



Capital 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 Capital Reserve.

The purpose of the Naples Library Capital Reserve is to ensure the stability of library operations by providing funds for significant unplanned operational or infrastructure needs. The Capital Reserve is intended to be an internal source of funds to be used for capital projects and infrastructure replacement or improvements, such as HVAC, siding, roofing, or other significant needs, which are beyond the scope of the annual budget.

The Capital Reserve is *not* intended to replace a permanent loss of funds or eliminate an ongoing budget gap. When the Capital Reserve is used, it is the library's intention that the fund be replenished as possible through gifts, endowments and excess budget funds.

2 – Definition and Goals

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

The amount of the Capital Reserve target minimum will be (re)calculated each year by the Finance Committee (as determined by the Facilities Maintenance Plan), reported to the Board of Trustees and included in the regular financial reports.

3 – Accounting for Reserves

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

The Capital Reserve will be considered *restricted funds* with use subject to Board approval.

4 – Funding of Reserves

The Capital Reserve will be funded with surplus unrestricted operating funds. Surplus funds will be allocated to the Capital 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 Capital Reserve. Examples may include one-time gifts, bequests, special grants, or special appeals.

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

A – Identification of appropriate use of reserve funds: The library director will identify the need for use of Capital 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 Capital Reserve.

B – Authority to use operating reserves:

1) The library director will submit a request to use the Capital 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 Capital Reserve, can by majority vote authorize use of the reserve.

C – Reporting and Monitoring: Upon approval for use of the Capital 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 Capital 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. Revised by
the Naples Library Board of Trustees on September 17, 2025.