



Big Bear Fire Authority

**BIG BEAR FIRE AUTHORITY
NOTICE & AGENDA OF FINANCE COMMITTEE MEETING
SEPTEMBER 24, 2024
10:00 A.M.**

To: Director Rick Herrick
Director Bob Rowe
Vice Chair Kendi Segovia
Board Chair Larry Walsh

Fire Chief Jeff Willis
Assistant Chief/Fire Marshal Luke Wagner
Director of Business Services Kristin Mandolini
Board Secretary Chardelle Smith
Authority Counsel Joey Sanchez
Local Media

CC: Director Perri Melnick
Director Randall Putz
Director John Russo
Director Al Ziegler

NOTICE IS HEREBY GIVEN, that a meeting of the Finance Committee of Big Bear Fire Authority will be held on Tuesday, September 24, 2024, at 10:00 a.m. This meeting will be held in the Emergency Operations Conference Room at Big Bear Fire Department located at 41090 Big Bear Boulevard, Big Bear Lake, California; said meeting being called pursuant to Section 54956 of the Government Code of the State of California for the purpose of considering the following matters:

OPEN SESSION

CALL TO ORDER

MOMENT OF SILENCE / PLEDGE OF ALLEGIANCE

ROLL CALL

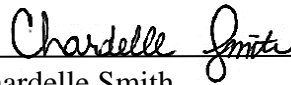
PUBLIC COMMENT

DISCUSSION ITEMS

1. Reserve Policy

ADJOURN

I hereby certify under penalty of perjury, under the laws of the State of California, the foregoing agenda was posted in accordance with the applicable legal requirements. Dated this 19th day of September, 2024.



Chardelle Smith
Board Secretary

The Big Bear Fire Authority wishes to make all of its public meetings accessible to the public. If you need special assistance to participate in this meeting, please contact Board Secretary Chardelle Smith at 909-866-7566. Notification prior to the meeting will enable the Fire Authority to make reasonable arrangements to ensure accessibility to this meeting.



BIG BEAR FIRE AUTHORITY AGENDA REPORT

MEETING DATE: September 24, 2024
TO: Finance Committee
FROM: Kristin Mandolini, Director of Business Services *km*
SUBJECT: **RESERVE POLICY**

PURPOSE:

The purpose of this agenda item is to consider a revision of Big Bear Fire Authority's current reserve policy.

DISCUSSION:

The Big Bear Fire Authority's initial reserve policy was issued on 12/11/12 and revised on 7/1/16.

At the April 17th board workshop, a discussion was held in regards to the reserve policy and the desire to update it to reflect the current financial priorities of the Board. Staff was asked to bring the topic back to the June 11, 2024, regular board meeting. After a review of the current policy, the topic was further assigned to the Finance Committee which met on July 29, 2024. At that time, it was suggested that a draft outline of a revised reserve policy would be useful as a starting point, and staff was asked to bring that back to the Board on August 13, 2024. At that meeting it was agreed that staff is headed in the right direction with the draft presented and asked that the Finance Committee continue discussion and revisions and bring it back to the full Board when ready.

The only change since the prior draft was a change from a goal of \$7.0 Million in Fund Balance to eliminate the Tax and Revenue Anticipation Note to 35% of annual budgeted expenses to account for annual growth.

Fund Balance Goals include:

TARGETED FUND BALANCE GOALS:

1. Eliminate the need for a Tax and Revenue Anticipation Note with the goal of a Fund Balance that is 35% of budgeted annual expenses. These funds can be assigned as "Contingency Reserves" which are created and maintained for providing sufficient cash flow to meet daily financial needs, and to ensure continuity of operations due to unplanned events.

2. Once this is accomplished, apply 50% of the annual budgeted fund balance increases to expanding staff and 50% to the following targeted goals, in this order:
 - a. Vehicle Replacement Reserve: Add \$250,000 annually to this committed reserve intended for repair, replacement, or acquisition of safety vehicles and fire apparatus. Board approval required for expenditures from this Fund.
 - b. Facility Reserves: Once the Contingency Reserve Goal has been met and the annual contribution to vehicle replacement reserves is met, add \$250,000 annually to a committed Facility Reserves for repair, replacement or upgrading of facility structures and fixtures. Board approval required for expenditures from this Fund.
 - c. Other Equipment Reserves: Once the Contingency, Vehicle, and Facility Annual contributions have been accomplished, Add \$100,000 annually to the Other Equipment Reserves. Board approval required for expenditures from this Fund.
3. Any reserves accomplished over and above these targeted goals would be added to the Contingency Reserves until such time that the Board chooses to modify this reserve policy.

FISCAL IMPACT

There is no fiscal impact at this time.

RECOMMENDATION:

Staff recommends the Finance Committee discuss and provide further direction to staff.

