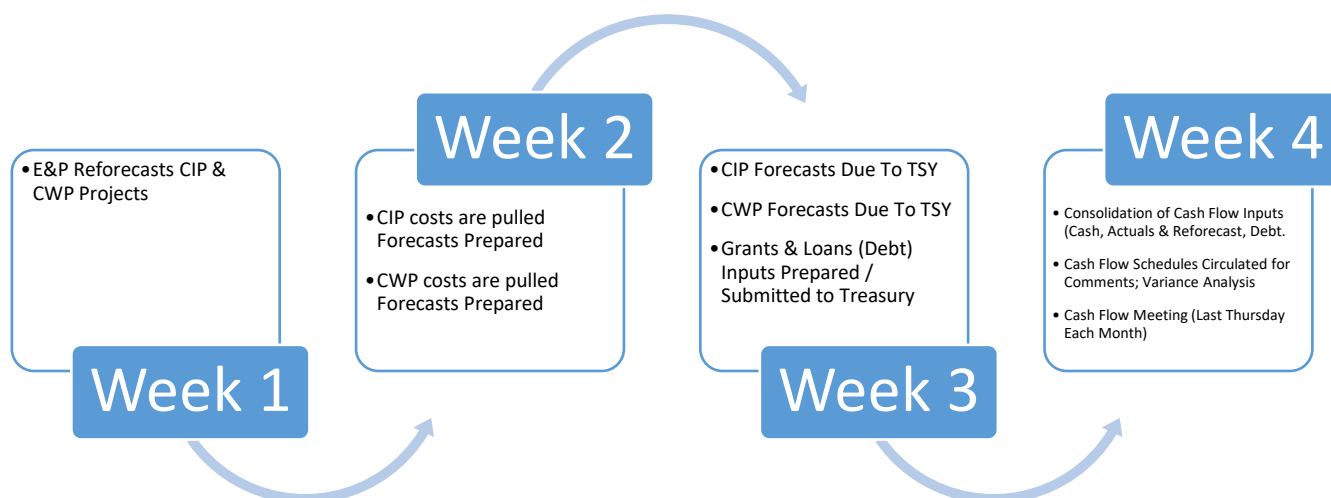


Figure 2- Monthly Cash Forecasting Timeline

¹ Key dates in the monthly cadence / calendar represent business days in the MDC's monthly business cycle.

POLICIES AND PROCEDURES HANDBOOK

Cashflow Forecasting

A monthly meeting scheduled for the CMA to meet with budget, procurement, engineering, etc. to review all projected expenditures within the upcoming forecast period.

The Cash Management Analyst incorporates all expenditures received from each department, payroll expenses, and vendor expenses into the forecasting model to develop the cash fluidity for the upcoming quarter. All potential cash timing differences should be communicated and addressed with input from the Manager of Treasury and/or CFO once finalized.

The forecast is saved on the shared drive and reviewed as part of the monthly cash meeting held on the last Thursday of every month.

Table 2 - Monthly Cash Forecasting Activities

Approx. Bus. Day	Week	Activity	Task	Due To	Due From	Description
+/- Day 2	1	Clean Water Revenue Transfers	Bank Requisition Finalized	Finance	Treasury	US Bank Package is due to CFO for review & approval.
+/- Day 5	1	Clean Water Revenue Transfers	Bank Requisition Approved / Submitted	US Bank	Finance	On CFO Approval, requisition is submitted to US Bank.
+/- Day 6	2	Clean Water Revenue Transfers	Clean Water Transfer Completed By US Bank	N/A	US Bank	US Bank processes clean water revenue transfer; funds are received and receipt is confirmed by Treasury.
+/- Day 13	2	Cash Flow	Project Costs Due	Treasury	CIP / CWP	Anticipated project costs for the month are submitted to Treasury for all CIP / CWP projects. Engineering aligns its Internal processes to target this due date.
+/- Day 15	3	Cash Flow	Cash Flow Model Updated	N/A	Treasury	Cash Management Analyst updates the cash flow model with project cost data as well as current cash balances and projected debt requirements.
+/- Day 16	3	Cash Flow	Internal Review of Cash Flow Projections	All Stakeholders	Treasury	Finalized Cash Flows are distributed to each department for comments and variance explanations prior to monthly cash flow meeting.
+/- Day 19 (Last Thursday, Monthly)	4	Cash Flow	Cash Flow Meeting	All Stakeholders	All Stakeholders	The monthly cashflow meeting occurs on the last Thursday of each month to review the district's cash position and forecast cash needs for the upcoming month.

See Also: §A - Finance Calendar,

POLICIES AND PROCEDURES HANDBOOK

4.1.1 Critical Schedules & Deliverables

Cash Position Dashboard

The Cash Management Analyst prepares a cash dashboard on a weekly basis which feeds the forecast. The cash dashboard is updated with the bank activity from Webster Bank

CURRENT MONTH				MAJOR CASH ACCOUNTS - 9/22/18	
WEEK	RECEIPTS	EXPENDITURES	CASH BALANCE		
9/1/2018	\$ 3,478,233	\$ 13,781,469	\$ 55,567,135	TD Bank/Webster- Main Concentration	\$16,352,186
9/8/2018	\$ 2,950,831	\$ 11,105,233	\$ 47,412,733	STIF	\$54,531,939
9/15/2018	\$ 4,009,634	\$ 4,402,378	\$ 47,019,990	US Bank	
9/22/2018	\$ 27,326,190	\$ 3,462,060	\$ 70,884,119	Rate Stabilization Fund	\$101,978,109
9/29/2018	\$ -	\$ -	\$ 70,884,119	Revenue Fund	\$5,318,327
Total Actual	\$ 37,764,889	\$ 32,751,140	\$ 70,884,119	Future Debt Serv-Interest	\$4,809,783
Forecast	\$ 38,084,550	\$ 45,078,600	\$ 58,876,321	Future Debt Serv-Principal	\$2,859,382
Variance	99.2%	72.7%	120.4%	Subtotal SSSS	\$114,965,601
Prior Year	\$ 47,629,968	\$ 43,659,397	\$ 85,203,942	Bond Proceeds-Premium	\$22,739,017
				Total US BANK	\$137,704,618

Figure 3 - Cash Position Dashboard (Sample Output)

extracted directly from the Daily Cash Report (DCR).

To produce the Cash Dashboard, the CMA extracts figures from SAP as well as utilizing the Webster, US Bank, and State of Connecticut account portals to obtain outstanding balances for each bank account and the Short-Term Investment Fund (STIF).

Vendors payments to suppliers, bond payments, etc. are entered in the "Actual - Weekly" tab at the end of each week. Using a SUMIFS formula, all weekly totals flow into the "Actual - Monthly" tab creating the "Current Month" shown above. Weekly cash receipts are shown less any expenditures to reflect the total cash balance. Bank account balances are extracted from the online bank portals as well as utilizing the Debt Service Model to display MDC's total cash position at the close of the month.

Each fiscal year, an anticipated spend is established during the budget process to which the District is mandated not to exceed. In conjunction with the monthly close process, variances

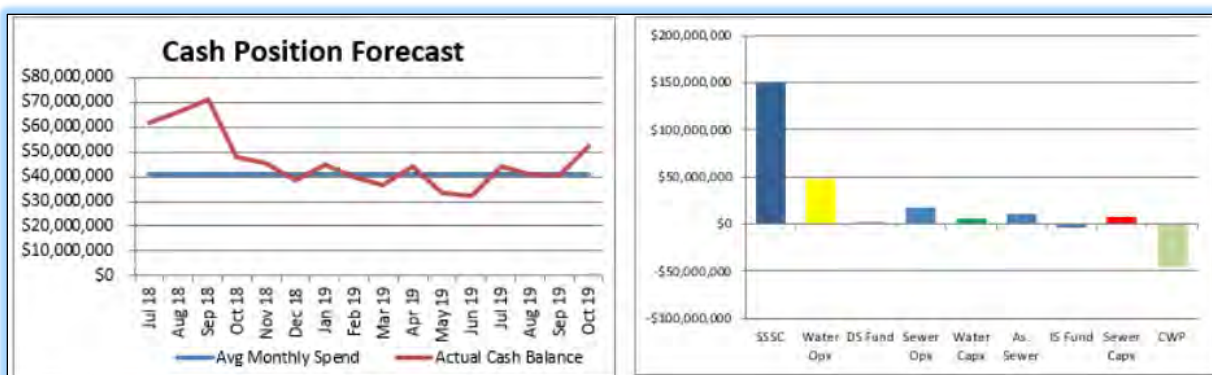


Figure 4 - Cash Position Dashboard (Sample Charts)

between anticipated spend (blue line) against the actual cash balances reported by Cash

Management (red line). Expenditures are evaluated on a more granular level broken out by revenue stream water, sewer, etc. as shown in the sample charts above.

