



Budget Retreat: Financial Update

February 11, 2021

All Information except forecasts is “as of” 6/30/20

Agenda

- Understanding the Budget
 - Structure of the Budget (Funds)
 - General Fund
 - Fund Balance
 - Where the Money Comes From
 - Where the Money Goes
- Pension Fund
- Pandemic Effect on Market Driven Sources of Revenue
- Forecast
- Budgetary Factors
- Budget Timeline

Budget Structure

- Governmental
 - General Fund
 - Special Revenue
 - Debt Service
 - Capital Projects
- Proprietary
 - Enterprise
 - Internal Service
- Trust/Fiduciary Funds

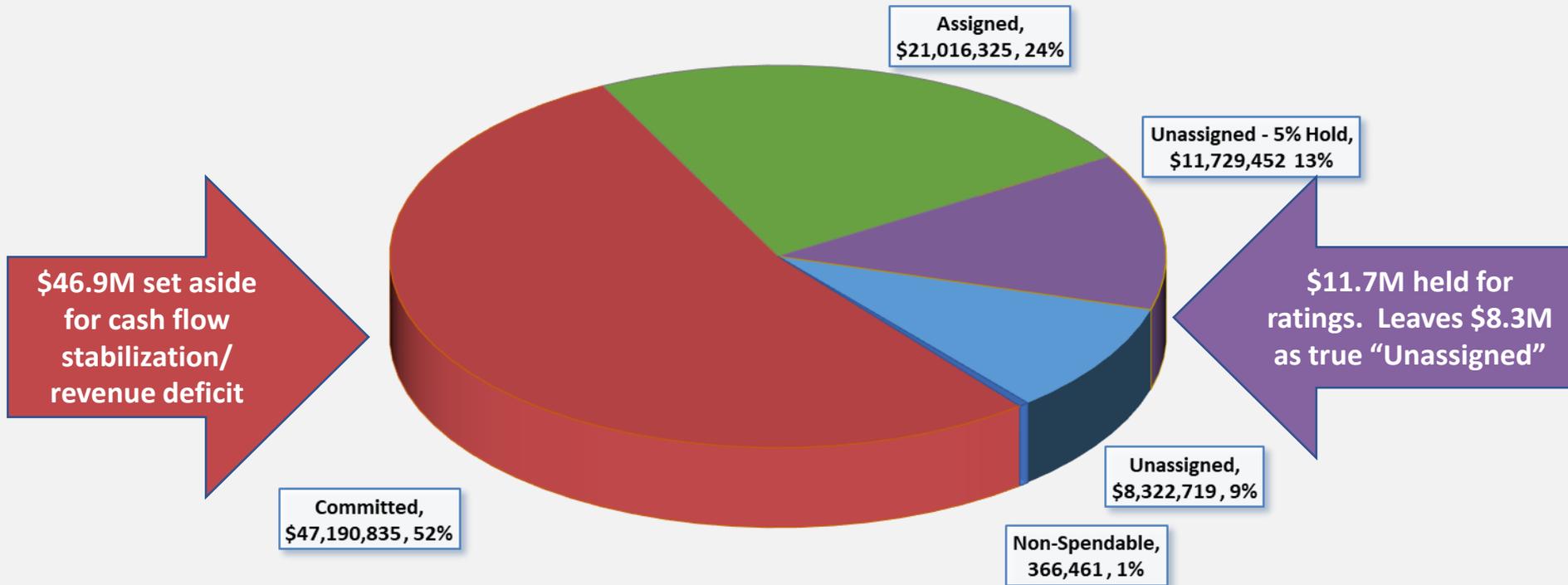
FY 20/21 Adopted Budget

Focus Area

▪ General Fund (net)	\$234,589,040
▪ Special Revenue Funds	\$37,182,680
▪ Debt Service Funds	\$25,085,570
▪ Capital Projects Fund	\$24,073,540
▪ Enterprise Funds:	\$63,187,860
▪ Internal Service Funds:	<u>\$50,773,740</u>
▪ Total Budget	= \$434,892,430

