



GENERAL SUBJECT: Fiscal Policies	
SPECIFIC SUBJECT: Working Capital Policy	
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PURPOSE:

The purpose of this policy is to establish the target amount of working capital to be maintained in each of County's Enterprise Funds.

The County believes that sound financial management principles require that adequate working capital be maintained in its enterprise funds to ensure stable services and fees and to mitigate current and future risks including revenue shortfalls and unanticipated expenses.

Maintaining an adequate level of working capital in enterprise funds reduces financial exposure to the County's General Fund which would likely be called upon if enterprise fund resources were not adequate to address unplanned financial events.

DEFINITIONS:

1. *Working Capital* – The measurement of working capital indicates the liquidity of total enterprise fund capital which constitutes a margin or buffer for meeting obligations. Technically, working capital is the difference between current assets and current liabilities.
2. *Available Working Capital* – Defined as current assets minus current liabilities minus any current assets that have internal limitations placed on them that prohibit their use to manage financial risk. The term “available working capital” is used to identify the portion of working capital that is available for use. Think of it as unassigned fund balance.
3. *Enterprise Fund* – A fund established to account for operations financed and operated in a manner similar to private business enterprises (e.g. water and gas utilities, golf ranges, and landfills). Financial transactions of an enterprise fund are reported using standards similar to the private sector.
4. *Annual operating expenses* – Annual operating expenses include personnel and other operational costs including depreciation and landfill closure/post-closure expenses.

PROVISIONS:

1. LEVEL TO MAINTAIN

Each County Enterprise Fund will maintain an amount of available working capital equal to no less than 45 days worth of annual operating expenses.

2. PERMITTED USES

Use of working capital that results in the amount available being less than the 45 day minimum must be approved by the Board of Supervisors. Available working capital shall not be used to compensate for structural budget deficits but rather:

1. To address projected short-term enterprise fund revenue shortfalls; or,
2. To mitigate major unanticipated enterprise fund expenses.

3. MAXIMUM WITHDRAWALS

The amount of available working capital that may be used during any one year cannot exceed more than 1/2 of the balance.

4. RESOTORATION

Any proposed use of available working capital resulting in the amount falling below the minimum level must be accompanied by a restoration plan that brings the balance back to the minimum within 3 years.