

INTERNAL OPERATING PROCEDURE 113

GENERAL RESERVE POLICY

The purpose of this policy is to establish a target minimum level of designated reserves in the General Fund to:

- Reduce the risk of financial impacts resulting from a natural disaster or other catastrophic events affecting the YECA Communications infrastructure;
- Respond to the challenges of a changing economic environment, including prolonged downturns in the local, state, nation economy; and
- Demonstrate continued prudent fiscal management

A. Reserve Levels

The YECA will set aside funds into two designated reserves to address unforeseen emergencies or disaster, significant changes in the economic environment, and key infrastructure and capital projects. These two funds include the General Reserve and the Capital/Special Projects Reserve.

The YECA commits to maintaining the General Reserve at a minimum of 20% of General Fund annual operating expenditures (minus one-time expenditures). The General Fund Reserve Policy is reviewed by the JPA Board as part of the annual operating budget review and adoption process. Appropriations of any reserve require formal JPA Board authorization.

B. Key General Fund Designated Reserves

General Reserve. Funds reserved under this category shall be used to mitigate costs associated with unforeseen emergencies, including natural disasters or catastrophic events that impair the operating infrastructure of YECA communications. Should unforeseen and unavoidable events occur that require the expenditure of YECA resources beyond those provided for in the annual budget, the Executive Director or designee shall have authority to approve appropriations with the knowledge of the Chair or Co-Chair of the JPA Board. The Executive Director or designee shall then present to the JPA Board a budget amendment confirming the nature of the emergency and authorizing the appropriation of reserve funds. Other funds reserved under this category shall be used to mitigate budgetary issues and/or one-time expenditures that will result in future efficiencies and/or budget savings or as deemed by the JPA Board for authorization.

Capital/Special Projects Reserve. Funds reserved under this category are designated for key infrastructure and capital/special projects as identified in the YECA's 5-year Capital Improvement Plan, as there is no ongoing funding source to support the YECA's capital needs.

C. Replenishment of Unreserved Fund Balance

In keeping with the principles discussed in this policy, the JPA Board will develop a 1 to 7-year reserve replenishment plan to meet the minimum threshold of 20% of General Fund ongoing expenditures, excluding one-time expenditures.

D. Excess Fund Balance

At the end of each fiscal year, the YECA reports on the audited year-end budgetary fiscal results. Should actual General Fund revenues exceed expenditures and encumbrances, a year-end operating surplus shall be reported. Any year-end surplus that results in the General Fund balance exceeding the level required by the reserve policy shall be available for allocation for the following, subject to JPA Board approval:

- Capital/Special Projects Reserve
- One-time funding, non-recurring needs
- Member Share Reductions