


<b>GEYSERVILLE FIRE PROTECTION DISTRICT</b>		<b>Standard Operating Procedures Administrative Section</b>	<b>SOP # A-32</b>
<b>Effective Date:</b> November 13, 2014	<b>Financial Reserve Policy</b>		<b>Page 1 of 3</b>

## PURPOSE/BACKGROUND

Fiscal stability is an important factor to any local government agency. It is the Board's responsibility to provide for the continuation of services in the event of natural or fiscal emergency.

Realizing that District revenues are not stable and are dependent upon national, state and local economic trends, it is prudent for the Geyserville Fire Protection District to have a "Financial Reserve Policy" in place to address any downturns that would affect district revenues.


This policy is developed to consider the minimum level necessary to maintain the District's credit worthiness and to adequately provide for:

- ◆ Economic uncertainties and other financial hardships or downturns in the local or national economy
- ◆ Local disasters or catastrophic events
- ◆ Funds necessary to replace or augment the vehicles and equipment utilized in the performance of duties
- ◆ Funds to maintain a safe and adequate working environment
- ◆ Protect the integrity of the buildings, equipment and vehicle

## POLICY/GUIDELINES

Strong reserves are a vital component to a sound financial plan for the District. Because different types of issues can arise depending on the nature of the events that might cause the District to use reserve funds, separate reserve accounts are established to address these circumstances, as set forth below. The Geyserville Fire Protection District shall establish the following Reserve Fund Accounts:

1. **General Fund Operating Reserve:** The General Fund shall maintain a reserve balance of 20% of the general fund revenue, to provide a margin of safety in the event that the District needs to evaluate alternatives due to financial hardships or any significant unanticipated or mandated expenditure, which cannot be deferred or funded by borrowing.
2. **Vehicle Replacement Reserve:** This reserve account shall be maintained to ensure that adequate funds are available for the replacement of District apparatus as required to meet the adopted replacement schedule or as needed to maintain a reliable fleet. Funds to this account may be designated from

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undesignated reserves in the General Fund account or budgeted from current year revenues.

3. **Station Replacement / Expansion Reserve:** This reserve account shall be maintained to ensure that adequate funds are available for the replacement of any station or the major renovation of any existing station. Furthermore these funds can be approved for the use to fund a new station as expansion of the District may be required. Funds to this account may be designated from undesignated reserves in the General Fund account or budgeted from current year revenues.

### **Process for the Use of the Reserve Funds**

The process to be utilized to draw down the Reserve Funds shall adhere to the following process.

- Uses shall be in line with the adopted budget or budget amendment. In the event of financial adversity or budget constraints, the District Board may utilize Reserve Funds to finance the operation of the District until such time as replacement funds are available. Such use of funds will be followed by a financial plan to address the financial shortfall.
- Use of Reserve Funds are by direction of the District Board only based on recommendation of the Fire Chief. The proposed financial plan will be presented to District Board for their review, discussion and adoption at a public meeting. Approval of the draw down of the Reserve Funds shall be by a 4/5ths vote of the Board in the affirmative.
- Whenever expenditures or transfers are made from the Reserve for uses other than those specifically stated in the policy, it must be given a high priority for the District to reimburse such expenditures at the earliest possible date, normally by deferring other service or project expenditures.
- Should the Board opt not to draw on the Reserve Funds or should the financial hardship exceed the available reserve funds, the District Board may direct that funding be augmented through the following options:
  - ◆ Use of Reserve Fund as collateral
  - ◆ External/Third-Party Financing
  - ◆ Immediate spending freeze
  - ◆ Other financing options available at the point of need

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Inter-fund Financing –Financing levels of the inter-fund loan should not exceed 80% of the available fund balance and shall be documented by an established repayment schedule approved by the District Board based on recommendation by staff. Repayment of this method of financing should become first priority in future budgeting cycles.

**Informational Reports**

The following reports are prepared and distributed on a timely basis to allow for informed decisions by both staff and the Board of Directors:

**Quarterly Financial Statements:** Financial statements are provided to the Fire Chief by the District Treasurer on a quarterly basis.

**Quarterly Updates:** As requested by the Fire Chief or Board of Directors, each quarter the District Treasurer may provide a financial update on revenues, expenditures, trends, and other economic impacts to the Board of Directors at a regular public Board of Directors meeting.

REV. #	DATE	DESCRIPTION OF REVISION/CHANGE	PREPARED BY	REVIEWED BY	APPROVED BY