ADAM A. HOUSE
Fire Chief

Sacramento Metropolitan Fire District

10545 Armstrong Ave., Suite 200 • Mather, California 95655 • Phone (916) 859-4305• Fax (916) 859-3715

POLICY COMMITTEE – REGULAR MEETING AGENDA
Thursday, November 12, 2026 – 5:30 p.m.

Sacramento Metropolitan Fire District
10545 Armstrong Avenue, Boardroom, Suite 200, 2nd Floor
Mather, California
&
Remotely Via Zoom
Webinar ID: 827 3461 0232 #
Passcode: metro2101
Phone: 1 (669) 444-9171 or 1 (669) 900 6833
☎ Passcode: 838771796 #
https://us06web.zoom.us/j/82734610232?pwd=SFlLQ1Znd25RSmlhdXZVQVh4d1VWZz09

COMMITTEE MEMBERS
Director D'Elman Clark - Chair
Director Cinthia Saylors
Director Ted Wood
Director Grant Goold - Alternate

CALL TO ORDER & ROLL CALL

PUBLIC OPPORTUNITY TO DISCUSS MATTERS OF PUBLIC INTEREST WITHIN COMMITTEE'S SCOPE INCLUDING ITEMS ON OR NOT ON AGENDA

CONSENT AGENDA
The Consent Agenda is acted upon with one motion unless a committee member requests separate discussion and/or action.

Page No.

1. **Action Summary Minutes** — 2
   Recommendation: Approve the Action Summary Minutes for the meeting of October 8, 2026.

ACTION ITEM

1. **Board Policy 01.008.01 – Reserve Funding Policy** — 3
   (Chief Financial Officer Dave O'Toole)
   Recommendation: Approve the requested amendment to the Reserve Funding Policy and refer to the full Board for further consideration.

NEXT MEETING DATE: December 10, 2026

ADJOURNMENT

Posted on November 9, 2026

Marni Rittburg
Marni Rittburg, CMC, CPMC
Clerk of the Board

Sacramento Metropolitan Fire District

10545 Armstrong Ave., Suite 200 • Mather, California 95655 • Phone (916) 859-4305• Fax (916) 859-3715

ADAM A. HOUSE
Fire Chief

ACTION SUMMARY MINUTES – REGULAR MEETING

POLICY COMMITTEE
THURSDAY, OCTOBER 8, 2026
SACRAMENTO METROPOLITAN FIRE DISTRICT
&
Remotely Via Zoom

CALL TO ORDER

The meeting was called to order at 5:34 p.m. by Director Clark. Committee members present: Clark and Saylors. Committee members absent: Wood. Staff present: Action Fire Chief Mitchell and Board Clerk Rittburg.

PUBLIC COMMENTS: None

CONSENT AGENDA

Action: Moved by Saylors, seconded by Clark, and carried unanimously by members present to adopt the Consent Calendar as follows:

1. **Action Summary Minutes**
   Recommendation: Approve the Action Summary Minutes for the meeting of September 10, 2026.
   Action: Approved the Action Summary Minutes.

ACTION ITEM

1. **Board Policy 01.013.02 – Travel and Conference Expense**
   (Chief Financial Officer Dave O'Toole)
   Recommendation: Review the revised Travel and Conference Policy and move to the full Board for approval.
   Action: Motion by Saylors, seconded by Clark, and carried unanimously by members present to revise the rental vehicle language to remove specific vehicle make and model references and refer to sedans generally and refer the revised Travel and Conference Expense Policy to the full Board for approval.

ADJOURNMENT

The meeting adjourned at 5:40 p.m.

