

AGENDA ITEM 1 H  
Consent Item

**MEMORANDUM**

**DATE:** April 5, 2018  
**TO:** El Dorado County Transit Authority  
**FROM:** Julie Petersen, Finance Manager  
**SUBJECT:** Operating Reserve Fund

**REQUESTED ACTION:**

**BY MOTION,**

**Adopt Resolution No. 18-16 establishing a \$1,000,000 Target for an Operating Reserve**

**BACKGROUND**

With the economic downturn of 2008, management of the El Dorado County Transit Authority (El Dorado Transit) developed a policy to set up an operating reserve fund.

On August 4, 2011 the El Dorado Transit Board adopted Resolution No. 11-26 and 11-27 and Board Policy B-2 for development of a Board-Designated Operating Reserve Fund. Section 2.00 Establishing a Reserve states; *“Any Board-Directed Operating Reserve Fund shall be established by resolution with a majority vote of the Board”*

This operating reserve fund is a stand-alone interest bearing account funded annually using non-tax revenue accounts such as Bike Locker Rental and Advertising revenues.

Acknowledging this fund would be a long-term project to fully fund, staff worked with the El Dorado County Transportation Commission (EDCTC) to establish a second Contingency account held by EDCTC as recommended in the EDCTC April 2013 Triennial Performance Audit.

The Contingency account held by EDCTC will be fully funded at \$500,000, as of Fiscal Year (FY) 2018/19. This was achieved by funding the EDCTC account with an annual allocation of 3% of Local Transportation Funds of the annual allocation for El Dorado Transit.

The balance of the operating reserve account held by El Dorado Transit is \$98,819.34 at January 31, 2018 after five (5) years of funding; the target funding level per resolution 11-26 is \$1,500,000.

**DISCUSSION**

A review of Board Policy B-2 has been completed to apprise the Board of the current status of El Dorado Transit’s reserve fund and the EDCTC held contingency fund as outlined above.

Each year during the budget process management recommends funding the Operating Reserve Fund using non-tax income. Over the past five (5) years the average funding amount is \$19,500. It would take over seventy-five (75) years to fund this account to the \$1,500,000 target level.

With the addition of the contingency account in 2014 held by EDCTC, management endorses the “blending” of the two (2) accounts for a balance of approximately \$598,819.34 of Reserve/Contingency funds available for use by El Dorado Transit.

Per EDCTC Board Policy the maximum contingency fund balance is \$500,000. El Dorado Transit management feels this benchmark is adequate with future 3% allocations to this account on an as used/needed basis.

Staff is recommending the adoption of Resolution No. 18-16 to adjust the target level of funding to a more realistic goal of \$1,000,000.

Revised Target Goal	\$1,000,000	
EDCTC Held Contingency	\$ 500,000	
El Dorado Transit Held Reserve	<u>\$ 98,819</u>	
	\$ 401,181	Future Reserve Funding

With the current average of \$19,500 per year, the target funding amount would be reached in approximately 20 years.

Staff is researching statutes to determine if El Dorado Transit can use different methods for funding the Reserve.

**EL DORADO COUNTY TRANSIT AUTHORITY  
RESOLUTION NO. 18-16**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE EL DORADO COUNTY  
TRANSIT AUTHORITY DESIGNATING THE OPERATING RESERVE FUND TARGET  
FUNDING LEVEL**

**WHEREAS**, By Resolution No. 11-26 the El Dorado County Transit Authority (El Dorado Transit) Board of Directors (Board) adopted a Board-Designated Operating Reserve Fund Policy setting forth its procedures for establishment of an Operating Reserve Fund, in order to provide financial flexibility and stability for the continued operations of El Dorado Transit; and

**WHEREAS**, the Board has designated non-tax based revenues to be used to fund such an Operating Reserve; and

**WHEREAS**, in order to provide adequate and appropriate funding to an Operating Reserve Fund, Board wishes to set an optimal minimum operating reserve level.

**NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the El Dorado County Transit Authority as follows:**

1. The Board hereby sets an optimum minimum operating reserve level for an Operating Reserve Fund at \$1,000,000.
2. The projected amount of funding for the Operating Reserve Fund shall be determined annually during each budget process by El Dorado Transit management staff, based on actual expenditures, planned service reductions or expansions and adjustments for extraordinary expenditures.
3. The Operating Reserve Fund for each fiscal year shall be funded prior to the year-end closing of the preceding year, subject to Board approval.

**NOW, THEREFORE, BE IT FURTHER RESOLVED**, This Resolution supersedes Resolution No. 11-27.

**PASSED AND ADOPTED BY THE GOVERNING BOARD OF THE EL DORADO COUNTY TRANSIT AUTHORITY** at the regular meeting of said Board held on the 5th day of April 2018, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
Shiva Frentzen, Chairperson

ATTEST:

\_\_\_\_\_  
Megan Wilcher, Secretary to the Board