

# **Marin Wildfire Prevention Authority (MWPA)**

## **Reserve Fund Policy**

**November 24, 2021 (FINAL DRAFT)**

## **Table of Contents**

---

<b>Section 1 – Purpose.....</b>	<b>2</b>
1.1 Purpose.....	2
<b>Section 2 – Definitions and Goals .....</b>	<b>2</b>
2.1 Definitions and Goals .....	2
<b>Section 3 – Investing Reserves .....</b>	<b>4</b>
3.1 Investing Reserves .....	4
<b>Section 4 – Shortfalls.....</b>	<b>4</b>
4.1 Shortfalls.....	4
<b>Section 5 – Accounting of Reserves.....</b>	<b>4</b>
5.1 Accounting of Reserves.....	4
<b>Section 6 – Using Reserves.....</b>	<b>5</b>
6.1 Using Reserves .....	5
<b>Section 7 – Review of Policy.....</b>	<b>6</b>
7.1 Review of Policy .....	6

## Section 1 – Purpose

### ***1.1 Purpose***

The purpose of the Reserve Fund for the Marin Wildfire Prevention Authority is to help ensure the long-term ability of the organization to meet its mission. The Marin Wildfire Prevention Authority will maintain the reserve to achieve the following objectives:

- To create an internal line of credit to manage cash flow and maintain financial flexibility
- To enable the organization to sustain operations through delays in payments of committed funding
- To pay for one-time, nonrecurring expenses that will build capacity, such as staff development or research and development

The Reserve Fund is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of Marin Wildfire Prevention Authority for reserves to be used and replenished within a year.

## Section 2 – Definition and Goals

### ***2.1 Definition and Goals***

The Reserve Fund is defined as funds set aside by action of the Board of Directors. Its ongoing operation and oversight is delegated to the Finance Committee.

#### A. Target Minimum Amount

The minimum amount to be designated for the Reserve will be established as an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target minimum Reserve Fund is equal to 15% of the Annual Budget.

#### B. Funding Reserves

To establish the Reserve Fund, the Marin Wildfire Prevention Authority Board of Directors has designated \$3,000,000.00 of existing accumulated liquid unrestricted net assets as the beginning balance of the fund.

The amount of the Reserve Fund target minimum will be calculated each year as

part of the annual budgeting process. This amount will be reported Finance Committee and Board of Directors and will be included in the regular financial reports. The Reserve Fund will be funded annually as an expense included in the organization's annual budget. The Board of Directors may from time to time direct that a specific source of revenue be set aside for its reserves. Example may include one-time gifts or bequests, special grants or special appeals. Organization staff will ensure that any donations designated for the Reserve Fund will not carry restrictions that conflict with the Board's oversight of the fund as outlined in the policy.

## Section 3 – Investing Reserves

### ***3.1 Investing Reserves***

The Reserve Fund will be funded and available in cash or cash equivalent funds, in accordance with the risk preferences, liquidity needs and investment objectives of the organization.

The Reserve Fund will be maintained in the Marin County Investment Pool. Policies and procedures for handling deposits, reconciling statements, safeguarding access, etc. will be the same as for any of the organization's other bank accounts.

## Section 4 – Shortfalls

### ***4.1 Shortfalls***

If the Reserve is and has been less than 80% of the target reserve minimum for two consecutive years, the Board of Directors will adopt an operational budget with a projected surplus sufficient to rebuild the Reserve Fund to its targeted reserve level over a prescribed number of years.

## Section 5 – Accounting for Reserves

### ***5.1 Accounting for Reserves***

The Reserve Fund will be listed separately in the unrestricted net assets section of the organization's statement of financial position as "Board-Designated Reserve" and the status of borrowings from the reserve will be reported in financial reports to the board.

## Section 6 – Using Reserves

### ***6.1 Using Reserves***

#### A. Management identifies appropriate use

The Executive Officer and staff will identify reasons for accessing the reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. As a part of this process, the Executive Officer will do the following:

- Analyze the reason for the needed funds;
- Assess the availability of any other sources of funds before using reserves (e.g. line of credit); and
- Evaluate the time period that the funds will be required and then replenished.

#### B. Board authorizes use and monitors reserves

The Executive Officer may access the reserves for purposes as outlined above, as long as sufficient funds are available to repay such usage within 12 months' time.

The Executive Officer will submit a request to the Finance Committee in writing, which will include the analysis and determination of the use funds and plans for replenishment (as outlined above). The Finance Committee will approve in writing or modify the request and authorize transfer from the fund. Email is an acceptable form of notification and acknowledgment.

##### 1. Borrowing from Reserves

Any funds borrowed from the Reserve Fund for longer than twelve months will be paid back through a prescribed repayment schedule. The Executive Officer shall request approval of any such usage and the proposed repayment schedule from the Finance Committee. If approved, such disbursement shall be reported at the next full board meeting. At any time that a borrowing from the Reserve is outstanding, the status of the borrowing and payments made will be reviewed at Board meetings.

A draw-down from the fund that cannot be replaced in the timeframe established above must be approved by a majority of the Board, either by a majority of the votes of quorum present at a regular Board meeting, or by a two-thirds majority of the Board if such vote is conducted by other means. A record of such action will be maintained and be made a part of

the Board meeting minutes.

2. Report and monitor use of funds

The Executive Officer is responsible for ensuring that the Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Reserve, the Executive Officer and finance staff will maintain records of the use of funds and plan for replenishment. The Marin Wildfire Prevention Authority will provide regular reports to the Finance Committee of progress to restore the fund to the target minimum amount.

## Section 7 – Review of Policy

### ***7.1 Review of Policy***

This policy will be reviewed every year/every other year at minimum, by the Executive Committee/Finance Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Executive Committee/Finance Committee to the Board of Directors.