

## Library Depreciation Reserve Fund (LDRF)

What is it? The LDRF is a type of reserve fund especially for public libraries under Montana statute:

**22-1-305. Library depreciation reserve fund authorized.** The governing body of any city or county or a combination of city and county in Montana may establish a library depreciation reserve fund for the replacement and acquisition of property, capital improvements, and equipment necessary to maintain and improve city, county, or city-county library services.

**22-1-306. Moneys for library depreciation reserve fund.** Moneys for the library depreciation reserve fund are those funds which have been allocated to the library in any year but which have not been expended by the end of the year. Such moneys include but are not limited to city or county or city-county appropriations, federal revenue sharing funds, and public and private grants.

**22-1-307. Investment of fund.** The moneys held in the library depreciation reserve fund may be invested as provided by law. All interest earned on the fund must be credited to the library depreciation reserve fund.

### How is an LDRF different from a Capital Improvement Fund (CIF)?

**7-6-616. Capital improvement funds.** (1) A county, municipal, or special district governing body may establish a capital improvement fund for the replacement, improvement, and acquisition of property, facilities, or equipment that costs in excess of \$5,000 and that has a life expectancy of 5 years or more.

(2) A capital improvement plan for the fund must be formally adopted by the county, municipal, or special district governing body.

(3) The capital improvement fund may receive money from any source, including funds that have been allocated in any year but have not been expended or encumbered by the end of the fiscal year.

(4) Money in the capital improvement fund must be invested as provided by law, and interest and income from the investment of the capital improvement fund must be credited to the fund.

### What's the difference?

County Capital Improvement Fund	Library Depreciation Reserve Fund
Established by governing body	
Investment interest must be credited to fund	
MCA 7-6-616	MCA 22-1-305
Source: any source	Source: unspent funds allocated to the library
Purpose: replacement, improvement, and acquisition of property or equipment	Purpose: replacement and acquisition of property, capital improvements and equipment
Must cost over \$5000 and have a life of over 5 years	No restriction on cost or useful life

### What's the benefit to the library?

- Saving for a rainy day – funds are set aside for future needs and long-term projects.
- Encourages responsible use of taxpayer funds.
- The library does not lose funding that has been allocated to it.
- The library has authority over use of funds.

### What's the benefit to the city/county?

- Library can save a little every year for improvements that will be needed.
- Use of library fund will decrease pressure on city/county Capital Improvement Fund.
- Demonstrates wise use of taxpayer funds.

### What is the process for establishing an LDRF?

1. Library Board passes resolution requesting establishment of the fund.
2. Governing body passes resolution to establish the fund.
3. Library works with clerk to set up and manage the fund.

### Making the case to the governing body

- Use the talking points outlined above.
- Have a capital improvement plan or justification that lays out why money is being saved, and how reserve monies will be used.
- Provide information (like page 1 of this fact sheet and the plan/justification) to the council/commission in advance of the meeting so they will be prepared to discuss or take action.
- Enlist the support of the clerk, if possible.

More information about the Library Depreciation Reserve Fund - including sample resolutions – can be found on the Montana State Library website: [http://libraries.msl.mt.gov/legal\\_faqs](http://libraries.msl.mt.gov/legal_faqs)

### How do libraries use the LDRF?

“We have spent the LDRF funds acquiring a new network system for the library, we have purchased public access computers and equipment, a new boiler, windows and a security door.” - Chouteau County Library (Fort Benton)

“Our Depreciation Fund has about \$380,000 in it and we tap it once in a while, usually for furniture upgrades or a new roof. [We] look at it as an emergency fund and don't want to ever totally deplete it.” – Imaginelf Libraries (Kalispell)

“Our plan is to redo the exterior of our building. It is made out of drivet and was put on 27 years ago. It's crumbling and needs to be fixed. Our LDRF will go towards that. Before, the fund was used to put on a new roof.” - Lewistown Public Library

“We budget for capital improvement each year but if we don't have any issues that money gets transferred to the LDRF at the end of the year. We are careful not to keep too much money in the account because the County Commissioners don't want to tax individuals for money that we're not using.” - Missoula Public Library