**Finance Committee – Working Capital Reserve Intent**

Excerpt from the adopted CVTA Financial Policies and Procedures: *Fund and maintain a Working Capital Reserve equal to at least 3 months of the budgeted, annual Regional CVTA Funds. If drawn upon, the Chief Financial Staff of the CVTA will develop a plan to restore the Working Capital Reserve to its minimum level over a period not to exceed 18 months. The Authority will revisit the level of this reserve no later than June 30, 2025, to reflect its actual cash flow patterns and expenditure reimbursements.*

Discussion points

1. A working capital reserve is funding set aside to help achieve financial stability and flexibility, and provide a cushion against unexpected events that could impact cash flow
2. Since CVTA is a regional authority that provides funding opportunities, and the Authority does not implement or construct projects, the primary purpose of the working capital reserve would be help CVTA manage its cash flow based on timing mismatches between revenue receipt and the disbursement of funds
    a. Examples include:
        i. Actual Regional Revenues are less than projected
        ii. Requests for disbursement of funds occur sooner than expected
3. The WCR can be drawn if there is a cashflow issue driven by project expenditure timing and/or revenue shortfall. *An extreme example may be – if the General Assembly decided to take away or reduce a portion of our revenue stream and we needed to pay for already approved projects & its expenditures, we could draw on the WCR. Or, we are in an economic recession and the sales tax revenues significantly dip below the budgeted amount.* The WCR is more or less a rainy day fund (the localities all have it too – within the general fund balance, usually an unassigned General Fund policy) that CVTA will hopefully not have to access.
4. The WCR will not be available to absorb project overruns. CVTA already has under its project selection framework policies regarding reserving funds to cover issues like cost increases. That balance entry policy is excerpted from the framework below:

**Table 7: Balance Entry & Project Allocation Percentages**

| | Previous | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 |
|---|---|---|---|---|---|---|---|
| Projects | 100% | 90% | 85% | 80% | 75% | 70% | 65% |
| Balance | 0% | 10% | 15% | 20% | 25% | 30% | 35% |

5. The WCR will not be used to pay for debt service. CVTA will have a separate reserve (a debt service reserve fund) established for the debt issuance that is available to pay for debt service as part of the bond issuance.