

Fund 002 Revenue Stabilization

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2007 Advertised Budget Plan, as approved by the Board of Supervisors on May 1, 2006:

- ◆ The Board of Supervisors made no adjustments to this fund.

Focus

The Board of Supervisors, during deliberations on the *FY 1999 Carryover Review*, approved the establishment of Fund 002, Revenue Stabilization Fund (RSF). The purpose of this fund is to provide a mechanism for maintaining a balanced budget without resorting to tax increases and expenditure reductions that aggravate the stresses imposed by the cyclical nature of the economy.

The Board of Supervisors established the Reserve under the directive that the Revenue Stabilization Fund will not be used as a method of addressing the demand for new or expanded services; it is solely to be used as a financial tool in the event of a significant economic downturn. Therefore, the Board of Supervisors established a policy for utilizing the Revenue Stabilization Fund that identified three specific criteria that must be met in order to make a withdrawal from the Fund:

- Projected revenues reflect a decrease greater than 1.5 percent from the current year estimate;
- Withdrawals from the Fund shall not exceed one-half of the fund balance in any fiscal year; and
- Withdrawals from the Reserve shall be used in combination with spending cuts or other measures.

The Revenue Stabilization Fund has a target balance of 3.0 percent of General Fund disbursements. The Fund shall be separate and distinct from the County's 2.0 percent Managed Reserve, which was initially established in FY 1983. However, the aggregate balance of both reserves shall not exceed 5.0 percent of General Fund disbursements.

The target balance of 3.0 percent of General Fund disbursements was to be accomplished by transferring funds from the General Fund over a multi-year period. The Board of Supervisors determined that a minimum of 40 percent of non-recurring balances identified at quarterly reviews would be transferred to the Revenue Stabilization Fund and the Fund would retain the interest earnings on the balance, and the retention of interest would continue until the Reserve is fully funded. It should be noted that, as part of the *FY 2006 Third Quarter Review*, the Board of Supervisors approved a general fund transfer of \$30.2 million that along with projected interest earnings enabled the reserve to reach its target level of 3.0 percent of General Fund disbursements. In addition, options are being discussed regarding how to maintain fully funded status including retention of interest earnings and transfers from the General Fund. Final decisions on how best to maintain fully funded status will be determined as part of the *FY 2006 Carryover Review*.

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Changes to FY 2006 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2006 Revised Budget Plan since passage of the FY 2006 Adopted Budget Plan. Included are all adjustments made as part of the FY 2005 Carryover Review and all other approved changes through December 31, 2005:

- ◆ **Carryover Adjustments** **\$14,600,292**
The Board of Supervisors approved a General Fund Transfer-In to this fund in the amount of \$14,600,292 including \$9,600,292 or 40 percent of the non-recurring balances identified at the FY 2005 Carryover Review and an additional \$5,000,000 to help speed the process of fully funding this reserve.

The following funding adjustments reflect all approved changes to the FY 2006 Revised Budget Plan from January 1, 2006 through April 24, 2006. Included are all adjustments made as part of the FY 2006 Third Quarter Review:

- ◆ **Third Quarter Adjustments** **\$30,205,550**
The Board of Supervisors approved a General Fund Transfer-In to this fund in the amount of \$30,205,550 to fully fund the Revenue Stabilization Fund (RSF). The target level for this reserve is 3.0 percent of total General Fund Disbursements in any given fiscal year. The transfer-in of \$30.2 million along with projected interest earnings provides the opportunity to bring this reserve up to its target. Three percent requires an RSF balance of \$94.3 million in FY 2006.

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FUND STATEMENT

Fund Type G00, General Fund

Fund 002, Revenue Stabilization

	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan	FY 2007 Adopted Budget Plan
Beginning Balance	\$34,751,566	\$46,773,221	\$47,044,889	\$62,720,731	\$94,307,032
Revenue:					
Interest Earnings	\$677,179	\$1,075,550	\$2,456,301	\$2,528,371	\$2,528,371
Total Revenue	\$677,179	\$1,075,550	\$2,456,301	\$2,528,371	\$2,528,371
Transfer In:					
General Fund (001)	\$11,616,144	\$0	\$44,805,842	\$0	\$0
Total Transfer In	\$11,616,144	\$0	\$44,805,842	\$0	\$0
Total Available	\$47,044,889	\$47,848,771	\$94,307,032	\$65,249,102	\$96,835,403
Transfer Out:	\$0	\$0	\$0	\$0	\$0
Total Disbursements	\$0	\$0	\$0	\$0	\$0
Ending Balance¹	\$47,044,889	\$47,848,771	\$94,307,032	\$65,249,102	\$96,835,403

¹ Fluctuations in the ending balance reflect the Board of Supervisors policy that a minimum of 40 percent of non-recurring balances identified at quarterly reviews would be transferred to the Revenue Stabilization Fund until it was fully funded and the policy that the fund will retain the interest earnings on this balance to remain fully funded.