

OMAHA MUNICIPAL LAND BANK

OPERATING RESERVE POLICY

Purpose

The purpose of the Operating Reserve Policy (“Policy”) for the Omaha Municipal Land Bank (“OMLB”) is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The Operating Reserve (“Reserve”) is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in assets. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of the OMLB that operating reserves be used and replenished within a reasonably short period of time. The Policy will be implemented in concert with the other governance and financial policies of the OMLB and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

Definitions and Goals

The Operating Reserve Fund (“Fund”) is defined as a designated fund set aside by action of the Board of Directors. The minimum amount to be designated as operating reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The Targeted Minimum Operating Reserve (“Minimum Reserve”) shall be no less than three months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes some expenses such as pass-through programs, one-time or unusual, capital purchases. The amount of the Minimum Reserve will be calculated each year after approval of the annual budget, reported to the Finance Committee and Board of Directors, and included in the regular financial reports.

Accounting for Reserves

The Fund will be recorded in the financial records as “Cash Reserves.” The Fund will be funded and available in cash or cash equivalent funds. Operating reserves will be maintained in a segregated bank account(s) or investment fund(s), in accordance with investment policies and shall not be commingled with the general cash of the organization.

Funding of Reserves

The Fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for operating reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.

Use of Reserves

Use of the Reserves requires three steps:

1. Identification of appropriate use of reserve funds. The Executive Director and staff will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, if any, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.
2. Authority to use operating reserves.
 - a. Use of excess operating reserves. Where use of the operating reserves does not affect the Minimum Reserve, the Executive Director will submit a request to use Operating Reserves to the Finance Committee of the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization’s goal is to replenish the funds used within twelve months to restore the Operating Reserve Fund to the target minimum amount. If the use of Operating Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The Finance Committee will approve or modify the request and authorize transfer from the fund. (OR, the Finance Committee will recommend the request to the Executive Committee or the Board of Directors).
 - b. Use of operating reserves. Where use of the operating reserves reduces the Fund balance below the Minimum Reserve, the Executive Director in consultation with the Treasurer and/or Chair of the Finance Committee shall submit a request to use Operating Reserves to Board of Directors at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the Operating Reserve Fund to the target minimum amount. The Executive Director must receive prior approval

from the Executive Committee/Board of Directors if the Operating Reserves will take longer than 12 months to replenish.

3. Reporting and monitoring. The Executive Director is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the Executive Director will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Finance Committee/Board of Directors of progress to restore the Fund to the target minimum amount.

Relationship to Other Policies

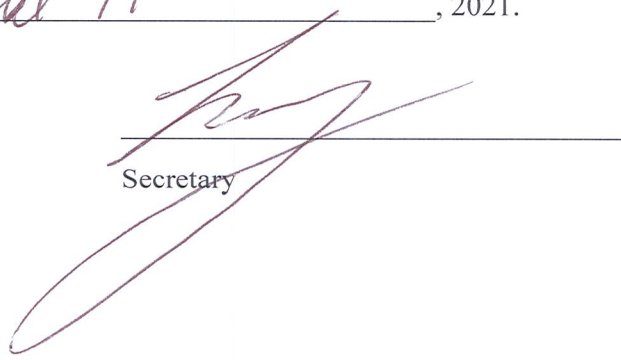
The OMLB shall maintain the following board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund:

- Financial Policy;
- Budget Policy;
- Contingency or Disaster Preparedness Plan; and
- Investment Policy

Review of Policy

This Policy will be reviewed every other year, at minimum, by the Finance Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the Board of Directors.

Approved by the board on April 14th, 2021.



Secretary