GO COMMITTEE #1
October 10, 2011

MEMORANDUM

October 6, 2011

TO: Government Operations and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director SBF

SUBJECT: County Reserve Policy

On June 29, 2010 the Council approved Resolution No. 16-1415, *Reserve and Selected Fiscal Policies.* This resolution, which resulted from close collaboration between the Council and the Executive to address last year's extremely difficult fiscal situation, clarified and strengthened the County's policies.

On May 3, 2011 the Committee reviewed the reserve policy and requested a follow-up review. Subsequent discussion among staff from the Council, OMB and Finance, and the other tax supported agencies (MCPS, Montgomery College, and M-NCPPC) generated specific proposals to further clarify and strengthen the reserve policy. These proposals are detailed in the attached memo from Legislative Analyst Chuck Sherer, who retired on September 30. Mr. Sherer, who played a central role in the development of these proposals, prepared the memo for this Committee meeting, which was originally scheduled for September 26. The Committee will now consider the following proposals described in Mr. Sherer's memo:

1. Set a higher reserve target each year to help ensure that the goal of increasing reserves from the FY11 target of 6% to the FY20 target of 10% will be achieved (pages 1-3).

2. Clarify that the reserve target is based on the General Fund and the Revenue Stabilization Fund, and that reserves from the 16 other tax supported funds are additional (page 2).

3. Adopt a policy on reserve targets for each of the funds of the four tax supported agencies (pages 3-7). Council and Executive staff agree on all these targets. MCPS and M-NCPPC staff agree on the targets for their agencies. College staff would prefer a different target. See the discussion on pages 5-6.

A revised resolution on reserve and selected fiscal policies that incorporates these proposals is attached on ©3-7. The substantive changes from last year's resolution are in Action clauses 5 and 6 on ©5-6. Following the discussion of the proposals, the Committee can decide whether to recommend this resolution to the Council for adoption.

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GO #1
October 10, 2011
Discussion

MEMORANDUM

September 28, 2011

TO: Government Operations and Fiscal Policy Committee

FROM: Charles H. Sherer, Legislative Analyst CHS

SUBJECT: Reserve policy for the tax-supported funds

Attendees The following Executive staff may attend:
Joe Beach, Finance
Mike Coveyou, Finance
Rob Hagedoorn, Finance
David Platt, Finance
Jennifer Hughes, OMB
Alex Espinosa, OMB

Background On May 3, 2011, the Committee discussed the County's reserve policy and asked for another discussion of this important topic. **The purpose** of this memorandum is to suggest some ways to clarify and strengthen the County's reserve policy for the tax-supported funds, based on discussions among Council staff and Executive staff (OMB staff and Finance staff).

Recommendations

I. Council staff recommends adding the following targets to the County's reserve policy that the Council approved on June 29, 2010, in Resolution 16-1415. The %s are total budgeted reserve as defined below divided by adjusted governmental revenues as defined below. The FY12 % is what the Council approved on May 26, 2011.

FY12	6.1%
FY13	6.4%
FY14	6.9%
FY15	7.4%
FY16	7.9%
FY17	8.4%
FY18	8.9%
FY19	9.4%
FY20	10.0%

Explanation and rationale On June 29, 2010, the Council:

a) revised the law regarding the Revenue Stabilization Fund (RSF) in Bill 36-10;

b) approved a formal reserve policy for the first time in Resolution 16-1415; and

c) approved the County's Tax Supported Fiscal Plan Summary for FY11-16 in Resolution 16-1416.

The main reason for these actions was to provide for a steady increase in the reserve from 6% to 10% by 2020 to protect the County's prized AAA bond rating. The reserve policy from Resolution 16-1415 is:

> *Montgomery County must have a goal of achieving the Charter §310 maximum for the reserve in the General Fund of 5% of General Fund revenues in the preceding fiscal year, and of building up and maintaining the sum of Unrestricted General Fund Balance and Revenue Stabilization Fund Balance to 10% of Adjusted Governmental revenues* [AGR], *as defined in the Revenue Stabilization Fund law. This goal must be reflected in the Revenue Stabilization Fund law.*