Fund Balance

(as of 6/30/20 - audited)



Unassigned Fund Balance is \$20M but \$11.7M held as best practice to maintain credit ratings. Only leaves \$8.3M available for potential use

Current Bond Ratings

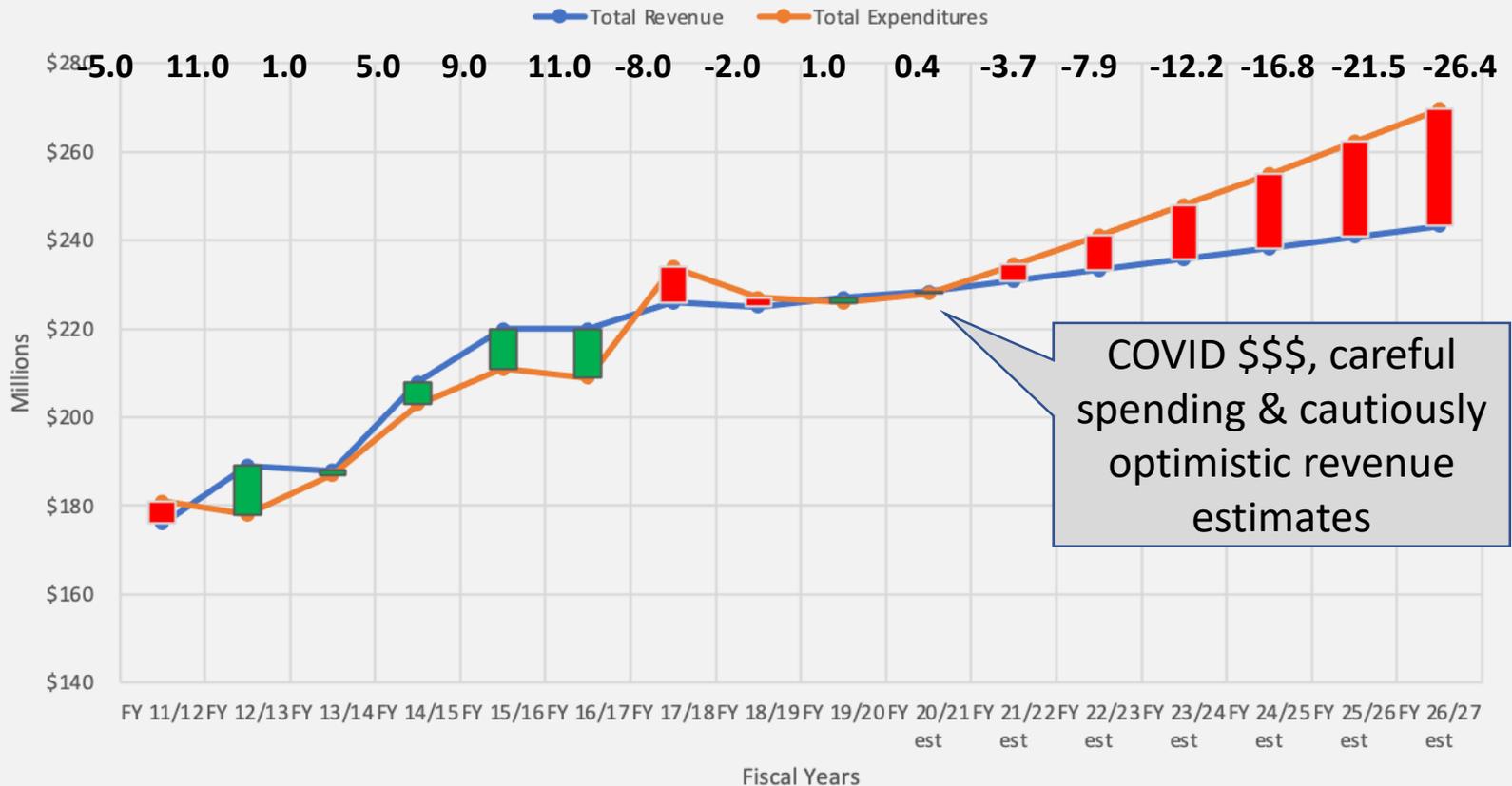
- **Fitch:** **AAA**
- **Moody's** **Aa1**
- **Standard & Poor's** **AA+**



