Kent County Public Library
Operating Reserve Fund

Review Schedule: Biennially (September, odd years)

Policy:

1.0 Purpose

The Board of Trustees of the Kent County Public Library (KCPL) recognizes that financial stability is essential to delivering uninterrupted services to our community. The Operating Reserve Fund (the "Reserve") is established to provide a stable cash-flow buffer, safeguard operations during natural revenue lags (such as the intervals between county tax disbursements), and provide immediate financial resilience against unanticipated emergencies.

2.0 Target Funding Level

The Library shall maintain an unrestricted, liquid Reserve equal to two (2) months (16.6%) of the Library's current fiscal year net annual operating expenses. This target aligns with national financial best practices established by the Government Finance Officers Association (GFOA).

3.0 Definition of Net Annual Operating Expenses

For the explicit purpose of calculating the mandatory two-month Reserve target, expenditures are categorized as follows:

- ***3.1 Inclusions:*** The calculation shall include all regular, recurring, and predictable cash outlays required for daily operations. This encompasses personnel salaries and wages; payroll taxes; health insurance and retirement benefits; building utilities; routine facilities maintenance; IT/broadband infrastructure; recurring collection materials (physical books, periodicals); and ongoing digital database/media licensing.
- ***3.2 Exclusions:*** The calculation shall exclude non-operational or non-recurring outlays. This encompasses major, one-time capital expenditures such as building renovations, roof replacements, or vehicle acquisitions; non-cash expenses (depreciation); and temporary, restricted pass-through state or federal project grants.

4.0 Custody, Safety, and Investment Strategy

In accordance with § 17-204 of the Local Government Article of the Annotated Code of Maryland, KCPL's cash management practices must remain consistent with the investment policies of Kent County, Maryland.

The primary objective for the Reserve funds, in order of priority, shall be 1) safety, 2) liquidity, and 3) yield.

The authorized vehicle for these funds shall be the Maryland Local Government Investment Pool (MLGIP), ensuring full protection of public tax dollars.

5.0 Authority and Administration

- ***5.1 Oversight:*** The Board Treasurer, in coordination with the Library Executive Director, shall calculate the specific three-month dollar target annually during the preparation of the fiscal year operating budget.
- ***5.2 Access and Drawdowns:*** The Reserve is intended strictly for non-routine cash management or emergency shortfalls. The Library Executive Director may not draw upon or allocate funds from the reserve if it drops the balance below the three-month threshold without a prior majority vote of approval from the Board of Trustees.
- ***5.3 Replenishment:*** If the Reserve falls below the mandated three-month threshold due to an authorized emergency or severe revenue delay, the Treasurer shall present a formal replenishment plan to the Board within sixty (60) days, with the objective of restoring the baseline within the subsequent fiscal year cycle.

Date: **June 29, 2026**

Signature: