

FUND BALANCE DISCUSSION FY2020

*Budget, Finance, and Economic Development Committee
October 27, 2020*

Department of Finance



LEXINGTON



Points to Ponder

- Employment in Lexington has fallen to early 2015 levels
 - Strong revenue through first half of the year mitigated the impact of COVID-19 layoffs and wage declines
 - This is over 50% of our general fund revenue
- Net Profit returns for a boom year of 2019 were trending above budget
 - Ended 11% down
- Uneven expenses and uneven revenues throughout the year create cash flow pressure during an economic contraction
- One-Time Monies projected to cover this cash flow in FY21



FY2020 Wrap-Up (Pre-Coronavirus Relief Funds)

	Pre - COVID Reimbursement
Revenues	367,593,935
Expenses	368,927,011
Transfers In/Out	79,306
Balance	(1,412,382)



FY2020 Wrap-Up (Post-Coronavirus Relief Funds)

	Pre - COVID Reimbursement	Post - COVID Reimbursement
Revenues	367,593,935	367,593,935
Expenses	368,927,011	348,227,011
Transfers Out	79,306	79,306
Balance	(1,412,382)	19,287,618



Net Change in Fund Balance

General Fund - Fund Balance	18,190,179
Other Fund Balance Activity	1,097,439
Total	19,287,618

FY19 Fund Balance	64,626,471
FY20 Net Change	19,287,618
Total FY20 Fund Balance	83,914,089



Non-Spendable Fund Balance

	<u>2020</u>
6/30/2020 Total Fund Balance	83,914,089
<u>Non spendable</u>	2,374,571
Energy Improvement Fund	261,950
Qualified Energy Bond Reserve	1,222,654
6/30/2020 Fund Balance after Non-spendable	80,054,914



Fund Balance Commitments

6/30/2020 Fund Balance after Non-spendable	80,054,914
<u>Committed</u>	
Economic Contingency – Balance on 6/30/2020	36,076,494
Economic Contingency – FY21 Investments (Directed by R 269-2020)	6,400,000
Balance Non 1101 Funds	<u>5,312,381</u>
6/30/2020 Fund Balance After Committed	32,266,039

Constituency Investments

Replenish Economic Contingency Fund - \$6.4M

\$2.1M – Extended Social Resource Grants

\$1.8M – Affordable Housing Fund

\$2.5M – Local Small Business Stimulus



Fund Balance Commitments

6/30/2020 Fund Balance after Non-spendable 80,054,914

Committed

Economic Contingency – Balance on 6/30/2020 36,076,494

Economic Contingency – FY21 Investments (Directed by R 269-2020) 6,400,000

Balance Non 1101 Funds 5,312,381

6/30/2020 Fund Balance After Committed 32,266,039

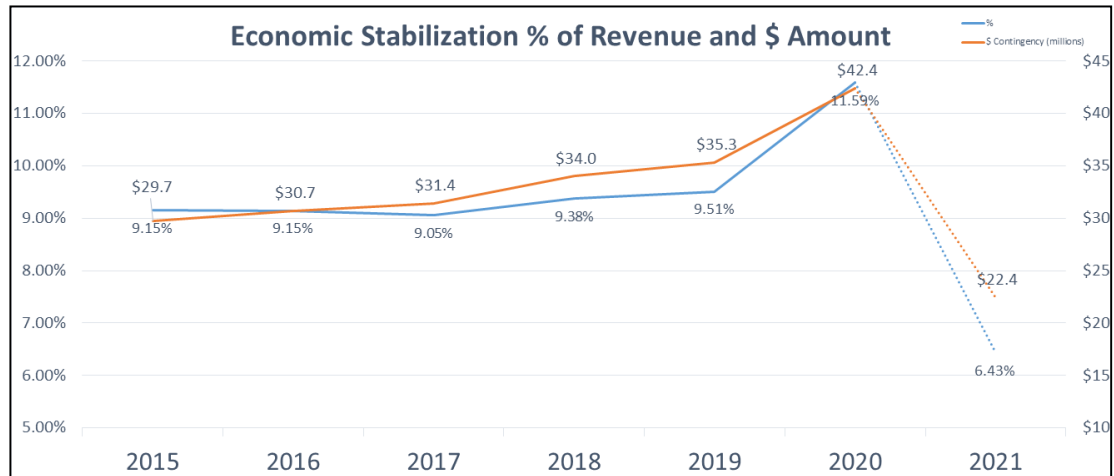
FY21 Economic Contingency Projection

FY20 Balance \$36,076,494

FY20 Contribution \$6,400,000

FY21 Budgeted Draw -\$20,000,000

**Projected 6/30/21
Contingency Balance \$22,476,494**





Historical Assignments and Obligations

6/30/2020 Fund Balance After Committed	32,266,039
Health Insurance Reserve	4,000,000
Fund Balance Capital Projects	995,991
<u>Obligated Fund Balance Uses</u>	4,069,019
<u>6/30/2020 Fund Balance After Historical Assignments</u>	23,201,029

Obligated Fund Balance Uses		
PO Roll to FY 21	\$	1,579,010
Prepays	\$	674,586
Grant Match Roll to FY 21	\$	1,665,423
FY 2021 Budgeted Beginning Fund Balance	\$	150,000
Obligated Uses of Unassigned	\$	4,069,019



