RESOLUTION NO. 2026-2

A Resolution of the Pierce County Flood Control Zone District Board of Supervisors Amending the Fund Balance Policy for the Pierce County Flood Control Zone District.

Whereas, the Pierce County Flood Control Zone District (District) adopted a Fund Balance Policy on September 20, 2017, with Resolution No. 2017-3; and

Whereas, the District established an Opportunity Fund on June 5, 2013, with Resolution No. 2013-2; and

Whereas, the Pierce County Flood Control Zone District Board of Supervisors (Board) desires to clarify definitions of terms used in the Fund Balance Policy for reporting on the Fund Balance to ensure transparency and accountability; and

Whereas, the Board further desires that the Fund Balance Policy set aside funding for the Opportunity Fund; and

Whereas, the Board further desires that the Fund Balance Policy set aside additional funding for the Lower Puyallup Action Plan; and

Whereas, the Board further desires that the Fund Balance Policy no longer include references to the US Army Corps of Engineers General Investigation, which is no longer in effect; and

Whereas, the Board further desires that the Fund Balance Policy provide guidance concerning the desired level of fund balance to be maintained by the District to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures and other related contingencies; **Now Therefore,**

BE IT RESOLVED by the Board of Supervisors of the Pierce County Flood Control Zone District :

Section 1. The board of supervisors adopts the "Fund Balance Policy" attached as Exhibit A to this resolution, which replaces and supersedes Exhibit A to FCZD Resolution No. 2017-3.

ADOPTED this 8th **day of** April **, 2026.**

ATTEST:

Brenna Price
Clerk of the Board

PIERCE COUNTY FLOOD CONTROL ZONE DISTRICT
Pierce County, Washington

Dave Morell
Flood Control Zone District Chair

Fund Balance Policy
Pierce County Flood District
February 18, 2026

1. **Policy Intent**

1.1. The Board of Supervisors of the Pierce County Flood Control Zone District (the District) recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the District and is fiscally advantageous for both the District and its taxpayers. This policy is created in consideration of unanticipated events that could adversely affect the financial condition of the District and jeopardize the continuation of necessary public services.

1.2. This policy is intended to provide guidance to the Board of Supervisors (Board) to establish the appropriate level of unrestricted fund balances to be maintained, the conditions under which the unrestricted fund balance may be used, and the process for reestablishing the unrestricted fund balance after it has been used for an authorized purpose.

1.3. Maintaining a fund balance is necessary to protect the district in the event of a decline in property tax revenues, economic downturns, and emergencies for example. While the District itself has a very small administrative cost, it contracts with other jurisdictions, including Pierce County, through interlocal agreements, to deliver programs, projects, and services.

1.4. Pierce County relies upon district funding to implement the District's work program including capital projects, maintenance, technical studies, and contract administration.

1.5. This policy establishes goals and provides guidance concerning the desired level of fund balance to be maintained by the district to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and other related contingencies.

1.6. The Government Accounting Standards Board (GASB) Statement 54 provides direction for fund balance reporting which the District's financial statements will conform.

1.7. This policy is written in lay language to provide clarity to the multiple audiences who review financial information about the district.

2. Fund Balance Definition

2.1. The District is authorized under Chapter 86.15 Revised Code of Washington (RCW), and RCW 86.15.130 states the county treasurer of each zone shall establish a flood control fund for each zone into which shall be deposited the proceeds of all tax levies, assessments, gifts, grants, loans, or other revenues which may become available to a zone.

2.2. The treasurer shall also establish the following accounts within the zone fund:

2.2.1. For each flood control improvement financed by a bond issue, an account to which shall be deposited the proceeds of any such bond issue; and

2.2.2. An account for each outstanding bond issue to which will be deposited any revenues collected for the retirement of such outstanding bonds or for the payment of interest or charges thereon; and

2.2.3. A general account to which all other receipts of the zone shall be deposited.

2.3. The District's funds may only be used for purposes authorized under Chapter 86.15 RCW.

2.4. The fund balance is those funds remaining after the District's assets have been used to meet its liabilities.

2.5. The fund balance is required to be reported in four components: Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

2.5.1. *Restricted Fund Balance* includes amounts that can be spent only for the specific purposes stipulated by external resource providers, or through enabling legislation.

2.5.2. *Committed Fund Balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. (Opportunity Fund and Large Capital Projects Fund).

2.5.3.*Assigned Fund Balance* classification includes amounts that are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed, such as for working capital, and strategic reserves.

2.5.4.*Unassigned Fund Balance* is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications. Unassigned funds may be used for any purpose authorized by Chapter 86.15 RCW and may be

designated to express the district's intention to use those funds in a particular manner such as working capital, insurance reserves, and other funding needs of the district.

