

## INFORMATION ATTACHMENT GRTC CONTINGENCY FUNDING POLICY

### Background

On September 17, 2013, the GRTC Board of Directors established a contingency funding policy goal of 15% of the total operating budget in the current year as well as for all future fiscal years. Currently, GRTC has \$3,000,000 in the contingency fund at this time with a goal to increase this balance over time to \$6,750,000, which is 15% of the current operating budget for FY 14.

Emergency use of the contingency funds is defined as follows:

- 1) When no other funds are available at the time to use to pay for the expense or capital item.
- 2) If non-payment of the expense or capital item would trigger a default that would cause harm to GRTC with penalties and interest.
- 3) If there was a freeze in the funding to GRTC by federal, state, and/or local government.
- 4) Any other event that non-payment would cause a negative impact on GRTC financial and/or operational condition.

Increases in the funding of the contingency fund will occur in two ways:

- 1) The CFO on a monthly basis will have authority to move funds whenever possible to the contingency fund if it is less than \$100,000 based on current monthly financial conditions.
- 2) If the proposed funds to be moved to the contingency fund are \$100,000 or greater it will be brought to the Board of Directors for board approval.

There will be two ways for accessing the contingency funds in an emergency:

- 1) CEO consults with the Chairman of the Board and gets approval from the Chairman to use it for one of the stated purposes that the Chairman of the Board has approval to allow.
- 2) The matter is brought before the Board of Directors for Board approval.

The approved uses that the CEO could contact the Chairman of the Board and get approval to use the contingency funds without full board approval are for the purposes stated below:

- 1) Payroll
- 2) Capital purchases for buses, paratransit vehicles, supervisor vehicles and service vehicles
- 3) Parts expenses
- 4) Fuel
- 5) Utilities
- 6) Vehicle, Building, and Health Insurances

Note: If the use is not one of the six stated uses above, then the proposed use of the contingency funds must be brought before the entire Board for approval.

### Recommendation

The Board of Directors approves the contingency funding policy.

December 17, 2013