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Reserve Funds Policy

Policy Statement:

We maintain reserve funds to cover normal operating expenses, initiatives, grant programs, opportunities and capital purchases.

Policy Background:

The Federation has a commitment to its member libraries to maintain the current level of programming and to explore new opportunities to meet the Federation's strategic priorities.

Policy Goal:

Due to the unpredictable nature of the Federation's revenue stream, it is prudent to maintain adequate reserves to meet obligations to our member libraries, in the event of a delay of receipt of the annual operating grant; to maintain adequate reserve funds to ensure an orderly shutdown of the Federation in the event of a discontinuation of the annual operating grant; and to meet strategic priorities and project grant obligations.

Policy Objectives:

- Operating Reserve: sufficient operating funds are maintained to cover normal administrative expenditures for two months based on the previous year's expenditures. The calculation of normal administrative expenditures includes all recurring, predictable expenses such as salaries and benefits, occupancy, telecommunications and office.
- Capital Asset Reserve: Sufficient funds will be maintained to purchase or replace computer and office equipment. The target amount of the Capital Asset Reserve will be calculated as 2.0% of the previous year's budgeted revenue.
- Initiatives Reserve: Sufficient operating funds will be maintained to fulfill strategic priorities for one month in the event of a delay of receipt of the annual operating grant. The calculation for the Initiatives reserve will be based on the previous year's Initiatives expenditures (exclusive of Collaboration).
- Opportunities Reserve: Grants received in advance, unexpended grants, and unexpended amounts budgeted as Initiatives Expense will be carried forward and utilized to fulfill grant obligations and strategic plan priorities. Unexpended Initiatives Expense reserves will be capped at \$20,000 (\$5,000 for each of Library Promotion, Programs, Training/Professional Development and Local Initiatives Grants)

Accounting for Reserves:

The reserve funds will be recorded in the financial records as the Board designated Operating, Capital Purchases, Initiatives and Opportunities Reserves, and will be available in cash funds. Reserves will be commingled with the general bank accounts of the Federation.

Operating, Capital Purchases and Initiatives Reserves will be funded with surplus unrestricted operating funds. The Board may, from time to time, direct that a specific source of revenue be set aside for Operating Reserves.

Opportunities Reserve will be funded by setting aside unexpended grants or Initiatives Expense amounts.

Use of Reserves:

The Manager in consultation with the Board will identify the need to access the Operating reserve fund and confirm that the use is consistent with the purpose of the reserves.

The Manager in consultation with the Library Directors Advisory Group (LDAG) will identify the need to access Capital Asset, Initiatives and Opportunities reserve funds and confirm that the use is consistent with the purpose of the reserves.

Authority to use reserves:

Operating Reserve: The Board will direct the Manager to use Operating reserve funds. In the event of a delay in the annual operating grant, the Federation's goal is to replenish the funds used within twelve months to restore the fund to the targeted minimum amount. In the event of a discontinuation of the annual operating grant, the reserve funds will be used to ensure an orderly shutdown of the Federation.

Capital Asset, Initiatives and Opportunities Reserve: Authority for the use of these reserve funds is delegated to the Manager in consultation with the LDAG. The use of the reserves will be reported to the Board at their next scheduled meeting. Plans for replenishment of the Initiatives and Capital Asset reserve fund will be included in the report.

Reporting and monitoring:

The manager is responsible for assuring that the Reserve funds are maintained and used only as described in this policy.

Review of policy:

This policy will be reviewed annually by the Manager and Treasurer and changes recommended to the Board of Directors.