

MFP#1
April 22, 2010

MEMORANDUM

April 20, 2010

TO: MFP Committee

FROM: *CHS*
Charles H. Sherer, Legislative Analyst

SUBJECT: Resolution to transfer funds from the Revenue Stabilization Fund to the General Fund
Resolution to transfer funds from the General Fund to the Revenue Stabilization Fund

Background In order to understand the subject transfers, several concepts must be understood first.

1. Every May the Council sets property tax rates and approves the budgets for County Government, MCPS, Montgomery College, and MNCPPC for the fiscal year starting on July 1.
2. To comply with section 305 of the Charter regarding budgets, the Council must account for expenditures in two major groups of funds:
 - a. The so-called tax supported funds, which are funded by various County taxes (property, income, transfer, recordation, energy, telephone, admissions, and hotel/motel) and by various non-tax revenue, such as user fees and general State/Federal grants.
 - b. Non-tax supported funds, which are funded without County taxes as the name implies, of which there are two types:
 - i. Enterprise Funds, whose major source of revenue is user fees, and which operate similarly to a private business, such as DLC.
 - ii. Specific grants funds, whose major source of revenue is specific State/Federal grants.
3. The Council focuses most of its attention on the tax supported funds for the obvious reason that they are funded by County taxes and the non-tax supported funds are not.
4. When the Council decides how much in total to appropriate for the tax supported funds, the Council starts with the Executive's projection of the amount of resources that will be available to fund the budgets, makes its own revenue adjustments if any, and then appropriates roughly 94% to 95% of the resources, leaving 5% to 6% for a "reserve" or "fund balance". Some reserve is needed to allow for the possibility that actual revenues might be less than projected and/or that actual expenses might be more than budgeted. As Councilmembers know all too well, both possibilities occurred in FY10.

5. The Council then allocates the available appropriation among debt service, current revenue funding for the capital budget, and the operating budget for the agencies. The Council bases its allocation on its priorities.
6. The County Government has 11 tax supported funds as shown on schedule A2, page 69-4 and 69-5 in the Executive's Recommended FY11 operating budget: [I know this is tedious, but please persevere!]
 - a) the General Fund, with departments such as HHS, DGS, DOT, Libraries, Police, DHCA, OMB, the Executive, and the Council; **and** the two agencies, MCPS and the College, each of which has several funds.
 - b) Mass Transit
 - c) Fire
 - d) Recreation
 - e) the 3 Urban Districts (Bethesda, Silver Spring, Wheaton)
 - f) a small Economic Development Fund administered by the Department of Economic Development within the General Fund
 - g) the Debt Service Fund, which receives most of its resources from a transfer from the General Fund
 - h) 2 extremely small Noise Abatement District funds (Bradley and Cabin John) administered by DOT, and shown as one fund in Schedule A2
 - i) the Revenue Stabilization Fund
7. Each fund has, or can have, a reserve (and also revenues and expenses). See ©A for detail. The sum of the reserve in all funds must be 5-6% in the May budget. The Council does not discuss or focus on the individual reserves, only on the three components shown below. In May 2009, the Council assumed that the total reserve in \$millions at the end of FY10 would be:

Revenue stabilization fund	\$119.6
+ The sum of the reserve in the ten other tax supported funds	76.2
= Total reserve in all tax supported funds, 5%	\$195.8

8. The General Fund is the largest fund in terms of revenue, but is not the only fund, as explained above. Schedule A2 shows that the General Fund has roughly 70% of total revenues and roughly 23% of expenditures. Of the \$76.2 million reserve in the ten other tax supported funds in the table above, the reserve in the GF was estimated to be \$64.2 million.

What happened after May 2009? With the above background, it is now possible to explain what happened to FY10 revenues, expenses, and ending reserve in the period from May 2009 to April 13, 2010; **and** why the Council must approve an FY10 transfer from the Revenue Stabilization Fund (RSF) to the General Fund. The explanation is based on the spreadsheets on ©1-2, which were based on schedules A2- A6 in the Executive's FY11 Operating Budget.

First, what happened to total reserve? The answer is on ©1, which shows how the estimated total reserve at the end of FY10 decreased \$166.5 million, from \$195.8 million in May 2009 to \$29.3

million on April 13, 2010. This amount is small, but still positive. However, the result of all the changes to the General Fund was a large negative balance, as explained next.

