



Fairfax County, Virginia

LINES OF BUSINESS
July 2016

RESERVES

County Lines of Business (LOBs)
Presentation to the Board of Supervisors



www.fairfaxcounty.gov/budget/2016-lines-of-business.htm





Agenda

- Importance of Reserves
- Major County Reserves
 - Managed Reserve
 - Revenue Stabilization Reserve
 - Economic Opportunity Reserve
- Funding Policy
- Funding Progress
- Benchmarking



Importance of Reserves

- Reserves are an essential part of strong financial management for municipal governments
- The size of reserves and controls over them are dependent on many factors including:
 - Volatility and diversity of the revenue base
 - Flexibility and willingness to reduce expenditures or increase revenues
 - External risks that may threaten the financial stability of a region
- Reserves are a significant factor in evaluating a jurisdiction's credit worthiness by the rating agencies
 - The County's AAA bond rating is critical for debt service affordability and access to funds in support of capital projects
 - Since 1978, the AAA has saved the County \$772.42 million

"The outlook has been revised to stable. The Aaa rating reflects the county's adequate financial position supported by **recently strengthened comprehensive fiscal policies**, large and diverse tax base with socioeconomic indices that are well above average, and reasonable debt burden with manageable future borrowing plans." – Moody's Investor Services



Managed Reserve

- Provides for temporary financing of critical unforeseen expenditures of a catastrophic nature
- Target balance increased from 2% to 4% of General Fund disbursements as part of the FY 2016 Adopted Budget Plan



Revenue Stabilization Reserve

- Permits orderly adjustment to revenue reduction during significant and rapid deterioration of the local economy
- Conditions for withdrawal:
 - Projected revenues must reflect a decrease greater than 1.5% from the current year estimate
 - Must be used in combination with spending cuts
 - Withdrawals must not exceed one half of fund balance
 - Withdrawals must be replenished
- Target balance increased from 3% to 5% of General Fund disbursements as part of the FY 2016 Adopted Budget Plan
- Used for the first and only time in FY 2009
 - Withdrawal of \$18.7 million as part of the total plan to address a \$64.7 million shortfall at the *FY 2009 Third Quarter Review*



Economic Opportunity Reserve

- Intended to stimulate economic growth
- Provides for strategic investment opportunities that are identified by the Board of Supervisors
- Established as part of the FY 2016 Adopted Budget Plan with a target balance equal to 1% of General Fund disbursements
- Funding for this reserve will occur after the Managed Reserve and the Revenue Stabilization reserve are fully funded at their new levels

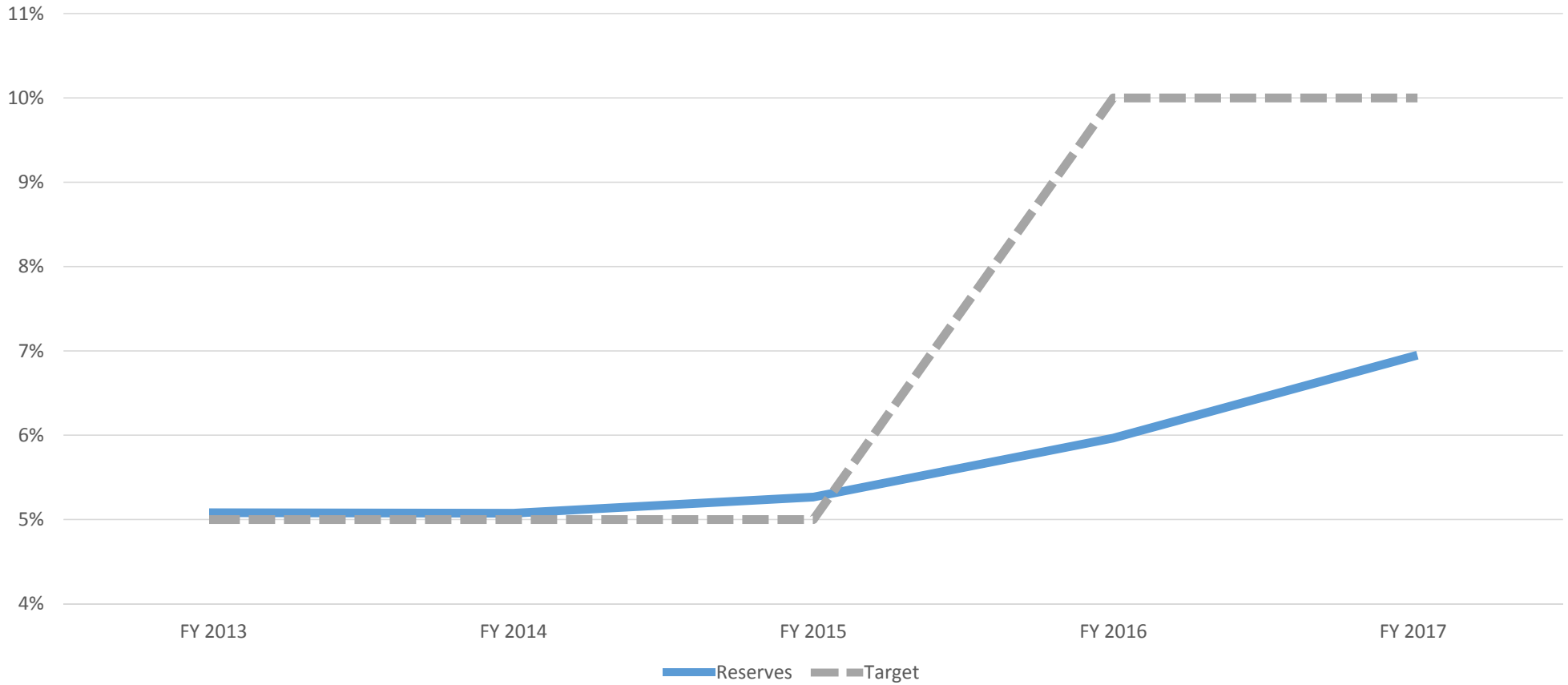


Funding Policy

- Options to fund increased reserve target levels include:
 - One-time revenues (insurance reimbursements, significant refund revenue based on state audit, etc.)
 - 40% of year-end balances not required for critical purposes
 - Savings from bond refundings and other one-time savings
 - Consolidation of existing balances
 - Budgeted funds for reserves when available



