

FY 2023 Year-End Financial Summary & FY 2025 Budget Outlook



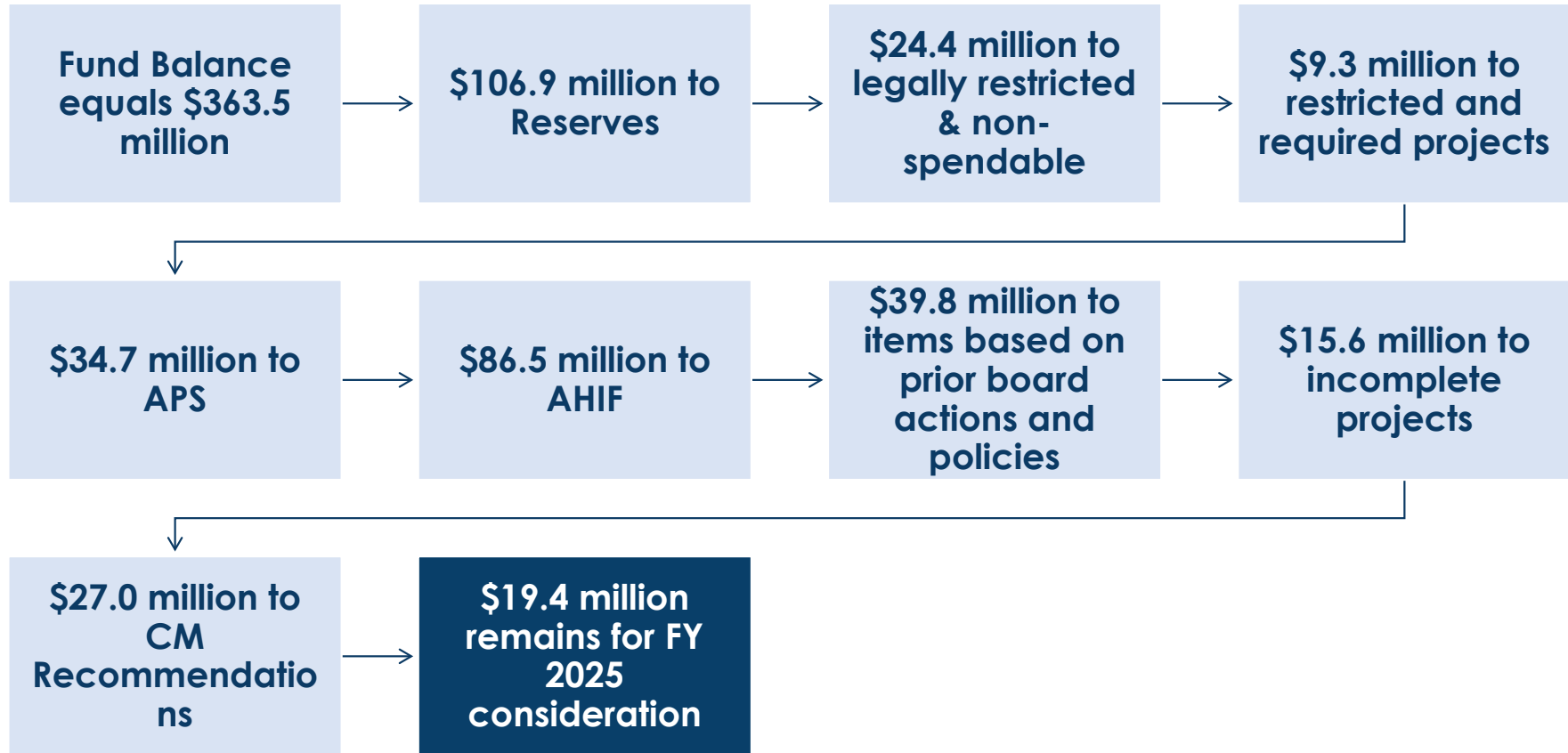
FY 2023 Year End Summary

- Year ended within budget
- Fund balance slightly higher than FY 2022
- Tax revenue above third quarter (\$16.1 million)
- Department savings (\$33.5 million)
- Majority of balances are restricted (87+%)
- **\$47 million in discretionary funding available**

