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Section: Finance Policy #: FIN 101  
Reserves

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Sebastian Strauss, Board Chair      Date

### Policy Overview

Reserve funds are a management tool that protect the agency's ability to provide public transit service when there are unexpected changes in revenue or expenses. The reserve funds ensure that the agency can withstand economic disruptions, unanticipated expenditure demands, capital requirements, as well as meet the needs of other non-recurring expenses. Reserve funds are a key factor in how external agencies measure the agency's financial strength.

<b>Purpose</b>	Maintaining reserve funds at appropriate levels ensures adequate resources for cash flow and mitigates short-term effects of unexpected revenue shortfalls. Reserve funds are necessary to enable the agency to resolve unforeseen emergencies or changes in economic conditions.
<b>Approval</b>	The Board of Directors shall approve: <ul style="list-style-type: none"><li>• The creation or deletion of any reserve accounts</li><li>• Changes in reserve account funding formulas</li><li>• The use of any reserves</li><li>• Reserve balances, as part of the annual budget process</li><li>• Reserve replenishment plans</li></ul>
<b>Reserve Minimum</b>	Should a minimum reserve fall below its balance, a plan shall be presented to the Board for replenishing the reserve to the minimum balance.
<b>Target Balance</b>	Should a target reserve fall below its balance, a plan shall be presented to the Board for replenishing the reserve to the target balance.
<b>Interest Earned</b>	Interest earned will be used for operating expenses, reserves, or other purposes as directed by the Board.
<b>Policy Administered By</b>	Finance <del>Director</del> <u>Manager</u>

Operating Reserve Fund	
<b>Purpose</b>	To accumulate monies for the purpose of financing unforeseen operating contingencies. It ensures the agency's ability to pay bills in the event of a short-term revenue shortfall or unpredicted one-time expenditure.
<b>Target Balance</b>	The target for this fund should be approximately five (5) months of the current year's operating expenditures.
<b>Minimum Balance</b>	This fund should hold a minimum of three (3) months of the current year's operating expenditures.

Fleet Replacement Reserve Fund	
<b>Purpose</b>	To ensure that revenue fleet vehicles can be replaced as required.
<b>Background</b>	Revenue vehicles are generally purchased on 12 to 15-year cycles for coaches and <del>8-10</del> <u>4-8</u> year cycles for paratransit vehicles. Actual life is dependent on mileage and equipment condition. The agency forecasts capital requirements over the next <del>25-10</del> years <u>at a minimum</u> .
<b>Target Balance</b>	The target for this fund should be approximately the local share for all <del>forecast</del> <u>committed awards and forecasted</u> purchases for the next <del>seven-five (75)</del> years. This target may be modified by additional relevant factors such as trends, projected fleet composition modifications, or service changes.
<b>Minimum Balance</b>	The minimum balance should be approximately the local share for all <del>forecast</del> <u>committed awards and forecasted</u> purchases for the next <del>five-three (53)</del> years.

Facilities Capital Project Reserve Fund	
<b>Purpose</b>	To ensure that capital assets (excluding revenue fleet vehicles) can be acquired as needed.
<b>Background</b>	Building and components, furniture, equipment, non-revenue vehicles, and technology require periodic replacement. The agency forecasts capital requirements over the next <del>25</del> ten ( <u>10</u> ) years <u>at a minimum</u> .
<b>Target Balance</b>	The target for this fund should be approximately the local share for all forecast purchases for the next seven (7) years. This target may be modified based on future cash requirements over the next seven (7) years.
<b>Minimum Balance</b>	The minimum balance should be approximately the local share for all forecast purchases for the next five (5) years.