



Adoption Date:	October 2018
Revision Date:	
Reference #:	BRD - 27
Category:	Finance

Operating Reserve Policy

1. PURPOSE

The purpose of this policy is to provide Brampton Library with guidelines for the management of reserves which will be used to manage cash flow interruptions, capital replacements/purchases, collection purchases and contingencies.

2. SCOPE

This policy applies to the Library Board and staff responsible for budget and spending decisions. The policy is specific to the reserve funds of Brampton Library. Funds that are restricted or are deferred for specific capital projects or programs will be excluded from this policy. The funds will be reviewed regularly by the Library Board to assist in decision making on future capital projects or collection requirements.

This policy operates in conjunction with all related Brampton Library policies.

3. ACCOUNTABILITY

The Director, Business Management & Operations is accountable for ensuring adherence to the policy requirements, governing use of funds and budgetary reporting.

4. DEFINITIONS

- 4.1. **Capital Expenditures** - These are assets that have a useful life over 1 year. These expenses include: Collection Development, Furniture, Fixtures and Equipment.
 - 4.2. **Library Development Charge Reserves** – City By-law to impose development charges against land to pay for increased capital costs required because of increased needs for services arising from development.
 - 4.3. **Emergency** - An unforeseeable, serious emergency situation where the immediate purchase of goods, services or construction is essential in order to maintain a required service or to prevent danger to life, health or property within Brampton Public Library facilities.
 - 4.4. **Library Board** - City of Brampton appointed members comprised of two members of council and eight citizen appointees.
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- 4.5. Operating Reserves** - Resulting from accumulated year over year surpluses (revenues over expenditures) which reside on the balance sheet.

5. AUTHORITY

The establishment of reserves funds shall be in compliance with the Municipal Act, Public Libraries Act, City of Brampton By-Law #170-2014(pertaining to Library Services), and the Library Board in collaboration with the City of Brampton.

6. PRINCIPLES

The following principles govern the management of the Library's financial obligations:

- **Accountability:** The Library is accountable to all stakeholders while adhering to legislative and policy requirements.
- **Transparency:** The Library is responsible for conducting business in a manner that provides public transparency.
- **Fiscally prudent:** The Library is responsible for accurately and appropriately managing funds to ensure no undue burden is placed on the taxpayer.

7. RESPONSIBILITY OF THE BOARD

The City of Brampton receives recommendations from the Library Board for draws on the Operating Reserves. Such requests could be part of the recommendation of the annual budget and operating plan (including capital requirements). The Board could take action on reserves to support unforeseen circumstances.

8. APPLICATION OF POLICY

The Library shall hold the following funds:

- Operating Reserves
- Unutilized Capital Funds

The funds will be held in separate general ledger accounts on the balance sheet, invested in the Library's bank account. The funds will be reviewed by the board quarterly and will be a part of the annual audit.

The goal of the Brampton Library Board is to maintain a level of reserve balances as follows:

8.1. Operating Reserves

These reserves are a result of year over year surpluses from annual operations funding. The target balance will be in line with City of Brampton targets and will be set at 10% of the annual operating budget. The target will be reviewed annually.

8.2. Unutilized Capital Funds

Any remaining capital funds that have no future expenditures will be transferred into the operating reserve. This excludes funds provided from the City’s Library Development Charge reserve for which the funds will be deposited into the Library Development Charge reserve.

9. EXPENDITURE OF RESERVES

The overall intended purpose of the reserve fund is to support cash flow interruptions and unanticipated expenditures that may arise. If reserves exceed the 10% target, they will be utilized to support annual capital expenditures through the budget process.

10. INVESTMENT OF RESERVES

The reserve funds will be credited with any interest earned on the fund balances.

11. ADMINISTRATION

Annual operating and capital budgets are developed in support of the Library Board’s approved strategic plan, Facilities Master Plan, and other approved master plans and studies performed by the Senior Management Team. A review of reserves will be undertaken in relation to the target. Reserves that are significantly over the target will be used to support capital requests.

In cases of Emergency where sufficient reserves are not available, the Library Board may make a request to Council to fund additional projects as required. Such requests shall be limited to \$500,000 per project.

This policy will be reviewed every three years by the Board or when the conditions warrant.