Attachment A: Draft Administrative Instruction Reserve Policy



Big Bear Fire Authority

Administrative Instruction

Number: 2024-XX
Page 1 of 4

Issued: **DRAFT**
Revised:

SUBJECT: RESERVE POLICY 9.24.24 DRAFT

I. PURPOSE

This document establishes the policy and administrative process for the Big Bear Fire Authority (“Authority”) fund balance designations.

II. POLICY

Pursuant to Government Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Government Fund Type Definitions, effective for financial statement periods beginning after (Date TBD) 2024, this policy formalizes the reserve policy as described below:

Nonspendable Fund Balance: The nonspendable fund balance category cannot be spent either because it is not in a spendable form (e.g. Reserve for inventories) or it is the result of a legal or contractual requirement to be maintained intact. The Authority Treasurer or his/her designee is responsible for establishing and maintaining the Non-Spendable Fund Balance in accordance with Generally Accepted Accounting Principles as well as the legal and contractual requirements that are the basis for this fund balance categorization.

Restricted Fund Balance: The restricted fund balance category contains fund balance constraints externally imposed (e.g. debt covenants, grant requirements, contributor specifications) or imposed by law (e.g. constitutional provisions enabling legislation). Enabling legislation as defined in GASB 54 authorizes the collection of payment for a specific purpose. The Authority Treasurer or his/her designee is responsible for establishing and maintaining the Restricted Fund Balance in accordance with Generally Accepted Accounting Principles as well as the externally and legally imposed constraints that are the basis for this fund balance categorization. The undesignated fund balance for the Big Bear Fire Authority falls into this category (can only be used for Authority purposes).

Unrestricted Fund Balance: The unrestricted fund balance category contains fund balances that do not meet the criteria for categorization as nonspendable or restricted. Within the category of unrestricted, there are three subcategories: Committed, Assigned, and Unassigned.

Committed: The committed fund balance subcategory is established and utilized pursuant to the formal action of the governing body prior to the end of

the fiscal year (June 30). Examples of fund balances categorized as committed include contingency reserves, replacement reserves, and infrastructure improvement reserves. Contributions and uses of reserves during a fiscal period are initially established by resolution during the budget adoption process and are reevaluated and modified during a mid-year budget review with the adoption of a resolution approving mid-year budget adjustments. Budgeted contributions and uses may also be adjusted throughout the year with the consent of a simple majority of the governing body. Regardless of when formal action is made, any recommendation to establish a contribution or use of committed reserves requires formal authorization of the governing body.

Assigned: The assigned fund balance subcategory contains amounts that are intended to be used for a specific purpose but are neither restricted nor committed. Funds reserved for encumbrances and compensated absences are examples of assigned fund balances. Unlike the other fund balance designations, assigned fund balances do not require formal action of the governing body to establish or adjust. The governing body, by way of policy adoption, assigns authority for determining such assignments to a management position; in this case, the Authority Treasurer or his/her designee has been assigned such authority.

Unassigned: The unassigned fund balance subcategory is the residual (undesignated) fund balance in the general operating fund. This portion of the fund balance has not been restricted, limited or assigned to a specific purpose.

Recognition Criteria: For financial reporting purposes, it is necessary to establish the recognition criteria for uses of restricted and unrestricted fund balances. This policy establishes that expenditures are considered to be incurred when restricted and unrestricted fund balances are used, regardless of whether the unrestricted fund balance is categorized as committed, assigned, or unassigned. For example, the use of vehicle replacement reserves to purchase a replacement vehicle will be considered an expenditure at the time of purchase, at which time, the use of reserved fund balances will be transferred out to cover the expenditure.

III. TARGETED FUND BALANCE GOALS

1. Eliminate the need for the Tax and Revenue Anticipation Note – Fund Balance goal of 35% of budgeted annual expenses. These funds can be assigned as “Contingency Reserves” which are created and maintained for providing sufficient cash flow to meet daily financial needs, and to ensure continuity of operations due to unplanned events.
2. Once this is accomplished, apply 50% of annual budgeted fund balance increases to expanding staff and 50% to the following targeted goals, in this order:

- a. Vehicle Replacement Reserve: Add \$250,000 annually to this committed reserve intended for repair, replacement, or acquisition of safety vehicles and fire apparatus. Board approval required for expenditures from this Fund.
 - b. Facility Reserves: Once the Contingency Reserve Goal has been met and the annual contribution to vehicle replacement reserves is met, add \$250,000 annually to a committed Facility Reserves for repair, replacement or upgrading of facility structures and fixtures. Board approval required for expenditures from this Fund.
 - c. Other Equipment Reserves: Once the Contingency, Vehicle, and Facility Annual contributions have been accomplished, Add \$100,000 annually to the Other Equipment Reserves. Board approval required for expenditures from this Fund.
3. Any reserves accomplished over and above these targeted goals would be added to the Contingency Reserves until such time that the Board chooses to modify this reserve policy.

JEFF WILLIS
Fire Chief

Date