

City of Leavenworth, Kansas
Budgetary Reserve Policy
Approved by City Commission
March 12, 2024

INTRODUCTION

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

- Provide resources in case of emergency or disruption of revenues
- Meet contractual obligations
- Reduce the need to issue debt
- Provide financial stability and mitigate risks of economic downturns
- Provide stable tax rates
- Maintain good bond ratings/credit worthiness
- Comply with established public management best practices

The Government Finance Officers Association (GFOA) recommends analyzing risk areas that may influence an organization's needed reserve level in order to adequately prepare for uncertainty. Such factors include revenue volatility, probability of extreme events (i.e. weather), infrastructure condition, and outside influences such as political change or pension liabilities.

As such, The GFOA recommends a minimum baseline of two months of General Fund revenues or expenditures, whichever is most predictable.

PURPOSE

The purpose of the Budgetary Reserve Policy is to provide guidelines to the governing body and staff for establishing, maintaining, and reviewing the minimum and target reserve levels. A budget reserve policy is considered prudent stewardship of public funds, and a conservative business practice in order to address unforeseen situations and provide for long-term financial planning.

SCOPE

This policy will apply to the General Fund, Sewer Fund, and Refuse Fund.

POLICY STATEMENT

The City of Leavenworth is committed to:

- Maintaining minimum budgetary reserves in the General Fund equal to 16% of annual expenditures, with an annual target of 30%.

- Maintaining a minimum budgetary reserves in the Sewer Fund of 25% of annual expenditures and a capital reserve of 5% of net capital assets.
- Maintaining minimum budgetary reserves in the Refuse Fund equal to 16% of annual expenditures, with an annual target of 30%.
- Budgeting 4% of expenditures for restoration of reserve levels that are below the reserve minimum, if necessary.
- Reducing the need for issuing debt through effective use of budgetary reserves.
- Using reserves below the minimum level only with prior authorization of the City Commission and City Manager.
- Using excess unassigned amounts above the targeted balance requirements in the following ways:
 - Debt reduction.
 - One-time expenditures that do not increase recurring operating costs, but cannot be funded through current revenues.
 - Establishing or increasing reserves for risk management programs, equipment replacement, capital projects, emergencies, or disaster recovery.
- Reviewing and updating this policy periodically.