

## 1. Purpose

This policy outlines the management, oversight, and use of financial reserves within the Northern Lights Library System (NLLS) to ensure financial sustainability and responsible fund allocation.

For additional financial governance policies, refer to:

- Corporate Credit Cards Policy (Sec 3, 1F)
  - System Purchases Policy (Sec 3, 1H)
  - NLLS Vehicles Policy (Sec 1, 2D) – Fleet Replacement Schedule
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## 2. Fund Classifications & Minimum Balances

NLLS maintains a series of restricted and unrestricted reserve funds to safeguard financial stability.

### 2.1 Restricted Reserve Funds

- Used for non-capital purposes, such as operational expenses, liabilities, and contingencies.
- Require Executive Committee approval for use unless pre-approved in the annual budget process.
- Includes:
  - Operational Restricted Reserve: No minimum balance. Used to cover unexpected shortfalls.
  - Contingent Liability Reserve: \$100,000 minimum balance, used for legal fees, contract disputes, and other contingencies.
  - System Departure Liability Reserve: \$400,000 minimum balance, used to cover costs associated with departing members or structural changes.

### 2.2 Unrestricted Reserve Funds

- Available for capital projects, major purchases, and infrastructure investments.
- Require Board approval for withdrawals exceeding pre-approved limits unless included in the annual budget.
- Includes:
  - Vehicle Replacement Reserve: \$130,000 minimum balance, used to fund fleet replacements per the NLLS Vehicles Policy (Sec 1, 2D).
  - Building Fund Reserve: \$250,000 minimum balance, allocated for facility maintenance, emergency repairs, and capital improvements.

- IT Reserve Fund: \$430,000 minimum balance, used to support major IT infrastructure and technology investments.
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### 3. Reserve Fund Usage & Approval Process

#### 3.1 Use of Restricted Reserve Funds

- Restricted reserves may only be used for:
  - Unforeseen operational shortfalls.
  - Emergency situations affecting service delivery.
  - Board-approved strategic priorities.
- If the Board approves the use of reserve funds through the annual budget process, no additional approval is required.
- Withdrawals **exceeding \$X threshold that** are not pre-approved in the budget require full Board approval.

#### 3.2 Fund Transfers & Oversight

- Executive Committee approval is required for restricted reserve fund movements unless already approved through the annual budget process.
  - General Board approval is required for unrestricted reserve fund withdrawals exceeding pre-approved limits.
  - All fund movements must be reported at the next Board meeting.
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### 4. Annual Review & Fund Replenishment Requirements

#### 4.1 Annual Reserve Fund Review

- The Executive Committee will conduct an annual review of all reserve fund levels and present recommendations to the Board.

#### 4.2 Replenishment Plan for Reserve Fund Usage

- If any reserve fund balance falls below its minimum funding level, the Executive Director must propose a replenishment plan for Board approval.
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### 5. Reserve Fund Reassessment Schedule

- All reserve funds will be reassessed every three years to ensure minimum funding levels align with operational requirements and financial projections.
- Adjustments to reserve fund targets will be made based on:
  - Changes in operating costs or revenue sources.
  - Technological advancements impacting the IT Reserve Fund.

- Changes in vehicle costs or replacement schedules.
  - Legal or contractual risk exposure requiring contingency adjustments.
  - Building infrastructure updates and maintenance forecasts.
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## 6. Vehicle Reserve Fund & Replacement Schedule

- Fleet replacement and fund allocation will follow the NLLS Vehicles Policy (Sec 1, 2D), ensuring structured planning for vehicle procurement and disposal.

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NLLS Board Chair

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Date