

**A RESOLUTION ESTABLISHING A POLICY FOR FUND RESERVES
CITY OF DERBY, KANSAS**

WHEREAS, city government has an important responsibility to its citizens to carefully account for public funds, manage municipal finances wisely and maintain adequate fund reserves in case of unforeseen events; and

WHEREAS, the City of Derby (“City”) strives to maintain a balanced budget while protecting against future budget shortfalls that could potentially harm the growth and development of the City; and

WHEREAS, the City recognizes the importance of complying with guidelines of the Government Finance Officers Association (GFOA) and national credit rating agencies pertaining to fund reserves to maintain the City’s strong economic standing and high credit rating; and

WHEREAS, a fund reserve policy will provide structure and financial flexibility while reducing financial risk to the City; and

WHEREAS, a fund reserve policy should reflect local circumstances and ensure the continued financial health of the City;

NOW, THEREFORE, be it resolved by the Governing Body of the City of Derby, Kansas:

Section 1. Policy Objectives. The objective of this policy is to establish responsible reserve limits on City funds to maintain the strong financial standing of the City. The intent is to ensure that adequate reserves exist to fund operations by providing sufficient working capital. The policy allows the City to maintain financial flexibility in the event of unforeseen shortfalls from municipal revenue sources, protect against uncollected taxes, and reduce the effects of cutbacks in distributions from the state and federal governments.

GFOA recommends governments maintain a fund balance of no less than 5 percent to 15 percent of revenues, or one to two months of operating expenditures. In addition, during credit reviews, national rating agencies pay close attention to the condition of the general fund and the potential volatility of revenue supporting annual expenditures. Credit rating agencies favor policies that explicitly designate one to two months of operating expenditures for reserve.

Section 2. General Fund. The general fund is the primary operating fund of the City that accounts for the majority of City operating revenues and expenditures. The City should

budget for current-year general fund revenues to be sufficient to finance current-year expenditures.

Due to the volatility of some of the major revenue sources, the City shall maintain a minimum unreserved general fund reserve of 15 percent of the actual expenditures.

If the general fund balance becomes non-compliant with the adopted parameters, budgeted revenues will be greater than budgeted expenditures in subsequent years to bring the general fund balance into compliance with this policy.

Section 3. Bond and Interest Fund. The City shall maintain a reserve of 10 percent of actual expenditures, less inter-fund transfers which are included in the transferring fund's expenditures.

Section 4. Wastewater Fund. The City shall maintain a wastewater fund reserve of 15 percent of actual expenditures.

Section 5. Water Fund. The City shall maintain a reserve of 15 percent of actual expenditures in the surplus account of the water revenue bond fund. In addition, the debt service account year-end carryover will comply with the water bond covenants.

Section 6. Library Fund and Library Employee Benefits Fund. The City shall maintain a reserve of 5 percent of the total wages budgeted for the following year in the library fund. This percentage is based on one payroll that will be paid prior to the receipt of City tax revenue in the following year. The reserve in the library employee benefits fund of 5% shall be based upon total actual expenditures of the fund.

Section 7. Library Sales Tax Revenue Fund. The source of revenue for this fund is a city-wide ½ cent retail sales tax that can only be used to service debt incurred to construct, equip, operate and maintain the Derby Public Library. Within this fund are the several accounts prescribed by the bond resolution. Year-end carryover in the debt service account shall comply with bond covenants. A reserve equal to 15 percent of the next year's anticipated operational expenditures shall be maintained in the operations account.

Section 8. Aquatic Park Sales Tax Revenue Fund. The source of revenue for this fund is the net revenue from operation of the Rock River Rapids Aquatic Park. A reserve account exists to supplement the operation and maintenance of the aquatic park when operating revenue is insufficient to meet obligations. The balance in this fund shall be at least equal to the amount the City has contracted to pay to its contract manager for the next year.

Section 9. Other Funds. There is no mandatory reserve requirement for the following funds:

- a. CIP reserve fund
- b. Economic development reserve fund

- c. Equipment reserve fund
- d. Risk management reserve fund


These funds are not subject to state budget law, and carryover amounts should be based on future need.

Section 10. Responsibility for Policy. The primary responsibility for maintaining and complying with this policy rests with the Director of Finance for the City. The Director of Finance shall

- a. Identify and monitor the predictability and volatility of revenue and expenditure streams and the likelihood of meeting the targeted ending cash reserves covered under the provisions of this policy.
- b. Ensure the targeted cash reserves do not “build” over the course of the annual budgeting process and, if applicable, notify the City Manager promptly when it appears excess funds may be accumulating.

Ultimate responsibility for compliance with the policy rests with the City Manager.

ADOPTED BY THE GOVERNING BODY of the City of Derby, Kansas, this 9th day of March, 2010.



Dion P. Avello, Mayor

ATTEST:



Jean Epperson, City Clerk