LANE COUNCIL OF GOVERNMENTS
OPERATIONS RESERVE POLICY

EXECUTIVE SUMMARY

In order to provide a mechanism to stabilize priority services for our members, Lane Council of Governments ~~will~~ has established and maintained a funded Board-Designated Operating Contingency Reserve (Reserve). This Reserve~~wil~~l enables Lane Council of Governments (LCOG) to support strategic business practices necessary to:

Meet current commitments, obligations or other current contingencies;
Stabilize current service delivery;
Manage current cash flow interruptions;
Provide flexibility for new current organizational priorities.

The Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, or unanticipated loss in funding. The Reserve may also be used for one-time, nonrecurring expenses that can be substantiated as creating long-term organizational capacity or investment in innovative new programs that can be proven to create sustainable additional long term revenue. The Reserve is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.

This policy ~~will~~ provides for ~~clarification on~~ the establishment and maintenance of the Reserve~~ account for LCOG.~~ The Reserve ~~fund~~ is an account set aside ~~by the Board of Directors~~ to meet any unexpected costs or losses that may arise ~~in the future~~ as well as provide a balance necessary to offset any negative fund balance that might exist at ~~current~~ a year end.

The objectives of this Policy are to (1) provide a clear understanding of the goals and objectives of Reserve establishment and funding; (2) offer guidance and limitations regarding the use and replenishment of LCOG's Reserves; and (3) establish a process for reporting and review of LCOG's Reserve policy.

BASIS

A Reserve ~~will be~~is established to cover a portion of LCOG's operating costs and ~~.~~ certain ~~P~~personnel costs that are required to operate in uncertain times or when there is a lcak of appropriate funding to cover expenses. ~~and they are the basis of the services provided LCOG customers; as well,~~ LCOG's majority of revenue comes from federal, state and local contracts and grants and are therefore vulnerable to accurate budgeting forecasting and when the ~~timing~~receip of such revenues is in arrears of costs being incurred. In addition, potential large capital expenditures ~~are a risk~~ LCOG must ~~anticipate~~incur on a timely basis may need additional funding. Based on these reasons, ~~LCOG's assessment of its vulnerabilities and goal to be an anticipatory service,~~ a Reserve is necessary in order to stabilize programs, services, and deliverables.

Unanticipated expenditures are expenditures for a specific purpose for which there is no or insufficient appropriation or which will cause an appropriation to be insufficient which takes effect or occurs after final adoption of the annual budget and which could have been reasonably anticipated prior to final adoption of the annual budget.

Unanticipated revenue loss is revenues for a specific non grant based service where services were provided but could not be received due to changes in contract terms or discontinuance of a service before payments were provided and are not recoverable which takes effect or occurs after final adoption of the annual budget and which could not have been reasonably anticipated prior to the final adoption of the annual budget.

TARGET

Operating costs that form the basis of the Reserve amount are costs that are expenditures for non-federal and state contracts or grants in that such costs are funded by stable funding sources and are funds that must be utilized specifically for designated funded programs. Accordingly, composition of the Reserve will be based on budgetary appropriations and revenues not required by law to be paid into any particular fund or account. Specifically, approximately one month of operating costs consisting of essential personnel costs for non-federal, non-state and non-grant support and the equivalent of one quarterly loan payment for outstanding debt owed by LCOG General Fund and Building subfunds. For FY25, ~~T~~this approximates $~~355,000~~206,100 ($~~141,000~~91,700 one month personnel – salary/fringe only; $~~214,000~~114,400 one quarterly loan payment – principal/interest).

~~The time period to establish the Reserve is on or before December 31, 2013, with a goal of reaching the full Reserve amount by December 31, 2016.~~

FUNDING OF RESERVE

The Reserve fund will be ~~seeded~~ funded with amounts available from Member Dues and ~~as~~ carry-over from the previous Fiscal Year~~ 2013~~. The Reserve fund will continue to be funded from these amounts ~~identified~~each year through the annual budgeting process.

USE OF RESERVE

To the extent that there is an imbalance between revenues and Budgeted Expenditures, it is important that Reserves are utilized carefully and judiciously, since Reserves are a one-time, nonrecurring funding source. Use of Reserves must be approved by the full Board by Resolution and a decision approving the use of Reserves is required in advance of use of Reserve funds. The Board Resolution must include specifics about the amount to be transferred and the area of the budget where the funds will be expended. ~~A request for the use of Reserve funds must use a “Use of Reserve” form.~~ All requests for using Reserve funds require a justification for the use which includes the identification of other options.

REPLENISHMENT OF RESERVES

The long-term health of the fund requires that a material reduction of the reserve balance must be addressed promptly. If this occurs, a multi-year plan shall be developed to address the Reserve draw-down. A Replenishment Plan will be done in accordance with the guidelines below. Ranges are established based upon the percentage (%) of the Reserve used as compared to the Reserve target. The goal of this Policy is to maintain Reserves at or near the maximum of the range.

Minimum/Maximum Range

The following criteria should be used to restore Reserves based upon the remaining Reserve compared to the respective maximum Reserve target:

1. If the Reserves are drawn down below 75% of the maximum target, then a budgetary plan shall be implemented to return the Reserve level to between 75% and 100% of the maximum over a 2 year period.

2. If the Reserves are drawn down below the midpoint of the target, then the budgetary plan to restore the Reserve shall be structured over a 3 to 5 year period.

ANNUAL STATUS REPORTING AND PERIODIC REVIEW

This policy will be reviewed during the ~~FY15~~ annual budget process. ~~and annually for the next two years and then every other year or sooner if conditions warrant. A Reserve Status report will be prepared at the end of the fiscal year (June 30), with the first report presented no later than the end of the first quarter. Beginning in January 2016, the Executive Director will ask the LCOG Board to review and reaffirm or revise the Policy.~~