

Lange Bequest Spending Policy

Lange Bequest:

The Lange Bequest is intended to enhance the Shorewood Public Library's ability to achieve its mission consistent with its stated values and goals. It will strengthen the Library's ability to continue its tradition of supporting the needs of Shorewood's vibrant and diverse community.

Toward that end, the Library Board will establish three funds as described below.

No set of guidelines can be written to govern every possible expenditure for these funds. For that reason, this document sets forth the intended purpose of each fund which is meant to guide the Library Board in making wise and fiscally responsible decisions. It also sets forth the required Library Board approval for disbursements from each fund. A contingency and prohibited uses is included to provide further detail and guidance.

All costs and expenses, including but not limited to attorney's fees, associated with the receipt of the Lange Bequest, the establishment of the spending policy, the transfer of funds to a community foundation or charitable organization, and the establishment of a grant agreement with such foundation or charitable organization (the "Initial Expenses") shall be paid out of the Lange Bequest.

Lange Bequest Funds and their Purpose

1. 2040 Fund

Initial Investment: 30% of the Lange Bequest remaining after paying the Initial Expenses.

Purpose: The **2040 Fund** is intended to grow and be used toward future major Library building projects projected for 2040. The goal of the fund is to accumulate earnings such that principal and interest total at least \$2 million which is to be used as an initial contribution ("seed money") to a major capital campaign for a library building (either new or for major renovations of the current Library space).

In addition, a portion of this Fund shall be used to pay all costs and expenses associated with the administration, maintenance, and investment of the Fund, including but not limited to investment management fees, advisory fees, annual fees charged by the community foundation or charitable organization for the administration of the Fund, and any attorney or accountant fees or other costs or expenses incurred by the Library in

conjunction with the ongoing administration of the Fund. If any such costs or expenses apply to multiple funds, then such costs and expenses shall be shared amongst the three funds in proportion to their relative values.

Fund Disbursement Approvals: Withdrawals from this fund must be approved by majority vote of the Library Board.

Funds may be withdrawn earlier than 2040 if, due to catastrophic events such as fire, weather damage, flooding, or other unforeseen disaster, the Shorewood Public Library requires major capital improvements to continue to fulfill its mission. Withdrawals from this fund prior to 2040 require unanimous Library Board approval.

If the fund grows to exceed \$5 million, earnings may be transferred to The Board Directed Reserve Fund or the Permanent Endowment Fund. The decision to transfer, the fund selected, and the amount transferred must be approved by majority vote of the Library Board.

2. Board Directed Reserve Fund

Initial Investment: 40% of the Lange Bequest remaining after paying the Initial Expenses.

Purpose: The **Board Directed Reserve Fund** is intended to provide a long-term source of funds for larger, one-time projects and special opportunities, including strategic planning initiatives, major interior facility work and contributions toward Village Center facility work. This could include funds for contracted professional services or compensation for part-time help for special and time limited programs, and would not include employee fringe benefits.

Use of this fund is intended to improve the Shorewood Public Library environment and patron experience, support Shorewood community collaborative initiatives which are consistent with the Shorewood Public Library's mission and benefit Library patrons, support Library operational efficiencies, and help sustainability efforts through energy efficiency and conservation projects.

In addition, a portion of this Fund shall be used to pay all costs and expenses associated with the administration, maintenance, and investment of the Fund, including but not limited to investment management fees, advisory fees, annual fees charged by the community foundation or charitable organization for the administration of the Fund, and any attorney or accountant fees or other costs or expenses incurred by the Library in conjunction with the ongoing administration of the Fund. If any such costs or expenses apply to multiple funds, then such costs and expenses shall be shared amongst the three funds in proportion to their relative values.

Fund Disbursement Approvals: The specific uses and amount withdrawn from this fund will be identified in the Library's annual strategic planning monitoring and budget development and approval process and such uses must be consistent with the guidelines set forth above. Withdrawal of amounts equivalent to or less than the Fund's Spendable Amount¹ requires approval by majority vote of Library Board. The use of any portion of the Fund for contributions toward Village Board initiated Village Center facility improvements outside the Library Space proper (including but not limited to the Village Center roof, windows, HVAC, building façade or infrastructure) must be approved by a 2/3rds vote of the Library Board.

