

**A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE GOLD RIDGE FIRE PROTECTION DISTRICT APPROVING  
AND ADOPTING A RESERVE POLICY**

**WHEREAS**, the Board of Directors (the “Board”) of Gold Ridge Fire Protection District (the “District”) recognizes that a financial reserve policy is important to a prudent and systemic accumulation and maintenance of reserves in support of the District’s overall mission and ensuring that the District continues to have sufficient funding available to meet its operating, nonoperating, capital and debt service obligations; and

**WHEREAS**, the Board hereby finds and determines that adoption of the attached Reserve Policy (the “Reserve Policy”) will help establish a clear understanding for the Board, management, citizens and third parties of the objectives, policies and guidelines for the District’s reserve funds; and

**NOW, THEREFORE BE IT RESOLVED AND ORDERED BY THE BOARD OF DIRECTORS OF THE GOLD RIDGE FIRE PROTECTION DISTRICT THAT:**

**Section 1. Recitals and Findings.** The Board hereby specifically finds and declares that all of the facts in the Recitals of this Resolution are true and correct.

**Section 2. Adoption of Reserve Policy.** The Board hereby finds and declares that the proposed Reserve Policy attached as Exhibit “A” hereto, is hereby approved as the official Gold Ridge Fire Protection District Reserve Policy to be effective May \_\_, 2024.

**Section 3. Authorized Official Actions.** The Chairman, Fire Chief, Executive Assistant and all other officers of the District are hereby authorized and directed, jointly and severally, to do any and all things to effectuate the purposes of this Resolution and to implement and administer the Reserve Policy.

**Section 4. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

**ADOPTED, SIGNED AND APPROVED** at a duly called meeting of the Board of Directors of the Gold Ridge Fire Protection District by the following polled vote:

The foregoing resolution was introduced by Director \_\_\_\_\_ who moved its adoption, seconded by Director \_\_\_\_\_, and adopted by the BOARD OF DIRECTORS of the Gold Ridge Fire Protection District, at a regular meeting thereof, held on the \_\_ day of May, 2024, by the following roll call vote:

DIRECTORS:           Gloeckner\_\_\_\_\_, Carinalli\_\_\_\_\_, Tachouet\_\_\_\_\_  
                          Petrucci\_\_\_\_\_, Lachman\_\_\_\_\_, Warburg\_\_\_\_\_, Gambonini\_\_\_\_\_

AYES: \_\_\_\_\_ NOES: \_\_\_\_\_ ABSENT: \_\_\_\_\_ ABSTAIN: \_\_\_\_\_

Whereupon, the Chairman of the Board of Directors declared the forgoing resolution adopted, and SO ORDERED.

\_\_\_\_\_  
Chairman of the Board

\_\_\_\_\_  
Clerk of the Board

**EXHIBIT A**

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**RESERVE POLICY**

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**GOLD RIDGE FIRE PROTECTION DISTRICT**



**Adopted by the Board of Directors of the  
Gold Ridge Fire Protection District**

**Pursuant to Resolution No. 23/24-10**

**May 8, 2024**

# **GOLD RIDGE FIRE PROTECTION DISTRICT**

## **RESERVE POLICY**

### **SECTION 1: POLICY**

This Reserve Policy sets forth the various reserve funds and corresponding purposes and objectives for the Gold Ridge Fire Protection District (the “District”), and any other entity for which the Board of Directors of the District (the “Board”) acts as legislative body, and the term “District” shall refer to each of such entities, and the term “Board” shall refer to the governing boards of each such entity. In carrying out its legislative and policy-making responsibility, the Board hereby delegates the administrative, personnel and executive functions to the Fire Chief.

This Reserve Policy follows the guidelines set in the Governmental Accounting Standards Board (“GASB”) Statement No. 54, regarding Fund Balance Reporting and Governmental Fund Type Definitions.

The Board has adopted this Reserve Policy by resolution.

### **SECTION 2: SCOPE**

This Reserve Policy establishes procedures for a prudent and systemic accumulation and maintenance of reserves in support of the District’s overall mission. This Reserve Policy establishes and segregates several reserve funds to protect the investment in various assets and to meet its financial, regulatory, and contractual obligations. The proper management of these reserves will provide additional assurance that the current levels of service quality and reliability will be met now and into the future.

