

Fiscal Reserves

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Department Description

The State of Washington permits the City to maintain two financial reserves for general government spending. Under the authority of RCW 35.32A.060, the City maintains a financial reserve called the Emergency Subfund (ESF) of the General Fund. This subfund is the principal reserve for the City and is available to pay for unanticipated expenses that occur during the fiscal year. State law limits the amount of money the City can set aside in this reserve to 37.5 cents per \$1,000 of assessed value of property within the City.

Under the authority of RCW 35.21.070 the City maintains a second financial reserve called the Revenue Stabilization Account (RSA) of the Cumulative Reserve Subfund (aka the Rainy Day Reserve). The purpose of the RSA is to have resources available to maintain City spending in the event of a sudden, unanticipated shortfall in revenue due to economic downturns or other factors. City code limits the amount set aside in this reserve to five percent of General Subfund tax receipts.

Policy and Program Changes

The state of the economy in 2011 is particularly uncertain, with a path out of the recession likely to be long and slow. This uncertainty increases the risk that revenue projections may fall short of current estimates. In light of this financial uncertainty and in order to preserve the City's ability to maintain essential services in 2011 and beyond, the 2011 Adopted and 2012 Endorsed Budget preserves the entirety of reserved funds in the ESF and the RSA. This outcome is also in line with the City's goal to avoid relying on one-time revenues to support on-going expenditures.

City financial policies require that the City maintain the fund balance of the Emergency Subfund (ESF) at the maximum amount permitted by State law. Due to projected declines in the City's total assessed value in 2011 relative to 2010, the ESF must be reduced. Current estimates of assessed value within the City indicate that the maximum amount the City can set aside in the ESF for 2011 is \$44.5 million. The anticipated ending fund balance for 2010 is \$45.3 million, resulting in a required drawdown of \$750,000 for 2011.

The released \$750,000 in reserve funds from the ESF is preserved by transferring these funds to the City's Revenue Stabilization Account (RSA). This is the only change to the RSA in 2011; the 2011 Adopted and 2012 Endorsed Budget does not rely on RSA funds to support any spending. In 2009 and 2010, RSA funds supported General Subfund spending in the amounts of \$8.9 million and \$11.3 million respectively, leaving \$10.5 million in the RSA. The \$750,000 transferred to the RSA from ESF reflects a commitment to begin rebuilding the RSA to protect the City from future and unanticipated declines in revenue.

Assessed value is projected to decline again in 2012 relative to 2011, resulting in an additional drawdown of the ESF. These funds are also transferred to the RSA. With these actions, the RSA is expected to total \$11.3 million by the end of 2012.

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	Summit	2009	2010	2011	2012
Appropriations	Code	Actual	Adopted	Adopted	Endorsed
Emergency Expenditures Budget Control Level	AE000	1,222,932	0	750,000	100,000
Revenue Stabilization Reserve Budget Control Level	2CR60	8,874,000	11,254,647	0	0
Department Total		10,096,932	11,254,647	750,000	100,000
		2009	2010	2011	2012
Resources		Actual	Adopted	Adopted	Endorsed
Other		10,096,932	11,254,647	750,000	100,000
Department Total		10,096,932	11,254,647	750,000	100,000

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Emergency Expenditures Budget Control Level

Purpose Statement

The purpose of the Emergency Expenditures Budget Control Level is to provide resources to pay unanticipated expenses as described in state law (RCW 35.32A.060).

Summary

\$750,000 is transferred from the Emergency Subfund to the Revenue Stabilization Account, and remains in reserve. The Emergency Subfund remains at its maximum allowable level under State law in 2011 and 2012.

	2009	2010	2011	2012
Expenditures	Actual	Adopted	Adopted	Endorsed
Emergency Expenditures Program	1,222,932	0	750,000	100,000

Revenue Stabilization Reserve Budget Control Level

Purpose Statement

The purpose of the Revenue Stabilization Reserve Budget Control Level is to transfer resources from the Revenue Stabilization Account of the Cumulative Reserve Subfund to the General Subfund or other funds supporting the City's general government services. These appropriations are implemented as operating transfers from the Revenue Stabilization Account to the funds or subfunds they support.

Summary

No spending is proposed from the Revenue Stabilization Account in the 2011-2012 Proposed Budget.

	2009	2010	2011	2012
Expenditures	Actual	Adopted	Adopted	Endorsed
Revenue Stabilization Program	8,874,000	11,254,647	0	0

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2011 - 2012 Estimated Revenues for the Cumulative Reserve Subfund, Revenue Stabilization Account (00166)

Summit Code	Source	2009 Actuals	2010 Adopted	2010 Revised	2011 Adopted	2012 Endorsed
587001	Oper Tr IN-FR General Fund	0	0	0	750,000	100,000
	Total Support from General Subfund	0	0	0	750,000	100,000
	Total Revenues	0	0	0	750,000	100,000
379100	Use of (Contribution to) Fund Balance	0	0	0	(750,000)	(100,000)
	Total Resources	0	0	0	0	0

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2011 - 2012 Estimated Revenues for the Emergency Subfund (00185)

Summit Code	Source	2009 Actuals	2010 Adopted	2010 Revised	2011 Adopted	2012 Endorsed
461110	Investment Income	71	0	0	0	0
587001	Oper Tr IN-FR General Fund	5,858,818	0	0	0	0
Total Revenues		5,858,889	0	0	0	0
379100	Use of (Contribution to) Fund Balance	0	0	0	750,000	100,000
Total Resources		5,858,889	0	0	750,000	100,000

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Cumulative Reserve Subfund, Revenue Stabilization Account (00166)

	2009 Actuals	2010 Adopted	2010 Revised	2011 Adopted	2012 Endorsed
Beginning Fund Balance	30,597,577	21,726,000	21,723,577	10,468,930	11,218,930
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenue	0	0	0	750,000	100,000
Less: Actual and Budgeted Expenditures	8,874,000	11,254,647	11,254,647	0	0
Ending Fund Balance	21,723,577	10,471,353	10,468,930	11,218,930	11,318,930

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Emergency Subfund (00185)

	2009 Actuals	2010 Adopted	2010 Revised	2011 Adopted	2012 Endorsed
Beginning Fund Balance	40,897,010	46,560,000	45,532,967	45,286,060	44,536,060
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenue	5,858,889	0	0	0	0
Less: Actual and Budgeted Expenditures	1,222,932	0	246,907	750,000	100,000
Ending Fund Balance	45,532,967	46,560,000	45,286,060	44,536,060	44,436,060
Continuing Appropriations	246,907				
Total Reserves	246,907	0	0	0	0
Ending Unreserved Fund Balance	45,286,060	46,560,000	45,286,060	44,536,060	44,436,060