



CITY OF PITTSBURG, KANSAS BUDGETARY RESERVE POLICY

INTRODUCTION

Effective financial management practices ensure that the City has available cash reserves in order to:

- Provide resources in case of emergency or disruption of revenues
- Reduce the need to issue debt
- Provide financial stability

The Government Finance Officers Association (GFOA) recommends analyzing the areas of risk that will influence the level of reserves an organization will need to prepare for uncertainty and loss. The factors that need to be assessed are as follows:

- Revenue Volatility
- Infrastructure condition
- Likelihood of extreme events such as extreme weather conditions
- Outside influences such as unfunded pension liabilities, etc.

At a minimum, GFOA recommends a baseline of 16% of revenues or two months of expenditures.

PURPOSE

The purpose of the Budgetary Reserve Policy is to establish a framework from which the City Commission, City Manager, and other city departments may work to provide quality services and financial stability.

SCOPE

This policy will apply to all of the City's operating funds that are required to be budgeted by the State of Kansas budget laws.

POLICY STATEMENT

The City of Pittsburg is committed to:

- Establishing a cash reserves level that is equivalent to a two month annual expenditure and transfers out level for the general fund, special revenue funds, capital funds, debt service fund, and enterprise funds.
- Reducing the need for issuing debt to those instances of major projects that cannot be funded from normal operations.
- Budgeting enough reserves to maintain that level.
- Monies allocated in the reserve lines shall only be used with prior authorization of the City Finance Director and City Manager.
- Excess unreserved amounts above the minimum balance requirements may be used in the following ways:
 - Debt reduction
 - One-time expenditures that do not increase recurring operating costs, but that cannot be funded through current revenues, but will reduce future operating costs
 - Establishing or increasing reserves for risk management programs, equipment replacement, capital projects, emergencies, or disaster recovery
- Preparing and implementing a plan for restoration of reserve levels that are below the reserves goal.
- Reviewing and updating this policy annually.

GLOSSARY

Unreserved Fund balance: The unreserved cash balance at the end of a budget year.

Reserved Fund Balance: The reserved cash balance that is legally restricted and is not available for appropriation or expenditure.

Designated Fund Balance: Designated fund balance is that portion of unreserved fund balance that reflects the city's self-imposed limitations on the use of otherwise available expendable financial resources.

Undesignated Fund Balance: The financial resources which have not been obligated for a specific purpose.

General Fund: The City's primary operating fund that accounts for services not otherwise specified in a separate fund.

Special Revenue Funds: Funds that account for revenue sources and uses that are designated for a specific purpose.

Capital Funds: Funds that account for capital improvements funded by issuing debt, special assessments, or certain grants.

Enterprise Funds: Funds that account for activities for which a fee is charged to external users for goods and services, such as water, wastewater, sewer, and storm water.