

BILL NO.**ORDINANCE NO.**

AN ORDINANCE ESTABLISHING THE GENERAL FUND BALANCE RESERVE GUIDELINES TO ENSURE THE CONTINUED ECONOMIC STABILITY OF THE CITY OF LEE'S SUMMIT, MISSOURI.

WHEREAS, a key element of the financial stability of the City is the maintenance of adequate levels of unassigned General Fund balance to mitigate financial risks that can occur from unforeseen revenue fluctuations, unanticipated expenditures, emergency circumstances, and other similar financial demands; and,

WHEREAS, the unassigned General Fund balance also provides cash flow liquidity throughout the year for the City's general operations: and,

WHEREAS, it is essential to determine which funds comprise the unassigned General Fund balance, as well as the level of funds to be maintained as a reserve in the General Fund balance: and,

WHEREAS, The Government Accounting Standards Board (GASB) has established rules for governments in determining unassigned fund balance: and,

WHEREAS, credit rating agencies consider, among other factors, the adequacy of the unassigned fund balance in determining bond ratings: and

WHEREAS, the City Council has determined it is in the best interest of the citizens of the City of Lee's Summit to establish General Fund balance reserve guidelines to ensure the continued economic stability of the City of Lee's Summit.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF LEE'S SUMMIT, MISSOURI, AS FOLLOWS:

SECTION 1, That the unassigned General Fund balance shall be maintained in an amount equal to that of at least three (3) average months (25%) of regular general fund operating revenues or expenditures, whichever is greater based on the prior fiscal year, to address emergencies and provide for economic stability.

SECTION 2. That the General Fund Annual Operating Budget Expenditures shall not exceed Annual Recurring Revenues except in unusual or extraordinary circumstances and the fund balance shall not be used to fund any portion of the ongoing and routine operating expenditures unless approved according to the provisions in Section 4.

SECTION 3. The unassigned General Fund balance shall consist of residual net resources, that is, those resources that remain after those that are nonspendable, restricted, committed and assigned as established by Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB).

SECTION 4. That, in the event the unassigned General Fund balance is calculated to be less than that required in Section 1 above, the City Manager shall adjust budget resources where reasonable in order to restore the balance in the next succeeding budget year. In the event of an extraordinary expenditure, the minimum unassigned fund balance will be restored within the next three years by adjusting revenues or expenditures.

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SECTION 5. In the event the General Fund balance exceeds 35 percent of recurring annual revenues, funds may be reappropriated by majority vote of the city council for expenditures considered to be one time in nature.

SECTION 6. That the City Manager shall make recommendations on the use of unassigned funds both as an element of the annual operating budget submission and from time to time throughout the year as needs arise. The Finance Director shall monitor and report to City Council the various fund restrictions and assignments.

SECTION 7. That the Finance Director shall annually submit a report outlining the status of the City's various components of the General Fund balance. This report shall be submitted within thirty (30) days after receipt of the annual financial audit. The Finance Director shall also provide status reports from time to time as requested.

SECTION 8. That any and all ordinances or parts of ordinances in conflict with any provision of this Ordinance shall be repealed to the extent of conflict only.

SECTION 9. That this ordinance shall be in full force and effect from and after the date of its passage and adoption, and approval by the Mayor.

PASSED by the City Council of Lee's Summit, Missouri, this ____ day of _____, 2023.

ATTEST:

Mayor *William A. Baird*

City Clerk *Trisha Fowler Arcuri*

APPROVED by the Mayor of said city this ____ day of _____, 2023.

ATTEST:

Mayor *William A. Baird*

City Clerk *Trisha Fowler Arcuri*

APPROVED AS TO FORM:

City Attorney *Brian W. Head*