

Fiscal Year 2026-2027 Budget Policies

Budget Development Policy

The following budget policies are intended to be responsive to the County's Priority Objectives, the impacts of the State and Federal budget dynamics and the overall economic climate and are intended to guide the development of the County's Budget.

1. Every effort will be made to meet the core services needs of the community, understanding that this may require reorganization or streamlining of current resources.
2. There will be no unfunded positions included in the budget or staffing resolution. Vacancy review remains in effect to create budget flexibility in case of loss of revenue, and to ensure the need exists for filling positions. All positions will be reviewed. If revenue-contingent positions lose their funding from the state or federal government, those positions will be eliminated first before other cuts are enacted.
3. Requests for staffing changes will follow the established "RSC" process. Recommended staffing changes will be guided by a staffing philosophy that reflects fiscal prudence, sustainability, and the need to staff appropriately to meet core service needs. Special consideration will be given to state and federal mandates, staffing to support grants and new state and federal funding, and use of limited-term employees where possible. All requests will consider revenue to cover the cost of the position and indirect and overhead costs and a reasonable expectation that there will be an ongoing funding stream for any new position.
4. The 2026-2027 budget will only use reserve funds for emergencies, one-time expenditures or for purposes that the reserve is designated to fund. Use of reserves for operating purposes must be reviewed with the County Executive Office for sustainability and cost mitigation planning purposes.
5. There will be a high level of fiscal discipline by the department heads, Budget Subcommittee, County Executive Officer and Board of Supervisors. Every effort will be made to comply with adopted financial policies, and prioritize existing programs, Priority Objectives, core services and related administration and infrastructure. New or expanded programs and expenses will be contingent upon either new resources or a reduction in existing programs or services, or approval by a majority of the Board of Supervisors.
6. If the County contributes funds to non-profit or community partners for other than the purchase of services, it will give priority to one-time initiatives (as opposed to operational subsidies), and to those who demonstrate collaboration with other community partners. Funding will be adjusted based upon discretionary revenues available as with other County departments. Loans and advances will not be considered unless extraordinary events occur and must be secured.
7. Investment in technology will be maintained to keep current infrastructure operational, to support enhanced employee productivity, to meet regulatory requirements, to protect citizen data, and to enhance citizen service levels, quality, and accessibility.
8. The budget format and terminology will be presented in a manner consistent with best practices so that pertinent and relevant performance and financial information is provided for presentation to the public.

Budget Control Override Policy

In addition to the preceding statements, the following policies are intended to facilitate the effective administration of the final budget in the County's financial system.

Purpose

The County of Nevada (the "County") is committed to managing its finances in a fiscally responsible and transparent manner. Part of that management is the annual adoption of and adherence to a Fiscal Year budget (the "Budget") by the Board of Supervisors (the "Board"), that represents planned activities for the Fiscal Year, including estimated revenues and expenditures related to those planned activities.

Additionally, California Government Code Section 29000 et seq., otherwise known as the County Budget Act, defines the general statutory provisions and requirements concerning county budgets. Included in those provisions (section 29120) is the requirement that the County "shall be limited in the incurring or paying of obligations to the amounts of the appropriations allowed for each budget unit as originally adopted or as thereafter revised by addition, cancellation, or transfer."

Revenues, expenditures, or both, can exceed the estimates which were used to develop the Budget, and in some circumstances those changes require a budget amendment, transfer, or appropriation by a four-fifths vote of the Board. Administrative processes and legal publication requirements placed upon the creation of Board meeting agendas can mean that a resolution to revise the budget can take between three to five weeks. There are specific circumstances where this time delay can negatively impact immediate operational needs. The purpose of this policy is to define those circumstances which warrant limited financial-system budget control override approval and direct staff to develop a process for follow-up Board action, where required, either at the next available Board of Supervisors meeting or through the next available Countywide Consolidated Budget Amendment.

Budget Control Override is a financial-system control only. It does not create or increase appropriation authority, authorize a new program, position, contract, purchase, encumbrance, or discretionary expenditure, or substitute for any Board approval required by the Budget Act or other applicable law.

Delegated Authorization Budget Control Override

Budget Control Override is an optional process within the County's Financial System that would allow transactions that fail budget check to continue through to completion, upon approval through a series of reviews. The Financial System is configured to require Budget Control Override requests to be approved by both the County Executive Office and the Auditor-Controller's Office. This configuration allows for multiple layers of control to ensure that the process is not used outside of the intent of this policy.

Approved Budget Control Override Categories

The following categories are scenarios for which Budget Control Override is authorized under this policy:

1. **All Revenues.** Estimates for revenues are part of the process of developing the Budget and are in fact a required component of the Budget per the County Budget Act. However, the County Budget Act places no restriction on the receipt of revenues in excess of the amounts in the

Budget. In no case shall a revenue budget override authorize the expenditure or encumbrance of that excess revenue unless and until it is appropriated or otherwise made available for expenditure in accordance with applicable law.

2. **Any Ledger Account Exceeding Budget by not more than \$1,000.** In the interest of efficient and functional operations, any ledger account that exceeds its budget by not more than \$1,000 shall be allowed Budget Control Override. If the Cost Center is within its overall budget appropriation by fund as previously approved by the Board of Supervisors no budget amendment would be required. However, if the Cost Center is over budget at the fund level, a budget amendment would be required to fix the amount that exceeds the over budget amount as soon as is feasible.
3. **Personnel Costs (Ledger Account 51000).** The primary control for salaries and benefit costs is through requirements that the Board approve staffing levels and salaries by resolution. Estimates for these costs are also included in the Budget, but certain situations can result in the need for Budget Override in this category, such as an unexpected termination resulting in leave balance payout, Board approved mid-year grant award expenditures, or approved bargaining agreements in excess of budgeted estimates. The costs in this Ledger Account, once incurred as lawful obligations, are legally required to be paid.
4. **Intrafund and Interfund Charges (Ledger Accounts 53033, 55030).** County departments provide services to each other as a course of conducting business. The reimbursement costs realized by departments through this category are for costs incurred by (and budgetarily controlled for) in another department and therefore do not represent the "incurring or paying of obligations" which form the basis of the limitations imposed by the County Budget Act in section 29120.
5. **Intrafund and Interfund Reimbursements (Ledger Account 56066).** This category represents the balancing side of Intrafund and Interfund Charges. These reimbursements are budgeted and recorded as negative expenditures in the Financial System. Exceeding the Budget in this category means less expenditure, not more.
6. **Emergencies.** For the purposes of this policy, emergencies are defined as an unexpected and pressing situation which requires swift and immediate procurement action that is essential to public life, health, safety, or improved property of the County. In these cases, the budget unit requesting Budget Override shall be required provide documentation regarding the nature of the emergency and the urgency of the requested procurement.
7. **Legally Mandated Activities.** There are several types of activities carried out by our safety-net service Departments which include assistance payments to residents that are time-sensitive and legally mandated. In the event issuance of a payment is blocked due to insufficient budgetary control, this type of payment request is eligible for Budget Control Override, where the payment is required by statute, regulation, court order, grant or program requirement, or other binding legal obligation.

8. **CalPERS Unfunded Accrued Liability (UAL) Prepayment.** Each year, the County has the option to prepay its actuarially determined CalPERS UAL in a lump sum at the beginning of the fiscal year in order to avoid interest costs that would apply if payments were made monthly. This prepayment is made from the General Fund and then allocated to departments each pay period. Because the full annual payment is recorded upfront, cost center CC10206 reflects an overbudget condition for most of the year, until the cost is fully recovered through the allocation process, when the expense in CC10206 is returned to \$0, thus resolving the over budget situation.

Follow-Up Requirements

With the exception of revenue-only overrides and other recording-only transactions that do not require Board budget action, the Budget Control Override authorization provided by this policy is intended to be temporary in that formal Budget Amendment approval by 4/5ths of the Board of Supervisors is still required and should be requested as soon as reasonably possible but not later than the next Countywide Consolidated Budget Amendment.



RESOLUTION No. 16-054

OF THE BOARD OF SUPERVISORS OF THE COUNTY OF NEVADA

RESOLUTION ADOPTING A DEBT MANAGEMENT POLICY

WHEREAS, the Board of Supervisors desires to ensure prudent County fiscal management, including the adoption of policies such as the Debt Management Policy; and

WHEREAS, the debt management policy objectives are to maintain financial discipline, prudence and long-term stability; enhance quality of decisions by establishing a systematic and prudent approach to debt issuance and management; facilitate approval of debt issuance using predetermined policies; protect the County's good credit worthiness and minimize the County's borrowing costs; and to incorporate debt management practices into the County's planning and project management; and

WHEREAS, The policy includes practices to meet those objectives including, among others: the use of an Ad Hoc Debt Advisory Committee (DAC) which is comprised of the County Executive Officer, Auditor Controller, Treasurer-Tax Collector, and County Counsel or their designees; the use of debt affordability measures to ensure financial stability; and the use of external finance professionals to assist in managing and issuing debt.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the Nevada County Board of Supervisors adopts the Debt Management Policy, in the form attached hereto.

PASSED AND ADOPTED by the Board of Supervisors of the County of Nevada at a regular meeting of said Board, held on the 26th day of January, 2016, by the following vote of said Board:

Ayes: Supervisors Nathan H. Beason, Edward Scofield, Dan Miller, Hank Weston and Richard Anderson.

Noes: None.

Absent: None.

Abstain: None.

ATTEST:

JULIE PATTERSON HUNTER
Clerk of the Board of Supervisors

By: *Julie Patterson Hunter*

Dan Miller
Dan Miller, Chair

1/26/2016 cc: CEO*
AC*
T&TC*
CC*

County of Nevada Debt Management Policy

Purpose

The Debt Management Policy serves as a tool in managing the County's financial affairs. The County Board of Supervisors (the "Board") recognizes that there are no absolute rules or easy formulas that can substitute for a thorough review of all information affecting the County's debt position. The County recognizes that it may need to enter into debt obligations to finance projects and to meet fiscal responsibilities. Debt financing is a powerful and necessary tool for undertaking major capital projects that cannot be reasonably financed on a pay-as-you go basis. Accordingly, this Debt Management Policy confirms the commitment of the Board, staff, advisors and other decision makers to adhere to sound financial management practices.

The Policy objectives are as follows:

- Maintain financial discipline, prudence and long term stability.
- Enhance the quality of decisions by establishing a systematic and prudent approach to debt issuance and debt management.
- Facilitate approval of debt issuance using predetermined policies.
- Protect the County's good credit worthiness and minimize the County's borrowing costs.
- Incorporate debt management practices into the County's planning and project management activities.

Scope

This policy includes all debt that must ultimately be approved by the Nevada County Board of Supervisors. The debt policies and practices of the County are subject to and limited by applicable provisions of state and federal law and to prudent debt management principles. This policy is in conformance with and does not supplant the Tax-Exempt Financing Compliance Procedures adopted by the Board of Supervisors, which remains in full forces and effect. The County uses financing techniques prescribed under existing law for projects that require financing beyond the current fiscal year. These techniques can include, but are not limited to lease financings through lease revenue bonds or certificates of participation, enterprise revenue bonds, and assessment and Mello-Roos bonds. This policy is not intended to address interfund borrowing; interagency borrowing; loans from the County Treasury pursuant to the California State Constitution; or investment activities of the County Treasurer including but not limited to reverse repurchase agreements and securities lending.

