



CONTINGENCY Reserve Policy Naples Library

1 – Purpose

The Naples Library maintains assigned reserve funds for the purpose of responsible fiscal planning.. A motion by the Board of Trustees is required to move funds from or to the Operating Budget and the Contingency Reserve.

The purpose of the Naples Library Contingency Reserve is to ensure the stability of the mission, programs, employment and ongoing operations of the library. The Contingency Reserve is intended to provide an internal source of funds for situations such as, but not limited to, a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss of funding, or uninsured losses.

Contingency Reserves are *not* intended to replace a permanent loss of funds, address a major capital need, or eliminate an ongoing budget gap. When the Contingency Reserve is used, it is the library's intention that the fund be replenished within a reasonably short period of time.

2 – Definition and Goals

The Contingency Reserve is defined as a designated fund set aside by action of the Board of Trustees. The Contingency Reserve serves a dynamic role and will be reviewed and adjusted as needed..

The target minimum Contingency Reserve is equal to **THREE** (3) months of average library operating expenses. Average monthly operating expenses include all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program and ongoing professional services. The amount of the Contingency Reserve target minimum will be (re)calculated each year by the Finance Committee, reported to the Board of Trustees and included in the regular financial reports.

3 – Accounting for Reserves

The Contingency Reserve will be recorded in the financial records as *Board-Designated Contingency Reserve*. The Contingency Reserve will be maintained in a **segregated bank account**.

The Contingency Reserve will be considered *unrestricted funds* with use subject to Board approval.

4 – Funding of Reserves

The Contingency Reserve will be funded with surplus unrestricted operating funds. Surplus funds will be allocated to the Contingency Reserve account by December 1. The Board of Trustees may also consider including a line item in the annual budget to add to reserves or direct a specific source of revenue be set aside as Contingency Reserves. Examples may include one-time gifts, bequests, special grants, or special appeals.

5 – Use of Reserves Use of the Contingency Reserve will require three steps:

A – Identification of appropriate use of reserve funds: The library director will identify the need for use of the Contingency Reserve and confirm that use is consistent with the Purpose described above. Alternatively, the Library Board of Trustees can identify a need for use of the Contingency Reserve.

B – Authority to use operating reserves:

1) The library director will submit a request to use the Contingency Reserve to the Finance Committee. The request will include the analysis and determination of the use of funds and plans for replenishment. The Finance Committee will review the request, modifying as may be necessary, and make a recommendation to the Board of Trustees, which can approve by majority vote.

2) The Board of Trustees, once similarly documenting a need for use of the Contingency Reserve, can by majority vote authorize use of the reserve.

C – Reporting and Monitoring: Upon approval for use of the Contingency Reserve, the library director will maintain records of the use of funds, plans for replenishment, and make regular reports to the Finance Committee. The library director will be responsible for ensuring that the Contingency Reserve is maintained and used only as described in this policy.

6 – Relationship to Other Policies: This policy will be reviewed every two years by the Finance Committee, and referenced as appropriate within other library policies.

This policy may be amended by the Naples Library Board of Trustees at any time.

Adopted by the Naples Library Board of Trustees on May 18, 2022.