As stated in the box above, the new policy sets a goal of achieving a total reserve of 10% of AGR. The policy does not specify a target date for achieving 10%, but 2020 was the target date the financial advisor recommended and is the target date the Council discussed. The increase from 6% to 10% is supposed to be phased in over the period FY12 to FY20. However, there is no % target for the years between FY12 and FY20, nor is there any mechanism to ensure that the County will achieve the 10% goal by 2020, or any other year. **Specifying a goal for each year will increase the likelihood of achieving the 10% goal by 2020.**

Executive staff recommendation: agree, and recommend specifying that the targets are minimum %s, not maximum %s (see below). Executive staff explained that

"While requiring an annual fund balance target may limit flexibility, we would support these targets because it would be an orderly and predictable way to ensure that the County reaches its goal of ten percent reserves by 2020. However, the resolution adopting the targets should indicate that they are a minimum target and not a ceiling since the current law requires that the greater of 0.5% AGR or 50% of "excess revenues" must be transferred to the Revenue Stabilization Fund (RSF). While the 10% target is a significant increase for the County, one rating agency analyst specifically commented that this reserve balance (General Fund and RSF) will still be lower than many other governments in our AAA peer group.

"It should also be noted that the targets should be updated each year based on updated adjusted governmental revenue estimates in the fiscal plan. This will ensure that any additional growth in estimated revenues over time will be appropriately captured in the build-up of fund balance to 2020.

"In addition, during the review of the most recent General Obligation Bond issue, the rating agencies specifically asked over what time period we were phasing in to the 10% policy, and the 2020 date was provided to them based on the legislative history, financial advisor recommendations, and phase-in calculations used for the fiscal plan. All three rating agencies specifically held detailed conversations with County Budget and Finance staff on the underlying reserve calculation methodology and timeframe. One or more of the rating agency published reports specifically referenced that 2020 timeframe in their write-ups, and all will be monitoring the County's progress against that timeframe."

II. Which funds does the 10% target apply to? The four agencies have 18 tax supported funds, of which 12 are in County Government, 1 is in MCPS, 2 are in the College, and 3 are in MNCPPC. The County's reserve policy (in the box above) mentions/applies to only 2 of the 18. **Council staff recommends** adding a statement specifying/clarifying that the reserves in the 16 other tax supported funds do **not** count toward the 10% target. See ©1-2 for the calculation of AGR, reserves, and reserves as a % of AGR.

Executive staff recommendation: agree. Executive staff explained that

"We would support a clarification that these reserves should be in addition to the reserve in the General Fund and not included as part of the General Fund. Our recent experience with the Rating Agencies has reinforced this conclusion because it is clear that their focus is exclusively on the General Fund."

III. Council staff recommends that the County adopt a policy for the size of the reserve in each of the funds in the four agencies, rather than just having a policy for the two funds in County Government as specified in the box above. The agencies, the tax supported funds, and Council staff's recommended policies are:

County Government reserves Note that only the first two reserves count toward the County's 10% target.

1. **General Fund.** Council staff recommends no change to the current policy as specified in the box above (5% of General Fund revenues in the preceding fiscal year). Note that the County's reserve policy does **not** say that the County **must** budget for this 5% reserve each year, only that 5% is the **goal** (just as 10% is the goal for the sum of the first two reserves).

2. **Revenue Stabilization Fund (RSF).** This reserve at the end of the year will be the reserve at the beginning of the year, plus interest on the fund balance, plus a mandatory transfer from the General Fund in the amount of 0.5% of AGR, plus a discretionary transfer if the Council approves one.

RSF
Beginning balance
+ Interest
+ Mandatory transfer from GF, 0.5% of AGR
+ Discretionary transfer
= Ending balance

The total reserve of #1 and #2 is then divided by AGR to get the % reserve resulting from the new policy. **The Council would/could make a discretionary transfer each year if and as necessary to reach the target % for each year.**

Other County tax supported funds (#3-10 below)

a) As stated above, Council staff recommends that these reserves should be in addition to the reserve in the General Fund (#1), not included in the amount of reserve in the General Fund. As noted above, **Executive staff agrees.**

b) **Council staff recommends** calculating the reserve in each of these funds as the minimum reserve possible (at or near zero), given the fact that the Council sets the property tax rate to the nearest one tenth of 1¢. This is the approach the Executive used in the FY12 budget.