Available discretionary fund balance (\$47 million) is higher than prior years. The three main sources of the additional funding are non-replicable (one-time) in nature:

- ARPA revenue offsetting DHS payroll (\$23 million)
- FEMA reimbursements for FY 2022 and FY 2023 expenses (\$5.1 million more in revenue than expense)
- Higher interest rates that led to interest revenue \$8.3 million over budget

Allocations of Fund Balance



Allocations of Fund Balance - Reserves

Reserve Funding (\$106.9 million): Required to maintain the County's triple Aaa bond rating

Operating Reserve: \$85.3 million (5.5% of the General Fund balance by policy)

- Existing reserve balance = \$82.4 million
- \$2.9 million additional funding added to meet financial policy
- County: \$1.5 million;
Schools: \$1.4 million

Self-Insurance Reserve = \$6.0 million

- Manager recommending adding \$1.0 million to existing \$5.0 million reserve
- Minimum requirement to maintain fiscal policies is adding \$0.4 million for a total of \$5.4 million

Stabilization Reserve: \$15.5 million (1.0% of the General Fund balance by policy)

- Existing reserve balance = \$15.0 million
- \$0.5 million additional funding added to meet financial policy

Allocations of Fund Balance – Restricted & Schools



Legally Restricted Funding: \$33.7 million

- Includes seized assets, transportation grants, and miscellaneous restricted funding
- Fiduciary accounts: \$18.6 million – GASB 84 requirement



School Expense Savings and Revenue in Excess of Budget Based on the Principles of Revenue Sharing: \$20.8 million

- **School Expenditure Carryover: \$14.6 million**
 - Combination of Operating and Capital Savings
- **School Share of Tax Revenue: \$21.4 million**
 - Less Schools contribution to the County's General Fund Operating Reserve (\$1.4 million) to maintain its balance at 5.5% of total General Fund expenditures
 - Unanticipated funding and not yet allocated: \$7.5 million

Allocations of Fund Balance – AHIF

Affordable Housing Investment Fund (all sources): \$91.6 million



General Fund Total (portion of fund balance): \$86.5 million

- Unallocated Balance = \$58.5 million
 - FY 2023 Balances: \$38.5 million
 - Loan Repayments & Developer Contributions = \$15.3 million
 - Additional one-time Board allocations at FY 2024 budget adoption: \$4.8 million

- Allocated Balance = \$28.0 million
 - AHIF project allocations include (but are not limited to) Buckingham Village, Marbella, Arna Valley rehab project, Merion Pike West, Barcroft Debt Service, and various TAFs.



HOME Investment Partnership Program: \$5.1 million

- Federal HOME funding is budgeted in the Housing and Community Development Fund

Allocations of Fund Balance – Prior Board Allocations

**Prior County Board Appropriations and Allocations from the
FY 2023 Budget & FY 2024 Budget: \$55.4 million**

**Funding Appropriated by the County Board for the FY 2024 Budget:
\$29.2 million**

- Compensation bonus & adjustments: \$9.0 million
- PAYG capital: \$6.3 million
- Eviction Prevention: \$4.0 million
- OPEB: \$3.0 million
- Housing Grants: \$2.5 million
- County Manager contingent: \$2.0 million
- Economic Development Activity: \$1.9 million
- Miscellaneous Projects: \$0.6 million

Short Term Financed Projects: \$10.2 million

Incomplete Projects / Initiatives Underway

Ongoing Environmental Initiatives

- CEP Action Fund
- Maplewood solar credit reconciliation
- Solid waste mgmt. plan
- Stormwater relief fund

Various Departmental Incomplete Projects

- County Board digitization project
- Sheriff facility project
- Equity demonstration project
- Historical Preservation grant program