Delegation of Authority

The policy conforms with all applicable government codes. This Policy requires that the Board specifically authorize each financing proposal based on the recommendation of the County Executive Officer (CEO). Policy implementation and authority over the County's debt program will lie primarily with the CEO, subject to the review of the CEO's Ad Hoc Debt Advisory Committee (the "DAC"). The DAC

will review financing requests within the scope of this Debt Management Policy and ensure compliance with the policy, including legal limitations, sources of funds, term and structure, method of sale, and other relevant policy requirements related to a given debt issuance.

The DAC is composed of the following or their designees: CEO, Auditor-Controller, Treasurer-Tax Collector, and County Counsel. County staff will be supported on an as-needed basis by other members of the financing team and/or a Financial Advisor. The services of other outside consultants may be retained if necessary.

This Policy will be reviewed periodically and updated as needed. Any changes to the Policy are subject to approval by the Board. While adherence to this Policy is required, the County recognizes that changes in capital markets, County programs, and other unforeseen circumstances may produce situations that are not covered by this Policy. This may require modification or exceptions to achieve Policy objectives. In these cases, flexibility is appropriate, provided specific authorization from the Board of Supervisors is obtained.

Legal Limitations

All debt issued by Nevada County shall be in compliance with all pertinent state and federal statutes and in compliance with all regulations declared by agencies that maintain jurisdiction over debt issuance. All debt issues by Nevada County shall conform to the provisions of this policy, unless waived by the Board of Supervisors.

California Government Code Section 29909 limits General Obligation Bond indebtedness to 5% (five percent) of the total assessed valuation of all taxable real and personal property within the County, excluding Public Financing Authority lease revenue bonds, Public Facility Corporation certificates of participation, Private Activity Bonds, and Assessment District Debt.

Purpose and Use of Debt

The County may issue debt for either new money or refunding purposes. The County's selection among available financing instruments depends on legal constraints, investor demand, capital market activity and the type of project being financed. All debt issuance will fall within the limits permitted by the California Constitution and state law. The County may engage in issuance of the following types of debt when deemed appropriate.

Short-Term Debt: The County may use short-term obligations (i.e. with final maturities of thirteen months or less) as a cash management tool to provide interim financing and/or to bridge temporary cash flow deficits within a fiscal year. Examples of short term debt are bond anticipation notes, grant anticipation notes, tax and revenue anticipation notes, and other types of short-term debt endorsed by statute or regulatory authority that serves a beneficial public purpose.

Long-Term Debt: Long-term obligations (i.e. with final maturities greater than thirteen months) are preferred for financing essential capital activities including the acquisition, construction and rehabilitation of major capital assets. The County may also use long-term debt or lease obligations to

finance or refinance capital equipment or facilities. Prior to entering into any lease financing, the County will evaluate (1) the useful life of assets financed, (2) terms and conditions of the lease and (3) budgetary, debt capacity and tax implications. Examples of long-term debt include but are not limited to lease financings through lease revenue bonds or certificates of participation, enterprise revenue bonds, assessment and Mello-Roos bonds, and General Obligation bonds.

Capital Planning Policies

The Capital Facilities Subcommittee of the County Board of Supervisors has been previously established to oversee and approve major capital projects, and the subcommittee will be involved in capital planning related to the issuance of debt within the scope of the subcommittee and of this Debt Management Policy. The County will attempt to fund capital improvement projects with grants, state/federal funding, fees or other revenue sources as part of its broader capital improvement plan. When such funds are insufficient the County will use dedicated revenues to fund projects, or if not available, the use of general revenues, operating surplus, and/or debt financing. The County may consider leveraging these resources with bonds, certificates of participation or other appropriate financing structures. Debt may be issued to finance needed equipment, facilities or infrastructure identified by the Capital Facilities Master Plan, adopted County Budget, or County Budget as amended by the County Board of Supervisors.

Debt Level/Affordability Measures

The County shall establish an affordable level of debt to preserve credit quality and ensure financial stability. Target ratios identified in this policy are guidelines and should be revisited as the County's capital planning and financial resources change. The principal affordability measures will be the following:

1. Total Governmental Funds Debt Service as a Percentage of Total Governmental Funds Expenditures: This is a ratio of total governmental fund-supported debt service to total governmental fund expenditures. This is a measure of the annual fixed cost burden that debt places on the County. Generally, a lower ratio means less burden. This ratio should be maintained in the range below 8.0% (low range of Standard & Poor's rating methodology).
2. Net Direct Debt as Percentage of Total Governmental Funds Revenue. This ratio of total outstanding direct debt to total governmental funds revenue measures the total debt burden on the County's revenue position. Generally, a lower ratio means less burden. This ratio should be maintained below 30.0%. (low range of Standard & Poor's rating methodology).

The debt amount to be used for the above calculations is the County's Governmental Funds Debt Service and Net Direct Debt. Direct debt is the total of the County's long-term obligations supported by general revenues and taxes, such as bonds and leases, excluding self-supporting enterprise debt. Net direct debt is the County's total debt less any accumulated resources earmarked for paying off such debts.

The County may determine that a particular improvement is of such high necessity to County residents that it must incur obligations in excess of these thresholds. To the extent such thresholds are ever exceeded for such purposes, it is the intention of the County to avoid future occurrences of debt or other fixed obligations until such thresholds are restored.

Term and Structure

Long-term debt financing of capital projects will be for a period not to exceed the useful life of the improvement that it finances and where feasible, should be shorter than the projected economic life. The standard term of long-term borrowing is typically 15-30 years. Debt service will be structured to be level over the length of the bonds except in those instances where it is economically advantageous to the County or meets other county objectives to structure debt service differently.

Interest Rate

To maintain a predictable debt service burden, the County shall first consider the use of fixed-rate debt to finance its capital needs and may consider variable rate debt when it is beneficial to do so. Before incurring variable rate debt, careful consideration will be given to current market conditions and trends, including the costs and availability of bank liquidity facilities. The County's cost for administering variable rate debt will be considered when comparing fixed and variable rate debt.

Capitalized Interest

The County may include within its borrowings additional funds to pay interest on the obligation during an initial period. Such capitalizing of interest will be most commonly used to secure lease obligations during the project construction period, as generally required under California law, or to secure an improved financing structure for strategic management of cash flow.

Credit Enhancement

Credit enhancement may be considered on a case-by-case basis to improve a credit rating on a County debt obligation. Types of credit enhancements include letters of credit, bond insurance and other credit enhancements and shall only be used to the enhancement of the County's overall financial results.

Derivatives

The County's preference is not to employ derivative instruments, such as interest rate swaps, in its debt program. If derivative products are used, they will only be employed after careful evaluation of potential benefits and risks and after adoption by the Board of a separate derivatives policy.

Credit Ratings and Relationships

The County seeks to maintain and, if possible, improve its credit ratings for long and short term debt without compromising the County's policy objectives. By maintaining the highest possible credit ratings, the County will maintain a strong reputation with the investor community, and will minimize borrowing costs. The Deputy County Executive Officer (Deputy CEO) is responsible for maintaining relationships

with the rating agencies that assign ratings to the County's various debt obligations. The County may solicit a credit rating review at its discretion and upon approval of the Deputy CEO.

Arm's Length Transactions

The County will endeavor to have "Arm's Length Transactions," in which the buyers (underwriters) of the debt have no relationship with the County. For Arm's Length Transactions, the County and the buyer are both acting in their own self-interest and are not subject to any pressure or duress from the other party.

External Finance Professionals

Depending on the type of debt issue, external finance professionals may be selected by referral, reputation, prior service to the County, special expertise, or by request for qualifications. While the RFQ process generally produces the lowest cost of issuance, time constraints, expertise, and other derived benefits could make sole-source award the most beneficial alternative for the County. All factors should be considered in determining the process for finance team selection.

The County shall engage the services of an independent municipal advisor (Financial Advisor), which has a fiduciary duty to represent the County interests, to advise the County generally on debt related matters and in connection with County financings. The Financial Advisor will be registered as an Independent Registered Municipal Advisor with the SEC and any other regulatory body requiring registration to provide relevant financial advisory services.

The County shall engage bond and/or tax counsel for each transaction, and will engage underwriters, disclosure counsel, and other professional services as needed.

Method of Sale

The County's goal is to protect the public's interest by obtaining the lowest possible overall costs of funds. To obtain this goal, the County may use a competitive, negotiated, or private placement/direct purchase method of sale. The choice of sale method will be based on an analysis of financial and market conditions, security structure, relevant ratings, and other factors pertaining to the debt issue. The appropriate method should be determined on a case-by-case basis with input from the internal finance team and external professionals.

Some of the elements that generally favor the use of a competitive sale include:

1. The market is familiar with the County and its credit;
2. The rating of the issue is at least in the "A" category or above, either with credit-enhancements or unenhanced;
3. The issue does not include innovative or new financing features that require extensive explanation to investors or pre-sale marketing;
4. The debt structure has a good standing long term revenue stream or the County's full faith and credit.

When it is determined that a negotiated sale or Direct Purchase may provide a more favorable outcome to the County, the following practices are recommended to be observed:

1. The underwriter (in a negotiated sale) or lender (in a Direct Purchase) selection process should be by request for proposals, to the extent feasible;
2. The firm serving as an underwriter or lender cannot be the financial advisor for that particular bond issue;
3. The issuer and its Financial Advisor shall remain actively involved in each step of the negotiation and sale process;
4. The underwriter or lender shall disclose any actual or potential conflicts of interest resulting from their participation in the specific bond issue;
5. Disclosure is required of any and all financial professionals submitting joint proposals or any existing or planned arrangement pertaining to the bond issue between outside professionals to share tasks, responsibilities, the method used to calculate the fees to be earned, and any changes thereto; and
6. The County should review the bond purchase agreement and agreement among underwriters; ensuring that it is acceptable to the County and it governs all transactions during the underwriting period.

Refunding Policy

The County will consider opportunities and, with assistance from its Financial Advisor as needed, shall evaluate the economic benefit of current and advance refundings of outstanding debt issues when advantageous, legally permissible, and financially prudent. Refundings may be undertaken to modify interest rate risk, eliminate restrictive or burdensome bond covenants, restructure the payment schedule or type of debt instrument used, take advantage of lower interest rates and achieve debt service cost savings, or when existing bond covenants or other financial structures impinge on prudent and sound financial management.

A current refunding is one in which the refunding bonds are issued less than 90 days before the date upon which the refunded bonds will be redeemed. An Advance Refunding is one in which the refunding bonds are issued more than 90 days prior to the date upon which the refunded bonds will be redeemed. Advance refundings can be used to refinance debt before the date the outstanding debt becomes due or callable. Under current tax laws, tax-exempt debt can only be refunded once on an advance basis.

1. **Debt Service Savings.** The County may issue refunding bonds when net present value savings expressed as a percentage of the refunded bond principal amount equals or exceeds 3% for current refundings and 4% for advance refundings. Present value savings will be net of all costs of the refinancing, will consider the difference in interest earnings of the debt service reserve funds of the refunded and refunding bonds, and may include any cash associated with the refunded bonds held by the Trustee.
2. **Savings Threshold Considerations.** Adjustments to the savings threshold for Advance Refundings may be justified based on the length of time before the call date of the bonds to be

refunded. With longer refunding escrows, the County should consider the prudence of a minimum present value cash flow savings threshold higher than 4% of refunded par.

