



ITEM ID: 2023-219-0

TRANSMITTAL DATE: April 5, 2024

MEETING DATE: April 12, 2024

TO: Audit and Finance Committee

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: Working Capital Fund Policy

Issue

Metrolink has no cash reserve funds. The majority of the grants supplied to Metrolink to fund Capital Projects require that funds be spent, and subsequently reimbursed by the Grantor. This creates a negative cash flow which Metrolink is not able to sustain.

Recommendation

It is recommended that the Committee recommend the Board adopt the Working Capital Policy.

Strategic Commitment

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees. Adoption of a Working Capital Fund Policy will provide adequate cash flow funding to sustain Capital Project activities.

Background

Metrolink funds Capital Projects primarily through grants provided by Member Agencies, which are funded on a reimbursement basis. Project funds must be spent first, then submitted to the Grantor for reimbursement. Metrolink currently has no funds assigned to support the initial

funding of such projects, creating a negative cash flow.

Staff has been struggling to offset this negative cash flow by the usage of funds provided by deposits on Third Party Agreements (TPA) and Member Agencies' support payments which are approved for Operating expenses only. This practice is not sustainable and has caused a cash crisis.

Discussion

Advance outlay of cash for Capital Projects is estimated at \$20M-\$35M. Funds are required to support this advance outlay in that period where vendors are paid, claim documents are being assembled, billings created, and then submitted for reimbursement.

As described in the attached Working Capital Policy FIN – 9.7, Working Capital Funds provided by the Member Agencies will be sequestered in a separate bank account reserved for Capital transactions only. Payments to vendors and other charges related to Capital projects will utilize the funds in this account. Reimbursements from Grantors will be deposited back into the Working Capital Fund account.

Budget Impact

There is no budget impact as a result of this report.

Next Steps

A report on the Working Capital Account will be provided to the Board quarterly. The report will include usage and replenishment of the account.

Prepared by: Christine J. Wilson, Senior Manager, Finance

Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

[Attachment A - Working Capital Fund Policy 03.18.24](#)