Planned Compensation Adjustments since Adopted Budget

- Fire recruit class
- Sheriff overtime
- Trades compression study

Continuing Studies/ Consultant Work

- Langston Blvd
- Disparity Study
- Tree Canopy study
- Future of Libraries
- PPG follow up – review of arrest data

Additional Items for Board Consideration

Time Sensitive Program Needs

Pay Contingent for Police (\$130,000) and Sheriff (\$620,000)

Teen programming – JDR & DPR (\$500,000)

Independent Police Auditor operational funds (\$40,000)

Mobile Police Camera Technology (\$80,000)

- \$320k will be funded from Seized Asset monies

Fire Department Training / Office of Professional Standards (\$150,000)

NVJDC contingent (\$200,000)

DHS Bonus (\$150,000)

Use of Discretionary Balances

- **Buydown Barcroft Debt: \$150 million total, estimated \$9.8 million annually**

- Recommend dedicating \$15 million – saving approximately \$900k to \$1.1 million annually

- **Increase Self-Insurance Reserve: currently \$5.0 million**

- Requirement to fund at a level equal to the five-year average of 1-2 months of claims
- Recommend dedicating \$1.0 million to increase the reserve so at the end of three years we are at the midpoint

- **Land Acquisition**

- Recommend dedicating \$5 million

- **Development Fund Contingent**

- Recommend dedicating \$2.0 million contingent

- **Set-aside for FY 2025 Budget Deliberations & FY 2025 – FY 2034 CIP Planning**

- Limited use for offsetting ongoing FY 2025 expenses (\$3 million)
 - Reducing use of one-time to balance ongoing needs from \$6.5 million in FY 2024, \$12 million in FY 2023, and \$16 million in FY 2022
 - \$3.0 million recommended for FY 2025
- **Plus, dedicate remaining balance of \$19.4 million for FY 2025 budget deliberations**

FY 2025 Budget Planning Summary

- **Expense Growth (about 2.5%) Outpacing Revenue Growth (1.0% to 1.6%)**
- **Preliminary Funding Gap (Base Budget) is \$25 to \$40 million**
 - Metro “cliff” excluded from gap total
- **Preparing for Budget Reductions/Re-alignments**
 - Guidance to departments for 7% reductions
 - Asking for \$38.6 million in cut proposals for consideration
- **Primary Budgetary Concerns**
 - Office Market – down 7.5% to 20%
 - Vacancies / Risk rates in valuation
 - Sustained Higher Interest Rates
 - Wage Growth
 - Transitioning from one-time funding

Reduction in use of one-time to supporting ongoing expenses:

- FY 2022: \$16.0 million
- FY 2023: \$12.0 million
- FY 2024: \$6.5 million
- FY 2025: \$3 million
- FY 2026: \$0

Revenue: FY 2025 Base Budget Assumptions

Tax Revenue: flat to modest growth

Real Estate Assessments

- Residential up 1.8%
 - A penny on the tax rate increases residential bill by another \$81
- Commercial down 1.5% to down 6.0%
 - Office down
 - Apartments and hotels up slightly
 - General Commercial flat
- Uncertainty of the impact to office risk rates in the overall valuation of office properties
- Continued impacts of higher interest rates on commercial lending

Other Tax Revenue

- Personal Property: Vehicles holding value; FY 2024 revenue expected to exceed budget
- BPOL: Gross receipts have continued to grow
- Sales, Meals, TOT: Continued strong receipts in recent months and have exceeded pre-pandemic actuals

