



ADDISON COUNTY
Economic Development Corporation
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ACEDC POLICY

OPERATING RESERVE

Section 1: PURPOSE

The purpose of this Operating Reserve Policy for ADDISON COUNTY ECONOMIC DEVELOPMENT CORPORATION (Organization) is to build and maintain an adequate level of unrestricted net assets to support the Organization's day-to-day operations in the event of unforeseen shortfalls. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The Organization intends for the operating reserves to be used and replenished within a reasonable period of time. This Operating Reserve Policy will be implemented in conjunction with the other financial policies of the Organization and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

Section 2: DEFINITIONS AND GOALS

The Operating Reserve Fund is defined as the designated funds set aside by action of the Board of Trustees. The minimum amount to be designated as operating reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The operating reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target minimum Operating Reserve Fund is equal to SIX (6) months of average recurring operating costs based on the average of the operating expenses reflected in the audited financial statements of the most recent three (3) fiscal years.

In addition to calculating the actual operating reserve at the fiscal year-end, the operating reserve fund target minimum will be calculated each year after approval of the annual budget. These reserves will be reported to the Executive Committee and Board of Trustees and included in the regular financial reports.

Section 3: ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the accounting system and financial statements as Board Designated Operating Reserve. The Operating Reserve Fund will be funded and available in cash or cash equivalents, including acceptable certificates of deposit or securities with a term of no greater than one (1) year. Operating reserves will be maintained in a segregated bank account(s) or investment fund(s), in accordance with investment policies or will be not be commingled with the general cash and investment accounts of the Organization.

Section 4: FUNDING OF RESERVES

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Directors may, from time to time, direct that a specific source of revenue be set aside for operating reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.

Section 5: AUTHORITY TO USE OPERATING RESERVES

The Executive Director will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Operating Reserve Policy. Determination of need requires analysis of the sufficiency of the current level of reserve funds, the availability of any other sources of funds before using reserves, and evaluation of the time period for which the funds will be required and replenished.

The Executive Director will submit a request to use operating reserves to the Executive Committee. The request will include the analysis and determination of the use of funds and plans for replenishment. The Organization's goal is to replenish the funds used within twenty-four (24) months to restore the Operating Reserve Fund to the target minimum amount. If the use of operating reserves will take longer than twenty-four (24) months to replenish, the request will be scrutinized more carefully. The Executive Committee will either (1) approve or modify the request and authorize transfer from the Operating Reserve Fund or (2) the Executive Committee will recommend the request to the Board of Trustees.

Section 6: REPORTING AND MONITORING

The Executive Director is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval of the use of operating reserve funds, the Executive Director will maintain records of the use of funds and plan for replenishment. She/he will provide regular quarterly reports to the Executive Committee and Board of Directors of progress to restore the fund to the target minimum amount.

The Executive Director will annually discuss with the Board of Trustees what additional risk factors might be considered for the Organization, the impact of budgeting on operating reserve levels, and any requirements with funders or chartering organizations.

Section 7: RELATIONSHIP TO OTHER POLICIES

The Executive Director shall maintain the following board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund:

- Investment Policy (Loan Policy), including risk tolerance
- Risk Management related policies and tools to diminish risk, including Contingency or Disaster Preparedness Plan
- Policies related to Operating and Capital Budgeting
- Fund Development Policies

Section 8: REVIEW OF POLICY

This Policy will be reviewed by the Executive Committee annually at minimum, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Executive Committee to the Board of Trustees. This policy, upon every revision hereof, must be distributed by the Executive Director to the following individuals/entities: all members of the Board of Trustees and the Finance Director. The Executive Committee is established by the ACEDC Board of Trustees to recommend policies, strategies, and budgets that support the mission, values and strategic plan of the Organization. Its purpose includes ensuring the financial health and integrity of the Organization in pursuit of its mission to create an entrepreneurial and innovative environment, nurturing businesses to launch, grow and thrive.

Approved by Executive Committee: June 13, 2019

Approved by Board: June 20, 2019