Fund 10010
Revenue Stabilization

Focus

The Board of Supervisors, during deliberations on the *FY 1999 Carryover Review*, approved the establishment of Fund 10010, Revenue Stabilization. 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 fund was established with a target level of 3.0 percent of General Fund disbursements, and fully funded status was achieved in FY 2006. As part of the adoption of the FY 2016 Adopted Budget Plan, the Board of Supervisors updated the County's Ten Principles of Sound Financial Management to increase the County's reserve targets for both the Revenue Stabilization Reserve and the Managed Reserve. The target level of the Revenue Stabilization Reserve was increased to 5.0 percent of General Fund disbursements. The target level of the Managed Reserve – a separate reserve established in FY 1983 and held in the General Fund – was increased from 2.0 percent to 4.0 percent of General Fund disbursements. In addition, the Board established a new Economic Opportunity Reserve with a target of 1.0 percent of General Fund disbursements, for a total County reserve target of 10.0 percent of General Fund disbursements. More information on the Ten Principles of Sound Financial Management can be found in the *Long-Term Financial Policies and Tools* section in the Overview Volume of the FY 2016 Adopted Budget Plan.

It is anticipated that the funding necessary to increase the reserve to its new target level will be accumulated primarily through the identification of one-time revenues and balances. In addition to the funding required to increase the level of the reserve to its new target, adjustments are also required to maintain the current reserve level as a result of adjustments to General Fund disbursements. Maintenance of the current reserve level is accomplished in part by retaining interest earnings. However, if adjustments to disbursements result in a required increase to the fund balance that exceeds the amount of interest projected to be earned by the fund, a General Fund transfer to this fund is required.

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FY 2016 Funding Adjustments

The following funding adjustments from the FY 2015 Adopted Budget Plan are necessary to support the FY 2016 program. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the budget on April 28, 2015.

- **General Fund Transfer**
  A General Fund transfer to this fund in the amount of $536,848 is required to maintain the reserve at its current funding level of 3.2 percent of General Fund disbursements.

Changes to FY 2015 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2015 Revised Budget Plan since passage of the FY 2015 Adopted Budget Plan. Included are all adjustments made as part of the FY 2014 Carryover Review, FY 2015 Third Quarter Review, and all other approved changes through April 30, 2015.

- **Carryover Adjustments**
  As part of the *FY 2014 Carryover Review*, the Board of Supervisors approved an increase of $1,143,243 in the General Fund transfer to this fund in order to maintain the reserve at the target level of 3.0 percent of General Fund disbursements.

- **Third Quarter Adjustments**
  As part of the *FY 2015 Third Quarter Review*, the Board of Supervisors approved an increase of $8,170,837 in the General Fund transfer to this fund, including $472,957 in order to maintain the reserve at its target level based on *FY 2015 Third Quarter Review* disbursement adjustments and $7,697,880 in order to increase the funding level of the reserve to 3.2 percent of General Fund disbursements.

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FUND STATEMENT

Fund 10010, Revenue Stabilization

	FY 2014 Actual	FY 2015 Adopted Budget Plan	FY 2015 Revised Budget Plan	FY 2016 Advertised Budget Plan	FY 2016 Adopted Budget Plan
Beginning Balance	$107,549,693	$110,968,870	$110,575,008	$113,399,599	$121,570,436
Revenue:					
Interest Earnings[1]	$256,138	$650,000	$650,000	$650,000	$650,000
Total Revenue	$256,138	$650,000	$650,000	$650,000	$650,000
Transfers In:					
General Fund (10001)	$2,769,177	$1,031,348	$10,345,428	$354,755	$536,848
Total Transfers In	$2,769,177	$1,031,348	$10,345,428	$354,755	$536,848
Total Available	$110,575,008	$112,650,218	$121,570,436	$114,404,354	$122,757,284
Transfers Out:					
General Fund (10001)	$0	$0	$0	$0	$0
Total Transfers Out	$0	$0	$0	$0	$0
Total Disbursements	$0	$0	$0	$0	$0
Ending Balance	$110,575,008	$112,650,218	$121,570,436	$114,404,354	$122,757,284

[1] Based on the projected balance in the fund and budgeted General Fund disbursements in FY 2015 and FY 2016, it is anticipated that this fund will need to retain interest earnings in FY 2015 and FY 2016 to remain fully funded.