

financial recommendations to the Board. It will send a positive signal to stakeholders, rating agencies, and regulatory agencies that the Board is committed to RTD's long-term financial health. If RTD chooses to borrow funds in the future, a fiscally sound Reserve Fund Policy will contribute to a positive credit rating which will result in a lower cost of borrowing.

- II.4 Absent a financial recovery plan and Board approval, reserve funds should not be used for recurring expenses.

Article III

Goals

- III.1 RTD will at all times strive to have sufficient funding available to meet its operating and capital obligations in order to provide continued services for the region. The goal of this Policy is to establish an adequate reserve fund through fiscal reserve guiding principles that will guide RTD in making financial decisions and making financial recommendations to the Board.

Article IV

Operations Sustainability Reserve Fund (Restricted Fund)

- IV.1 The Operations Sustainability Reserve Fund is a restricted fund intended to provide an internal source of funds for unanticipated situations such as a sudden increase in expenses, significant one-time unbudgeted expenses, unanticipated loss in funding, economic downturns, or uninsured losses. This reserve fund intends to provide continuity of service (on a short-term basis) regardless of disruptions in cash flow. It is considered working capital to be used to fund non-recurring expenses as needed without borrowing. It is not intended to replace a permanent loss of funds or fill a gap, between revenues and expenses, such as structural deficit.

IV.2 Board Policy:

IV.2.1 The Operations Sustainability Reserve Fund is defined as a designated fund set aside by action of the Board. It is classified as a restricted and committed fund balance.

IV.2.2 The target minimum amount designated to the Operations Sustainability Reserve Fund shall equal to ~~three~~ (3) months of the average operating expenses for the most current fiscal year's budget. Depreciation or other non-cash expenses are not included in the calculation. The target minimum amount will be reviewed annually during the budget process.

IV.2.3 If used, the amount used will be on a short-term basis and replenished within a reasonable ~~y-short~~ period of time, not to exceed three fiscal years without Board approval.

IV.2.4 The Board may consider a short-term reduction in the number of months of operating expenses calculated for the reserve when an extraordinary capital need is identified.