Executive staff agrees and explained that *"This approach may result in a deficient fund balance if significant unexpected expenditures and/or revenue shortfall occurs. The deficit will have to be eliminated in the subsequent fiscal year. However, if operating cash is insufficient as a result, the General Fund will make a short-term advance of cash. Any cash advance is separate and distinct from the fund balance reserves. Other County tax supported funds that may end the year in a deficit situation due to a revenue shortfall or overspending must be budgeted to eliminate the shortfall over a defined number of years. In practice, three years has been the maximum number of years to resolve significant fund balance deficits."*

3. Fire
4. Mass Transit
5. Recreation
6. Bethesda Urban District
7. Silver Spring Urban District
8. Wheaton Urban District
9. Noise Abatement District (there are two districts with total expenses of roughly $32,000)
10. Economic Development

MCPS

11. Current Fund. **Council staff recommends** continuing the policy that has long been in effect, which is that the County does not budget any reserve for MCPS. MCPS usually has a reserve at the end of the year, but the Council does not assume any reserve when the Council approves the budgets. **Executive staff agrees.**

MCPS staff noted that they do not need a reserve, because they are part of the General Fund, which has a reserve.

Montgomery College

12. Current Fund. The **Board of Trustees'** policy is: "In order to protect the financial stability and integrity of Montgomery College and to provide sufficient liquidity required for daily operations, the Board of Trustees shall maintain the following unappropriated fund balances: the Operating Fund balance should be between the range of 3% to 5% of operating expenditures;"

Executive staff recommendation: "We recommend that the definition of "budgeted resources" for the College **ex**clude the annual contribution from the County. There is no need to set a reserve based on the County contribution because there is no risk or uncertainty that these funds will not be transmitted to the College in the amount approved by the Council and so are unlike the other revenues of the College (tuition, state aid, and fees) which are more volatile and subject to fluctuations during the year. Otherwise, we recommend adhering to the College's existing reserve policies (with the caveat mentioned above) which is to set the reserve at between 3-5% [of budgeted resources]."

The College prefers a reserve as a % of total resources, **in**cluding the County contribution. The difference between the two reserves in FY12 at 4% is shown below.

Total resources	223,754,776
Reserve at 4% of resources	8,950,191
County contribution	94,368,755
Resources less County contribution	129,386,021
Reserve at 4% of resources less County contribution	5,175,441
Difference in reserve	3,774,750

Council staff agrees with Executive staff. Budget savings plans do result in a decrease in the County contribution, so even the County contribution is not secure. Council staff does not object to a higher reserve for the College. However, the table above shows that the County would have had to reduce spending somewhere (College, MCPS, MNCPC, County Government) by $3.8 million to provide the College with a higher reserve. Such a large reduction would not be easy to achieve. The College is a member of the General Fund (just as MCPS is) and has access to the General Fund reserve if needed.

College's response to reserve proposal

"The College needs to be able to set its own reserve policy as approved by the President and Board of Trustees. Adequate reserves are necessary to protect against swings in revenue and ensure an adequate cash flow. In recent years, County funding has been the revenue source that has declined the most. Since FY10, County funding has declined 11% while state aid has decreased 9% and tuition has increased 15%. The College has been good fiscal stewards consistently meeting budget savings programs which increase our reserves temporarily. Taking County contribution out of the reserve calculation would result in a reduction of between $2.8 million - $4.7 million. In addition, the college uses the reserves in several key financial ratios for the bond rating agencies. It is necessary to maintain those ratios for future bond offerings.

"In the past, we have used our reserves for appropriation stabilization to offset current declines in State and County funding, when enrollment is less than projection which causes tuition revenue to fluctuate. The reserve has also been used for unplanned or critical cost increases such as benefit increases, student transportation, or investment in cost savings plans or efficiency systems.

"Cathy Jones, our new Sr VP of Administrative and Fiscal Services, would like to review the policy and get through at least one budget cycle before changes are made to policies that have a major impact of the College."

13. Emergency Plant Maintenance and Repair Fund. **Council staff recommends** no change to the policy the Council approved on October 16, 1990 in resolution 11-2292: "The Emergency Plant Maintenance and Repair Fund may accumulate up to $1,000,000 in unappropriated fund balance, such goal to be attained over a period of years, as fiscal conditions permit."

