



**AGENDA OF THE  
CRESCENT FIRE PROTECTION DISTRICT  
BOARD OF DIRECTORS**

**REGULAR MEETING  
HELD  
MONDAY, OCTOBER 13, 2025  
AT 5:00 P.M.**

Submit comments via [ccfire@crescentcity.org](mailto:ccfire@crescentcity.org); or submit a written comment by filing it with the Administrative Specialist at 255 W Washington Blvd, Crescent City, California 95531 prior to 5:00 pm, October 13, 2025. If you require special accommodation, please contact Administrative Specialist, Vanessa Duncan at 464-2421.

**1. OPEN SESSION**

- 1.1 CALL TO ORDER
- 1.2 ROLL CALL
- 1.3 FLAG SALUTE

**2. PUBLIC PARTICIPATION**

*Any member of the audience is invited to address the Board on any matter that is within the jurisdiction of the Crescent Fire Protection District. Comments of public interest or on matters appearing on the agenda are accepted. Note, however, that the Board is not able to undertake extended discussion or act on non-agendized items. Such items can be referred to staff for appropriate action, which may include placement on a future agenda. All comments shall be directed toward the entire Board. After receiving recognition from the Chairman, please state your name and city or county residency for the record. Public comment is limited to three (3) minutes. The public is additionally allotted five minutes each in which to speak on any item on the agenda prior to any action taken by the Board.*

**3. CONSENT CALENDAR**

- 3.1 APPROVE MINUTES OF THE REGULAR MEETING OF SEPTEMBER 8, 2025**

**3.2 APPROVAL OF WARRANT CLAIMS FOR PERIOD COVERING SEPTEMBER 2025**

*TAKE PUBLIC COMMENT ON CONSENT CALENDAR  
CONSIDER AND ADOPT CONSENT CALENDAR*

**4. NEW BUSINESS**

*Take action as necessary and appropriate.*

**4.1 APPOINT AN ALTERNATE FIRE DEPARTMENT 2X2 COMMITTEE MEMBER**

RECOMMENDATION

1. Receive staff report
2. Technical questions from the Board
3. Take public comment
4. Further Board discussion
5. Appoint a Board Member to serve as the alternate representative on the Fire Department 2x2 Committee

**4.2 APPROVAL OF THE SALE OF SURPLUS UTILITY VEHICLE 5173**

RECOMMENDATION

1. Receive staff report
2. Technical questions from the Board
3. Take public comment
4. Further Board discussion
5. Approve the sale of surplus utility vehicle 5173

**4.3 ADOPTION OF CRESCENT FIRE PROTECTION DISTRICT BOARD OF DIRECTORS POLICY – RESERVE GUIDELINES**

RECOMMENDATION

1. Receive staff report
2. Technical questions from the Board
3. Take public comment
4. Further Board discussion
5. Approve the CFPD Policy – Reserve Guidelines

**4.4 REVIEW OF CURRENT PROCUREMENT POLICY**

RECOMMENDATION

1. Receive staff report
2. Technical questions from the Board
3. Take public comment

4. Further Board discussion
5. Provide direction to staff, if any.

**5. OLD BUSINESS**

*Take action as necessary and appropriate.*

No old business at this time.

**6. CHIEFS REPORT**

*Take action as necessary and appropriate.*

UPDATE ON CURRENT MATTERS AND THOSE IN PROGRESS

**6.1** RESPONSES OCCURRED BETWEEN: 09-01-25 to 9-30-25

**6.2** COOPER STATION REPAIRS

**7. BOARD COMMENTS**

THIS AGENDA ITEM ALLOWS BOARD MEMBERS THE OPPORTUNITY TO DISCUSS ITEMS OF GENERAL INTEREST, PROVIDE A REFERENCE OR OTHER RESOURCE TO STAFF, ASK FOR CLARIFICATION OR REQUEST STAFF TO REPORT TO THE BOARD ON A CERTAIN MATTER

**8. ADJOURNMENT**

ADJOURN TO THE NEXT REGULARLY SCHEDULED MEETING ON MONDAY, NOVEMBER 10, 2025 AT 5:00 PM

**POSTED:**

10/10/2025

/s/ Vanessa Duncan

Clerk of the Board/Administrative Specialist

*Notice Regarding Americans with Disabilities Act: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in the meeting, please contact the Administrative Specialist's office at (707)464-2421. Notification 48 hours before the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting [28 CFR 35.102-35.104 ADA Title II]*

*For TTYDD use for speech and hearing impaired, please dial 711. A full agenda packet may be reviewed at Crescent City Fire & Rescue, 255 W Washington Blvd, during business hours, 8:00 a.m. - 5:00 p.m., or on-line at [cfpd.crescentcity.org](http://cfpd.crescentcity.org)*



**MINUTES OF THE  
CRESCENT FIRE PROTECTION DISTRICT  
BOARD OF DIRECTORS**

**REGULAR MEETING HELD  
MONDAY, SEPTEMBER 8, 2025  
AT 5:00 P.M.**

**1. OPEN SESSION**

**1.1 CALL TO ORDER**

Vice Chair Maxwell called the meeting to order at 5:00 PM.

**1.2 ROLL CALL**

Board members present:

- Vice Chair Jon Maxwell
- Director Rick Kelley
- Director Dave Short
- Director Jim Nelson

Board members absent:

- Chair Jim Erler

Staff members present:

- Fire Chief Kevin Carey
- Administrative Specialist Vanessa Duncan

**1.3 FLAG SALUTE**

The Pledge of Allegiance was led by Director Kelley

**2. PUBLIC PARTICIPATION**

No public comment at this time.

**3. CONSENT CALENDAR**

**3.1 APPROVE MINUTES OF THE REGULAR MEETING OF JUNE 9, 2025**

**3.2 APPROVAL OF WARRANT CLAIMS FOR PERIOD COVERING JUNE 2025**

On a motion by Director Nelson, seconded by Director Kelley, motion carried 4/0/1 with Chair Erler being absent; the Board of Directors approved the Consent Calendar.

**4. NEW BUSINESS**

*Take action as necessary and appropriate.*

**4.1 APPOINT A TWO MEMBER AD-HOC COMMITTEE TO DISCUSS EMPLOYEE COMPENSATION WITH THE CITY**

**RECOMMENDATION**

1. Receive staff report
2. Technical questions from the Board
3. Take public comment
4. Further Board discussion
5. Appoint two Board Members to serve as an Ad-Hoc Compensation Committee

On a motion by Director Short, seconded by Director Nelson, motion carried 4/0/1 with Chair Erler being absent; the Board of Directors appointed Chair Erler and Director Kelley to serve as members on the Ad-Hoc Compensation Committee with the City.

**5. OLD BUSINESS**

*Take action as necessary and appropriate.*

No old business at this time.

**6. CHIEFS REPORT**

*Take action as necessary and appropriate.*

**UPDATE ON CURRENT MATTERS AND THOSE IN PROGRESS**

**6.1 RESPONSES OCCURRED BETWEEN: 09-01-25 to 09-30-25**

Chief Carey reported on the stats for the month of September.

**6.2 COOPER STATION UPDATE**

Chief Carey reported that Cooper Station is currently listed for sale. However, he advised that the District Board may need to reconsider the sale until Crescent City Fire & Rescue secures adequate storage space for the apparatus presently housed at that location.

Chris Mastiloudis, with Finigan Real Estate, stated that he has spoken with several interested parties; however, many expressed concerns regarding the height of the apparatus bay. He noted that, in his professional opinion, the most suitable use for the facility would be as a yard or maintenance shop. Additional discussion followed regarding the potential of leasing Cooper Station rather than selling it.

On a motion by Director Short, seconded by Director Kelley, motion carried 4/0/1 with Chair Erler being absent; the Board of Directors directed that Cooper Station be removed from the market upon expiration of the current four-month listing agreement.

