

City of Kansas City, Missouri



Docket Memo

Ordinance/Resolution #

Submitted Department/Preparer: Mayor/Council's Office

Docket memos are required on all ordinances initiated by a Department Director. More information can be found in [Administrative Regulation \(AR\) 4-1](#).

Executive Summary

Amending Chapter 2, Code of Ordinances, by repealing Section 2-1954 relating to the City's fund balance and reserve policy and enacting in lieu thereof one new section of like number and subject to modify the required funding floor and ceiling, respectively, of the emergency reserve funds and countercyclical reserve funds of the general fund and amending permissible uses for unassigned general fund balance

Discussion

A strong fund balance is critical to weathering strains such as economic downturns, emergency capital repairs, or volatility in revenues and expenditures. Additionally, a strong fund balance is a focal point of credit rating agencies and investors. The Government Finance Officers Association (GFOA) recommends a reserve of at least no less than two months' regular general fund operating expenditures for reserves; Moody's Investors Service recommends a fund balance between 15% and 30% of revenues.

The City's current fund balance and reserve policy requires a reserve of at least two months of regular operating expenditures in the General Fund. The City also currently has a structural imbalance in the general fund due to expenditure growth exceeding revenue growth. This legislation seeks to establish a fiscally prudent emergency reserve in excess of the minimum standards directed by GFOA and credit rating agencies in an effort to meet future fiscal challenges.

Fiscal Impact

1. Is this legislation included in the adopted budget? Yes No
2. What is the funding source?
General Fund
3. How does the legislation affect the current fiscal year?
This legislation would require a minimum fund balance of three months' of operating expenses for the General Fund.
4. Does the legislation have fiscal impact in future fiscal years? Please notate the difference between one-time and recurring costs.



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This legislation has a fiscal impact in future fiscal year. The table below uses data from the baseline scenario of the Five Year Financial Plan and the FY24 Submitted Budget to illustrate the difference in fund balance under a policy of two months' operative expenses versus three months'.

	FY24	FY25	FY26	FY27	FY28
Two mos. fund balance <i>(current policy)</i>	\$101,745,140	\$105,158,818	\$109,173,945	\$113,138,495	\$117,258,981
Three mos. fund balance <i>(proposed policy)</i>	\$152,617,405	\$157,737,912	\$163,760,590	\$169,707,403	\$175,888,120

The City is currently projected to draw down its fund balance below the two month threshold beginning in FY26. Under a policy of three months' reserves, the City would be below that threshold beginning in FY25. This speeds up the timetable for consideration of potential programmatic cuts to meet the required fund balance.

- Does the legislation generate revenue, leverage outside funding, or deliver a return on investment?

No.

Office of Management and Budget Review

(OMB Staff will complete this section.)

- This legislation is supported by the general fund. Yes No
- This fund has a structural imbalance. Yes No

Additional Discussion (if needed)

Citywide Business Plan (CWBP) Impact

View the [FY23 Citywide Business Plan](#)

Which CWBP goal is most impacted by this legislation?

Finance and Governance (Press tab after selecting.)

Which objectives are impacted by this legislation (select all that apply):

- Reform the City's economic incentives to meet the policy objectives of the City Council
- Ensure the resiliency of City government

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- Engage in workforce planning including employee recruitment, development, retention, and engagement
- Ensure a responsive, representative, engaged, and transparent City government

Prior Legislation

[Click or tap here to list prior related ordinances/resolutions.](#)

Service Level Impacts

An increase to the required minimum fund balance of the General Fund will result in future programmatic cuts to meet that requirement, affecting the level of service provided to employees and residents of Kansas City.

Other Impacts

1. What will be the potential health impacts to any affected groups?
N/A
2. How have those groups been engaged and involved in the development of this ordinance?
N/A
3. How does this legislation contribute to a sustainable Kansas City?
N/A
4. Does the ordinance/resolution include Civil Rights antidiscrimination requirements in compliance with the Code of Ordinances (Chapter 38, titled "Civil Rights")?
N/A
5. Has the ordinance/resolution been submitted for review of economic equity & inclusion requirements in compliance with the Code of Ordinances (Chapter 3, titled "Contracts and Leases")?
N/A