

EXHIBIT 3-E

Monterey Peninsula Water Management District

Budget Policy

The District's budget policy commits to a balanced operating budget and supports financial strategies that sustainably fund current and proposed capital improvement needs, cost of services, operating budgets, and programs. The level of budgetary control for the District will be at the Fund level. Budgetary changes requiring increases to the budget at the Fund level will require Board approval. This budget policy clarifies and formalizes most elements of the budget strategies adopted by the Board in 2005. The policy establishes the following guidelines for the District.

1. Adopt a balanced annual budget, fund long-term needs, and maintain minimum reserve levels.
2. Budgeted expenditures may not exceed estimated revenues plus the approved and planned use of fund balances accumulated in prior years and payments related to Board-approved debt.
3. District will seek outside funding sources and grants to leverage District revenues.
4. Permits and fees shall be structured to fully recover service costs while striving to achieve objectives in the District's Strategic Plan.
5. Proposed budgets will invest in projects that meet the District's strategic priorities, such as increasing water supply at fair prices.
6. When proposing budgets, staff shall explore ways to provide services in an efficient and economical fashion.
7. Any expenditure reductions will generally minimize impact on District constituents and avoid significant adverse impacts on existing service levels, unless approved by the Board.
8. Services will be proposed to minimize environmental impacts, i.e., provide District services while minimizing the effects on the environment, while improving it.