**6.3 DEPARTMENT FUND BALANCE**

Chief Carey provided an overview to the Board regarding the advantages and disadvantages of withdrawing District funds currently held by the County in order to invest them in a Certificate of Deposit (C.D.) or another interest-bearing account. Discussion followed on potential options, associated risks, and the importance of ensuring compliance with all fiscal oversight and security requirements.

**6.4 CITY OF CRESCENT CITY / CRESCENT FIRE PROTECTION DISTRICT 2X2 COMMITTEE MEETING REVIEW**

Chief Carey provided a brief overview of the recent 2x2 meeting between the City of Crescent City and the Crescent Fire Protection District. He noted that once the Memorandum of Understanding (MOU) has been amended, it will be brought forward to the District Board for review and consideration. The Board requested that staff contact City Manager Wier to arrange a presentation on the amended MOU at a future meeting.

**7. BOARD COMMENTS**

No Board comments at this time.

**8. ADJOURNMENT**

There being no further business to come before the Board, Vice Chair Maxwell adjourned the meeting at 6:19PM of the Crescent Fire Protection District Board of Directors to the next regularly scheduled meeting on October 13, 2025 at 5:00PM.

ATTEST:

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Vanessa Duncan, Clerk of the Board  
Crescent Fire Protection District

## CFPD CLAIMS LIST SEPTEMBER FY26

CLAIM ID	CLAIM DATE	VENDOR	ACCOUNT	AMOUNT	INVOICE#	DESCRIPTION	GRAND TOTAL	
500-3336	9/11/25	LIQUIDITY SERVICES OPERATIONS LLC	40621	\$ 16,312.50	ZOL378738877	2008 DODGE RAM 2500 ST QUAD CAB 4WD	\$ 16,312.50	PO# 2590
<b>TOTAL</b>							<b>\$ 16,312.50</b>	
501-3337	9/12/25	CITY OF CRESCENT CITY	20234	\$ 261,849.00	7163715	FIRE SERVICE PER AGREEMENT 4TH QTR. PRELIM.	\$ 261,849.00	
501-3338	9/12/25	LES SCHWAB TIRES	20173	\$ 279.98	62200622659	CAL OES ENGINE (5113) TIRE DISMOUNT AND MOUNT	\$ 279.98	PO# 2590
501-3339	9/12/25	COUNTRY MEDIA	20240	\$ 39.46	766692	PUBLIC HEARING NOTICE FOR FY 25/26 BUDGET	\$ 39.46	PO# 2590
501-3340	9/12/25	ROSS, MATTHEW DBA ROSS JANITORI	20230	\$ 380.00	0998	JANITORIAL SERVICES - WASHINGTON STATION	\$ 380.00	PO# 2590
501-3341	9/12/25	DROWN, RIVERS DBA LAWN & ORDER	20230	\$ 200.00	6484	LAWN CARE - COOPER & BERTSCH	\$ 200.00	PO# 2590
501-3342	9/12/25	O'CONNOR & COMPANY	20230	\$ 1,122.50	0825-30	AUDIT CHARGES - AUGUST 2025	\$ 1,122.50	PO# 2590
501-3343	9/12/25	GOLDEN STATE EMERGENCY VEHICLE	20173	\$ 549.39	CI051608	HOSE AND GASKET FOR 5159	\$ 549.39	
501-3344	9/12/25	CRESCENT CITY WATER	20302	\$ 62.12	005222-000	WATER - HUMBOLDT	\$ 62.12	
501-3345	9/12/25	PACIFIC POWER & LIGHT CO.	20300	\$ 80.31	61913251-0014	POWER - HUMBOLDT	\$ 80.31	
501-3346	9/12/25	RECOLOGY DEL NORTE	20140	\$ 205.11	200304329	TRASH FEE - AUGUST	\$ 205.11	
501-3347	9/12/25	COUNTY OF DEL NORTE	20230	\$ 10,493.58		25/26 TAX YEAR - ASSESSOR'S PROCESSING FEE	\$ 10,493.58	
<b>TOTAL</b>							<b>\$ 275,261.45</b>	
502-3348	9/26/25	THE MITCHELL LAW FIRM	20233	\$ 180.00	8747	CFPD GENERAL COUNSEL - AUGUST 2025	\$ 180.00	PO# 2590
502-3349	9/26/25	CITY OF CRESCENT CITY	20173	\$ 709.44	7163814	SERVICE AND REPLACE BATTERIES IN #5132	\$ 709.44	PO# 2590
502-3350	9/26/25	ROSS, MATTHEW DBA ROSS JANITORI	20230	\$ 380.00	1018	JANITORIAL SERVICES - WASHINGTON STATION	\$ 380.00	PO# 2590
502-3351	9/26/25	BLUE STAR GAS	20301	\$ 1,090.34	1802521	PROPANE FILL UP - WASHINGTON STATION	\$ 1,090.34	
502-3352	9/26/25	CANON FINANCIAL SERVICES	20260	\$ 205.19	41814348	LEASE PAYMENT - COPIER	\$ 205.19	
502-3353	9/26/25	PACIFIC POWER & LIGHT CO.	20300	\$ 2,102.67	62204731-0017	POWER - COOPER & WASHINGTON	\$ 2,102.67	
502-3354	9/26/25	CHARTER COMMUNICATIONS	20120	\$ 223.12	177067401090125	CABLE/INTERNET WASHINGTON STATION	\$ 223.12	
502-3355	9/26/25	THE MAIL ROOM	20220	\$ 124.11	1944	POSTAGE FEE FRO WT5150 DECAL TO PIERCE	\$ 124.11	
502-3356	9/26/25	CRESCENT CITY WATER	20302	\$ 416.75	006251-000	WATER - WASHINGTON	\$ 416.75	
502-3356	9/26/25	CRESCENT CITY WATER	20302	\$ 22.49	006251-001	WATER - COOPER	\$ 22.49	
502-3357	9/26/25	U.S. BANK	20290	\$ 8.00	3979	FASTRACK VIOLATION - CAL-OES ASSIGNMENT	\$ 8.00	
502-3357	9/26/25	U.S. BANK	20290	\$ 10.75	3979	FASTRACK VIOLATION - CAL-OES ASSIGNMENT	\$ 10.75	
502-3357	9/26/25	U.S. BANK	40621	\$ 3,300.00	3979	DMV - REGISTRATION FEE FOR CAL-OES ENGINE	\$ 3,300.00	
502-3357	9/26/25	U.S. BANK	40621	\$ 69.30	3979	DMV - PROCESSING FEE FOR CAL-OES ENGINE	\$ 69.30	
502-3357	9/26/25	U.S. BANK	20290	\$ 54.00	3979	AIRPORT PARKING FEE FOR NEW WT-5150	\$ 54.00	
502-3357	9/26/25	U.S. BANK	20290	\$ 8.00	3979	FASTRACK VIOLATION - CAL-OES ASSIGNMENT	\$ 8.00	
502-3357	9/26/25	U.S. BANK	20227	\$ 20.00	3979	CHAT GPT SUBSCRIPTION FOR CFPD	\$ 20.00	
502-3357	9/26/25	U.S. BANK	20220	\$ (1.87)	3979	CREDIT FOR INTEREST CHARGED	\$ (1.87)	
502-3358	9/26/25	CRESCENT ACE HARDWARE	20140	\$ 9.30	55724	MOISTURE ABSORBENT	\$ 9.30	
<b>TOTAL</b>							<b>\$ 8,931.59</b>	

# **CRESCENT FIRE PROTECTION DISTRICT STAFF REPORT**

**TO: BOARD OF DIRECTORS**

**FROM: KEVIN CAREY, FIRE CHIEF**

**DATE: OCTOBER 13, 2025**

**SUBJECT: APPOINTMENT OF AN ALTERNATE REPRESENTATIVE – FIRE DEPARTMENT 2X2 COMMITTEE**

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## **BACKGROUND**

The Fire Department 2x2 Committee was established jointly between the Crescent Fire Protection District and the City of Crescent City to promote collaboration, transparency, and alignment on matters related to Crescent City Fire & Rescue (CCFR).

