Marion Public Library Reserve Fund Policy

Adopted: April 22, 2025; Amended: October 20, 2026

Purpose

This policy sets guidelines for the Marion Public Library's creation, maintenance, and use of reserve funds. 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. Under Education Law §259(1), library tax and other public monies are kept as a separate library fund and are spent only under the direction of the library trustees. As a result, the Library Board controls the use, disposition, and expenditure of library funds, including reserve funds (State Comptroller Opinion 91-57). The State Comptroller has also advised that a library board may carry over and accumulate library fund monies from year to year and spend them for proper library purposes (State Comptroller Opinion 2002-7). All reserve funds must be managed in accordance with this policy and other applicable laws and regulations.

Types of Reserve Funds

The Library establishes the following reserve funds through formal board resolution, adopted after this policy:

- **Capital Reserve Fund** - For the acquisition, construction, or improvement of capital assets such as buildings and technology infrastructure.
- **Equipment Reserve Fund** - For the purchase or replacement of equipment, such as furniture, computers, and other technology equipment.
- **Repair Reserve Fund** - To fund major repairs that do not recur annually and are not covered under the operating budget. This fund exists primarily as a cash-flow reserve to correct major repairs. Any repayment to the Library for a repair it pays first comes from other formal agreements with the Town of Marion, which typically cover repairs to the building. The Library returns any repayment it receives to this fund, recorded as a receipt.
- **Employee Benefits Reserve** - For payment of accrued benefits due to employees upon termination or retirement, as applicable, and to cover increases in the cost of employee benefits, such as health insurance premiums, and shortfalls in the amount the operating budget provides for employee benefits.

- **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.

The Board of Trustees may create other reserve funds as permitted under law and as it determines necessary. The Board adds each new reserve fund 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. The Board must adopt this policy, or an amendment adding the fund, before it adopts the resolution that creates the fund. The Board may do both at the same meeting, in that order. The Board should plan and include amounts to be placed in reserve funds in the annual operating budget, with justification based on anticipated future needs.

This policy sets no minimum amount for a reserve fund. Each reserve fund must hold some money when the Board creates it, and the Board does not have to divide money equally among the funds. The resolution that creates or funds a reserve fund states the amount.

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

Use and Appropriation

Using reserve funds requires formal board approval through a motion 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. A motion that moves money out of one reserve fund into another reserve fund, or into the operating fund, must state the justification for the move.

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.

At each regular board meeting, the board shall compile a Reserve Fund Report. For each reserve fund, the report states the opening balance, deposits, withdrawals, yield allocated, and ending balance, and lists each investment and its maturity date.

Although no public hearing is required, the Board of Trustees must hold all discussions and votes on reserve funds in open meetings, allowing public observation in accordance with the Open Meetings Law.

Investment and Safeguarding

Reserve funds must be invested in accordance with General Municipal Law §11 and the Library's Investment Policy. The primary objectives for all library investments are:

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

The Library tracks each reserve fund separately in its own accounting records. The Library may hold the reserve funds together in one pooled account if its records show each fund's share of the balance. The Library allocates the yield on pooled investments back to each reserve fund in proportion to that fund's share of the balance.

Education Law § 255(5) permits pooling surplus funds with other libraries or library systems to buy certificates of deposit, provided all legal conditions are met. Education Law §255(5) does not authorize pooling library funds with the funds of a town or other municipal entity.

Review and Accountability

The Board of Trustees must 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. The Board documents the reason for the combined balance of all reserve funds in relation to the Library's annual operating budget.

Coordination with Annual Budget

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

Policy Review

The Board reviews this policy each year, or more frequently as needed, and updates it by board resolution to ensure continued relevance and compliance with applicable laws.