



# Library Board Report

**To:** Chair and Members of the Bruce County Public Library Board

**From:** Lynn Hatten, Deputy Treasurer

**Date:** June 19, 2024

**Re:** Revised Reserve Policy, Structure and Annual Balances

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## **Staff Recommendation:**

The Revised Reserve Policy, Structure and Annual Balance Report is for information.

## **Background:**

As identified in goal four of the County's Strategic Plan, promote responsible growth, the County identified the need to update the existing reserve policy to include reserve balance targets based on the Asset Management Plan and industry best practices. A new policy and structure was presented to County Council on May 16<sup>th</sup> and received Council's endorsement.

The following report provides an update on the Library Board's reserve balances at the end of 2023 and the projected balances for 2024. The report includes a revised reserve policy for the County of Bruce, and by extension the Bruce County Public Library Board, as well as a streamlining of the department's reserve structure to support improved management of the funds available to the organization.

## **Reserve and Reserve Fund Analysis 2023 Actual and 2024 Projection**

Municipalities establish reserves according to the provisions of the Municipal Act. The establishment of certain reserve funds is instrumental in properly managing the finances of the organization.

Included in Appendix 1 is a schedule of the Bruce County Library Board's Reserves and Reserve Funds showing the balances as of December 31, 2023 and the proposed consolidated balances as of December 31, 2023. The 2023 year-end reserve balance was \$853,550. This reflects a decrease from the December 31, 2022 year-end balance of \$981,865.

Appendix 2 includes the forecasted reserve balances as of December 31, 2024 of \$832,793, or \$631,011 excluding donation reserves. The targeted balance of reserves as presented in the Revised Policy is \$535,000 excluding any donation reserves. Staff will continue to

recommend increasing budgeted contributions to capital reserves to continue to work towards targeted levels, and will develop plans to effectively use the department operating reserve to mitigate pressures.

**Reserve and Reserve Fund Policy**

The Reserves and Reserve Fund Policy applies to all Reserves and Reserve Funds established by the County of Bruce. The Policy was last updated in February of 2016 and has historically been applied to the Bruce County Public Library Board. Revisions to the Policy have been recommended with the goal of building the organization’s long-term financial foundation in line with its strategic goals and reducing our own red tape, while maintaining and improving the transparency and accountability in reporting reserve utilization.

Key highlights of the revised Policy include:

**Purpose** - The Policy outlines purposes for which Reserve and Reserve Funds shall be established including but not limited to, adherence to statutory requirements, facilitation of long-term financial planning, and to help smooth tax rate impacts.

**Reserves** - Monies set aside by approval of Council or the Board and not restricted by legislation.

**Reserve Funds** - Monies set aside for a specific purpose as required by provincial legislation, a municipal by-law, or agreement. The Policy identifies two types: Discretionary Reserve Funds and Obligatory Reserve Funds.

The below chart summarizes the key functions of the Policy, and how they differ between Reserves, Discretionary Reserve Funds, and Obligatory Reserve Funds.

Function	Reserve	Discretionary Reserve Fund	Obligatory Reserve Fund
<b>Establishment &amp; Modification</b>	Inclusion in Annual Budget or through Council Resolution	By-Law	Statutory Legislation or Legal Agreement
<b>Intent</b>	General Purpose	Specific Purpose	Required Purpose
<b>Source of Funds</b>	Budgeted Contributions or Variances	Budgeted Contribution or Variances	External Funding
<b>Investment</b>	Interest on Capital reserves only Interest on Operating reserves applied to TSR	Interest earned	Interest earned
<b>Use of Funds</b>	Budgeted or through Delegated Authority	Budgeted or through Delegated Authority	Per legal agreement or statutory requirements
<b>Internal Lending</b>	Permitted	Permitted	DC Interfund Lending only

<b>Closure</b>	By Resolution of Council or Board at Treasurer Recommendation	Requires by-law be rescinded	When obligations have been met or funds returned
<b>Financial Reporting</b>	Surplus	Surplus	Deferred Revenue

**Establishment** - The Policy outlines that prior to establishing a new Discretionary Reserve or Reserve Fund, a financial plan be prepared that identifies the purpose of the reserve, provides target funding levels (where applicable), contribution sources, and proposed use.

