

<i>VTA Transit Fund Comprehensive Reserve Policy</i>	POLICY	
	Document Number:	FRS-PL-0714
	Version Number:	01

1.0 Purpose:

The purpose of this policy is to ensure the stability of the service, programs, employment, infrastructure maintenance, and ongoing operations of the organization in the event of unexpected revenue shortfalls or unpredicted expenditures.

2.0 Scope:

This policy applies to all VTA Transit Fund Reserves.

3.0 Responsibilities:

3.1 The Board of Directors shall:

- 3.1.1 Approve the allocation of funds to the Operating Reserve or the Sales Tax Stabilization fund.
- 3.1.2 Approve the withdrawal of funds from the Operating Reserve or the Sales Tax Stabilization Fund.

3.2 The General Manager shall:

- 3.2.1 Recommend to the Board the appropriate amount of funds to be allocated to, or withdrawn from, the Operating Reserve or Sales Tax Stabilization Fund.
- 3.2.2 Periodically approve funds, if any, to be allocated to the Debt Reduction Fund.
- 3.2.3 Approve the use of the Debt Reduction Fund.

3.3 The Chief Financial Officer shall:

- 3.3.1 Administer the Reserves.
- 3.3.2 Periodically review and recommend changes to this policy if necessary.
- 3.3.3 Recommend to the General Manager the appropriate amount of funds to be allocated to, or withdrawn from, the Operating Reserve, Sales Tax Stabilization Fund, or Debt Reduction Fund.
- 3.3.4 Ensure proper allocation of investment earnings to the Debt Reduction Fund.
- 3.3.5 Ensure funds in the Reserves are invested according to the applicable VTA Investment Policy.

<i>VTA Transit Fund Comprehensive Reserve Policy</i>	POLICY	
	Document Number:	FRS-PL-0714
	Version Number:	01

4.0 Policy:

It is the policy of VTA to accumulate a prudent level of reserves in the VTA Transit Fund to mitigate periodic swings in the economy and ensure that funds are available to sustain a capital program that maintains VTA's infrastructure and keeps assets in a state of good repair.

4.1 Reserves:

The VTA Transit Fund maintains three reserves as described below:

Operating Reserve

An Operating Reserve equal to 15 percent (15%) of the annual operating budget for the VTA Transit Fund shall be maintained and remain unappropriated for any operating or capital use except to meet emergency needs that cannot be funded from any other source. The purpose of this reserve is to ensure that sufficient funds are always available in the event of either unavoidable expenditure needs or unanticipated revenue shortfalls from sources other than sales tax based revenues.

The Board of Directors shall approve any projected fiscal year-end allocation to, or withdrawal from, the Operating Reserve, subject to actual receipts and expenditures, no later than the September Board meeting.

Sales Tax Stabilization Fund

A Sales Tax Stabilization Fund shall be maintained in order to mitigate the impact of the volatility of sales tax based revenues on service levels and the operating budget. This reserve may be utilized during development of the biennial budget if sales tax based revenues are projected to decline by supplementing projected revenues to address any resulting shortfall between revenues and expenditures. In the event sales tax based revenues received for a fiscal year are in excess of the amount budgeted, the excess shall be transferred to the Sales Tax Stabilization Fund up to a maximum balance of \$35 million.

The Board of Directors shall approve any projected fiscal year-end allocation to, or withdrawal from, the Sales Tax Stabilization Fund, subject to actual receipts, no later than the September Board meeting.

Debt Reduction Fund

A Debt Reduction Fund reserve shall be maintained in order to enhance VTA's fiduciary governance practices and ensure that funds are available to sustain a capital program that maintains VTA's infrastructure and keeps assets in a state of

<i>VTA Transit Fund Comprehensive Reserve Policy</i>	POLICY	
	Document Number:	FRS-PL-0714
	Version Number:	01

good repair. The Debt Reduction Fund may be used to reduce long term liabilities or provide grant match and local funding for approved transit-related capital improvements and replacement of capital assets as a bridge to, or in lieu of, financing.

