

Reserve Fund Policy

The _____ County Public Library Board of Trustees is responsible for allocating the library's reserves, bearing both current and future library services in mind, into funds designated for specific purposes. The Board supports the Library's fiscal sustainability as its first priority when maintaining assets for reasonable projected future needs. Having an adequate level of assets is crucial to long-term maintenance of the Library's physical properties and services. These funds will also support the future expansion of Library facilities, programs, and services as needs change over time. Having adequate reserves will also serve to avoid unnecessary borrowing and will improve the Library's credit rating if borrowing becomes necessary.

This reserve policy guides the Board of Trustees in providing financial stability by ensuring sufficient cash flow for day-to-day operations, allowing the Library to respond to emergencies, and replacing, repairing, or adding to capital assets in a timely manner. These policies are consistent with Kentucky Public Library Association standards and serve taxpayers by defining the need for the current assets held by the Library. To accomplish these goals, the Board has established the following reserve funds. The Board will distribute current assets to these reserve funds as set out below. The following reserve targets should be re-evaluated on a regular basis to ensure that they are adequate. Monies may be re-apportioned among the various reserve funds as forecasted needs change.

Operational Reserve:

By statute, the library's fiscal year begins July 1, with the bulk of the Library's revenues expected to arrive six months later in December. To bridge this funding gap, the Board of Trustees will ensure that this fund contains an operational reserve at the end of each fiscal year in an amount capable of sustaining at least ____ months of operating expenditures.

Emergency Reserve:

The Emergency Reserve will be used for unforeseen emergencies such as unusually late tax collection, replacement or major repair to systems such as roof or HVAC, or any other circumstance that would hinder normal operation of the Library. The Board of Trustees will keep \$_____ in this fund. This fund amount should be evaluated annually to confirm that it is still adequate to deal with foreseeable emergencies.

Capital Facility Reserve:

The Capital Facility Reserve will be used to support long-term capital improvements including major furniture replacement, vehicle purchase or replacement, or construction projects forecasted to occur over the next ten years. The Board of Trustees may consult with financial advisors, architects, or other consultants to determine capital

needs over the ten-year period. This fund may also be used to pay off bonds issued for construction and land acquisition projects. Money will be added to this fund as they are available after the other funds have met the targeted goals listed above. An amount equal to ___% of total annual expenditures will be added to the Capital Facility reserve each year. If a large capital construction project moves into an active planning process, this policy will be updated to reflect appropriate financial preparation for that project.

Evaluation:

Once reserve targets are met, total library income should be examined with a qualified financial planner to project ongoing needs. If income is projected to regularly exceed what is required for expenditures & the reserve goals enumerated above, the board should then consider a plan to adjust tax rates over time to more accurately match library income with needs.

[reviewed 2/14/2022]