

Revenue Stabilization Fund

Name of fund.

There is created and established within the budget of the City of Merced a fund to be known as the "Revenue Stabilization Fund."

Purpose of fund.

The purpose of the Revenue Stabilization Fund is to identify, reserve, and accumulate General Fund resources in order to mitigate impacts of future unanticipated General Fund revenue shortfalls, budgetary imbalances, shortages in working capital, and to provide revenue for emergency or other exigent circumstances. This is in addition to the city's goal of maintaining the unassigned portion of the unrestricted General Fund fund balance at a minimum of the average of two months of revenue and expenditures as recommended by the Government Finance Officers Association (GFOA). The resources in the General Fund Revenue Stabilization Fund shall accumulate for year to year until available reserves in the Revenue Stabilization Fund equal \$20,000,000.

Sources of resources.

- (1) There shall be deposited into the Revenue Stabilization Fund contributions from the General Fund in amounts determined by the city council.
- (2) The budget submission for each year shall include a recommendation for a General Fund contribution, which is calculated as 50% of the 75% excess of prior year audited unreserved General Fund balance over the GFOA recommended minimum.

Example:

Fiscal Year 15-16 Audited unreserved fund balance at June 30	\$8,659,009
Fiscal Year 17-18 GFOA Recommended minimum	<u>6,681,022</u>
Excess over GFOA Minimum	1,977,987
Amount Rounded	1,900,000
	<u>75%</u>
75% of Excess	1,425,000
	<u>50%</u>
50% to Revenue Stabilization	\$ <u>712,500</u>

Use of fund.

- (1) Expenditures from this fund shall be used only for the following purposes:
 - a. If the City Council declares a fiscal hardship, requiring the use of such resources to maintain current levels of city services and programs. For purposes of this section, a "fiscal hardship" shall be deemed to occur whenever the City Manager, in the proposed budget for a fiscal year, projects a level of General Fund structural revenues that will result in a 1 percent or greater reduction in funding for general City services, as compared to the base budget that would be needed to maintain existing services. For purposes of this section, the phrase "base budget" means the projected on-going costs

needed to maintain the same level of General Fund operations as the prior fiscal year's budget.

- b. To sustain city services in the event of a catastrophic event such as a natural/manmade disaster (e.g., earthquake, windstorm, flood, terrorist attack, etc.)
- (2) All expenditures from this fund shall require prior city council approval, unless previously specifically authorized by the city council for expenditure in the annual budget.

Fund Manager.

The Finance Officer or designee shall administer the Revenue Stabilization Fund within the financial management system, and shall serve as the fund manager.