The committee serves as a small, informal working group composed of two representatives from each agency who meet periodically to review and discuss shared operational, financial, and administrative topics.

## **DISCUSSION:**

Currently, the District has two appointed primary representatives serving on the Fire Department 2x2 Committee. However, scheduling conflicts, illness, or other commitments occasionally prevent full representation at committee meetings.

To ensure consistent participation and maintain the District's voice in all joint discussions, staff recommends the appointment of an alternate representative.

The alternate member would:

- Attend meetings in the absence of a primary member.
- Stay informed on all Fire Department 2x2 discussions and materials.
- Ensure the District's perspectives and priorities continue to be represented when primary members are unavailable.

Having an alternate in place provides continuity, redundancy, and reliability in communication between the District and the City, particularly as both agencies continue to refine and strengthen the joint MOU governing CCFR operations.

## **RECOMMENDATION:**

Appoint one Board member to serve as the alternate representative to the Fire Department 2x2 Committee to ensure consistent participation and representation of the Crescent Fire Protection District in joint discussions with the City of Crescent City.

**FISCAL IMPACT**

None. Appointment of an alternate Board member will not result in any financial cost to the District.

# **CRESCENT FIRE PROTECTION DISTRICT STAFF REPORT**

**TO: BOARD OF DIRECTORS**

**FROM: KEVIN CAREY, FIRE CHIEF**

**DATE: OCTOBER 13, 2025**

**SUBJECT: DECLARATION AND SALE OF SURPLUS UTILITY VEHICLE 5173**

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## **BACKGROUND**

Utility Vehicle 5173, a 2004 Dodge Durango, has served as a personnel transport and support vehicle for Crescent City Fire & Rescue. The vehicle has more recently been primarily used for personnel deployment on Cal-OES assignments. Under Cal-OES reimbursement policies, Crescent Fire Protection District receives \$283 per day for the use of an assigned support vehicle.

Due to the vehicle's age, mileage, and increasing maintenance issues, the Durango has become less reliable and cost-effective to operate. As the department continues to rely on dependable vehicles for regional deployments and local operations, maintaining an aging and increasingly unreliable unit presents operational and fiscal inefficiencies.

## **DISCUSSION:**

Staff has recently acquired a 2008 Dodge Ram 2500 that is better equipped to serve as the department's primary support vehicle for Cal-OES assignments and local logistical needs. This unit provides improved reliability, safety, and operational capability.

Declaring the 2004 Dodge Durango as surplus will allow the District to recover some value through its sale. Revenue received from the sale will be applied toward offsetting costs associated with outfitting, equipping, and maintaining the newly purchased Dodge pickup that replaces it.

The transition to the newer vehicle ensures the department remains operationally ready and cost-efficient while supporting Crescent Fire Protection District's goal of maintaining dependable fleet.

## **RECOMMENDATION:**

1. Declare Utility Vehicle 5173, a 2004 Dodge Durango, as surplus property; and
2. Authorize staff to sell the vehicle, with any proceeds applied toward the outfitting and maintenance of its replacement unit.

**FISCAL IMPACT**

The sale of Utility Vehicle 5173 will generate a modest one-time revenue gain, which will be directed toward offsetting costs related to the replacement Ford pickup. There is no negative fiscal impact anticipated.

# CRESCENT FIRE PROTECTION DISTRICT STAFF REPORT

**TO: BOARD OF DIRECTORS**

**FROM: KEVIN CAREY, FIRE CHIEF**

**DATE: OCTOBER 13, 2025**

**SUBJECT: ADOPTION OF CRESCENT FIRE PROTECTION DISTRICT BOARD OF DIRECTORS  
POLICY – RESERVE GUIDELINES**

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## **BACKGROUND**

The California Special Districts Association (CSDA) recommends that all independent special districts adopt a formal reserve policy that defines the types and target levels of reserves necessary to ensure sound financial management, operational stability, and transparency.

Historically, the Crescent Fire Protection District has maintained reserve funds to support apparatus replacement, capital improvements, and emergency contingencies. However, these practices have not been documented in a formal policy adopted by the Board of Directors.

Establishing an official Reserve Guidelines Policy provides the framework for the District to manage its funds prudently, maintain financial stability, and demonstrate responsible fiscal governance to the public.

## **DISCUSSION:**

The proposed Crescent Fire Protection District Board of Directors Policy – Reserve Guidelines (Policy 2.A.1) formalizes how the District will define, maintain, and utilize reserves.

Key components of the policy include:

- **Establishing reserve categories:** Operating, Capital Replacement, Emergency/Disaster, Equipment/SCBA/Vehicle, and Assigned/Committed Reserves.
- **Defining target levels:** Operating reserves of 15–25% of annual operating expenditures, along with capital and emergency reserves based on the District’s 10-year Capital Improvement Plan and operational risk.
- **Clarifying oversight:** Requiring the Fire Chief to monitor and report reserve levels annually, and requiring Board approval for any transfers to or from reserve funds.
- **Promoting transparency:** Ensuring reserves are reported publicly in annual budgets and financial statements.

Adoption of this policy ensures alignment with industry standards outlined by CSDA, the Government Finance Officers Association (GFOA), and GASB 54 for fund balance reporting.

This policy does not create or move funds—it simply codifies how the District will manage and track its reserves to support future operational, capital, and emergency needs.

**RECOMMENDATION:**

Approve and adopt Crescent Fire Protection District Board of Directors Policy – Reserve Guidelines as presented to formalize the Crescent Fire Protection District’s financial reserve structure and establish clear standards for responsible fiscal management.

**FISCAL IMPACT**

There is no immediate fiscal impact resulting from adoption of this policy. The policy establishes a framework for financial planning and reporting but does not allocate or expend funds.

**ATTACHMENTS**

1. Crescent Fire Protection District Policy – Reserve Guidelines
2. CSDA Special District Reserve Guidelines (2013 Reference)

# **CRESCENT FIRE PROTECTION DISTRICT BOARD OF DIRECTORS POLICY**

## **Reserve Guidelines**

Effective Date: October 13, 2025

Approved By: Crescent Fire Protection District Board of Directors

Applies To: All District Operations and Fiscal Management

### **Purpose**

To establish prudent financial reserves that ensure the Crescent Fire Protection District (CFPD) can maintain essential services, meet emergency obligations, replace aging equipment, and plan for long-term fiscal stability in accordance with best practices from the California Special Districts Association (CSDA) and the Government Finance Officers Association (GFOA).

### **Policy Statement**

The CFPD Board of Directors recognizes that maintaining adequate financial reserves is an essential component of sound fiscal management. This policy establishes guidelines for the accumulation, maintenance, and use of reserve funds to protect the District's financial integrity and sustain uninterrupted operations.

### **Reserve Objectives**

1. Provide funding for emergencies and unforeseen events.
2. Stabilize annual budgets against revenue or expenditure fluctuations.
3. Support long-term capital replacement and infrastructure maintenance.
4. Ensure compliance with state and professional accounting standards.
5. Promote transparency and public trust in the District's fiscal management.

### **Reserve Classifications**

The following reserves shall be maintained and funded as resources allow:

1. Operating Reserve (Department Allotment)

Purpose: Maintain service levels and fund unanticipated expenses.

Target: 15–25% of annual operating expenditures.

2. Capital Replacement Reserve

Purpose: Fund replacement or rehabilitation of apparatus, equipment, and facilities.

Target: Based on the District's 10-year Capital Improvement Plan (CIP) and replacement schedule.

### 3. Emergency/Disaster Reserve

Purpose: Ensure funding for immediate response and recovery following emergencies or disasters.

Target: 3–6 months of operational costs or an amount equivalent to a major incident deployment.

### 4. Equipment/SCBA/Vehicle Reserve

Purpose: Set aside funds for large-scale fleet and equipment purchases.

