

BILL NO. 23-185

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

WHEREAS, credit rating agencies consider, among other factors, the adequacy of the Unassigned General Fund Balance in determining bond ratings; and,

WHEREAS, The Government Accounting Standards Board (GASB) has established rules for governments in determining Unassigned General Fund Balance; and,

WHEREAS, the Unassigned General Fund Balance, as established by Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB), consists of those resources that remain after excluding those that are non-spendable, restricted, committed and assigned; and,

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 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. The General Fund Annual Operating Budget Expenditures shall not exceed Annual Recurring Revenues except in unusual or extraordinary circumstances, and the Unassigned General Fund Balance shall not be used to fund any portion of the ongoing and routine operating expenditures unless approved according to the provisions that follow.

SECTION 2. The Finance Director shall annually submit a report outlining the status of the City's various components of the General Fund Balance including the Unassigned General Fund Balance. This report shall be submitted within sixty (60) days after receipt of the annual financial audit. The Finance Director shall also provide status reports from time to time as requested.

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SECTION 3. The Unassigned General Fund Balance reported at the end of each fiscal year in the Annual Comprehensive Financial Report should be maintained in a minimum amount of Twenty-Five Percent (25%) of recurring general fund operating revenues or expenditures, whichever is greater, based on the prior fiscal year, to address emergencies and provide for economic stability.

SECTION 4. The Unassigned General Fund Balance reported at the end of each fiscal year in the Annual Comprehensive Financial Report should be maintained in a maximum amount of Thirty-Five Percent (35%) of recurring general fund operating revenues or expenditures, whichever is greater, based on the prior fiscal year, as a maximum level to reflect that revenues are properly invested in providing community services.

SECTION 5. In the event the Unassigned General Fund Balance is calculated to be less than the minimum level required in Section 3 above, the City Manager shall adjust budget resources, where reasonable, to restore the balance in the next succeeding budget year. In the event of an extraordinary expenditure, the minimum Unassigned General Fund Balance shall be restored within the next three years by adjusting revenues or expenditures.

SECTION 6. In the event the Unassigned General Fund Balance exceeds the minimum level specified in Section 3 and is less than the maximum level specified in Section 4, funds may be appropriated by majority vote of the City Council for expenditures considered to be one-time in nature.

SECTION 7. In the event the Unassigned General Fund Balance exceeds the maximum level specified in Section 4, the City Manager shall notify the City Council and present a recommendation for appropriate use of the funds for expenditures considered to be one-time in nature.

SECTION 8. 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. This Ordinance shall be in full force and effect from and after the date of its passage and adoption, and approval by the Mayor.

SECTION 10. Should any section, sentence, or clause of this Ordinance be declared invalid or unconstitutional, such declaration shall not affect the validity of the remaining sections, sentences, or clauses.

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

ATTEST:

Mayor *William A. Baird*

City Clerk *Trisha Fowler Arcuri*

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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