4.2 Banking

4.2.1 Account Open / Closing

Pursuant to District By-Law B2.i, the authority to open and close bank accounts is delegated to the District's designated Fiscal Officer or to the District Treasurer and executed by the CEO as authorized signatory in order to satisfy Federal Deposit Insurance Corporation ("FDIC") and know-your-client ("KYC") regulations which require all entities doing business with financial institutions disclose information about their board of directors, executive officers and authorized signatories within the organization.

In order to ensure all account information is compliant with regulations and up to date for any organizational changes, the district has established an annual process to review and update all bank account information as well as District Board designated / authorized signatories. This review occurs each year during the District's audit or on an ad-hoc basis when someone is added/deleted to the accounts.

In the event an MDC bank account requires closure, the Treasury department will work with the financial institution and authorized signatories to oversee the proper closure of the account within the bank as well as updating internal Accounting systems and records.

See Also: Procurement Guidelines for Bidding process (External Reference)

4.2.2 Online Banking Administration

Webster, US Bank, and all other financial institutions offer online based portals to retrieve cash receipts and statements, monitor banking activity, and other cash reporting functions. The Manager of Treasury is responsible for regulating access to these portals as the administrator for all District banking platforms.

Requests to add user access from the Banking Platform should be directed via email to the Manager of Treasury for review and approval. Documentation of requests and their associated approvals should be maintained for recordkeeping.

Requests to remove access to the Banking platforms should also be directed via email to the Manager of Treasury. Reasons for removal of access include realignment of roles and responsibilities or in the event of dismissal, retirement, or other departure from the organization. All requests for removal are completed within 24 hours of notification and bank access is reviewed annually in conjunction with the annual audit.

4.2.3 Sweep Accounts

The MDC has 13 accounts between two financial institutions and the State of Connecticut. The active accounts are maintained with Webster Bank, US Bank, and the State of Connecticut's Short-Term Investment Fund (STIF). All account balances which are marked "sweep" in the table below are swept into the Concentration account, MDC's main operating account, overnight through a Zero Accounts Balances (ZBA) transfer. All accounts marked stand alone are not associated with the Concentration account ZBA transfer.

POLICIES AND PROCEDURES HANDBOOK

4.2.4 Bank Account Listing

The accounts at each financial institution are tracked in an excel schedule which outlines the type of account, account and ABA numbers, banking relationship contacts, and MDC authorized signatories designated at account opening.

	Account Name	Account Description
Webster Bank	Concentration (Sweep)	The main operating account for the MDC where most all vendor payments will be drawn from.
	ACH/Wire (Sweep)	Automated Clearing House (ACH) payments as well as wires will be strictly deposited into this account. The Av Valorem tax payments from member towns are a large driver of the deposits into this account.
	Kubra (Sweep)	All payments collected for sewer and water bills are then reimbursed to the MDC through Kubra (third party billing processor) and deposited into this account via ACH payment.
	Deposit (Sweep)	All checks collected by the MDC will be deposited into this account through the lockbox service.
	Controlled Disbursement (Sweep)	All check payments are drawn and cleared off this account to coincide with the positive pay process.
	Bartholomew (Stand Alone)	Contract with the City of Hartford. The city of Hartford requires a separate account to track expenditures.
	UCONN (Stand Alone)	UCONN has \$3.6M worth of projects which are currently ongoing. UCONN has requested a separate account to track expenditures
	Workers Compensation (Stand Alone)	Workers Compensation will provide Cash Management with the weekly figure to be drawn. CM will initiate a transfer from Concentration to the Workers Compensation account. \$100K is the minimum balance for the WC account.
	Retirees Medical (Stand Alone)	Zenith will be issued the checks on behalf of the MDC for the retiree medical benefits. A transfer is executed weekly from Concentration to Retirees medical.
	Flexible Spending (Stand Alone)	General Accounting will prepare the payment run for the Flexible Spending on a weekly basis. Funds are transferred from ACH/Wire to Flexible Spending.
	Other Post-Employment Benefits (Stand Alone)	A transfer is performed twice a year to cover the OPEB costs from Concentration to OPEB. The total OPEB figure for the year is outlined in the budget.
U.S. Bank Accounts	CWPC Account (Sweep)	Investment pool of high security, short-term money market instruments
State of Connecticut	Short Term Investment Account – STIF (Sweep)	Investment pool of high security, short-term money market instruments

Table 3 - Bank Account Listing

See Also: 4.2.1 – Account Opening / Closing

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4.2.5 Payment-Fraud Mitigation

Positive Pay

The District utilizes Positive Pay Services from Webster Bank to reduce the potential risk of fraudulent payments by allowing MDC to make decisions to accept or reject a check before it is cashed.

During each payment run, a check-file is presented to the bank from the MDC which cross references all check numbers and check amounts before the monies clear MDC's bank account. Webster uploads the check file MDC provides into their secured banking system.

The positive pay system automatically reconciles the vendor name, check amount, and dollar figure when one of MDC's checks are electronically presented for payment. Positive Pay will place any exceptions "on hold" and appear on an exception report from the Webster Bank Portal, which is generated daily by the Cash Management Analyst.

If the CMA can confirm check exceptions are valid, the bank is notified and the check will clear and funds disbursed from the account.

If the CMA identifies a fraudulent check, a returned payment is placed on the check and the funds will not be disbursed. MDC also receives a monthly report from Webster outlining all outstanding checks payments which have not yet been cashed.

4.3 Cash Control Policies

4.3.1 Policy Overview

This Cash Management Policy ("Policy") has been established as a framework for efficient and effective management of cash and cash-equivalent resources generated by The Metropolitan District ("The District").

The Policy provides assurance to the Board of Finance ("BOF") that any cash management activities are subject to strong procedural oversight and a robust system of controls which align with and ensure adherence to all governmental statutes and regulations, including those set forth in The District's charter, ordinances, and by-laws.

4.3.2 Cash / Check Receipts

Murphy Road / MDC Headquarters / Utility Services

All cash or check payments received at MDC Headquarters (Legal, Engineering, GIS / Mapping, HR or the District Clerk) are delivered to Treasury to be deposited by the Principal Account Clerks at Murphy Road. Any customers from Utility Services are directed to Murphy Road to make their payments.

The following policies apply to receipts at Murphy Road only:

- Each Principal Account Clerk will recount their own drawer prior to the peer review. At the close of business daily, Principal Account Clerks will perform a peer-recount of all

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receipts as part of a dual-review policy. Evidence of review should be maintained through signatures from each employee counting the drawer.

- At minimum, one window at Murphy Road will be designated as cash processing and staffed by a qualified Principal Account Clerk during normal hours of business operations. In the event only one window was in operation during the day, an off-window clerk or treasury employee will be assigned to perform the recount to maintain a dual-review structure.

Lake McDonough / Barkhamsted

The following policies apply to receipts for services provided at any of the District's ancillary businesses, including user-access fees and boat rentals:

- Each employee will recount their own drawer prior to their peers. At the close of business daily, Supervisors will perform a peer-recount of all receipts as part of a dual-review policy. Evidence of review should be maintained through signatures from each employee counting the drawer.

4.3.3 Cash Handling

The following policies have been established to evidence chain of custody and ensure the secure transfer of physical currency between cash drawers, the vault, and the District's bank.

Vault Deposits

- At minimum, two employees will have access to the District's vaults. Monthly vault audits will be performed to limit access to designated employees. Vault PIN numbers will be scrambled periodically in order to maintain security to the vault.
- Signatures should be maintained in a vault log as evidence of deposit chain of custody whenever cash is placed or removed from the Vault.

Bank Deposits

- Principal Account Clerks are responsible for preparing deposit packages and ensure that the appropriate documentation is included: Deposit Slip, Invoices, Cash/Check Receipt Totals.
- A designated employee, independent from individual preparing the deposit package, will validate that all documentation has been enclosed within the deposit package prior to its deposit to Webster Bank via Brinks Armored Courier Services.
- In accordance with a dual-review policy, signatures will be required from both employees indicating that the deposit is 1) Prepared and correct to the best of the Clerk's knowledge and 2) Reviewed by the Treasury designee prior to vault placement or transfer to the armored courier.
- Cash or check payments received at Lake McDonough or Barkhamsted are deposited directly at the Bank by Patrol. Treasury reconciles the deposit slips to the amounts deposited to the bank.

