



Background Information for August Council Workshop Council's History of Fund Balance, Under Expenditures and Millage Rates - Analysis

Fund Balance

Fund Balance increases or decreases each year by the difference between actual revenues and actual expenditures. If revenues exceed expenditures, Fund Balance will increase. If expenditures exceed revenues, Fund Balance will decrease. Fund Balance is cumulative so the ending Fund Balance one year, becomes the beginning Fund Balance of the next year.

Fund Balance can decrease in a year even though Council has Under Expenditures. This occurs when Council budgets to use funds from Fund Balance but does not use all or any that had been budgeted.

Over the past seven years, Council has intentionally been decreasing its Fund Balance by budgeting and using dollars in Fund Balance to support program expenditures to meet needs in the community. The use of Fund Balance is reported as a Revenue item in the budget, called, "Cash Balance Brought Forward".

To illustrate this through an example using our last full fiscal year, please refer to the schedule attached and see the column titled "2017-2018 Actual".

At the beginning of fiscal year 2017/18 (end of fiscal year 2016/17), the Council had a Fund Balance \$50.4 million. Council had budgeted to use \$12.6 million of Fund Balance during fiscal year 2017/18. Council only used \$3.5 million of Fund Balance (as actual expenditures exceeded actual revenue by \$3.5 million), therefore, \$9.1 million of the Fund Balance planned, was not used.

The \$9.1 million was not utilized for two reasons: under expenditures and additional revenue.

1. Under Expenditures were \$8.3 million (actual expenditures were lower than budgeted expenditures)
 - a. Property Appraiser fee, Tax Collector Fee, Contingency and Capital outlay accounted for \$2.3 million of the \$8.3 million in under expenditures. The Property Appraiser and Tax Collector fees are budgeted based on estimates they each provide. After the fiscal year is over, the Property Appraiser and Tax Collector must refund to Council its pro-rated portion of fees they collected and did not need to support their operating costs.
Council budgets \$0.5 million for Contingency each year. It is used for emergencies only and normally does not get used. These three expenditures are budgeted annually but the actual cost is not controllable by Council and will typically result in under expenditures.

- b. Total Children’s Program actual costs were \$5.6 million lower than budgeted, a 4.6% Under Expenditure rate. Staff turnover at providers, delayed starts and early termination of contracts are a few reasons for the under expenditures.
- c. Total Administrative expenses actual costs were \$0.3 million lower than budgeted due to staffing vacancies.

The total under expenditures for fiscal year 2017/18 of \$8.3 million is a 6.4% under expenditure rate. As part of the budget process each year, a 5 year Forecast is prepared. One of the assumptions of that forecast is we anticipate having 5% under expenditures and we factor those funds coming back into Fund Balance.

2. Revenues in excess of budget of \$0.8 million (actual revenue exceeded budgeted revenue)

a. Interest income received was higher than budget	\$0.6
b. Ad Valorem revenue was higher than budget	\$0.3
c. Grant income was less than budget	(\$0.2)
d. Other income (tenant income, etc.)	\$0.1

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 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.