Current Credit/Bond Ratings			
Moody's	Standard & Poor's	Fitch Ratings	Description
Aaa	AAA	AAA	Prime Investment
Aa1, Aa2, Aa3	AA+, AA, AA-	AA+, AA, AA-	High Grade Investment
A1, A2, A3	A+, A, A-	A+, A, A-	Upper medium
Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BB+, BBB, BBB-	Lower Medium

General Fund Revenue vs Expenditures

(actual & projected assuming no additional revenue)



Average annual growth of GF revenue is 1.06% for last 3 FY's
 Average annual growth of GF expenditures is 2.84% for last 3 FY's
 Factors in new debt cost approx. \$2.25M this FY & \$3.8M/ FY thereafter

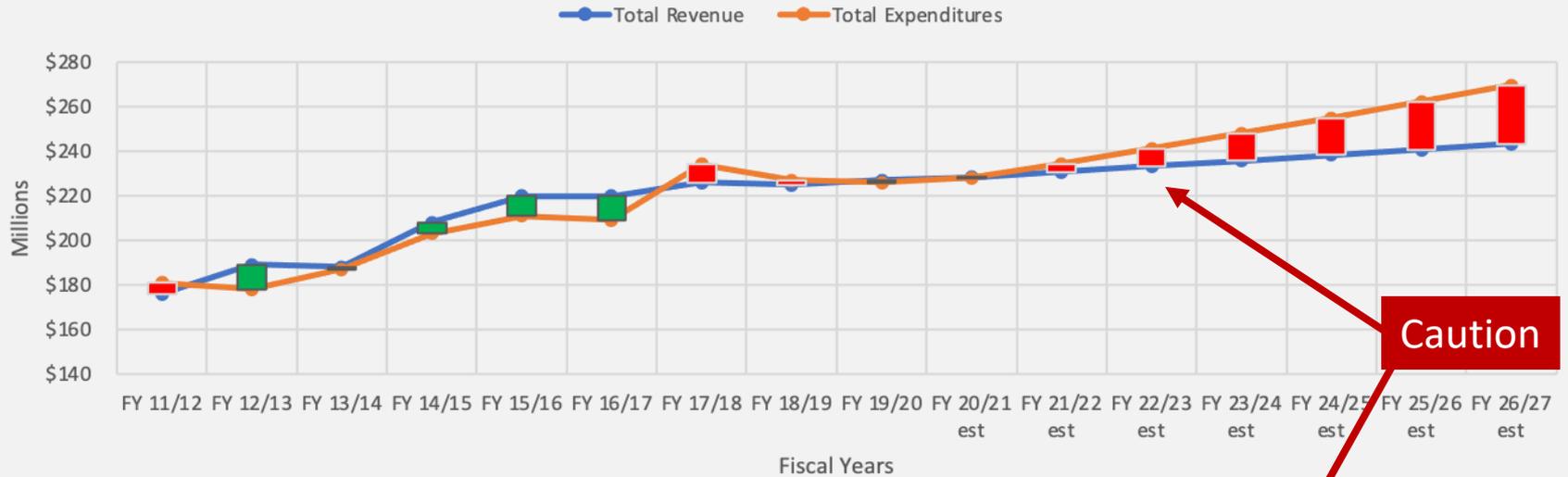
UNASSIGNED FUND BALANCE (ACTUAL & PROJECTED)



