

FY2017 MID-YEAR FINANCIAL & BUDGET STATUS AND OUTLOOK

Board of Supervisors – Scheduled Presentation Agenda

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PRESENTATION OVERVIEW

- ▶ The presentation will highlight:
 - ▶ FY 2017 Mid Financial Results & Projections to Fiscal Year End
 - ▶ Unassigned Fund Balance
 - ▶ Best Practices
 - ▶ Other Updates

FY2017 Mid-Year Financial Results with Projections

Category	FY17 Budget Revised	Total FY 17 Projections	Variance	Percent of Budget
Total revenues	\$59,821,480	\$59,652,086	(\$169,394)	99.7%
Total expenditures	52,699,068	52,670,978	28,090	99.9%
Excess (deficiency) of revenues over (under) expenditures	7,122,412	6,981,109	(141,303)	98.0%
Transfers out	(9,792,236)	(9,754,472)	37,764	99.6%
Net change in fund balances	(2,669,824)	(2,773,363)	(103,539)	103.9%
Fund balances - beginning		21,445,138		
Fund balances - ending	-	18,671,775		

STATUS OF UNASSIGNED FUND BALANCE

Category	FY16 Actual Amounts	Total FY 17 Projected
Fund balances - ending	\$21,445,138	\$18,671,775
Non-spendable fund balance (i.e. prepaids)	48,681	50,000
Restricted fund balance (by external parties)	77,013	80,000
Committed fund balance (by BOS, i.e. Tourism, FMRR)	1,310,127	841,775
Assigned fund balance (by County Administrator, earmarks)	-	700,000
Unassigned fund balance (only in General Fund)	20,009,217	17,000,000
Unassigned as % of Expected Gov't Budget Expenditures for the Upcoming Fiscal Year	19.98%	TBD-Approx 17%

HISTORY OF UNASSIGNED FUND BALANCE

Fiscal Year End	Unassigned Fund Balance	As % of Governmental Expenditures
2016	20,009,317	19.98%
2015	17,523,379	17.56%
2014	18,249,344	15.20%
2013	16,960,462	16.48%
2012	15,321,565	16.92%
2011	14,967,748	16.81%
2010	13,690,049	15.38%

- Governmental Funds – General, School Operating, Social Services, Children Services, Capital, Debt Service, and Mosquito Control
- Governmental Expenditures:
 - Payroll - \$5.5M monthly
 - Debt Service - \$5.5M annually
 - Other Payments -\$2.5M monthly

CASH FLOW MODELING – ANALYZE APPROPRIATE UNASSIGNED FUND BALANCE

AVAILABLE GENERAL FUND CASH:

	FY16	FY17
Jul	\$ 16,099,124.74	\$ 15,872,519.31
Aug	\$ 11,456,770.75	\$ 12,662,172.49
Sep	\$ 7,543,397.54	\$ 9,990,302.71
Oct	\$ 5,304,364.92	\$ 5,569,984.06
Nov	\$ 10,996,941.84	\$ 16,452,387.08
Dec	\$ 17,333,935.77	\$ 19,540,568.36
Jan	\$ 14,234,506.55	
Feb	\$ 14,194,957.88	
Mar	\$ 12,449,424.89	
Apr	\$ 9,899,538.18	
May	\$ 7,922,759.31	
Jun	\$ 21,700,730.16	

Took a more “liberal” approach

“Reconciled” to Treasurer’s Report through Dec 2016

Projected results if starting cash balance at Fund Balance Policy Target of 12% of Budgeted Governmental Expenditures

	261	Thursday 06/30/16	Friday 07/01/16
All except Café/Ut Receipts			4,297,624
All except S&B/Pcard Payments			1,579,535
	1,000,000	21,700,730	24,418,820
	In Millions	21.7	24.4
Min Daily Bal in Mil	2.0	TRUE	TRUE
# of days below min	-		
# of days negative	-		
From Treasurer's Monthly Report		21,700,730	
Variance		-	

	261	Thursday 06/30/16	Friday 07/01/16
All except Café/Ut Receipts			4,297,624
All except S&B/Pcard Payments			1,579,535
	1,000,000	13,000,000	15,718,090
	In Millions	13.0	15.7
Min Daily Bal in Mil	2.0	TRUE	TRUE
# of days below min	55		
# of days negative	9		
From Treasurer's Monthly Report		21,700,730	
Variance		(8,700,730)	

Days below minimum – 9/30-10/20 & 4/28-5/18

-Balance range \$100K to \$1.9M (31 days < \$1M)

Days Negative – 10/31 & 5/31-6/8

-Negative balance range - \$300K-\$1.8M (6 days > \$1M in hole)

PROPOSED FUND BALANCE TARGET – 14%

Proposed Target Limit would equate to approximately \$15.3M of Current Governmental Expenditures

	261	Thursday 06/30/16	Friday 07/01/16
All except Café/Ut	Receipts		4,297,624
All except S&B/Pcard	Payments		1,579,535
	1,000,000	15,300,000	18,018,090
	In Millions	15.3	18.0
Min Daily Bal in Mil	2.0	TRUE	TRUE
# of days below min	8		
# of days negative	1		
From Treasurer's Monthly Report		21,700,730	
Variance		(6,400,730)	

