

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 2018 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. The FY 2018 projected balance of \$185,038,059 is 4.51 percent of the FY 2018 Adopted General Fund Disbursement level.

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FY 2018 Funding Adjustments

The following funding adjustments from the FY 2017 Adopted Budget Plan are necessary to support the FY 2018 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 May 2, 2017.

◆ **General Fund Transfer**

A General Fund transfer to this fund in the amount of \$5,221,570 is required due to a net increase in General Fund disbursements.

Changes to FY 2017 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2017 Revised Budget Plan since passage of the FY 2017 Adopted Budget Plan. Included are all adjustments made as part of the FY 2016 Carryover Review, FY 2017 Third Quarter Review, and all other approved changes through April 30, 2017.

◆ **Carryover Adjustments**

As part of the FY 2016 Carryover Review, the Board of Supervisors approved an increase of \$10,695,387 in the General Fund transfer to this fund. This amount includes \$3,523,091 due to a net increase in General Fund disbursements and \$7,172,296 as a result of allocating 40 percent of available year-end balances after funding critical requirements to the Revenue Stabilization Reserve.

◆ **Third Quarter Adjustments**

As part of the FY 2017 Third Quarter Review, the Board of Supervisors approved an increase of \$909,800 in the General Fund transfer to this fund as a result of the County's policy that any budgeted increase in General Fund disbursements is accompanied by a 10 percent commitment to reserves, with the increase divided between the Managed Reserve and the Revenue Stabilization Reserve.

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FUND STATEMENT

Fund 10010, Revenue Stabilization

	FY 2016 Actual	FY 2017 Adopted Budget Plan	FY 2017 Revised Budget Plan	FY 2018 Advertised Budget Plan	FY 2018 Adopted Budget Plan
Beginning Balance	\$121,140,663	\$141,697,200	\$141,620,035	\$177,102,689	\$178,012,489
Revenue:					
Interest Earnings ¹	\$572,835	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Total Revenue	\$572,835	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Transfers In:					
General Fund (10001)	\$15,381,802	\$10,711,034	\$22,316,221	\$5,031,906	\$5,221,570
Consolidated Debt Service (20000) ²	4,524,735	13,076,233	13,076,233	804,000	804,000
Total Transfers In	\$19,906,537	\$23,787,267	\$35,392,454	\$5,835,906	\$6,025,570
Total Available	\$141,620,035	\$166,484,467	\$178,012,489	\$183,938,595	\$185,038,059
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 Balance³	\$141,620,035	\$166,484,467	\$178,012,489	\$183,938,595	\$185,038,059

¹ It is anticipated that this fund will retain interest earnings in FY 2017 and FY 2018 to continue progress toward its funding target.

² Following the financial policies adopted by the Board of Supervisors, one of the mechanisms to achieve higher reserve levels is to allocate savings from County bond refundings. Accordingly, transfers from Fund 20000, Consolidated Debt Service, reflect the allocation of savings from the County's General Obligation Public Improvement Refunding Bonds to reserves.

³ Fluctuations in the Ending Balance are due to the accumulation of balances in this fund to increase the reserve to its new target level of 5.0 percent of General Fund disbursements. The FY 2018 projected balance of \$185,038,059 is 4.51 percent of the FY 2018 Adopted General Fund Disbursement level.