In any given year, the Library shall not use amounts in excess of the Fund's Spendable Amount for that year unless exceeding the Spendable Amount is necessary or appropriate to permit the Library to take advantage of a special opportunity that the Library Board, acting by 2/3rds vote, determines is likely to provide significant long-term benefits to the Library, its patrons, or the community which it serves.

Unused Spendable Amounts shall not carry over from year to year. If the Library does not use the entire Spendable Amount in any given year, the unused amount shall expire and remain in the Fund and shall not be added to the Spendable Amount available for use in the following year.

3. Permanent Endowment Fund

Initial Investment: 30% of the Lange Bequest remaining after paying the Initial Expenses.

Purpose: The **Permanent Endowment Fund** is intended to support ongoing Library projects and initiatives and enhance the services the Library has been able to provide through the "normal" operating budget tax levy support. ("Normal" library budget being defined as the amount necessary to maintain the Library funding at a percentage of total village tax levy commensurate with the average of such a percentage over the three (3) years preceding establishment of this fund.) The success of the Shorewood Library as a vibrant community asset derives principally from strong ongoing village financial support, supplemented intermittently by private donations and contributions of the Friends of the Shorewood Library. This Fund is designed to optimize the ongoing benefits derived from this crucial collaborative support system.

In addition, a portion of this Fund shall be used to pay all costs and expenses associated with the administration, maintenance, and investment of the Fund, including but not

¹ The Spendable Amount would be determined by the community foundation or charitable organization administering the funds per the agreement between the Shorewood Public Library and the foundation or organization. The Greater Milwaukee Foundation, for example, has a "spending rate" that is 4.75 percent of market value averaged over the preceding five years.

limited to investment management fees, advisory fees, annual fees charged by the community foundation or charitable organization for the administration of the Fund, and any attorney or accountant fees or other costs or expenses incurred by the Library in conjunction with the ongoing administration of the Fund. If any such costs or expenses apply to multiple funds, then such costs and expenses shall be shared amongst the three funds in proportion to their relative values.

In any given year, the Library may use less, but shall not use more, than the Fund's Spendable Amount, so that the Fund will not be depleted over time and will remain available in perpetuity for the support of the Library as long as the Library exists.

Fund Disbursement Approvals: The specific uses and portion of the Spendable Amount of earnings withdrawn from this fund will be identified in the Library's annual strategic planning monitoring and budget development and approval process and such uses must be consistent with the guidelines set forth above. No separate Board action is necessary.

Unused Spendable Amounts shall not carry over from year to year. If the Library does not use the entire Spendable Amount in any given year, the unused amount shall expire and remain in the Fund and shall not be added to the Spendable Amount available for use in the following year.

Contingencies

1. If the Village of Shorewood Board or the Library Board decide the library will cease to exist and/or will consolidate with one or more other public libraries, the disbursement and closing of any funds will be determined by the Library Board and must be approved by a 2/3rds vote.
2. In the event that pursuant to the Refunding Agreement between the Library and Wells Fargo Bank, N.A. as trustee of the Lawrence A. Lange Trust and Lawrence A. Lange Estate, the Library is required to repay any portion of the distribution which it received from such Trust or Estate, then the Library Board, acting by 2/3rds vote, may recommend a special distribution of income or principal from one or more of the funds for the repayment, with the Library Board having discretion to determine which of the three funds the repayment amount should be taken from, and how much should be taken out of each such fund for the repayment.

Prohibited uses of Lange Bequest

Lange Bequest funds shall not be used for:

1. Salaries and any fringe benefits of Shorewood Public Library employees (including health insurance, dental and other benefits, Social Security and Medicare, Wisconsin

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Retirement System, Retiree Health Contribution) except that a portion of the Board Directed Reserve Fund may be used for contracted professional services or compensation for part-time help for special and time limited programs if approved by the Library Board, but not for employee fringe benefits;

2. Shorewood Public Library staff Workers Compensation and unemployment;
3. Basic operating expenses such as: utilities (electric, gas and water); phone/internet, and other basic expenses, including routine repairs and maintenance, building supplies, cleaning and pest control, liability and property insurance, or any rent or charge, associated with the Library's space in the Shorewood Village Center;

Approved by the Library Board May 8, 2019