

## RESERVES FOR OPERATIONAL CONTINGENCIES

The purpose of this policy is to establish guidelines that provide for the sound financial management for unrestricted reserves.

**1.1 Definition:** The Upper Valley Lake Sunapee Regional Planning Commission's reserves/fund balance is reported in the annual Financial Report, as prepared by the Commission's auditor, they represent financial resources which are available for future capacity within the Commission. These funds are generally comprised of realized revenues in excess of incurred expenses within the fiscal year.

**1.2 Purpose:** Reserves represent resources for unanticipated fluctuations or emergencies in the budget or changing future revenue streams. They also serve to create a balance of cash that prevents the need for borrowing in anticipation of lost revenues and provide the opportunity to create programs that are valued by the region's municipalities and for which there are no other designated funds.

**1.3 Balances of Operation Funding:** It is the intent of the Commission to maintain a minimum operating balance of \$75,000 or 7% of the approved Annual Budget for cash flow operating expenditures. Any consistently maintained amount in excess of \$75,000 may be appropriated to a Reserve Fund.

**1.4 Calculation of the Reserve Fund:** At each Annual Meeting of the Commission, the Finance Committee shall submit to the Commission a calculation of 15% of the Commission's proposed Annual Budget to be the approved Reserve Fund amount and a strategy for achieving that amount of the course of the next 5 to 7 years.

**1.5 Transferring funds to a segregated account:** The Finance Committee may transfer funds from the general operating fund to the Reserve Fund as long as the minimum operating amount of \$75,000 or 7% of the approved Annual Budget remains available for daily operations of the organization. The Finance Committee must notify the Executive Committee of this transfer. Once designated as such, the Reserve Fund may only be used with the approval of the full Commission.

**1.6 Use of Reserve Funds:** Use of Reserve Funds should be strategic and approved by the Commission. The Reserve Fund should not be used to fund general or routine operating expenses of the Commission. Reserve Funds should be used to fund planned projects or meet goals set by the organization, hire needed staff to build future capacity, or address unforeseen emergencies, and overall to provide financial stability to the Commission.