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4.3.4 Compliance & Controls

In order to ensure adherence to The District's stated policies and alignment with all governmental and statutory regulations, the following activities are institutionalized to create a framework of robust controls as it applies to cash management.

Receipts Reconciliation

- Each Principal Account Clerk will recount their own drawer prior to their peers.
- At the close of business daily, Principal Account Clerks will perform a peer-recount of all receipts as part of a dual-review policy.
- Evidence of review should be maintained through signatures from each employee counting the drawer.

Internal Audit Plan – Regular & Recurring Sport Audits

An internal audit program is executed by the Treasury department as part of its oversight responsibility of cash management. Regular recurring audits will be performed by the Cash Management Analyst. The planned internal audit schedule for the year will be approved by the Manager of Treasury and communicated at the start of each fiscal year.

Item	Frequency	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash Drawers	Monthly	X	X	X	X	X	X	X	X	X	X	X	X
Deposit Package	Monthly	X	X	X	X	X	X	X	X	X	X	X	X
Vaults	Monthly	X	X	X	X	X	X	X	X	X	X	X	X
Petty Cash	Quarterly			X			X			X			X
Lake McDonough	Semi-Annual		X						X				
Barkhamsted	Semi-Annual					X						X	

Table 4 - Internal Audit Plan

- The primary location for cash receipts is at Customer Service located Murphy Road where Principal Account Clerks manage a cash drawer that is audited once a month.
- The daily deposit from Murphy Road is verified by another staff person daily. Total bank deposits will be reconciled as part of the audit plan monthly.
- The two vaults (located at Murphy Road and at the District headquarters) will be audited once a month.
- Cash Drawers located with Utility Services will be audited quarterly.
- Audits will be performed at Lake McDonough and Barkhamsted twice a year.
- A secondary spot-audit program is also implemented on a randomly selected basis, each Clerks Drawer will be analyzed and reconciled to the SAP Cash Report with variances documented and maintained to analyze performance.
- Spot Audits will also be performed on a random, periodic basis on the District's bank deposits to verify the accuracy of the submission.

Audit Trail

Reconciliations are performed to ensure that account balances reflected in sub ledgers agree to the general ledger, and that all cash transaction have been completely and

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accurately recorded. All supporting documentation / sub-ledger reports are attached to the standardized reconciliation template and evidence of independent review is retained for a minimum period of time in line with organization-wide record keeping policies and maintained electronically or via hard copy.

4.4 Disbursements

The Cash Management group is responsible for issuing payments after the review/approval process has been completed by the General Accounting group.

Payments are issued through a series of payment runs, process of grouping invoices together in batches to be paid at the same time. This process occurs two times per week for vendor payments and once weekly for employee payroll as outlined in the tables below:

Vendor Payments

	Day	Due by	Owner	Activity
Tuesday	Mon	3 PM	AP	Invoice listing/ vendor payment proposal sent to Controller for review
	Tue	9 AM	Controller	Review completed/ Approval from Controller sent to AP
	Tue	12 PM	AP	Approved file uploaded to bank/ sent from AP to TSY for Disbursement
	Tue	5 PM	TSY	Disbursement/Payment issued by end of business day
Friday	Thu	3 PM	AP	Invoice listing/ vendor payment proposal sent to Controller for review
	Fri	9 AM	Controller	Review completed/ Approval from Controller sent to AP
	Fri	12 PM	AP	Approved file uploaded to bank/ sent from AP to TSY for Disbursement
	Fri	5 PM	TSY	Disbursement/Payment issued by end of business day

Table 5 - Vendor Payment Schedule

Employee Payroll

	Day	Due by	Owner	Activity
Thursday	Tue	3 PM	Controller	Payroll proposal file review completed/ Approval
	Tue	4 PM	Controller	Payroll file loaded to bank portal/ sent to bank
	Thu	12 PM	Bank	Disbursement/Payment issued by end of business day

Table 6 - Employee Payment Runs

The payment run process is initiated by the AP clerk through an email that the proposal has been uploaded into SAP for review. The proposal lists all check/wire payments which are reviewed by the Controller before the payment runs can be released by Treasury. Email notification of approval will be sent to the Cash Management Analyst ("CMA") who will initiate the payment run.

The Accounting Assistant uploads all wire payments into the Webster Bank portal for the Cash Management Analyst to review and release payments as part of a dual review process. On approval, checks will be printed on secure stock containing CFO's signature and used by the Accounting Assistant to prepare the positive pay that is provided to Webster Bank and the General Accounting Department as proof of payment.

ACH/Wire Payments

All ACH/Wire payments for payment proposals are uploaded into the Webster Bank Online Banking Portal. The CMA will verify that the wire amounts match their respective payment proposals and release all wires uploaded through the online banking portal.

ACH/Wire payments are accepted from vendors, typically for Ad Valorem tax payments from member townships.

When making payment to the MDC, the Member Towns are provided with the bank account name, account & routing number for the Electronic Transfer Fund (EFT) payment. Upon completion of the transaction, confirmation of the funds transfer is sent by the vendor to the General Treasury Mailbox.

The Cash Management team records the ACH/Wire payments into SAP once the EFT payment appears on the bank account and is shown on the daily bank activity statement, which are reconciled to the GL daily and flow through to the Daily Cash Report.

Manual Check Payments

In the event a manual check needs to be administered, written email approval must be sent to the Cash Management team to initiate the process. Within the email, the Controller outlines the vendor name, payment amount, and purpose. The CMA obtains the checkbook from the vault and prepares the check in accordance with the email instructions. The CMA takes a copy of the check and staples to the email approval. The CMA brings the physical check as well as the check copy and email to the Controller for final review. The Controller obtains a signature on the check from the CFO. The check copy and email approval will be scanned and stored on the shared drive by the CMA in a manual check specific folder.

5. Debt Management Function

5.1 Overview

The Debt Management function is responsible for all activities related to the issuance, monitoring, compliance, and reporting of debt securities issued by the MDC. Internally, the Debt Management function works hand in hand with other MDC departments (General Accounting, and Cash Management) to project borrowing needs at the MDC.

The Financial Analyst also works closely with the Bond Counsel, financial advisors and other financial institutions, including the Trustee and Paying Agent.

5.2 Debt Limit Policy

The Debt Limit is the maximum threshold of debt the MDC can have outstanding, as governed by Section 1205 of the General Statutes, revision of 1918. This amount is calculated as five percent of the prior year's combined Net Taxable Grand List of the 8 Member Municipalities within the District.

Each city and town must provide this information to the state by May 1st every year and is equivalent to the assessed value of all shares of capital stock and the taxes of which are required.

The Net Grand List is used to calculate the District's Statutory Debt Limit and total indebtedness less remaining principal on subordinated revenue bonds on monthly and annual basis as part of the annual audit as well as on an ad-hoc basis when requested by member towns.

5.3 Critical Schedules and Deliverables

The Debt management team is responsible for maintaining and updating the following systems and schedules which are used to create reports, journal entries and provide insight related into debt held at the MDC.

5.3.1 Authorized/ Unissued Schedule

The Authorized/Unissued schedule is an excel file used to track appropriated funding as approved by the Board, actual expenditures by project grants/loan proceeds and the balance available to borrow. This is critical to ensure that project expenditures do not exceed the amount that is appropriated for each project.

Once a resolution for proposed debt is adopted by the Board, the Financial Analyst adds the approved amount of additional debt/funding to the Authorized/ Unissued excel file based on the WBS number. On an ongoing monthly basis, the Financial Analyst updates the file using the SAP data file that is submitted by the budget department and saved on the share drive monthly from the budgeting department. The file is then saved to the shared drive.

The Authorized/unissued file is also used to generate the authorized/unissued footnote in the CAFR.

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5.3.2 Amortization Schedule Access Database

The Access Database is a storage repository for all amortization schedules that are received from Ghe state and/or MDC's financial advisors. The amortization schedules stored in the Database are use determine the monthly debt entries, principal & interest payments as well as provide supporting documentation in monthly and annual reporting activities.

The process for entering an amortization schedule in the database begins with the issuance of a new State Project Loan Obligation (PLO) or Bond. Upon issuance, an amortization schedule will be provided by either the Office of the State Treasurer.

