

**WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT  
OPERATING RESERVE POLICY  
RESOLUTION NO. 20-02**

**RECITALS**

WHEREAS, the Wasatch County Fire Protection Special Service District (the "District") is a special service district established by the County Legislative Body of Wasatch County, Utah, pursuant to the provisions of Utah law, for the purpose of providing fire and life safety services within the boundaries of the District;

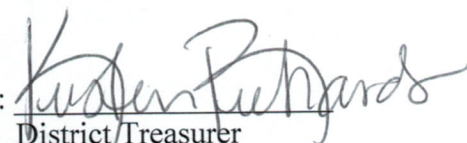
WHEREAS, as a public entity, the District is answerable to the people it serves, and must ensure that it has financial resources available to avoid service disruption in the event of temporary revenue shortfalls or unpredicted expenses;

WHEREAS, to ensure that it holds an adequate amount of financial resources in reserve for unexpected events, the District desires to formalize a policy to define the level of working capital to be held in reserve, and to govern the funding and use of that operating reserve.

NOW, THEREFORE, the Wasatch County Council, acting as the Administrative Control Board of the District, hereby adopts the Operating Reserve Policy attached hereto as Exhibit A Resolution 20-02 Approved and adopted this 11th day of February, 2020.

By:   
District Board Chairman

Attest:

By:   
District Treasurer

# **Wasatch County Fire Protection Special Service District General Fund Operating Reserve Policy**

## **Purpose:**

The District desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenses. In addition, this policy is intended to document the appropriate Reserve level to protect the District's credit worthiness. The General Fund Operating Reserve is accumulated and maintained to provide stability and flexibility to respond to unexpected adversity and/or opportunities.

This policy establishes the amount the District will strive to maintain in its General Fund Operating Reserve, how the Reserve will be funded, and the conditions under which Reserve may be used.

## **Applicability and Scope:**

This policy shall apply to the General Fund.

## **Definitions and Acronyms:**

- A. Cash Balance - The sum of cash and Cash Equivalents of an accounting fund.
- B. Cash Equivalent - In the context of cash flows reporting, short-term, highly liquid investments that are both (1) readily convertible to known amounts of cash, and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose, "original maturity" means maturity as of the date the investment is acquired.
- C. Fund Balance - Fund Balance is the difference between (1) assets and deferred outflows of resources, and (2) liabilities and deferred inflows of resources in a governmental fund.
- D. General Fund - One of five governmental fund types. The General Fund typically serves as the chief operating fund of a government. The General Fund is used to account for all financial resources not accounted for in some other fund.
- E. Non-Recurring Item - An expenditure that has not occurred in the previous two years and is not expected to occur in the following year.

- F. Pooled Cash - The sum of unrestricted cash and investments of several accounting funds that are consolidated for cash management and investment purposes. Investment income or expenditure is allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.
- G. Reserve - Reserve refers only to the portion of Fund Balance that is intended to provide stability and respond to unplanned events or opportunities.
- H. Unassigned Fund Balance - The difference between total Fund Balance in a governmental fund and its nonspendable, restricted, committed, and assigned components.

**Policy:**

- A. Reserve Level - The District will maintain a minimum level of Unassigned Fund Balance in the General Fund equivalent to three months of regular, on-going operating expenditures. For purposes of this calculation, Unassigned Fund Balance will include long-term investments that can be liquidated within five business days. The District will measure its compliance with this policy as of December 31<sup>st</sup> each year, as soon as practical after final year-end account information becomes available. For the purposes of this policy, current year's actual expenditures will exclude significant Non-Recurring Items.

If, based on staff's analysis and forecasting, the target level of Reserves is not being met or are likely to not be met at some point within a five-year time horizon, then during the annual budget process, Unassigned Fund Balance levels will be provided to the Chairman and Governing Board. Should the projected year-end Unassigned Fund Balance position be below the minimum Reserve amount established by this policy, a plan to replenish the Reserve would be established based on the requirements outlined in this policy.

- B. Cash Balance - In order to provide liquidity adequate to meet the needs and demands of providing government services including unanticipated reductions in revenues or unplanned increases in expenditures, Reserve levels will be maintained and managed through the Pooled Cash method in such a way as to minimize short-term borrowing. This reduces overall cost to taxpayers by minimizing interest expense. The three-month reserve is intended to support this effort and counterbalance cycles that are experienced in fee and other revenue collections.
- C. Funding the Reserve - Funding of the General Fund Operating Reserve target will generally come from excess revenues over expenditures or one-time revenues.
- D. Conditions for Use of Reserves - It is the intent of the District to limit use of General Fund Operating Reserves to address unanticipated, non-recurring needs. Reserves shall not normally be applied to recurring annual operating expenses. Reserves may, however, be used to allow time for the District to restructure its operations in a deliberate manner (as

might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

- E. Authority over Reserves - The Governing Board may authorize the use of Reserves. District staff will regularly report both current and projected Reserve levels to the Governing Board.
- F. Assigning Fund Balances – The Fire Chief is hereby authorized to assign Fund Balance for specific purposes in accordance with the intent and actions of the Governing Board.
- G. Replenishment of Reserves - In the event that Reserves are used resulting in a balance below the three months minimum, a plan will be developed and included in the formulation of the five-year forecast presented during the annual budget process.
- H. Excess of Reserves - In the event the Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:
  - 1. Fund the District’s Capital Projects Fund.
  - 2. Fund accrued liabilities. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
  - 3. One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
  - 4. Start-up expenses for new programs, provided that such action is approved by the Governing Board and is considered in the context of multi-year projections of revenue and expenses as prepared by the District staff.
- I. Periodic Review of the Targets - At a minimum, during the budget process staff shall review the current and five-year projected Reserves to ensure they are appropriate given the economic and financial risk factors the District is subject to.

**Quality Control and Quality Assurance:**

It is the responsibility of the Fire Chief to ensure the presence of procedures that provide sufficient guidance to affected District personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.