MNCPPC

14. Administration Fund
15. Park Fund
16. Advance Land Acquisition Debt Service Fund

The **Commission's** adopted policy is 3 to 5% of budgeted expenditures in both the Administration and Park funds. OMB explained the **Executive's** policy in prior years as follows: "Because Park and Planning Bonds debt service is funded from the Park Fund, we try to budget a reserve between 3.5%-4.0% of total resources in the Park Fund, consistent with stipulations made in M-NCPPC bond documents. There are no such restrictions in the Administration Fund so we try to minimize the amount of fund balance there, usually in the 2%-3% of total resources range, depending on how closely we can calibrate the tax rate."

Council staff recommends approximately 4.0% of resources (not expenditures) in the Park Fund and approximately 3.0% of resources in the Administration Fund.

For the Advance Land Acquisition Debt Service Fund, Council staff recommends the same policy as for the other tax supported funds in County Government, which is that the reserve will be the minimum reserve possible, given the fact that the Council sets the property tax rate to the nearest one tenth of 1¢. Any reserve is transferred to the Advance Land Acquisition Revolving Fund to be used for land acquisition.

Executive staff agrees and explained that "We concur with the recommended targets which are consistent with the Commission's existing fund balance policies."

Debt Service

17. Debt Service Fund This fund covers its costs from transfers from other funds, so there is never any budgeted or actual reserve.

The total reserve for all agencies and funds is the sum of the reserves in each of the funds.

Resolution If the Committee wants to recommend some or all of the above recommendations regarding the County's reserve policy, the attached resolution could serve as the basis (©3).

ADDDITIONAL INFORMATION FOLLOWS, from the Council staff memorandum for the Committee meeting on May 3, 2011.

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For ease of reference, the numbers below are from the Executive's March 15 budget, not his budget as amended on April 25.

Reserve Section 305 of the Charter requires the Council to appropriate the expenditures for the budgets by June 1 and to approve the property tax rates by June 30 for the fiscal year starting the following July 1. The Council's practice is to take both actions on the same day, the Thursday before Memorial Day. The Council bases the amount of expenditures on projected resources, but does not appropriate all the resources. Rather, the Council appropriates less than the resources, and the difference between projected resources and budgeted expenditures is the estimated reserve on the date the Council appropriates the expenditures:

Projected resources – appropriated expenditures = estimated reserve at the end of the fiscal year

The reason for having a reserve is to allow for the possibilities that revenues may be less than projected and/or that expenditures may be more than budgeted. Before FY12, the County's informal policy (in simplified form) was that reserve would be 6% of resources. So, if projected resources were $4.000 billion, then the target reserve would be $240 million, and the Council would appropriate the remaining $3.760 billion. Note that the amount of target reserve was calculated from the target of 6%.

Adjusted Governmental Revenues is the sum of the following items:
(0) tax-supported County Governmental Funds revenues;
(1) tax supported funds of the Montgomery County Public Schools, not including the County's local contribution;
(2) tax supported funds of Montgomery College, not including the County's local contribution;
(3) tax supported funds of the Montgomery County portion of the Maryland-National Capital Park and Planning Commission;
(4) County Grants Fund (not tax supported); and
(5) County Capital Projects Fund.

The amounts of the above components are in the following places:

A. Tax supported revenues is the sum of #0-3 above, which is $3,882,733,588 in FY12, as shown in summary in Schedule C-1 on page 69-1 in the Executive's FY12 budget. The detail of this amount is in Schedule C-3 on pages 69-2 through page 69-9.

B. County Grants revenue is #4, which is $111,008,960 in FY12, as shown in Schedule A-4 on page 67-13. (In calculating reserve, OMB used a slightly different amount, shown in the table below.) The detail is in Schedule C-3 on pages 69-9 through 69-14.

C. The County Capital Projects Fund is #5, which OMB calculated to be $42,906,000. The Executive's budget does not include a calculation of the County Capital Projects Fund.

Based on the above explanation, the AGR is shown in the table below.

