



WORKFORCE DEVELOPMENT BOARD
OF SOLANO COUNTY

POLICY ISSUANCE

Date: January 19, 2024

Number: 2024-01

FINANCIAL RESERVES POLICY

INTRODUCTION

The intent of this policy is to guide the parameters and uses of the Workforce Development Board (WDB) of Solano County's reserves. The financial reserves ensures that the WDB has sufficient liquidity to address unexpected events or large unbudgeted expenses, cover potential risks of disallowed costs, and ensure adequate cash flow needed to address the revenue and expense volatility of cost-reimbursable funding. In addition, the reserves provide a source of internal funds for organization priorities, program opportunity, and capacity building.

QUESTIONS

Questions relating to this policy should be directed to Heather Henry, President/Executive Director, at hhenry@solanowdb.org or at 707.863.3501.

POLICY

The WDB maintains a reserve account with the County Treasury. The reserves are funded with surplus unrestricted operating funds received. The Board of Directors via the Budget Committee maintains oversight of the WDB reserves. The Board of Directors may from time to time direct that a specific source of revenue be set aside for reserves.

Reserves allow the WDB to address unexpected events or large unbudgeted expenses and cover the cost of disallowed expenditures. Reserves should not be used to cover a long-term or permanent income shortfall. Rather, reserves allow the WDB to weather serious financial challenges by buying time to implement new strategies.

PURPOSE OF RESERVES

The operating purpose of reserves is to ensure the stability of the programs, employment, and ongoing operations of the organization. The reserves are intended to provide an internal source of funds for contingency situations such as sudden increase in expenses, one-time unbudgeted expenses, or unanticipated loss in funding. In addition, reserves provide an internal source of funds for liability situations, including any costs identified as disallowable by funders.

The target minimum reserve balance is \$100,000, equivalent to one full payroll including taxes as of July 2023. The target minimum reserve balance will be reviewed annually by

the Budget Committee. The reserves fund will be recorded in the Private Industry Council (PIC) account with the County Treasury.

The reserves may also be used to provide funds to meet special targets of opportunity or need that further the mission of the organization. The reserve may also be a source of internal funds for organizational capacity building such as staff development, research and development, or investment in infrastructure that will build long-term capacity.

USE AND REPLENISHMENT OF FUNDS

Use of 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, 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, if applicable.
2. Authority to use reserve funds – The level of authority is outlined as follows:
 - a. The Executive Director has authority to utilize reserves up to \$5,000.
 - b. For utilization of reserve funds between \$5,001 and \$10,000, the Executive Director will submit a request to use reserves to the budget committee of the Board of Directors. The Budget Committee will approve or modify the request and authorize use of reserves.
 - c. The Executive Director must receive prior approval from the full Board of Directors for utilization of reserve funds over \$10,000. Utilizing reserves that decrease the reserve balance below the target minimum reserve balance requires a supermajority of the Board of Directors.

The Executive Director, in consultation with the Board Chair, or if not available, the Treasurer, has the authority to borrow from reserve funds for cash flow purposes only when a certified source of incoming revenue is identified and if the utilization of funds does not decrease the balance of the reserve fund below the target minimum reserve balance.

3. Reporting and monitoring – The Executive Director is responsible for ensuring that the reserves are maintained and used only as described in this policy. Any use of reserves will be reported to the Budget Committee at their next scheduled meeting, accompanied with a description of the analysis and determination of use of funds and plans for replenishment, if applicable.

Reserve funds may be invested with approval from the Board of Directors.

Approved by

Workforce Development Board of Solano County
County of Solano