3. **Restructurings.** The County will refund debt when it is in its best interest to do so. Refundings will include restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, release reserve funds or remove unduly restrictive bond covenants.
4. **Term of Refunding Issues.** The County will refund bonds within the term of the originally issued debt. However, the County may consider maturity extension to achieve a desired outcome, provided that such extension is legally permissible. The County may also consider shortening the term of the originally issued debt to realize greater interest savings.
5. **Escrow Structuring.** The County shall utilize the least costly securities available in structuring refunding escrows. The County will examine the viability of an economic versus legal Defeasance on a net present value basis. For open market securities, a certificate from a third party bidding agent, who is not a broker dealer, must state that the securities were procured through an arm's length, competitive bid process and that the price paid for the securities was reasonable within Federal guidelines. Under no circumstances shall an Underwriter, Agent or Financial Advisor sell escrow securities to the County from its own account.

Bond Proceeds

The use of proceeds from long-term financings will be limited to the uses authorized by law and allowed by the provisions of the particular debt issue.

Expenditure of Proceeds: Generally, these limitations will allow for paying costs of planning, design, land, construction or acquisition of buildings, permanent structures, attached fixtures and/or equipment, movable furniture and equipment, and also the costs of planning and issuing the debt. Generally, under the tax rules, the County must have a reasonable expectation that it will expend bond proceeds within three years of issuance.

Investment of Proceeds: The Deputy CEO in concert with the Treasurer Tax Collector is responsible for investing all bond or certificate of participation proceeds held by the County and directing the investment of all funds held by a trustee under an indenture or trust agreement. Investments will be made to obtain the highest level of safety and be consistent with those authorized by the County Investment Policy and state and federal law.

Arbitrage Compliance

The Auditor-Controller or Trustee is charged with the responsibility for maintaining a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. This effort includes tracking investment earnings on debt proceeds, calculating rebate payments in compliance with tax law, and remitting any rebate earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the County's outstanding debt issues. An arbitrage consultant may be retained to consult regarding arbitrage concerns.

Primary and Continuing Disclosure

Official statements accompanying debt issues, financial reports and continuing disclosure statements will meet, at a minimum, the standards articulated by the Government Accounting Standards Board (GASB), the Securities and Exchange Commission (SEC) and the Generally Accepted Accounting Principles (GAAP).

In association with a debt issuance, the County shall commit to providing continuing disclosure in order to enable the underwriters of such debt to comply with the requirements of the SEC. General financial reporting and certification requirements embodied in bond covenants are monitored to ensure that all covenants are complied with.

Each responsible County department, district or authority issuing or managing debt will:

- Observe all applicable state and federal regulations and laws regarding disclosure, including specifically Rule 15(c)2-12 of the SEC
- File all Continuing Disclosure annual reports and material event notices with the Electronic Municipal Market Access (EMMA) system, managed by the MSRB, in a timely manner. The County may retain the services of a dissemination agent to assist with these filings

The County will conduct “due diligence” meetings with all relevant County staff and financing team members prior to the issuance of new bonds and notes to review data included in the County’s Preliminary Official Statement for accuracy and completeness and to discuss other information that should be considered for inclusion. A Preliminary Official Statement will be released to the market only after the completion of the “due diligence” meeting and approval of the Preliminary Official Statement by the Board.

New Financing Methods and Techniques

Changing federal regulations and the shifting concerns of investors and rating agencies mean that Counties operate in a dynamic financial environment. This Policy is not intended to hinder the County’s use of any new financing techniques that may arise. Proposals for financing methods not addressed in this Policy should be addressed to the Deputy CEO. If the Deputy CEO approves of such financing methods, the method should be added to the Policy and brought before the BOS for approval to be added to the Policy.



RESOLUTION No. 25-494

OF THE BOARD OF SUPERVISORS OF THE COUNTY OF NEVADA

RESOLUTION ADOPTING A PENSION MANAGEMENT POLICY

WHEREAS, the Board of Supervisors desires to ensure prudent County fiscal management, including adoption of policies such as the Pension Management Policy; and

WHEREAS, Resolution 19-264 adopted the County's current Pension Management Policy which outlined ways in which the County would meet its pension obligation; and

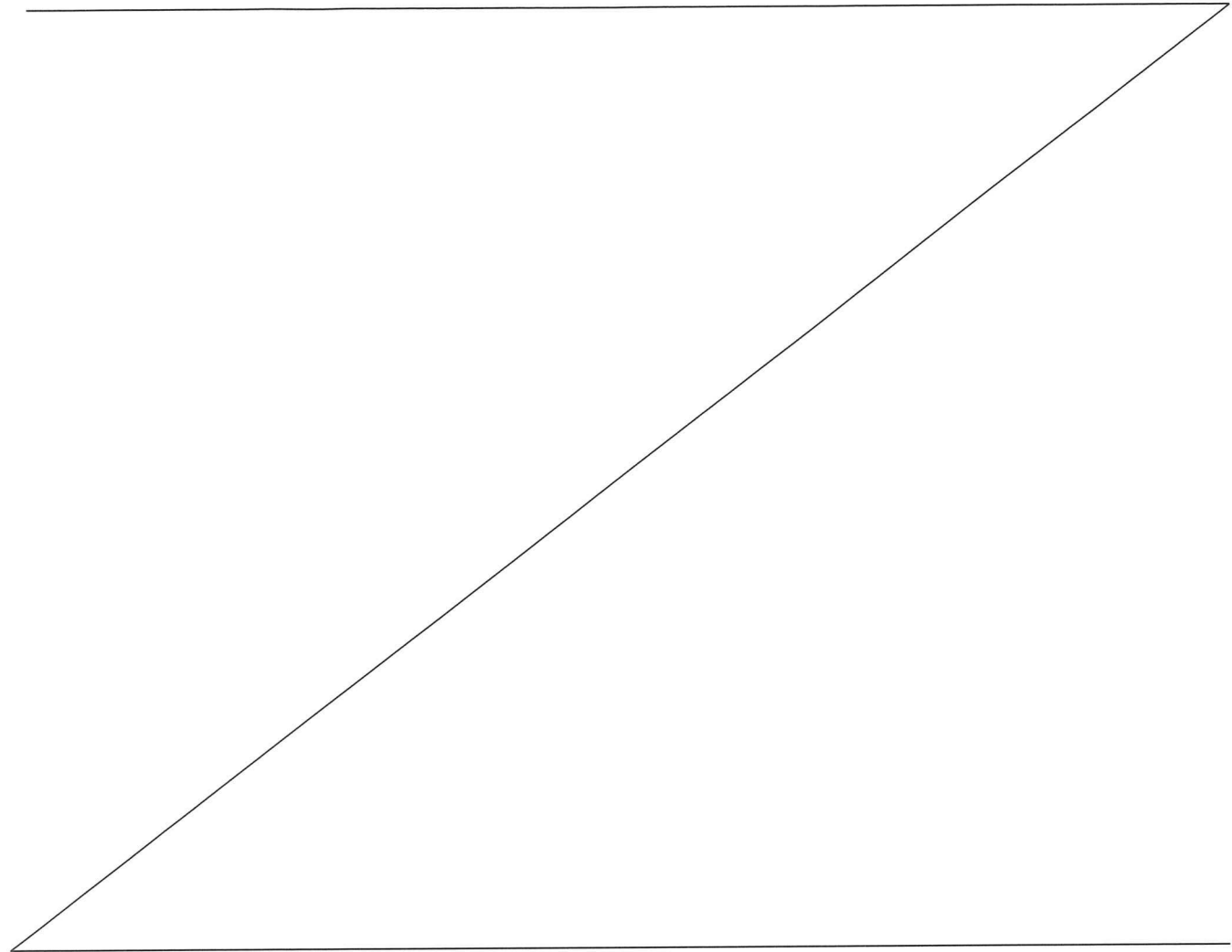
WHEREAS, On August 20, 2024, the County Executive Office presented the Board of Supervisors' response to the FY 2023/24 Nevada County Grand Jury Report, dated June 3, 2024, entitled "Nevada County's Ability to Meet Future Pension Obligations" which included a commitment to revise the current policy; and

WHEREAS, the County's Debt Advisory Committee, consisting of the Auditor-Controller, Treasurer-Tax Collector, and Chief Fiscal Officer, worked with pension management consultants to develop a new, comprehensive Pension Management Policy, attached hereto as Exhibit A and Pension Management Policy Addendum, attached hereto as Exhibit B; and

WHEREAS, adoption and implementation of the Policy and Addendum will guide the County's management of its pension obligation with enhanced transparency through annual reporting and incorporation into the annual budget process; and

WHEREAS, the flexible framework prescribed in the Policy and Addendum will improve the County's pension funding practices and standing.

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Nevada, State of California, hereby adopts the Pension Management Policy, attached hereto as Exhibit A and Pension Management Policy Addendum, attached hereto as Exhibit B.



PASSED AND ADOPTED by the Board of Supervisors of the County of Nevada at a regular meeting of said Board, held on the 14th day of October 2025, by the following vote of said Board:

Ayes: Supervisors Heidi Hall, Robb Tucker, Lisa Swarthout, Susan Hoek, and Hardy Bullock.

Noes: None.

Absent: None.

Abstain: None.

Recuse: None.

ATTEST:

TINE MATHIASEN
Chief Deputy Clerk of the Board of Supervisors

By: 


Heidi Hall, Chair

Exhibit A

PENSION MANAGEMENT POLICY

COUNTY OF NEVADA



**Adopted by the Board of Supervisors of the
County of Nevada**

Pursuant to Resolution No.

October 14, 2025

Exhibit A

COUNTY OF NEVADA
PENSION MANAGEMENT POLICY

Section 1. Purpose

The purpose of this Pension Management Policy (the “Policy”) is to strategically address the existing and any future unfunded accrued liability (the “UAL”) associated with the County of Nevada’s (the “County”) California Public Employees’ Retirement System (CalPERS) pension plans (the “Pension Plans”). This Policy includes a companion Pension Management Policy Addendum (the “Policy Addendum”) to address some of the principal elements and core parameters central to the objectives discussed in this Policy. In the development of this Policy and Policy Addendum, the County strives to reduce its UAL and the associated financing costs in the most cost-efficient and fiscally responsible manner possible.

The County is committed to fiscal sustainability by employing long-term financial planning efforts, striving to maintain appropriate reserve levels, and employing prudent practices in governance, management, budget administration, and financial reporting. This Policy is intended to make all relevant information readily available to decision-makers and the public to improve the quality of decisions and transparency, identify policy goals, and to demonstrate a commitment to long-term financial planning. Development of this Policy signals to rating agencies and capital markets that the County is willing to set policies that improve its ability to meet its obligations in a timely manner.

The Policy is intended to reflect a reasonable and conservative approach to managing the UAL costs associated with the Pension Plans. Both this Policy and Policy Addendum recognize that the Pension Plans are subject to market volatility and that actual economic and demographic experience of the plans will differ from the actuarial assumptions. Accordingly, it is intended to allow for adaptive responses to changing circumstances, providing flexibility to address such volatility in a financially sound manner. As such, the County will be required to continually monitor its Pension Plans and the corresponding UAL.