- ▶ Days Below Minimum – 5/31-6/6
- ▶ Balance range – \$500K - \$1.4M (5 days < \$1M)
- ▶ Day Negative – 10/31, Negative Balance = \$800K
- ▶ Fiscal Year End Projected balance \$14.1M (PAYGo CIP potentially at risk)

WHAT IS THE GFOA-GOVERNMENT FINANCIAL OFFICERS ASSOCIATION

- ▶ **To enhance and promote excellence in state and local government financial management for the public benefit**
 - ▶ Research and provide best practices and technical advisories-accounting, reporting, budgeting, debt management, planning, benefits administration, treasury, etc.
- ▶ **Provide technical assistance with interpreting regulations**
 - ▶ GASB – Government Accounting Standards Board-authoritative source for Generally Accepted Accounting Principles for State and Local Governments -> Statement 84
 - ▶ GAS – Government Auditing Standards issued by the Comptroller General of the United States
 - ▶ Uniform Grant Guidance, Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations and the Compliance Supplement issued by the US Office of Management and Budget
 - ▶ Specifications for Audits of Counties, Cities, and Towns, and the Uniformed Financial Reporting Manual issued by the Auditor of Public Accounts of the Commonwealth of Virginia – Local chapter
 - ▶ Code of Virginia – Local chapter

BEST PRACTICE RECOMMENDATIONS

- ▶ Adequacy of unassigned fund balance should be assessed based upon a government's own specific circumstances
- ▶ Recommend, at a minimum regardless of size, a balance no less than two months of general fund operating revenues or expenditures
- ▶ Measures should be applied within the context of long-term forecasting
 - ▶ Predictability of revenues, volatility of expenditures
 - ▶ Liquidity/working capital needs - when financial resources actually become available to make payments (ie payroll, debt service, vendors)

SAMPLING OF OTHER LOCALITIES FUND BALANCE LEVELS AND POLICIES

Locality	Policy Minimum	Policy Target	Actual Per CAFR	Measurement Basis (varied and likely incomplete)
Chesterfield County	6%	8%	8.4%	General Fund Expenditures, includes Schools
Gloucester County	10%	12%	19.98%	Budgeted Governmental Funds Expenditures
Hampton (City)	10%		11.0%	Total Revenues less General Fund Transfers
Hanover County	10%		13.0%	General Fund Revenues
Henrico County	15%		15.0%	General Fund Expenditures
Isle of Wight County		10%		Budgeted Governmental Funds Expenditures Less Transfers
James City County	8%	12%	10.7%	Total Operating Budget (General + County Share of Schools)
New Kent County	15%		16.3%	Governmental Fund Revenues. Excess transferred to Capital
Newport News (City)			11.4%	General Fund Revenues and Transfers In
Norfolk (City)	5%		9.0%	General Fund Budget. Other Reserves-Economic Downturn
Petersburg (City)	?	?	??	
Poquoson (City)	12%	15%	18.5%	General Fund Expenditures
Richmond (City)	10%		12.1%	General Fund budgeted expenditures including transfers
Suffolk (City)	12%			Budgeted Governmental Funds Expenditures. Also Rate Stabilization
Virginia Beach (City)	8%	12%	17.9%	Projected Revenues
Williamsburg (City)	35%		35.0%	General Fund Operating Revenues
York County	12%		14.1%	General Fund Expenditures

Bond ratings not included as Fund Balance Policy and Actual levels are but one component of a much larger review of a localities fiscal health

SUMMARY OF BOND RATING CRITERIA (MOODY'S)

Local Governments			
Broad Rating Factors	Factor Weighting	Rating Subfactors	Subfactor Weighting
Economy/Tax Base	30%	Tax Base Size (full value)	10%
		Full Value Per Capita	10%
		Wealth (median family income)	10%
Finances	30%	Fund Balance (% of revenues)	10%
		Fund Balance Trend (5-year change)	5%
		Cash Balance (% of revenues)	10%
		Cash Balance Trend (5-year change)	5%
Management	20%	Institutional Framework	10%
		Operating History	10%
Debt/Pensions	20%	Debt to Full Value	5%
		Debt to Revenue	5%
		Moody's-adjusted Net Pension Liability (3-year average) to Full Value	5%
		Moody's-adjusted Net Pension Liability (3-year average) to Revenue	5%

IN OTHER NEWS

- ▶ For the 2nd consecutive year, Gloucester County received the GFOA's Distinguished Budget Presentation Award
- ▶ Elite group of 1,565 participants that have received the Award
- ▶ Provide meaningful feedback for continuous improvements in creating a budget book that is a Policy Document, a Financial Plan, an Operations Guide, and a Communications Device.
- ▶ Few feedback comments:
 - ▶ "...the schedules included in your documents provide a sound basis for the criterion. They provide not only current information but historic information on your entity. Stakeholders can use this information to obtain a good understanding of the financial condition of the county. Improved over previous submission."
 - ▶ "While the budget provides insight into capital investment, it does not discuss the impacts of infrastructure improvements on the operating budget in terms of dollars. That level of analysis is critical..."

“BUDGETS IN THE U.S. FOLLOW RULES OF PRESENTATION AND USE TERMS THAT MAKE SENSE TO FEW OUTSIDE THE WORLD OF GOVERNMENT FINANCE.”

