

## Library Reserves and Reserves Funds Policy

Policy Number: **GOV-12**

Initial Policy Approval Date: **Dec. 2020**

Last Review/Revision Date: **Feb. 2022**

Year of Next Review: **2026**

---

The purpose of this policy is to provide the overall framework and the terms and conditions for the Port Colborne Public Library's reserve accounts.

The Port Colborne Public Library Board (the Board) is responsible for setting and approving the annual Library budget for recommendation to Port Colborne City Council for final approval. The Board will implement financial standards for the Library that will assure fiscal viability through the establishment and maintenance of reserve funds for current operations, capital replacement, and contingencies.

The Library does not establish or maintain a reserve fund on its own. Library reserve funds must be approved by Municipal Council.

This policy outlines:

- the purpose of the reserve
- funding sources (revenues)
- funding uses (expenditures)
- basis for the target balance
- target balance, allocation and approval
- reporting

### Section 1: Definitions

1. Surplus – An annual operating budget surplus resulting from revenues exceeding expenditures in a fiscal year.
2. Reserves – Accumulated funds on the balance sheet, either as a result of a surplus or from other operating funds set aside for a specific purpose.

### Section 2: Reserves

1. The Library shall hold the following reserves:
  - Capital Reserve

- Stabilization Reserve
- Bequests Reserve
- Future Liabilities

## **Section 3: The goal of the Board is to maintain the funds as follows:**

### **1. Capital Reserve**

#### **a. Purpose**

The purpose of the Capital Reserve is for substantial maintenance, upgrading or replacement of capital items including but not limited to: HVAC, roof, windows, IT infrastructure, equipment, floor coverings, interior finishes, alterations, additions, and renovations as well as providing for condition assessment reports and feasibility studies.

The Board shall forecast and budget the life cycle costs required to maintain, upgrade and/or replace the Library's tangible capital assets, including the building which is directly owned by the Corporation of the City of Port Colborne (the City). Additional funds from donations, sale of assets, or appropriation of surplus may be accumulated in reserve accounts from time to time.

#### **b. Funding Sources (Revenues)**

- Contributions from annual operating budget surpluses
- Funding approved by Council based on library requests for capital funding
- Contributions resulting from surpluses associated with completed capital projects

#### **c. Funding Uses (Expenditures)**

For capital expenditures as approved annually in the library's capital budget based on a five-year capital forecast.

#### **d. Basis for Targeted Balance**

Discounted life cycle costs of the library's tangible capital assets, including the library building which is owned by the City.

#### **e. Target Balance**

To be reviewed annually. Once the target balance is achieved, no further budget

contributions will be made to the reserve until either the targets are amended or the balance drops below the target balance.

## **2. Stabilization Reserve**

### **a. Purpose**

It is the policy of the Board to provide for unanticipated expenditures or shortfalls of revenue in the operating budget through the Stabilization Reserve. The reserve will moderate the impact of expenditures and shortfalls that include, but are not limited to: decrease or loss of provincial grants, decrease in revenues, fluctuations in foreign currency, legislated wage and benefit increases, legal costs, pay equity costs, increases in service delivery costs, unforeseen or unanticipated expenditures.

### **b. Funding Sources (Revenues)**

- Contributions from the Annual Operating Budget
- Contributions from Annual Operating Budget surpluses

### **c. Funding Uses (Expenditures)**

Operating budget support for unforeseen and/or unanticipated expenditures and shortfalls in revenue.

### **d. Basis for Targeted Balance**

10% of the Annual Operating Budget

### **e. Target Balance**

To be reviewed annually. Once the target balance is achieved, no further budget contributions will be made to the reserve until either the targets are amended or the balance drops below the target balance.

## **3. Bequest Reserve**

### **a. Purpose**

The purpose of the Bequest Reserve will be to maintain funds collected from monetary donations made to the Library. The funds will be used for items or special projects that are directed by donors and/or as the Board deems will benefit and be enjoyed by the entire community.

b. Funding Sources (Revenues)

Donations made to the library (primarily charitable tax donations).

c. Funding Uses (Expenditures)

For projects or assets at the direction of donors and/or as the Board deems will benefit and be enjoyed by the entire community.

d. Basis for Targeted Balance

No targeted balance.

e. Target Balance

To be reviewed annually.

## 4. Future Liabilities

a. Purpose

It is the policy of the Board to provide for employee future benefits, including Workplace Safety and Insurance Board ("WSIB") claims.

b. Funding Sources (Revenues)

- Contributions from the Annual Operating Budget
- Contributions from Annual Operating Budget surpluses (specifically any personnel surplus will be allocated to this reserve first until the funding target is achieved)

c. Funding Uses (Expenditures)

To pay for employee future benefits, including WSIB.

d. Basis for Targeted Balance

75% of the employee future benefit and WSIB actuarially determined liability.

e. Target Balance

To be reviewed annually. Once the target balance is achieved, no further budget contributions will be made to the reserve until either the targets are amended or the balance drops below the target balance.

## **Section 4: Allocation and Approval**

1. Transfers between the Reserves and the Operating Budget may only be made with the prior approval of the Library Board and for the purposes identified in this policy. This may occur through the annual budget approval process or on an ad hoc basis.

## **Section 5: Reporting**

The Annual Operating Budget will show the budgeted transfers Reserves and the Annual Operating Budget, uses (including committed amounts), and the projected balance.

1. There will be a separate continuity report for the Capital, Stabilization, Bequests, and Future Liabilities showing actual balances and budget information related to balances and amounts of funding inflows and outflows and any current commitment.

## **Section 6: Implementation and Review**

1. The policy will be implemented by the Chief Executive Officer (CEO) and through the Finance Department of the City of Port Colborne.