A. Tax supported revenue	$3,882,733,588
B. Grants	111,720,040
C. Capital Projects Fund	42,906,000
Total	4,037,359,628

Contents:

©	Item
1	Calculations of reserve as a % of Adjusted Governmental Revenue
3	Resolution to approve amendments to the reserve policy

ADJUSTED GOVERNMENTAL REVENUE (AGR), TAX SUPPORTED RESERVE, AND RESERVE AS A % OF AGR

		Reserve as % of AGR
I. ADJUSTED GOVERNMENTAL REVENUE		
A. Tax supported revenue (from R&A tab)	3,892,132,536	
B. Grants (from Grants & EF tab):		
General Fund	103,967,910	
Mass Transit Fund	4,643,830	
Fire District Fund	243,590	
Subtotal Grants	108,855,330	
C. Capital Projects Fund (from CPF tab or Schedule C-a)	45,565,000	
TOTAL AGR	4,046,552,866	
II. Reserve		
A. Components specified in resolution 16-1415, reserve policy		
Revenue Stabilization Fund	114,512,824	
General Fund	133,335,515	
Cumulative total	247,848,339	**6.1%**
B. Other components in County Government, not specified in reserve policy		
Mass Transit Fund	763,030	
Fire District Fund	1,137,870	
Recreation District Fund	428,760	
Urban District Funds	190,610	
Noise Abatement Funds	29,740	
Subtotal	2,550,010	
Cumulative total (County Government reserve)	250,398,349	**6.2%**
C. Other components in other agencies, not specified in reserve policy		
MCPS	0	
College	6,952,322	
MNCPPC	3,939,920	
Subtotal	10,892,242	
TOTAL RESERVE	**261,290,591**	**6.5%**

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	A	B	C	D	E
1	CAPITAL PROJECTS FUND				
2	Source: FY12 Approved Capital Budget, tables of Funding Detail by Revenue So				
3	Also, see FY12 Approved Operating Budget, schedule C-a				
4					
5	Component	FY12 estimated revenue			
6	Current revenue - recordation tax	18,977,000			
7	Impact tax - transportation	6,743,000			
8	Intergovernmental	1,015,000			
9	Recordation tax premium	4,350,000			
10	Schools impact tax	14,480,000			
11	Total	45,565,000			

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Resolution No: ______________
Introduced: ______________
Adopted: ______________

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Government Operations and Fiscal Policy Committee

SUBJECT: Reserve and Selected Fiscal Policies

Background

1. Fiscal policy corresponds to the combined practices of government with respect to revenues, expenditures, debt management, and reserves.

2. Fiscal policies provide guidance for good public practice in the planning of expenditures, revenues, and funding arrangements for public services. They provide a framework within which budget, tax, and fee decisions should be made. Fiscal policies provide guidance toward a balance between program expenditure requirements and available sources of revenue to fund them.

3. As a best practice, governments must maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning. Credit rating agencies monitor levels of fund balance and unrestricted fund balance in a government's general fund to evaluate a government's continued creditworthiness.

4. In FY10, the County experienced an unprecedented $265 million decline in income tax revenues, and weathered extraordinary expenditure requirements associated with the H1N1 flu virus and successive and historic winter blizzards. The costs of these events totaled in excess of $60 million, only a portion of which was budgeted and planned for.

5. In a memorandum dated April 22, 2010, the County Executive recommended that the County Council restore reserves first to the current 6% policy level for FY11 and also revise and strengthen policy levels in order to more appropriately position the County to weather economic cycles in the future, and to achieve structural balance in future budgets.

6. The County's financial advisor recommended that the County strengthen its policy on reserves and other fiscal policies to ensure budget flexibility and structural stability, and provided specific recommendations, which are reflected below.

7. On June 29, 2010 the Council approved Resolution No. 16-1415, *Reserve and Selected Fiscal Policies.* This Resolution established a goal of achieving the Charter §310 maximum for the reserve in the General Fund of 5% of General Fund revenues in the preceding fiscal year, and of building up and maintaining the sum of Unrestricted General Fund Balance and Revenue Stabilization Fund Balance to 10% of Adjusted Governmental Revenues (AGR), as defined in the Revenue Stabilization Fund law.

8. The County's reserve policy should be clarified and expanded. This resolution replaces the reserve policy established in Resolution No. 16-1415.

Action

The County Council for Montgomery County, Maryland approves the following policies regarding reserves and other fiscal matters:

1. *Structurally Balanced Budget*

   Montgomery County must have a goal of a structurally balanced budget. Budgeted expenditures should not exceed projected recurring revenues plus recurring net transfers in minus the mandatory contribution to the required reserve for that fiscal year. Recurring revenues should fund recurring expenses. No deficit may be planned or incurred.