Section 2. Policy Goals and Objectives

The overarching goal of this Policy and Policy Addendum is to maximize the portion of the Pension Plans funding generated from investment returns in order to minimize relative and aggregate contributions required for both the employer and employee shares, thereby minimizing taxpayer and employee expense. The objectives are as follows:

- Establish, achieve, and maintain targeted funding levels for the Pension Plans.
- Ensure sufficient assets are available to pay all benefits under the Pension Plans.
- Manage and control future contribution volatility to the extent reasonably possible.
- Strive to attain full funding status of pension liabilities to the extent possible.
- Provide guidance in making annual budget decisions.
- Support the creation of sustainable, fiscally responsible future budgets.
- Demonstrate prudent financial management practices.
- Enhance transparency regarding pension funding processes and rationale.
- Ensure that pension funding decisions protect both current and future stakeholders.

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COUNTY OF NEVADA
PENSION MANAGEMENT POLICY

Section 3. Background and Discussion

In General. Each Pension Plan is a multiple-employer defined benefit pension plan administered by CalPERS. All full-time and certain part-time County employees are eligible to participate in the CalPERS retirement and disability benefits, annual cost of living adjustments and death benefits offered to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute.

The financial objective of a defined benefit pension plan is to fund the long-term cost of benefits provided to the plan participants. In order to ensure its financial soundness and sustainability, the plan should accumulate adequate resources in a systematic and disciplined manner to ensure sufficient resources are available to meet employee benefit requirements. The Policy Addendum outlines the practices the County will utilize to address its actuarially determined contributions to fund the long-term cost of benefits to the Pension Plan participants and annuitants.

Pension Costs and Liabilities. In order to fund its employees' pension benefits, the County is required to make annual contributions to CalPERS, a portion of which may be sourced from employee contributions. CalPERS then invests these contributions to generate returns that offset the overall pension costs. The required ongoing contributions, known as the "Normal Cost," are calculated as a percentage of salaries and represent the annual cost of service accrual for the upcoming fiscal year for active employees. However, if actual Pension Plan experience—such as investment performance or demographic factors—falls short of actuarial assumptions, the Pension Plan may become underfunded (i.e., the Pension Plan's Total Accrued Liability exceeds the Plan's Market Value of Assets). This shortfall is known as Unfunded Accrued Liability (UAL) which must be covered by the County through a series of UAL Payments, which are above and beyond the Normal Cost contributions. The UAL Payments are calculated in total dollar amounts, not as a percentage of salaries.

The UAL can be caused by multiple factors, including but not limited to, changes to actuarial policy, retroactive pension benefit enhancements, investment underperformance, actuarial assumption changes, demographic shifts, and discount rate reductions.

UAL is Debt. The UAL balance at any given point in time is a debt of the County owed to CalPERS which is amortized over a set period of time with interest accruing at the prevailing CalPERS discount rate (the "Discount Rate"). However, this debt can be prepaid at any time without penalties. Recognizing the UAL as debt helps the County identify proper steps to address it and minimize the associated financing costs.

Ongoing CalPERS Practices. Each year CalPERS prepares updated actuarial valuation reports for each of the County's Pension Plans wherein it calculates the County's total pension liability as of the end of the prior fiscal year (each a "Valuation Report"). If the investment performance during that fiscal year differs from the Discount Rate, or if CalPERS made any changes to its actuarial assumptions, or if the actual demographic or compensation experience within the Pension Plans diverges from the actuarial assumptions, new line items known as UAL amortization "bases," (referred to as a "Base" or "Bases") may be added to the plan and result in a change to the UAL balance. Such UAL amortization Bases may be positive (indicating funding shortfall for the Pension Plans) or negative (indicating funding surplus for the Pension Plans). Because CalPERS can

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add new UAL amortization Bases every year, the Pension Plans must be monitored annually and managed continuously – there is no one-time solution.

CalPERS amortizes each new Base over a 20-year period using level-dollar payments. Each Base accrues interest at the Discount Rate (currently 6.8%). This is similar to a 20-year fully amortizing home mortgage bearing an interest rate of 6.8%. However, the amortization methodology used by CalPERS for each Base differs from a home mortgage during the first five years in that initially, there is a ramp-up period: payments start at 20% of the required amount in the first year, increasing by 20% each year until reaching the full payment amount in the fifth year (hereafter referred to as “5-Year Ramping”). Afterward, payments stabilize at this level for the remaining 15 years. CalPERS has adopted this 5-Year Ramping practice in an effort to help public agencies “ease into” paying for UAL increases.

Because CalPERS immediately applies interest at 6.8% from the inception of each new Base, agencies incur “negative amortization” during the 5-Year Ramping period, meaning that accrued interest is added to the Base until payments reach full coverage in the fifth year. This delayed start to full payments increases the overall cost to member agencies as compounded interest accumulates on unpaid UAL balances.

To help reduce the overall costs of the UAL repayment, this Policy supports avoiding the 5-Year Ramping for new Bases whenever possible. By making full or accelerated payments, the County can reduce compounded interest costs and achieve faster progress toward full funding.

From a policy standpoint, structural mechanics (bases, ramps, amortization) apply similarly across Classic and PEPRA tiers. The framework herein is intended to function across tiers as plans mature and become equally exposed to market swings over time.

Section 4. Policy Addendum

A. Funding Level Objective. It is the County’s policy to strive to achieve and maintain a Pension “Funded Ratio” (being the ratio by which the Market Value of Assets—as set forth in the most recently published Valuation Report—compares to the Entry Age Normal Accrued Liability or “Total Accrued Liability”—as set forth in the most recently published Valuation Report) for each Pension Plan. Development of this “Funding Level Objective” is dynamic and long-term in nature, that is, achieving the desired level is done over the period of amortization, generally 20 years. To achieve the Funding Level Objective and ensure compliance with best management practices, the Policy Addendum provides the necessary guidance for achieving the Policy goals over the 20-year amortization period.

C. Establishment and Operation of a 115 Trust Pension Reserve Fund. The County has or will have established a 115 Trust Pension Reserve Fund which is managed by a third-party investment manager (the “Investment Manager”). The 115 Trust Pension Reserve Fund may receive funds deposited into it at the discretion of the Board of Supervisors, based on recommendations made by the County’s Debt Advisory Committee during the annual budget process. Funds in the 115 Trust Pension Reserve Fund shall only be used for the County’s pension benefits costs (i.e., UAL and Normal Costs) associated with the County’s Pension Plans in accordance with the goals and objectives set forth in this Policy.

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D. Transparency and Reporting. Funding of the Pension Plans should be transparent to all stakeholders, including plan participants, annuitants, the Board of Supervisors, and County residents. The Pension Management Policy Addendum outlines strategies to achieve this Policy objective.

E. Annual Budget to Contain Policy Directed Information. The County's annual operating budget shall consider the items specified in this Policy for inclusion in each such annual budget.

F. Review of Policy. Funding a defined benefit pension plan requires a long-term horizon planning approach. This Policy is intended to provide general objectives and guidelines, which will require periodic review to consider changes in the County's financial position and Pension Plan funded status over time. As such, County staff will review this Policy for implementation of new best practices and will provide such proposed changes to the Board of Supervisors for adoption on an as needed basis, not to exceed 5 years.

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COUNTY OF NEVADA



**Adopted by the Board of Supervisors of the
County of Nevada**

Pursuant to Resolution No.

October 14, 2025

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COUNTY OF NEVADA
PENSION MANAGEMENT POLICY ADDENDUM

Section 1. Purpose

The purpose of this Pension Management Policy (the “Policy”) is to strategically address the existing and any future unfunded accrued liability (the “UAL”) associated with the County of Nevada’s (the “County”) California Public Employees’ Retirement System (CalPERS) pension plans (the “Pension Plans”). This Policy also addresses some of the principal elements and core parameters central to the policy objectives discussed in this Policy. In the development of this Policy, the County strives to reduce its UAL and the associated financing costs in the most cost-efficient and fiscally responsible manner possible.

The County is committed to fiscal sustainability by employing long-term financial planning efforts, striving to maintain appropriate reserve levels, and employing prudent practices in governance, management, budget administration, and financial reporting. This Policy is intended to make all relevant information readily available to decision-makers and the public to improve the quality of decisions and transparency, identify policy goals, and to demonstrate a commitment to long-term financial planning. Development of this Policy signals to rating agencies and capital markets that the County is willing to set policies that improve its ability to meet its obligations in a timely manner.

The Policy is intended to reflect a reasonable and conservative approach to managing the UAL costs associated with the Pension Plans. This Policy recognizes that the Pension Plans are subject to market volatility and that actual economic and demographic experience of the plans will differ from the actuarial assumptions. Accordingly, it is intended to allow for adaptive responses to changing circumstances, providing flexibility to address such volatility in a financially sound manner. As such, the County will be required to continually monitor its Pension Plans and the corresponding UAL.

Section 2. Policy Goals and Objectives

The overarching goal of this Policy is to maximize the portion of the Pension Plans funding generated from investment returns in order to minimize relative and aggregate contributions required for both the employer and employee shares, thereby minimizing taxpayer and employee expense. The objectives of this Policy are as follows:

- Establish, achieve, and maintain targeted funding levels for the Pension Plans.
- Ensure sufficient assets are available to pay all benefits under the Pension Plans.
- Manage and control future contribution volatility to the extent reasonably possible.
- Strive to attain full funding status of pension liabilities to the extent possible.
- Provide guidance in making annual budget decisions.
- Support the creation of sustainable, fiscally responsible future budgets.
- Demonstrate prudent financial management practices.
- Enhance transparency regarding pension funding processes and rationale.

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- Ensure that pension funding decisions protect both current and future stakeholders.

Section 3. Background and Discussion

In General. Each Pension Plan is a multiple-employer defined benefit pension plan administered by CalPERS. All full-time and certain part-time County employees are eligible to participate in the CalPERS retirement and disability benefits, annual cost of living adjustments and death benefits offered to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute.

The financial objective of a defined benefit pension plan is to fund the long-term cost of benefits provided to the plan participants. In order to ensure its financial soundness and sustainability, the plan should accumulate adequate resources in a systematic and disciplined manner to ensure sufficient resources are available to meet employee benefit requirements. This Policy outlines the practices the County will utilize to address its actuarially determined contributions to fund the long-term cost of benefits to the Pension Plan participants and annuitants.

Pension Costs and Liabilities. In order to fund its employees' pension benefits, the County is required to make annual contributions to CalPERS, a portion of which may be sourced from employee contributions. CalPERS then invests these contributions to generate returns that offset the overall pension costs. The required ongoing contributions, known as the "Normal Cost," are calculated as a percentage of salaries and represent the annual cost of service accrual for the upcoming fiscal year for active employees. However, if actual Pension Plan experience—such as investment performance or demographic factors—falls short of actuarial assumptions, the Pension Plan may become underfunded (i.e., the Pension Plan's Total Accrued Liability exceeds the Plan's Market Value of Assets). This shortfall is known as Unfunded Accrued Liability (UAL) which must be covered by the County through a series of UAL Payments, which are above and beyond the Normal Cost contributions. The UAL Payments are calculated in total dollar amounts, not as a percentage of salaries.

