

KENNEBUNK FREE LIBRARY ENDOWMENT SPENDING POLICY

I. Statement of Spending Policy Objectives

The Kennebunk Free Library Board of Trustees has determined that the spending policy with respect to the Library's Endowment Fund ("Endowment") should be subject to a written policy. The purpose of this Endowment Spending Policy is to establish the procedures and rules applicable to the annual – and overall – spending of the Library's Endowment.

The objectives of the Endowment Spending Policy are:

- to ensure that the spending of the Endowment is managed in such a way that the Kennebunk Free Library can continue to provide a highly valued service to the community while lessening, as much as possible, the financial burden on the taxpayers;
- to grow the size of the Endowment; and
- to protect, to the extent possible, the Endowment investments from regular operating spending needs.

II. Purpose of the Endowment

The purpose of the Endowment is to provide:

- a permanent source of financial support for the Library;
- a contribution to the annual operating budget of the Library in an amount deemed appropriate by the Board of Trustees following recommendations from the Finance Committee;
- a financial reserve against a serious financial shortfall due to unforeseen events; and
- seed money for capital projects approved by the Board of Trustees.

III. Allocation of Donations

The Board of Trustees, with recommendations from the Finance Committee and Library Director, will determine whether funds received by the Library through contributions from donors are intended as contributions to the Endowment, the annual operating budget or special projects. In any event, the Board of Trustees will act on the requests of individual donors that may dictate the specific purpose for which specific funds are received to the extent that such instructions are given.

IV. Spending

Subject to review and adjustment annually by the Board of Trustees upon recommendation by the Finance Committee, it is our objective to budget 3% of the rolling three-year average of the Endowment Fund balance as of each September 30th to the next fiscal year's budgeted revenue. This target is set based on the 5 % average expected return of a balanced portfolio (normally 60% stocks/35% bonds/5% cash) managed on a total return basis over long periods of time. The objective of this strategy is to grow the Endowment Fund approximately 2% per year.

V. Amendment

The Board of Trustees shall review this Policy annually at the May Board meeting and reserves the right to amend this Endowment Spending Policy at any time.

Adopted by the KFL Board of Trustees by unanimous vote of approval on October 28, 2008