**Investment** - Under the Policy, Reserve Funds can be invested for a term that will not exceed the expected date of need of the funds. Investments will be further governed by the County of Bruce’s Investment Policy. The Policy also states that interest earned on Reserve Funds and Capital Reserves be calculated on individual balances and transferred to each specific Reserve or Reserve Fund, unless otherwise specified in the related by-law. As such, discretionary reserves (those that do not have a by-law) will not accumulate interest, rather, any remaining interest will be transferred to the County’s Tax Stabilization Reserve.

**Contributions and Withdrawals** - The Policy notes that contributions to/withdrawals from Reserve and Reserve Funds must be approved by Council or the Board as part of the annual budget process, or specifically by resolution unless an exception applies. A new direction added to the Revised Policy is that year-end surpluses from capital projects will be transferred to the Departmental Capital Reserves to support progress towards meeting Asset Management Plan objectives and requirements.

**Borrowing** - The Policy outlines several conditions that must be met to permit temporary borrowing from Reserves or Reserve Funds to cover a reserve short-term deficit, interim servicing requirements, or for internal financing.

**Closure** - The Policy outlines that Reserves or Reserve Funds identified for closure shall be reported to the Board for review and approval and shall include recommendations regarding the allocation of any remaining fund balances.

**Responsibilities** - The Policy provides guidelines and conditions for the Treasurer, Directors, Senior Management, the CAO, and Council or the Board in the administration of the County’s Reserves and Reserve Funds. The policy also provides reporting requirements for Reserves and Reserve Funds.

**Delegation of Authority**

The Policy includes a delegation of authority, giving the Treasurer authority for the reserves and reserve funds managed by the County. This management authority over the reserves and reserve funds can be delegated to a designate.

- The Treasurer has delegated authority to approve transfers from reserves or reserve funds, at their discretion, up to a maximum of \$25,000 or 1% of the budgeted capital cost, whichever is greater, in so far as the proposed use aligns with the intended purpose identified in the by-law or financial plan for the reserve or reserve fund. The

Treasurer will take the reserve target and financial sustainability of the reserve into consideration when making the decision.

- Once County Council and/or the Board has approved the use of reserves in the annual budget the Treasurer has the delegated authority to reallocate the approved transfers from reserves between capital projects within the same program to the extent that the scope of the work to be completed has not been reduced in either project, the purpose of the identified reserve aligns with the project and the total reserve transfer does not exceed the approved budget.
- All uses of delegated authority under the above will be reported to the Board quarterly.

### **Transfers, Closing and Naming Modifications**

The Library's current reserve schedule contains 14 reserves and reserve funds. Several of these reserves that have been established over the years are similar in nature with minor variations. Also, there are numerous reserves that have been created where the purpose for which the reserve was created has now been accomplished and the reserve is deemed by staff to no longer be necessary, but funds are being held with no clear intention for utilization. As such, have recommended that these reserves be consolidated to simplify the management and presentation of reserves. The proposed transfers and consolidations are outlined in Appendix 1 and will reduce the Library's reserve and reserve fund count to 4, a 71% reduction.

Although for presentation these reserves will be consolidated, this does not restrict staff from maintaining additional breakdowns of these reserves for tracking and accounting purposes. For example, a subledger of branch specific donations will be maintained within the Library - Department Donations Reserve, with the bookmobile being tracked as a separate branch as well.

Staff have also recommended that the following by-laws be repealed to support the consolidation and remove reserves that are no longer applicable.