Funding Progress¹



¹ Projected reserve level in FY 2017 is shown as included in the *FY 2016 Carryover Review*.



Benchmarking

Jurisdiction	Fund Balance Policy	Available General Fund Balance
Mecklenburg County, NC ¹	8%	43.0%
Chesterfield County, VA	8%	38.6%
Henrico County, VA	15%	31.2%
Loudoun County, VA	10%	22.8%
Baltimore County, MD	10%	22.0%
Prince George's County, MD	5%	19.2%
Arlington County, VA	5%	17.7%
Prince William County, VA	8.5%	17.4%
Montgomery County, MD ¹	10%	16.0%
Fairfax County, VA ²	10%	13.4%

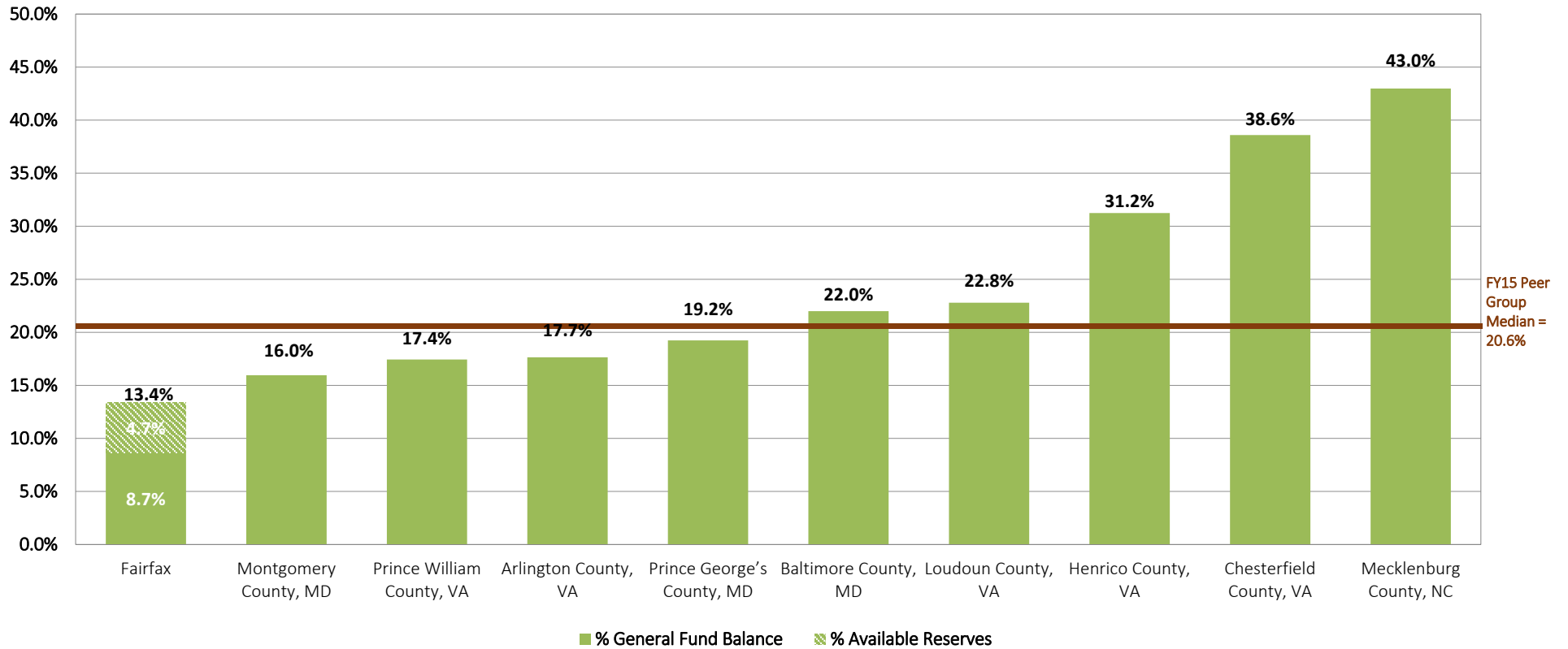
¹ Fund balance policy for Mecklenburg County, NC, requires that total fund balance be maintained at 28% of actual revenue, and that unassigned fund balance be maintained at 8% of actual revenue. Fund balance policy for Montgomery County, MD, applies to unrestricted fund balance. Fund balance policies for all other jurisdictions listed apply to the unassigned fund balance or to a named reserve such as a revenue stabilization reserve or contingency reserve.

² Available Balance for Fairfax County includes General Fund Available Balance and Non-General Fund balances that have been identified as being available for General Fund use in the FY 2015 CAFR. Available Balance for all other jurisdictions is based on total General Fund balance, excluding nonspendable balances, as published in most recent available CAFR documents.



Benchmarking

General Fund Balance as a Percent of Revenues





Discussion

