

Board Policy No. 10 Cash Reserve Funds

I. Summary

This policy establishes the guidelines for minimum cash reserve funds required at the North County Transit District (NCTD), including target balances and anticipated uses pursuant to Resolution No. 19-06, dated October 17, 2019.

Establishing a minimum cash reserve fund (or preparing for a "rainy day") allows NCTD to deal with unforeseen and/or high-priority situations which could not otherwise be funded in the near term. This cash reserve fund policy is based on prudent financial management.

II. Required Cash Reserve Funds

a. Minimum Cash Reserve Fund

NCTD should maintain a minimum working capital balance (current assets less current liabilities as presented in the Statement of Net Position) of the lower of \$15 million or fifteen (15) percent of the annually budgeted operating expenditures. Working capital must include free cash of at least \$15 million or fifteen (15) percent of the annually budgeted operating expenditures, whichever is lower. Free cash is defined as total cash and marketable investments less current unearned grant revenues, which are advances received by NCTD from state and local grants for capital projects that are anticipated to be spent in the following twelve months. NCTD is not required to maintain a separate bank account for the Minimum Cash Reserve Fund and can be included in the total cash balance as presented in the Statement of Net Position.

b. Self-Insured Retention Cash Reserve Fund

NCTD shall maintain an additional \$3,300,000 free cash reserve fund to cover the following:

Purpose	Amount Reserved
General/Public Liability	\$ 2,000,000
Workers' Compensation	\$ 500,000
Non-Rail Property Damage	\$50,000
Rail Property Damage	\$750,000
Total	\$ 3,300,000

NCTD is not required to maintain a separate bank account for the Self-Insured Retention Cash Reserve Fund and can be included in the total cash balance as presented in the Statement of Net Position.


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III. Anticipated Uses

In the event of unanticipated and unusual financial circumstances, including but not limited to spikes in the cost of fuel or other materials; urgent, high-priority needs; and unforeseen withdrawal or cutback of a revenue source, NCTD will propose an operating budget amendment per Board Policy No. 17, *Budget Development*.

In the event that the balance of the Minimum Cash Reserve Fund falls below the threshold under II(a) as result of the operating budget amendment, NCTD will request approval from the Board to reduce the balance of the Minimum Cash Reserve Fund during the operating budget amendment process.

Approvals


Board Chair 10/17/2019
Date


Executive Director 10/17/2019
Date


General Counsel 10/17/2019
Date

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DATE	REVISION No.	RESOLUTION No.	COMMENTS
10/18/2012	ADOPTED	12-10	
10/17/2013	1	13-07	2013 REVISION
10/16/2014	2	14-04	2014 REVISION
11/19/2015	3	15-08	2015 REVISION
1/21/2016	4	16-02	2016 REVISION
6/16/2016	5	16-08	2016 REVISION
10/20/2016	6	16-10	2016 REVISION
10/19/2017	7	17-10	2017 REVISION
10/17/2019	8	19-06	POLICY DELETED IN ITS ENTIRETY AND REPLACED WITH NEW POLICY