

Cash Reserve Planning

Finance and Operations Committee

January 24, 2022



Cash Planning Challenges

- Difficulty in long-term projections of carrier fee revenue
- Unexpected (unfunded) legislated mandates
- Prioritization and timing of capital investments
- Stabilization of technology maintenance and operations

Cash Planning Goals

- Maintain operating reserve to protect against uneven cash inflows and disruptions in revenue streams
- Level out funding of capital investments/technology enhancement projects
- Provide funding pool to take advantage of new opportunities
- Provide consistency on funding levels for operating and outreach expenses

Operationalizing Cash Reserves

- Define different types of reserves:
 - Operating
 - Capital – Enhancements/Opportunities
 - Capital – Replacement?
- Establish cash reserve targets as part of annual budgeting process
- Expand financial projection period to 3 years to accommodate capital budget planning/project prioritization
- Track cash reserve levels and include in quarterly financial reporting with explanations of additions and uses of reserves

Cash Reserve Forecast Example (for discussion purposes)

	2022	2023	2024	2025	2026
<i>\$'s in 000's</i>					
Revenues					
Carrier Fees	33,608	34,841	38,325	42,158	46,374
Tax Credit Donations	5,000	5,000	5,000	5,000	5,000
ARP Grant	1,111	222			
Cost Reimbursements	3,468	3,460	3,563	3,670	3,780
Grants/Other	2,566	1,000	1,000	1,000	1,000
Total Revenue	45,753	44,523	47,889	51,828	56,154
Operating Expenses					
Technology & Operations	14,037	11,621	11,970	12,329	12,699
Customer Service	10,339	10,650	10,969	11,298	11,637
Marketing and Outreach	7,277	7,496	7,720	7,952	8,191
Support Services	9,557	9,844	10,139	10,444	10,757
Total Operating Expenses	41,211	39,611	40,799	42,023	43,283
Net Income Before Depreciation	4,541	4,913	7,090	9,805	12,871
Depreciation	3,703	4,866	5,500	6,500	7,500
Net Profit/Loss	839	47	1,590	3,305	5,371
Cash Reserves					
Operating Reserve	10,000	10,000	10,000	10,000	10,000
Enhancement/Replacement Reserve					
Beginning Reserve Balance		3,000	413	1,503	5,308
Reserve Funding (Operating Income)		4,913	7,090	9,805	12,871
Capital Expenditures		(7,500)	(6,000)	(6,000)	(6,000)
Ending Enhancement Reserve Balance	3,000	413	1,503	5,308	12,179
Total Cash Balance	13,000	10,413	11,503	15,308	22,179