**WVLS Reserve Funds Policy**

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 assumes assigned/designated and unassigned cash balances that will 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 requiring more funds than ~~would be~~ available for the specific purpose during a fiscal year
* Hiring temporary help, subcontractors, to complete service or project
* Investment in infrastructure ~~that will build long-term capacity~~
* Wessler Scholarship

**Benchmark**

The Resource Development Fund, including Unassigned and Assigned fund balances, 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 an assigned fund balance designated for WVLS technology-related replacements and upgrades.

Includes an assigned 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 unassigned operating reserve fund is established to offer cash flow management in the event of unanticipated expenses, demands on resources, or in pursuit of new opportunities. The WVLS Reserve (Contingency) Fund enables a flexible and responsive strategy for the management of unexpected events.

**Benchmark**

Unassigned 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 supported by 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 to expend or otherwise authorize the use of WVLS Reserve Funds is delegated to the WVLS Director. The WVLS Director must make a reasonable effort to consult with the WVLS Board President, Treasurer, 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 and a best effort must 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 is responsible for ensuring that the WVLS Reserve Funds are maintained and used only as described in this Policy. The WVLS Director is also responsible for providing reports to the WVLS Board of Trustees and auditor documenting any changes to WVLS Reserve Funds.

**Review of Policy**

This Policy will be reviewed by the WVLS Board of Trustees during odd-numbered years, not less than once per biennium.

**Other Reserve Funds**

**Integrated Library System (V-Cat) Reserve Fund**

**Definition and Purpose**

A fund established to support the planned replacement of the Integrated Library System (ILS), future enhancements to the ILS, and unexpected disaster recovery expenses.

**Benchmark**

The 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 will be maintained at not less than $320,000 and not more than $375,000. Annually 50% of any unspent operational funds, which includes any unspent allocations 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 to expend or otherwise authorize the use of ILS Reserves is delegated to the WVLS ILS Administrator. The WVLS ILS Administrator must make a reasonable effort to consult 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 and a best effort must 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 are responsible for ensuring that the WVLS Reserve Funds are maintained and used only as described in this Policy. The WVLS ILS Administrator and WVLS Director are also responsible for providing reports to the WVLS ILS Consortium, WVLS Board of Trustees, and auditor documenting changes to the ILS Reserve Fund.

**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**

The Resource Development balance is maintained at $18,000, comprising $6,000 per partner.

The 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 or renewal. Depletion occurs per unit near end of lifecycle for that unit or at regular licensing renewal periods.

The Capital Procurement Assistance balance is only funded and utilized by WVLS with a target of approximately $45,000, representing approximately one half of one year of a complete capital replacement lifecycle across the WVLS membership and ~~a~~ one full lifecycle replacement for WVLS staff resources.

The Contingency balance targets 10-15% of LEAN WI Operating Expenses. It is adjusted to the extent feasible during the budget planning process to keep joint partner shares level year over year.

**Notes**

**Assignment of Authority.** Much of the growth and depletion of LEAN WI reserves is formulaic and the LEAN WI Business Management Lead works with the LEAN WI Engineering and Operations Lead to verify need and capacity targets and to execute capital replacement or licensing renewal. The LEAN WI Engineering and Operations Lead may indicate an unplanned need for new capital. The LEAN WI Business Management Lead and LEAN WI Engineering and Operations Lead will work together to ensure the partnership has the fiscal capacity to accommodate unplanned procurements, and to ensure that future fiscal planning accounts for related operational capacity shifts.

 *-- Approved by the WVLS Board of Trustees; November 20, 2021*