



Council Workshop

Use of Under Expenditures

Overview of Workshop

- **Background**
 - History of fund balance, under expenditures, and millage rates
 - Parameters for use of under expenditures

- **Recent priority areas for use of under expenditures**
 - Associated benefits and implications

- **Council guidance:**
 - Value of having under expenditures as a budget offset when economic downturn
 - Priority areas

Fund Balance

- **Background**
 - Fund Balance increases or decreases each year by the difference between revenues and expenditures
 - Fund Balance can decrease even though Council has under expenditures
 - Council has intentionally been decreasing its Fund Balance
 - The use of Fund Balance is reported as a revenue item in the budget, called, “Cash Balance Brought Forward”

Example: Fiscal Year 2017-18

- Financial Information related to fiscal year 2017-2018
 - Fund Balance at the beginning of the fiscal year was \$50.4 million
 - Council budgeted to use \$12.6 million of Fund Balance
 - Only \$3.5 million was actually used
 - \$9.1 million was not used

Example: Fiscal Year 2017-18 (continued)

- Why didn't Council spend \$9.1 million?
 - Under expenditures of \$8.3 million. (Actual expenditures were lower than budgeted expenditures)
 - Actual revenues exceeded budgeted revenue by \$0.8 million

Example: Fiscal Year 2017-18 (continued)

- Under expenditures of \$8.3 million
 - Property Appraiser fee, Tax Collector Fee, Contingency and Capital outlay accounted for \$2.3 million of the \$8.3 million under expenditures
 - Total Children's Program actual costs were \$5.6 million lower than budgeted, a 4.6% under expenditure rate
 - Total Administrative expenses actual costs were \$0.3 lower than budgeted due to staffing vacancies

Example: Fiscal Year 2017-18 (continued)

- Actual revenues exceeded budgeted revenue by \$0.8 million
 - Interest income exceeded budget \$0.6 million
 - Ad Valorem revenue exceeded budget \$0.3 million
 - Other income exceeded budget (tenant income, etc.) \$0.1 million
 - Grant income was lower than budget (\$0.2) million

Historical Trends

- Fund Balance: Council reduced its Fund Balance 6 of the last 7 years and has had a 37% reduction in Fund Balance since fiscal year 2010/11
- Under expenditures: Council's rate of under expenditures has gradually been declining
- Millage rates: Council reduced its millage rate 7 of the last 8 years and has had a 14.8% reduction to the rate since fiscal year 2010/11



Under Expenditures related to Programs

- Lapsed dollars from cost-based reimbursement contracts
 - Staff turnover
- Funding set aside to support new programs/initiatives
 - Delayed starts
 - Ramp-up (installation of programs)
 - Overestimated need/scale
- Other
 - Early termination of contracts
 - Additional funding from outside sources

Controlling Under Expenditures Rate

- Funding set aside to support new programs/initiatives:
 - Science of Implementation – accounting for installation period
 - Efforts to be more realistic about need/scale of program footprint
- FY 2011: Use of anticipated under expenditures within fiscal year
 - Funding support for child care scholarships

Parameters for Use of Under Expenditures

- Nonrecurring expenses
- Expenses that can be identified and used late in the fiscal year



Use of Under Expenditures

- Scholarships for child care
- Scholarships for summer camp
- Great Ideas Initiative



Benefits Associated with Scholarships

- Scholarships for child care:
 - Year-round care in a safe, supervised environment
 - 0-5, supports early learning
 - School age, supports social emotional development, homework assistance
- Scholarships for summer camp
 - 9 week experience in a safe, supervised environment
 - Some camps are Educational Enrichment camps

Benefits Associated Great Ideas Initiative

- Great Ideas Initiative

- Supporting small nonprofits working with children & families to implement a new idea or expand a good idea
- Address community gaps – all youth to reach full potential



Use of Under Expenditures

Fiscal Year	Child Care	Summer Camp	GII	Total
2011-12	\$1,700,00	-----	-----	\$1,700,00
2012-13	\$2,000,000	-----	-----	\$2,000,000
2013-14	\$0	-----	-----	\$0
2014-15	\$1,000,000	\$809,262	-----	\$1,809,262
2015-16	\$620,000	\$968,932	\$509,747	\$2,098,679
2016-17	\$958,000	\$1,000,000	\$615,771	\$2,573,771
2017-18	\$528,000	\$3,000,000*	\$1,139,259	\$4,967,259
2018-19	\$0	\$1,700,000*	\$800,000	\$2,500,000

NOTE:

Allocated funds for Child Care and Great Ideas Initiative are fully utilized within the fiscal year; not all allocated funds for summer camp are fully utilized within the fiscal year.

**FY 2017-18: due to anticipated need for summer camp scholarships, Council approved an increase in overall budget. Full amount of funding was not used (see table on slide 13).*

**FY 2018-19: In addition to the \$1.7 million that has been allocated for summer camp scholarships, an additional \$500k has been committed if needed. The \$500k is not reflected in the chart.*

“Guidance” for Use of Under Expenditures

- No child on wait list for summer camp
- Child care scholarships
 - Continuous need for child care- recurring wait list
- Great Ideas Initiative



Growth in Summer Camp Scholarships



Schedule of funds allocated (& used) for Summer Camp Scholarships

Fiscal Year	Base Amount	Allocation of one-time Increase	Total Funding	Expenditures
2014-15	\$763,440	\$809,262	\$1,572,702	\$1,572,702
2015-16	\$763,440	\$968,932	\$1,732,372	\$1,727,620
2016-17	\$1,200,000	\$1,000,000	\$2,200,000	\$2,199,726
2017-18	\$1,500,000	\$3,000,000	\$4,500,000	\$2,836,120
2018-19	\$2,200,000	\$1,700,000*	\$3,900,000	TBD

* Not reflected in the chart is the additional \$500,000 set aside, if needed

Child Care Scholarships

- CSC funding is “braided” with state funding
- Intent is to leverage dollars and cover maximum number of children
 - Leverage different start of fiscal years (July 1, October 1)
 - Able to move children on and off billing groups
- Limitations on how much nonrecurring funds ELC can use responsibly
 - Without having to disenroll children

Evolution in Great Ideas Initiative

Years One – Four

- General RFP to identify NEW programs (new to provider or new to us)

Added in Years Three & Four

- Capacity Building: GROWTH → Pipeline
 - Pipeline has some recurring expectations
- Community-led grant making

Council Direction

- Annual process to explicitly state priority areas for use of under expenditures
- March of each year
 - Staff presents slate of recommendations with cap associated with each
 - Council to respond



Implications to Budget Moving Forward

- Better job of managing our under expenditures:
 - Initial allocation process
 - Fully staffed organization
 - Planned use for under expenditures within fiscal year
- Less under expenditures are being returned to Fund Balance
 - Implications to millage model moving forward
 - Implications to capacity to sustain current levels of programming in times of economic downturn

Focus for Council Discussion

- Providing guidance for priorities:
 - Balancing benefits associated with current use of under expenditures
 - Nonrecurring vs limited recurring obligations
 - Council's interest in supporting programs within the community
 - One-time only versus multiple year funding when a "good" program is identified
 - Value of having under expenditures as a budget offset when economic downturn