History of Fund Balance, Under Expenditures and Millage Rates

	2009-2010	2010-2011	2011-2012	2012-13	2013-14	2014-15	2015-2016	2016-2017	2017-2018	2018-2019
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget
Fund Balance	73,898,561	74,351,144	72,050,772	69,095,664	60,722,030	52,843,646	47,734,565	50,362,524	46,861,209	
<i>Increase/(Decrease) in Fund Balance</i>	3,564,701	452,583	(2,300,372)	(2,955,108)	(8,373,634)	(7,878,384)	(5,109,081)	2,627,959	(3,501,315)	
<i>Fund Balance change from 2010-11 peak</i>			-3.1%	-7.1%	-18.3%	-28.9%	-35.8%	-32.3%	-37.0%	
Budgeted Revenue from Fund Balance-Cash Balance Brought Forward	12,568,304	10,665,987	12,548,795	12,403,801	13,999,117	20,307,835	14,843,281	9,076,761	12,581,153	12,210,846
Actual Fund Balance Used	3,564,701	452,583	(2,300,372)	(2,955,108)	(8,373,634)	(7,878,384)	(5,109,081)	2,627,959	(3,501,315)	0
Amount of Fund Balance Not Used	16,133,005	11,118,570	10,248,423	9,448,693	5,625,483	12,429,451	9,734,200	11,704,720	9,079,838	12,210,846
Under Expenditures										
Total Annual Budget (excluding Reserves for Uncollectibles)	111,749,666	107,780,311	106,804,161	105,396,404	107,142,805	117,324,920	119,362,198	122,529,578	129,877,646	132,860,390
Total Annual Actual (excluding Reserves for Uncollectibles)	95,916,463	98,681,013	98,424,237	97,081,499	102,589,499	106,781,319	112,707,828	113,781,104	121,618,439	
<i>Under Expended \$</i>	(15,833,203)	(9,099,298)	(8,379,924)	(8,314,905)	(4,553,306)	(10,543,601)	(6,654,370)	(8,748,474)	(8,259,207)	
<i>Total CSC Under Expenditure Rate (excluding Reserves for Uncollectibles)</i>	-14.2%	-8.4%	-7.8%	-7.9%	-4.2%	-9.0%	-5.6%	-7.1%	-6.4%	
Total Annual Budget (excluding Property Appraiser fee, Tax Collector fee, Reserves for Uncollectibles, Contingency, and Capital Outlay)	108,282,261	104,407,723	102,913,212	101,595,291	103,601,040	113,771,277	115,603,260	118,761,952	125,940,803	129,009,149
Total Annual Actual (excluding Property Appraiser fee, Tax Collector fee, Reserves for Uncollectibles, Contingency, and Capital Outlay)	94,436,769	97,119,693	96,422,585	95,237,390	100,736,014	105,078,915	110,688,824	112,027,801	119,989,876	
<i>Under Expended \$</i>	(13,845,492)	(7,288,030)	(6,490,627)	(6,357,901)	(2,865,026)	(8,692,362)	(4,914,436)	(6,734,151)	(5,950,927)	
<i>Total CSC Under Expenditure Rate (excluding Property Appraiser fee, Tax Collector fee, Reserves for Uncollectibles, Contingency, and Capital Outlay)</i>	-12.8%	-7.0%	-6.3%	-6.3%	-2.8%	-7.6%	-4.3%	-5.7%	-4.7%	
Total Children's programs (Budget)	101,101,028	97,766,632	96,292,489	96,716,629	98,230,371	108,534,423	111,122,365	114,186,796	121,424,109	123,417,152
Total Children's programs (Actual)	88,378,402	90,942,632	90,218,288	90,943,462	95,454,805	100,347,192	106,521,322	107,702,654	115,780,997	
<i>Under Expended \$</i>	(12,722,626)	(6,824,000)	(6,074,201)	(5,773,167)	(2,775,566)	(8,187,231)	(4,601,043)	(6,484,142)	(5,643,112)	
<i>% of actual program direct expenses under expended vs. budget</i>	-12.6%	-7.0%	-6.3%	-6.0%	-2.8%	-7.5%	-4.1%	-5.7%	-4.6%	
Total administrative expenses (Budget)	7,181,233	6,641,091	6,620,723	4,878,662	5,370,669	5,236,854	4,480,895	4,575,156	4,516,694	5,591,996
Total administrative expenses (Actual)	6,058,367	6,177,061	6,204,297	4,293,928	5,281,209	4,731,723	4,167,502	4,325,147	4,208,879	
<i>Under Expended \$</i>	(1,122,866)	(464,030)	(416,426)	(584,734)	(89,460)	(505,131)	(313,393)	(250,009)	(307,815)	
<i>% of actual admin expenses under expended vs. budget</i>	-15.6%	-7.0%	-6.3%	-12.0%	-1.7%	-9.6%	-7.0%	-5.5%	-6.8%	
Annual millage rate	0.6898	0.7513	0.7475	0.7300	0.7025	0.6745	0.6677	0.6833	.6590	0.6403
<i>Millage rate % increase/(decrease) year over year</i>	14.8%	8.9%	-0.5%	-2.3%	-3.8%	-4.0%	-1.0%	2.3%	-3.6%	-2.8%
<i>Millage rate change from 2010-11 peak</i>			-0.5%	-2.8%	-6.5%	-10.2%	-11.1%	-9.1%	-12.3%	-14.8%