4.2 Reserve Interrelationship:

As described below and illustrated in the diagram on the following page, the Operating Reserve, Sales Tax Stabilization Fund, and Debt Reduction Fund work in conjunction to stabilize the Operating Budget in times of economic uncertainty and fund the maintenance and improvement of VTA's capital infrastructure.

4.2.1 In the event that the VTA Transit Fund sales tax based revenues received for a fiscal year are less than the amount budgeted and the ending VTA Transit Operating Reserve for the fiscal year is below the 15% target, funds shall be transferred from the Sales Tax Stabilization Fund to the Operating Reserve to reach the 15% target.

4.2.2 In the event of unavoidable expenditure needs or unanticipated revenue shortfalls from sources other than sales tax based revenues, Operating Reserve funds may be used to address any resulting structural imbalance between revenues and expenditures.

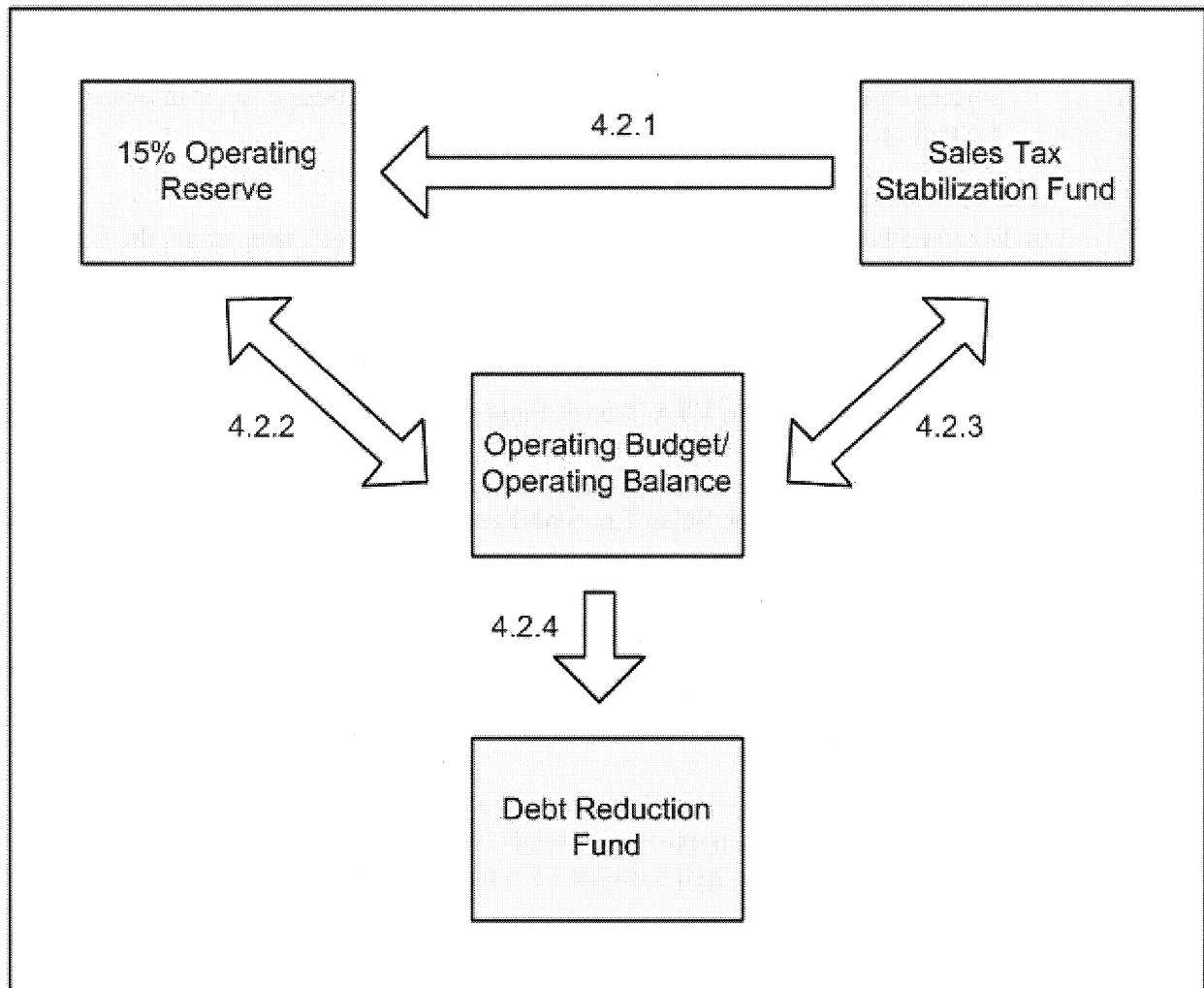
Any year end VTA Transit Fund Operating Balance, net of sales tax based revenues received in excess of budget, shall be transferred to the Operating Reserve in order to maintain the 15% target.

