

# Fiscal Reserves

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## Department Overview

The State of Washington permits the City to maintain two financial reserves to draw upon in the event of certain unanticipated expenditure or revenue pressures. Under the authority of RCW 35.32A.060, the City maintains the Emergency Subfund (ESF) of the General Fund. The ESF is the principal reserve for the City to draw upon when certain unanticipated expenses occur during the fiscal year. Eligible expenses include costs related to storms or other natural disasters. 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, also known as the Rainy Day Fund. The RSA provides resources for the City to draw upon to maintain City services 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. Ordinance 123743 requires the City to deposit an amount equivalent to 0.5% of General Subfund tax revenues into the RSA, with some limited exceptions. In addition, City policy requires the deposit of 50% of any unplanned year-end fund balance in the General Subfund into the RSA. The RSA has a fund balance cap equal to five percent of total annual General Fund tax revenue.

## Budget Overview

The 2018 Adopted Budget continues to protect the City's fiscal reserves and embraces strong and prudent financial management practices. Maintaining healthy and appropriate reserve levels is critical in ensuring the City is financially well prepared to address unexpected revenue or expenditure pressures, especially as economic conditions have become more volatile.

### Emergency Subfund (ESF)

State law allows the City to maintain an emergency reserve at a maximum statutory-authorized level of 37.5 cents per \$1,000 of assessed property value in the city. The City's practice had been to fully fund the emergency reserve to this maximum limit. However, over that past several years assessed values have undergone significant growth and are expected to continue at a rate that far outpaces the projected City's revenue growth rate. While perhaps good news from an economic standpoint, these increasing assessed values do not translate into a proportional increase in City property tax revenues. In that context, and in recognition of the need for resources to be directed toward related social services in response to the homelessness crisis, in 2017 the City modified the existing financial policies for the ESF to establish a minimum balance of \$60 million, and to adjust that level each year with the rate of inflation. This implies that the ESF would continue to grow, but at somewhat lower rate than under the previous policy. This policy change strikes a balance between ensuring that resources will be available to address unanticipated expenditures and making resources available to address current needs.

### Success of Rainy Day Funding Enhancements (RSA)

The City adopted significant RSA funding enhancements in 2011 via Ordinance 123743. These changes enabled the City to rebuild the Rainy Day Fund reserves that had been spent down in 2009 and 2010 in the midst of the

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Great Recession. The new policies facilitated the rebuilding of this reserve fund from a low of \$10.5 million in 2010 to \$54.1 million by 2018. The \$54.1 million also represents an historical high for this fund. The 2018 contributions are driven by General Fund revenue growth as the fund reached the policy cap in 2015.

### City Council Changes to the Proposed Budget

The Council made no changes to the 2018 Proposed Budget

## City Council Provisos

There are no Council provisos

## Revenue Overview

### 2018 Estimated Revenues

Summit Code	Source	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Adopted
485110	Oper Tr In-Fr General Fund	2,223,941	2,777,744	1,868,939	3,850,594
485110	Oper Tr In-Fr General Fund	5,807,324	1,697,861	1,521,358	1,542,358
<b>Total Oper Tr In Fr GF</b>		<b>8,031,265</b>	<b>4,475,605</b>	<b>3,390,297</b>	<b>5,392,952</b>
<b>Total Revenues</b>		<b>8,031,265</b>	<b>4,475,605</b>	<b>3,390,297</b>	<b>5,392,952</b>
379100	Use of (Contribution to) Fund Balance	-2,223,941	-2,777,744	-1,868,939	-3,850,594
379100	Use of (Contribution to) Fund Balance	-5,807,324	-1,697,861	-1,521,358	-1,542,358
<b>Total Use of Fund Balance</b>		<b>-8,031,265</b>	<b>-4,475,605</b>	<b>-3,390,297</b>	<b>-5,392,952</b>
<b>Total Resources</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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### Fiscal Reserves Fund Table

#### Cumulative Reserve Subfund, Revenue Stabilization Account (00166)

	2016 Actuals	2017 Adopted	2017 Revised	2018 Endorsed	2018 Adopted
<b>Beginning Fund Balance</b>	<b>45,222,783</b>	<b>47,446,724</b>	<b>47,446,724</b>	<b>50,224,468</b>	<b>50,224,468</b>
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	2,223,941	2,777,744	2,777,744	1,868,939	3,850,594
<b>Ending Fund Balance</b>	<b>47,446,724</b>	<b>50,224,468</b>	<b>50,224,468</b>	<b>52,093,407</b>	<b>54,075,062</b>
<b>Ending Unreserved Fund Balance</b>	<b>47,446,724</b>	<b>50,224,468</b>	<b>50,224,468</b>	<b>52,093,407</b>	<b>54,075,062</b>

#### Emergency Subfund (00185)

	2016 Actuals	2017 Adopted	2017 Revised	2018 Endorsed	2018 Adopted
<b>Beginning Fund Balance</b>	<b>54,197,699</b>	<b>60,000,000</b>	<b>60,005,023</b>	<b>61,697,861</b>	<b>61,702,884</b>
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	5,807,324	1,697,861	1,697,861	1,521,358	1,542,358
<b>Ending Fund Balance</b>	<b>60,005,023</b>	<b>61,697,861</b>	<b>61,702,884</b>	<b>63,219,219</b>	<b>63,245,242</b>
<b>Ending Unreserved Fund Balance</b>	<b>60,005,023</b>	<b>61,697,861</b>	<b>61,702,884</b>	<b>63,219,219</b>	<b>63,245,242</b>