Second, what happened to reserve in the General Fund? The answer is on ©2, which shows how the estimated General Fund reserve at the end of FY10 decreased \$203.8 million, from \$64.2 million in May 2009 to (\$139.6 million) on April 13, 2010. To eliminate this deficit, the Executive will propose a plan on April 22, 2010, after the MFP Committee meeting. The plan will likely include a transfer from the RSF to the General Fund. The RSF was created for this purpose. A transfer between tax supported funds does not change the total reserve in the tax supported funds. Rather, a transfer reallocates the total reserve among the tax supported funds (from funds with a surplus to the General Fund).

Between May 2009 and March 15, 2010, the estimate of revenue in the General Fund decreased \$174.0 million. The major changes in General Fund revenue between May 2010 and March 15, 2010 are shown in the table below.

Revenue in FY10	Date of estimate		Change
	May 2009	March 15, 2010	
Income tax	1,214.8	1,094.6	(120.2)
Recordation tax	58.4	46.2	(12.2)
Telephone tax	32.8	29.5	(3.3)
Hotel	20.0	15.8	(4.2)
Speed camera citations	28.8	15.8	(13.0)
State and federal aid	71.4	48.3	(23.1)
Total	1,426.2	1,250.2	(176.0)

March 19 In a memorandum dated March 19, 2010, the Executive recommended that the Council approve two resolutions regarding the Revenue Stabilization Fund (RSF), see ©4-5. The first would transfer as much as \$102.0 million from the RSF to the General Fund in FY10. The second would transfer \$37.0 million from the General Fund to the RSF in FY11 to partially restore the balance in the RSF. **The amounts have changed as a result of subsequent events.** Both transfers are explained in more detail below.

March 25, Additional FY10 and FY11 budget actions (©1-2) The Executive's March 15 budget assumed a \$50 million increase in the energy tax, all in FY11. In a memorandum dated March 25, 2010, the Executive proposed three actions "to strengthen the County's financial position in FY10 and FY11." The major action was an **additional** increase in the energy tax and for the increase in the energy tax rates to take effect on May 1, 2010 instead of on July 1, 2010. He further recommended that all the additional resources be added to the RSF. The actions are summarized in the table below. The MFP and T&E Committees are scheduled to meet jointly on April 21 to discuss the proposed increases in the energy tax. The Council is tentatively scheduled to take action on all revenue measures on May 19, including these two resolutions regarding the RSF.

March 25, 2010 Executive recommended budget actions (\$millions)

Item	FY10	FY11	Total
Additional increase energy tax	13.6	31.8	45.4
Accelerate transfer from non-tax supported funds to GF	3.7	(3.7)	0.0
Reduce set-aside for snow costs	3.0	0.0	3.0
Total	20.3	28.1	48.4

The results are shown on ©1-3. For FY10, projected total ending reserve increases by \$20.3 million, from \$77.0 million on March 15 to \$97.3 million on March 25 as a result of the \$20.3 million increase in FY10 resources. Projected total ending reserve as a % of revenue increases from 2.1% on March 15 to 2.6% on March 25. (The Council Staff Director noted that the additional energy tax revenue will have to be reduced to the extent that the Council increases the utility budgets to pay the additional energy tax.)

April 13 In a memorandum dated April 13, 2010, the Executive informed the Council that he is reducing estimated income tax revenue by \$68 million in FY10 and by \$100 million in FY11. On April 22 at 1:30 pm, Executive staff are scheduled to provide an update on the Executive's proposed response to these revenue reductions affecting FY10-11.

Because the Council has not yet approved the energy tax increases, because the Council does not yet have the Executive's plan to respond to the April 13 revenue reductions, and because other changes may occur between now and May 19, the two resolutions have not been changed since introduction on March 23.

The subject resolutions As noted above, there are two resolutions regarding transfers.

1. The first transfer is from the Revenue Stabilization Fund to the General Fund in FY10. The need for this transfer was explained above. In brief, the various changes since the Council approved the budgets in May 2010 would result in a deficit in the General Fund without further action. A transfer from the RSF to the General Fund is needed to ensure that the General Fund complies with §311 of the Charter, which states:

"Limitations on Expenditures. No expenditures of County funds shall be made or authorized in excess of the available unencumbered appropriations therefor."

Restriction on the amount transferred Section 20-72 of the County Code states the following regarding the use of the RSF (the entire section is at the end of this memorandum):

- (d) The funds transferred may only be used to support appropriations which have become unfunded.
- (e) By an affirmative vote of 6 Councilmembers the Council after holding a public hearing and seeking the recommendation of the Executive may transfer amounts from the Fund without regard to the limits and conditions in subsections (a) - (c).

