

JACKSONVILLE TRANSPORTATION AUTHORITY

FINANCIAL RESERVES POLICY

DATE OF ADOPTION: June 24, 2010
LAST REVISION: August 27, 2015

FINANCIAL RESERVES POLICY

I. Purpose and Scope.

(a) Purpose. The purpose of this policy is to set forth the funded reserves goals for the Jacksonville Transportation Authority (“JTA”) in the financial administration of its legislative roles and responsibilities. Reserves created and maintained by JTA are to be guided by the goals set forth herein; however, it is expressly recognized that from time to time JTA may not have funded reserves which satisfy the goals of this policy, and that the same shall not be deemed to be a default or deficiency under any contractual arrangement of JTA or in respect of its financial condition or financial reporting. **Instead, the purpose of this policy is to permit the budgeting and setting aside, from time to time, of funds that are to be held available for use for the purposes of JTA when and as needed, including principally for the purposes herein provided. In no event shall such purposes create a barrier to the otherwise lawful use of reserves of JTA as determined by the Board of JTA.**

(b) Scope. This policy shall be used as a guide for JTA staff and the Board in the development of annual budgets, the selection of capital projects, the settlement of legal claims, and the allocation of funds, from time to time.

II. Transit Operations Reserve

(a) The goal for the transit operations reserve is the greater of twenty-five percent of the total transit budget or the average Local Option Gas Tax for the last three years. This reserve goal should be reviewed upon the renewal (or failure to renew) of the Local Option Gas Tax, or upon development of alternative, stable transit funding sources.

(b) This reserve responds to several business risks of JTA’s transit operations, including fuel cost uncertainties, labor cost uncertainties (including costs of benefits), revenue risks, and political risks. As of the original date of this policy, JTA has experienced substantial declines in local option sales tax revenues (net of debt service obligations), and is projecting further declines in such revenues. Debt service obligations are substantial through 2031. In addition, a substantial source of transit operations funding, the Local Option Gas Tax, will sunset in 2016.

III. Legal Reserve

(a) The goal for the legal reserve is Eight Million Dollars as of the original date of adoption of this policy. This reserve goal should be reviewed from time to time, and adjusted in accordance with experience for each of the matters to which this reserve responds (see below), and as the capital project and operations activity levels of JTA change over time. For example, in the event that JTA undertakes a significant number of new capital projects, or undertakes new transit service, the goal for the legal reserve would be expected to increase. The major portion of this reserve amount is based upon analysis of incident occurrences across transit properties in the United States, as reported through the NTD.

(b) This reserve responds to several legal risks of JTA’s road, bridge and transit operations, including: (i) tort claims and related costs (examples include bus accidents or injuries

to persons or property occurring on JTA facilities), the sum of six million dollars; (ii) contract claims and related costs (as distinct from contract contingencies for such matters as extra work or quantity adjustments), the sum of one million dollars; procurement challenges and related costs, the sum of two hundred-fifty thousand dollars; property acquisition or damage claims and related costs, the sum of two hundred-fifty thousand dollars; personnel claims and related costs, the sum of two hundred-fifty thousand dollars; and legislative initiatives, the sum of two hundred-fifty thousand dollars.

IV. Right-of-Way Reserve

(a) The goal for the right-of-way reserve is Six Million Dollars. This reserve goal should be reviewed as the capital project activity levels of JTA change over time, in light of the matters to which this reserve responds (see below). This reserve amount is based upon historical exposures.

(b) This reserve responds to two business risks of JTA's capital activities: (i) exposure to right-of-way acquisition cost increases from "quick-take" acquisitions, in the sum of three million dollars; and (ii) opportunistic right-of-way acquisitions, in the sum of three million dollars.

V. Construction/Capital Projects Contingency Reserve

(a) The goal for construction/capital projects contingency reserve is at the minimum, approximately Twenty-One Million Dollars. This reserve goal is partially dependent upon JTA's capital outlay budget from time to time, as a portion of the reserve goal responds to potential cost overruns in that budget (see below), and this goal should be reviewed from time to time based upon forecasts of the other matters to which this goal responds as well (see below). The major portion of this reserve amount (capital match; see below) is based upon FY2010 active grant applications, including the intermodal center, with the recognition that in any year, JTA's capital grant applications will (based upon historical experience) be as great or greater than FY2010.

(b) This reserve responds to several business risks of JTA's statutory mission, including: (i) cost overruns on capital projects, in an amount at a minimum equal to the greater of two million or 7% of the projected capital outlay budget; (ii) capital match forecast for federal, state and local match-funding programs and projects, in the current (as of the date of adoption of this policy [rule]) at a minimum the sum of eighteen million dollars; and (iii) engineering general reserve, in the sum of one million dollars. In the event that JTA capital outlay programs are forecasted to change in scope, associated reserves for each of these categories should be considered for adjustment.

VI. Overlap of Reserves; Replenishment Forecast

Each of the reserves described in this policy is intended to be distinct as to amount and purpose, and funds in one reserve do not reduce or eliminate the need to fund one or more of the other reserves described. Nonetheless, it is not the intent of this policy to rigidly control the operation, functioning or spending of JTA, or the right and responsibility of its Board to allocate and expend JTA resources as the Board deems necessary or appropriate. Further, the reserve levels of this policy reflect a negative outlook, as of the date of the original adoption of this policy in respect of the near-term ability of JTA to replenish reserves once expended. Because it will

likely be difficult for JTA to replenish reserves once expended, and in order to protect against cost overruns on capital projects, and in order for JTA to be in a position to undertake desired capital improvement projects that require matching fund, any budget surplus that exists at the end of any fiscal year, shall immediately be allocated to the Construction/Capital Projects Contingency Reserve set out in Section V above.

[VII. Publication

This rule is available online at JTA's website, <http://www.jtafla.com>. Hard copies are available without charge at JTA's offices located at 121 W. Forsyth Street, Jacksonville, FL 32203.]