_____
Director Clark, Chair

_____
Marni Rittburg, CMC, CPMC
Clerk of the Board

Sacramento Metropolitan Fire District

10545 Armstrong Ave., Suite 200 • Mather, CA 95655 • Phone (916) 859-4300 • Fax (916) 859-3702

Adam House
Fire Chief

DATE: November 12, 2026

TO: Policy Committee

SUBJECT: Amendment to Reserve Funding Policy

TOPIC

Amendment to the Reserve Funding Policy Pertaining to the Self-Insurance Reserve

BACKGROUND

At the Board of Directors (Board) meeting on October 22, 2026, the Board considered responses to questions asked about the operation and purpose of the Self-Insurance Reserve. Through the Acting Fire Chief, the Board directed staff to revise the Reserve Funding Policy to direct regular budget reporting on both General Fund Reserves: the General Fund Operating Reserves and the Self-Insurance Reserves. The additional reporting would include an alternate General Fund reserve calculation assuming the Self-Insurance Reserve were incorporated into the General Operating Fund Reserve.

DISCUSSION

The proposed amendments respond to the Board of Directors direction to modify the Reserve Funding Policy to enhance budget reporting regarding the Self-Insurance Reserves and inform the Board and public on the total General Fund amount available in reserve.

FISCAL IMPACT

No fiscal impact.

RECOMMENDATION

Approve the requested amendment to the Reserve Funding Policy and forward to the Board of Directors for further consideration.

Submitted By:

Dave O'Toole

Dave O'Toole
Chief Financial Officer

Approved By:

Adam Mitchell
Adam Mitchell (Nov 9, 2026 11:35:15 PST)

Adam Mitchell
Acting Fire Chief

Sacramento Metropolitan Fire District

BOARD POLICY

POLICY TITLE: Reserve Funding Policy OVERSIGHT: Administration

POLICY NUMBER: 01.008.01 EFFECTIVE DATE: 08/08/13 REVIEW DATE:

Background

Best financial practices call for establishing a formal reserve policy. This Reserve Funding Policy will serve to formalize the current practices, establish the need for further reserves, set appropriate reserve level targets, and specify the process and procedures for reserve monitoring and use.

Purpose

This policy establishes target reserve levels necessary for maintaining Metro Fire's credit worthiness and helps with both short-term and long-term planning. Reserves allow Metro Fire to adequately provide for loss of significant revenue sources (e.g., tax receipts or Development Impact Fees), infrastructure funding, local disasters, unfunded mandates, workers' compensation self-insurance claims, and debt obligation security.

A minimum reserve target level protects Metro Fire from reducing service levels when there are temporary revenue shortfalls or unpredicted one-time expenditures. Inevitably, there will be negative economic cycles and having these reserves buffers their impact. A maximum reserve target level is essential to ensure that only necessary reserve funds are accumulated.

The Reserve Funding Policy will also provide guidance for achieving target levels, use of reserves, and later replenishment of reserves.

Scope

This Reserve Funding Policy will cover all funds and all types of reserves.

Definitions

1. **Actuarial Present Value:** For Metro Fire, this is the amount presently required to fund the post-retirement medical benefits for retirees and their dependents in the future.

2. **Assigned Fund Balance:** A classification of Fund Balance intended to be used by the government entity for specific purposes, however, does not meet the criteria to be classified as restricted or committed. Metro Fire currently does not have any assigned fund balances.

3. **Bond Indenture:** A bond indenture is a legal document issued to lenders and describes key terms such as the interest rate, maturity date, convertibility, pledge, promises, representations, covenants, and other terms of the bond offering.

4. **Bondholders:** Investors who lend money to the bond issuer in return for interest and future repayment.

5. **California Employer's Retiree Benefit Trust (CERBT):** CERBT is Metro Fire's trust fund managed by the California Public Employees' Retirement System (CalPERS).

   a. CalPERS maintains a separate trust fund to benefit Metro Fire retirees. CERBT is accumulating and investing funds for post-retirement medical premiums.

   b. Amounts cannot be removed from CERBT except to pay retiree premiums.

   c. CERBT is a separate legal entity. As such, CERBT assets are only disclosed in Metro Fire's audited financial statements, and not included in Metro Fire's Governmental Fund balance sheet assets.

7. **Capital Facilities Fund:** A separate accounting for budgeting and reporting purposes used to track expenditures for capital outlay not associated with new development.

8. **Capital Improvement Program (CIP):** A multi-year plan that identifies needed capital projects and equipment, provides a planning schedule, and financing options.