3. **Fund Balances Goals**

3.1. Prudently plan for and fund future expected costs;

3.2. Meet legal, contractual, or existing policy requirements;

3.3. Establish fund amounts for anticipated mismatches between revenue and expenditures;

3.4. Meet seasonal cash flow shortfalls;

3.5. Maintain services during short periods of economic decline;

3.6. Meet emergency conditions including flood disasters; and

3.7. Provide levy rate stability.

4. Fund Balance Policies

4.1. The District's Board of Supervisors is the highest level of decision-making authority and is responsible for establishing the fund balance policy for the district by resolution.

4.2. Through the annual budget process, the district will determine a multi-objective fund balance sufficient to meet the following purposes:

4.2.1. The District's required insurance reserve as determined by the District's insurance carrier;

4.2.2. Cash flow reserves shall be maintained at levels so the timing lags between revenues and expenditures are normally covered without incurring negative cash balances.

4.2.3. Funds sufficient to continue district operations and meet contract obligations such as the interlocal agreement with Pierce County to provide services to the flood district for 6 months: working capital reserve in the amount of 6 months of the annual budget will be maintained as part of assigned fund balance.

4.2.4. The value of any inventory balances and prepaid expenses;

4.2.5. To the extent district contracts include wind down or minimum payment requirements, the District will maintain a sufficient fund balance to meet these contract obligations;

4.2.6.The principal of any permanent funds that are legally or contractually required to be maintained intact; and

4.2.7. The balance of any land or other nonfinancial assets held.

4.3. The District will review any restrictions imposed by law through constitutional provisions or enabling legislation.

4.4. The District will maintain a fund balance equal to the required amount set up in accordance with

any debt covenants.

4.5. The District will establish and report programmatic fund balances, in accordance with Board approval, as part of committed fund balance. The District will set-aside funds for the following programs as long as these programs are a part of the District's annual budget:

4.5.1. Opportunity Fund allocation for each local jurisdiction is 10% of the annual levy base for the jurisdiction, or $50,000, whichever is greater.

4.5.2. The District will maintain funds within the Fund Balance for the Lower Puyallup Action Plan and implementation. The District will continue to set aside a minimum of $1 million per year for this purpose and will increase the set-aside as feasible in the annual capital budget process.

5. Future Capital Program Needs

5.1. The District relies on annual revenue to pay for multi-year capital projects. It takes multiple years to accrue sufficient resources to implement the full range of capital projects for the District. Funds that are not designated for the fund balance purposes described above are available to be programmed by the District through its annual operating and capital budget process. It is in the interest of the District to use fund balance for the six-year capital improvement program.

6. Restoring Fund Balance

6.1. If the fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

6.2. Where fund balance deficits exist, a gradual correction of the problem over a multi-year period may be preferable to a large one-time increase.

7. Financial Planning

7.1. The District should aim to establish an ending undesignated fund balance of zero unless stipulated elsewhere.

7.2. Factors to consider in establishing reserves include:

7.2.1. Future expenditures including equipment reserves;

7.2.2. Cash flow requirements to support operating expenses;

7.2.3. Legal or regulatory requirements affecting revenues, disbursements, and fund reserves;

7.2.4. Credit worthiness and capacity to support debt service requirements for enterprise funds;

7.2.5. Relative rate stability from year to year; and

7.2.6. Susceptibility to financial risks, revenue shortfalls or emergency or unanticipated expenses.

8. Strategic Reserve Fund

8.1.1. It is the District's intent to create a strategic reserve with any unallocated balance that is above the amount necessary to achieve the purposes of this policy.

8.1.2. The strategic reserve will be replenished by allocating interest income, refunds, project savings, and other unanticipated revenues to the strategic reserve fund.

8.1.3. The Executive Committee will make recommendations to the Board of Supervisors about projects, programs, or activities to be funded from the strategic reserve and may do so during the regular annual budget process, or at any regular or special meetings of the Board of Supervisors throughout the year.

8.1.4. The strategic reserve fund may be used to fund the following activities:

8.1.4.1. Advance funds to previously approved projects in the six-year CIP that are in a position to use the funding in that fiscal year;

8.1.4.2. Increase the set-aside for local match;

8.1.4.3. Fund one-time capital expenditures;

8.1.4.4. Fund one-time operating costs; and/or

8.1.4.5. Fund emergent needs.

8.1.5. It is the District's goal to replenish expenditures from the strategic reserve in section 8.1.4 within three years to a level of $2.5 million.

8.1.6. It is the District's intent that jurisdictions receiving assistance from the strategic reserve demonstrate a local match toward the expenditure as determined by the district administrator.