<b>By-law No.</b>	<b>Name</b>	<b>Reason</b>
1907	County Library Reserve Account	Intended purpose complete.
2530	Library Bookmobile Reserve Fund (1980)	Capital Reserves to be Consolidated by Department.

### **Financial/Staffing/Legal/IT Considerations:**

There are no staffing, legal or IT considerations associated with this report. The financial considerations are included in the report for information.

### **Interdepartmental Consultation:**

This report has been shared with the Director of Library Services, and the revisions proposed endorsed by County Council.

**Link to Strategic Plan:**

Goal #4 Promote Responsible Growth. The revised policy and structure specifically address the action item laid out in the Strategic Plan to update reserves policies to include targeted annual funding and balances based on the Asset Management Plan and industry best practices for the operating reserves.

**Respectfully submitted,**

Lynn Hatten, Deputy Treasurer

## Appendix 1:

The table below summarizes the current and proposed reserves and their balances at December 31, 2023.

Current Reserves		Proposed Reserves	
<b>Capital Reserves &amp; Reserve Funds:</b>			
Computer Software	10,749	Library - Capital Reserve	166,336
Other Operational Equipment	60,194		
Library Branch Locations	44,599		
Vehicle Replacement	50,793		
<b>Departmental Specific Reserves &amp; Reserve Funds:</b>			
Library Sustainability/Strategic Plan	37,195	Library - Departmental Reserve	485,432
Sale of Used Library Books	29,908		
Accessibility	242		
Community Access Project	4,817		
Library Tax Stabilization	397,400		
Literacy Program	15,683		
Special One Time Funding	186		
Fundraising Project	49,254	Library - Department Donations Reserve	109,254
General Branch Specific Donations	60,001		
Southampton Branch Donation Bylaw 3346 (Stipulations Attached)	92,528	Library - Southampton Branch Reserve Fund	92,528
	<b>853,550</b>		<b>853,550</b>

## Appendix 2:

The table below summarizes the consolidated reserves including their balances at December 31, 2023 and projected balances at December 31, 2024.

Reserve Name	Dec 31, 2023 Actual	Dec 31, 2024 Projected	By- Law	Purpose	Target Balance	Typical Sources of Funding	Typical Uses of Funding
<b>Capital Reserves &amp; Reserve Funds:</b>							
Library - Capital Reserve	166,336	142,602		To accumulate funds to assist in financing future capital requirements deemed necessary within the Library department.	Min: 15% of Current Replacement Value (\$435,000)	Budget transfers and proceeds on sale of capital assets.	Acquisition and replacement of software, library vehicles, office furniture and equipment.
<b>Departmental Specific Reserves &amp; Reserve Funds:</b>							
Library - Departmental Reserve	485,432	488,409		To accumulate funds to help smooth tax rate impacts of one-time items and other specific undertakings deemed necessary within the Library department.	\$100,000	Budget transfers and annual net surplus from sale of used library books.	Library strategic plan, literacy program, operating materials, non-TCA equipment/furniture, and other program related expenditures.
Library - Department Donations Reserve	109,254	109,254		To accumulate unspent funds received by donation to support the operations of the Bruce County Public Library.	N/A	Unspent in-year general donations from individuals and organizations.	Operating materials, capital book purchases.
Library - Southampton Branch Reserve Fund	92,528	92,528	<b>3346</b>	To accumulate unspent funds received by donation to support the operations of the Bruce County Public Library - Southampton Branch.	N/A	Donation received from the Estate of Alda K. Griffiths, in accordance with the provisions contained in her	Must be spent on the Southampton Library Branch on the recommendation of the Bruce County Public Library

Reserve Name	Dec 31, 2023 Actual	Dec 31, 2024 Projected	By- Law	Purpose	Target Balance	Typical Sources of Funding	Typical Uses of Funding
						Last Will and Testament.	Board and the approval of Council.
	<u>853.550</u>	<u>832,793</u>			<u>\$535,000</u>		