Projected point at which UFB is inadequate

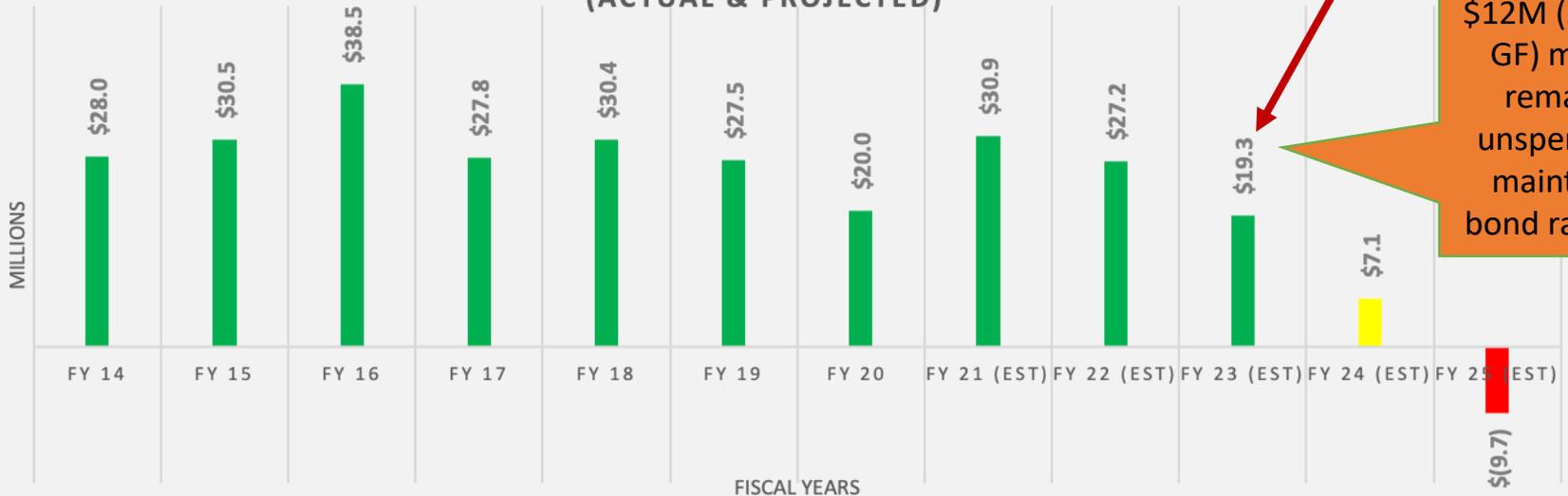
- Adequate shape at present due to COVID \$\$ & lower than anticipated expenditures due to pandemic but must stop expenditure growth from outpacing revenue growth
- In addition to our stabilization account (a.k.a. "Reserve") which equates to 20% of the General Fund, we must maintain another 5% of general fund (\$11.7M currently) as unassigned fund balance to retain ratings
- Max available in unassigned fund balance right now is approx. \$18M w/o endangering bond ratings.

Overall Projection



Caution

UNASSIGNED FUND BALANCE (ACTUAL & PROJECTED)



Approx. \$12M (5% of GF) must remain unspent to maintain bond ratings



WHERE THE MONEY COMES FROM

FY 20/21 General Fund Budgeted Revenues & Sources

By Source (Dollars Rounded to Nearest Million)