Target: Based on projected apparatus replacement cycle and lifecycle costs.

### 5. Assigned or Committed Reserves

Purpose: Funds designated by Board action for specific future uses, including grants, cost recovery, or shared projects with the City of Crescent City.

## **Reserve Management**

- The Fire Chief shall monitor and report reserve levels to the Board at least annually.
- Transfers to or from reserve funds must be approved by the Board of Directors.
- Reserves may be replenished through budget appropriations, one-time revenues, or year-end surpluses.
- Any reserve level below target shall include a recovery plan identifying replenishment strategies.

## **Review and Reporting**

- This policy shall be reviewed annually during the budget cycle.
- Any recommended revisions shall be presented to the Board for adoption.
- The District shall publish reserve levels in its annual budget document and financial statements.

## **References**

- CSDA Special District Reserve Guidelines, Second Edition (2013)
- GFOA Best Practice: Appropriate Level of Unrestricted Fund Balance in the General Fund
- GASB Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions



**California Special  
Districts Association**

*Districts Stronger Together*

# Special District Reserve Guidelines

SECOND EDITION



**A GUIDE TO DEVELOPING A PRUDENT RESERVE.**



## Acknowledgements

In preparing the Special District Reserve Guidelines, the California Special Districts Association (CSDA) greatly benefited from individuals who were generous with their time and insightful with their views. Our task force consisted of finance staff and general managers from independent special districts, as well as professional financial consultants.

CSDA extends its appreciation to its special district task force members:

- Paul Hughes of South Tahoe Public Utilities District
- Jeff Ramos of Cosumnes Community Services District
- John Rossi of Western Municipal Water District
- Rainy Selamat of Olivenhain Municipal Water District
- Ward Winchell of Southgate Recreation & Park District

To the finance professionals on our task force, who significantly contributed to the development of the principles and guidelines, CSDA extends its sincere gratitude. The contributions of the following were invaluable:

- David Becker, CPA, of James Marta & Company
- Eric S. Berman, MSA, CPA, CGMA of Brown Armstrong Accountancy Corporation
- Russ Powell, Senior Vice President of Economic & Planning Systems, Inc.
- Jim Marta, CPA, of James Marta & Company
- Saul Rosenbaum of the investment banking firm, Prager Sealy & Co, LLC
- Tim Schaefer of the public financial advisory firm, Fieldman, Rolapp & Associates

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 *Printed on recycled paper.*





## The Formation of Special District Reserve Guidelines

Answering a  
Call, Fulfilling  
a Need

The genesis for CSDA's Special District Reserve Guidelines was a 2000 Little Hoover Commission report entitled, *"Special Districts: Relics of the Past or Resources for the Future?"* The report included a section on special district reserves with an introductory finding that stated: *"Hundreds of independent special districts have banked multi-million dollar reserves that are not well publicized and often not considered in regional or statewide infrastructure planning."*

The 2000 report raised a number of issues relating to special district reserves including:

- Lack of guidelines and consistency
- Lack of visibility and publication of district financial information
- Lack of understanding among constituents and policymakers of district finances
- Lack of districts incorporating reserve information into infrastructure planning

News media reacted to the Little Hoover Commission report with banner headlines claiming that "obscure" public agencies have "hoarded" billions in reserves. Legislative hearings on special district finances were held and interest was spiked among grand juries, leading them to investigate how special districts within their counties handle reserves.

Ultimately, the Little Hoover Commission recommended that guidelines for prudent reserves be established, and that investment policies and practices be reviewed to determine if additional oversight was warranted.



**...many independent special districts already have established reserve policies and most, if not all, special district officials recognize their fiduciary responsibilities and take them seriously.**

## **CSDA Reserve Guidelines Task Force**

Although special district advocacy organizations disagreed with some of the Little Hoover Commission's findings and data interpretation, CSDA concurred that the establishment of reserve guidelines would assist special district governing officials and administrators in fulfilling their fiduciary responsibilities. To accomplish this, CSDA formed a task force in 2001 to identify both the essential elements of a reserve policy and the issues to be discussed during policy development.

The Special District Reserve Guidelines were developed by the task force as a tool for special district governing officials and administrators to assist them in fulfilling their commitment to provide cost-effective and efficient public services for the communities they serve.

## **Special District Reserve Guidelines**

### **Second Edition**

Today, with over a decade having passed since CSDA convened its original task force in 2001, many special districts have utilized the guidelines to evaluate their reserve policies, develop new reserve policies, and/or promote comprehensive and easily understood policies.

Through this decade-long process, special districts have gained new insights on improved best practices. Furthermore, certain accounting practices and terminologies have evolved. Therefore, in order to ensure the most accurate and updated guidelines, and in continuance of efforts to promulgate widespread adoption, CSDA commissioned a second task force in 2012 to produce a Special District Reserve Guidelines, Second Edition. CSDA encourages district officials to incorporate these new guideline elements into their policies, where applicable, based on size and services offered.

In developing and updating the second edition, the CSDA task force recognized that many independent special districts already have established reserve policies and most, if not all, special district officials recognize their fiduciary responsibilities and take them seriously. What may have generated most of the concern regarding special district reserves in 2000 is not lack of policy, but lack of outreach to constituents and others regarding district operations. It is essential that special districts continue to promote understanding outside their boardroom and perform outreach on district financial management to facilitate understanding among the public, media and legislators.



## Introduction

Reserves are the foundation of the sustainable delivery of core services.

### *Importance of Maintaining a Reserve*

Reserves are the foundation of the sustainable delivery of core services. Through prudent reserves, special districts offer taxpayers and ratepayers significant benefits including:

1. Savings to balance budgets
2. Emergency preparedness
3. Stable rates
4. Well-maintained infrastructure
5. Investment in the future

The fundamental question in maintaining a reserve is, how much is enough? In other words, when are reserves too low and when are they too high? These can be delicate questions because unwarranted reserves could undermine taxpayer and ratepayer support, while insufficient reserves could jeopardize the district's long-term sustainability.

There is also the question of where reserve funds should be spent. Pressure to expend reserves on making current services cheaper, rather than planning for the future, is all too frequent. Adopting a reserve policy will assist your agency in answering these fundamental questions.

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## Reasons for Adopting a Reserve Policy

In addition to the over-arching taxpayer and ratepayer benefits of reserves noted earlier, there are many specific reasons for a special district to adopt reserve policies:

### Shared Vision:

A formally adopted policy promulgates a shared understanding of the proper level and use of reserves, which facilitates healthy working relationships.

### Objectivity:

Revenue decisions represent some of the most controversial and difficult choices that governing boards must face. Utilizing reserve policies reduces political gamesmanship and promotes responsible long-term planning.

### Fiscal Justification:

Inevitably, public agencies will face scrutiny over whether to raise or reduce rates, taxes or fees. Having reserve policies in place prior to such occasions serves as a valuable tool for both making and explaining difficult decisions.

### Public Awareness:

Keeping the public informed about what you do is a fundamental responsibility for any public agency. They are the boss, after all, and all of us understand from personal experience that our jobs are a lot easier and a lot less stressful when the boss knows about and approves of what you are doing. Adopting a policy can help the district better communicate to the public the motives for adopting a reserve, as well as convey the reasons for maintaining the reserve at a certain level.



### Important questions about reserves

The fundamental question in maintaining a reserve is, how much is enough? In other words, when are reserves too low and when are they too high? These can be delicate questions because unwarranted reserves could undermine taxpayer and ratepayer support, while insufficient reserves could jeopardize the district's long-term sustainability.



## Prudent Accumulation and Management of Reserves: Developing Policy

Each special district should develop and adopt a reserve policy.

The Special District Reserve Guidelines reflect the common belief among special districts that there should be a clear and well-articulated rationale for the accumulation and management of reserve funds. Each special district should develop and adopt a reserve policy as a commitment to financial prudence and careful stewardship of community assets. It is critical to understand that a reserve fund is designated by a public agency to carry out specific purposes in a manner consistent with other financial policies, budgetary practices, district programs, and legal requirements.

