



Sierra County Fire Protection District #1 FINANCIAL RESERVE POLICY

PURPOSE

Sierra County Fire Protection District #1 (the District) shall maintain reserve funds in order to establish the level of reserves necessary for maintaining the District's credit worthiness and to adequately provide for:

- Funding infrastructure replacement.
- Economic uncertainties and other financial hardships.
- Loss of significant revenue sources such as property tax receipts, assessments or mitigation fees.
- Local disasters or catastrophic events.
- Future debt or capital obligations.
- Cash flow requirements.
- Unfunded mandates including costly regulatory requirements.

POLICY

Operating Reserves

The minimum amount of Operating Reserves will equal six (6) months of Operating Expenses. The maximum amount of Operating Reserves will equal two (2) years of Operating Expenses.

Capital Reserves

Capital Reserves will be accumulated to fund infrastructure projects, fire and emergency vehicles, apparatus and equipment and will be an integral part of the District's Capital Plan. A key objective for accumulating Capital Reserves is to minimize external borrowing and interest expense. The minimum amount of Capital Reserves will equal \$50,000 (Fifty Thousand Dollars).

Procedure for Using Reserve Funds

Operating Reserves

Operating reserves can be used at any time to meet cash flow requirements of District operations as may be reasonably necessary or financially required.

Capital Reserves

The Directors may authorize use of Capital Reserve funds during the budget process. Capital Reserves may also be available and used for unplanned or unbudgeted capital replacements. Authorization for the use of Capital Reserves for unplanned capital replacements will be consistent with the District's Purchasing Policy.

Procedure for Monitoring Reserve Levels

The Chairperson or appointed Board Member(s), such as a Finance Committee, shall perform a reserve analysis to be submitted to the Board of Directors upon the occurrence of the following events:

- Board deliberation of the annual Capital Replacement Plan;
- Board deliberation of the annual Budget, or
- When a significant change in conditions or circumstance that threaten the reserve levels established by this Policy.

If the analysis indicates projected or actual reserve levels falling 10% below or above the levels outlined in this policy, at least one of the following actions shall be included with the analysis:

- An explanation of why the reserve levels are not at the targeted level, and/or
- An identified course of action to bring reserve levels within the minimum and maximum levels prescribed hereby.