

Board action to maintain
the County's Triple-A
Bond Rating and Revise
the 10 Principles

County Triple-A Bond Rating

- Preservation of the Triple-A rating will require continued action by the Board of Supervisors
 - Budget discipline: No one-time funds for recurring requirements in FY 2016 and beyond
 - Pension Funds: Decrease unfunded liability levels as approved in FY 2015 and included in FY 2016 budget and beyond
 - Reserves: Increase reserves closer to the median of other peer Triple-A jurisdictions

Reserve Recommendation #1

Ensure that FY 2015 CAFR balances are consistent with FY 2014 levels

- Year-end balance cannot fall below the FY 2014 level
- Replenish Litigation Reserve consistent with the *FY 2015 Third Quarter Review* recommendations
- Review allocation and presentation of available balances in the CAFR to maximize reserve calculations and methodologies used by rating agencies

Reserve Recommendation #2

Increase existing reserve policies:

- Increase the Managed Reserve from 2% to 4% of General Fund disbursements
- Increase the Revenue Stabilization Fund from 3% to 5% of General Fund disbursements

Fund increased reserves by:

- A deposit into the Revenue Stabilization Fund as part of the *FY 2015 Third Quarter Review*
- One-time revenues or one-time balances not required for critical one-time expenditures
- Allocate 40% of year-end balances not required for critical items
- Allocate savings from bond refundings
- Consolidation of existing balances such as the Sequestration Reserve
- Budget funds for reserves when available including contributions for increased disbursements

Reserve Recommendation #3

Establish a new reserve

- One percent of General Fund disbursements to allow strategic investment in economic development opportunities
- To act as a revolving reserve to address opportunities that are identified as priorities of the Board
- Criteria would be developed for the utilization of this reserve
- Would be funded after the Managed Reserve and Revenue Stabilization Fund are fully funded at their new levels

Reserve Recommendation #4

Adjust and reaffirm the County's Ten Principles of Sound Financial Management

- Board action when the budget is adopted in April
- Sends a clear message to the rating agencies of the County's commitment to sound financial management and the resolve to make difficult financial decisions

See attached changes

Summary

- The work of identifying, funding, and accumulating reserves will be ongoing and take time
- A prudent plan is essential to preserving the County's Triple-A rating
- The Triple -A rating provides significant benefit to County priorities, both tangible and intangible
- Maintaining the Triple-A rating is critical to the County's financial foundation and economic success