Once received, the Financial Analyst uploads the file into the debt database for recordkeeping.

5.3.3 Debt Service Model

The Debt Service Model is an excel file that the Debt Management Analyst uses to track key schedules that are to be used for internal reporting, tracking debt payments and producing footnote schedules for the CAFR.

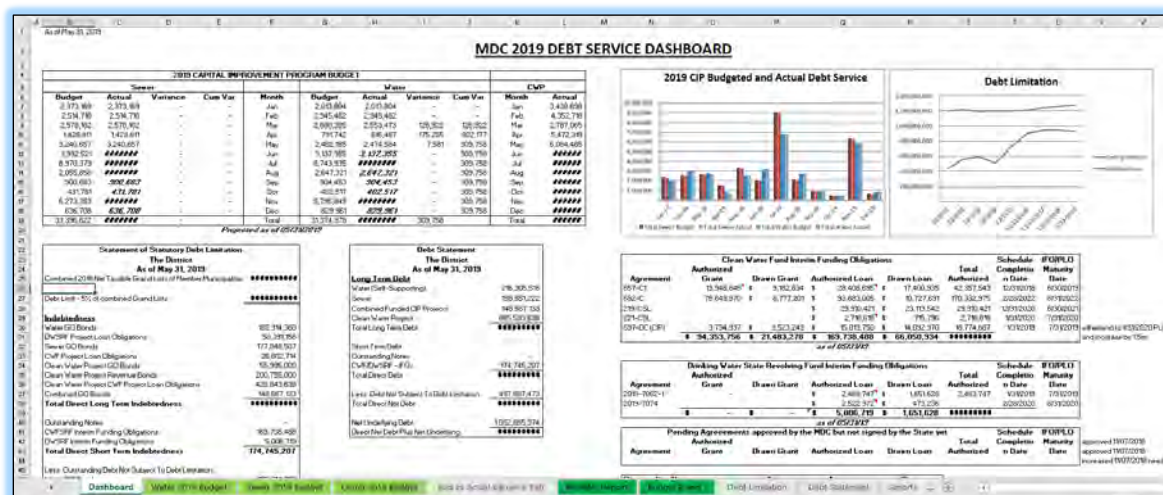


Figure 5 - Debt Service Dashboard

The main purpose for the file is to track budget vs actual variance, which can be broken out by Debt type (General obligation, Bond name, as well as by Water, Sewer, and Combined debt types. This schedule is updated monthly to measure budget versus actual activity, as well as on an ad-hoc basis as determined necessary by the Manager of Treasury.

The file is also used to calculate the debt limit and monitor the total amount of MDC debt as compared to the debt limit.

See Also: §5.2 – Debt Limit

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5.3.4 Other Debt Reporting

The Official Statement (O/S) is a disclosure document used to provide material information to investors in order for them to make an informed investment decision. Although it is mostly prepared by MDC financial advisors and bond attorneys, MDC is responsible for its accuracy.. The O/S outlines key information about the MDC as it relates to the issuance of the new debt security as well as general information about the newly issued debt security.

The Financial Analyst prepares the metrics and schedules defined below, which support the issuance of the Official Statement and provides them to the District's Municipal Advisors, Hilltop Securities Inc., to compile an initial draft.

Authorized / Unissued Debt

This is a summary of all debt that has been authorized but remains unissued by the District as well as the principal amount of the outstanding debt held by Water, Sewer, Combined, and Hydro. This report is generated from data in the Authorized Unissued excel file.

Use of Bond Proceeds

This schedule outlines all Water, Sewer and Combined Funding projects with the amount authorized, any previously Bonded/Grants/ Contributions, prior notes for each project and bond funding for the current issuance, as well as any authorized but unissued proceeds. This is populated using the data from the Authorized/Unissued excel file.

Outstanding Debt – Principal, Interest & Amortization Schedules

Schedules A & B of the official statement are summary bond amortization schedules for General Obligation Bonds and Clean Water Revenue Bonds.

These schedules are sourced from data in the Authorized / Unissued Schedule and summarize the outstanding principal, interest & cumulative percentage.

See Also: §5.3.1 – Authorized / Unissued Schedule

The District Debt Statement & Debt Ratios

This schedule summarizes the Net Underlying Debt held by the district as well as current debt ratios for the district. This data is generated by and sourced from the Debt Service Model.

See Also: §5.3.3 – Debt Service Model

The draft report is sent to the MDC's Chief Financial Officer who coordinates with the Financial Analyst to resolve any comments, make required updates, and/or supply missing information prior to finalizing the report.

5.4 Debt Service Payments

One of the most critical responsibilities of the Debt Management Function is to track debt payments as they are due and make the monthly payments via ACH/wire. As invoices come in

for debt payments the Financial Analyst enters payments in the Debt Payment Entries tracking file.

The Financial Analyst reconciles invoices to the amortization schedules in the Access database and allocating the payments based on the appropriate SAP Project. Once the excel file is updated the Financial Analyst will issue ACH/Wire and provide general accounting with the support necessary to make all journal entries.

5.4.1 Debt Payment Schedule

This file is used to track all monthly debt payments entries and to provide support for the monthly debt payment journal entries recorded by General Accounting and wire/ACH. This file is maintained and can be accessed from the Accounting share drive.

5.4.2 Journal Entries

All journal entries for debt service payments are recorded by the General Accounting department. The Financial Analyst is responsible for submitting the necessary schedules and substantiation for journal entries in accordance with the timing stated in the General Accounting Monthly Close Checklist.

5.5 Clean Water Project Transfers

All Clean Water Project Charges (CWPC) received related to the Clean Water Project must be transferred from Webster Bank to the Revenue fund held at US Bank under the terms of the Indenture. US Bank automatically withdraws from the Revenue Fund the amount on of the scheduled debt payments (monthly revenue fund transfer, monthly allocation certificate, and reimbursement requests) as outlined in the amortization schedules.

It is the responsibility of the Financial Analyst to track Revenue Fund transfers for the Clean Water Project in excel and use this information in order to prepare schedules supporting the submission of the US Bank Package.

5.5.1 US Bank Package

In accordance with the Special Obligation Indenture, US Bank serves as Trustee of its indentured funds. The Financial Analyst prepares documentation on a monthly basis which directs the Trustee to move funds to various accounts within the Indenture for various purposes. These Trustee accounts cover the following: collection of the Clean Water Project Charge in the Revenue Fund, Debt Service Reserve Fund and the Rate Stabilization Fund.

The documents are certified by the Chief Financial Officer each month as stipulated in the Indenture and authorize required debt service payments and specified reimbursements to the MDC for certain expenses. Certification occurs no later than the 3rd day of each month and distributed to the Trustee by the 5th day of the month.

Certified Monthly Allocation Certificate (+/- Day 5)

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The Certified Monthly Allocation Certificate that is due to US Bank that lists the amounts that are to be transferred from the Revenue Fund to the Principal Installment account and Interest account within the US Bank Rate Stabilization Fund. This amount is determined by the Financial Analyst via the Revenue Bond Transfers Excel file and reflects the allocation for the previous month's expenditures.

Monthly Revenue Fund Transfer (<=Day 25)

This is a letter that is generated by the Financial Analyst that outlines the amount of money that is transferred from the Concentration Account to the Revenue Fund. The amount is determined as the total amount of revenue received from the Clean Water Project Charge for the previous month. US bank is required to transfer pledged funding by the 25th day of each month (or, if not a business Day, on the next succeeding Business Day).

See Also: §4.2.4 – Bank Account Listing

Reimbursement Requests

These are withdrawal requests from the Rate Stabilization Fund to reimburse expenses paid out previously by the concentration account. Depending on the reasoning and timing of the expense the type can include as many as 3 different reimbursements:

- **Prior Month's Debt Payment** – A monthly funding request letter is prepared requesting reimbursement of the prior month's principal and interest payments that are associated with the Clean Water Project related debt for General Obligation ("GO") Bonds and PLOs.

The Financial Analyst determines the amount of the prior month's payment and attaches the amortization schedule as additional support in the reimbursement request letter to US Bank.

- **Project Management Unit (PMU) Withdrawal** – The PMU withdrawal is a reimbursement that is done on a yearly basis from the Rate Stabilization Fund to the Concentration account to reimburse the General Fund (Concentration Account) for the District's administrative costs related to the management of the Clean Water Project throughout the year.

The amount is determined based on the budgeted amount of labor and overhead which is determined annually by the District Board as part of the District's annual budget process and included in the reimbursement request sent to US bank.