### ***Reserve Policy Objectives:***

1. To provide adequate funding to meet the agency's short-term and long-term plans.
2. To minimize adverse annual and multi-year budgetary impacts from anticipated and unanticipated expenditures, thus minimizing the possibility of unplanned service fees or rate fluctuations.
3. To strengthen the financial stability of the agency against present and future uncertainties in an ever-changing environment.

### ***Foundational Elements of a Reserve Policy:***

Prior to developing a reserve policy, a district should first establish the three prerequisites below.

1. Clear, organizational philosophy/mission.
2. Policy-oriented board of directors, with long-term focus on fiscal sustainability.
3. Standardized method of financial reporting, such as Governmental Accounting Standards Board (GASB) Statement Nos. 34 and/or 54.

## Communicating regularly about district financials and reserve priorities creates trust.

### Principles for Developing a Reserve Policy:

#### 1. Identify the uniqueness of the district.

- a. Consider district goals, needs and constraints.
- b. Utilize life-cycle analysis if district is capital intensive.
- c. Regularly measure condition of assets.

#### 2. Form a complete understanding of the district's core business and significant cost drivers for district operations.

#### 3. Engage in strategic planning.

- a. By developing, regularly evaluating and, when necessary, modifying strategic plans, districts can more efficiently plan and shape their futures. Strategic planning can help district boards anticipate and adapt to changing environmental, regulatory and demographic conditions. This assists districts in establishing appropriate reserve funds and adopting adequate target levels.
- b. Seek community input in the strategic planning process, i.e., ratepayers and taxpayers, business groups, community organizations, other public agencies serving the same constituency, etc.

#### 4. Make communicating a priority.

- a. A regular newsletter and annual report are good starting points; it is critical for districts to reach out to the public and explain their financial position.
- b. Seek input through customer surveys, community meetings, and other meaningful engagement.
- c. Inform customers and constituents of output and seek their input in evaluating policies.

#### 5. Recognize that a good reserve policy must be consistent with other financial policies, such as a balanced operating budget and investment policies.

#### 6. Create and maintain a well-developed capital improvement plan.

#### 7. Estimate the ebb and flow, or "seasonality," of cash-flow during the fiscal year and build a basic understanding of the degree of short-term borrowing necessary to meet such needs.

#### 8. Clearly identify reserves—both categories and purposes. Set target levels for reserves that are consistent with the district's mission, the district's uniqueness and the philosophy of the district's board and community.

#### 9. A broad reserve policy may include many elements or sub-policies. Some areas that may need sub-policies include:

- a. Rate-stabilization funds
- b. Fees and charges
- c. Debt issuance and management
- d. Deferred maintenance
- e. Level of unrestricted (contingency) funds
- f. Long-term repair and replacement



Every district has unique circumstances and a proper fund balance should be considered on a case-by-case basis.

## Fund Balance and Net Position/Net Assets

There are many factors that must be considered when establishing an appropriate fund balance and ensuring the prudent management of your district's finances. Every district has unique circumstances and a proper fund balance should be considered on a case-by-case basis. Thoughtfully accounting for variables such as your district's revenue sources and income volatility will assist your district in determining its reserve amount. On the following pages are issues that should be considered when adopting a reserve level.



# Specific Considerations for Budgeting and Allocating Fund Balance or Net Position/Net Assets

Considerations
<p>1. Define the special district’s fiscal objectives:</p> <ul style="list-style-type: none"><li>a. Short-term</li><li>b. Long-term</li><li>c. Operating</li><li>d. Capital</li></ul>
<p>2. Identify where funds are used:</p> <ul style="list-style-type: none"><li>a. Operating revenues are the general-purpose funds through which ongoing activities are funded.</li><li>b. Special-purpose revenues often are legally restricted for a particular use. For example, a special assessment for infrastructure must be separately accounted for and spent on designated infrastructure costs.</li><li>c. Debt proceeds should be used to fund costs that provide a benefit across fiscal years. The issuance of debt allows the district to allocate these costs by spreading the debt service to these periods. Debt proceeds should never be used for short-term operating costs because this would entail allocating current operating costs to future periods.</li><li>d. One-time revenues should be used for one-time expenses. If a special district gets one-time revenues and uses it to provide additional full-time positions or to fund on-going operating costs, it may lead to a budget crisis when the one-time funding runs out.</li></ul>



## One-time Revenue

According to the Government Finance Officers Association, “Examples of one-time revenue include: infrequent sales of government assets, bond refunding savings, infrequent revenues from development and grants. These revenue may be available for more than one year (e.g. , a three-year grant) but are expected to be non-recurring.”

## One-time Expenditures

According to the Government Finance Officers Association, “Examples of expenditures which a government may wish to use one-time revenue include start up costs, stabilization (e.g. to cover expenditures that temporarily exceed revenues), early debt retirement, and capital purchases.”



Unassigned fund balance is typically the primary subject of a reserve policy. However, committed and assigned fund balance may also be thought of as part of a reserve policy as the governing board or management, respectively, has some control over the balances. Conversely, restricted fund balances or nonspendable fund balances are fundamentally constrained, making it unnecessary to place parameters on them through reserve policy in order to achieve prudent savings and expenditures of public resources.

It is recommended that every district establish policies regarding minimum fund balance and spending priorities in order to communicate to users the importance of a reserve for economic uncertainties, why it consists of amounts that are unassigned and that it is not available for spending.

Districts' policies should specify the order in which fund balances are spent when more than one amount is available for a specific purpose. Where such policies do not exist, GASB 54 prescribes that the default order in which these amounts should be spent is committed, assigned, and then unassigned.



### **GASB 54**

According to the Governmental Accounting Standards Board, statement No. 54 was issued after, "...research revealed that the existing standards guiding fund balance reporting were being interpreted inconsistently by different governments. Consequently, the fund balance information reported by many governments also was inconsistent. It also became clear that the understandability of fund balance information was affected and that financial statement users were unable to readily interpret reported fund balance information."

*GASB fact sheet about Fund Balance Reporting and Governmental Fund Type Definitions*



### **Sample Policy Language**

The "X" district maintains a minimum unassigned fund balance of not less than "X" percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The district believes a reserve of this level is prudent to maintain a high bond rating and to protect the district from the effects of fluctuations in property tax revenues to which special districts are vulnerable. Because amounts in the nonspendable, restricted, committed and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

## Reserve Level Targets

A reserve policy must set a target level of reserves to maintain. The target is typically defined in terms of unrestricted fund balance as a percentage of either regular operating revenues or regular operating expenditures. The choice between revenue and expenditures as a basis depends on which element is more predictable. A government that relies heavily on property taxes typically would choose revenues, whereas a government with a less predictable revenue portfolio might choose expenditures. In either case, the base should only reflect operating numbers and should remove the effect of unusual spikes or drops that would distort long-term trends.

With the basis of the target defined, the next step is to select a reserve-level target number. The Government Finance Officers Association (GFOA) offers guidance as to the amount of unassigned fund balance governments should maintain in their general fund operating revenues or regular general fund operating expenditures, regardless of size. As special-purpose governments, special districts should carefully balance such general advice with the unique circumstances associated with the district's operational environment.

In considering what constitutes adequate reserves, a special district may want to establish key benchmarks or ratios. Many industries have key equity target formulas or ratios that establish minimums to provide a red flag warning when equity may be too low. Some of those ratios may include the following:

- Debt to Equity
- Property Taxes to Equity
- Current Ratio
- Capital Outlay to Equity
- Capital Outlay to Operating Expenses

Certain districts may establish their own ratios based on the unique aspects of the district or an operating environment that may be different than other organizations in their industry.