The UAL can be caused by multiple factors, including but not limited to, changes to actuarial policy, retroactive pension benefit enhancements, investment underperformance, actuarial assumption changes, demographic shifts, and discount rate reductions.

UAL is Debt. The UAL balance at any given point in time is a debt of the County owed to CalPERS which is amortized over a set period of time with interest accruing at the prevailing CalPERS discount rate (the "Discount Rate"). However, this debt can be prepaid at any time without penalties. Recognizing the UAL as debt helps the County identify proper steps to address it and minimize the associated financing costs.

Ongoing CalPERS Practices. Each year CalPERS prepares updated actuarial valuation reports for each of the County's Pension Plans wherein it calculates the County's total pension liability as of the end of the prior fiscal year (each a "Valuation Report"). If the investment performance during that fiscal year differs from the Discount Rate, or if CalPERS made any changes to its actuarial assumptions, or if the actual demographic or compensation experience within the Pension Plans diverges from the actuarial assumptions, new line items known as UAL amortization "bases," (referred to as a "Base" or "Bases") may be added to the plan and result

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in a change to the UAL balance. Such UAL amortization Bases may be positive (indicating funding shortfall for the Pension Plans) or negative (indicating funding surplus for the Pension Plans). Because CalPERS can add new UAL amortization Bases every year, the Pension Plans must be monitored annually and managed continuously – there is no one-time solution.

CalPERS amortizes each new Base over a 20-year period using level-dollar payments. Each Base accrues interest at the Discount Rate (currently 6.8%). This is similar to a 20-year fully amortizing home mortgage bearing an interest rate of 6.8%. However, the amortization methodology used by CalPERS for each Base differs from a home mortgage during the first five years in that initially, there is a ramp-up period: payments start at 20% of the required amount in the first year, increasing by 20% each year until reaching the full payment amount in the fifth year (hereafter referred to as “5-Year Ramping”). Afterward, payments stabilize at this level for the remaining 15 years. CalPERS has adopted this 5-Year Ramping practice in an effort to help public agencies “ease into” paying for UAL increases.

Because CalPERS immediately applies interest at 6.8% from the inception of each new Base, agencies incur “negative amortization” during the 5-Year Ramping period, meaning that accrued interest is added to the Base until payments reach full coverage in the fifth year. This delayed start to full payments increases the overall cost to member agencies as compounded interest accumulates on unpaid UAL balances.

To help reduce the overall costs of the UAL repayment, this Policy supports avoiding the 5-Year Ramping for new Bases whenever possible. By making full or accelerated payments, the County can reduce compounded interest costs and achieve faster progress toward full funding.

From a policy standpoint, structural mechanics (bases, ramps, amortization) apply similarly across Classic and PEPRAs tiers. The framework herein is intended to function across tiers as plans mature and become equally exposed to market swings over time.

Section 4. Policy

A. Funding Level Objective. It is the County’s policy to strive to achieve and maintain a Pension “Funded Ratio” (being the ratio by which the Market Value of Assets—as set forth in the most recently published Valuation Report—compares to the Entry Age Normal Accrued Liability or “Total Accrued Liability”—as set forth in the most recently published Valuation Report) for each Pension Plan. Development of this “Funding Level Objective” is dynamic and long-term in nature, that is, achieving the desired level is done over the period of amortization, generally 20 years.

Achieving and maintaining a Funding Level Objective ensures that the ongoing contributions of the County and its employees are properly and adequately funding the retirement benefits of today’s workers. This concept is commonly referred to as “intergenerational equity.” The reason for a Funding Level Objective of that is not equal to 100% is to allow some cushion for the possibility that good investment returns by CalPERS in a given year might push the funded level of a Pension Plan above 100% (commonly referred to as “superfunded status”), which means that the County and its employees had contributed into the Pension Plan more than was necessary. Thus, while the County remains committed to achieving a 100% funded level it is not uncommon for a pension plan to be maintained at a lower percentage. The County will strive to manage

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a balance between funds on deposit with CalPERS and invested with a “115 Trust Pension Reserve Fund” discussed below.

Guidance: To achieve the Funding Level Objective and ensure compliance with best management practices, this Policy provides the following guidance:

1. ***Avoiding 5-Year Ramping.*** When CalPERS establishes new Bases that would otherwise be subject to 5-Year Ramping, every effort will be made to preemptively instruct CalPERS to fully amortize these Bases immediately, thereby avoiding the costs associated with delayed payments and negative amortization. This proactive approach requires careful evaluation to ensure Additional Discretionary Payments (ADPs) do not compromise the County’s operational or fiscal health. Staff should annually reach out to the County’s CalPERS actuary to request a calculation of flat payments (rather than ramp-up payments) for all outstanding and new Bases
2. ***Base Targeting Objectives.*** Due to the compounding interest and extended accrual associated with new UAL Bases subject to CalPERS’ 5-Year Ramping, the County will prioritize one of two (or some combination thereof) tactics each year:

Option A — Longest/Newest Bases: Direct ADPs to newest/longest Bases to maximize present-value savings and avoid ramping on those dollars.

Option B — Mid-Curve Targeting: Direct ADPs to selected mid-term Bases to flatten the payment “peak” and improve near-term budget predictability (recognizing PV savings may be lower with Option A).

Annual Selection: Each year, staff will recommend Option A, Option B, or a blend, based on affordability and the County’s forward payment profile.

3. ***Labor Cost Allocation Requirements.*** The County is required to document how much time each County employee spends working within the general fund and/or each of the enterprise funds (the “Benefiting Funds”). This documentation is used to allocate labor costs appropriately among the various Pension Plans (the “Labor Cost Allocation Analysis”). This becomes the basis upon which Normal Cost and UAL payments are allocated and charged (the “Pension Cost Allocation”) to the Benefiting Funds.

The Labor Cost Allocation Analysis and Pension Cost Allocation are essential for compliance with legal issues associated with Proposition 218 (“Prop 2018”) and the “Gift of Public Funds Doctrine.”

For example, if the water enterprise fund pays more than its fair share of Normal Cost or UAL, then the General Fund and/or any other enterprise funds will have likely unjustly benefited, potentially resulting in a Prop 218 violation for the water enterprise fund. Conversely, if the General Fund pays more than its fair share, then the enterprise funds will have likely unjustly benefited, possibly resulting in a violation of the Gift of Public Funds Doctrine due to the General Fund’s overpayment. Therefore, it is crucial to ensure that the Labor Cost Allocation Analysis is current

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and accurate and that the Pension Cost Allocation methodology is being consistently applied. If one fund advances another's share of an ADP, the County will document an internal receivable with interest at an appropriate interest rate to avoid cross-subsidy.

4. *Pre-Pay the Entire Annual UAL Payment by July 31st of each year.* On or before July 31st of each year, the County receives its annual CalPERS UAL invoice. The County has two payments options. The invoice can (1) be paid in equal monthly increments or (2) be fully pre-paid at the beginning of the fiscal year by July 31st. By prepaying the entire invoice amount due by July 31st, the County can concurrently save approximately 3.3% compared to making the monthly payments. The County will make every effort to pre-pay the annual UAL invoice upon receipt, provided that cash flow considerations do not require otherwise (or at the earliest date permitted by CalPERS to capture timing savings).
5. *Pre-Pay UAL from Reserves, One-Time Revenues and Fund Surpluses.* Reserves regularly do not earn returns that can offset the interest rate that CalPERS charges on the outstanding UAL balance. Supplemental contributions into the Pension Plans and/or the 115 Trust Pension Reserve Fund (see Section 4.C. below entitled "Establishment and Operation of a 115 Trust Pension Reserve Fund") from available reserves, one-time revenues and fund surpluses can generate substantial long-term net savings. Each supplemental ADP contribution reduces the UAL balance, the Annual Required Contributions (ARC) for future years, and the total interest costs associated with the UAL. CalPERS does not apply any prepayment penalties to ADPs. Therefore, during each budget cycle, the County staff shall review all available reserves, one-time revenues and fund surpluses to determine whether any such funds could be used to make an ADP to pay down the UAL in accordance with Section 4.B., keeping in mind operational and capital budgetary constraints while maintaining adequate reserves and balancing the fiscal soundness of eliminating the high-interest UAL debt.
6. *ADPs Shared Between All Benefiting Funds.* Whenever an ADP or a contribution to the 115 Trust Pension Reserve Fund (see Section 4.C. below entitled "Establishment and Operation of a 115 Trust Pension Reserve Fund") is made, the County must ensure that all Benefiting Funds contribute their fair share in accordance with the County's Labor Cost Allocation Analysis and the Pension Cost Allocation method of charging off its pension costs.

For example, if the water enterprise fund makes an ADP to CalPERS, the County must also collect and send an allocable share from the General Fund and any other enterprise funds. Similarly, if the water enterprise fund makes a contribution to the 115 Trust Pension Reserve Fund, the County must collect an allocable share from the General Fund and any other enterprise funds; however, in this case, the contribution will be made to the 115 Trust Pension Reserve Fund instead of being sent to CalPERS.

7. *Capital Financing.* When considering capital improvement projects, staff regularly reviews and plans for reserving cash to fund some or all of these capital improvement projects. When considering how to pay for current and future capital improvement projects, staff should review the current tax-exempt market to assess if it would be more cost effective to borrow at tax-exempt rates

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to pay for the capital projects and redirect the reserved cash (and/or such other appropriate funds of the County) to make ADPs to CalPERS and/or the 115 Trust Pension Reserve Fund. As a guide, when the Discount Rate materially exceeds available tax-exempt borrowing rates (e.g., by \geq ~200 bps), staff should consider presenting a coordinated plan to deploy capital financing and redirect cash toward UAL reduction.

8. Utilize Savings Achieved from Refunding Outstanding Non-Pension Related Debt to Pre-Pay UAL. During each budget cycle, staff should review all outstanding long-term non-pension related debt of the County to determine whether a refunding of such debt might result in net present value (NPV) savings of greater than 3%, and if so, consider a structure and strategy that frontloads the savings from such debt refunding, which can then be used to pay down the UAL or make a contribution to the 115 Trust Pension Reserve Fund discussed herein. This strategy should only be used if the interest rates on the currently outstanding debt is sufficiently below the then-current Discount Rate to ensure that overall NPV savings of greater than 3% are achieved by the County. Savings applied to ADPs shall follow the allocation rules in item Section 4.A.6.
9. Rates and Fees to Include Applicable Pension Costs. Whenever possible, all fees, rates and charges should incorporate forecasted applicable Normal Cost and UAL payments, as well as an ADP component. While funds cannot legally contribute more than their fair share, they must also never contribute less than their fair share. Staff will review rate studies and cost of service justification to ensure that forecasted Normal Cost and UAL payments are appropriately included. Given that UAL is treated as equivalent to debt, carrying an interest rate of 6.8% and amortizing over 20 years, it is prudent to include an amount in the pertinent fees, rates, and charges to facilitate ADPs. This proactive approach allows for the UAL debt to be paid down earlier than its scheduled amortization, thereby reducing overall costs, directly benefiting ratepayers.
10. Pension Obligation Financing. The County may consider issuing taxable municipal debt obligations (generically hereafter referred to as “Pension Obligations”) to refinance the UAL, in part or in whole, if such bond obligations are expected to produce minimum cash flow savings of at least 10%, taking into account all debt service and costs of issuance associated with such bond obligations, in comparison to CalPERS’ respective UAL amortization schedule and the then-current Discount Rate.