9. **CIP Reserves:** Reserves accumulated for the purchase of apparatus, equipment, and the construction, rehabilitation, and improvements to District facilities and properties. These reserves are comprised of the reserves from both the Capital Facilities Fund and the Development Impact Fees Fund.

10. **Capital Replacement Reserves:** Reserves accumulated to fund assets, including apparatus, equipment, and the construction, rehabilitation, and improvements to District facilities and properties when the asset's useful life has ended. This is accounted for in the Capital Facilities Fund.

11. **Committed Fund Balance:** A classification of Fund Balance. Committed Fund Balance amounts can only be used for specific purposes as determined by a formal action of the Metro Fire Board of Directors.

12. **Debt Service Reserves:** Money generally from bond proceeds that is set aside for additional security to Bondholders. This is a Restricted Reserve and documentation of the requirement is in the Bond Indenture.

13. **Development Impact Fee:** A fee charged by Metro Fire to mitigate the costs associated with property acquisitions, site preparation, design, construction, and equipping of fire stations that will serve new or expanding development within Metro Fire's service areas. This fee serves to protect the health and safety of the general public and preserve lives and property, and is authorized by California Government Code Section 66000 et seq.

14. **Development Impact Fees Fund:** A separate accounting for budgeting and reporting purposes used to track Development Impact Fee collection and spending. The reserves in this fund are used for new capital needed to serve new or expanding development.

15. **Dry Period Funding:** Dry period funding is a borrowing from the County of Sacramento. Dry Period Funding is automatically activated should Metro Fire have a negative cash position from July through the last Monday in April. The County Treasurer will cover Metro Fire's negative cash up to 85% of anticipated tax collections. Metro Fire must have positive cash balances from the last Monday in April until fiscal year end.

16. **Fund Balance:** Governmental Fund balance sheet assets less liabilities, equals Fund Balance. Accountants distinguish up to five separate categories of Fund Balance, based on the extent to which the government is bound to honor specific purposes spending constraints.

    a. These five categories are: Non-spendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance (all separately defined herein).

17. **Funding Policy Contribution (FPC):** A level of funding that if paid on an ongoing basis is projected to cover post-retirement medical explicit subsidies for current employees and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

18. **Early Debt Extinguishment Reserves:** Reserves accumulated to retire the Pension Obligation Bonds at the earliest dates allowed under the Bond Indenture.

19. **General Fund:** For budgeting and reporting purposes, Metro Fire records all transactions in the General Fund that are not specifically accounted for in any other fund. The other funds include the Capital Facilities Fund, the Leased Properties Fund, the Grant Fund, the Development Impact Fees Fund, and the Intergovernmental Transfer (IGT) Fund.

20. **General Fund Operating Reserves:** These are Unassigned Reserves accounted for in the General Fund that are used for unexpected costs, revenue shortfalls, and smoothing cash flow prior to the receipt of expected revenue. In particular, cash flow is needed prior to the receipt of property taxes in January, May and June..

21. **Governmental Fund Financial Statements:** Governmental Fund Financial Statements report using the modified accrual basis of accounting and generally reports financial resources collected and used within 90 days of fiscal year end. Capital assets are expenditures when purchased.

22. **Government-Wide Financial Statements:** Government-Wide Financial Statements are reported using the accrual basis of accounting. The Statement of Net Assets in the Government-Wide Financial Statements include all capital assets, and the Statement of Activities shows annual depreciation of the capital assets

23. **Grant Fund:** For budgeting and reporting purposes, Metro Fire records all grant related revenue and expenditures in the Grant Fund.

24. **Intergovernmental Transfer (IGT) Fund:** For budgeting purposes, Metro Fire records all transactions associated with Medi-Cal intergovernmental transfers in the IGT Fund.

25. **Labor Agreements:** All agreements with Local 522, along with resolutions and employment agreements passed by the Board of Directors covering unrepresented employees.

26. **Leased Properties Fund:** For budgeting purposes, Metro Fire records all transactions for surplus real property in the Leased Properties Fund. In addition, real property temporarily not in use is also recorded in this fund. Rent from these properties offsets non-operating expenditures such as utilities and special assessments.

