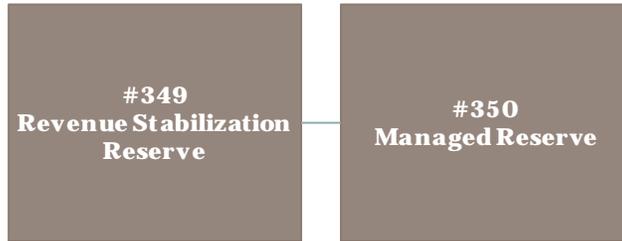


Reserves



Overview

There are two primary General Fund reserves that have been established to allow the County to absorb the impact of unforeseen events and economic downturns. The Managed Reserve was created in FY 1983 and is held in the General Fund, and provides for the temporary financing of critical unforeseen disbursements of a catastrophic emergency nature. The Revenue Stabilization Reserve was established as part of the *FY 1999 Carryover Review* to allow orderly adjustment to changes resulting from the curtailment of revenue and is held in Fund 10010.

Prior to FY 2016, the Managed Reserve was maintained at a level of two percent of General Fund disbursements, and the Revenue Stabilization Reserve was maintained at a three percent level. As part of the adoption of the FY 2016 Adopted Budget Plan, the Board of Supervisors increased the target levels for these reserves to four percent for the Managed Reserve and five percent for the Revenue Stabilization Reserve. In FY 2016, the Board also approved the creation of an Economic Opportunity Reserve, which is intended to stimulate economic growth and will provide for strategic investment opportunities that are identified as priorities by the Board. The Economic Opportunity Reserve will be funded at a level equal to one percent of General Fund disbursements after the Managed Reserve and Revenue Stabilization Reserve are fully funded at their new levels.

Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
FUNDING			
Revenue Stabilization Reserve Balance	\$110,575,008	\$121,140,663	\$122,757,284
Managed Reserve Balance	73,979,246	75,915,037	76,702,689
Total Reserves	\$184,554,254	\$197,055,700	\$199,459,973

Lines of Business Summary

LOB #	LOB Title	FY 2016 Adopted	
		Disbursements	Positions
349	Revenue Stabilization Reserve	\$0	0
350	Managed Reserve	0	0
Total		\$0	0

Lines of Business

LOB #349:

REVENUE STABILIZATION RESERVE

Purpose

The Revenue Stabilization Reserve provides 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 reserve was established under the directive that it 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.

Description

The Revenue Stabilization Reserve is held in Fund 10010, Revenue Stabilization. The reserve was established by the Board of Supervisors during deliberations on the *FY 1999 Carryover Review* with a target level of three percent of General Fund disbursements, and fully funded status was achieved in FY 2006. In FY 2016, the target level of this reserve was increased from three to five percent of General Fund disbursements. There are 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.

Benefits

The Revenue Stabilization Reserve mitigates the impact of revenue decreases on County programs and tax rates, providing stability to revenues and expenditures during economic downturns. The reserve has been utilized one time since its creation, when a revenue shortfall led to the withdrawal of \$18.7 million to stabilize the FY 2009 budget. It should be noted that the County restored funding to the reserve at year-end FY 2009.

Another important benefit of the Revenue Stabilization Reserve is its contribution to the County's triple-A bond rating. The bond rating agencies give significant weight in their ratings to the maintenance of adequate reserve funds. The County's exceptional triple-A bond rating gives its bonds an unusually high level of marketability and results in the County being able to borrow for needed capital improvements at low interest rates, thus realizing significant savings for the residents of Fairfax County now and in the future.

Mandates

This Line of Business is not mandated.

Reserves

Trends and Challenges

The bond rating agencies have contended that the County's reserve levels are not sufficient, especially when compared to other triple-A rated jurisdictions. In response to these concerns, the County has committed to increasing its reserve levels, with the target level of the Revenue Stabilization Reserve increasing from three to five percent of General Fund disbursements. In order to fund this target and the increased target of the Managed Reserve, any budgeted increase in General Fund disbursements is accompanied by a 10 percent commitment to reserves and, as part of the Carryover Review, an amount equal to 40 percent of General Fund balances not necessary to fund critical requirements is transferred to the reserves.

Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #349: Revenue Stabilization Reserve			
FUNDING			
Beginning Balance	\$107,549,693	\$110,575,008	\$121,570,436
Interest Earnings	256,138	220,227	650,000
Transfer in from General Fund	2,769,177	10,345,428	536,848
Ending Balance	\$110,575,008	\$121,140,663	\$122,757,284

Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Revenue Stabilization Reserve as a percentage of General Fund disbursements	3.05%	3.04%	3.24%	3.41%	NA

The balance of the Revenue Stabilization Reserve is increasing as progress is made toward funding the reserve at its new target level of five percent of General Fund disbursements. It should be noted that the FY 2016 Estimate is based on the balance of the reserve as of the *FY 2015 Carryover Review*.

Reserves

LOB #350:

MANAGED RESERVE

Purpose

The Managed Reserve provides for temporary financing of critical unforeseen disbursements of a catastrophic emergency nature.

Description

The Managed Reserve was established in FY 1983 and is held in the General Fund. In FY 2016, the target level of this reserve was increased from two to four percent of General Fund disbursements.

Benefits

The Managed Reserve provides a source of funding for the County to absorb large, unexpected expenditures without impacting County services. A withdrawal has never been made from the catastrophic reserve. As a large component of the County's General Fund reserves, the Managed Reserve also contributes to the County's triple-A bond rating from the major rating agencies. The triple-A rating has allowed the County to generate significant savings from bond sales and refundings.

Mandates

This Line of Business is not mandated.

Trends and Challenges

The bond rating agencies have contended that the County's reserve levels are not sufficient, especially when compared to other triple-A rated jurisdictions. In response to these concerns, the County has committed to increasing its reserve levels, with the target level of the Managed Reserve increasing from two to four percent of General Fund disbursements. In order to fund this target and the increased target of the Revenue Stabilization Reserve, any budgeted increase in General Fund disbursements is accompanied by a 10 percent commitment to reserves and, as part of the Carryover Review, an amount equal to 40 percent of General Fund balances not necessary to fund critical requirements is transferred to the reserves.

Reserves

Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #350: Managed Reserve			
FUNDING			
Beginning Balance	\$71,884,864	\$73,979,246	\$75,915,037
General Fund Contribution	2,094,382	1,935,791	787,652
Ending Balance	\$73,979,246	\$75,915,037	\$76,702,689

Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Managed Reserve as a percentage of General Fund disbursements	2.04%	2.03%	2.03%	2.18%	NA

The balance of the Managed Reserve is increasing as progress is made toward funding the reserve at its new target level of four percent of General Fund disbursements. It should be noted that the FY 2016 Estimate is based on the balance of the reserve as of the *FY 2015 Carryover Review*.