

Ordinary Proposal re. Board of Governors Reserve Finance Policy
(Contingent upon Approval of Bylaw Amendment re. Dues Amounts)

WHEREAS, the current NECA Board of Governors Policy on Reserve Finance has not been revised since 2004; and,

WHEREAS, spending from the reserves for annual operations has proved to be unsustainable for the long-term; and,

WHEREAS, the Policy needs to be revised to allow for financial stability to meet the current and projected future needs of the Association.

THEREFORE, be it resolved that the NECA Board of Governors Policy on Reserve Finance be revised as follows.

Reserve Finance Policy

NECA shall establish and maintain a financial reserve for the purpose of ~~providing stability of association operations and~~ responding to unpredictable problems and ~~opportunities~~ financial crises (Reserve Fund). Reserves are an important mechanism to ensure the Association's financial health and stability, and to mitigate financial risks.

It shall be a goal to maintain ~~restricted reserve funds~~ the Reserve Fund at a balance greater than six months operating expenses and less than two years operating expenses. equal to the annual operating expenses of the association. The minimum fund shall be equal to at least six months operating expenses and not in excess of two years operating expense. For the purpose of these calculations, o ~~Operating expenses are~~ should be averaged over a five-year period.

Upon prior approval of the Executive Committee, the Reserve Fund may be used for:

- Operating needs in times of crisis, marked recessionary times, and as protection against significant unexpected revenue declines.
- Unforeseen legal costs or settlements.
- _____

~~The Executive Committee may utilize up to 7% of the value of the restricted reserve fund for annual operations. The value shall be determined at fiscal year end. To meet short term cash needs the Executive Committee may transfer additional amounts to the operations account provided such amounts shall be returned to the restricted reserves during the following fiscal year. All other withdrawals, and any withdrawals (for reasons listed above) which exceed 5% of the value of the Reserve Fund at the prior fiscal year end, from the restricted reserve require prior authorization by the Board of Governors.~~

The ~~restricted reserve~~ Reserve Fund shall be managed by recognized professional investment managers in a formal, diversified plan approved by the Executive Committee and may be invested in traditional vehicles such as stocks, bonds, and cash. ~~The reserve may also be used to finance a permanent building and property for use as association offices.~~

This Policy will be reviewed annually, by the Executive Committee, or sooner if warranted by internal or external events or changes. Proposed changes to the Policy will be submitted to the Board of Governors.

(Adopted Oct. 16, 2004)