Fees & Charges for Services: Variable

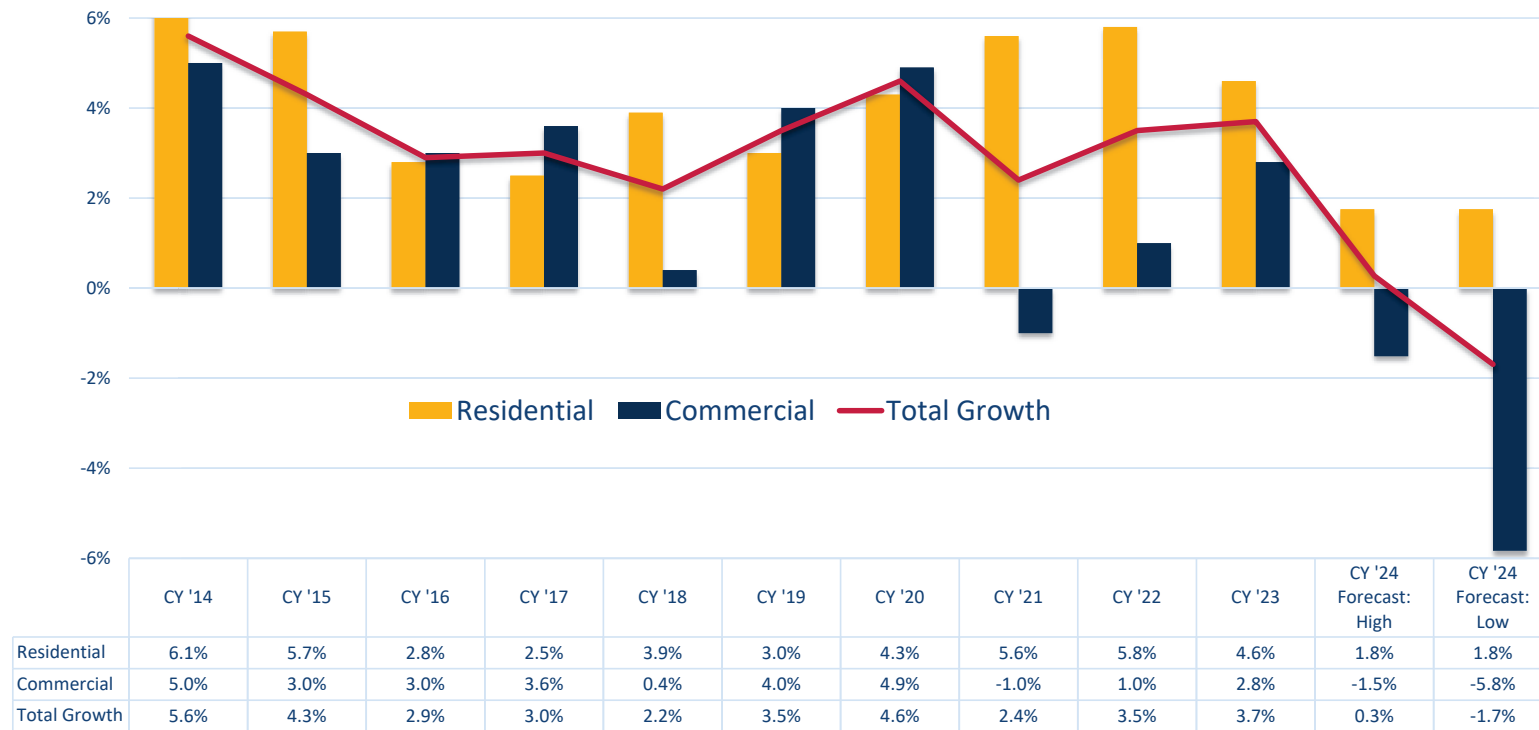
Still recovering but interest income strong due to higher interest rates on monies invested