The Action clause of the resolution does not specify the amount that must be transferred, but does specify that the amount must be only the amount needed to fund all the appropriations, as limited by the County Code. As shown on ©2, the March 15 estimate of the transfer needed to eliminate the deficit was \$91.9 million (row 34, column B). The amount actually transferred could be more or less than \$91.9 million, depending on what happens to both revenues and expenses between now and June 30. The resolution as drafted gives the Director of Finance the flexibility to transfer the amount needed (up to the \$119.6 million balance in the RSF), and **Council staff recommends approval of whatever amount is needed.**

As noted above, approval of the resolution requires the affirmative vote of 6 Councilmembers after holding a public hearing. The Council already has the Executive's recommendation to approve the resolution.

2. The second transfer is from the General Fund to the Revenue Stabilization Fund in FY11.

Section 20-69, Discretionary contributions to Fund, states that "The County Executive may recommend and the County Council may by resolution approve additional contributions to the Fund if doing so will not result in the 10 percent limit in Section 20-67(a) being exceeded."

The value of having the RSF is evident, and the second resolution would transfer \$37 million from the General Fund to the Revenue Stabilization Fund to partially restore the balance in the RSF. This amount will likely change by May when the Council approves the budgets, and this Committee will review the amount the Executive finally recommends.

Sec. 20-72. Use of Fund

(a) After holding a public hearing and seeking the recommendation of the Executive, and if the Council finds that reasonable reductions in expenditures are not sufficient to offset the shortfall in revenue, the Council may, by resolution approved by the Executive, transfer an amount from the Fund to compensate for no more than half of the difference between the original projection of total General Fund revenues for that fiscal year and a revised forecast of the General Fund revenues projected for the same fiscal year. If the Executive disapproves a resolution within 10 days after it is transmitted and the Council readopts it by a vote of 6 Councilmembers, or if the Executive does not act within 10 days after it is transmitted, the resolution takes effect.

(b) However, a transfer must not be approved unless 2 of the following conditions are met:

(1) The Director estimates that total General Fund revenues will fall more than 2 percent below the original projected revenues.

(2) Resident employment in the County has declined for 6 consecutive months compared to the same month in the previous year.

(3) A local index of leading economic indicators has declined for 3 consecutive months.

(c) The cumulative transfers from the Fund in any single fiscal year must not exceed half of the balance in the Fund at the start of that fiscal year.

(d) The funds transferred may only be used to support appropriations which have become unfunded.