2. *Use of One-Time Revenues*

   One-time revenues and revenues in excess of projections must be applied first to restoring reserves to policy levels or as required by law. If the County determines that reserves have been fully funded, then one-time revenues should be applied to non-recurring expenditures which are one-time in nature, PAYGO for the CIP in excess of the County's targeted goal, or to unfunded liabilities. Priority consideration should be given to unfunded liabilities for Retiree Health Benefits (OPEB) and Pension Benefits Prefunding.

3. *PAYGO*

   The County should allocate to the CIP each fiscal year as PAYGO at least 10% of the amount of general obligation bonds planned for issue that year.

4. *Fiscal Plan*

   The County should adopt a fiscal plan that is structurally balanced, and that limits expenditures and other uses of resources to annually available revenues. The fiscal plan

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should also separately display reserves at policy levels, including additions to reserves to reach policy level goals.

5. *County Government Reserve*

(a) **County Government Reserve.** The County Government Reserve has three components. The components of the budgeted reserve at the end of the next fiscal year are:

(i) **Reserve in the General Fund**. The County's goal is that this reserve will be the maximum permitted by §310 of the Charter, which is 5% of revenues in the General Fund in the previous fiscal year;

(ii) **Reserve in the Revenue Stabilization Fund (RSF).** This budgeted reserve at the end of the next fiscal year is the reserve at the beginning of the year, plus interest on the fund balance, plus a mandatory transfer from the General Fund, as defined in the Revenue Stabilization Fund law, plus a discretionary transfer if the Council approves one. The actual amount of the mandatory transfer is calculated in accordance with §20-68 of the Montgomery County Code; and

(iii) **Reserve in the other tax supported funds in County Government.** The budgeted reserve at the end of the next fiscal year for the following funds – Fire, Mass Transit, Recreation, Urban District, Noise Abatement, Economic Development, and Debt Service – and any other tax supported County Government fund established after adoption of this Resolution, should be the minimum reserve possible (as close as possible to zero, but not negative), since the Council sets the property tax rate to the nearest one tenth of 1¢.

(b) **Calculation of budgeted reserve as a percent of Adjusted Governmental Revenues.** The target reserve as a percent of Adjusted Governmental Revenues is the sum of the reserves in the General Fund and the Revenue Stabilization Fund divided by Adjusted Governmental Revenues, as defined in the Revenue Stabilization Fund law. The reserves in the other tax supported funds in County Government are not included in this calculation.

(c) **Budgeted reserve as a percent of Adjusted Governmental Revenues.** To reach the County's goal of 10% of AGR in 2020, the annual minimum target goals are:

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FY13	6.4%
FY14	6.9%
FY15	7.4%
FY16	7.9%
FY17	8.4%
FY18	8.9%
FY19	9.4%
FY20 and after	10.0%

The Council may make a discretionary transfer each year from the General Fund to the Revenue Stabilization Fund, if necessary, to reach the target goal for each year. The 10% goal for FY20 and after must be reflected in the Revenue Stabilization Fund law.

6. *Reserves in other agencies*

The reserves for the Montgomery County Public Schools (MCPS), the Maryland-National Capital Park and Planning Commission (M-NCPPC), and Montgomery College (MC) are not included in the target reserves for County Government. The County's reserve policies for these agencies are:

(a) **MCPS**. The Council should not budget any reserve for the MCPS Current Fund.

(b) **M-NCPPC**. The reserve in the Park Fund should be approximately 4.0% of budgeted resources. The reserve in the Administration Fund should be approximately 3.0% of budgeted resources. The reserve in the Advance Land Acquisition Debt Service Fund should be the minimum reserve possible, since the Council sets the property tax rate to the nearest one tenth of 1¢.

(c) **Montgomery College**. The reserve in the Current Fund should be 3.0% - 5.0% of budgeted resources minus the annual contribution from the County. The target reserve in the Emergency Plant Maintenance and Repair Fund – as stated in Resolution No. 11-2292, approved by the Council on October 16, 1990 – "may accumulate up to $1,000,000 in unappropriated fund balance, such goal to be attained over a period of years, as fiscal conditions permit."

7. *Reports to Council*

The Executive must report to the Council:

(a) the prior year reserve and the current year reserve projection as part of the November fiscal plan update;

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(b) current and projected reserve balance in the Executive's Annual Recommended Operating Budget;

(c) any material changes expected to have a permanent impact on ending reserve fund balance; and

(d) current and projected reserve balances in any proposed mid-year savings plan.

This is a correct copy of Council action.

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Linda M. Lauer, Clerk of the Council

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