

## Board Policies

### 4.05 Financial Stewardship

*Date Adopted/Last Revised: Month #, 20XX*

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*Note: Capitalized terms not otherwise defined in this Board Policy have the meanings set forth in the Definitions section of Board Policy 1.01. Should any provision in this policy contradict any provision of California law, California law shall control.*

#### Purpose

The purpose of this policy is to establish guidelines and expectations for the Board and CEO related to financial stewardship of the 32nd DAA. Areas of focus include budget development and review, signature delegation and authority, and travel and expenses.

#### 4.05.01 Budget Development and Review Process

##### Policy

This policy is designed to establish the process for developing, reviewing, and monitoring the organization's annual operating budget. It is the policy of the 32nd DAA that the Board is responsible for approving and overseeing the organization's budget to ensure that it is:

- Aligned with and supports the organization's mission, values, and strategic priorities
- Financially sustainable, responsible, and compliant with all applicable laws and regulations

The CEO, in coordination with the Director of Finance, is responsible for planning, coordinating, analyzing, preparing, and reviewing the budget in consultation with the Financial Monitoring Committee.

The CEO, in coordination with the Director of Finance and 32<sup>nd</sup> DAA staff, is responsible for making the final recommendation of the proposed budget before it is submitted for approval to the Board.

## **Procedure**

### **Budget Development**

The 32nd DAA must have a budget for each fiscal year—which runs between January 1 and December 31. As such, the Board must adopt a new budget on an annual basis.

In September each year, the Director of Finance, working with the staff and CEO, starts preparing the budget estimates for the next fiscal year. The process includes:

- Considering operational costs
- Coordinating payroll costs with HR
- Estimating revenue
- Developing a capital/special projects list and costs

Initial budget estimates are based on the current expenditure projections to end of year, along with information like projected staff salary increases and operating expense increases related to planned goals and projects for the following fiscal year. In addition, the budget document provides for the following:

- Revenue and expense assumptions upon which the budget is based.
- Number of budgeted full-time equivalent employees.
- Mission, strategic priorities, impact, and performance measures of each operating department.
- Prior year actual, current year budgeted, new year recommended expenditures and revenues by department.
- Descriptions of significant expenditure and revenue changes, and related operational impacts by department.

The CEO and Director of Finance will present the draft budget for discussion at a Financial Monitoring Committee meeting. The Financial Monitoring Committee may accept the estimates as presented or may request variations. A detailed report denoting reasons for decisions should be attached to the draft budget for discussion.

The Financial Monitoring Committee, along with the CEO and staff, will conduct a public budget study session in November of each year to provide the public an opportunity to review and comment on the draft budget.

The CEO and Director of Finance will then revise the draft with direction from the Financial Monitoring Committee and present the amended draft budget at the next available Board meeting, usually in November.

Once adopted by the Board, this becomes the 32nd DAA's official operating budget for the following fiscal year, and all Board members and employees must work within the financial limits stated or implied by this document.

### **Monitoring the Budget**

The Director of Finance will monitor the 32nd DAA's revenue and expenditures, compare actual and budgeted amounts, and report on the progress.

The Director of Finance will prepare financial reports each month showing the year-to-date revenue and expenditures and variation from budget estimates, indicating any significant deviations. A detailed commentary should be attached to Board reports detailing reasons for variations and recommendations for corrective action should that be required. The Director of Finance will indicate what effect any variations will have on the budget projections and provide this information to the CEO and the Board.

A mid-year budget review will be conducted by the CEO and Director of Finance and presented first to the Financial Monitoring Committee for review, then to the full Board in June.

### **Reviewing the Budget and Reforecasting**

The budget is a flexible document that provides a comprehensive framework of resource allocations for implementation of the 32nd DAA's strategic goals for the fiscal year. The CEO and the Director of Finance will present a mid-year budget review and reforecast in June of each year first to the Financial Monitoring Committee and then to the full Board.

## **4.05.02 Contracting and Signature Authority**

### **Policy**

This policy establishes the individuals authorized to commit organizational resources by entering into contracts on behalf of the 32nd DAA. The policy applies to all 32nd DAA Board Members

and staff, including the CEO, and covers the creation, revision, amendment, or renewal of 32nd DAA contracts.

Within this policy, a 32nd DAA contract is defined as any agreement between the 32nd DAA and a third party that involves a commitment on the part of the 32nd DAA. An agreement is a document that has a legal effect, regardless of whether it is called a contract. A contract may involve a commitment of 32nd DAA funds, facilities, employees or other resources, and/or the use of the 32nd DAA's name.

Only the CEO, Chief Operations Officer, Chief Business Development Officer, and Board Chair (or Vice Chair in the Chair's absence) may sign contracts on behalf of the organization. Contracts signed by unauthorized agents are not valid. Individuals who are not authorized via a written delegation of authority to sign a contract or agreement may be held personally responsible for documents they sign. Such individuals also may be subject to disciplinary action, up to and including termination.

#### **Contract Signature Authority of the Board**

The Board Bylaws authorize the Board Chair and Vice Chair (in the Board Chair's absence) to conduct business in the name of the 32nd DAA, including signing contracts.