4.2.3 If during development of the biennial budget, VTA Transit Fund sales tax based revenues are projected to decline, Sales Tax Stabilization Funds may be used to supplement projected revenues in order to address any resulting structural imbalance between revenues and expenditures.

In the event that the VTA Transit Fund sales tax based revenues received for a fiscal year are in excess of the amount budgeted, the excess shall be transferred to the Sales Tax Stabilization Fund up to a maximum Fund balance of \$35 million.

4.2.4 Any year end VTA Transit Fund Operating Balance remaining after the 15% Operating Reserve target has been met and prescribed transfers to the Sales Tax Stabilization Fund have occurred shall be transferred to the Debt Reduction Fund.

4.2.5 In the event that after all transfers discussed above, the Operating Reserve level falls below the 15% target at the end of a fiscal year, necessary measures shall be identified during the next biennial budget process to reach the 15% threshold within a 3-year period, and implementation of some of all of those measure shall begin during the next biennial budget.



4.3 Reporting:

In order to promote transparency and enhance accessibility of information, Reserve balances shall be reported to the Board of Directors annually in conjunction with the presentation of the Comprehensive Annual Financial Report (CAFR). In addition, current and projected Reserve balances shall be presented to the Board as part of the biennial budget process.

5.0 Definitions:

5.1 Debt: A legal obligation, including Long Term Liabilities and Unfunded Obligations, to deliver a product, service or cash.

5.2 Long Term Liabilities: Debts that are not due within the current fiscal year or the next twelve months, whichever is greater.




<i>VTA Transit Fund Comprehensive Reserve Policy</i>	POLICY	
	Document Number:	FRS-PL-0714
	Version Number:	01

- 5.3 Reserves: Unrestricted Net Assets represented by cash, investments, and receivables that are unappropriated and designated by the Board of Directors to be used for a specific purpose.
- 5.4 Sales Tax Based Revenues: VTA Transit Fund revenues that are directly or indirectly derived from Santa Clara County Sales Tax including 1976 half-cent sales tax, Transportation Development Act (TDA) funds, and 2000 Measure A Operating Assistance.
- 5.5 Unfunded Obligations: Obligations or liabilities for which funds have not been identified or provided, including: unfunded pension and other post-employment benefits; unfunded capital improvements or replacement of capital assets; and, unfunded operating costs that result from transit capital improvements.

6.0 Summary of Changes:

November 17, 2014: This Policy replaces the VTA Transit Fund Operating Reserve Policy, VTA Transit Sales Tax Stabilization Fund Policy, and VTA Transit Fund Debt Reduction Fund Policy.

7.0 Approval Information:

<i>Prepared by</i>	<i>Reviewed by</i>	<i>Approved by</i>
 Carol Lawson Fiscal Resources Manager	 Raj Srinath Chief Financial Officer	 Nuria I. Fernandez General Manager

12/18/2014
Date Signed