Pre-Commitments and Assignments

6/30/2020 Fund Balance After Historical Assignments	23,201,029
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Pre-Commitments

Use of Budget Stabilization Committed for FY 21 (FY21 Adopted Budget)	9,400,000
Non 1101 Funds Committed for FY 21 (FY21 Adopted Budget)	200,000
Community Investment- Eviction Assistance Program	1,906,016
Community Investment - Fifth and Chestnut	300,000

Fund Balance as of 06/30/2020	11,395,013
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(Provisionally Assigned to Budget Stabilization by R 269-2020)



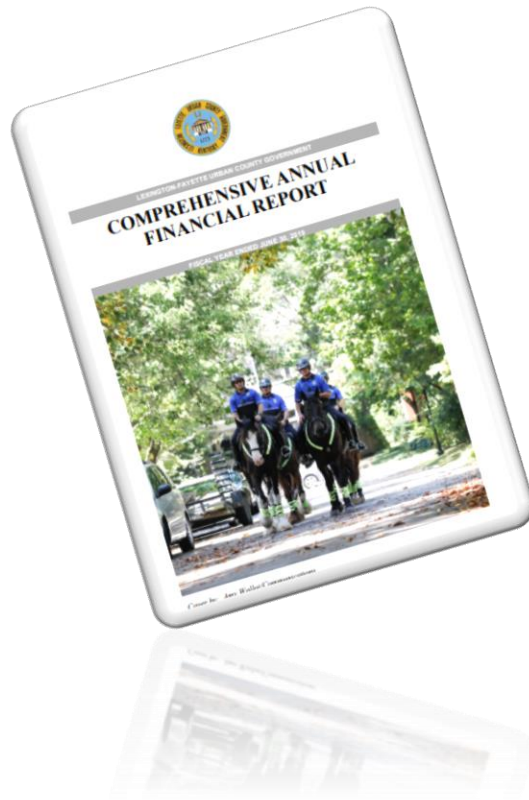
Budget Stabilization

Fund Balance (Provisionally Assigned to Budget Stabilization by R 269-2020)

11,395,013

- **The FY21 Adopted Budget was balanced using \$36M in one-time funding.**
 - If the same were to occur in FY22, the Economic Contingency and Budget Stabilization Reserve would be completely zeroed out, even after this contribution.
- Moody's has recommended that 15% of revenues be held in reserve to maintain our bond rating.
- Our primary revenue sources are especially volatile in FY21.
 - Uncertain COVID-related tax implications.
 - Net Profit remittances are difficult to project, and won't be realized until April – 4th Quarter.
- We remain uncertain if additional CARES funding will be allocated for local governments. If we hold these funds now, we can make funding decisions in FY21-Q4 when we have more information.

What will the CAFR show?



	<u>2020</u>	<u>2019</u>
Total Fund Balance	83,914,089	64,626,471
<u>Non spendable</u>	2,374,571	2,290,430
EIF	261,950	628,995
Qualified Energy Bond Reserve	1,222,654	1,026,212
Subtotal after Non spendable	80,054,914	60,680,834
<u>Committed</u>		
Economic Contingency	36,076,494	35,345,181
Economic Contingency Deposit (CARES)	6,400,000	
Balance Non 1101 Funds	<u>5,312,381</u>	<u>4,228,784</u>
Subtotal After Committed	32,266,039	21,106,869
<u>Assigned</u>		
Health Insurance Reserve	4,000,000	4,000,000
Fund Balance Capital Projects	995,991	863,361
Use of Budget Stabilization Committed for FY 21	9,400,000	
Non 1101 Funds Committed for FY 21	200,000	
Council Action - Eviction Assistance Program	1,906,016	
Council Action - Fifth and Chestnut	300,000	
Budget Stabilization Reserve	11,395,013	11,400,000
<u>Unassigned Fund Balance</u>	4,069,019	4,843,508
<u>Unassigned Fund Balance Uses</u>		
<u>(Obligated)</u>	4,069,019	



FY22 Budget Pressures Illustration

Assume FY 21 Deficit without One-Time Money	\$ (36,600,000)
Boom Year Revenue Growth	\$ 13,000,000
Beginning FY 22 Deficit	\$ (23,600,000)

- Examples of Expected FY22 Additional Expenses
 - Public Safety Employees step increases
 - CERS Pension increase after one year frozen
 - Reinstatement of FY21 COVID closed programs (i.e. pools, Summer Youth Employment Program)
 - Utility Costs
 - Debt Service
- Note: Projected FY21 Economic Contingency Balance is
~\$22 million



Mayor's Recommendation

Fund Balance (Provisionally Assigned to Budget Stabilization by R 269-2020)	11,395,013
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Mayor's Recommended Fund Balance to Budget Stabilization	\$10,395,013
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Mayor's Priorities for Remaining Unallocated Fund Balance

Minority Business Enterprise (MBE) Goal and Availability Study	125,000
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Safety Net Initiative Support	50,000
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Paramedicine Program Support	60,000
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	\$235,000
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Questions?



LEXINGTON