



POLICY AND PROCEDURES
SUBJECT: Capital Reserve and Working Capital Policy
REVIEWED:

POSTED: 999

REVISED:

SCOPE: Applies to EMS Administration

PURPOSE: This policy is created in consideration of unanticipated events that could adversely affect the financial condition of the EMS Department and jeopardize the continuation of necessary public services. This policy will ensure that the Department maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs,
- b. Designate sufficient funding for Capital replacement and maintain a detailed 10-year Capital replacement plan.
- c. Offset significant economic downturns or revenue shortfalls, and
- d. Provide funds for unforeseen expenditures related to emergencies.

POLICY:

1. Establishment of Reserves:

- a. **The EMS Capital Replacement Fund (410) was established in 2019 in order to fund future capital expenditures.**
- b. **The Capital Replacement Fund is maintained separately from the operating funds of the organization.**

2. Funding the Reserves:

- a. The Department shall maintain an average working capital (current assets – minus current liabilities) equal to 120 days of the current years' operating expenses.
- b. The department shall further strive to maintain an average balance of 60 days of current years operating expenses in its Capital Replacement account.

PROCEDURE: In the 4th quarter of each year any excess funds above the 120-days operating expenses level in the operational account shall be transferred to the Capital Replacement account through the quarterly budget amendment. Should the working capital fall below 120-days operating expenses the next year's budget must include methods to restore the working capital to the 120-day mark.

The department will make annual recommendations for Capital Replacement based on current fund balance and incumbered expenses striving for the goal of at least 60 days operating expenses in reserve.