It is the intent of this policy to clearly identify funds, articulate the purpose of each fund, designate the way the funds are replenished and set target levels that are consistent with the District’s mission, and the philosophy of its Board. The designation of funds for long term financial goals is an important element of prudent fiscal management and a cornerstone of long-term financial planning.

In cases that require exceptions to this Reserve Policy, approval from the Board will be necessary for implementation.

### **SECTION 3: OBJECTIVES**

The primary objectives of the District’s reserve activities shall be as follows:

- Establish anticipated target reserve levels and the methodology for calculating reserve levels.
- Facilitate the accumulation and preservation of District funds in an amount equal to the stated target fund levels for each specific reserve fund created by this Reserve Policy.
- Assure continued operation and solvency of the District for carrying out its stated mission.
- Maintain financial flexibility in order to continually adapt to change and permit orderly adjustment to economic uncertainty, unfunded mandates, regulatory changes and unanticipated events.
- To maintain a diversified, financially flexible and stable long-term financial plan.
- Provide funding for infrastructure replacement.
- Cover current outstanding pension liabilities or fund actuarial unfunded pension liabilities.
- Maintain full and complete financial disclosure and reporting.
- Ensure compliance with debt covenants.
- Ensure compliance with applicable state and federal laws.

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## **RESERVE POLICY**

### **SECTION 4: CLASSIFICATION OF FUNDS**

Funds may be designated by the Board as either “restricted,” “non-restricted,” “committed” or “assigned” with the balance being designated as “unassigned.” These classifications are defined under GASB 54 as follows:

Restricted Funds shall be segregated, and limited in use to specific and designated purposes as defined and established by the Board. According to GASB 54, Restricted Funds are those that are constrained to specific purposes by the constitution, external resource providers (such as grantors, bondholders, and higher levels of government), or through enabling legislation. The District currently has no Restricted Funds.

Non-restricted Funds may be classified as “Committed” or “Assigned”. These funds do not require the physical segregation of funds, but maybe segregated if desirable.

Committed Funds are defined by GASB 54 as those that are constrained to specific purposes by a formal action of the Board. Committed Funds cannot be used for any other purpose unless the Board takes formal action to remove or change the constraint.

Assigned Funds are defined as those that are intended for a specific purpose, but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board.

Unassigned Funds are defined as the residual amounts that have not been restricted, committed or assigned.

### **SECTION 5: RESERVE FUNDS**

#### **A. Operating Reserve**

Purpose. Operating Reserve is an “assigned” fund to (i) provide working capital and ensure sufficient cash flow to pay expenditures during the fiscal year, (ii) provide funds for any unexpected cost increases or revenue interruptions, and (iii) provide funds to protect against shortfalls due to the timing difference between payment of expenses and receipt of revenues.

Use. The Operating Reserve is set aside for operating expense shortfalls due to unexpected expenses or revenue shortfalls. This fund may also be used for emergency cash-flow needs.

Size. The District will strive to maintain the Operating Reserve balance as follows:

Minimum Balance. The balance in the Operating Reserve will never drop below 20% of projected annual operating expenses.

Target Funding Level. The balance in the Operating Reserve will be equal to at least 50% of projected annual operating expenses.

Maximum Funding Level. The maximum size of the Operating Reserve is 75% of projected annual operating expenses.

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### **RESERVE POLICY**

**Replenishment.** Each fiscal year during the budget process, any identified residual or surplus funds of the District will be directed to replenishing the Operating Reserve as needed to achieve the Target Funding Level. Once the Target Funding Level has been attained, any remaining residual or surplus funds of the District will be directed to replenishing the Pension Rate Stabilization Fund and then the Capital Improvement Reserve.

Interest earnings in the Operating Reserve shall be allowed to accumulate therein. Once the Operating Reserve balance exceeds the Maximum Funding Level, any residual shall be directed to replenishing the Pension Rate Stabilization Fund and then the Capital Improvement Reserve.