### Local Conditions as a Basis

The Government Finance Officers Association notes that fund balance is ultimately a local decision based on local conditions. "...Finance staff should analyze the risks that influence the need for maintaining reserves as a hedge against uncertainty and loss."

*(p.57, GFOA, Financial Policies)*

# Articulating Financial Position and Decisions

Is this organization in good financial shape? That depends on the condition of the current assets and the short-term and long-term needs of the organization as they relate to its resources. If there exists significant current infrastructure needs, then financing may be required. Is enough set aside for contingencies? If water costs increase by 10 percent, or new environmental or health standards are issued, how will that affect total net assets?

Governmental entities collect, hold and expend resources in public trust. If too little is collected, they risk failing to meet mandated needs. If too much is collected, they overburden the public and tie up resources that taxpayers and ratepayers could use in the economy. Historically, governments have been known to spend most of their resources each year and too often fail to properly plan for long-term needs. Special districts should carefully examine their operations and budget to ensure that expenses, such as capital needs and contingencies, are anticipated and appropriate resources are set aside.

Some governments, either through good fortune or good planning, have reserved net assets for future plans and needs. What most governments have failed to do, as emphasized in the 2000 Little Hoover Commission's report, is to effectively communicate their plans for the net assets and explain why the balance is appropriate.

Each special district needs to:

1. Analyze its financial position.
2. Examine its current and long-term needs, including a capital improvement plan.
3. Establish its target fund balance or net assets.
4. Outline its goals and needs through policy, budgets and enhanced financial statement note disclosures.
5. Anticipate public scrutiny of financial statements and proactively communicate how finances are being used in a manner the public can easily digest.

It is recommended that special districts, at minimum, conduct a review of their reserve policy annually to ensure it meets the needs of the district and is in compliance with any requirements/standards that may have changed.

## Conclusion

Each special district's financial and legal professionals should review reserve policies prior to adoption to ensure they are in compliance with all current laws and regulations. Reserve policy should be established based on each district's unique financial situation. Any reserve policy needs to be reviewed regularly as the financial environment within which it functions is dynamic and there may be applicable legislative or regulatory changes.

The 2000 Little Hoover Commission report concluded that there was a disconnect between special districts and their constituents and other local government entities. Therefore, it is important that each agency not only develop a reserve policy, but ensure that stakeholders know and understand the district's financial position and decision-making process.

Districts should consider preparation of a public outreach program to communicate financial and program information on a regular basis to affected or interested populations. How involved each respective public outreach program is for a district is typically determined by the size and complexity of the district. A first step may be as simple as adding the information to an agency's website or the development of an annual report. CSDA encourages districts to take the next step and proactively engage the public to ensure its awareness.

We hope you find these guidelines helpful and if you have any comments or suggestions on how we can improve this document, please contact us at 877.924.2732.



## Addendum I: Glossary

**Assigned Fund Balance:** Amounts that are intended to be used by the special district for specific purposes but do not meet the criteria to be classified as restricted or committed.

**Capital Improvement Program (CIP):** A short-range plan that identifies capital projects and equipment purchases, provides a planning schedule and identifies options for financing the plan.

**Committed Fund Balance:** Amounts that can only be used for the specific purposes as determined by a formal action of the special district's highest level of decision-making authority.

**Net assets:** The amount of assets in excess of liabilities. For non-enterprise fund types, this excess is referred to as "fund balance." For enterprise-fund types, this excess is referred to as "net assets" or, as of July 1, 2012, "net position."

**Nonspendable Fund Balance:** Amounts that cannot be spent or where cash has been spent previously to produce a fund balance – for example, inventory, pre-paid expenses or restricted assets.

**Pay-Go:** Is the practice of financing expenditures with funds that are currently available rather than borrowed.

**Restricted Fund Balance:** Amounts that can only be spent for specific purposes which are stipulated outside the control of the special districts, such as the constitution, external resource providers (such as granting entities) or enabling legislation.

**Unassigned Fund Balance:** The residual of all other funds that are not nonspendable, restricted, committed or assigned. Unassigned balances are not in special revenue, capital projects, permanent or debt service funds unless the fund is in deficit.



## Addendum II: Special District Reserves Talking Points

### **PRUDENT RESERVES MAKE FOR SOUND BUDGETING**

For countless families, saving for a rainy day is common-sense. For special districts, reserve funds are not just money in a bank; they are fundamental resources for ensuring reliable core services and community security.

#### *How Taxpayers and Ratepayers Benefit*

Special districts designate money toward savings in order to balance their budget, respond to emergencies, keep rates affordable, maintain current infrastructure and plan for future public works projects.

- **Balancing Budgets** – Over the course of the fiscal year, short-term reserves help balance the ebb and flow of revenues verse expenditures.
- **Emergency Preparation** – In the event of a disaster, communities can't afford not to have savings readily available to quickly repair critical local infrastructure and bring core services back online.
- **Affordable Rates** – With appropriate savings, special districts are able to use resources wisely and smooth out the highs and the lows of volatile economic conditions, rather than spend their entire surplus and then seek new revenue or jeopardize services.
- **Infrastructure Maintenance** – Reserves mean the pipes are fixed, roofs are patched, and worn equipment is replaced without going back to the taxpayers or ratepayers to pay for routine upkeep.
- **Planning for the Future** – A long-term, thoughtful approach to public infrastructure requires the foresight to plan for, and discipline to save for, future needs.

#### *Reserves are Much More than Liquid Assets*

- What comprises a reserve fund? Reserve fund balances and net assets are not just cash and investments. They also include the net value of capital facilities, land and equipment measured from the very inception of the district.
- Assigned funds are budgeted for specific long-term public needs as planned by the board of directors.
- Committed funds are set aside via established policies for specific uses such as cash-flow, capital improvements, contingencies, and rate stabilization.
- Restricted funds are limited by legal or contractual requirements, or cannot otherwise be spent.

#### *Best Practices for Sensible Budgets*

- Historically, governmental agencies and departments have been known to spend everything they have before the end of the fiscal year in order to justify increased future allocations from their larger bureaucracy.
- Special districts are different because they empower core local service providers with budgetary control, encouraging efficiency and fiscal restraint rather than punishing it.
- The CSDA Reserve Guidelines Task Force identified both the essential elements of reserve policies and key issues to be discussed during reserve policy development to assist districts in fulfilling their commitment to provide cost-effective and efficient public services to their communities.



## Addendum III: Capital Planning

A Capital Improvement Program (CIP), also referred to as a capital plan, exists to identify and prioritize a special district's need for capital goods. A CIP should prioritize the importance and timing of the various assets to be acquired. In addition, a CIP should contemplate how those goods will be paid for – cash (equity) or debt. A capital plan is a strategic and comprehensive plan for the acquisition and implementation of the district's capital assets over time. In that sense, it is different from a finance plan, which focuses on individual acquisitions and how to pay for them.

To fulfill their mission, every district makes capital investments. Debt, especially tax-exempt debt, is recognized as an important and continuing source of a district's capital to fund improvements necessary to achieve its mission and strategic objectives. A CIP provides the framework by which decisions will be made regarding the use of cash and debt to finance capital projects.

Debt is defined to include all short and long-term obligations, guarantees and instruments that have the effect of committing the district to future payments. The assumption of debt, both direct and indirect, is subject to the district's approval. Any debt issued by subsidiary entities is subject to these policies. In satisfying their fiduciary responsibilities, it is important that a district's board and management know the extent of debt obligations.

### **CIP Objectives**

1. To provide guidelines to management on the use of reserves and debt to support a special district's capital needs while achieving the lowest overall cost of capital.
2. To provide selected financial measures, with specific targets, to ensure that the district continues to operate within appropriate financial parameters while allowing the agency to maintain financial stability and the highest acceptable credit rating that permits it to issue debt at favorable rates.
3. To bridge the cash flow gap between the district's available funds and its capital needs when the assumption of debt is deemed prudent.