27. **Net Budgeted General Fund Operating Expenditures**: Current year budgeted operating expenditures in the General Fund, adjusted to exclude one-time expenditures and include transfers out for ongoing expenditures.

28. **Non-spendable Fund Balance:** A classification of Fund Balance. Non- spendable Fund Balance amounts cannot be spent because they are not in spendable form or cannot be spent because legally or contractually are required to be maintained intact.

    a. Examples of Non-Spendable Fund Balance are inventory and prepaid items.

29. **Pension Obligation Bonds:** Bonds issued by Metro Fire in 2004 to pay down unfunded pension liabilities with CalPERS and the Sacramento County Employee Retirement System (SCERS).

30. **Reserve Analysis:** Comparing actual reserve levels to target reserve levels.

31. **Restricted Fund Balance:** A classification of Fund Balance. Restricted Fund Balance amounts can only be spent for specific purposes, which are stipulated outside the control of Metro Fire's Board of Directors by State law, granting entities, legal agreements, or enabling legislation, etc.

    a. Restricted Fund Balance examples are grant funds, debt proceeds, and Development Impact Fees.

32. **Self-Insurance Reserves:** Reserves accumulated for the payment of workers' compensation claims.

33. **Unassigned Fund Balance:** A classification of Fund Balance. Any Fund Balance amounts not classified as Restricted Fund Balance, Committed Fund Balance, and Assigned Fund Balance.

Policy

1. Unassigned Fund Balance

   a. General Fund Operating Reserves will be used for unexpected costs or revenue shortfalls.

      I. The minimum amount of General Fund Operating Reserves shall be 1.8 months of Net Budgeted General Fund Operating Expenditures (15%). Metro Fire is able to operate with this minimum amount due to a County of Sacramento "Dry Period Funding" credit line used in anticipation of property tax receipts.

      II. The maximum amount of General Fund Operating Reserves shall be 6 months of Net Budgeted General Fund Operating Expenditures (50%) as reflected in the most current Metro Fire budget. This amount would allow Metro Fire the cash flow needed to operate without the County of Sacramento "Dry Period Funding" credit line.

2. Committed Fund Balance

   a. Metro Fire is self-insured for most workers' compensation claims, and maintains excess coverage for extraordinary claims of $3 million or more. This coverage amount may be adjusted each budget cycle.

      I. To allow for future payment of workers' compensation claims, the minimum General Fund Self-insurance Reserves should equal the most recent short-term liability disclosed in Metro Fire's Audited Financial Statements.

      II. The maximum General Fund Self-insurance Reserve should equal the most recent total liability of unpaid claims and expenses as reported in the most recent Audited Financial Statements.

   b. Reserves should be accumulated to replace existing infrastructure upon the end of the assets' useful life. Capital Replacement Reserves should be in keeping with the Metro Fire CIP.

      I. The minimum Capital Replacement Reserves should be equivalent to the annual depreciation in Metro Fire's most recent audited Government-Wide Financial Statements.

      II. The maximum Capital Replacement Reserves should be equal to the accumulated depreciation in Metro Fire's most recently audited Government-Wide Financial Statements.

   c. The District's Pension Funding Bonds Early Payoff Policy, 01.014.02, adopted in 2008 and revised in 2017, extinguishes the Pension Obligation Bonds at the earliest dates allowed under the Bond Indenture, to avoid the interest rate associated with the variable rate securities. Each year additional

reserves will be budgeted pursuant to the Pension Funding Bonds Payoff Schedule incorporated within the revised Early Payoff Policy.

I. The minimum amount of Early Debt Extinguishment Reserves should be the beginning balance plus the annual deposit amount calculated according to the procedures outlined in the Early Payoff Policy.

II. The maximum amount of Early Debt Extinguishment Reserves should be the total outstanding Pension Obligation Bond principal due to the Bondholders.

