



SNOHOMISH HEALTH DISTRICT  
RESOLUTION OF THE BOARD OF HEALTH

RESOLUTION NUMBER: 16-020

RESOLUTION SUBJECT: REVISION OF FINANCIAL POLICIES – RESERVES

WHEREAS, the Snohomish Health District adopted Resolution 13-11 on September 10, 2013, which established Financial Policies and Reserves; and

WHEREAS, the Snohomish Health District desires now to increase that portion fund balance for the Reserve for Working Capital from 30 days of operational expenses to 45 days of operating expenses; and

WHEREAS, the Snohomish Health District intends to further increase the Reserve for Working Capital from 45 days to 60 days of operating expenses as soon as practicable; and

WHEREAS, The Snohomish Health District desires now to establish and maintain a committed portion of fund balance, which may only be used for the specific purpose of satisfying liabilities for Compensated Absences.

NOW, THEREFORE, BE IT RESOLVED that the Board of Health hereby amends the “Reserves” section of the Financial Policies, as last promulgated by Resolution 13-11, and as set forth in attached Exhibit A, as follows:

Revise the first two sentences of Working Capital Reserves, Section 1, to read as follows:

“The District’s general fund will maintain a Working Capital Reserve sufficient to cover the estimated working capital needs of the District. The actual amount of this reserve will be determined annually as part of the annual budget and included by resolution with the budget approval.”

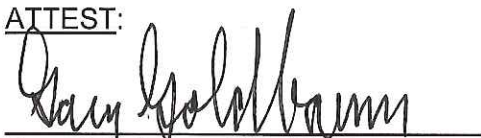
Add new Compensated Absences Reserves, Section 9, to read as follows:

“The District’s general fund will maintain within its unassigned fund balance an amount which represents the District’s liability for Compensated Absences, adjusted annually to equal the amount reported in the District’s most recently audited Statement of Net Position, rounded upward to the nearest multiple of \$100,000.”

ADOPTED this 13<sup>th</sup> day of December 2016.

  
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Brian Sullivan, Chair  
Board of Health

ATTEST:

  
\_\_\_\_\_  
Gary Goldbaum, MD, MPH  
Health Officer and Director

## EXHIBIT A

### Reserves

Fund balance is defined as the excess of assets over liabilities. The District desires to maintain a prudent level of financial resources to guard against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures by establishing specific reserves from the ending fund balance. Reserves are an important indicator of the District's financial position and its ability to withstand adverse or unforeseen events. Maintaining reserves is a prudent management practice. The Board of Health may take action to designate reserves to account for monies for future known expenditures, special projects or other specific purposes. All expenditures drawn from reserve accounts require Board of Health approval, unless previously appropriated in the District's annual budget.

*"Financial condition may be defined as a local government's ability to finance services on a continuing basis. This ability involves maintaining adequate services while surviving economic disruptions, being able to identify and adjust to long term changes and anticipating future problems"*

*-Public Health*

*Uniform National Data System*

The Government Accounting Standards Board (GASB) has established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the government funds. The District reports the reserves on its Financial Statements as "Committed Fund Balance," Emergency General Fund Reserve, Working Capital Reserve, and Designated Liability Funding Reserve. The "Committed" classification includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Health. In addition, a Revenue Stabilization Line of Credit (LOC) with Snohomish County is a recognized tool available to meet the Board's fiscal policy intentions.

Funds are reserved and shall be accessed consistent with the policy intentions below. Funds in excess of operating expenditures will be considered Undesignated Fund Balance and may be used to replenish or bolster any of the District's designated reserves, used to payback obligations associated with a Line of Credit, fund high priority District designated one-time projects or initiatives or retained as Undesignated Fund Balance.

1. The District's general fund will maintain ~~additional~~ **Working Capital** reserves, sufficient to cover the estimated working capital needs of the District, fund on average, 30 days of operations in the operating fund. This reserve will address the District's cash flow requirements. The actual amount of the reserve will be determined annually as part of the annual budget and included by resolution with the budget approval. A clear plan will be developed and presented to the Board to refill the reserve. The funding source for replenishing the working capital reserve is the prior year's revenue surplus and/or expenditure savings. Restoring the Working Capital reserve to the target level will constitute the Board's highest

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funding priority following the final draw needed to address a cash flow shortfall. The replenishment target period is one year. Of all District funds, the Working Capital reserve shall be accessed last for purposes of addressing other District needs.

