

# Fund 002

## Revenue Stabilization

---

### **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 was fully funded. It should be noted that as a result of Board of Supervisors' approved General Fund transfers along with projected interest earnings the fund achieved fully funded status in FY 2006 by reaching its target level of 3.0 percent of General Fund disbursements. Based on the projected earnings on the balance in the fund and depending on the average yield for the portfolio, it is anticipated that the fund will remain fully funded by retaining its interest earnings. However, if adjustments to disbursements result in a target level which exceeds the amount of interest projected to be earned by the fund, a General Fund Transfer to this fund would be required to maintain the 3.0 percent of disbursements fully funded target level. Conversely, if the amount of interest projected to be earned by the fund exceeds the amount required to maintain fully funded status, Fund 001, General Fund, will retain the additional interest earnings.

## Fund 002 Revenue Stabilization

---

### **Changes to FY 2010 Adopted Budget Plan**

*The following funding adjustments reflect all approved changes in the FY 2010 Revised Budget Plan since passage of the FY 2010 Adopted Budget Plan. Included are all adjustments made as part of the FY 2009 Carryover Review, FY 2010 Third Quarter Review, and all other approved changes through April 20, 2010.*

- ◆ **Carryover Adjustments - Replenish Revenue Stabilization Fund Reserve** **\$0**

The General Fund transfer to Fund 002, Revenue Stabilization Fund was increased by \$16,213,768 as part of the *FY 2009 Carryover Review* to restore the fund to the targeted 3.0 percent of total General Fund disbursements. It should be noted that, as part of the *FY 2009 Third Quarter Review* the Board of Supervisors authorized a partial withdrawal from the Revenue Stabilization Fund (RSF) to address FY 2009 revenue shortfalls. Based on Third Quarter revenue estimates which reflected a reduction of \$53.0 million or 1.6 percent from the FY 2009 approved budget level, FY 2009 marked the first year the policy conditions for withdrawal had been met since the creation of the fund in 1999. As part of the Budget Guidance for FY 2010 and FY 2011 approved by the Board of Supervisors on April 20, 2009 the Board of Supervisors directed staff to develop a plan to restore the fund to the targeted 3.0 percent of total general fund disbursements as part of the *FY 2009 Carryover Review*. It should be noted that the transfer of \$16.2 million to fully fund the Revenue Stabilization Fund reserve is less than the \$18.7 million withdrawn from the fund as part of the *FY 2009 Third Quarter Review* primarily as a result of higher than anticipated actual interest earnings in FY 2009.

# Fund 002 Revenue Stabilization

## FUND STATEMENT

**Fund Type G00, General Fund**

**Fund 002, Revenue Stabilization**

	FY 2009 Actual	FY 2010 Adopted Budget Plan	FY 2010 Revised Budget Plan	FY 2011 Advertised Budget Plan	FY 2011 Adopted Budget Plan
<b>Beginning Balance</b>	<b>\$101,248,222</b>	<b>\$84,235,191</b>	<b>\$86,610,227</b>	<b>\$102,823,995</b>	<b>\$102,823,995</b>
Revenue:					
Interest Earnings <sup>1</sup>	\$4,104,745	\$0	\$0	\$0	\$0
Total Revenue	\$4,104,745	\$0	\$0	\$0	\$0
Transfer In:					
General Fund (001)	\$0	\$0	\$16,213,768	\$0	\$0
Total Transfer In	\$0	\$0	\$16,213,768	\$0	\$0
<b>Total Available</b>	<b>\$105,352,967</b>	<b>\$84,235,191</b>	<b>\$102,823,995</b>	<b>\$102,823,995</b>	<b>\$102,823,995</b>
Transfer Out:					
General Fund (001)	\$18,742,740	\$0	\$0	\$0	\$0
Total Transfer In	\$18,742,740	\$0	\$0	\$0	\$0
<b>Total Disbursements</b>	<b>\$18,742,740</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Ending Balance</b> <sup>2</sup>	<b>\$86,610,227</b>	<b>\$84,235,191</b>	<b>\$102,823,995</b>	<b>\$102,823,995</b>	<b>\$102,823,995</b>

<sup>1</sup> Based on the anticipated balance in the fund and budgeted County Disbursements in FY 2010 and FY 2011, it is anticipated that this fund will not need to retain interest earnings in either year to remain fully funded.

<sup>2</sup> Fluctuations in the ending balance reflect actions taken by the Board of Supervisors consistent with fund policy and budget guidance. These actions include a withdrawal from the fund of \$18.7 million to transfer funding to the General Fund during FY 2009 and based on available funding at year-end the *FY 2010 Revised Budget Plan* transfer in from the General Fund to replenish the balance and fund the Revenue Stabilization Fund at the targeted level.