

## Financial Reserves Policy

### 214.1 PURPOSE

Truckee Fire Protection District shall establish a Financial Reserve Policy covering all funds and all types of reserves. This policy further establishes the level of reserves necessary for maintaining the District's credit worthiness and for adequately providing for:

- Funding infrastructure replacement.
- Economic uncertainties and other financial hardships.
- Loss of significant revenue sources such as property tax receipts, ambulance cost recovery or development fees.
- Local disasters or catastrophic events.
- Future debt or capital obligations.
- Accumulated unpaid compensated absences (Vacation, CTO, Holiday, Sick Leave).
- Other Post Employment Benefits (OPEB) - Actuarially Determined Contribution (ACD).
- Cash flow requirements.
- Unfunded mandates including costly regulatory requirements.

### 214.2 POLICY

The Board of Directors shall be responsible for the oversight of all District fund accounts and balances. Changes to the existing fund balances, establishing new fund accounts, and authorizing expenditures for fund balances shall require action by the Board.

#### 214.2.1 RESERVE FUND DESIGNATIONS AND FUNDING LEVELS

- A. **Operating Fund Balance:** It is the District's goal to maintain a minimum balance equal to two months of operating expenses at the end of each Calendar year to provide adequate cash flow in the subsequent Calendar year, prior to receiving the January tax revenue payment.
- B. **Operating Reserves - unrestricted:** This is the "Rainy Day" fund used to pay for shortfalls in operating funds created by unforeseen circumstances like lower than anticipated revenues or unanticipated expenses. Operating reserves may also be used to fund cashflow shortfalls. The District's goal is to maintain an operating reserve in the combined Operating and Capital Reserve accounts that equal at least 15% of the annual operating expenses of the District.
- C. **Capital Reserves (Building & Equipment Reserves) - unrestricted:** Capital reserves will be accumulated to fund the Capital Improvement Plan that includes infrastructure projects, equipment replacement, and fleet replacement. A key objective for accumulating capital reserves is to minimize external borrowing and interest expense. This fund is unrestricted and may be used for operation shortfalls if necessary. The goal is to obtain a \$2,000,000.00 capital reserves balance.

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- D. **Compensated Leave Reserve:** A reserve fund for the purpose of funding payout to employees at retirement of unused leave including Vacation, CTO, Holiday and Sick Leave. The funding level identified in the annual budget to cover this expense shall be at least enough to cover annual anticipated retirement payouts as adjusted annually.
- E. **Other Post Employment Benefits (OPEB) Trust - restricted:** In the effort to plan for and fund retiree health medical premiums the District is a participating agency in the California Employers' Retiree Benefit Trust (CERBT), which is a Section 115 trust operated by CalPERS. It is the intention to reduce retiree health Unfunded Accrued Liability (UAL) by contributing to the Post Retirement Health Insurance Fund. The budgeted annual contribution is the difference between the year's "Actuarially Defined Contribution" (ADC) and the actual paid premiums for retiree medical. The ADC is determined by an actuarial valuation and includes an amortization of the District's unfunded OPEB liability. While the District strives to maintain a goal of contributing 100% of the annual ADC, it may temporarily reduce or forgo contributions in times of economic hardship. All contributions will be deposited in the District's account within CERBT.
- F. **Mitigation Fee Reserves - restricted:** Pursuant to California Government Code 66000 et seq the District collects Mitigation Fees (impact fees) on new construction within the Fire District boundaries. The fees collected are restricted and can only be used to fund facilities, apparatus, vehicle, and equipment as per the Mitigation Fee Annual Expenditure Plan that is approved by the Town of Truckee, Nevada County, and Placer County.

#### **214.3 RESERVE FUND EXPENDITURES AND REPLENISHMENT:**

##### **Operating Reserves**

Operating reserves can be used at any time to meet cash flow requirements of District operations. Authority to use the funds will be consistent with the District's Financial Expenditure Policy.

##### **Capital Reserves**

The Board of Directors will authorize use of capital reserves during the budget process. Capital reserves are also available for unplanned (unbudgeted) capital replacement. Authorization for the use of capital reserves for unplanned capital replacement will be consistent with the District's Financial Expenditure Policy.

The Board can authorize the use of Building and Equipment reserves to fund operations if necessary.

The Board of Directors shall:

- A. Review fund balances before adoption of the Preliminary Budget each year.
- B. Approve all expenditures or transfers between reserve funds.
- C. If the unassigned minimum fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.