



Board of Supervisors Memorandum

November 5, 2019

Allocation of Unreserved Fund Balance

Background

Based on conservative budgeting principles, our fiscal year ending fund balance has always exceeded the budgeted fund balance, on occasion, by a significant amount. This ending or beginning fund balance, depending on how you would like to characterize it, is shown below over the last five fiscal years.

General Fund Unreserved Ending Fund Balance			
			Difference
Fiscal Year	Budget	Actual	(Actual -Budget)
Fiscal Year 2014/15	\$17,474,480	\$48,072,426	\$30,597,946
Fiscal Year 2015/16	\$30,256,247	\$77,751,143	\$47,494,896
Fiscal Year 2016/17	\$61,240,853	\$97,718,018	\$36,477,165
Fiscal Year 2017/18	\$50,292,886	\$104,259,458	\$53,966,572
Fiscal Year 2018/19*	\$40,342,558	\$104,609,649	**\$64,267,091
Fiscal Year 2019/20	\$43,124,606		
Average	\$40,455,272	\$86,482,139	\$46,560,734
Note* FY 2018/19 Actual is as of 10/03/2019 and is unaudited			
Note** \$30 million of the FY 2018/19 difference was used in the construction of the FY 2019/20 Budget			

The conservative ending fund balance for any given year provides some degree of flexibility in the beginning to budget for the next fiscal year, as the budget is developed using a portion of the surplus realized during the year.

This allows additional flexibility, particularly this fiscal year when the excess difference in actual balance versus budgeted was over \$30 million. In our recent Rating Agency evaluations, it was noted the County's fund balance was significant and perhaps more than necessary. In fact, we moved from a conservative budget position to a very conservative budget position.

Hence, I am recommending the Board of Supervisors obligate a certain amount of this excess fund balance for a critical, one-time, capital infrastructure investment designed to repair,

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rehabilitate and/or replace critical infrastructure, particularly in the area of transportation, facilities and parks.

It is for this reason I recommended an additional \$10 million of local pavement repair be added to this year's pavement repair and rehabilitation program in my memorandum regarding the pay-as-you-go program. I am making this recommendation with the specific knowledge that it is possible, in any future Regional Transportation Authority (RTA) plan that may be developed and offered for voter approval, that there will be an element of pavement repair and rehabilitation, which may be significant but would likely be limited to only regional roadways, apparently mainly the arterial and collector highway system in unincorporated Pima County. This means it will remain a local obligation to provide pavement repair and rehabilitation for local streets and highways. Hence, I have recommended any excess allocation in the fund balance for pavement repair and rehabilitation be limited to local streets and highways.

We have also made the Board aware of critical facility repairs in our aging downtown buildings. This has been made acutely aware due to the leaking windows in the Administration East Building and an investigation that has been underway for the last year to determine how best to repair our building façades and replace and/or reseal exterior windows. This exterior building façade repair is necessary for all three of our main County buildings at 32 N. Stone Avenue, 130 W. Congress and 150 W. Congress all constructed between 1960 and 1992.

In addition, you are aware of the façade brick surface failure at 32 N. Stone, an area under temporary repair and investigation.

In the Administration East and West Buildings, we have been on a floor-by-floor basis removing asbestos and installing appropriate fire safety and suppression systems. This is now being completed for the Administration West building. Three floor remain for asbestos abatement and the installation of the fire suppression system in the Administration East building (Floors 5, 10 and 11). Given the recent contract to complete Administration West, we are now in a position to proceed with final improvements to the three floors in the Administration East building and exterior façade repairs to our County buildings.

I am requesting the Board allocate \$15 million of the excess fund balance to the Facility Renewal Fund for the purpose of façade repair, asbestos abatement and fire safety improvements.

Just in the last year, we have initiated a Parks Renewal Fund where we repair, rehabilitate or replace aging parks infrastructure. These funds have been used to repair our pools, resurface our parking lots, replace playground equipment and to generally bring our parks system up to an appropriate level of performance and safety. This fund has been successful in continuing appropriate improvements to our existing parks and repairing/replacing aging or obsolete equipment.

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Therefore, I am requesting the Board allocate \$2 million of the excess fund balance to the Parks Renewal Fund.

These allocations will reduce our FY 2019/20 fund balance by \$27 million, to \$47.6 million, which is still \$7 million more than the budgeted average over the last five years. Hence, I am comfortable in making these recommendations to the Board to spend the excess fund balance on critical infrastructure repair and rehabilitation as outlined in this communication.

I also fully expect that even the budgeted \$43 million fund balance this year will end up higher, perhaps in the \$60 million to \$75 million range with additional savings during the remainder of this fiscal year.

Recommendation

I recommend the Board of Supervisors allocate funding and expenditure authority from the unreserved fund balance of the fiscal year ending 2018/19 for the following uses:

1. \$10 million for local road repair for this year's pay-as-you-go pavement repair and rehabilitation program;
2. \$15 million for the Facility Renewal Fund, earmarked for the purpose of façade repair, asbestos abatement and fire safety improvements in downtown County buildings; and
3. \$2 million to the Parks Renewal Fund for various repair, rehabilitation and replacement of park and recreation facilities in existing County parks.

Sincerely,



C.H. Huckelberry
County Administrator

CHH/anc – October 9, 2019

c: Jan Leshar, Chief Deputy County Administrator
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
Dr. Francisco Garcia, Deputy County Administrator
Michelle Campagne, Director, Finance and Risk Management
Robert Johnson, Deputy Director, Finance and Risk Management