

**LANE TRANSIT DISTRICT**  
**FUND BALANCE AND BUDGETARY RESERVE POLICY**

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**PURPOSE**

This policy addresses the goals of the Lane Transit District Board of Directors (“Board”) regarding the level of unrestricted fund balance maintained for the General Fund. Unrestricted fund balance is the District’s working capital available for the ongoing operation of the District and is subject to the limitations defined by this policy. This policy considers unanticipated events that could adversely affect the financial condition of the District and jeopardize the smooth continuation of necessary transit services. Having such a policy will ensure that the District maintains adequate working capital/fund balance in order to:

- a. Provide sufficient cash flow for daily operational needs and for outflows such as grant-funded capital expenditures prior to the District being reimbursed by granting agencies,
- b. Provide funds for unforeseen expenditures related to emergencies,
- c. Offset significant economic downturns that result in decreasing payroll-related tax revenue, and
- d. Secure and maintain investment-grade bond ratings.

This policy supersedes all previous policies regarding the District’s fund balance and reserve policies.

**BACKGROUND**

A formal fund balance policy has been in effect since January 1994. This policy is reviewed routinely to make sure that it reflects current needs based on the strength of the local economy, the outlook for federal funds’ availability, and the need to cover price volatility for major materials and supplies.

**POLICY**

**Unrestricted Fund Balance**

The District will maintain an unappropriated fund balance in the General Fund equal to between two to six months of budgeted operating expenses, including operating transfers. The level of fund balance will be determined annually during the budget process. This balance will constitute the working capital of the District and provide a source of funding for emergencies and economic downturns.

In the event of an emergency, the fund balance can be appropriated for use through a resolution, ordinance, or supplemental budget adopted by the Board of Directors. Examples of possible uses include, but are not limited to, the following:

- A major bus or vehicle accident,
- An unusually high number of liability claims,

- An unusually high number of unemployment claims,
- Accidental loss of a utility vehicle,
- Fuel price volatility,
- An economic downturn resulting in lower payroll tax receipts, or
- A loss of funding source.

### **Replenishing Deficiencies**

In the event that the fund balance falls below the minimum threshold, the Board must approve, within six months of budget adoption, a restoration plan to correct the shortage within a three-year period. Restoration plans may include reducing recurring expenditures to eliminate a structural deficit, by increasing revenues or pursuing other funding sources, or by some combination of these and/or other strategies.

### **Surplus Unrestricted Fund Balance**

Should the fund balance in the General Fund exceed the maximum six-month expense range, the District will consider such fund balance surplus as one-time funding available to be appropriated for nonrecurring expenses during the annual budget process. Appropriate uses include, but are not limited to, accelerated debt /liability reduction and capital outlays, such as for bus or facility replacement or programmed capital expansion where any resulting future ongoing outlays are anticipated and accounted for in the District’s Capital Improvements Program and Long-Range Financial Plan.

Surplus fund balance designated for capital investment will be transferred to the Capital Projects Fund.

This policy is developed under the guidance of the Oregon Revised Statutes (ORS 294.398) and the Oregon Administrative Rules (150-294.398), which control in the event of any ambiguity.

### **BOARD DESIGNATED BUDGETARY RESERVES**

The Board may appropriate specific budgetary reserves as deemed prudent. The Board has established annual appropriated reserves for:

Self-insurance/risk:	\$1,000,000
General Fund operating contingency:	\$1,000,000

By Board resolution, the self-insurance reserve can be used during the year to cover unanticipated insurance claims in excess of those otherwise covered through the District’s insurance programs or budgeted for in the annual operating budget.

The General Fund operating contingency may be appropriated for other significant expenditures as they become necessary that could not be reasonably foreseen or planned for in the budget.

### **APPLICABILITY AND PRIORITIZATION OF FUND BALANCE USE**

This policy pertains to the management of the unrestricted amount of available fund balance. Some portion(s) of fund balance may be restricted for legal or contractual reasons. When

an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, it will be the policy of the District to consider restricted amounts to have been reduced first.

### **IMPLEMENTATION AND REVIEW**

Upon adoption of this policy, the Board authorizes the Director of Finance to establish any standards and procedures which may be necessary for its implementation. The Director of Finance shall review this policy at least annually and make any recommendations for changes to the Finance Committee of the Board of Directors prior to adoption by the Board.

### **EXEMPTIONS**

The Board of Directors, under its authority in setting the District's annual budget, may choose to adopt an annual budget that does not maintain the minimum fund balances identified in this policy.

### **MAINTENANCE**

The Finance Committee of the Board of Directors is responsible for the maintenance of this policy, with staff assistance from the Director of Finance.

Administrative Policies & Procedures

2018-05-10 (Revised)

Adopted by LTD Board of Directors: March 21, 2018