

Marion Public Library Reserve Fund Policy

Adopted: April 22, 2025

Purpose

This policy establishes guidelines for the creation, maintenance, and use of reserve funds by the Marion Public Library. The purpose of these reserves is to support the Library's long-term fiscal stability, ensure continuity of operations, and provide for planned and unplanned future expenditures.

Legal Authority

As a municipal public library in New York State, the Marion Public Library is fiscally autonomous from its sponsoring municipality and governed by its Board of Trustees. In accordance with New York State General Municipal Law (GML), the Library Board has authority over the use, disposition, and expenditure of library funds, including reserve funds. All reserve funds must be managed in accordance with GML §6 and other applicable laws and regulations.

Types of Reserve Funds

Through formal board motion, the Library has established the following reserve funds:

- **Capital Reserve Fund** – For the acquisition, construction, or improvement of capital assets such as buildings, technology infrastructure, or major equipment.
- **Repair Reserve Fund** – To fund major repairs that do not recur annually and are not covered under the operating budget.
- **Employee Benefit Accrued Liability Reserve (EBALR)** – For payment of accrued benefits due to employees upon termination or retirement, as applicable.
- **Undesignated Fund Balance (Operating Reserve)** – To provide for cash flow needs prior to receipt of tax revenues or other income and to protect against unanticipated shortfalls.

Other reserve funds may be created as permitted under law and as determined necessary by the Board of Trustees. As reserve funds are created by the Board of Trustees, they will be added to this policy through a formal amendment.

Establishment and Funding

Reserve funds may be established and funded by formal resolution of the Library Board of Trustees during an open public meeting. Amounts to be placed in reserve funds should be planned and included in the annual operating budget, with justification based on anticipated future needs.

Surplus funds at the end of a fiscal year may also be appropriated into reserve funds by board resolution. The purpose and rationale for the reserve must be clearly stated in the resolution.

Use and Appropriation

The use of reserve funds requires formal board approval via resolution adopted during an open meeting. Expenditures from reserves must align with the purpose for which the reserve was established. Funds may not be transferred or expended without this board action.

Each resolution to appropriate reserve funds must include:

- The specific amount to be used
- The reserve fund to be accessed
- The purpose of the expenditure
- Justification based on the reserve's intended use

Transparency and Oversight

All actions related to reserve funds, including creation, funding, and appropriation, must be documented in the minutes of open meetings and reflected in monthly and annual financial reports. Reserve fund balances must be included in the Library's annual audit.

While no public hearing is required, the Board of Trustees shall conduct all discussions and votes concerning reserve funds in open meetings, allowing for public observation in accordance with the Open Meetings Law.

Investment and Safeguarding

Reserve funds must be invested in accordance with General Municipal Law §11. The primary objectives for all library investments shall be:

1. **Legal compliance**
2. **Safety of principal**
3. **Liquidity**
4. **Reasonable yield**

Pooling surplus funds with other libraries or municipal entities for investment purposes (e.g., certificates of deposit) is permitted under Education Law §255(5), provided all legal conditions are met.

Review and Accountability

The Board of Trustees shall periodically review the status and purpose of each reserve fund to ensure alignment with the Library's goals and financial needs. The Board must ensure that reserve balances are not excessive and can be clearly justified.

Coordination with Annual Budget

Commented [RK1]: If you'd like to invest funds (which would be a good idea), the board will need to approve an investment policy. Let me know if/when you need that one.

If the municipality handles your investments, I'd need to look into that.

Commented [RK2]: This is where the OSC says that organizations should not have more than their annual operating in reserve. If there is a really good reason, you may be able to do so, we'd just need to make sure there is justification on file.

Reserve fund activities must be considered in the context of the annual budget process. The Board of Trustees shall consider reserve balances and future funding needs when preparing the annual budget request to the municipality.

Policy Review

This policy shall be reviewed each year, or more frequently as needed, and updated by board resolution to ensure continued relevance and compliance with applicable laws.