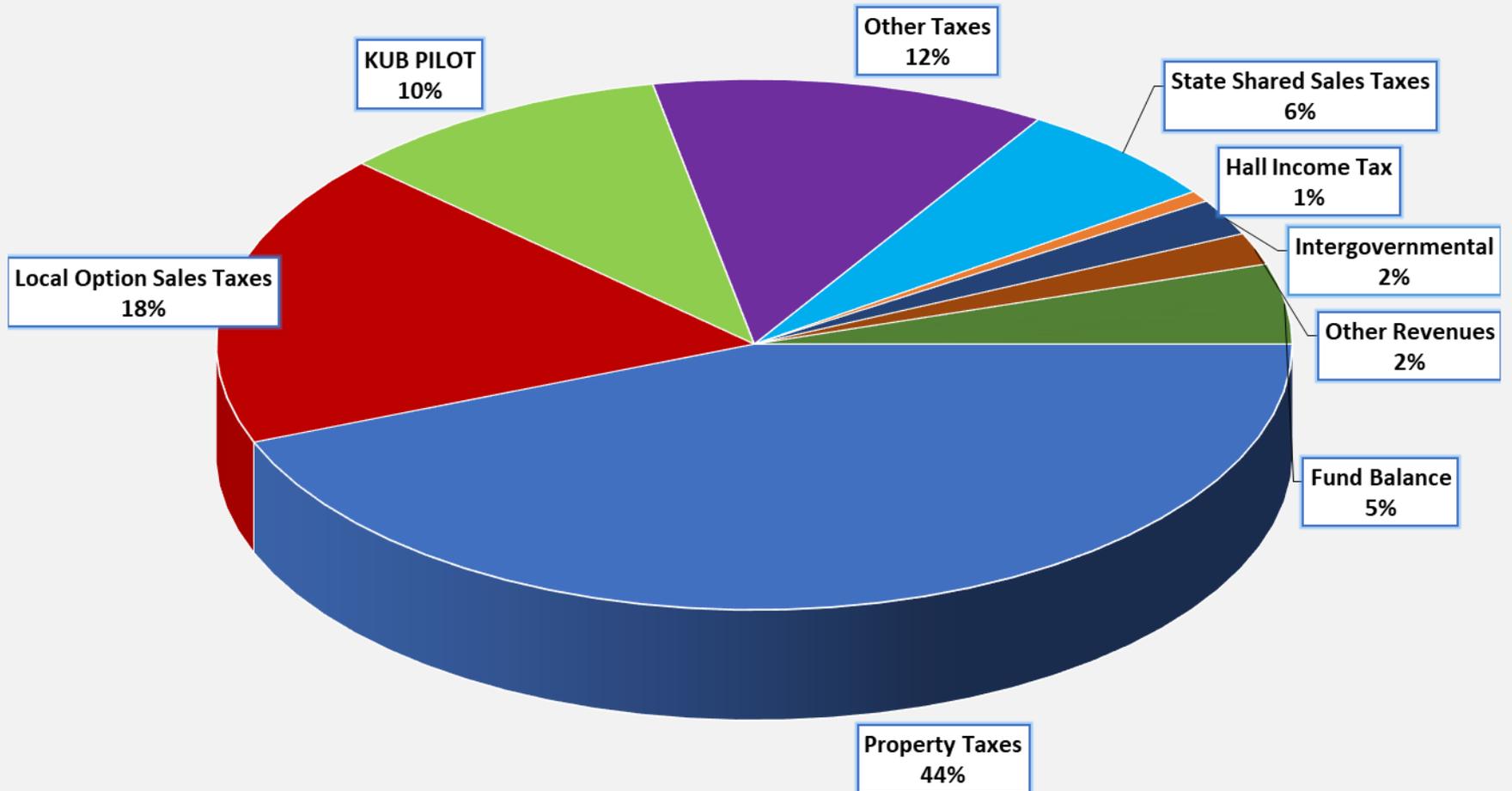
<u>ESTIMATED REVENUE</u>	<u>AMOUNT</u>	<u>%</u>
Property Taxes	\$ 103,165,600	43.98%
Local Option Sales Taxes	\$ 42,168,090	17.98%
KUB PILOT	\$ 23,500,000	10.02%
Other Taxes	\$ 27,917,600	11.90%
State Shared Sales Taxes	\$ 14,930,000	6.36%
Hall Income Tax	\$ 1,600,000	0.68%
Intergovernmental	\$ 5,243,010	2.23%
Other Revenues	\$ 4,591,960	1.96%
Fund Balance	\$ 11,472,780	4.89%
TOTAL	\$ 234,589,040	100%

