

**JEFFERSON COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA REQUEST

TO: Board of Commissioners

FROM: Anne Sears

DATE: September 23, 2010

RE: Resolution for Use of General Fund Sales Tax Revenue Exceeding Annual Budget

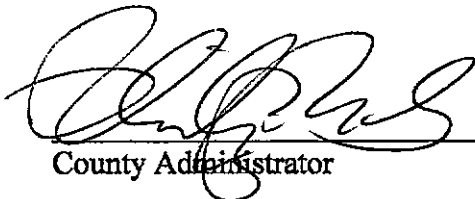
STATEMENT OF ISSUE: Creation of a policy regarding the budgeting and use of sales tax revenues through economic cycles, creating a Revenue Stabilization Reserve in the General Fund, funding capital and one-time expenditures, and utilizing sales tax revenues in excess of the Reserve to reduce property tax assessments.

ANALYSIS: Sales Tax revenues received by the County are subject to declines and upswings. In order to create a more stable revenue stream and provide sustainable levels of service, excess sales tax revenues received to the General Fund in years where there is an upswing would be saved and reserved in a Revenue Stabilization Reserve to dampen the effects of future cyclic downturns on County services, fund future one-time operational and capital needs, support County services on a one-time basis; and be returned to the taxpayers through a reduction in the next year's property tax assessment.

FISCAL IMPACT: The policy allows for the creation a new reserve titled Revenue Stabilization Reserve for use in future revenue downturns and to reduce property taxes. Additionally, a portion of the excess sales tax revenues will be designated for capital facilities projects, one-time expenditures, County liabilities and County programs.

RECOMMENDATION: Review the proposed Resolution and adopt with or without amendments, setting a policy for use and reserve of sales tax revenues exceeding budgeted amount beginning in year 2011.

REVIEWED BY:



County Administrator

9/23/10

Date

STATE OF WASHINGTON
County of Jefferson

In the Matter of use of Sales }
Tax Revenues exceeding budget }
in the County General Fund }

RESOLUTION NO. _____

WHEREAS, the worldwide economic downturn has impacted the State of Washington and Jefferson County, and has contributed to a shortfall in County revenues in 2009 and 2010; and

WHEREAS, sales tax revenues received by the County are subject to economic declines and upswings, which impact the County General Fund and the public services it supports; and

WHEREAS, the County may, during an economic upswing at its discretion, set aside funds in the General Fund to dampen the effects of future economic fluctuations on County services, fund future one-time operational and capital needs, or support County services on a one-time basis; and

WHEREAS, sales tax revenues in excess of the budget and exceeding the set-aside to dampen economic fluctuations can be returned to county tax payers by reducing the next year's property tax assessment;

NOW, THEREFORE, BE IT RESOLVED, by the Board of County Commissioners that it is in the best interest of Jefferson County and it's citizens to adopt the policy attached hereto as Exhibit A regarding use of Sales Tax Revenues received over the annual budgeted amount, in order to reserve revenues for future economic downturns, set aside funds for capital facilities and reduce property taxes.

APPROVED AND ADOPTED this _____ day of September, 2010

JEFFERSON COUNTY
BOARD OF COMMISSIONERS

David Sullivan, Chair

ATTEST:

Clerk of the Board

Phil Johnson, Member

John Austin, Member

EXHIBIT A
USE OF GENERAL FUND SALES TAX REVENUES EXCEEDING ANNUAL BUDGET

Purpose:

To set aside General Fund sales tax revenues exceeding the budgeted amount for use for future revenue downturns, capital facilities projects, one-time operating costs and reduction of property taxes.

Policy:

1. The General Fund budget for sales tax revenues each year will be set at or below a level consistent with the average annual sales tax increase over the previous 10 years.
2. Beginning with the 2011 budget, any excess sales tax revenue received above the budgeted sales tax amount will first be used to fill any shortfall in total General Fund taxes and other Treasurer's revenue compared to the budget. When total General Fund taxes and other Treasurer's revenues are at or above budgeted amounts, excess sales tax revenue will be set aside as follows:
 - a. 60 % or more to a General Fund Revenue Stabilization Reserve for future revenue declines and property tax reductions;
 - b. 20 % or more to Capital Improvement Funds or for approved one-time expenses.
 - c. Up to 20% to programs or County liabilities.
3. Revenue Stabilization Reserve
 - a. The Revenue Stabilization Reserve is a reserve in the General Fund funded by excess sales tax revenue. The goal is to build a Revenue Stabilization Reserve of up to 5% of annual General Fund budgeted expenditures that may be used for mitigating the impact of General Fund revenue declines. The Revenue Stabilization Reserve will be set aside in addition to the current 10% operating reserve, which is intended for cash flow and unanticipated expenses and emergencies.
 - b. In the current budget year, the funds in the Revenue Stabilization Reserve may only be utilized by the County when the projected total of all General Fund taxes and other Treasurer's revenue is 1% or more below budgeted revenue after six months through any given calendar year.
 - c. The Revenue Stabilization fund may be budgeted for use in the following year's budget if the estimated total of General Fund taxes and other Treasurers' revenue is estimated to be less than a 1% increase over the current year budgeted revenue.
 - d. Use of Revenue Stabilization Reserve funds will be accomplished through a Resolution adopted by the Board of County Commissioners identifying how the conditions of subsections 3.b. or 3.c. of this Resolution have been met, and designating the amount of the reserve funds to be used.
4. Property Tax Reductions

- a. When the Revenue Stabilization Reserve amount exceeds 5% of the annual budgeted expenditures in the General Fund as of September 30 of each year, those excess funds shall go to property tax reductions for the following years' General Fund property tax assessment.
5. Capital Improvement and one-time expenses.
- a. The portion of funds identified in subsection 2.b. of this Resolution for capital improvement shall be allocated in this priority:
 - ◆ Priority 1: Fund annual County bond payments where REET (Real Estate Excise Tax) does not cover the annual debt.
 - ◆ Priority 2: Allocate to projects on the 6 year capital improvement plan or to one-time costs that are approved by the Board of County Commissioners.
 - b. Any funds designated for the Capital Improvement Fund will be transferred on March 31 of the following year.