Pension Obligations shall not utilize swaps or derivatives of any kind and should be structured with reasonable and flexible call provisions (with a maximum of 10-year call provision). Pension Obligations shall be used only to prepay the UAL liabilities and shall not be used to finance Normal Cost payments. The issuance of Pension Obligations must be voted upon and approved by the Board of Supervisors as well as the governing bodies of other plan participants.

To the extent directed by the Board of Supervisors after due consideration, annual savings achieved by issuing the Pension Obligations should be used to either (i) directly prepay new UAL amortization Bases as they arise, (ii) make deposits into the 115 Trust Pension Reserve Fund, (iii) offset operational costs, and/or (iv) fund any other legally permissible activities of the County.

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11. Annual Review of the CalPERS Actuarial Valuation Reports and Associated Tasks. The County staff shall review or cause to be reviewed the annual CalPERS Valuation Reports once they are made public by CalPERS. The review should focus on identifying the annual changes to each of the Pension Plan's UAL and quantifying the associated cost impacts and the corresponding implications on the goals and objectives set forth in this Policy.
- B. County Contributions.** Recognizing the benefit of long-term returns and the need to proactively manage the high long-term costs associated with carrying UAL, the County will proactively contribute funds to the CalPERS Pension Plans and/or the 115 Trust Pension Reserve Fund based on a percentage of each Fiscal Year's forecasted payroll.
1. Annual Contribution. Each Fiscal Year where the Pension Plans total Market Value of Assets combined with the 115 Trust Pension Reserve Fund balance is less than 108% of the Entry Age Normal Accrued Liability (which summation is hereafter referred to as the "115 Trust Pension Reserve Fund Ceiling"), during the County's normal budget adoption process, beginning with the 2025-26 Fiscal Year budget, the County will strive to contribute annual amounts to the Pension Plans (and assuming that all Benefitting Funds are able to contribute their allocable fair share in accordance with Section 4.A.6.), and if not, the annual contribution may be made to the 115 Trust Pension Reserve Fund, in amounts that are between 1% and 6% of the forecasted payroll for that Fiscal Year (the "Annual Contribution"), as recommended by the County's Debt Advisory Committee and approved by the Board of Supervisors as part of the final Adopted Budget. Any ADPs made to the Pension Plans will adhere to the Base Targeting Objectives set forth in Section 4.A.2.
 2. Other Contributions. Any other discretionary contributions above and beyond the Annual Contributions (the "Other Contributions") made by the County (i) to the extent the Funded Ratio is below the objective will be allocated to the CalPERS Pension Plans as an ADP (Note: ensure that all Benefitting Funds are able to contribute their allocable fair share in accordance with Section 4.A.6.), and (ii) to the extent the Funded Ratio is at or above 100%, then such Other Contribution will be directed to the 115 Trust Pension Reserve Fund.
- C. Establishment and Operation of a 115 Trust Pension Reserve Fund.**
1. Establishment of a 115 Trust Pension Reserve Fund. The County has or will have established a 115 Trust Pension Reserve Fund which is managed by a third-party investment manager (the "Investment Manager"). The 115 Trust Pension Reserve Fund may receive funds deposited into it at the discretion of the Board of Supervisors, based on recommendations made by the County's Debt Advisory Committee during the annual budget process. Funds in the 115 Trust Pension Reserve Fund shall only be used for the County's pension benefits costs (i.e., UAL and Normal Costs) associated with the County's Pension Plans in accordance with the goals and objectives set forth in this Policy.
 2. Funding the 115 Trust Pension Reserve Fund.

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(a) *Annual Contributions and Other Contributions.* The County will strive to make Annual Contributions and Other Contributions in the amounts and manner specified in Section 4.B. above until such time that the 115 Trust Pension Reserve Fund reaches the 115 Trust Pension Reserve Fund Maximum (as outlined in section 4.C.3. below).

(b) *Sequestered Savings.* Upon the issuance of each series of Pension Obligations, for each of the ensuing ten (10) consecutive years (or such other period of years as deemed appropriate by the Board of Supervisors at the time of any subsequent issuances of Pension Obligations) following such issuance, a fixed dollar amount equal to 50% (or such other percentage as deemed appropriate by the Board of Supervisors at the time of any subsequent issuances of Pension Obligations) of the “Total Sequestered Savings” (as calculated in the manner set forth below) achieved by issuing Pension Obligations (the “Annual Sequestered Savings Savings”), shall be transferred from the Benefiting Funds (in accordance with Section 4.A.6. above) and deposited into the 115 Trust Pension Reserve Fund until such time that the 115 Trust Pension Reserve Fund reaches the 115 Trust Pension Reserve Fund Maximum (as outlined in Section 4.C.3. below), and thereafter all Sequestered Savings will be directed to a “Pension Obligation Prepayment Fund” which will be established and maintained by the County for the purpose of prepaying any outstanding Pension Obligations.

$$\text{Annual Sequestered Savings} = SSP \times \left(\frac{UALDS - DS}{Y} \right)$$

SSP = Sequestered Savings Percentage

UALDS = Scheduled UAL debt service being paid off by the Pension Obligations

DS = Total principal amount of Debt Service on the Pension Obligations

Y = Number of years to pay back Sequestered Savings

Example of Annual Sequestered Savings Calculation

A \$5M Pension Obligation was issued for the purpose of prepaying UAL. The total UAL debt service (UALDS) paid off with the Pension Obligation was \$8,000,000 and the total debt service (DS) on the Pension Obligation is \$7,000,000. The County elected to sequester 50% of the total savings over a 10-year period (Y), which in this example results in Annual Sequestered Savings of \$50,000.

$$\begin{aligned} \text{Annual Seq. Savings} &= 0.5 \times \left(\frac{8,000,000 - 7,000,000}{10} \right) \\ &= \$50,000 \end{aligned}$$

3. *Operation of the 115 Trust Pension Reserve Fund.* All Annual Contributions and Other Contributions that have been directed to the 115 Trust Pension Reserve Fund, along with all applicable Sequestered Savings, shall be used solely for the purpose of making ADP’s (and Normal

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Cost payments during a Fiscal Hardship, as defined below) to CalPERS for the purpose of achieving and maintaining the Funding Level Objective.

With the goal of achieving and maintaining the Funding Level Objective, each year during the budget cycle, County staff shall calculate, or cause to be calculated, the upcoming Fiscal Year's estimated Funded Ratio by taking into account the most recent Valuation Report's statement of Funded Ratio and adjusting for the estimated UAL amortization Base that will be either added or subtracted due to the prior Fiscal Year's investment result of either exceeding or falling short of the then current Discount Rate for that Fiscal Year (the "Estimated Funded Ratio"). If the Estimated Funded Ratio is projected to be less than the Funding Level Objective, to the extent funds are available in the 115 Trust Pension Reserve Fund, the appropriate member of staff may either make, or may direct the Investment Manger to make, an ADP to CalPERS in the amount necessary to bring the Funded Ratio back up to the Funding Level Objective. Additionally, if sufficient funds are available in the 115 Trust Pension Reserve Fund, staff may assess whether to fully amortize any new UAL amortization Bases in order to reduce the long-term interest costs associated with the 5-Year Ramping procedures used by CalPERS, as outlined in Section 4.A.1.

Except in the case of a Fiscal Hardship, as defined below, moneys in the 115 Trust Pension Reserve Fund shall not be used to pay Normal Costs until such time as the amount therein, when combined with the Market Value of Assets (as set forth in the most recently published Valuation Report) exceeds the 115 Trust Pension Reserve Fund Maximum. To the extent monies in the 115 Trust Pension Reserve Fund on June 30th exceed the 115 Trust Pension Reserve Fund Maximum (after consideration has been given to the amounts therein required to be paid to CalPERS for the ensuing Fiscal Year to maintain the Estimated Funded Ratio at or above the Funding Level Objective), any accrued surplus over 108% may be used to offset the County's Normal Cost payment made to CalPERS in such Fiscal Year, and any applicable Sequestered Savings will be directed to the Pension Obligation Prepayment Fund.

4. Fiscal Hardship. "Fiscal Hardship" means an economic hardship, or other unanticipated fiscal emergency, that has been declared by resolution of the Board of Supervisors.

D. Transparency and Reporting. Funding of the Pension Plans should be transparent to all stakeholders, including plan participants, annuitants, the Board of Supervisors, and County residents. To achieve this Policy objective:

1. Annual Website Postings. Copies of the annual actuarial valuation reports for each Pension Plan shall be made available to the Board of Supervisors and posted on the County's website. The County's audited financial statements shall also be posted.
2. Annual Staff Report. Each fiscal year during budget season, staff will publish a pension policy compliance report including (i) current and anticipated (based upon most recent investment returns achieved by CalPERS) Funded Ratio; (ii) ADPs proposed to be made, along with the corresponding intended base-targeting objectives; (iii) 115 Trust balances, deposits/withdrawals, and investment

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COUNTY OF NEVADA
PENSION MANAGEMENT POLICY ADDENDUM

posture; (iv) allocation schedules across funds; and (vi) any policy variances and an updated timeline to return achieve Funding Level Objective and other key Policy objectives.

E. Annual Budget to Contain Policy Directed Information. The County's annual operating budget shall consider the items specified in this Policy for inclusion in each such annual budget.

F. Review of Policy. Funding a defined benefit pension plan requires a long-term horizon planning approach. This Policy is intended to provide general objectives and guidelines, which will require periodic review to consider changes in the County's financial position and Pension Plan funded status over time. As such, County staff will review this Policy for implementation of new best practices and will provide such proposed changes to the Board of Supervisors for adoption on an as needed basis, not to exceed 5 years.

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COUNTY OF NEVADA
PENSION MANAGEMENT POLICY ADDENDUM

Glossary of Terms

115 Trust Pension Reserve Fund: A reserve fund established by the County and managed by an Investment Manager to provide additional pension funding. This fund aims to support the County's Funding Level Objective through ADPs and other strategic contributions.

5-Year Ramping: The phased approach to UAL amortization used by CalPERS, where payments start at 20% in the first year, increasing annually by 20% until reaching full payment in year five. This structure creates negative amortization, increasing the County's total interest costs over the repayment period.

ADP: Means each Additional Discretionary Payment made by the County toward reducing UAL, aiming to lower interest costs by accelerating debt reduction. ADPs are prioritized to meet Base Targeting Objectives and avoid 5-Year Ramping.

Annual Contribution: The recurring annual payment made by the County to CalPERS or the 115 Trust Pension Reserve Fund, typically set at 2–6% of payroll, as approved during the budget process.

Annual Required Contribution (ARC): The actuarially determined amount that the County is required to contribute each year to fund its pension obligations.

Annual Sequestered Savings: The fixed annual amount of savings, calculated using a prescribed formula, that is directed to the 115 Trust Pension Reserve Fund or Pension Obligation Prepayment Fund following the issuance of Pension Obligations.

Base Targeting Objectives: The County's approach for prioritizing ADPs to reduce the cost impact of new UAL Bases by focusing on the most recent ones. It also aims to stabilize annual pension contributions and prevent cost volatility.

