

Reserve Fund Policy Olean Public Library

(Adopted: 01/19/2022; Amended:)

SCOPE

This Reserve Fund Policy applies to all monies remaining at the end of the Library's fiscal year. These funds should be analyzed and included in the annual budget development. This policy outlines the types of reserves the library can maintain.

OBJECTIVE

The Primary objectives of the Library's Reserve Fund Policy is to:

- Stabilize the Library's current operating cash flow and tax levy projections.
- Alleviate cash short falls in times of unanticipated increases in expenditures, and
- Be used in relationship to the Library's long range and strategic plan for projecting future years' expenditures.

PRUDENCE

There is no legal limit set by law as to the amount of remaining fund balance that a Public Library can acquire. However, it is common for a library to maintain a fund balance to meet the cash flow requirements of the Library prior to receiving the tax levy in November. This practice therefore guides the library to maintain up to 10 months of anticipated expenditures in the undesignated fund balance. Amounts exceeding this 10-month balance may be moved into specific reserves by the Library Board.

RESERVE USAGE

The Library Board has the authority to establish and spend down all monies in the reserves by board motion.

ALLOWABLE RESERVES *(including but not limited to)*

Unemployment – This reserve is used to cover unemployment costs associated with changes in employment. Since the library is a direct payor for these expenditures, fluctuations in employment could cause future increased expenditures. Reserve balance will be based on past history and anticipated potential employment changes.

Retirement System – This reserve is used to cover unanticipated or large fluctuations for the NYS Employee Retirement system payment. Reserve balance will be based upon past history, inflation rates and the NYS CPI (The CPI that is used in calculating the annual tax levy). A maximum of 5 years'

payment projections could be funded by the Board. This expenditure is volatile based on the stock market, and rate increases could result in budget deficiencies. Setting aside funds to cover any shortfall will ensure that the Board can adjust future budgets without compromising current patron services.

Capital Projects – This reserve is used to help offset taxpayer portion of capital projects. The amount is based on future capital projects that the Board is considering undertaking. These funds can be used to help reduce future indebtedness for finance capital projects.

EBALR- Stands for “Employee Benefits Accrued Liability Reserve” and is used to make payments to employees for accrued leave time due to them upon separation of employment.

ESTABLISHMENT AND SPEND DOWN

Reserve balances will be included in the development of annual budgets. Anticipated use and funding of these monies will be included in the detailed budget as authorized by the Board.