Madison County
Additional Comments and Considerations
Projected Fund Balance Analyses for FY20 and FY21
For 4/28/2020 Board of Supervisors Meeting

The FY20 fund balance analysis assumes that Madison County will have a $400K deficit in its operating budget at 6/30/2020. The FY20 Original Budget assumed an operating deficit of $1.077 million. In order to generate a $400K deficit at year-end, the County will need to generate a year-end favorable budget variance of $600K. Whether this is attainable is highly dependent on revenue collections for the rest of FY20.

The FY20 fund balance analysis assumes the establishment of a budget stabilization reserve and a debt service stabilization reserve. These reserves are consistent with Davenport's recommendations. The $1.5 million budget stabilization reserve is based on the Madison County Finance Department's estimate of the maximum amount of available funds for this purpose as of 6/30/2020.

The FY21 fund balance analysis does not reflect the additional adjustments proposed for the Board's consideration on Schedule VII, which was sent to you on April 24th.

The FY21 fund balance analysis reflects a $892K operating budget deficit; $320K of this is assumed to be funded through the debt stabilization reserve and $572K of this is assumed to be funded through the budget stabilization reserve.

Use of $572K in budget stabilization reserves in FY21 represents 38% of the available balance in FY21. The maximum recommended use by Davenport is 25% in any one year.

The FY21 fund balance analysis does not reflect the $51K loss of state recordation taxes about which the County was notified last week. <u>It also does not contemplate potential additional reductions in state revenues ($500K in communications taxes and $46K in E911 wireless taxes).</u>

The FY21 fund balance analysis incorporates a $1.467 million reclassification of unassigned fund balance to capital projects. Per Davenport recommendations, the County should strive to maintain capital projects reserve of at least $2 million.

The FY21 fund balance analysis incorporates the advertised budget (vs revised proposed) when computing the 20% minimum requirement for unassigned fund balance. As of 4/27, a revised School Board budget was unavailable, so it was not possible to recompute these amounts.

The FY21 fund balance analysis indicates that Madison County can meet all proposed fund balance requirements as of the end of fiscal 2021. However, the current revised proposed FY21 budget suggests that meeting those requirements in FY22 and beyond will become increasingly difficult, without very significant increases in revenues and/or drastic reductions in expenditures. (Upon completion of the public radio system, the County will incur substantial and material incremental costs related to maintenance of the system.)

Current funding scenarios provided by Davenport suggest that the County will need to raise taxes between $.02 and $.03 between 2022 and 2024 in order to pay for debt service anticipated on new capital projects. (including the financing of the remaining cost of the administration building consolidation project.) This amount does not reflect any additional increases in real estate taxes needed to fund the County's ongoing operations.

Certain Davenport financing scenarios suggest that the County could realize significant savings on its existing debt service by refinancing existing debt and extending maturities. These savings have been incorporated in the estimated required tax increase indicated above. Additional discussion with Davenport about using these savings to assist in funding operational deficits and what additional tax impact that might have should be considered.

The current revised proposed FY21 expenditure budget currently includes interest expense of $36K for financing the administration building consolidation project, all of which was funded through the debt service stabilization reserve. The FY20 fund balance analysis assumes that the remaining balance on the architect contract ($95K in total) will be financed as opposed to paid in cash. This assumption generates an additional $77,555 of available fund balance as of the beginning of FY21.