

**KALAMAZOO COUNTY TRANSPORTATION AUTHORITY
POLICY STATEMENT AND IMPLEMENTING PROCEDURES**

SUBJECT:

Policy Regarding Transportation System Reserves for
The Kalamazoo County Transportation Authority

SECTION NO: 4.06.00

PAGE 1 **OF** 1

EFFECTIVE DATE: 10/01/08

RESOLUTION: _____

BACKGROUND

Transportation staff, with the support of finance professionals from Plante Moran, are recommending that the Kalamazoo County Transportation Authority (KCTA) establish a specific administrative policy regarding the Transportation System Reserves. Based upon a cash flow needs analysis and the normal timeline for receipt of federal and State transit operating dollars, Plante Moran has formally recommended that such a policy be established that creates a fund equal to no less than 20% of the transportation system's annual operating budget.

As work proceeded between the Board, transportation staff and Plante Moran on a 5-year financial projection for the System, staff has modified its recommendation for a level of fund balance between 15% and 20% of the transportation system's annual operating budget. The attached Resolution, if adopted, would establish a KCTA system fund balance target of 15% to 20% of annual operating expenses.

FISCAL IMPACT

Transportation staff recommends that the policy be adopted by the Board in conjunction with the Board's formal adoption of a new FY2009 Operating and Capital Budget. If approved, this policy would guide the creation of a formal fund balance reserve using existing system assets being transferred from the Kalamazoo Transit Authority Board, Metro Transit System and the KCTA's existing contingency funds from its first millage collections. The impact on the FY2009 budget would be Board guidance and direction regarding the spend down of monies noted above over the next several fiscal years, thus positively impacting the amount of millage levy required in each of the next four (4) years. This would also prevent the need to borrow additional monies, thereby incurring interest charges to cover normal day-to-day system expenditures prior to the receipt of federal, State, or local transit revenue collections.

RELATIONSHIP TO ORGANIZATIONAL GOALS AND OBJECTIVES

The action being requested is in concert with KCTA's overall Vision and Mission with regard to providing efficient and effective public transportation services countywide. Implementation of the recommended policy would ensure that needed cash flow requirements would be met on an annualized basis.

IMPLEMENTATION DATE

Retroactive to October 1, 2008 with the formal adoption of a KCTA FY2009 Operating and Capital Budget.

APPROVAL:

KCTA Board Chairperson

KCTA Secretary