### **Creating a Capital Plan**

1. Establish goals
2. Assess needs
3. Determine pay-go or borrow
4. Identify methods available for funding
5. Design the loan—the tactical plan
6. Organize approach

*Details on the following pages.*

## ***Establish Goals***

The key elements in setting clear capital plan goals include:

- 1. *Understanding the role of the planning horizon.*** Planning horizons are important considerations in well-developed capital plans. For example, it makes little sense to try to plan for a 10-year or 20-year horizon if innovation, technology, demographics or legislative threats to the plan occur frequently or on short notice. Conversely, agencies that are in low-technology businesses and stable demographic circumstances can more effectively and more appropriately plan for long periods. Planning horizons should mirror long-term repair and replacement requirements of existing facilities.
- 2. *Integrating the use (or lack thereof) of reserves.*** The extent to which a particular district has accumulated reserves will dramatically impact the CIP. The development of, and adherence to, strong reserve policies can greatly simplify funding choices for a capital plan, but blind adherence to arbitrary reserve levels can be just as inhibiting as no reserves at all. The key is to make reserve accumulation, or depletion, work in harmony with the CIP, operating budget and risk management of the district.
- 3. *Recognizing the repetitive nature of implementing the CIP.*** A capital plan is by its nature repetitive. For that reason, many districts choose to review and update it annually, usually as an adjunct to deliberation of the operating budget. This keeps the CIP current and tempered by present information on the priorities of the district.

## ***Assess Needs***

Every capital plan starts with a needs assessment. The assessment should be based on a comprehensive review of the agency's assets at the time an asset is recorded and an estimated useful life is assigned to each asset. This information later will be used as an indicator of when an asset is scheduled to be replaced. Estimated future replacement costs need to be obtained in order to reasonably estimate CIP fund requirements within an agency's long term financial plan.

## ***Determining Pay-Go or Borrow***

The "pay-go" method of using current revenues to pay for long-term infrastructure and other projects is often considered when sufficient revenues and reserves are available and long-term borrowing rates are higher than expected cash reserve fund earnings.

On the other side of the spectrum, the "pay-as-you-use" or "borrow" strategy limits the need for building of major amounts of equity in capital assets. Such accumulation can be less economically efficient, particularly for those districts that are capital intense and whose capital goods are "used up" over long periods of time. Similarly, financing of smaller capital goods, or those with short or uncertain useful lives, is also inefficient. The rationale behind the borrow approach is that the district's stakeholders should "pay" for the assets required to deliver the goods or services of the agency over a time period that more closely mirrors the useful life of those assets.

Most districts use a blended approach based on their debt management policy. Often, a district's approach is dictated as much by affordability as by philosophy, given that few public bodies are capable of paying cash for all capital assets.

### ***Identify Methods Available for Financing***

Once the goals have been set, the needs assessed and the decision whether to pay cash or finance the asset has been made, some thought must be given to the method of financing. For example, even if an asset is to be procured for cash, and the cash is on hand in a reserve set aside for that purpose, a decision still must be made on whether to replenish or restore that reserve, and over what time period and from what source it will be replenished.

Choosing to issue debt means that the following choices must be made: form of debt, mode (fixed or variable rate), repayment terms and method of sale. These are the tactical decisions that often blur the understanding of the strategic elements of the capital plan.

### ***Design the Loan – The Tactical Plan***

If a decision is made to borrow, an array of choices will follow. Some districts choose to borrow from banks or private lenders; others choose public offerings of debt. Lease financing may be considered as an alternate to bond financing. Some districts pool their needs with other similarly situated districts in order to reduce costs through economies of scale.

Regardless of the choice of lenders or approach matching the useful life of the financed asset to the borrowing term is an important consideration. Common sense tells us that we should hesitate to finance automobiles with 30-year bonds. By the same token, a water treatment plant with a design-life of 50 years can be safely and prudently financed over long periods of time. Still, debt issuances over 30 years are rare.

This element of the CIP should also carefully consider other needs within the strategic plan when pledging assets or revenues to lenders. A generous package to a lender on today's asset may make tomorrow's asset financing problematic or impossible. The key is to ensure that each tactical financing plan within the capital plan works harmoniously with other elements of the plan and is flexible enough to allow for the inherently changing nature of the CIP.

### ***Organize the Approach***

The successful capital planning process looks a great deal like the successful budgeting process. The end-result articulates the goals and objectives of the organization to all stakeholders and relies on an accurate and unbiased assessment of needs. It provides for an evaluation of the desired assets to distinguish between "wants" and "needs." It is written and shared with the district's stakeholders.

The capital plan is revisited often and provisions for changing or amending it are straightforward. Finally, it incorporates periodic analysis of results and achievements for management and the governing body.

## **Summary**

A CIP need not be elaborate or weighty to be effective. Many effective capital plans consist of a single spreadsheet and several paragraphs of supporting text. The development of the program is vital to the efficient use of capital. It is a key ingredient in a lender's assessment of management's effectiveness and control. It is among the most important tools an elected official possesses to discharge the duties of office.

Readers who are interested in additional information about the development of capital plans should consider a variety of books, and other information sources, on the topic. Some suggested examples are shown in the attached resource listing at the back of this document.



## Addendum IV: Resources

The Government Finance Officers Association (GFOA) is a great source for more information regarding various government financial matters, including fund balance and financial reporting. GFOA has an extensive publications department. View a list of its full offerings at [www.gfoa.org](http://www.gfoa.org). The following publications may be useful:

1. "An Elected Official's Guide to Financial Reporting"
2. "Best Practice – Replenishing Fund Balance in the General Fund"
3. "Governmental Accounting, Auditing, and Financial Reporting"
4. "Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting"

The Governmental Accounting Standards Board (GASB) has a number of user guides written by the standard setter for use in many types of governments. These include:

1. *An Analyst's Guide to Government Financial Statements—revised, updated, and significantly expanded*
2. *What You Should Know about the Finances of Your Government's Business-Type Activities—a completely new guide for 2012*
3. *What You Should Know about Your Local Government's Finances*

In addition, in 2013, GASB is expecting to publish a guide directed at "Business-Type Activities." Most special districts in California are "Business-Type Activities."



**CSDA**

**California Special  
Districts Association**

*Districts Stronger Together*

1112 I Street, Suite 200  
Sacramento, CA 95814  
toll-free: 877.924.2732  
csda.net

# CRESCENT FIRE PROTECTION DISTRICT STAFF REPORT

**TO: BOARD OF DIRECTORS**

**FROM: KEVIN CAREY, FIRE CHIEF**

**DATE: OCTOBER 13, 2025**

**SUBJECT: REVIEW OF CURRENT CRESCENT FIRE PROTECTION DISTRICT PROCUREMENT POLICY**

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## **BACKGROUND**

The Crescent Fire Protection District Board adopted the Procurement Policy on June 9, 2025, to establish clear, transparent, and compliant purchasing procedures for all District goods and services.

The policy defines competitive bidding thresholds, outlines ethical standards, establishes approval authority levels, and ensures compliance with the California Public Contract Code, Labor Code, and Department of Industrial Relations (DIR) requirements.

The policy also promotes accountability through written documentation, cooperative purchasing options (e.g., Sourcwell), and structured approval processes.

## **DISCUSSION:**

This agenda item is for Board review of the existing Procurement Policy to determine whether updates or clarifications are warranted based on recent operational experience, changes in statutory requirements, or administrative needs.

## **RECOMMENDATION:**

Review and discuss the current Crescent Fire Protection District Procurement Policy and provide direction to staff if any revisions or updates are desired for future Board consideration.

## **FISCAL IMPACT**

None at this time. This is a policy review only. Any recommended amendments may have future administrative impacts, which would be addressed in a subsequent staff report.

## **ATTACHMENTS**

1. Current Procurement Policy (Adopted June 9, 2025)

## Crescent Fire Protection District Procurement Policy Adopted 06/09/2025

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**1. Purpose** This policy establishes procedures for the procurement of goods and services to ensure that taxpayer resources are used effectively, transparently, and in the public's best interest.