- **Accrued Interest Withdrawal** – This reimbursement that occurs every time that an State Interim Funding Obligation (IFO) is converted to a PLO. Once an IFO is converted into a PLO all accrued interest that was drawn on the IFO must either be capitalized or expensed by the MDC.

Accrued interest that is expensed by the MDC is deducted from the Concentration account and later reimbursed from the Rate Stabilization Fund. It is the responsibility of

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the Financial Analyst to track accrued interest in the Revenue Bond Transfer Schedule in order to substantiating this reimbursement.

5.5.2 Revenue Bond Transfer Schedule

The Financial Analyst tracks all Clean Water Project (CWP) related charges on a recurring-monthly basis within the Revenue Bond Transfer Schedule. The schedule is the basis for calculating the revenue transfer journal entries that General Accounting will record in SAP.

The screenshot displays a complex spreadsheet titled "Revenue Bond Transfer Schedule". It features multiple columns for different financial categories and rows for specific transactions. Key sections include:

- Header Section:** Contains labels for "Bond Proceeds Fund 2013", "Bond Proceeds Fund 2014", "Bond Proceeds Fund 2015", "Debt Service Fund", "Redemption Fund", "Referral Fund", "Rate", "US Bank Account", "SAP US Bank", and "SAP US Bank".
- Transaction Rows:** Lists various financial events such as "Monthly Allocation Cert Proceeds 2", "Revenue Bond Debt Payment", "Cash Receipt of Funds", "Debt Service", "Transfer to Debt Service Fund", "SSIC Collections 1", "SSIC Collections 2", "Monthly and Reserve", "Ties to Statements? Yes or No", "Interest Income 1", "Interest Income 2", "Interest Income 3", "Reimbursement Request 1", "Reimbursement Request 2", "SSIC Reimbursement Request 1", "SSIC Reimbursement Request 2", "Monthly Allocation Cert Interest 1", "Monthly Allocation Cert Interest 2", "Monthly Allocation Cert Proceeds 1", "Monthly Allocation Cert Proceeds 2", "Revenue Bond Debt Payment", "Cash Receipt of Funds", and "Debt Service".
- Amount Columns:** Numerical values are provided for each transaction, often with negative signs indicating debits or credits.
- Summary Rows:** At the bottom, there are rows for "Total", "Balance", and "Check", providing a summary of the overall financial position.

Figure 6 - Revenue Bond Transfer Schedule

In addition, the schedule is distributed externally and is included within the US Bank Package submission.

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5.5.3 Clean Water Project - Flow of Funds

The transfer flow of funds for the Clean Water Project is outlined in the figure below:

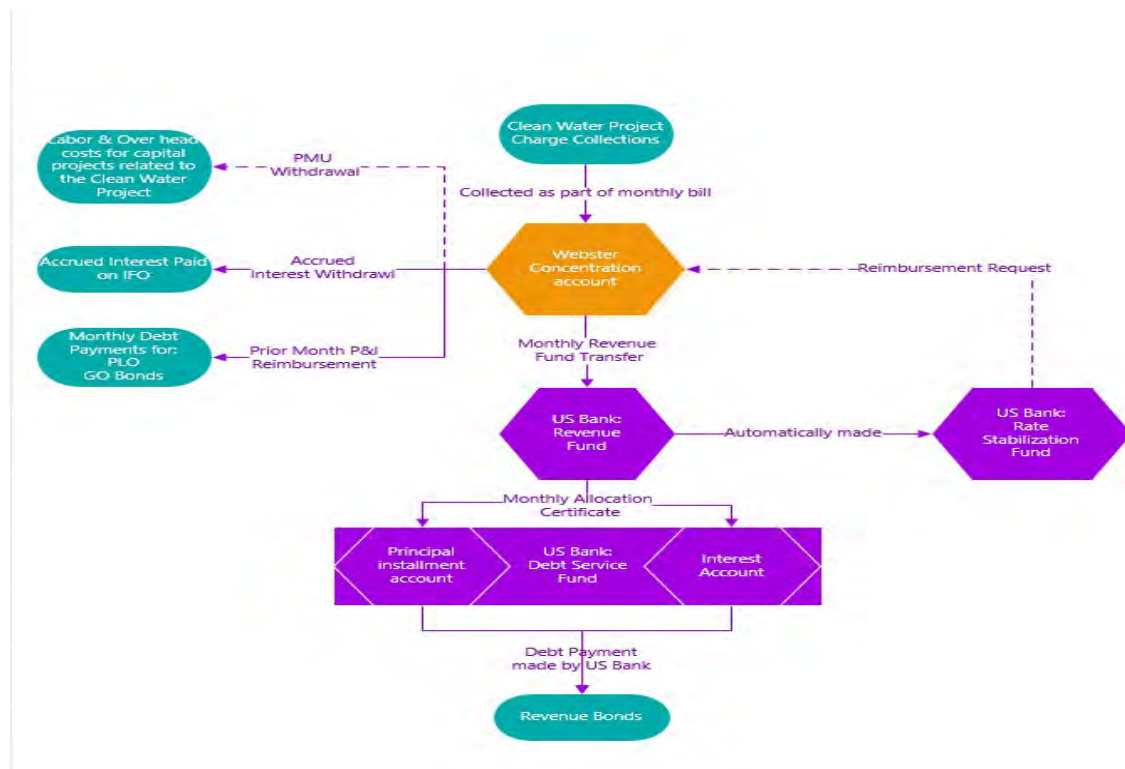


Figure 7 - Clean Water Project Flow of Funds

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6. Investment Management Functionⁱⁱⁱ

6.1 Investment Guidelines

6.1.1 Short-Term Investment Fund (STIF)

A minimum balance of \$3 million must be maintained in MDC's Concentration Account always to cover vendor payments, project expenditures, etc. The CAA is responsible for monitoring the US Bank Concentration account balance to ensure adequate cash is available to meet any short-term needs. If the Concentration account balance exceeds the \$3M threshold, the CAA will initiate a purchase proposal of the excess cash to transfer to the Short-Term Investment Fund (STIF) account.

If the Concentration account balance drops below the \$3M minimum balance, the CAA initiates a redemption request from the STIF account to transfer to the Concentration account. Once the request is created, it is approved or rejected by the CMA before a wire is

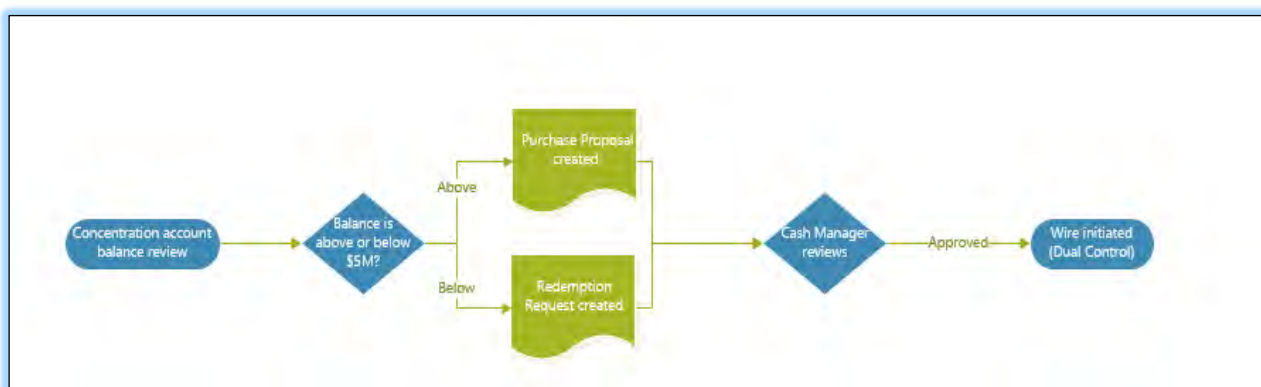


Figure 8 - Short-Term Investment Fund (STIF) Process Flow

executed.

6.1.2 Pension Policy

[Placeholder – To be defined]

6.1.3 Deferred Compensation Plan (457)

[Placeholder – To be defined]

7. Risk Management Function

7.1 Existing Risk Management

Currently, the District's risk management function is responsible for the timely and accurate administration of customer account services and for effective management of District claims, insurance and loss control.

Duties include directing customer account management and problem resolution, claims handling, insurance administration and loss control operations. The position also has the responsibility for making difficult accounting and risk services administrative decisions in accordance with the District's Self Insurance Program.

