

PURPOSE:

The purpose of this policy is to set forth the funded reserves goals for the Chatham Area Transit Authority (CAT) in the financial administration of its roles and responsibilities. The Board of Directors and Stakeholders have highlighted the need for CAT to restore, implement, and maintain reserve fund levels that promote CAT's long- range financial stability.

DEFINITIONS:

Contingency Fund: CAT's financial statement classification for reporting

Operating Reserves: an amount sufficient to maintain operations and programs for a set period of time, measured in month. The operating reserves are set aside to stabilize the Authority's finances by providing protection against unexpected events, loss of income, and significant unbudgeted expenses.

SPECIFICS:

The Government Finance Officers Association (GFOA) has issued a recommended best practice encouraging agencies to adopt a formal policy on the level of available, unrestricted, reserves that should be maintained. The GFOA also recommends that agencies, regardless of size, maintain unrestricted budgetary fund reserves in their general fund of no less than two months of regular operating expenditures.

Reserves created and maintained by CAT are to be guided by the goals set forth by the Board of Directors. However, it is expressly recognized that from time to time CAT may not have funded reserves that satisfy the goals of this policy, and that the same shall not be deemed to be a default or deficiency under any contractual agreement of CAT or in respect to its financial condition or financial reporting.

PROCEDURE:

CAT will develop and maintain a level of unrestricted fund reserves within its Georgia Fund 1 Account equivalent to at least three month's budgeted expenditures or a minimum of 30% of budgeted annual expenditures and not to exceed two years of the Authority's annual budget. These reserves will be shown as the Contingency Fund on CAT's financial statements. It is in CAT's best interest to maintain a higher adequate levels of fund reserves to mitigate current and future risks to include, but not limited to:

- Revenue shortfalls
- Unanticipated expenditures
- Natural disasters
- Dependency on of a volatile revenue source
- Subjection to cuts in local/state aid and federal grants

- Government shutdowns
- Immediate capital needs

In the event the fund balance exceeds the targeted level, CAT will follow a methodology of fund balance as follows:

- Consider the funding of capital projects as described in the Adopted Budget based on the project ratings, then
- Consider funding local match to capital projects based on the Board of Director's vision and formal approval.

In no event will a deduction, transfer, or flex of any amount be made from the Reserve Fund account without the Board of Directors' approval.

If the reserve fund falls below three months of budgeted expenditure, it will be CAT's goal to replenish it over a reasonable timeframe as set and approved by the Board of Directors before the end of each fiscal year.

CAT will implement the following budget strategies in the case of shortage/deficiencies:

- CAT will reduce recurring expenditures to eliminate any structural deficit; or
- CAT will increase revenues or pursue other fund sources

REFERENCE:

Not Applicable

APPLIES TO:

All CAT employees and departments

ATTACHMENTS:

Not Applicable