#### **Delegation of Contract Signature Authority**

In accordance with Board Bylaws Article VI, the Board may authorize any officer or agent of the 32nd DAA to enter into any contract on behalf of the 32nd DAA. Within this context, the Board authorizes the CEO contract signature authority to execute a check or purchase commitment of \$50,000 or less. Notwithstanding the foregoing, the Board authorizes the CEO contract signature authority to execute talent guarantees of \$400,000 or less. Splitting expenses or orders to avoid these limits is not acceptable.

**Comment [MR1]:** Should this amount be increased given the rise in talent costs?

Exclusions from this Contracting and Signing Authority Policy include commitments that have been separately authorized by the Board via the "Over \$50,000 Expenditure Budget Schedule," which is submitted with each annual budget or an approved contract, LOU or rental agreement or is payment for utilities, Cal Card expenditures, insurance, payroll or State mandated employee services.

For expenses related to emergencies or construction change orders that exceed the delegated \$50,000 limit, approval for such expenses requires dual approval of the CEO and Chair of the

Board. In the absence of the Chair, the Vice Chair can approve such an expense. Any expense approved by the CEO and the Chair shall be reported to the full Board at the next Board meeting. Splitting expenses or orders to avoid this \$50,000 limit is not acceptable.

In addition, the Board authorizes the CEO to further delegate their signature authority authorizing individuals to conduct business on behalf of the 32nd DAA only when the CEO will be absent. The delegating officer retains responsibilities for actions taken by individuals exercising delegated authority.

For expenses below the \$50,000 limit, the CEO is responsible to develop and maintain operating policies that define signatory authority levels by position.

## **Procedure**

### **CEO Sub-Delegation of Authority**

When delegating authority, the CEO must provide a written document that:

- Is signed by the delegating individual.
- Specifies a specific 32nd DAA employee, referring to the employee by their name and title. Delegations cease when the employee no longer holds the position and must be re-sought by the subsequent incumbent.
- States the scope of the delegation, including the type of contracts the employee is being authorized to sign, and any dollar limit. The scope must be within the authority of the delegating individual.
- Specifies whether sub-delegations may be made as well as any conditions or restrictions upon such delegation.
- Specifies a limited timeframe with specific start and end dates.

## **4.05.03 Travel and Expense Policy**

### **Policy**

The purpose of this policy is to establish travel and expense reimbursement guidelines that are fair, accountable, and transparent. This policy applies to all 32nd DAA Board Members and the CEO.

It is the policy of the 32nd DAA that the organization will pay for reasonable and customary expenses related to the accomplishment of organizational activities required by the Board Members' or CEO's position. These expenses must be pre-approved in writing by the Board Chair or Vice Chair.

### **Authorized Expenses**

The organization will pay or reimburse costs for the following:

#### **Travel**

- Transportation by airplane, train, bus, vehicle rental, and/or taxi service
- Meals
- Lodging
- Personal vehicle mileage when directly related to organization business
- Parking expenses
- Registration fees for conventions, conferences, training and tuition

#### **Non-travel**

- Meals or light refreshments while working (either in meetings or where the duties preclude traditional access to personal meals)
- Mileage reimbursement, tolls, or parking fees for attending meetings

### **Non-Allowable**

The organization will not pay or reimburse costs for the following:

- First class or business class airfare, if cheaper economy or coach fares are available
- Alcoholic beverages
- Theft, loss, or damage to personal property
- Fines, forfeitures, tickets, or penalties
- Expenses of spouse, family, or other persons not authorized to receive reimbursement under this policy
- Travel insurance
- Travel prohibited by California Assembly Bill 1887 (prohibition on state-funded travel and state-sponsored travel to states with discriminatory laws)

### **Transportation**

The organization pays for mileage when a personal vehicle is used to travel to required Board-related events. The 32nd DAA uses the IRS standard mileage rate in effect at the time of travel.

When traveling via taxis services, tips will be reimbursed up to \$2 or 20% of the total transportation cost, whichever is higher.

### Meals and Lodging

The organization pays a per diem rate for meal expenses. The organization will use the rates for meal expenses outlined in the CalHR Manual Section 2201 (Travel and Relocation Policy), Section 2202 (Mileage Reimbursement) and Section 2203 (Allowances and Travel Reimbursement).

**Comment [MR2]:** Need to confirm this with CDFA

The organization pays lodging expenses when the travel destination is in excess of 50 miles. The organization will use the rates for lodging expenses outlined in the CalHR Manual Section 2201 (Travel and Relocation Policy), Section 2202 (Mileage Reimbursement) and Section 2203 (Allowances and Travel Reimbursement).

**Comment [MR3]:** Need to confirm this with CDFA

## Procedure

### Required Documentation

Board members must complete and submit an itemized expense report no later than 30 days after the date the expense occurs. Expense reports must include itemized receipts for all non-per diem expenses over \$25.

**Comment [MR4]:** Need to confirm this with CDFA

### Review and Reimbursement

The 32nd DAA requires approval of itemized expense report by:

- Board Chair for CEO Expenses
- Board Chair for Board members
- Vice Chair for Board Chair

Approvers of expenses will exercise due diligence to ensure that all expenses are reasonable and necessary for the conduct of organization business; within budgetary limits; and in compliance with this policy.

Reimbursements will be made available no later than 30 days after the original expense report is submitted.