State & Federal

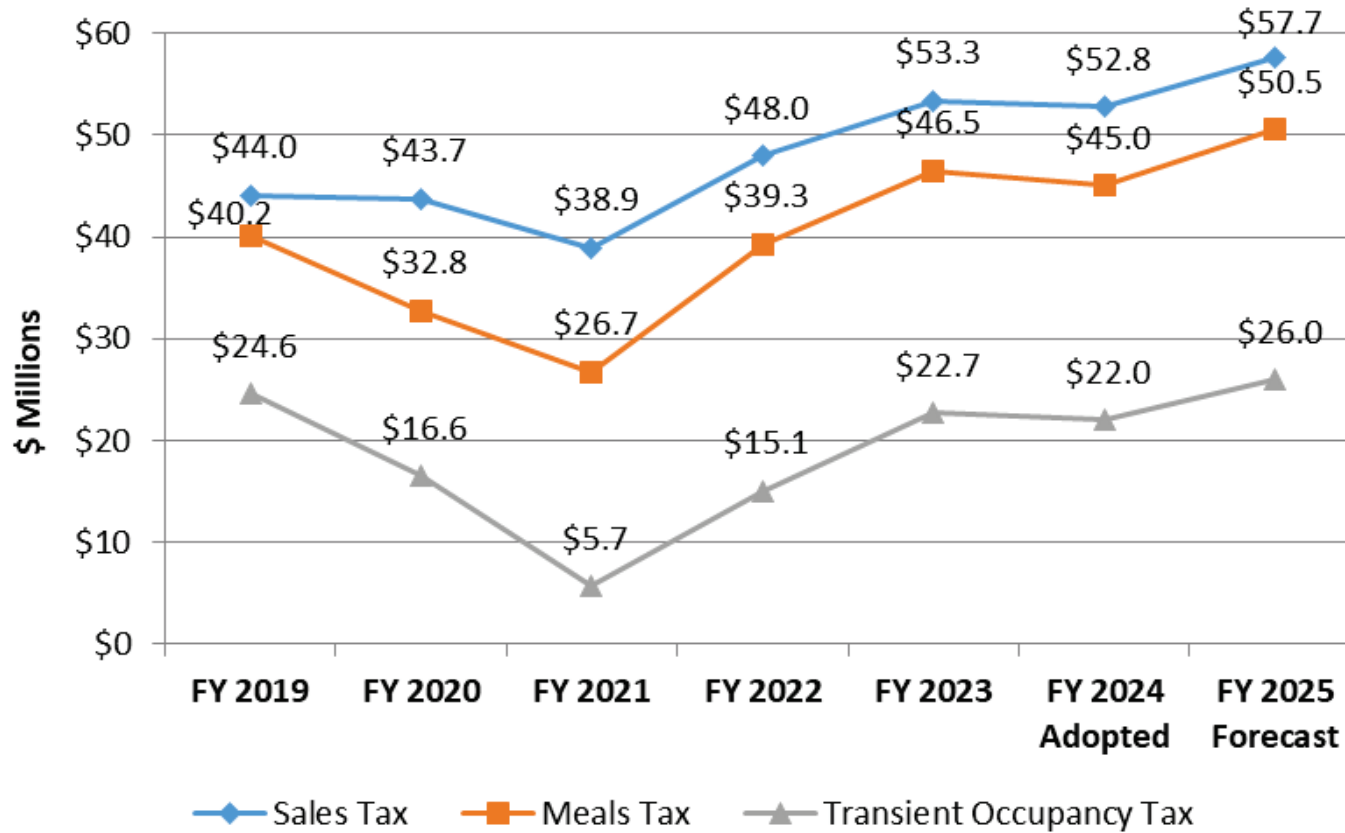
Relatively flat from historical norms

Residential & Commercial Assessment Growth History

Residential vs. Commercial (year-over-year percent change)



Sales / Meals / Hotel Tax Recovery



Expenses: FY 2025 Base Budget Funding Assumptions

Personnel

- Salaries
 - Considering a range of salary increases for non-bargaining employees
 - Consistent with labor agreements for ACOP, IAFF, and Service Labor & Trades
- Healthcare: Up 5%
- Retirement: Increasing with wage growth plus increase to public safety actuarial rate

Non-Personnel

- Contractual & Inflationary Increases: Up 3.5%
- Housing Grants: expect to continue at FY 2024 ongoing level (\$11.9 million) with some one-time
- Metro: fiscal cliff, keeping separate from budget gap discussion; can mitigate some growth with use of NVTC balances
- Debt Service: increasing 6.4% (\$5.1 million)
- AHIF
 - Set at FY 2024 funding level (General Fund of \$9.7 million ongoing and \$4.8 million one-time), continues dedication of Columbia Pike TIF (about \$1.3 million)
 - Once permanent debt issued in FY 2028, all ongoing funding will go to Barcroft principal and interest (\$9-\$12 million annual debt service after FY 2028)
- School Transfer: Maintain Revenue Sharing percentage of 46.8%
 - *Change in transfer amount dependent on total tax revenue*
 - **Schools FY 2024 base budget includes a significant amount of one-time \$'s supporting ongoing costs**