7.2 Comprehensive Risk Management Program^{iv}

A comprehensive Risk Management program enabling the District to mitigate risks defined below is presently under development by the District's senior leadership and will be implemented at a future date based on consideration of the District's specific risk profile.

Liquidity/Funding Risk

Cash flow deficits in future periods on the basis of long-term financial forecasts are dependent on the maturity structure of cash, financial investments, loans and bank facilities. Liquidity/funding risk management focuses on MDC's ability to tap into funding at a future time to cover any cash shortages.

The Treasurer controls any key indicators to reduce the concentration of risk at one point in time so that if any triggering event were to take place, the overall borrowing cost is not unnecessarily increased depending on market conditions.

Market & Refinancing Risk

Market and refinancing risks are defined as the risk, that, through adverse market fluctuations in the value of the principal sums that MDC invests, its stated Treasury management policies and objectives are compromised against which effects it has filed to protect itself.

The Treasury Department is responsible for managing these risks and will confer with the board and the CFO to determine an appropriate course of action as required. In addition, Treasury ensures that all District financing is negotiated, structured, and documented, and the maturity profile of the monies raised are managed with a view to obtaining offer terms for refinancing.

The Treasurer actively manages the Company's relationships with its counterparties to explore all sources and funding avenues.

Legal and Regulatory Risk

Legal and regulatory risk is defined as the risk that the company itself, or a third party with which it is dealing with Treasury activities, fails to act in accordance with its legal powers or regulatory requirements, and that MDC suffer losses accordingly.

The Treasury department is responsible for ensuring compliance with all legal and regulatory guidelines for all Treasury management activities.

Fraud, Error, Corruption, and Contingency Risk

Fraud risk is defined as the risk that an institution fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption, or other eventualities in its Treasury management dealings, and fails to employ suitable systems and procedures and maintain effect contingency management arrangements to these ends.

The Treasury department ensures that sufficient controls are in place to prevent, identify, and address any instances of fraud, error, corruption, and contingency risk with management.

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8. Miscellaneous Activities

8.1 Sewer Usage Charge Billings^v

The Treasury Department is responsible for the tracking and billing of customers who are assessed a Sewer User Charge (SUC) fee for exceeding an maximum estimated usage threshold. At year end, a true-up for over/under-utilization of the system resulting in a rebate or surcharge calculated as defined in the table below:

Table 7 - Sewer User Charges, Rebates, and Surcharges

Revenue - Clients who are identified as a potential "High Flow User" are assessed an additional fee on their monthly bill throughout the year.		
<u>SUC Type</u>	<u>Description</u>	<u>Calculation</u>
High-Flow User Charge	Users that exceed (or expected to exceed) 12,200 CCF of liquid flow through the MDC sewers, as measured by the water usage.	Year 1: (Amount of CCF water use) – (12,200 CCF Threshold) X SUC Rate Year 2 & on: (Expected Net amount of CCF discharged) x SUC Rate
Suspended Solids / BOD / COD Charge	Users who exceed the mg/l thresholds of B.O.D / C.O.D or suspended solids as outlined in Section S-12 – "Sewer User Charges" of the "Ordinances of The Metropolitan District.	(Number of suspended solids clients are expected to discharge into the sewer above the thresholds) X (Suspended solids/BOD/COD Rate)
Non-Municipal Tax Exempt SUC Charge	Tax exempt entities who do not pay the municipal Ad-Valorem tax but use the Districts Sewer Lines are assessed a Non-Municipal SUC.	SUC rate for that Year
Surcharges or rebates - As part of the year end procedures clients submit certifications of their actual sewer usage and either receive a credit for the amount over-billed during the year, or a surcharge for the amount under-billed.		
<u>SUC Rebate / Surcharge Type</u>	<u>Description</u>	<u>Calculation</u>
Discharge Credit	Organizations who do not deposit all their water flow back into the MDC sewers, are eligible for a year end credit.	(Amount of CCF's billed) - (Actual Amount CCF Discharged) x SUC Rate
Ad Valorem Tax Credit	This is a credit for entities who pay a greater proportion of their share of a towns Ad Valorem to MDC's overall budget.	MDCs total Ad valorem / Member Towns adopted Budget = Tax Credit %

The Finance department adds an additional Sewer User Charge to the monthly water bill of the accounts that they believe exceed the SUC thresholds at the end of the year. They determine the amount to charge each Client based on their YTD water consumption and/or their previous history of sewer usage with the MDC.

There are 2 types of Certification Statements Request forms (Certification A and B) which are described in greater detail in the "SUC High Flow Accounts Documentation" in the appendix.

At the end of the year, clients who are charged the SUC monthly must complete a certification statement. This is used to determine if they are either owed a rebate for SUC charges in excess of their actual usage or if they should be billed an additional surcharge. The Cash Accounting Assistant who handles the SUC, runs report ZF06

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out of SAP and mails Certification Statement Form accompanied by an instruction letter by December 15th of the year being reported to be completed by the customer.

Clients must be complete and return the certification statement, with requested supporting documentation, to the Treasury Department on or before January 31st each year or within 30 days of the request. The Cash Accounting Assistant (“CAA”) reviews the information submitted to determine if a rebate or surcharge is owed to the customer. Based on that calculation, either an invoice or Wire/ACH will be sent to the Client.

If payment is due to the customer, billing submits a payment request to Accounts Payable with the vendor name and amount due. The credit to the customer is paid out to the through the payment run process initiated by the General Accounting team. In the event the customer owes the MDC funds; the billing team sends an invoice to the customer outlining the amount due.

8.2 Lien & Assessments Process

8.2.1 Overview

An initial Sewer/Water Main Pipe Assessment is completed where a new home or development is built that requires a new sewer/water line. Once the assessment is performed, the Accounting Assistant generates an invoice through Novak and sends it to the customer via mail.

Customers have two payment options when the assessment bill is received:

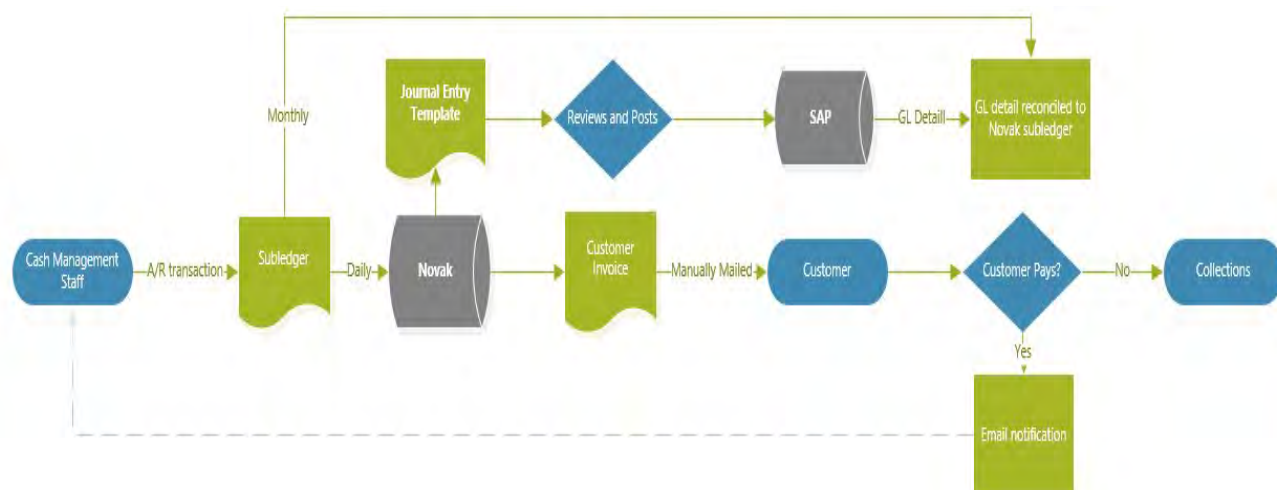
- If a customer pays their assessment in full within the 60-day period, the invoice is closed out and a lien will not be placed on the property.
- If payment cannot be made within the 60-day window, customers will be placed on a 15-year payment plan. Monthly billing is generated out of Novak and reflects the total interest and principal balance due by the customer.

Failure to make payments on the assessment will result in the issuance of a lien on the customer’s property. Liens are filed with the City or Town and will remain in effect until payment for the full value of the assessment (plus interest) is received. Upon satisfying their obligations, the District will provide the customer with the lien release that is filed with the City or Town.

