

To: UTA Board of Directors and Carolyn Gonot, Executive Director

From: Bob Biles, Chief Financial Officer

Date: September 26th, 2019

Subject: UTA Reserves

During the recent 2020 budget discussions, the Board of Trustees asked for additional information about UTA's projected reserves, especially the expected composition and use of unrestricted reserves.

Earlier this year, the Board of Trustees approved its Financial Management Policy No. 2.1 which, among other things, established required reserve levels for the General Operating, Service Stabilization, Bond, and Capital Replacement reserves and continued the use of the Debt Reduction reserve. These required reserves are taken into account as UTA staff updates the long-range financial forecast ("TFP") as well as the annual budget. As shown in the chart below, July 2019 TFP projections show that the ending balance at the end of each fiscal year exceed the required reserves by the amounts listed on the "Designated/Unrestricted" line.

(in millions)	2019	2020	2021	2022	2023	2024
Required Reserves						
General Operating	\$36.5	\$37.7	\$40.3	\$42.8	\$44.3	\$46.0
Service Stabilization	9.1	9.4	10.1	10.7	11.1	11.5
Bond	38.6	38.6	38.6	38.6	38.6	38.6
Capital Replacement	10.7	10.7	10.7	10.7	10.7	10.7
Debt Reduction	<u>71.3</u>	<u>89.4</u>	<u>97.4</u>	<u>0.5</u>	<u>0.6</u>	<u>0.7</u>
Total Required Reserves	166.2	185.8	197.1	103.3	105.3	107.5
Designated/Unrestricted	<u>43.9</u>	<u>29.9</u>	<u>1.1</u>	<u>3.0</u>	<u>5.0</u>	<u>10.9</u>
Ending Balance, Dec. 31	<u>\$210.1</u>	<u>\$215.7</u>	<u>\$198.2</u>	<u>\$106.3</u>	<u>\$110.3</u>	<u>\$118.4</u>

For 2019 and 2020, the Designated/Unrestricted amounts represent planned spending for capital projects. Please see the chart below for the intended uses of the Designated/Unrestricted amounts for those years.

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	2019	2020
2018 Bond Proceeds	\$18,550,000	\$ 5,550,000
2020 Bond Proceeds		13,180,000
Designated for capital projects in subsequent year	<u>25,050,000</u>	<u>11,170,000</u>
Designated/Unrestricted	<u>\$43,900,000</u>	<u>\$29,900,000</u>

Please let me know if you need any additional information.