(e) By an affirmative vote of 6 Councilmembers the Council after holding a public hearing and seeking the recommendation of the Executive may transfer amounts from the Fund without regard to the limits and conditions in subsections (a) - (c). (1993 L.M.C., ch. 41, § 1.)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X
1		FY10 REVENUES ESTIMATES AND APPROPRIATIONS (Assessable Base in \$Billions; Tax Rate in \$ per \$100 of Assessable Base; Other items in \$ Thousands)																						
2		APPROVED BY COUNCIL ON																						
3			= col I : U				County Government = sum col L thru S										Revenue	Grants &						
4			Estimated Revenues				Debt	General Fd	Mass	Recr	Fire	Urban	Noise	Eco			Stabil.	Enter.						
5		REVENUE	Unrestricted	Restricted	MCPS	College	MNCPPC	Service	Storm Drain	Transit	Distr	Distr	Distrs	Abate	Dev		Fund	Funds	TOTAL	for SAG =				
6	A	PROPERTY TAXES																						
7		General Fund	1,218,112																					
8		Prior Year	2,040																					
9		Penalties/Interest/Homeowner Credit	(173,830)																					
10		Storm Drain District		4,481				4,481																
11		Mass Transit District		65,881					65,881															
12		Recreation District		29,385						29,385														
13		Fire District		186,995							186,995													
14		Urban Districts		1,342								1,342												
15		Noise Abatement Districts		41									41											
16		MNCPPC (Admin, Parks and ALARF)		106,480			106,480																	
17		Parking Districts		10,849														10,849						
18		TOTAL PROPERTY TAXES																						
19	B	Income Tax	1,214,770																					
20		Transfer Tax	64,970																					
21		Recordation Tax	58,189	3,047															3,047					
22		Energy Tax	130,360																					
23		Telephone Tax	32,840																					
24		Hotel-Motel Tax	20,014																					
25		Admissions Tax	2,130																					
26		Tobacco Tax	0																					
27	C	General Grants	34,424	562,042	440,334	32,801	0	0	36,947	22,795	0	2,010			0			27,154	596,465	569,311				
28		Specific Grants		259,650			0											259,650	259,650	0				
29	D	Investment Income	600	7,996		390	300	2,575		260	110	310	10	0	20	1,316	2,705	8,596	5,891					
30		Licenses and Permits	9,132	2,711						809		1,901							11,843	11,843				
31		Charges for Services	10,259	348,357	5,990	71,126	2,167	0		17,941	10,282	1,895	264					238,692	358,616	119,924				
32		Fines & Forfeitures	37,543	500						500		0							38,043	38,043				
33		Miscellaneous	14,383	209,628	0	915	74	79,537		500	(105)	0	0		222			128,485	224,012	95,526	271,228			
34		Revenues	2,676,136	1,799,384	446,324	105,232	109,022	82,112	41,428	108,686	39,671	193,111	1,616	41	242	1,316	670,583	4,475,520	3,804,937					
35			2,717,564	1,799,384																				
36		Transfers to General Fund or other funds	(172,807)	(92,939)		(450)			0	(13,044)	(12,556)	(8,634)	(424)	(36)	0	(1,316)	(56,479)	(265,747)	(209,268)					
37		Transfers from Gen. Fund or other funds	66,979	209,948			(2,753)	165,704	0	8,058	1,409	0	6,484		611		30,435	276,927	246,492					
38																								
39																								
40		Revenues plus Transfers	2,570,307	1,916,393	446,324	104,782	106,268	247,817	41,428	103,700	28,524	184,477	7,676	5	852	0	644,538	4,486,700	3,842,161					
41				1,916,393																				
42		Beginning Reserve - Undesignated	32,240	222,219	44,200	9,445	9,302	0	0	5,350	3,764	10,646	561	10	0	119,648	19,293	254,460	235,167					
43		Beginning Reserve - Designated	0																0	0				
44		Resources Available for Appropriations	2,602,548	2,138,612	490,524	114,228	115,570	247,817	41,428	109,050	32,288	195,124	8,237	15	852	119,648	663,831	4,741,160	4,077,329					
45		Appropriation for Operating Budget			(2,020,078)	(217,549)	(111,600)	(246,501)	(910,428)	(108,458)	(30,529)	(192,974)	(7,932)	0	(852)		(627,076)	(4,473,977)	(3,846,901)					
46		Appropriation for Capital Budget: PAYGO	0					(1,316)										(1,316)	(1,316)					
47		Appropriation for Capital Budget: Other			(7,065)	(3,696)	(270)		(19,399)	(129)	0	(185)	0	0	0		(36,964)	(67,708)	(30,744)					
48		Total Appropriation			(2,027,143)	(221,245)	(111,870)	(247,817)	(929,827)	(108,587)	(30,529)	(193,159)	(7,932)	0	(852)	0	(664,040)	(4,543,001)	(3,878,961)					
49		Appropriation from Restricted Revenue		(2,007,207)	(490,524)	(110,470)	(111,870)	(247,817)	(41,428)	(108,587)	(30,529)	(193,159)	(7,932)	0	(852)	0	(664,040)	(2,007,207)	(1,343,168)					
50		Appropriation from Unrestricted Revenue	(2,535,793)		(1,536,619)	(110,775)	0	0	(888,399)	0	0	0	0	0	0	0	0	(2,535,793)	(2,535,793)					
51		Projected ending reserve, total	66,754	131,405	0	3,758	3,700	0	0	463	1,760	1,965	305	15	0	119,648	(209)	198,159	198,367					
52		Less reserve designated for specific uses	(2,540)	(119,439)	0	0	0					0				(119,648)	209	(121,979)	(122,188)					
53		Projected ending reserve, undesignated	64,214	11,966	0	3,758	3,700	0	0	463	1,760	1,965	305	15	0	0	0	76,180	76,180					

(A)

