



# Kalamazoo Public Library

## Operational Policy: Endowment Spending

Pursuant to the Fund Development Committee responsibilities of providing strategic and policy direction to Kalamazoo Public Library (KPL) for the expenditure of endowment income and to direct the application and allocation of the income from the endowment, the spending policy is as follows:

### **Definitions**

Net realized income from the endowment for any one fiscal year equals the sum of realized interest and dividend revenue, gain (loss) on the sale of investments, less the expenditures for management and maintenance of the endowment fund.

Additions to principal means those gifts to KPL either designated as endowment funds or those gifts that are undesignated/unrestricted but determined on a case-by-case basis by the KPL board as principal of the endowment fund. It may include funds transferred from the Kalamazoo Community Foundation at the discretion of the board.

Spending priorities means those recommendations from KPL administration that represent expenditures not covered by the operating budget either by applicability or magnitude or of a character of amount which makes it impracticable to be funded in an annual operational budget. Spending of endowment funds generally shall be for non-recurring expenses, start-up program expenses, nonessential building improvements to enhance services, extraordinary expenses, or to realize an unexpected opportunity and not for expenditures to supplement a discretionary budget

item. Exceptions to these priorities may be made at the discretion of the board.

### **Spending Policy**

The annual amount of endowment funds available for distribution in any one fiscal year shall be determined by an amount equal to no more than five percent of the principal amount of the endowment fund measured at the beginning of the period, reduced by the previous fiscal year expenditures to manage, and maintain the fund. The resulting funds calculated as available for distribution shall not total more than a five-year average of net realized income of the fund.

Only funds specifically allocated and approved by the KPL Board will be withdrawn from the endowment fund. Funds available under the formula but not yet allocated within the current fiscal year will be reinvested and will not carryover as available in a subsequent period.

The annual amount of available funds based on the formula may be overridden in extraordinary circumstances to continue essential library services and the amount of the income from the endowment in such an instance shall only be limited by the exclusion of the principal of the nonexpendable trust.

Policy adopted November 25, 1996.

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