If the amount in the Operating Reserve drops below the Minimum Fund Leveling during the forecast period, the Fire Chief will cause to be developed a plan to bring the Operating Reserve to the desired amount. This plan will be offered to the Board for consideration.

#### **B. Pension Reserve**

**Purpose.** The District is responsible for its pension plans (the “Pension Plans”) which are administered by California Public Employees’ Retirement System (CalPERS). To address the District’s ongoing responsibilities, the Board, on February 14, 2024, adopted its Pension Management Policy pursuant to Resolution No. 23/24-07 (the “Pension Management Policy”).

The Pension Plans along with the “Pension Rate Stabilization Fund” established under the Pension Management Policy are designed to accumulate adequate resources in a systematic and disciplined manner to ensure sufficient resources are available to meet the employee benefit requirements specified in the Pension Plans. The Pension Rate Stabilization Fund is a Section 115 trust fund managed by a third-party investment manager.

It is the District’s policy to strive to achieve and maintain a Pension “Funded Ratio” (being the ratio by which the Market Value of Assets—as set forth in the most recently published Valuation Report--exceeds the Entry Age Normal Accrued Liability or “EANAL”—as set forth in the most recently published Valuation Report) for each Pension Plan of 85% (the “Funding Level Objective”).

**Use.** The Pension Rate Stabilization Fund will be used to pay normal costs and actuarial unfunded pension liabilities (UAL) in accordance with the Pension Management Policy.

**Size.** The District will strive to maintain the Pension Plans and the Pension Rate Stabilization Fund in accordance with the Pension Management Policy.

**Replenishment.** Each fiscal year during the budget process, any identified residual or surplus funds of the District will, after fulfilling the Operating Reserve requirements, be directed to replenishing the Pension Plans and/or the Pension Rate Stabilization Fund as needed to achieve the 85% Target Funding Level for the Pension Plans. Once the 85% Target Funding Level has been achieved, then 50% of the remaining residual or surplus money will be distributed to the Capital Improvement Reserve, and the other 50% will be distributed the Pension Rate Stabilization Fund until the amount contained therein reaches the 110% “Pension Rate Stabilization Fund Maximum” (defined in the Pension Management Policy), all in accordance with the Pension Management Policy. Any remaining residual or surplus funds of the District will be directed to replenishing the Capital Improvement Reserve.

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#### **C. Capital Improvement Reserve**

**Purpose.** The Capital Improvement Reserve is an “assigned” fund for the purpose providing funds for (1) pay-as-you-go financing of capital projects listed in the capital improvement plan, (2) unanticipated emergency repairs, (3) capital cost overruns, and (4) replacement of major capital facilities.

**Use.** Moneys held the Capital Improvement Reserve shall be used for expensive equipment (exceeding \$200,000) and capital improvements, replacements, and other construction-related projects applicable to District facilities and systems, including associated planning and designing costs.

**Target Funding Level.** The District will strive to build and maintain the Capital Improvement Reserve balance of the minimum amount equal to the capital replacement spending anticipated to be required over the ensuing projected five-year period, as set forth in the Capital Improvement Plan.

**Replenishment.** Each fiscal year during the budget process, any remaining residual or surplus funds of the District will, after fulfilling the Operating Reserve and Pension Reserve requirements, be directed to replenishing the Capital Improvement Reserve as needed to achieve the Target Funding Level. Once the Target Funding Level has been attained, any remaining residual or surplus funds will be deposited into the District’s general fund.

Interest earnings in the Capital Improvement Reserve shall be allowed to accumulate therein.

#### **SECTION 6: PROCEDURE FOR MONITORING RESERVE LEVELS**

The Fire Chief shall perform, or caused to be performed, a reserve analyses to be submitted to the Board of Directors upon the occurrence of the following events:

- Board deliberation of the annual budget.
- Board deliberation of a service charge or rate change.
- When a major change in conditions threatens the reserve levels established within this Reserve Policy.

If the analysis indicates projected or actual reserve levels falling 10% below the desired target levels outlined in this Reserve 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 desired target levels, and/or
- An identified course of action to bring reserve levels within the target levels prescribed.