

WVLS Reserve Funds Policy - Draft

The purpose of the Reserve Funds Policy for the Wisconsin Valley Library Service is to define and set goals for reserve funds, and to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The WVLS has two operational reserve funds; and oversee and manage an ILS reserve fund on behalf of ILS consortium members, and a LEAN WI reserve fund on behalf of a technology partnership between WVLS and other systems.

WVLS Operational Reserve Funds

Resource Development Fund

Definition and Purpose

A fund established to build up and maintain a cash balance for new services and products. This fund may be used to support one-time costs not included in the WVLS annual budget. Examples of ways in which this fund may be used include:

- Collaborative activities with partnering agencies, institutions, libraries, systems
- New contracts
- Major expenditures that may require more funds than would be available for the specific purpose in a single year
- Hiring temporary help, subcontractors, to complete service or project
- Investment in infrastructure that will build long-term capacity

Benchmark

Fund balance will be maintained at a level of 10-20% of state aid.

Example: 2022 State Aid = \$1,050,558. Range = \$105,055 - \$210,111.

2021 WVLS Budget allocation for this fund = \$155,000.

Notes

Includes a fund balance designated for WVLS technology-related replacements and upgrades.

Includes a fund balance designated annually at \$500 for \$100 memorials to the Wessler Scholarship investment fund.

Designated funds may be expended without prior approval from the WVLS Board of Trustees.

WVLS Reserve (Contingency) Fund

Definition and Purpose

An operating reserve fund established to offer financial flexibility to manage cash flow or short-term cash shortfalls and unanticipated expenses, unexpected demands on resources, and unanticipated opportunities. Maintaining a WVLS Reserve (Contingency) Fund increases WVLS' ability to absorb or respond to temporary changes in its environment or circumstances.

Benchmark

Fund balance will be maintained at a level of 10-20% of state aid.

Example: 2022 State Aid = \$1,050,558. Range = \$105,055 - \$210,111
2021 WVLS Budget allocation for this fund + \$170,000.

Notes

The WVLS Reserve (Contingency) Fund is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.

Funding of Reserves, Use of Reserves and Replenishing Fund Balance Shortfalls

WVLS Resource Development and Reserve Funds shall be funded with surplus unrestricted operating funds upon approval by the WVLS Board of Trustees.

Assignment of Authority. The WVLS Board of Trustees must approve all expenditures from WVLS Reserve Funds. In the event of an emergency, authority for use of WVLS Reserve Funds is delegated to the WVLS Director in consultation with the WVLS Board President and Treasurer and/or WVLS Executive Committee. Prior to the request, the WVLS Director shall confirm that the use of reserves is consistent with the purpose of the reserves as described in this Policy. The use of Reserves shall be reported to the WVLS Board of Trustees at their next scheduled meeting accompanied by an analysis and determination of the use of funds.

Should the use of reserves deplete fund balance to an amount below benchmarks approved by the WVLS Board of Trustees, a repayment plan will be established within 60-days of allocation from the reserve with the expectation that every effort be made to replenish the reserve as soon as it is financially feasible and practical to do so. If the reserve cannot be replenished by the next annual budget, a repayment plan not to exceed five years is recommended.

Accounting and Reporting

WVLS Reserve Funds will be commingled with WVLS general cash and investment accounts.

The WVLS Director shall be responsible for ensuring that the WVLS Reserve Funds are maintained and used only as described in this Policy and for providing reports of any changes to WVLS Reserve Funds to the WVLS Board of Trustees and auditor.

Review of Policy

This Policy will be reviewed by the WVLS Board of Trustees every other year at minimum, or sooner if warranted by internal or external events or changes.

Other Reserve Funds

Integrated Library System (V-Cat) Reserve Fund

Definition and Purpose

A fund established for both planned replacement of the Integrated Library System and future enhancements, and unexpected disaster recovery expenses.

Benchmark

The Integrated Library System (ILS) Reserve Fund includes an ILS Long Term Replacement Fund, an ILS Special Projects Fund for future ILS enhancements, and an ILS Disaster Recovery Fund. The ILS Long Term Replacement Fund shall be maintained at no less than \$320,000 and no more than \$375,000. Annually 50% of any unspent operational funds, which includes any unspent allocations for in the line item for ILS Long Term Replacement Fund in the budget, will be transferred to the reserve fund and the remaining 50% of unexpended funds be transferred to ILS Special Projects.

Notes

Assignment of Authority. The WVLS ILS Consortium must approve all expenditures from ILS Reserve Fund. In the event of an emergency, authority for use of ILS Reserves is delegated to the WVLS ILS Administrator in consultation with the WVLS Director and ILS Consortium Chair. Prior to the request, the WVLS Director shall confirm that the use of reserves is consistent with the purpose of the reserves as described in this Policy. The use of Reserves shall be reported to the WVLS Board of Trustees at their next scheduled meeting accompanied by an analysis and determination of the use of funds.

Should the use of reserves deplete fund balance to an amount below benchmarks approved by the WVLS ILS Consortium and WVLS Board of Trustees, a repayment plan will be established within 60-days of allocation from the reserve with the expectation that every effort be made to replenish the reserve as soon as it is financially feasible and practical to do so. If the reserve cannot be replenished by the next annual budget, a repayment plan not to exceed five years is recommended.

The WVLS ILS Administrator and WVLS Director shall be responsible for ensuring that the WVLS Reserve Funds are maintained and used only as described in this Policy and for providing reports of any changes to the ILS Reserve Fund to the WVLS ILS Consortium, WVLS Board of Trustees and auditor.

LEAN WI Lifecycle Management and Long-Range Support Fund

Definition and Purpose

A fund intended to support Resource Development, Lifecycle Maintenance, Capital Procurement Assistance, and unplanned Contingencies.

- Resource Development – Supports unplanned future projects, those which come up during the planned fiscal year but were not known or considered in that year’s appropriations plan.
- Lifecycle Maintenance – Supports capital replacement, growth of capital scale, and periodic renewals of multi-year licensing agreements/maintenance.
- Capital Procurement Assistance – Supports the ease of front-loaded expenses for certain member library capital procurements, with cost recovery distributed over the capital’s lifecycle.
- Contingency – Supports unexpected expenses related to disaster recovery or to supplement future projects as meaningful.

Benchmark

Resource Development balance is currently maintained at \$6,000 per partner.

Lifecycle Maintenance balance targets the total cost of operational capital replacement and major licensing renewal, akin to maintaining a cash balance against overall depreciation. Growth is the approximate annualized average cost of replacement/renewal. Depletion occurs per unit near end of lifecycle for that unit or at regular licensing renewal periods.

Capital Procurement Assistance balance is (currently) only funded and utilized by WVLS with a target of approximately \$45,000, which is about one half of one year of a complete capital replacement lifecycle across the WVLS membership and approximately a full lifecycle replacement for WVLS itself.

Contingency balance currently targets about 10-15% of LEAN WI Operating Expenses but is adjusted in any plan year, if needed, to enable joint partner shares to remain as level as feasible year over year.

Notes

Assignment of Authority. Much of the growth and depletion of LEAN WI reserves is formulaic and the Business Management Lead works with the Engineering and Operations Lead to verify need and capacity targets and execute capital replacement or licensing renewal. The Engineering and Operations Lead may from time to time indicated need for new capital (eg for premature replacement or capacity growth) and work with the Business Management Lead to ensure the partnership has the fiscal capacity to accommodate procurement, and to ensure that future fiscal planning accounts for any operational capacity shifts.