Bases: Means the individual segments of UAL created when plan assumptions, investment returns, or demographics deviate from projections. Each Base is amortized over a 20-year period with 5-Year Ramping, adding complexity to the County's pension obligations.

Benefiting Funds: The general fund and enterprise funds within the County that contribute to Normal Cost and UAL payments based on the Labor Cost Allocation Analysis.

CalPERS: Means the California Public Employees' Retirement System, being the state agency that manages pension and health benefits for California public employees, retirees, and their families. It invests contributions made by the County and employees to generate returns for funding pension benefits.

County: Refers to the County of Nevada, the government entity responsible for the administration of pension benefits for its employees through the CalPERS system.

Discount Rate: The expected rate of return on investments used by CalPERS to calculate liabilities. Currently set at 6.8%, it determines the interest rate applied to UAL balances.

Fiscal Hardship: A significant economic challenge or emergency, formally recognized by the Board of Supervisors, that allows flexibility in using the 115 Trust Pension Reserve Fund to cover Normal Costs.

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COUNTY OF NEVADA
PENSION MANAGEMENT POLICY ADDENDUM

Funded Ratio: Is the ratio by which the Market Value of Assets—as set forth in the most recently published Valuation Report—compares to the Entry Age Normal Accrued Liability or “Total Accrued Liability”—as set forth in the most recently published Valuation Report.

Funding Level Objective: The County’s goal to maintain a Pension Funded Ratio to ensure adequate funding for retiree benefits without reaching superfunded status. This target accounts for potential positive investment returns by CalPERS.

Gift of Public Funds Doctrine: A constitutional principle prohibiting government entities from making payments that do not serve a valid public purpose or that unfairly benefit a private party.

Labor Cost Allocation Analysis: A documentation process that allocates pension costs among County funds in proportion to employees’ time worked within each fund, ensuring that each Benefiting Fund covers its fair share of pension costs.

Normal Cost: The annual cost of pension benefits accrued by active employees, calculated as a percentage of salaries. This amount represents the baseline contribution for covering future retirement benefits.

Other Contributions: Any discretionary contributions made by the County above and beyond the Annual Contribution.

Pension Cost Allocation: The method used to distribute pension costs across Benefiting Funds based on the Labor Cost Allocation Analysis, ensuring compliance with Prop 218 and the Gift of Public Funds Doctrine.

Pension Obligations: Taxable municipal debt obligations issued by the County to refinance the UAL, structured to generate cost savings relative to CalPERS amortization.

Pension Obligation Prepayment Fund: A fund established to accumulate excess Sequestered Savings, which are used to prepay Pension Obligations and further reduce the County’s UAL.

Pension Plans: The defined benefit plans administered by CalPERS in which County employees are enrolled. These plans provide retirement, disability, and death benefits to plan members and their beneficiaries.

Policy: Means the Pension Management established by the County to strategically address the Unfunded Accrued Liability (UAL) and other critical elements related to its Pension Plans. This Policy defines objectives, procedures, and responsibilities for managing pension-related costs and promoting fiscal responsibility.

Proposition 218 (Prop 218): A voter-approved constitutional amendment in California that requires certain charges, assessments, and fees to be proportionally allocated and voter-approved.

Sequestered Savings: Savings generated from issuing Pension Obligations, a portion of which is deposited into the 115 Trust Pension Reserve Fund to further reduce the UAL.

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PENSION MANAGEMENT POLICY ADDENDUM

Total Accrued Liability (Entry Age Normal Accrued Liability): The actuarial present value of benefits earned to date for all plan participants, calculated using the entry age normal cost method.

UAL: Means the County's Unfunded Accrued Liability, being the difference between the Total Accrued Liability and the Market Value of Assets in the Pension Plans, representing the shortfall that the County must cover through UAL Payments. It arises when actuarial assumptions differ from actual performance or demographic changes.

Valuation Report: The annual actuarial report prepared by CalPERS, which calculates the County's pension liabilities, asset values, and the resulting UAL. This report helps the County monitor its funding progress and adjust contributions as necessary.



RESOLUTION No. 26-159

OF THE BOARD OF SUPERVISORS OF THE COUNTY OF NEVADA

RESOLUTION ADOPTING A FUND BALANCE POLICY AND RESCINDING RESOLUTION 15-244

WHEREAS, on June 14, 2011, the Board of Supervisors adopted Resolution 11-260, establishing a Fund Balance Policy which met basic fund balance policy requirements; and

WHEREAS, on June 16, 2015, the Board of Supervisors adopted Resolution 15-244, which rescinded the initial Policy and Resolution 11-260, replacing it with a new Fund Balance Reserve Policy; and

WHEREAS, in collaboration with the Auditor-Controller and Treasurer-Tax Collector, County Executive Office staff have created a new Fund Balance Policy to replace the previously adopted document; and

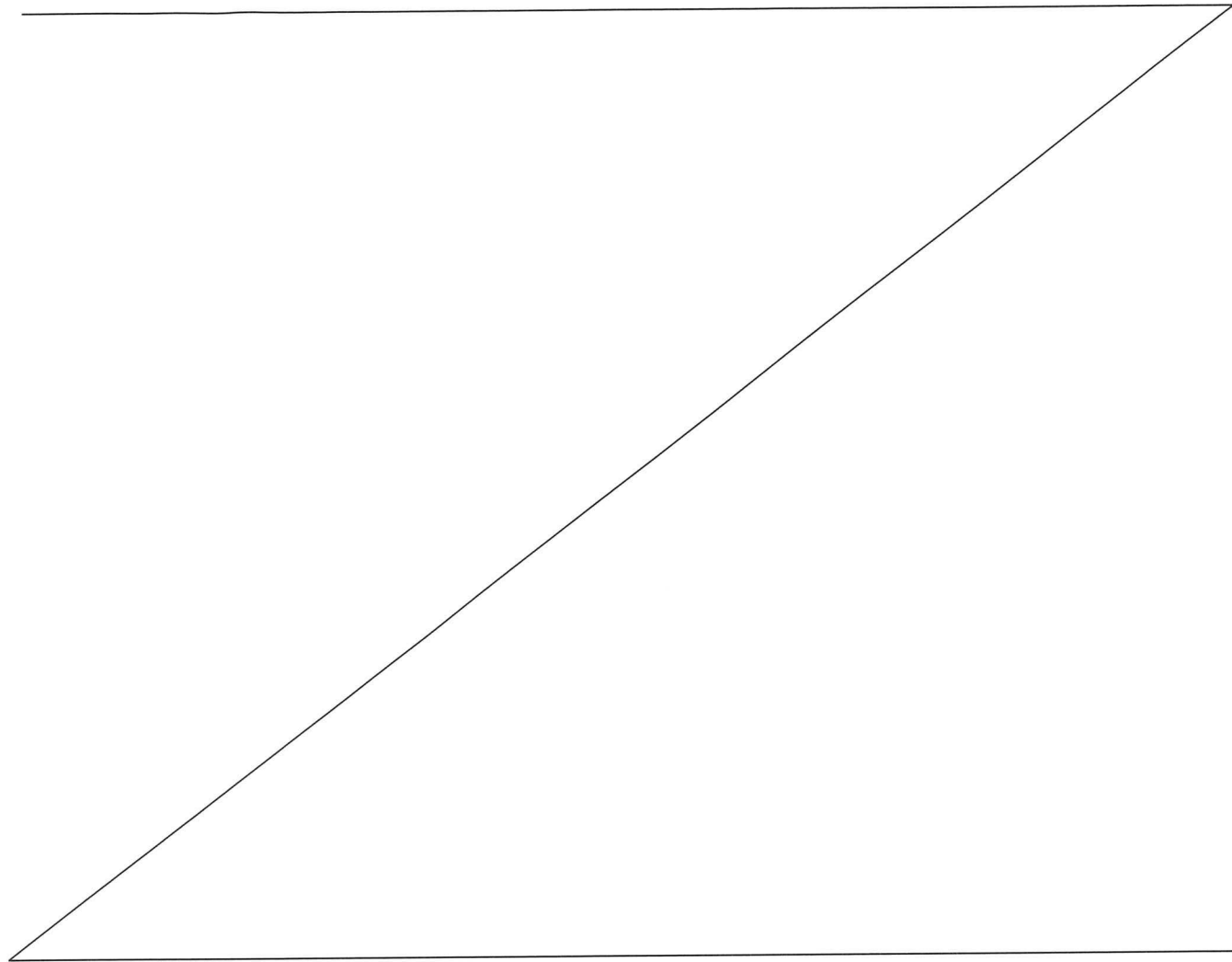
WHEREAS, the Board of Supervisors has the goal of providing a sustainable level of core services which are essential to the public's health and safety; and

WHEREAS, prudent levels of fund balances and reserves help the County plan for provision of services and capital project funding, optimize bond ratings, reduce borrowing costs and meet the requirements and standards of the Government Accounting Standards Board (GASB) Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions"; and

WHEREAS, fund balances are classified according to GASB Statement 54 into Restricted and Unrestricted categories, and further Restricted category designations are either Nonspendable or Restricted, and Unrestricted category designations are Committed, Assigned, or Unassigned Fund Balance.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the Board of Supervisors of the County of Nevada, State of California, that the Fund Balance Policy is hereby adopted, attached hereto as Exhibit A.

BE IT FURTHER RESOLVED that Resolution 15-244 is hereby rescinded in its entirety.



PASSED AND ADOPTED by the Board of Supervisors of the County of Nevada at a regular meeting of said Board, held on the 12th day of May 2026, by the following vote of said Board:

Ayes: Supervisors Heidi Hall, Robb Tucker, Lisa Swarthout, Susan Hoek, and Hardy Bullock.

Noes: None.

Absent: None.

Abstain: None.

Recuse: None.

ATTEST:

TINE MATHIASSEN
Chief Deputy Clerk of the Board of Supervisors

By: 


Lisa Swarthout, Chair

COUNTY OF NEVADA
FUND BALANCE RESERVE POLICY

A. PURPOSE

The County of Nevada establishes and will maintain classifications of fund balance, as defined herein, in accordance with Governmental Accounting and Financial Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Fund Balance Policy will help the County maintain a strong fiscal position to weather negative economic trends and provide financial resources to protect the County against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. It also is intended to preserve flexibility to make adjustments in funding for programs approved in connection with the annual budget. This Policy will initially cover the General Fund, however will be expanded to also incorporate all governmental type funds of the County. The Fund Balance Policy is established with a long-term perspective, recognizing that stated thresholds are considered minimum balances. This Policy shall only apply to the County's governmental funds.

B. FUND BALANCE DEFINITIONS

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the County is bound to honor constraints on the specific purpose for which amounts can be spent.

1. **Nonspendable Fund Balance** - consists of funds that cannot be spent due to their form, such as inventories or prepaid invoices, or funds that legally or contractually must be maintained intact.
2. **Restricted Fund Balance** - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. **Committed Fund Balance** - includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Supervisors. Formal action must be taken prior to the end of any fiscal year to establish, change or remove the limitation placed on these funds.
4. **Assigned Fund Balance** – consists of funds set aside for specific purposes but do not meet the criteria for Restricted or Committed. These can be established, changed or removed by the Board of Supervisors or delegated to an official. Assigned funds cannot cause a deficit in Unassigned fund balance. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the Committed and Assigned classifications.
5. **Unassigned Fund Balance** – is the residual classification for the Fund and includes all spendable amounts not contained in the other classifications. These funds are available for any purpose in the fund.

