

**CONSOLIDATED FIRE AGENCIES  
POLICIES OF THE BOARD OF DIRECTORS**

**POLICY:** BP 4.002

**TITLE:** Operations and General Reserve Funds Policy

**ADOPTED:** [\_\_\_\_\_]

**REVISED:** [\_\_\_\_\_]

**Purpose**

The purpose of this Policy is to ensure that CONFIRE remains fiscally solvent and retains sufficient reserves to mitigate unforeseen fiscal challenges and to ensure adequate funds are available for planned equipment and capital expenditures.

**1. Fund Descriptions and Funding Levels**

**a. General Operating Fund (5008) – Unassigned**

- i. Primary fund utilized for CONFIRE’s core mission for administrative and operational tasks for the joint powers authority which are not reported in any other Fund.
- ii. This Fund is used for the general day to day expenditures for the Agency such as: Salaries and Benefits, Services and Supplies, Facility Charges, Training and Travel Expenses, and Other Debt Expenditures.
- iii. Revenue is generated through the approved budget cycle and billed out on a quarterly basis to all Contract Agencies and Members of CONFIRE JPA.
- iv. The fund balance is made up of the difference between the Revenue minus the Expenditures or appropriations spent in a year.
- v. CONFIRE maintains an Unassigned Fund Balance of five (5%) to ten(10%) percent of the operational budget, to be utilized for any unforeseen expenditures throughout the budget year.

**b. Equipment Reserve Fund (5009) - Assigned/Committed**

- i. This fund is to ensure CONFIRE Management Information Services (MIS) and the agencies it supports build and retain sufficient funds to procure updated information technology related equipment, software, and services on a programmed basis.
- ii. CONFIRE infrastructure equipment for all member and contract agencies are assessed each year based on the projected replacement cost and years of service for inventoried equipment.
- iii. Agencies that receive full information services from CONFIRE (Colton, Redlands, Rialto) are annually assessed for ‘agency’ equipment replacement.
- iv. This ensures adequate funds are in place to pay for equipment refreshes as well as new (non-replacement) equipment when needed.

**c. General Reserve Fund (5010) – Unassigned/Assigned (Restricted)**

- i. The general reserves are used to provide emergency or contingency funding for CONFIRE operations (5008) if the need arises due to lack of payment, catastrophe, or other unforeseen fiscal circumstances.

- ii. Capital purchases or projects (CIP) may also be made from this Fund with appropriate budget approval.
- iii. It shall be the recommended policy of CONFIRE to build and retain a level of cash above the restricted Fund balance in the General Reserve Fund to cover one quarter (25%) of the annual operating costs (5008) approved by the CONFIRE Board of Directors.
- iv. Along with carrying an excess of the 25% contingency in the General Reserves when appropriate, CONFIRE will build Restricted Fund balance for future capital projects(CIP) such as for building replacement, new capital Computer-Aid Dispatch (CAD) software replacement etc. as identified in the Planning Process and approved by the Administrative Committee.

**d. Employee Term Benefit Fund (5011) - Assigned**

- i. This fund is maintained to cover the liability of CONFIRE employee leave accruals as determined by an annual actuary along with pension liabilities.
- ii. It shall be the policy of CONFIRE to fully fund (100%) this reserve fund each year for leave accruals.
- iii. CONFIRE staff will determine and monitor pension liability and make recommendations for proposed funding levels for employee's benefit liabilities.

**e. CAD to CAD Fund (5019) – Assigned (Restricted)**

- i. This special revenue fund is restricted to spend on the implementation and operational tasks of the regional computer aided dispatch CAD to CAD system known as the Inland empire Public Safety Operations Platform (IE PSOP).
- ii. CONFIRE is the Administrative Agency for this system which is governed by a Memorandum of Understanding (MOU) between Member and Allied agencies.
- iii. Funding sources are from grants and/or through contracted agencies or partners involved with the IE PSOP.
- iv. The project revenue and expenditures are separate from CONFIRE'S operational funding sources.
- v. Fund balance may be allocated here if needed for Restricted funding.

