FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

CONTACT INFORMATION AND GENERAL INSTRUCTIONS

Bill Number/Reference:	18-01
Bill Title:	Increase General Fund Mandated Reserve (Committed General Fund Balance)
Local Government Agency:	Frederick County Finance Division
Prepared By:	Erin White
Title:	Deputy Director of Finance
Phone Number:	301-600-1193
E-Mail Address:	ewhite@frederickcountymd.gov
Due Date:	February 27, 2018
Date Submitted:	

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Date:	
	Please respond to the questions below. If you prefer to provide responses or additional information in a separate file or document, send the file or document in a separate e-mail to rcherney@frederickcountymd.gov with the bill number/reference in the subject line.
1.	Describe the impact of this proposed legislation on your agency (operations, revenues, expenditures, etc). If there is no impact, please explain why.

This bill serves to strengthen and protect the financial integrity of Frederick County Government by increasing the County's committed general fund balance currently set at 5% of the general fund expenditures and transfers to the Board of Education (BOE) and Frederick Community College (FCC) to 7% by fiscal year 2019. To ensure stable tax rates it is important for the County to have adequate levels of fund balance to mitigate current and future financial risks, such as revenue shortfalls and unanticipated expenditures. This legislation would make sure the County's reserves stay within the recommended framework as outline in the Government Finance Officers Association (GFOA) best practice guidance titled "Determining the Appropriate level of Unrestricted Fund Balance (Reserve) in the General Fund". This guidance articulates that governments that are more dependent on a volatile revenue source, such as income tax, or potential cuts in state aid or federal grants should maintain a higher level of reserve funds.

The three major credit rating agencies, Fitch Ratings, S&P Global, and Moody's carefully monitor the amount of reserve funds held by government and consider higher reserves to be beneficial to their assessment of a jurisdiction's credit worthiness. The proposed legislation has been discussed with all three of the major rating agencies. It is reflected in our triple A ratings from all three agencies that they closely monitor the reserve fund balances and consider them extremely important to the County's fiscal stability and sustainability. Building reserves that could be used in an emergency or during a difficult economic cycle is critical for the County to be able to react to these types of situations.

2.	Please indicate whether the proposed legislation will affect small businesses in Frederick County, and if it will, please provide any information you may have which could be useful in determining the economic impact on small businesses.

This legislation will not have an impact on small businesses in Frederick County.

FISCAL IMPACT SUMMARY – SHOW (DECREASE) IN PARENTHESES

REVENUES

3.	Analysis of **estimated increase (or decrease) in government revenues.** Please estimate below any anticipated increase (or decrease) in revenues resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause revenue increases/decreases to begin in later years.

Source	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
N/A					
TOTAL $	$	$	$	$	$

	Please explain how the above estimated increase(s) or decrease(s) were arrived at, including any calculations and/or assumptions made. Please also explain any variation if the revenue increase(s)/decrease(s) are not constant.

N/A – This legislation should not have an impact on County revenues.

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EXPENDITURES

4.	Analysis of **estimated increase (or decrease) in government expenditures.** Please estimate below any anticipated increase (or decrease) in expenditures resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause expenditure increases/decreases to begin in later years.

A. Salaries & Wages	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
FTE Employees - _____ # of positions Fringe Benefits					
TOTAL (Salaries, wages & benefits)	$	$	$	$	$

N/A	**Please provide an explanation of the need for the number and type of any personnel listed above, including (1) what specific provision(s) of the bill necessitate additional staff; (2) what the duties of each type employee will be; and (3) why existing personnel cannot absorb the additional work. Please also certify the wage/salary rate and % fringe rate (if differing rates apply) for each personnel classification.**

B. Other Operating Expenses	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Technical/Special Fees, Grants/Subsidies Communications-Phone, Postage Travel, Food, Auto, Fuel & Utilities Contractual Services Supplies Equipment-Replacement Equipment-Additional Land & Structures, Fixed Charges Other (Please Specify on Extra Page(s)					
TOTAL (Expenditures)	$	$	$	$	$

	On the next page, please provide brief descriptions/breakdowns of the above “Other Operating Expenses.”
	Please explain below any additional calculations or assumptions made in estimating the “Other Operating Expenses” that will help us to understand the amounts and timing of the expenses.

N/A - This legislation should not have an impact on County expenditures.

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4. (cont'd)

C. Operating Expense Descriptions/Breakdowns

Please provide below a short description of the specific purpose of each expense listed under 4B. If any amount(s) listed under 4B represent(s) a total of multiple expenses, provide a breakdown of the fiscal 2018 amount with a short description of each expense (for example, if $2,500 is listed for Communications – Phone, Postage, a statement such as "$1,500 for cellphone charges for two new inspectors and $1,000 for postage for mailings to permittees to notify them of changes to inspection requirements.")

Fiscal 2018 Expenditures

Technical/Special Fees, Grants & Subsidies **$**
description/breakdown

Communications – Phone, Postage **$**
description/breakdown

Travel, Food, Auto Operations, Fuel & Utilities **$**
description/breakdown

Contractual Services **$**
description/breakdown

Supplies **$**
description/breakdown

Equipment-Replacement **$**
description/breakdown

Equipment-Additional **$**
description/breakdown

Land & Structures, Fixed Charges **$**
description/breakdown

Other (Please Specify) **$**
description/breakdown

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ADDITIONAL POLICY IMPLICATIONS/CONCERNS
The Budget Office has been working on a plan that will provide for this funding goal. This plan includes using a portion of the funds in the Bond Enhancement Reserve as well as the Revenue Stabilization Reserve. Also, the increase to 7% is set for FY 19 to provide full funding.

Please submit BY E-MAIL to: Ragen Cherney, Legislative Director/Chief of Staff
Frederick County Council • E-Mail: RCherney@FrederickCountyMD.gov