8.2.2 Sewer/Water Assessment Liens

All clients are required to either pay off the full amount due within 30 days, or make an

Figure 9 - Novak Process Flow (As of 9/2019)



initial down payment on the outstanding amount and pay the balance within 90 days.

If the client does not pay within the 90-day period, a Lien will be place on the property.

If a lien is placed on the property, the Accounting Assistant clerk files required documentation with the City or Town. A copy of the lien is stored in the access database for MDC records.

Once the outstanding balance has been paid, the lien will be released. When a lien release request is received the cash management assistant must email a copy check/payment along with the original lien documentation to the legal department. The legal department will then file the release with the City or Town and provide a copy of the lien release to the client.

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8.3 Consolidated Annual Financial Report ("CAFR")

The Consolidated Annual Financial Report that the MDC issues includes several required schedules and footnotes that the Debt Management Team is responsible for producing.

Long term Debt Footnote

This footnote discloses the total amount of Long-term debt at the MDC. In order to prepare the footnote the Financial Analyst pulls the total amount of General Obligation Bonds, Revenue Bonds Premiums and the Clean Water Fund loans from the debt database.

Those amounts are then broken out by Governmental and Business-type activities.

G. Long-Term Debt					
Changes in Long-Term Liabilities					
Long-term liability activity for the year ended December 31, 2017 was as follows:					
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 280,392,899	\$ -	\$ 12,791,568	\$ 267,601,331	\$ 16,763,654
Revenue bonds	216,810,000	-	3,760,000	213,050,000	3,870,000
Premiums	46,665,336	-	2,451,521	44,213,815	-
Total bonds payable	543,868,235	-	19,003,089	524,865,146	20,633,654
Clean water fund loans	348,839,161	127,654,336	20,091,391	456,402,106	91,466,180
Compensated absences	2,009,223	2,731,012	1,917,576	2,822,659	2,515,714
Net pension liability	13,040,848	14,471,573	-	27,512,421	-
OPEB obligation	27,354,201	16,505,979	-	43,860,180	-
Total Governmental Activities Long-Term Liabilities	\$ 935,111,668	\$ 161,362,900	\$ 41,012,056	\$ 1,055,462,512	\$ 114,615,548
Business-Type Activities:					
General obligation bonds	\$ 222,847,089	\$ -	\$ 11,378,428	\$ 211,468,661	\$ 13,746,346
Premiums	19,159,532	-	1,270,415	17,889,117	-
Total bonds payable	242,006,621	-	12,648,843	229,357,778	13,746,346
Drinking water fund loans	52,742,532	3,670,542	3,021,534	53,391,540	8,032,489
Compensated absences	1,804,314	2,959,827	1,733,954	3,030,187	2,247,485
Claims and judgments	4,667,200	14,623,699	13,059,157	6,231,742	1,049,598
Net pension liability	39,465,251	-	28,761,036	9,704,215	-
OPEB obligation	48,819,640	-	3,786,414	45,033,226	-
Total Business-Type Activities Long-Term Liabilities	\$ 388,505,558	\$ 21,254,068	\$ 63,010,938	\$ 346,748,688	\$ 25,075,918
For the governmental activities, claims and judgments, pension obligation, OPEB obligation and compensated absences are generally liquidated by the General Fund.					

Figure 10 - Long Term Debt Footnote

Once the data is extracted, the report is sent to General Accounting who will then input the remaining information (compensated absences and net pensions liability) and ensure that all amounts tie to the general ledger.

Debt Amortization Footnote

This footnote discloses the schedule of principal and interest payments broken out by governmental and business type activities for General Obligation Bonds, Revenue Bonds, and Clean & Drinking Water loan.

The Financial Analyst is responsible for preparing this schedule using data from the debt database.

Annual debt service requirements to maturity for general obligation bonds are as follows:				
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 16,763,654	\$ 11,086,326	\$ 13,746,346	\$ 8,667,306
2019	16,946,206	10,270,213	13,863,794	7,994,118
2020	16,737,584	9,457,607	13,827,436	7,307,749
2021	16,210,524	8,689,942	13,694,476	6,634,013
2022	16,299,958	7,917,136	13,750,043	5,982,323
2023-2027	75,567,642	29,688,400	66,277,358	20,860,475
2028-2032	67,054,265	15,573,660	52,945,735	9,233,312
2033-2037	34,411,518	4,570,628	23,363,473	1,360,280
2038-2040	7,610,000	685,025	-	-
Total	\$ 267,601,331	\$ 97,926,937	\$ 211,468,661	\$ 68,039,575

Figure 11 - Debt Amortization Footnote

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The schedule is sent to General Accounting who ties the amounts to the General Ledger in prepares the footnote.

Authorized/Unissued Footnote

The Authorized / Unissued Footnote is required as part of the financial statements produced at year end which are included in the CAFR.

The footnote is the responsibility of General Accounting to produce with inputs provided by the Financial Analyst based on the information tracked within the Authorized / Unissued Schedule.

See Also: §5.3.1 – Authorized Unissued Schedule

“The total of authorized but unissued bonds at December 31, 20XX is \$[_____]. In most cases, interim financing is obtained through bond anticipation notes or other short-term borrowings until the issuance of long-term debt.”

Figure 12 - Authorized / Unissued Footnote

Unspent Proceeds Footnote

In the event the District has unspent/allocated debt at the end of the fiscal year that has not been reallocated to other Board approved projects, a CAFR footnote is prepared by General Accounting with inputs provided by the Financial Analyst.

This footnote is not applicable if the district does not have unspent/allocated debt at the end of the fiscal year.

Bond Anticipation Note (“BAN”) Footnote

This footnote is only required when the MDC issues short-term debt during the current year. It discloses general information about the Bond Anticipation Note including the issuance date, amount of the note, the interest rate, the total premiums and the maturity date.

General Accounting prepares this footnote based on data contained in the general ledger as well as with inputs as provided by the Financial Analyst.

Debt Statistics Table

This footnote shows a breakdown of the outstanding debt at the district by year. It is broken out by Water and Sewer related activities as a total of outstanding Debt.

TABLE 6

THE METROPOLITAN DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Year	Governmental Activities				Business-Type Activities			Total Outstanding Debt	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Clean Water Fund Loans	Revenue Bonds	Premiums	General Obligation Bonds	Drinking Water Fund Loans	Premiums			
2017	\$ 287,601,331	\$ 456,432,106	\$ 213,090,000	\$ 44,213,815	\$ 211,468,661	\$ 53,391,540	\$ 17,889,117	\$ 1,264,016,570	10.17%	\$ 3,088
2016	280,382,899	348,838,181	216,810,000	46,665,336	222,847,589	52,742,532	19,159,532	1,187,456,549	9.80%	3,009
2015	208,158,425	274,299,755	220,480,000	39,827,555	179,515,564	40,354,348	11,533,978	914,180,620	8.83%	2,658
2014	226,563,565	222,701,991	224,000,000	38,318,840	120,661,852	28,789,597	6,391,577	867,427,422	8.01%	2,367
2013	184,968,258	197,977,858	85,000,000	14,047,043	103,271,314	20,602,949	3,487,545	609,354,967	5.68%	1,665
2012	149,882,258	168,874,722		4,961,334	85,226,638	6,871,780	2,873,082	417,989,214	3.94%	1,141
2011	156,274,915	145,865,280		4,963,303	90,204,432	7,099,177	2,822,048	407,229,155	3.94%	1,113
2010	164,135,447	107,390,106		5,265,272	95,192,838	7,643,837	2,971,010	382,986,309	4.05%	1,070
2009	65,789,440	78,706,869		1,011,652	58,974,909	5,821,724	497,453	210,782,047	2.28%	587
2008	74,691,338	62,317,514		1,080,689	59,395,968	5,125,832	531,062	203,142,203	2.19%	566

Figure 13 - CAFR: Debt Statistics Table

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8.4 Customer Service Function

8.4.1 Overview

The responsibility for certain activities are shared between the District's Treasury and Customer Service Departments. These activities are executed by Customer Service under the policies and procedures established by Treasury.

8.4.2 Customer Installment Plan Offerings

The Metropolitan Districts provides flexibility to customers experiencing hardship which may be affecting their ability to pay their outstanding balances due to the District by offering customers the opportunity to opt-in to an installment plan which allows for payment over a fixed period.

These policies guide the specific plan offerings Customer Service Representatives that are extended to customers.

Eligibility Requirements

District Customers may request an installment plan due to financial hardship, receipt of a large invoice, or after service interruption. Installment plans requested after interruption will require an upfront payment of 100% if the outstanding balance is under \$600. Balances over \$600, should be paid 100%. If the customer is unable to make this payment the customer will be requested to pay 50%.