	A	B
1	FY10 RESERVE IN ALL FUNDS	
2	What happened to fund balance after the Council approved the FY10 budget in May 2009?	
3		
4		
5	Reserve at end of FY10 as estimated in May 2009:	
6	Revenue Stabililzation Fund	119,647,620
7	+ Reserve in the 10 County Government funds and in the 3 outside agencies	76,179,688
8	= Total reserve at end of FY10 estimated in May 2009	195,827,308
9	Reserve %	5.0%
10		
11		
12	Changes between May 2009 and March 15, 2010	
13	Decrease revenue, May 2009 to March 15, 2010	(150,621,908)
14	Unbudgeted cost of 3 huge snow storms	(63,091,600)
15	Two budget savings plans	99,528,590
16	Other changes	(4,642,329)
17	Reserve at end of FY10 as estimated on March 15, 2010	77,000,061
18	Reserve %	2.1%
19		
20		
21	Changes the Executive proposed on March 25, 2010	
22	Increase energy tax, FY10 increase	13,600,000
23	Decrease estimate of cost of 3 huge snow storms	3,000,000
24	Accelerate transfer from non-tax supported funds from FY11 to FY10	3,747,010
25	Reserve at end of FY10 as estimated on March 25, 2010	97,347,071
26	Reserve %	2.6%
27		
28		
29	Changes the Executive proposed on April 13, 2010	
30	Decrease revenue estimate in FY10 from income tax	(68,269,662)
31	Reserve at end of FY10 as estimated on April 13, 2010	29,077,409
32	Reserve %, approximate	0.8%
33		
34		
35	SUMMARY of reserve at end of FY10 as estimated on April 13, 2010:	
36	RSF, before transfer to GF	119,647,620
37	General Fund, from separate table THIS IS THE PROBLEM!	(139,876,635)
38	9 Other funds in County Government and the 3 outside agencies	49,306,424
39	Total reserve, from above	29,077,409

	A	B
1	FY10 GENERAL FUND	
2	Why does the General Fund need a transfer from the Revenue Stabilization Fund? The	
3	Charter prohibits funds from having a deficit. Without a transfer, the General Fund	
4	would have a deficit. Most of the savings from the savings plan were not accounted for	
5	in the General Fund. The table below shows the major changes.	
6		
7	Reserve at end of FY10 as estimated in May 2009	64,213,925
8		
9	Changes between May 2009 and March 15, 2010	
10	Beginning fund balance	+1,833,241
11	Revenues	(174,032,930)
12	Set-aside for future needs (net change, snow removal)	(60,551,431)
13	Reserve at end of FY10 reflecting the changes above would be	(168,537,195)
14		
15	To reduce the deficit, the Executive's March 15, 2010 budget makes transfers and reflects	
16	the impact of two budget savings plans in FY10:	
17	From Grant Fund for lease payment for HHS facility on Picard Drive	+635,700
18	From DLC, earnings transfer	+667,430
19	From CATV Fund	+2,278,390
20	From parking districts, transfer savings plan	+630,530
21	Transfer fund balance from Mass Transit Fund	+7,937,170
22	Transfer fund balance from Fire District Fund	+6,362,430
23	Transfer fund balance from Recreation Fund	+5,016,830
24	Reduce transfer to MHI	+7,806,000
25	Reduce transfer to Economic Development Fund	+300,000
26	Reduce transfer to Debt Service Fund, savings plan	+7,606,470
27	Other transfers, net (no change or only small change)	(264,590)
28	Expenditures for County Government OB (reflects both savings plans)	+29,631,830
29	Current revenue for CIP (reflects both savings plans)	+5,977,000
30	Contribution to MCPS and College	+1,998,022
31	Total, transfers and other changes	+76,583,212
32		
33	Ending fund balance, March 15, 2010	(91,953,983)
34		
35	Changes the Executive proposed on March 25, 2010	
36	Increase energy tax, FY10 increase	13,600,000
37	Decrease estimate of cost of 3 huge snow storms	3,000,000
38	Accelerate transfer from non-tax supported funds from FY11 to FY10	3,747,010
39	Total changes, March 25	20,347,010
40		
41	Ending fund balance, March 25, 2010	(71,606,973)
42		
43	Changes the Executive proposed on April 13, 2010: decrease revenue estimate in FY10 from income tax	
44	Ending fund balance, April 13, 2010	(139,876,635)
45		
46	Changes the Executive proposed on April 22, 2010 to eliminate deficit	TBD

