

## Reserves Policy

### Purpose

This policy establishes guidelines for the use, monitoring, and replenishment of reserve funds held by the East Greenbush Community Library. These reserves ensure responsible stewardship of resources and support the Library's long-term financial stability. Reserve funds provide financial resources for emergencies, planned capital projects, special initiatives, and donor-restricted purposes. It is the Library's intent to fund all maintenance and operations from operating and reserve funds, and only use bonding if the Library undergoes a major expansion or building project.

### Fund Categories and Guidelines

#### 1. Non-Restricted Hurr Fund

- **Purpose:** A flexible reserve from the Estate of Ruth Hurr, intended to support initiatives consistent with the Library's mission, strategic goals, or emergent opportunities.
- **Use of Funds:** May be used at the discretion of the Board for projects, strategic priorities, or unanticipated needs not covered by the annual operating budget.
- **Oversight:** Use of this fund requires Board approval.
- **Replenishment:** Contributions may be made through investment income.
- **Interest Earned:** Interest earned will remain in this account.

#### 2. Non-Restricted Capital Reserve

- **Purpose:** To support planned or emergency capital needs, including building repairs, renovations, infrastructure upgrades, and equipment replacement.
- **Target Balance:** Based on a Board-approved 5–10-year facilities plan, reviewed annually during the budget process.
- **Use of Funds:** For non-recurring expenditures that improve, replace, or extend the useful life of library facilities and systems.
- **Oversight:** Expenditures must be approved by the Board and be in alignment with the Library's Capital Improvement priorities.
- **Replenishment:** May include annual budget allocations, surplus funds, or transfers as approved by the Board
- **Interest Earned:** Interest earned will remain in this account.

#### 3. Non-Restricted Operational Contingency Fund

- **Purpose:** To provide a financial cushion in the event of revenue shortfalls, cash flow deficits, unexpected cost increases, or emergency operational needs.
- **Target Balance:** Equivalent to 3–6 months of average operating expenses.
- **Use of Funds:** Limited to short-term operating needs when other funding is not immediately available.

- **Oversight:** Board approval is required to access this fund.
- **Replenishment:** May include annual budget allocations, surplus funds, or transfers as approved by the board. A minimum balance equivalent to 3 months' operating expenditures must be maintained.
- **Interest Earned:** Interest earned will remain in this account.

#### 4. Donor-Restricted Gift & Grant Fund

- **Purpose:** To manage funds received with donor-imposed restrictions for specific programs, services, or time-limited initiatives.
- **Use of Funds:** In accordance with the terms established by the donor or grantor.
- **Oversight:** Managed by the Library Director or designee with oversight from the Board. Expenditures must comply with all restrictions.
- **Replenishment:** Replenished through additional gifts or grants.
- **Interest Earned:** Interest earned will be deposited into the Operating Savings account.

#### 5. Donor-Restricted Capital Reserve

- **Purpose:** To fund specific capital projects identified and restricted by donors or granting agencies.
- **Use of Funds:** Restricted to the purposes designated by the donor (e.g., a specific building renovation or technology upgrade).
- **Oversight:** Expenditures require Board approval and must adhere strictly to donor intent.
- **Replenishment:** Only through new restricted donations or grants.
- **Interest Earned:** Interest earned will be deposited into the Non-Restricted Capital Reserve account.

#### Governance and Oversight

- The Board of Trustees has fiduciary responsibility for all reserve funds and must approve all expenditures and transfers.
- The Library Director, in partnership with the Treasurer, will provide monthly and annual reports on fund balances, usage, and compliance with this policy.
- Any proposed use of reserves outside the approved budget requires a formal Board resolution.

#### Establishing New Reserve Accounts

The library may establish additional reserve accounts as needed to support strategic priorities, fiscal management, or donor-directed purposes. The following process must be followed to create a new reserve:

1. **Proposal Development:** A written proposal outlining the need, purpose, intended use, funding sources, and a target balance for the reserve must be submitted to the Administrative Committee, followed by the Library Board of Trustees.

2. **Review and Approval:** The Board will review the proposal for alignment with the Library's strategic and financial goals. Creation of a new reserve account requires formal approval by Board Resolution.
3. **Naming and Classification:** New reserves must be clearly designated as either Non-Restricted or Donor-Restricted and include defined oversight, replenishment, and interest protocols.
4. **Reporting:** Once established, new reserves will be included in the Library's monthly and annual financial reports, consistent with all other reserve accounts.

### Unassigned Fund Balance (Non-Restricted)

#### Purpose

- To ensure adequate cash flow for operating expenses prior to the receipt of tax revenues in February.
- May also be used for other purposes as determined by the Board.

#### Minimum and Maximum Balances

1. At the start of each fiscal year, the balance shall be:
  - Minimum: 25% of prior-year planned operating expenses
  - Maximum: 30% of prior-year planned operating expenses
2. If the balance falls below 25% at fiscal year-end, the Board will adopt a plan to replenish the balance within two years; funding may include transfers from non-restricted reserves.
3. If the balance rises above 30% at fiscal year-end, excess funds may be:
  - Reserved as appropriations for contingencies
  - Appropriated in the budget to reduce taxes, or
  - Designated to another reserve category in accordance with this policy.
4. A contingency amount, up to a maximum of 4% of previous fiscal year planned operating expenses, may be maintained from unassigned cash assets, if available.