Additionally, eligibility will be determined by:

- Customers in default on an installment plan on a rolling 12-month basis will be ineligible for extension of an installment plan for a period of one year.
- Customers can only maintain one (1) payment plan at any given time.
- Standard terms are offered by the CS Representative reviewing customer eligibility on a customer-hardship basis as determined by the representative.
- NSF returned payments on outstanding amounts due must be repaid in full, including associated fees. Customers failing to do so prior to requesting an installment plan will be deemed ineligible for consideration.
- Customers with pending shut-off notifications are ineligible for installment plans and should be forwarded to Treasury staff regardless of outstanding balance.

Terms of Offering

Principal & Interest

The principal amount will be equivalent to the total account balance outstanding at the time it is negotiated, inclusive of past-due and current balances.

Interest charges will accrue on the total account balance at an [12%] annual percentage rate (APR) on the [1.0% per month basis over the duration of the agreed upon plan.

Payment Schedule

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All installment plans will commence 15 days following the date of agreement (“Installment Plan Start Date”), which will be used as the basis for calculating amortized interest due.

Payment will be due in conjunction with the customer’s regular billing cycle and will be in addition to any current/future charges due for services provided.

Payment Plans

The table below outlines the offerings which are available to Customer Service Representatives to offer to customers:

Threshold	Plan Terms	Offered By
\$100 - \$700	3-Month	CS Representatives
\$701 - \$1500	6 / 9-Month	CS Representatives
\$1501+	9 / 12 / 18-Month	Manager of Customer Service or Designee
Catch Up Billings	Max. 36 Months	CS Representatives / TSY Staff

- If the customer cannot agree to the 6-month payment plan, a 9-month payment plan can be offered by the Customer Service Representative.
- In the event the Manager of Customer Service or their designee are unable to reach a standard payment plan within these guidelines the customer should be sent to the Manager of Treasury or their designee.
- Customers with large invoices after a period of estimated Bills should be offered an installment plan based on length of estimation without charging interest, up to 36 months.

Offering Disclosures

Customer Service representatives must verbally disclose all terms of the installment plan at the time of its negotiation. Notification letters confirming the agreed upon terms are then mailed to the Customer through USPS mail.

Terms of Default

Installment plans are offered to customers on a hardship-needs basis. Failure to pay will result in a default under the terms of the installment plan and result in automatic cancellation.

Plan cancellation will restore the remaining account balance to unpaid status. Any penalties for NSF returned checks will also be the responsibility of the customer.

Customer move-outs which occur during the term of the plan constitute a default and will trigger cancellation with all remaining installments due as part of the customers’ final bill.

8.4.3 Credit Card Processing (Kubra)

Payments for water and sewer bills are accepted through a third-party vendor, Kubra, which allows customers to make payments through an online portal or by telephone.

Customers at the District's Murphy Road customer service location that wish to pay by credit card in order to restart service are required to submit evidence of payment by providing their Kubra payment confirmation number to the Principal Account Clerk before the request is processed.

Kubra transfers funds via ACH payment for all receipts through the previous business day to a designated Webster Bank account. This account is maintained and reconciled on a daily and monthly basis for accuracy through the Daily Cash Report (DCR).

See Also: §4.2.4 - Bank Account Listing; §4.3.4 - Compliance & Controls

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9. Appendix

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9.2 Terminology & Definitions

The following is a list of either terms that are referred to within the Policies and or Procedures manual that a user will need to understand:

Kubra: - A third-party payment vendor who processes all water and sewer payments and billing on behalf of the MDC.

General Obligation Bond – Long term bond backed by the full faith and credit of a government institution, like the Metropolitan District.

Revenue Bond – Municipal bonds that finance income generating projects and are also secured by a specific revenue source.

Novak - A third party billing system which houses the customer account information for all billings related to water and sewer assessments

Net Taxable Grand List – a full value of all net taxable property within a town or jurisdiction.

Project Loan Obligation (PLO) Bond - A note issued by a municipality to evidence the permanent financial of a project loan

Parked Entries – An interim entry that has been entered in the system but has not been posted. These entries do not hit the general ledger and will not have an impact on any financial reporting that is produced until posted by an accountant. Parking an entry allows for review and approval to occur within SAP.

Posted entries – An entry that has been entered in the system and has a financial impact on the general ledger.

Consolidated Annual Financial Report (CAFR) - A reporting package that is prepared and presented to the Board of the MDC.

Clean Water Project – A fifteen year federal and state mandated project to eliminate all combined and sanitary sewer overflows by the year 2018.

Capital Improvement Program/Plan (CIP) – The District's long-range plan for improving, upgrading and expanding its capital facilities, as set forth annually in the capital improvement budget.

Certification Statement - The certification statements contain the amount of sewer flow and waste concentrations of B.O.D. and suspended solids discharged into the District sewers for the current year.

Debt Service Fund - the fund established pursuant to Section 6.2 of the Special Obligation Indenture and governed by Section 6.9 thereof.

Rate Stabilization Fund - An account with US bank that's primary purpose is to pay Principal and Interest payments on debt that is associated with Clean Water Projects and/or Revenue generated from the Clean Water Project Collection Charge.

CCF – A measurement of water flow for water and sewer usage. It is measured as one hundred gallons per cubic feet - flow measurement of water and sewage.

Other Post-Employment Benefits (OPEB) – Employees of state and local governments may be compensated in a variety of forms in exchange for service that will not be received until after their employment with the government ends. The most common types of these postemployment benefits is a pension. Postemployment benefits other than pension generally take the form of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees, including in some cases their beneficiaries. They may also include some type of life insurance. As a group, there are referred to as OPEB.

Concentration Account – The main operating account for the MDC which is held at Webster Bank. This account mainly where vendor payments are drawn off of.

Lockbox - A collection and processing service provided to firms by banks, which collects payments from a dedicated postal box that the firm directs its customers to send payment to. The bank receives several collections per day, processes the payments immediately, and deposits the funds to the firm's bank accounts.

Zero Accounts Balance (ZBA) Transfer - A process in which banks transfer (sweep) funds from a number of operating accounts to a main parent account at the close of business each day. The purpose of the ZBA is to eliminate excess balances across numerous bank accounts and establish greater control over disbursements.

Short Term Investment Account (STIF) - Marketable securities or temporary investments in which can be easily transferable into cash.

Federal Deposit Insurance Corporation – An independent federal agency who insures deposits within Banks in the United States. The FDIC insures deposits up to \$250,000 per depositor at member financial institutions.

9.3 Exhibits & Attachments

A. Finance Calendar



Finance Calendar
v2.xlsx

B. Audit Plan^{vi}

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9.4 Document Revisions

Revision	Prepared/Edited By	Transition Date	Effective Date	Revision Notes
0.9	CohnReznick LLP	N/A	01/01/2020	Initial version prepared by CR in consultation and with approval of key stakeholders in treasury functions and processes.
1.0	The Metropolitan District – Treasury Department	TBD	TBD	Approved by the Metropolitan District senior leadership on XX date.

ⁱ Organization structure in [Figure 1](#) reflects existing structure as of 04/2020. To be updated by Treasury Department personnel in conjunction with anticipated Customer Service Department realignment.

ⁱⁱ Delegation of Authority Matrix excerpt in [Table 1](#) reflects approval authority and limits as confirmed by District In-House Counsel. Any changes should be confirmed by Legal prior to efficacy of this document and also aligned with the General Accounting Policy & Procedures adopted by the District as of 1/1/2020.

ⁱⁱⁱ Inclusion of Treasury Department-owned activities which pertain to the District's pension policies and deferred compensation plans in [§6.1.2](#) and [§6.1.3](#) should be considered as part of a broader discussion by Senior-level Management, including the CFO and Manager of Treasury et al.

^{iv} CohnReznick has recommended the implementation of a comprehensive risk management program aligned with the specific risk profile of the Metropolitan District. The potential risks defined in [§7.2](#) of this document should be considered by District leadership when developing business requirements for implementation of any solution.

^v The Sewer User Charges, Surcharges, and/or Credits in Table 7 should be reviewed by District Treasury personnel. Any calculations should be confirmed and will be incorporated by CohnReznick prior to the efficacy date of this policy and procedure document.

^{vi} Audit Plan Template should be submitted by MDC and incorporated into the appendix as exhibit B of [§9.3](#).