3. Restricted Reserves

a. Development Impact Fees Fund Reserves will be accumulated to fund Metro Fire's apparatus, equipment, and the construction, rehabilitation, and improvements to District facilities and properties needed to maintain Metro Fire's service level standards. CIP funding may be from the Development Impact Fees that mitigate the impact of new development. All Development Impact Fee amounts collected are restricted in use until such time as they are spent on capital outlay as provided for in State law. Capital spending over and above the Development Impact Fees should be provided as a transfer from the General Fund.

I. The Development Impact Fee reserves shall be 10% of the current year's planned CIP expenditures. These reserves are a buffer for deviations in bid amounts or construction costs.

II. The maximum CIP Reserves shall be the amount needed to fully fund the CIP plan.

b. Bondholders and other lenders require Debt Service Reserves to provide additional security for obligations due to them from Metro Fire. Metro Fire will maintain at all times the Debt Service Reserve levels provided for in all outstanding debt and capital lease agreements.

4. Trust Fund

a. Post-retirement medical insurance coverage is currently, and will continue to be, pre-funded in CERBT:

I. At a minimum, an amount should be the cumulative of Funding Policy Contributions plus earnings. This amount is reported to Metro Fire by CERBT on a quarterly basis.

II. At a maximum, an amount should be accumulated in CERBT to equal the Actuarial Present Value. This amount is determined by Metro Fire's actuary in its most recent Actuarial Valuation of Other Post-Employment Benefits.

5. Transition to Target Reserve Amounts

a. Any budgeted Unassigned Reserve amounts remaining at fiscal year-end will initially be General Fund Operating Reserves. The Board of Directors will review appropriate levels and uses for reserves during the budget process and may reclassify reserves as deemed appropriate.

b. When reclassifying reserves, consideration will be made to all Metro Fire contractual obligations including the agreements with Local 522.

6. Use of Reserves

a. Operating and Self-Insurance Reserves can be used at any time to meet cash flow requirements and Workers' Compensation claims, respectively. Authority to use the funds should be consistent with Metro Fire's budget, Purchasing and Contract Policy, and Labor Agreements. Any other use requires authorization of the Board of Directors.

b. The Board of Directors will authorize use of Capital Replacement and CIP Reserves during the budget process. Capital Replacement and CIP Reserves are also available for unplanned (unbudgeted) capital replacement. Authorization for the use of Capital Replacement Reserves for unplanned capital replacement will be consistent with Metro Fire's Purchasing and Contract Policy.

c. Early Debt Extinguishment and Debt Service Reserves use, is limited to the repayment of principal and interest of the related debt obligations.

d. CERBT Reserves will be used exclusively for the payment of retiree medical premiums and CERBT management fees.

7. Reporting of General Fund Reserves in District Budgets

a. The Chief Financial Officer shall report the General Fund balance in the Preliminary, Final, and Midyear Budgets. The report shall include the projected end-of-year balances for the General Operating Unassigned Fund Balance and Self-Insurance Reserve, and include calculations of the reserve ratio based on the Unassigned Fund Balance only and another based on the combined balance of Unassigned Fund Balance and the Self-Insurance Reserve.

Procedures

1. The Chief Financial Officer shall perform a Reserve Analysis to be submitted to the Board of Directors upon the occurrence of the following events:

a. Board of Directors' budget deliberations; or

b. When changes are made to the amount of Workers' Compensation self-insurance excess insurance coverage; or

c. When updated Post-Retirement Medical or Workers' Compensation actuarial valuations are issued; or

d. When a major change in conditions threatens the targeted reserve levels established within this policy.

2. If the Reserve Analysis indicates projected or actual reserve levels are not within the target levels outlined in this policy, the following shall be included with the analysis:

   a. An explanation of why reserve levels are not at the targeted level, and;

   b. A course of action to bring reserve levels within the minimum and maximum levels prescribed.

References

1. Sacramento Metropolitan Fire District, Pension Fund Bonds Early Payoff Policy.

2. Sacramento Metropolitan Fire District, Purchasing and Contracting Policy.

3. Government Finance Officers Association of United States and Canada, Best Practice for Appropriate Level of Unrestricted Fund Balance in the General Fund.

4. Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for fiscal years June 30, 2011 and later.