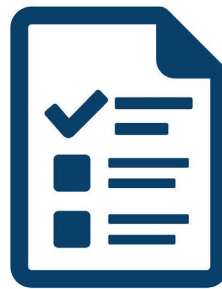
Budget Balancing Initiatives Underway



Budget Cuts



**Fee Change
Proposals**



**Reviews for
Efficiencies
(utilities, fuel, etc.)**

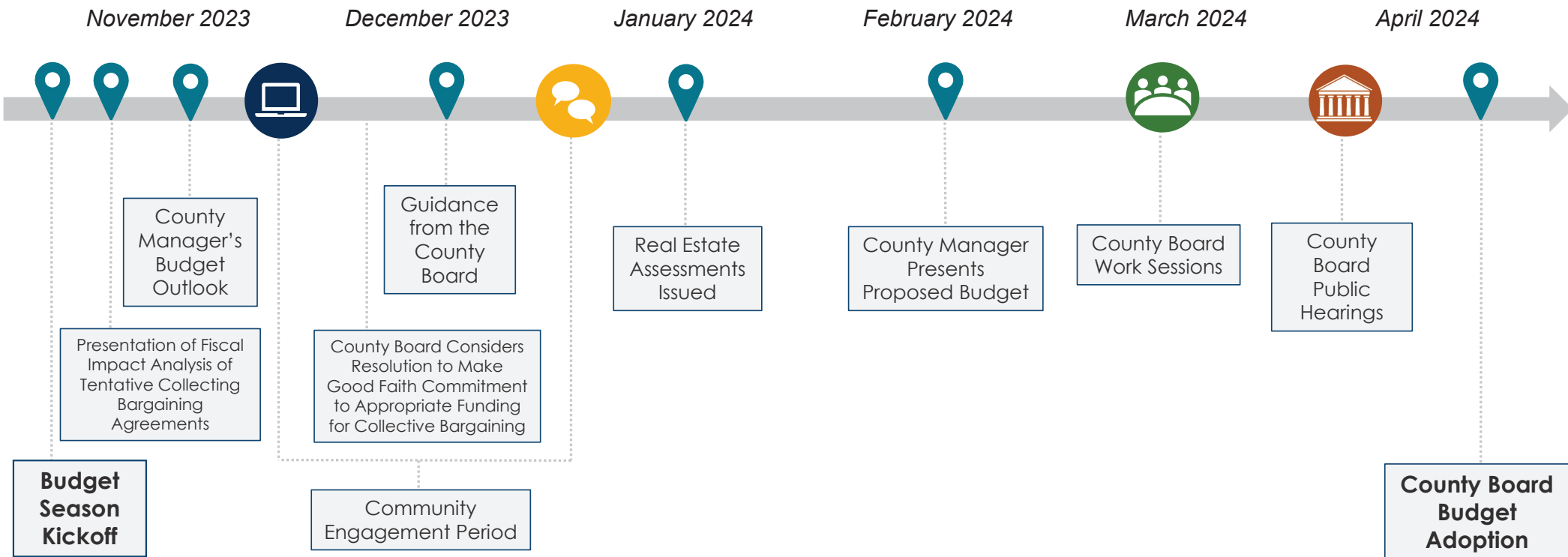


**One-Time
limited
to \$3M**




**Vacancy
Savings**

Budget FY 2025 Timeline



 **Key Milestones**
Important points in the budget development process.

 **Online Feedback**
Share your opinions with the Manager or the Board.

 **Public meetings and pop-ups**
Ask questions and share your thoughts with County leadership

 **Board Work Sessions**
Watch for a detailed look at each department's budget proposal.

 **Public Hearings**
Share your thoughts with the County Board.

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