



*...in the center of it all*

**CITY COUNCIL AGENDA SUBMISSION  
February 14, 2023**

**Agenda Item:**

**Resolution 2023-234: A Resolution Establishing a Reserve Policy for the City of Olivette**

**Description:**

The General Fund is made up entirely of unrestricted uses and contains the majority of City operational expenditures. This resolution maintains the current minimum General Fund fund balance of 50% of current expenditures and lowers the minimum forecasted General Fund fund balance to 50% from 75% of 5 year forecasted expenditures.

The reserve policy is intended to mitigate the level of service delivery in the event of an unforeseen economic uncertainty or hardship. It also facilitates long-term financial planning. This recommendation comes after five years of experience with the current policy that has proven a challenge to adhere to at the 5 year level and a limitation to current goals and also acknowledges the stability of unknowns from 2018.

**Recommended Action:**

Approve Resolution #2023-234 as presented.

**Attachments:**

Resolution #2023-234 with Exhibit A

**Funding Request:**

None

**Submitted by:**

*Darren Mann, CPA*  
**DEPARTMENT HEAD**

**RESOLUTION #2023-234:**

**A RESOLUTION ESTABLISHING A RESERVE POLICY  
FOR THE CITY OF OLIVETTE.**

**Whereas,** the City of Olivette (the “City”) wishes to establish policies and procedures to maintain vital services to the community during times of economic uncertainty; and

**Whereas,** the City is committed to achieving long-term fiscal stability as well as mitigating the negative impacts of economic hardship; and

**Whereas,** the General Fund provides the majority of funding for essential operating expenditures of the City; and

**Whereas,** the use and replenishment of the reserves should be defined; and

**Whereas,** the City wishes to repeal any and all previously approved reserve policies; and

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OLIVETTE, MISSOURI, AS FOLLOWS:**

1. That the Reserve Policy Statement attached to this resolution as Exhibit A and incorporated in this Resolution by reference (the “Reserve Policy”) is hereby adopted and all previously approved reserve policies are hereby repealed.
2. That the City Manager and City Finance Director are hereby authorized and directed to implement the policies, goals, and objectives set forth in the Reserve Policy and are further authorized and directed to report to the City Council at appropriate periods concerning the implementation and recommendations for future modifications or clarifications of the Reserve Policy as may be required to respond to changes in reserve determination methods and to continue to reflect prudent public finance and management practices.

PASSED THIS 14th DAY OF February, 2023.

(SEAL)

\_\_\_\_\_  
Mayor Maxine Weil

ATTEST:

\_\_\_\_\_  
Denise Mandle  
City Clerk

**EXHIBIT A**  
**CITY OF OLIVETTE**  
**RESERVE POLICY**

**SECTION ONE: PURPOSE**

The purposes of this Policy are:

1. To establish the targeted level of General Fund reserves, a basic component of a financially strong city; and,
2. To establish the targeted level of Fund Balances for operating reserves to sustain operations throughout the city; and,
3. To maintain reserves to minimize service disruption in the event of adverse revenue generation or significant short term expenditures; and,
4. To provide financial information users an insight to the goals and intentions of the City Council towards the goal of financial resiliency through unforeseen circumstances.

**SECTION TWO: RESERVE POLICY BACKGROUND**

Adequate reserves position an organization to effectively complete multi-year planning functions and as well as providing a buffer for unplanned needs. These needs could come in a variety of ways; from economic downturns, legislative enacted revenue reductions, natural disasters, catastrophic events caused by human activity, or legal actions. When combined with other available resources, the Reserve Policy serves as an important tool to assist citizens and other users of City financial status in assessing the financial health of the City.

Ultimately, the Reserve Policy seeks to prevent unplanned alterations in service levels.

### **SECTION THREE: RESERVE LEVELS**

The Government Finance Officers Association (GFOA) best practices recommend a minimum reserve of two months (17%) so that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) in order to protect taxpayers and employees from unexpected changes in financial conditions. Due to the characteristics of the revenue and expenditures of the city, this policy goes above these minimum recommendations and sets reserves as follows:

1. The City will maintain a minimum fund balance reserve of 50% of annual expenditures in the General Fund.
2. Fund balance in the General Fund as projected 5 years into the future as part of the budgeting process, the City will maintain a minimum forecasted fund balance reserve of 50% of forecasted expenditures.

Most recent fund balance data the reserve will be measured against will be the most up-to-date fund balance between: the audited financial statements' fund balance, estimated current year fund balance used during monthly reports, and fund balance projected 1 year into the future as part of the budgeting process.

### **SECTION FOUR: TIMELINE FOR REPLENISHMENT OF RESERVE**

If fund balance levels are projected to fall below the 50% reserve requirement in a fiscal year-end, the City Manager is responsible for the presentation of a proposal to City Council for all deficient funds that demonstrates the recovery of fund balance to required fund balance levels within a two year period. This presentation will occur within 30 days of reporting of a deficiency.

EFFECTIVE DATE: February 14, 2023