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**2. General Guidelines** All purchases must be for legitimate District purposes. Staff shall avoid conflicts of interest, favoritism, or splitting purchases to avoid competitive thresholds.

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### 3. Competitive Procurement Requirements

#### Purchase Amount Procurement Requirement

\$0 – \$1,500	At least 3 verbal or written quotes recommended.
\$1,501 – \$10,000	Minimum of 3 written quotes required.
Over \$10,000	Minimum of 3 written quotes and Board approval.

---

**4. Use of Cooperative Purchasing** The District may purchase goods or services using Sourcewell or other public cooperative purchasing agreements in lieu of obtaining three written quotes, provided:

- The vendor is listed as an awarded contractor under a valid contract.
- The pricing and terms fall within the scope of the cooperative agreement.

Use of Sourcewell satisfies the competitive procurement requirement under California law.

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**5. Sole Source Purchases** If a good or service is only available from one practicable source, a written justification must be prepared describing the unique need and why no other options exist. A quote must be obtained and kept on file.

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**6. Emergency Purchases** Emergency purchases may be made when necessary to protect life, safety, or property and cannot wait for regular procurement procedures. A written justification must be prepared and signed by the Fire Chief or Board Chair.

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**7. Purchase Orders** All services over \$100 require a District purchase order. Each purchase order must:

- Include vendor information, item description, quantity, cost, and purpose.
  - Be signed by the Fire Chief (or Board Chair in their absence).
  - Be processed by the Administrative Assistant, who will place the order.
- 

**8. Prohibited Practices**

- Splitting purchases to avoid competitive thresholds.
  - Awarding contracts based on favoritism or discrimination.
  - Allowing affiliated personnel to participate in procurement decisions involving related vendors.
- 

**9. Ethics and Standards of Conduct** District employees and Board members involved in the procurement process shall:

- Conduct business with integrity and fairness.
  - Avoid personal conflicts of interest.
  - Not accept gifts, favors, or gratuities from vendors.
  - Report suspected fraud or unethical behavior to the Fire Chief or Board Chair.
- 

**10. Local Vendor Consideration** When possible and when all other factors are equal, preference may be given to local vendors to support the local economy.

---

**11. Documentation and Record Retention** All procurement activity shall be documented and retained in accordance with the District's records retention schedule. This includes:

- Quotes and proposals
  - Sourcewell or cooperative contract references
  - Sole source and emergency justifications
  - Purchase orders and invoices
  - Board approvals
- 

**12. Public Works and Prevailing Wage Compliance** For public works projects:

- Comply with the California Public Contract Code and Labor Code.
  - Pay prevailing wages for projects over \$1,000.
  - Use formal bidding procedures for projects over \$25,000 or as required.
  - Require contractor registration with the Department of Industrial Relations (DIR).
- 

**13. Approval Authority Levels**

Amount	Approval Required
Up to \$1,500	Fire Chief or Administrative Specialist
\$1,501–\$10,000	Fire Chief
Over \$10,000	Board of Directors

---

**14. Capital Equipment and Inventory Control** All fixed assets or equipment valued over \$5,000 shall:

- Be logged into the District’s inventory system.
  - Be tagged with an asset ID number.
  - Be reviewed annually for location and condition.
- 

**15. Amendment and Review** This policy shall be reviewed at least once every three years or as needed. Amendments require approval by the Board of Directors.

# Crescent City Fire & Rescue

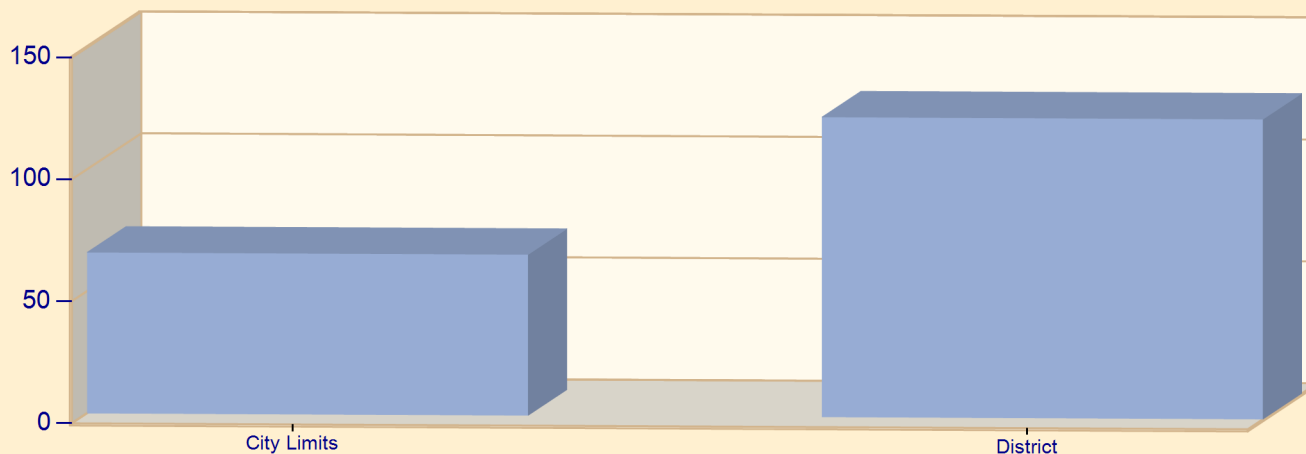
Crescent City, CA

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## Incident Type Count per Zone for Date Range

Start Date: 09/01/2025 | End Date: 09/30/2025



ZONES	INCIDENT TYPE	COUNT
<b>City Limits - City Limits</b>		
	113 - Cooking fire, confined to container	1
	311 - Medical assist, assist EMS crew	33
	322 - Motor vehicle accident with injuries	1
	324 - Motor vehicle accident with no injuries.	4
	412 - Gas leak (natural gas or LPG)	1
	444 - Power line down	1
	561 - Unauthorized burning	3
	611 - Dispatched & cancelled en route	12
	622 - No incident found on arrival at dispatch address	2
	651 - Smoke scare, odor of smoke	1
	733 - Smoke detector activation due to malfunction	3
	735 - Alarm system sounded due to malfunction	1
	743 - Smoke detector activation, no fire - unintentional	2
	745 - Alarm system activation, no fire - unintentional	1
	<i>Total Incidents for City Limits - City Limits:</i>	<b>66</b>
<b>District - District</b>		
	111 - Building fire	2
	118 - Trash or rubbish fire, contained	2
	122 - Fire in motor home, camper, recreational vehicle	1
	131 - Passenger vehicle fire	2

Zone information is defined on the Basic Info 3 screen of an incident.  
Only REVIEWED incidents included.



emergencyreporting.com

Doc Id: 1404

Page # 1 of 2

ZONES	INCIDENT TYPE	COUNT
	137 - Camper or recreational vehicle (RV) fire	2
	140 - Natural vegetation fire, other	3
	150 - Outside rubbish fire, other	1
	151 - Outside rubbish, trash or waste fire	3
	311 - Medical assist, assist EMS crew	42
	322 - Motor vehicle accident with injuries	1
	324 - Motor vehicle accident with no injuries.	2
	440 - Electrical wiring/equipment problem, other	1
	553 - Public service	1
	561 - Unauthorized burning	12
	611 - Dispatched & cancelled en route	35
	622 - No incident found on arrival at dispatch address	5
	651 - Smoke scare, odor of smoke	3
	700 - False alarm or false call, other	1
	733 - Smoke detector activation due to malfunction	1
	735 - Alarm system sounded due to malfunction	1
	743 - Smoke detector activation, no fire - unintentional	2
	<i>Total Incidents for District - District:</i>	123

	<b>Total Count for all Zone:</b>	<b>189</b>
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Zone information is defined on the Basic Info 3 screen of an incident.  
Only REVIEWED incidents included.