	A	B	C	D
1	OMB Calculations regarding additional resources in the CE's March 25, 2010 memorandum			
2				
3				
4	Additional Actions on March 25:	FY10	FY11	Total
5	Energy Tax Increase	13,600,000	31,850,000	45,450,000
6	Reduce FY10 Set Aside, decrease cost snow	3,000,000		3,000,000
7	Accelerated Fund Balance Transfers	3,747,010	(3,747,010)	0
8	Total Additional Resources	20,347,010	28,102,990	48,450,000
9				
10				
11	Reconciliation of Reserves:			
12				
13	Revenue Stabilization Fund	March 15	March 25	Change
14	Beginning FY10 Balance	119,647,610	119,647,610	0
15	FY10 Interest Earnings	311,080	311,080	0
16	Transfer from RSF to GF	(101,953,983)	(71,606,973)	30,347,010
17	Transfer to CIP PAYGO	(311,080)	(311,080)	0
18	Ending FY10 Balance	17,693,627	48,040,637	30,347,010
19	FY11 Interest Earnings	150,395	150,395	0
20	Transfer to CIP PAYGO	0	0	0
21	FY11 Contribution into RSF (transfer from GF)	37,000,000	55,102,990	18,102,990
22	Ending FY11 Balance	54,844,022	103,294,022	48,450,000
23				
24	Ending FY10 Reserves	March 15	March 25	Change
25	General Fund Balance	10,000,000	0	(10,000,000)
26	Other MCG Tax Supported Reserves	701,130	701,130	0
27	Agency Tax Supported Reserves	48,605,304	48,605,304	0
28	Revenue Stabilization Fund	17,693,627	48,040,637	30,347,010
29	Total Tax Supported Reserves	77,000,061	97,347,071	20,347,010
30	Total Estimated Resources	3,815,917,521	3,833,264,531	
31	Reserves as a Percent of Resources	2.0%	2.5%	
32				
33	Ending FY11 Reserves	March 15	March 25	Change
34	General Fund Balance	126,936,894	126,936,894	0
35	Other MCG Tax Supported Reserves	5,177,190	5,177,190	0
36	Agency Tax Supported Reserves	7,321,646	7,321,646	0
37	Revenue Stabilization Fund	54,844,022	103,294,022	48,450,000
38	Total Tax Supported Reserves	194,279,752	242,729,752	48,450,000
39	Total Estimated Resources	3,885,595,018	3,903,698,008	
40	Reserves as a Percent of Resources	5.0%	6.2%	
41				
42	SUMMARY OF RESERVE AT THE END OF FY11:			
43	RSF	54,844,022	103,294,022	48,450,000
44	Undesignated	139,435,730	139,435,730	0
45	Total	194,279,752	242,729,752	48,450,000

Resolution No: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: Transfer from the Revenue Stabilization Fund to the General Fund

Background

1. County Code Section 20-72(e) authorizes the County Council by resolution to transfer funds from the County's Revenue Stabilization Fund, after holding a public hearing and seeking the County Executive's recommendation.
2. County Code Section 20-72(d) permits a transfer from the Revenue Stabilization Fund to support appropriations which have become unfunded.
3. The Executive estimates that because of mid year revenue reductions and extraordinary expenditure increases, the County Government General Fund is projected to end FY10 with a deficit of \$91,953,983. This would cause existing appropriations in the General Fund to become unfunded.
4. In his Recommended FY11 Operating Budget, the County Executive has recommended the amount of the transfer from the Revenue Stabilization Fund to the General Fund in FY10 to be \$101,953,983.
5. A public hearing was held on April 20, 2010.

Action

The County Council for Montgomery County, Maryland, approves the following action:

For the FY10 operating budget, the Director of Finance must transfer from the County Government's Revenue Stabilization Fund to the General Fund an amount that is sufficient to support appropriations that have become unfunded in the General Fund. The amount transferred must be consistent with Section 20-72 of the County Code. The Director of Finance will report to the County Council on the amount that is transferred.

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

Resolution No: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

SUBJECT: Transfer from the General Fund to the Revenue Stabilization Fund

Background

1. County Code Section 20-69 authorizes the County Council by resolution to transfer funds to the County's Revenue Stabilization Fund, provided such a transfer would not exceed the maximum fund size as defined under Section 20-67(a).
2. The Director of Finance estimates the maximum size of the Revenue Stabilization Fund to be \$134 million based on 10 percent of the average aggregate annual revenue derived from the income tax, real property transfer tax, recordation tax, and investment income of the General Fund in the 3 preceding fiscal years.
3. In his Recommended FY11 Operating Budget, the County Executive has recommended the amount of the transfer from the General Fund to the Revenue Stabilization Fund to be \$37,000,000.
4. The total amount of the Revenue Stabilization Fund in FY11 after the transfer in paragraph #3 above, and the accumulation of interest income, will be \$54,844,022 which is below the maximum fund size as defined in Section 20-67(a).
5. A public hearing was held on April 20, 2010.

Action

The County Council for Montgomery County, Maryland, approves the following action:

During FY11, the Director of Finance must transfer \$37,000,000 from the County Government's General Fund to the Revenue Stabilization Fund.

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

5