← **Gone in FY 22**

← **Not Revenue – use of fund balance**

General Fund Total Revenues

By Source



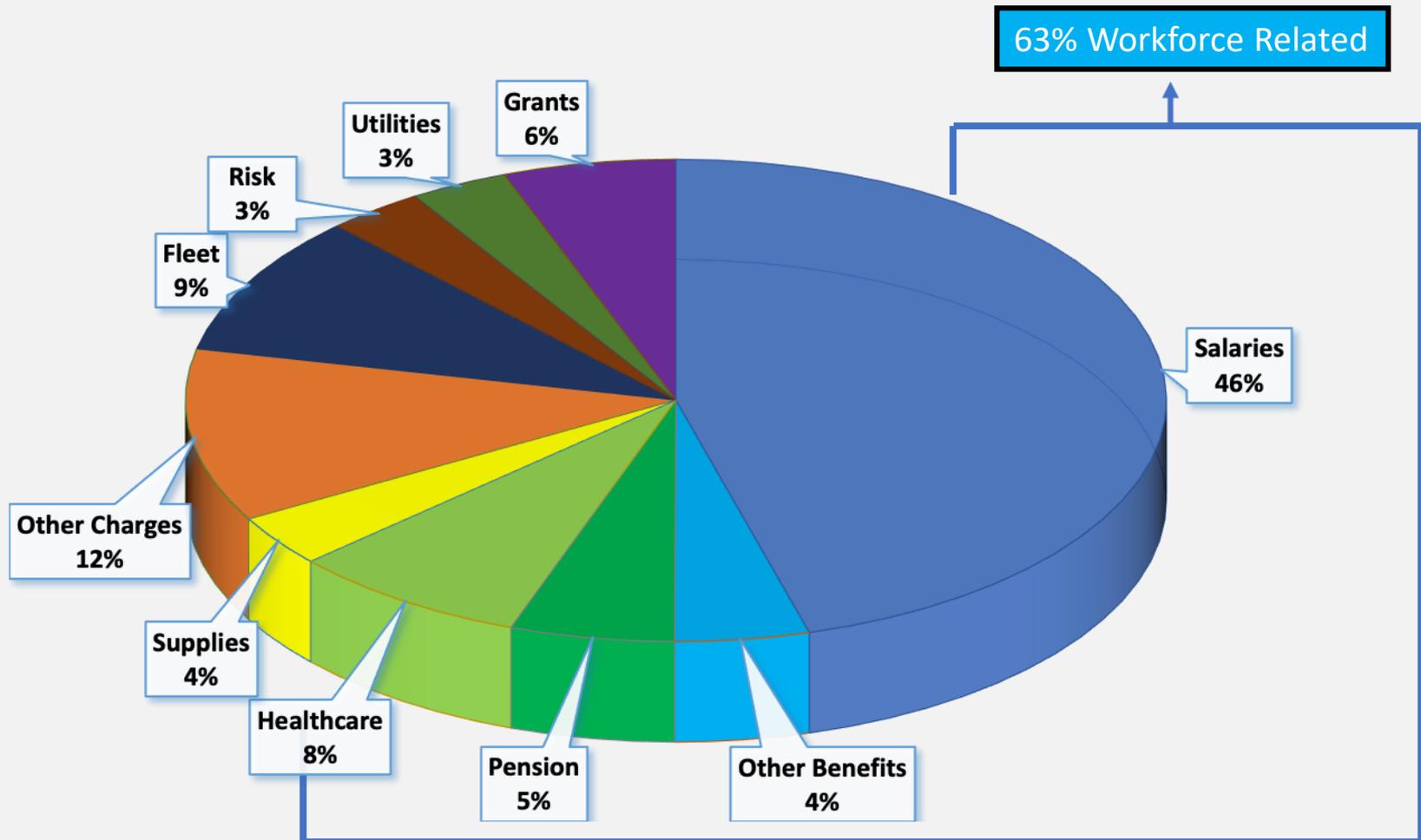
