



Agenda Item Number 6 c. Operational Reserve Policy

Date: June 27, 2024

Presenter: Brenda Moore

Action Recommended: Approve Amendments

BACKGROUND:

In 2012, when LCOG faced an uncertain financial future, the Budget Committee recommended LCOG establish an Operational Reserve and recommended the amount of reserves that LCOG should have in Reserve. The Budget Assumptions, adopted by the Board in December 2012, set a goal of 2 months operating costs, which in 2012, totaled about \$2.4 million which some thought was too high. Today, that amount would be approximately \$7 Million.

The Executive Committee discussed the importance of setting the right target based on the risk level. Then Chair, Al King, requested that the Budget Committee develop a recommendation to the Board on a Reserve Policy that addressed the right amount of the reserve as well as the following:

1. What is the reserve amount based on? A percentage (%) of the subsequent year's budgeted expenditures or something else?
2. Should there be a policy on draw down of reserves? I.e., when does a draw down require Executive Committee action? Board action?
3. Should there be a restoration action level?

4. What criteria should be used to restore reserves?
5. What is the reporting mechanism?
6. How often should the review of this Policy take place?

The Executive Committee received a recommended Reserve Policy from the Budget Committee in the fall of 2013 and unanimously approved the policy. That policy is now outdated and needs to be revised to fit LCOG's current financial situation, which is more stable than it was when this Reserve policy was created.

I updated the Reserve Policy, attached, to reduce the Personal Services costs to include only 1 month of essential staff costs, yet still one quarterly mortgage payment. These essential staff include the Executive Director, the Human Resources Manager, the Finance Director, the Payroll Analyst, the Public Information Officer, and the Network Architect. These are the staff that would be required to staff the agency should there be an emergency or a shutdown where no work could be done on contracts.

I also revised the Policy to remove statements that a reserve Policy "will" be established and reflect that it has now been in effect for 11 years.

On June 5, 2024, as part of the Proposed FY25 Budget discussion, the amendments were presented to the LCOG Budget Committee who unanimously recommended the LCOG Board adopt the new policy. Likewise, the Executive Committee voted unanimously on June 11 to recommend the Board adopt the proposed changes.

Suggested Motion:

Accept the Amendments to the Operational Reserve Policy.

Attachment A: Operational Reserve Policy