

## UUCA

### **By-Laws change to add Operating Reserve Fund**

At the December 7, 2014 Congregational Meeting, the congregation approved a By-Laws change to support the addition of an Operating Reserve Fund.

The Operating Reserve Fund will consist of funds that have been set aside for use only in cases of financial emergencies. There will be transparency in how the funds will be used, with an annual reporting on the Operating Reserve Fund status. Having this Operating Reserve Fund in place will provide a financial buffer to bolster the ongoing management of cash flow and monthly bill paying. For example, if there is a cash flow problem during the slower summer months, this fund can be temporarily “tapped” and then replenished when pledged income picks up again in the fall.

Here is the By-Laws wording change:

Addition to the second paragraph under the Finance Officer section (By-Law III-Finance. 1.):

*The Finance Officer will track the Operating Reserve Fund, targeted to be between ten and fifteen percent of the current year's operating budget expense. Use of the Operating Reserve Fund will be directed by the Senior Minister and will be limited to addressing financial emergencies where the operating income is not sufficient to meet existing expenses. The Senior Minister will notify the Board of Trustees of any use of the Operating Reserve Fund. The Finance Officer shall report to the Congregation at the Annual Meeting on the status of the Operating Reserve Fund and on the activities and disbursements during the current year.*

The initial size of the Operating Reserve Fund will be approximately \$30,000 in the fund. If there are surplus operating budget funds at the end of any given year, some of that surplus should be used (at the Senior Minister's discretion) to bring this reserve up to the targeted amount.

#### **Policies and Procedures around this Operating Reserve Fund:**

- The size of this fund will be targeted to be between ten and fifteen percent of the current year's operating system expenses (excluding social justice programs). For example, if the current year's operating budget is set at \$800,000, then the Operating Reserve Fund should be maintained between \$80,000 and \$120,000.
- Growth or replenishment of funds will be made through donations and through use of annual surplus funds from the operating system budget.
- If the Operating Reserve Fund exceeds the upper level, the Senior Minister may direct the use of any amount over this upper level for other church priorities, as described in the Financial Planning and Health section of the Board of Trustees General Policies document.
- Use of the Operating Reserve Fund will be limited to addressing financial emergencies where the operating budget is not sufficient to meet existing expenses, such as a sudden drop in pledged income or a building maintenance emergency that is not covered by the operating budget. It is intended to be paid back by the end of the fiscal year in which it was used.
- The annual operating budget will not assume any use of the Operating Reserve Fund.
- Use of the Operating Reserve Funds is authorized by the Senior Minister, with advance notice to the Board of Trustees and formal notification to the congregation.