



FY 2020 Recommended Budget Budget Question

Board Question #: 28

BUDGET QUESTION: Please provide the end of year actual reserves since FY 2009.

RESPONDING DEPARTMENT/OFFICE: Finance

RESPONSE: Please see the attachment and please be reminded that the figures shown are not additive from one year to the next. Each year's total reserve figures shown replace the prior year's reserve figures. Additionally, please see attached the response to a FY 2018 Budget Question in which staff communicated that the existing Fiscal Stability Reserve and Budget Stabilization Reserve are in place for use in extraordinary circumstances of the Schools as well as the County.

ESTIMATE OF STAFF TIME SPENT ON RESPONSE: The data provided herein was researched and assembled in response to a recent FOIA request. Because staff already provided it for that purpose, no additional time was necessary to answer this budget question.

	General Fund - End of Year Actuals									
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Fiscal Stability Reserve ¹	\$34,923,436	\$34,244,760	\$35,103,946	\$36,577,745	\$36,650,287	\$37,142,151	\$42,356,068	\$43,987,128	\$45,243,039	\$47,391,540
Budget Stabilization Reserve ²	\$0	\$0	\$0	\$0	\$0	\$0	\$4,157,898	\$1,999,707	\$3,057,114	\$4,179,844
Health Insurance Reserve ³	\$2,146,238	\$1,921,459	\$2,676,689	\$2,228,290	\$2,236,356	\$2,886,881	\$3,462,774	\$3,726,772	\$3,991,639	\$4,352,752
Economic Opportunities Reserve ⁴	\$0	\$0	\$0	\$0	\$0	\$0	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Other Post-Employment Benefits Reserve ⁵	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,900,000	\$1,900,000	\$1,900,000
Fund Balance Net of Obligations & Reserves	\$419,082	\$6,377,283	\$2,424,390	\$5,045,601	\$3,141,830	\$4,639,591	\$118,964	\$3,398,673	\$12,024,507	\$7,957,582
Total	\$37,488,756	\$42,543,502	\$40,205,025	\$43,851,636	\$42,028,473	\$44,668,623	\$52,095,704	\$57,012,280	\$68,216,299	\$67,781,718
Change in Total - Year Over Year	-\$1,264,899	\$5,054,746	-\$2,338,477	\$3,646,611	-\$1,823,163	\$2,640,150	\$7,427,081	\$4,916,576	\$11,204,019	-\$434,581

Reserve Policies

¹ **Fiscal Stability Reserve** - Based on Board-adopted policy, the Fiscal Stability Reserve is maintained at 11% of General Fund and School Operating Fund revenues projected for the subsequent fiscal year budget. Appropriations from the Fiscal Stability Reserve may be made only by a majority vote of the Board of Supervisors to meet a critical, unexpected financial need costing at least \$1.0 million and resulting from a natural disaster or declared state of emergency, or from a local catastrophe (e.g. a fire at the business of one of the County's top 10 revenue generators) that cannot be resolved through other less extraordinary budgetary action. The \$1.0 million cost requirement will be met when the County incurs a loss in revenue, an increase in expenditures, or a combination of each stemming from the events identified herein. Any use of the Fiscal Stability Reserve will be replenished within three fiscal years. Note that prior to FY 2016, this policy was 10% of General Fund and School Operating Fund revenues.

² **Budget Stabilization Reserve** - Based on Board-adopted policy, the Budget Stabilization Reserve is annually maintained by adding 0.25% of General Fund and School Operating Fund revenues projected for the subsequent fiscal year budget until such time as the reserve reaches \$5.0 million. Any use of the Budget Stabilization Reserve requires adoption of a resolution by the Board and will be replenished within two fiscal years. Note that this policy was established in FY 2016 ahead of the close of FY 2015 books. Therefore, the Budget Stabilization Reserve first appeared in the FY 2015 Comprehensive Annual Financial Report.

³ **Health Insurance Reserve** - Based on Board-adopted policy, the County maintains a self-insured health insurance reserve equal to the total claims incurred but not reported (IBNR) plus three months of claim payments based on the previous three years' experiences. Any use of such reserve will be limited to payment of IBNR in the event the County changes to a new vendor for health insurance and to the payment of claims that exceed premium payments. Any use of the self-insured health insurance reserve will be replenished within one year. Though maintenance of a health insurance reserve had been an informal practice for years prior, this became an official policy of the Board in FY 2016 with specific reserve requirements being established.

⁴ **Economic Opportunities Reserve** - Based on Board-adopted policy, the Economic Opportunities Reserve is maintained at \$2.0 million for the purpose of funding matches to State grants and to provide other up-front incentives to substantial economic development opportunities. At the end of the fiscal year, the Economic Opportunities Reserve is replenished to the \$2.0 million level in the event that available fund balance remains after full funding of the Fiscal Stability Reserve, the Health Insurance Reserve, and the Budget Stabilization Reserve. Appropriations from this reserve require the vote of the Board.

⁵ **Other Post-Employment Benefits Reserve (OPEB)** - In July 2004, the Governmental Accounting Standards Board established standards for financial reporting of governmental liabilities related to non-pension post-employment benefits (e.g. retire health insurance), also known as OPEB liabilities. Though OPEB will not be received by the employee until he or she retires from employment, these future benefits are being earned today, and so they are a cost of providing public services rendered today. Based on the Board of Supervisors' adopted policy, funding for OPEB liabilities will be budgeted and reserved as funds are available within the associated operating budgets. The County currently annually funds what is known as the annual required contribution (ARC) of the smaller, non-General Fund funds, and in FY 2016, began an eight-year phase-in of funding the ARC for the much larger General Fund. The County's goal is to fund 100% of the ARC in FY 2023. One-fifth of the General Fund ARC was budgeted in FY 2019 for the first time. An additional one-fifth is being added (for a total of two-fifths budgeted) in the FY 2020 Recommended Budget.



FY 2018 Recommended Budget Budget Question

Board Question #: 34

BUDGET QUESTION: Can we set up a reserve for Schools similar to other reserves the County maintains?

RESPONSE: The existing Fiscal Stability Reserve and Budget Stabilization Reserve are calculated as percentages of General Fund and School Operating Fund revenues based on policy, so the intent is that those reserves are countywide reserves – to include the Schools. Those reserves are meant for use only in extraordinary circumstances. Use of the reserve to balance a budget as it is initially being prepared does not meet the expectation of use under only extraordinary circumstances.

Being able to meet citizens' needs and continue providing critical services and school system operations during extraordinary circumstances is why these reserves are set out in policy and maintained at the current levels.