

CITY OF PARKVILLE, MISSOURI

Policy Title:	Reserve Policy		
Policy Number:	100-06	Category:	Board
Effective Date:	December 3, 2013 Resolution No. 12-01-13	Updates:	

INTRODUCTION

The establishment and maintenance of adequate cash balances and reserves allow the City financial flexibility and security and is recognized as an important factor considered by bond rating agencies and the underwriting community when reviewing City debt issuance. Along with maintaining the City's credit worthiness, such cash balances and reserves provide the means to handle economic uncertainties, local disasters and other unanticipated financial hardships, as well as, to meet cash flow requirements. In addition to the designations noted below, fund balance levels will be sufficient to meet funding requirements for projects approved in prior years that are carried forward into the new year including debt service reserve requirements, reserves for encumbrances and other reserves or designations required by contractual obligations or generally accepted accounting principles.

MINIMUM FUND BALANCES

1. The City will establish and maintain fund balances for all funds based on evaluation of each individual fund. A positive cash balance should be shown in each governmental and enterprise fund at the end of the fiscal year.
2. At a minimum, the general fund balance should be no less than 5% of general fund appropriations for the succeeding fiscal year in order to provide adequate cash flow and emergency cash funding. The City will endeavor to grow a general fund balance of 15% of general fund appropriations for the succeeding fiscal year. Amounts over 15% shall be moved into the emergency reserve fund.
3. The City will establish an emergency reserve fund with expenditures limited to emergency situations such as a natural disaster, declared state of emergency, or other major unforeseen financial obligation. The City will maintain a balance in the emergency reserve fund of at least 25% of the general fund appropriations for the succeeding fiscal year.
4. The sewer utility fund balance should be able to provide 90 days of operations in addition to the current fiscal year debt service payments.

SPENDING FROM FUND BALANCES

5. A simple majority of the Board of Aldermen may approve expenditures from all fund balances, except the emergency reserve fund, to meet the operating needs of the City.
6. Any expenditure from the emergency reserve fund must be approved by a super majority (6 of 8) of the Board of Aldermen. The emergency must be documented as part of the Board of Aldermen action.
7. If an expenditure of the general fund balance would result in the combined fund balances of the emergency reserve fund and the general fund to fall below 10% of general fund appropriations for the succeeding fiscal year, such expenditure shall require approval of a super majority (6 of 8) of the Board of Aldermen.
8. In the event of a necessary expenditure from the emergency reserve fund, the City shall endeavor to rebuild the balance of the fund as soon as reasonably feasible following the emergency.

OTHER POLICIES

9. Restricted cash reserves should not be used to finance routine operating expenses that exceed budgeted levels.
10. Cash reserves should not be used to finance capital projects, unless those reserves were specifically earmarked for a project.
11. Revenues will equal or exceed expenditures for each budget year unless there are funds available in excess of the cash reserves requirements of this policy. Excess cash reserves may be used to balance revenues and expenditures as long as the minimum cash reserve requirements of this policy are met.

References:

- A. Government Finance Officers Association (GFOA) Best Practice Recommendation on the Appropriate Level of Unrestricted Fund Balance in the General Fund. Approved by the GFOA Executive Board, October 2009.
- B. Government Finance Officers Association (GFOA) Best Practice Recommendation on the Appropriate Levels of Working Capital in Enterprise Funds. Approved by the GFOA Executive Board, February 2011.
- C. A Risk-Based Analysis of General Fund Reserve Requirements: A Case Study of the City of Colorado Springs. Government Finance Officers Association. May 2013.
- D. This document was informed by staff and elected official discussions with staff at the Missouri Municipal League (MML) and the City's financial advisor, Springsted, Inc.