

**HILLSBOROUGH TRANSIT AUTHORITY
POLICY MANUAL**

900: FINANCIAL AND BUDGETING POLICIES AND PROCESSES
960: BUDGET RESERVES

960.10 FUND BALANCE & RESERVES POLICY

(1) Overview

- (a) Fund Balance is defined as resources remaining from prior years which are available to be budgeted in the current or future year(s) and calculated at the end of each fiscal year.
- (b) HART has developed a key performance indicator directing that a certain percentage of the prior year fund balance be added to the next year's fund balance through cost savings to the organization to ensure a sound fund balance.
- (c) Various bond rating agencies, particularly Fitch Ratings, recognizes that the best reserve policies provide both specificity and flexibility, accomplishing one or more of at least three main criteria: establishing a target level of reserves, or a reserve floor; specifying the appropriate circumstances for drawing down reserves; and directing the replenishment of reserves.
- (d) HART's Fund Balance & Reserves Policy acts to mitigate other forms of uncertainty such as changes in the tax and spending policies of federal and state government; imposition of mandates by federal and state government or the courts; financial impacts of labor agreements, particularly those stemming from collective bargaining; repairs and replacement of aging infrastructure; and unforeseen increases in energy and fuel costs.
- (e) HART will calculate the reserve amount at the conclusion of each fiscal year and report such amounts to the Board following the issuance of the prior year's Comprehensive Annual Financial Report; and when appropriate, strive to calculate the reserve amount to meet the high end of any set range.

HART Clerk: _____



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(2) Fund Balance Reserve Designations

Reserve policies are an important factor in maintaining HART in good fiscal health and to attain fiscal sustainability. HART employs the following primary types of reserves:

(a) Self-Insurance Reserves

1. Risk Reserve – HART shall maintain an overall reserve equal to the 75 percent discounted confidence level of the annual actuarial study to ensure financial viability. HART's Finance Department will book the discounted expected reserve level from the actuarial report as a liability. In addition, should a claim be made against HART that is identified subsequent to the actuarial report and prior to the issuance of HART's Comprehensive Annual Financial Report that is financially material to the fund and highly likely to succeed, additional reserves will be established to provide adequate funds in reserve.
2. Medical Benefit Reserve – HART will maintain a reserve in accordance with the annual actuarial certification requirement to ensure financial viability. HART will procure an actuarial study annually and will take a conservative approach when establishing the amount of reserves required. HART's Finance Department will book the net claim liability per the actuarial study. In addition, HART will maintain the required reserve of 20 percent of projected claims.

(b) Capital Matching Reserve – HART shall endeavor to maintain a reserve to be used for aging, outdated or inoperable operational capital infrastructure replacement, including Information Technology hardware/software. In addition, this reserve serves as a means to fund required capital program grant match requirements.

(c) Fund Balance Reserve – HART will maintain, at a minimum, a reserve of ninety days of operating expenditures to be used to ensure the maintenance of services to the public during non-routine and unforeseen disaster situations such as hurricanes and other weather-related events as well as other natural or man-made disasters that cause disruptions in public services as declared appropriate by the HART Board of Directors. Also, this reserve of ninety days of operating expenditures is also to be used to: (1) mitigate any delays, reductions or lower recalculations in the Federal Transit Administration's Section 5307 Formula Funding that would affect HART's ability to maintain positive cash flow for operations; (2) used for unanticipated expenditures of a nonrecurring nature; and (3) to meet unexpected immediate increases in service delivery costs.

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- (d) **Undesignated Fund Balance** – Remaining fund balance subsequent to the above designations shall be considered “cash in the bank” and can be used with the discretion of the Board and/or Chief Executive Officer for authorized use.
- (e) **CAFR Reporting** – Both reserve designations and undesignated balances will be reported as unrestricted net position on the CAFR. Amounts that can be spent only for specific purposes stipulated by external parties or imposed by law through enabling legislation would be reported as restricted net assets.

HART Clerk: _____ 