

City of Leavenworth, Kansas
Revenue Control Policy
Approved by City Commission
March 12, 2024

INTRODUCTION

Effective management of the City's revenues helps create a sustainable financial position and ensure sound financial practices.

PURPOSE

The purpose of the Revenue Control Policy is to establish a framework for the City Commission, City Manager, and all Departments to maintain effective revenue controls and cash management practices, and to ensure compliance with Federal, State and local requirements and industry standards.

SCOPE

This policy will address the following elements of revenue:

- Segregation of duties
- Revenue diversification
- Reviewing and updating rates and user fees
- Reviewing the effect of property values and mill rates
- Identifying additional revenue sources
- Cash forecasting to identify needed changes to rates and user fees

POLICY

The City of Leavenworth is committed to:

- Maintaining a diversified and stable revenue base to reduce the effects of short-term fluctuations in any one revenue source.
- Ensuring the segregation of revenue related duties for internal control purposes.
- Making a prudent effort to collect revenues.
- Funding current expenditures with current revenues. Avoiding procedures that balance current budgets by postponing needed expenditures, accruing future revenues, or rolling over short-term debt.
- Establishing various Special Revenue, Capital Project, Debt Service, and Enterprise Funds to account for revenues whose use should be restricted to certain activities. Accordingly, each fund exists as a separate financing entity from other funds, with its own revenue sources, expenditures, and fund equity.

- Clearly identifying operating transfers between funds in the annual budget. These operating transfers, under which financial resources are transferred from one fund to another, are distinctly different from inter-fund borrowings, which are usually made for temporary cash flow reasons, and are not intended to result in a transfer of financial resources by the end of the fiscal year.
- Performing a comparative analysis of 3-5 years of revenues and expenditures to establish basic cash flow patterns by fund.
 - Monitoring daily cash balances and investments to verify accuracy and determine whether appropriate levels of cash are available.
 - Establishing a prioritization of expenditures that reflect organizational goals.
 - Establishing a five-year Capital Improvement Plan to help prioritize expenditures for upgrades, replacement, and maintenance of City infrastructure.
 - Forecasting conservatively, because fluctuations in both revenues and expenditures occur for many reasons.
 - Updating cash requirements on a regular basis to ensure accuracy and validity of recommendations.
- Using the above criteria to monitor cash flow needs, determine debt issuance timing, and inform the budgetary process. Any significant deviation from the established pattern will be reviewed for cause and to determine if there is a need for action.
- Reviewing and updating fees on a regular basis to ensure that they keep pace with the changes in the cost of providing service, as well as changes in methods or levels of providing service.
 - In setting user fees, including the recovery of costs associated with providing services, there are several factors to be considered including, but not limited to the following:
 - Does the service provide a benefit to the community at large, or is it specific to a particular individual or group?
 - Are the fees in line with fees charged for comparable services by comparable communities?
 - How do the fees being charged impact the level of services provided?

Enterprise Funds:

- The City will set fees and rates at levels which cover the total direct and indirect costs, including operations, capital outlay, capital improvements, the minimum acceptable reserve level as established in the City’s Budgetary Reserve Policy, and debt service of the following Enterprise Funds:
 - Sewer
 - Refuse
 - Storm Water

Payment In-Lieu of Taxes (PILOT):

- In certain economic development circumstances, the City may assess reasonable payments in lieu of taxes.

Grant funding:

- The City will actively seek grant funding for both operating and capital expenditures. Prior to accepting grant funding, the Grants Management Policy will be reviewed in order to ensure the grant being applied for meets those requirements.