# FUND BALANCE DISCUSSION FY2020

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

Department of Finance





### **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
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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**

18,190,179
1,097,439
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
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

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

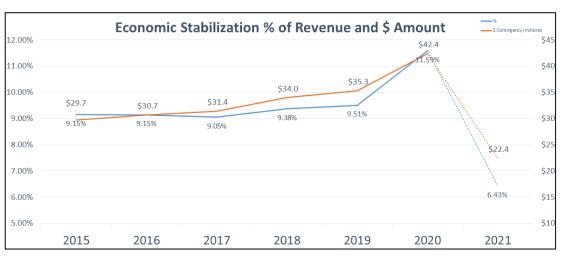


### **Fund Balance Commitments**

6/30/2020 Fund Balance after Non-spendable	80,054,914
<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	5,312,381

#### 6/30/2020 Fund Balance After Committed

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 Fund Balance Capital Projects	4,000,000 995,991
Obligated Fund Balance Uses	4,069,019
6/30/2020 Fund Balance After Historical Assignments	23,201,029

Obligated Fund Balance Uses	
PO Roll to FY 21	\$ 1,579,010
Prepaids	\$ 674,586
Grant Match Roll to FY 21	\$ 1,665,423
FY 2021 Budgeted Beginning Fund Balance	\$ 1 <i>5</i> 0,000
Obligated Uses of Unassigned	\$ 4,069,019



### **Pre-Commitments and Assignments**

6/30/2020 Fund Balance After Historical Assignments	23,201,029
Pre-Commitments	0 400 000
Use of Budget Stabilization Committed for FY 21 (FY21 Adopted Budget) Non 1101 Funds Committed for FY 21 (FY21 Adopted Budget)	9,400,000 200,000
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
(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 – 4<sup>th</sup> 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?



	2020	2017
Total Fund Balance	83,914,089	64,626,471
Non spendable	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	5,312,381	4,228,784
Subtotal After Committed	32,266,039	21,106,869
Assigned		
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
Unassigned Fund Balance	4,069,019	4,843,508
<u>Unassigned Fund Balance Uses</u> (Obligated)	4,069,019	
-		



### **FY22 Budget Pressures Illustration**

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

- 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
Mayor's Recommended Fund Balance to Budget Stabilization	\$10,395,013

Mayor's Priorities for Remaining Unallocated Fund Balance	
Minority Business Enterprise (MBE) Goal and Availability Study	125,000
Safety Net Initiative Support	50,000
Paramedicine Program Support	60,000
	\$235,000



