



Strategic Spending Policy

Purpose and Objectives: The Strategic Spending Policy is established to guide the prudent and strategic utilization of the Long-Term Reserve Fund, ensuring that AACRAO can enhance its mission, provide long-term sustainability, and meet its financial commitments.

Definitions:

The following definitions can be found in the AACRAO Investment Policy but are included here for clarity.

Target Value: The target value represents the baseline for prudent financial planning. The target value is designated by the Investment Policy

[The Long-Term Reserve Fund shall maintain a target value of 66% (8 months) of the current fiscal year budget, as specified in the investment policy.]

Excess Reserves: Reserves exceeding the target value available for strategic spending, subject to approval by the AACRAO Board of Directors, hereafter referred to as the Board.

Guidelines for Strategic Spending Requests:

In any given fiscal year, the staff may propose that up to 25% of excess reserves be requested for strategic spending, subject to approval by the AACRAO Board. The amount available for allocation to strategic investment is evaluated annually based on portfolio performance against minimum and target values.

Through the annual budgeting process, the Board may allocate these excess reserves to the following strategic spending categories:

Capital Improvements:

Equipment and Hardware: Investments in equipment and hardware that enhance operational efficiency or support the organization's core functions.

Software Acquisition and Development: Investment in software solutions to improve operational processes or support strategic initiatives.

Maintenance and Upgrades: AACRAO has a responsibility to protect and maintain the value of the national office and to ensure a safe and productive work environment.



Innovation and Development:

Program Development: Funds may be allocated to develop new programs or replace outdated ones, aligning with AACRAO's mission and strategic goals.

Expansion of Services: Investment in initiatives that expand AACRAO's interests and services, increasing member value or fostering growth and relevance in the field.

New Revenue Opportunities: Investment in new revenue-producing opportunities that align with the organization's mission and long-term sustainability.

All requests should consider both single-year and multiple-year investment commitments and budget impacts.

Non-capital requests should include a multi-year plan to ensure adequate development time for return on investment and include success benchmarks for evaluation. Multi-year requests should be discussed and approved in the initial request when possible.

Approval for Strategic Spending Requests:

Strategic Spending requests should be discussed and initially approved by the Finance, Investments and Audit Committee (FI&A) and then submitted to the Board for final approval, in conjunction with the budget approval process.

Approved Strategic Spending requests will be incorporated into one or more future year budgets.

Annual Review:

The Strategic Spending Policy shall be reviewed annually by the Board (via the FI&A Committee) to ensure its continued alignment with the organization's mission, goals, and financial health.