



Finance Committee

Discuss the Scope, Authorization, and Use of a Budget Stabilization Reserve

Agenda Date: 5/15/2019
Agenda Item Number: 6.C
File Number: 19-0451

Type: discussion **Version:** 1 **Status:** Filed

Title

Discuss the Scope, Authorization, and Use of a Budget Stabilization Reserve

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Discuss the scope, authorization, and use of a Budget Stabilization Reserve.

Report

Issue:

Whether to discuss the scope, authorization, and use of a Budget Stabilization Reserve

Staff Contact:

Debbie Sullivan, Administrative Services Director, 360.753.8499

Presenter(s):

Debbie Sullivan, Administrative Services Director,

Background and Analysis:

During the last recession, the City experienced severe cuts in service to the community. Overall, the recession cost \$6 million, 60 employees were laid off, and it took more than years to recover.

Over the past several years, the City has experienced a strong local and regional economy that has provided sufficient revenues to support key programs and services. Several indicators suggest the local economy is beginning to slow. In 2018, sales tax revenues were below projections, private utility taxes flattened out, and cable TV tax declined. At the same time, certain expenses such as medical insurance continue to outpace revenues. With the cyclic nature of the national and regional economy, a downturn, which will adversely affect revenues, can be expected. It is prudent to evaluate the City's reserve policies to put measures in place to mitigate the effects of a downturn in the economy.

The Government Finance Officers Association recommends establishing a Budget Stabilization

Reserve in addition to an Emergency Reserve. The City currently has an Emergency Reserve which is funded annually at 10 percent of General Fund Operating Revenue. Staff recommends updating our financial management policies to include a Budget Stabilization Reserve.

The purpose of a Budget Stabilization Reserve would be to sustain City services by stabilizing revenue during a major economic downturn. This is in contrast to the 10 percent Emergency Reserve which would be used to sustain City services in the event of a catastrophic event such as a natural or man-made disaster.

Staff will discuss the following policy issues and seek direction from Finance Committee:

1. Purpose of the emergency reserve verses a budget stabilization reserve
2. Targeted funding levels for each reserve
3. Method to withdrawal the funds
4. Authorization to withdrawal the funds
5. Timeline to replenish the funds

Neighborhood/Community Interests (if known):

N/A

Options:

Discussion only.

Financial Impact:

The current 10 percent General Fund Reserve is \$7,712,678; a Budget Stabilization Reserve would result in an increase of overall reserves.

Attachments:

None