**f. Emergency Medical Services (EMS) Division (xxxx) – Enterprise Fund/Assigned**

- i. This enterprise fund accounts for the financial operations of the Emergency Medical Services Division of CONFIRE.
- ii. The Enterprise Fund is to account for the business-type activities including services primarily funded by user charges but may be subsidized by government agencies.
- iii. This fund is separated to govern the division earned revenue, expenses incurred with net income to be appropriate for the capital maintenance, public policy, management control and accountability for Emergency Medical Service Division.
- iv. The EMS Division Committee is the governing body for all operations reporting to the Administration Committee and CONFIRE's Board of Director's.
- v. The EMS Division was established and governed through CONFIRE's Manual of Administrative Committee Policy 6.002 EMS Division Subsidiary Committee.
- vi. The membership or contract agencies will participate through MOU or contracts which will invest in the regional EMS delivery system accounted through this enterprise fund.
- vii. The Fund balance will need to accommodate the liabilities of the division along with a possible 5% to 10% of the yearly budget approved by the governing committees and CONFIRE's Board.

## **2. Policy Basis**

- a. CONFIRE's Operating Fund (5008) is established through an annual planning and budget process that results in a fiscal year budget adopted by the CONFIRE Board of Directors. Once approved, the Administrative Committee is charged with expending the funds in support of the priorities established in the budget process and by applicable CONFIRE policies.
- b. The Administrative Committee delegates the day-to-day operations of the agency, managing and monitoring of the budget to the CONFIRE Director.
- c. The Director reports those activities to the Administrative Committee on a monthly basis.
- d. As part of the annual CONFIRE budget process an on-going analysis of current year expenditures and revenue will be conducted and reported to the Administrative Chiefs and Board of Directors.
- e. The Administrative Chiefs has the option to apply a portion of the projected prior year fund balance, to offset CONFIRE's agency current fiscal year revenue.

## **3. Distribution of Year End Operating Fund Balance**

- a. At the close of the fiscal year, an independent audit is performed which may result in the determination of an Operating Fund balance.
- b. This report is presented to the Board of Directors at a late fall/early winter meeting.
- c. If a fund balance exists, the Director in collaboration with the Administrative Committee may recommend a portion of the fund balance be applied into the current fiscal year to augment operating costs or purchase planned or unexpected capital items.
- d. Any balance beyond what is approved for expenditure in the current fiscal year shall be distributed to either or both the General Reserve Fund (5010) or the Employee Term Benefit Fund (5011).
- e. Funds allocated to the General Reserve Fund (5010) may be apportioned into Capital Improvement allocation based on related program needs/goals.

## **4. The priority for the distribution of Operating Fund is as follows:**

- a. General Reserves (5010)- Contingency (25% minimum of Current Year Budget)
- b. General Reserves (5010) - (CIP) Earmarked for specified project/purchase
- c. Term Benefit Fund (5011) – Employee Benefits absences liability and Board proposed projection of Unfunded Actuarial Accrued Liability (UAAL)
- d. Special Revenue Fund (5019) – Restricted for IE PSOP CAD to CAD Project
- e. Enterprise Fund – Restricted for the operation of Emergency Medical Services according to participating agencies governing committees and CONFIRE Board.

## **5. Authorization for Administrative Committee to Expend Reserve Funds**

- a. Because of the frequency of the Board of Directors meetings, a policy is needed to clearly define the uses of the reserve funds and allow the Administrative Committee the flexibility to approve a fund transfer from the reserves on an emergency basis. This action would be reported to the Chairperson of the Board of Directors and ratified at the next scheduled Board of Directors meeting. Some possible reasons for authorizing a cash transfer from reserves would be if cash is needed to continue daily operations as a result of:
  - i. Agency payments are not received in a timely manner.

- ii. A critical, unbudgeted expenditure depletes operations funds (5008) cash account.
  - iii. Fees/expense such as a result of a legal action.
  - iv. A disaster results in emergency expenditures that deplete operations funds cash account and/or approved expenditure allocations from the Equipment Reserve Fund (5009) or General Reserve Fun (5010).
  - v. Approved grant expenditures (Unbudgeted).
- b. The recommended limit on the amount the Administrative Committee could authorize on an emergency basis would be equal to one (1) months of the operating budget.