2. An **Emergency General Fund Reserve** will be maintained at least equal to \$500,000. The Emergency Reserve is for unexpected, large-scale events where expenditures are expected to be incurred, and immediate, remedial action must be taken to protect the health and safety of residents (e.g. epidemic, multi-drug resistant and extreme drug resistant tuberculosis cases, etc.). Emergency funds may be accessed in a case of a County, State or Federally declared state of emergency where the District response or related District loss is significant. This Emergency Reserve may also be utilized, upon Board approval, if there is an identified 3-6 month trend of reduced revenues, reductions in state shared revenues, unexpected external mandates, any settlement arising from a claim or judgment where the loss significantly exceeds the District's insured policy coverage, or other unanticipated events with fiscal impacts in a cumulative amount greater than or equal to five percent (5%) of the General Fund operating budget. In the event the Board approves the use of the "Emergency Reserve" funds, the District shall restore the reserve to the minimum \$500,000 level within a reasonable amount of time as necessitated by the scale of emergency. A clear plan will be developed and presented to the Board to refill the reserve and the first significant deposit will occur the following fiscal year after the event.
3. The District may seek to secure a **Line of Credit (LOC)**, not to exceed \$2,000,000, with Snohomish County to supplement the Emergency General Fund Reserve. Upon Board approval, a request will be transmitted to the County to provide funding to temporarily offset the fiscal impacts of such an emergency. The LOC will provide time for the District to restructure its operations in a deliberate manner to ensure continuance of critical District activities. Payback terms shall be prescribed in a written agreement between the District and Snohomish County. If insufficient funds exist, Snohomish County may choose to reduce its annual appropriations to the District in an amount sufficient to meet the prescribed payback terms.
4. **Designated Liability Funding** reserve will be created when the District accepts funding leading to future liabilities. The reserve will be equal to the stated liability in the future. If a federal or state grant requires local resources to fund the initiative after the grant expiration, the cost of funding the initiative is considered to be a liability that will be funded from the "Designated Liability Funding" reserve.
5. The following reserves are reported on the District's Financial Statements as "Assigned Fund Balance". Assigned Fund Balance is defined as the portion of a fund balance that is constrained by management's intent to use it for specific purposes but has not been restricted by third parties nor committed by specific Board action. This assignment by management in no way requires the Board to

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extend expenditure authority for those purposes, or any other. "Assigned" reserves will diminish as funds are appropriated for the purpose of the reserve and increase as future needs are identified. The long range capital and technology improvement plans shall identify those anticipated needs over a six year horizon and shall be presented for approval by the Board of Health in conjunction with the annual budget or subsequent amendment.

6. **Equipment Replacement reserves-** a reserve to fund new equipment and to prepare older equipment for sale. Annual adjustments will be made as part of the budget process. These annual adjustments are based on pricing, future replacement schedules and other variables. Rising vehicle costs, dissimilar future needs, replacing vehicles faster than their expected life or maintaining vehicles longer than their expected life all contribute to variation from the projected schedule. The goal is to provide adequate and stable funding for future vehicle replacement needs, i.e. the required level of service will equal each year's scheduled replacement costs.
7. **Technology Replacement reserves-** a reserve to fund the repair and/or replacement of District-wide computer hardware, software, telephone and infrastructure equipment, to pay for maintenance contracts and other technology related projects.
8. **Building Replacement and Maintenance reserve-** a reserve to fund major maintenance, renovation, repair and/or replacement of building systems, fixtures, equipment and related infrastructure.
- 8.9. **Compensated Absences Reserves – The District's general fund will maintain within its unassigned fund balance an amount which represents the District's liability for Compensated Absences, adjusted annually to equal the amount reported in the District's most recently audited Statement of Net Position, rounded upward to the nearest multiple of \$100,000.**