COUNTY OF NEVADA
FUND BALANCE RESERVE POLICY

PROVISIONS

1. Nonspendable Fund Balance

Funds will be classified as Nonspendable based upon the underlying nature of the related asset. No policy statement is required for funds to be classified as Nonspendable.

2. Restricted Fund Balance

Funds will be classified as Restricted based upon the nature of the externally stipulated restriction. No policy statement is required for funds to be classified as Restricted.

3. Committed Fund Balance

The Board of Supervisors has the authority to set aside funds for a specific purpose. The establishment of Committed fund balance requires the passage of a resolution by a simple majority vote before June 30 of the applicable fiscal year. Board action is required to change or remove the commitment. The Board resolution shall identify the title of the commitment, describe the specific purpose for the commitment, and the actual amount of the commitment or the process or formula necessary to calculate the actual amount. Funding for Committed fund balance shall be approved annually by the Board of Supervisors as part of the budget approval process.

4. Assigned Fund Balance

The Board of Supervisors has the authority to assign funds for a specific purpose with a simple majority vote. The same action is required to change or remove an assignment.

The County Executive Officer also has the authority to assign funds for specific purposes, and to change or remove the assignment. The establishment, change or removal of an assignment by the County Executive Officer must be reported to the Board of Supervisors at the earliest opportunity. The Board may change or remove an assignment established by the County Executive Officer with a simple majority vote.

5. Unassigned Fund Balance

Unassigned fund balance is the residual amount of fund balance in the General Fund. It represents the resources available to support cash flow and for future spending. An appropriate level of Unassigned fund balance should be maintained in the General Fund to cover unexpected expenditures and revenue shortfalls. Use of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget must be classified as Unassigned fund balance.

COUNTY OF NEVADA
FUND BALANCE RESERVE POLICY

C. STABILIZATION ARRANGEMENTS

A stabilization arrangement may be established to provide funds for an urgent event that affects the provision of government services necessary for the safety of employees, residents or property. A stabilization arrangement will be classified as either Restricted or Committed fund balance, depending on the source of constraint on its use. The Board of Supervisors has the authority to establish a stabilization arrangement that will be classified as Committed fund balance. The Board resolution establishing the committed stabilization arrangement shall identify the title of the stabilization arrangement, and describe the specific, non-routine circumstances under which the stabilization arrangement may be spent.

D. MINIMUM UNRESTRICTED FUND BALANCE

The unrestricted fund balance includes Committed Fund Balance and Assigned Fund Balance. The unrestricted fund balance in the County General Fund (the General Fund Reserve) shall be a minimum of 10% with a funding target of 15% of the budgeted operating expenditures. Operating expenditures excludes budget items for intrafund transfers, fixed assets, and other financing uses but includes amounts for annual debt service. The amount of the unrestricted fund balance shall be estimated and reported in both the Proposed Budget and the Adopted Budget. If the General Fund unrestricted fund balance falls below the minimum, the County shall develop a funding plan and a timeframe to bring it to the minimum balance.

E. MINIMUM UNASSIGNED FUND BALANCE

The unassigned fund balance in the County General Fund is primarily used for cash flow purposes throughout the fiscal year in support of the cyclical nature of certain payments during the year, such as pre-funding pension liability payments. The minimum unassigned fund balance shall be 10%.

F. USE OF UNASSIGNED FUND BALANCE

Annually, the County Executive Officer will review the unassigned fund balance remaining after prior fiscal year end adjustments are finalized and incorporate recommended adjustments in the proposed budget. The following uses of the unassigned fund balance shall be included, unless directed otherwise by the Board of Supervisors:

- To achieve minimum unassigned funding level as identified in Section E above; and

COUNTY OF NEVADA
FUND BALANCE RESERVE POLICY

- 25% shall be directed to the Assignment for Pension Contribution to be used as directed in the County's next Annual Pension Funding Plan either to make an Additional Discretionary Payment towards Unfunded Actuarial Liability or deposit into the County's Section 115 Pension Stabilization Trust; and
- To increase the Assignment for unanticipated liabilities and emergencies equal to 1% of final adopted General Fund Expenditures;
- Other actions so approved by the Board with the intent to strengthen the County's fiscal position and maintain its bond rating.

G. SPECIFIC GENERAL FUND COMMITTED RESERVES

The Unrestricted Fund Balance (the General Fund Reserve) includes the following Committed Reserves.

1. Reserve for Working Capital

Purpose – The Reserve for Working Capital is intended to remain intact and unused to assist the County in maintaining a minimal fund balance. The target funding level is equivalent to 3% of General Fund's Final Adopted Operating Expenditures.

Establishment and Approval – This stabilization arrangement will be established by a resolution of the Board of Supervisors and will be reviewed annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a four-fifths vote of the Board of Supervisors appropriating the funds, and a resolution by the Board of Supervisors' declaration of fiscal emergency.

Fund Balance Classification – Committed fund balance stabilization arrangement

2. Strategic Reserve

Purpose – The Strategic Reserve is intended to:

1. Mitigate economic downturns that reduce County general revenue;
2. Mitigate state or federal budget actions that may reduce County revenue; and
3. Maintain core services essential to public health, safety, and welfare.

The funds are separate monies used only for the purposes stated above. The funds are used only to support the operating budget during recessions or periods of economic distress as measured by periods of time when the local unemployment rate exceeds 8% and/or the rate of inflation exceeds the growth in property tax revenue. The target funding level of the strategic reserve is an amount equivalent to 1% of General Fund's Adopted Operating Expenditures.

Establishment and Approval – This stabilization arrangement will be established by a resolution of the Board of Supervisors and will be reviewed annually by the Board during the budget approval process.

COUNTY OF NEVADA
FUND BALANCE RESERVE POLICY

Authorized Use of Funds – Requires a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Committed fund balance stabilization arrangement

3. Reserve for Natural Disasters

Purpose – The Reserve for Natural Disasters is to fund the extraordinary operating costs, legal costs and cash flow problems associated delays in state and federal reimbursements for any natural disaster declared by County’s Director of Emergency Services and subsequently ratified by the Board of Supervisors, and the State of California or the federal government. The target funding level of the strategic reserve is an amount equivalent to 1% of General Fund’s Adopted Operating Expenditures.

Establishment and Approval – This reserve will be established by a resolution of the Board of Supervisors, and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Committed fund balance

H. SPECIFIC GENERAL FUND ASSIGNED RESERVES

1. Assignment for Unanticipated Liabilities and Emergencies

Purpose – The Assignment for unanticipated liabilities and emergencies is intended to provide a reserve to mitigate the risk of unanticipated revenue declines or unanticipated costs not covered by the Property and Liability Fund or that exceed the funding from any planned carryover fund balance. Other cost savings and any unanticipated revenues should be relied on first before the use of the assignment for unanticipated liabilities and emergencies. The minimum funding level of the assignment is an amount equivalent to 1% of General Fund’s Adopted Operating Expenditures.

Establishment and Approval – This assignment will be established by the County Executive Officer and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Assignment for unanticipated liabilities.

COUNTY OF NEVADA
FUND BALANCE RESERVE POLICY

2. Assignment for Priority Objective Activities

Purpose – The Assignment for Priority Objective Activities is intended to provide a reserve for board-directed activities which may take longer than one-year to complete and are necessary to further the goals of one or more Priority Objective as adopted. Funds may be used for the purposes of matching grant funds. Other cost savings or unanticipated revenues should be relied on first before the use of the assignment for Priority Objective Activities.

Establishment and Approval – This assignment will be established by the County Executive Officer and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Assignment for Priority Objective programs.

3. Assignment for Justice Services

Purpose – The Assignment for Justice Services is intended to provide a reserve for projects, infrastructure, hardware or software, specialized equipment and/or vehicles in support of County justice providers. Other cost savings or unanticipated revenues should be relied on first before the use of the assignment for Justice Services.

Establishment and Approval – This assignment will be established by the County Executive Officer in consultation with the Sheriff's Office and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a recommendation by the Sheriff's Office and a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Assignment for Justice Services.

4. Assignment for Information Systems Infrastructure

Purpose – The Assignment for Information Systems Infrastructure is intended to capture funds set aside for future technology improvements, upgrades, and other needs identified in the Information Systems 5-Year Plan.

Establishment and Approval – This assignment will be established by the County Executive Officer and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a four-fifths vote of the Board of Supervisors appropriating the funds.

COUNTY OF NEVADA
FUND BALANCE RESERVE POLICY

Fund Balance Classification – Assignment for Information Systems Infrastructure.

5. Assignment for Accumulated Leave Payments

Purpose – The Assignment for Accumulated Leave Payments is established in recognition that County employees are allowed to accumulate leave hours based on employment group Memorandums of Understanding. Funds in this Assignment may be used to fund payout of accumulated leave upon employee separation at the discretion and recommendation of the Deputy County Executive Officer/Chief Fiscal Officer.

Establishment and Approval – This assignment will be established by the County Executive Officer in consultation with the Auditor-Controller and in accordance with GASB 101. The assignment will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a recommendation by the Deputy County Executive Officer/Chief Fiscal Officer and a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Assignment for Accumulated Leave Payments.

6. Assignment for Facilities Planning & Acquisition

Purpose – The Assignment for Facilities Planning & Acquisition is intended to provide a reserve and funding flow for projects and property in line with the County Facilities Master Plan. Use of these funds should be reserved for lifecycle maintenance requirements at County-owned facilities and leverage all other available resources.

Establishment and Approval – This assignment will be established by the County Executive Officer and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a recommendation by the Deputy County Executive Officer/Chief Fiscal Officer and a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Assignment for Facilities Planning & Acquisition.

7. Assignment for Pension Contribution

Purpose – The Assignment for Pension Contribution is intended to capture funds necessary for making payments on the County's pension obligation with CalPERS and specifically identified in the County's Annual Pension Funding Plan. Funds in this assignment will be held for a short-term and utilized in conjunction with the County's Section 115 Pension Stabilization Trust Fund to manage the County's Unfunded Actuarial Liability.

COUNTY OF NEVADA
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Establishment and Approval – This assignment will be established by the County Executive Officer and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a recommendation by the Deputy County Executive Officer/Chief Fiscal Officer and a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Assignment for Pension Contribution.

8. Assignment for Civil Litigation

Purpose – The Assignment for Civil Litigation is intended to be used in the event the County is party to litigation and requires additional resources in its representation

Establishment and Approval – This assignment will be established by the County Executive Officer and will be approved annually by the Board during the budget approval process.

Authorized Use of Funds – Requires a recommendation by the Deputy County Executive Officer/Chief Fiscal Officer and a four-fifths vote of the Board of Supervisors appropriating the funds.

Fund Balance Classification – Assignment for Civil Litigation.

I. MONITORING, REPORTING AND REVIEWING

The Deputy County Executive Officer/Chief Fiscal Officer and Auditor-Controller shall jointly prepare an annual report documenting the status of fund balance for the Board's review in conjunction with consideration of the annual budget. The County's Fund Balance Policy shall be reviewed annually to evaluate its sufficiency.