



OPERATING RESERVE POLICY

Philosophy

The establishment and maintenance of a funded Board-Designated Operating Reserve is a high priority. This will enable the Huntington Beach Downtown Business Improvement District (HBDBID) to support strategic business practices and to:

- Manage cash flow interruptions
- Minimize the need for working capital borrowing
- Meet commitments, obligations or other contingencies
- Generate investment income

Policy

The purpose of this policy is to establish and maintain a funded Board-Designated Operating Reserve, unencumbered and uncommitted, at a level relative to the annual program funding and the costs of operating and maintaining the organization.

The Operating Reserve is intended to serve a dynamic role and is available to be utilized as needed rather than being static, devoted only to generating interest income.

Definitions

- Board-Designated Operating Reserves – Amounts reported in the Unrestricted Net Assets section of the balance sheet and identified as Board-Designated Operating Reserves.
- Program Funding – Undesignated allocations to Agencies and initiatives. It does not include expenses funded by grants..
- Cost of Operating and Maintaining the Organization – HBDBID net expenses for Program Services, Fundraising & Administration
- Funded Board-Designated Operating Reserve – A fund consisting of liquid assets and investments accounted for separately from Undesignated Operating Funds in the asset section of a balance sheet. Liquid assets are those that may converted to cash quickly and easily. It is not required that Board-Designated Operating Reserves be physically segregated in a separate bank account although HBDBID may decide to do so.

Strategies and Procedures

- Board-Designated Operating Reserves shall be accounted for separate and apart from Undesignated Operating Funds.
- The Governance / Finance Committee will have the responsibility for developing and recommending policies and guidelines for the investment of the Operating Reserve assets and the Board of Directors will approve such policies and guidelines.
- The Operating Reserve goal will be to achieve and maintain a balance equal to one year net income from Surf City Nights.

Sources

Assets for the Board-Designated Operating Reserve accounts will come from Surf City Nights surplus funds and any other special event income sources as recorded at the end of each fiscal year.

Uses

- Internal line of credit for use to financially operate the organization.
- Funds to stabilize a level of allocations or a level of increased allocation when events.
- Funds to meet unfunded and unexpected organization needs.
- Funds for emergency and emerging needs of the HBDBID.
- Funds to make up a deficiency in the HBDBID organization, either in results or collection experience.

Governance

The procedure for approving use of the Operating Reserve Funds will be as follows:

- Request submitted to the Governance/Finance Committee
- Action taken by the Governance/Finance Committee
- Recommendation to the HBDBID Board of Directors
- Approval by the HBDBID Board of Directors

Maintenance

The status of the funded Board-Designated Operating Reserve will be calculated at the end of each fiscal year based upon audited financial results. The Governance/Finance Committee will consider the adequacy of the Operating Reserve amount and will recommend any changes as deemed necessary.

Policy Review

This policy will be reviewed every three years by the Governance/Finance Committee or sooner if conditions warrant. Any changes thereto will be reviewed by the Executive Committee and approved by the Board of Directors.