

Greater Madison Convention & Visitors Bureau, Inc.

Policy on Operational Reserves

Adopted 08/29/13

Statement of Purpose:

The Greater Madison Convention & Visitors Bureau Board of Directors has designated an Operating Reserve Fund to ensure the long-term financial stability of the organization as well as position the organization to respond to varying economic conditions and continuously carry out its mission. The organization will maintain a Board Designated Operating Reserve Fund to achieve the following objectives:

- 1) To enable the organization to sustain operations in the event of natural disaster, events that shake traveler's confidence or local emergencies that would lead to a sharp downturn in visitor spending;
- 2) To enable the organization to sustain operations in the event of payment delays or contract negotiations without jeopardizing ongoing operations;
- 3) To enable the organization to sustain core activities in the event of economic downturn;
- 4) To address events that might damage the destination's image or brand resulting in a significant deterrent to guests visiting the area – examples might include natural disasters, crime, negative press surrounding local events or venue.

Board Designated Operating Reserve Fund Balance

It is the goal of the Greater Madison Convention & Visitors Bureau, Inc. to establish and maintain an Operating Reserve Fund balance in the amount of 40-45% of the organization's annual non-pass-through budget.

Funding of the reserve

The Reserve shall initially be funded through board designation of current accumulated Net Assets of the organization that are not currently designated for another purpose. In our annual budgeting process, the organization will assess the need for investment of reserve funds or for budgeting additional resources to maintain the reserve fund at the stated reserve range. In the case of reserve fund usage, a plan shall be presented to the organization's Executive Committee to replenish the fund and the time required to do so.

Calculation of Reserve Level

The organization shall apply the fund balance range to the current year's operating budget as adjusted for items that are deemed to be expenses that simply pass through the organization and are generally eliminated in the year end audit. Specific items that shall be eliminated are:

- 1) Agency funds - items held and paid on behalf of another entity without the organization having specific spending authority – specific examples are Monona Terrace Booking Incentives, Monona Terrace reimbursable expenses, Alliant Energy Center contractual employees, Alliant Energy Center Booking Incentives
- 2) Pass through Funding – items collected on behalf of an event, client or other entity in which the majority of funds are paid out to another organization – specific examples are cooperative marketing programs and housing assessments.
- 3) Intra-company loans and grants
- 4) Budgeted amounts to reserves (net income)

By way of example – the 2013 consolidated budget is \$3,637,631 and is adjusted by the following:

- 1) Monona Terrace Booking Incentives – \$195,000
- 2) Room Assessment Pass through – 77,134
- 3) Spirit Expenses – 48,000
- 4) Additions to Madison Opportunity fund - 27,000
- 5) MASC Expenses – 383,677

Range for Reserves based on adjusted budget of \$2,906,820 is \$1,162,720 - 1,308,069

Operational Reserve Use of Funds Policy

Prior to accessing the Operational Reserve, the organization shall present a plan to utilize the Reserves consistent with the objectives outlined in the Statement of Purpose. The organization's Executive Committee shall have final approval for up to 25% of the existing reserve balance with the Board of Directors having final authority on funds exceeding 25% unless the situation requires immediate action and the Board is unable to achieve quorum within the required timeframe, in which case the Executive Committee will act on behalf of the board, in accordance with Article V, Section 7 of the GMCVB By-laws.

Operational Reserve Governance Policy

The Executive Committee will review the designated reserve balances on an annual basis after the annual audit is complete and provide recommendations for adjustments to the designated fund balance. The organization's Executive Committee will review the Reserves Policy and submit any updates or changes to the Board of Directors for review.