Total Budgeted Amount = \$234,589,040



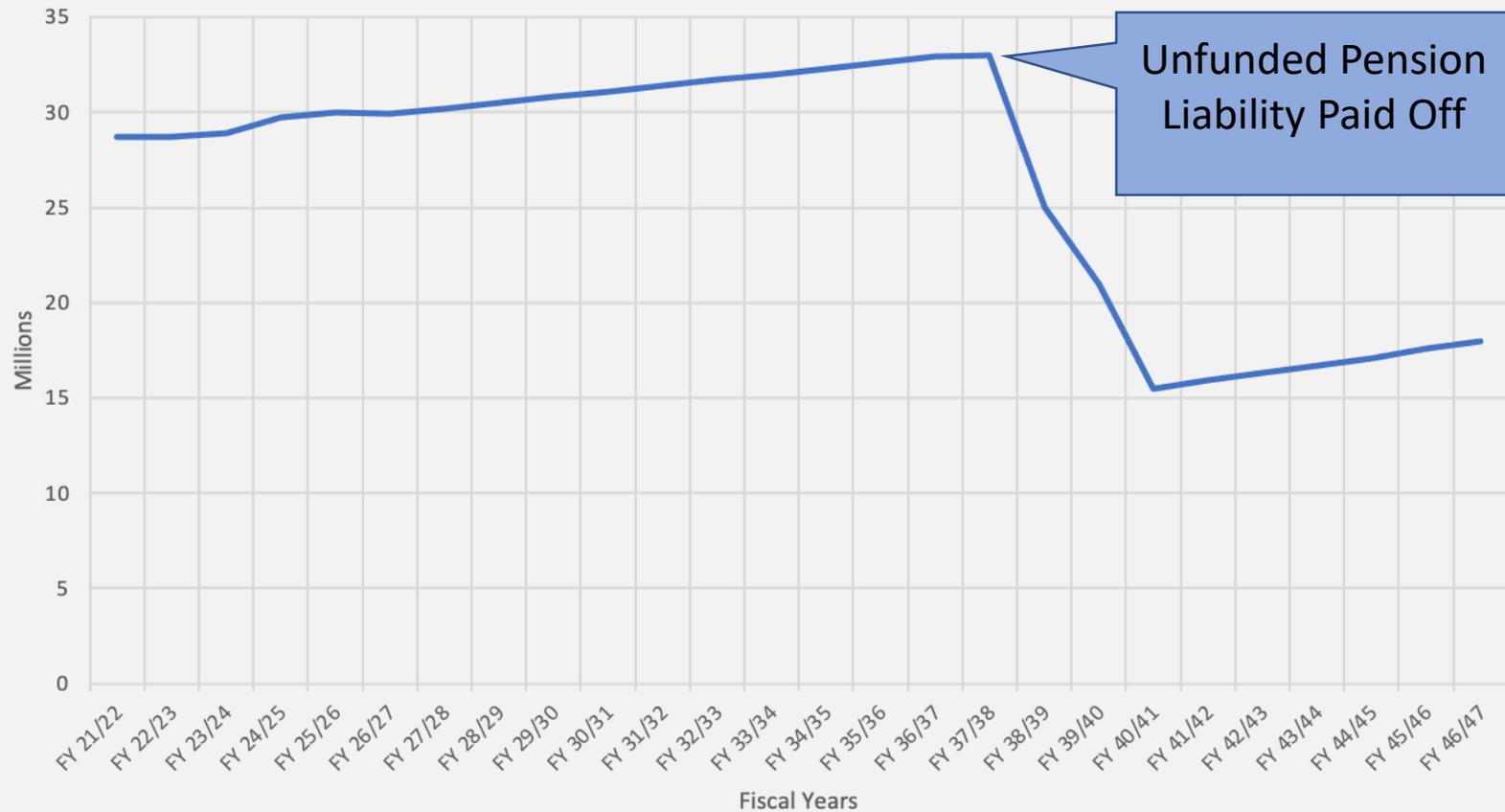
WHERE THE MONEY GOES

General Fund Expenditures

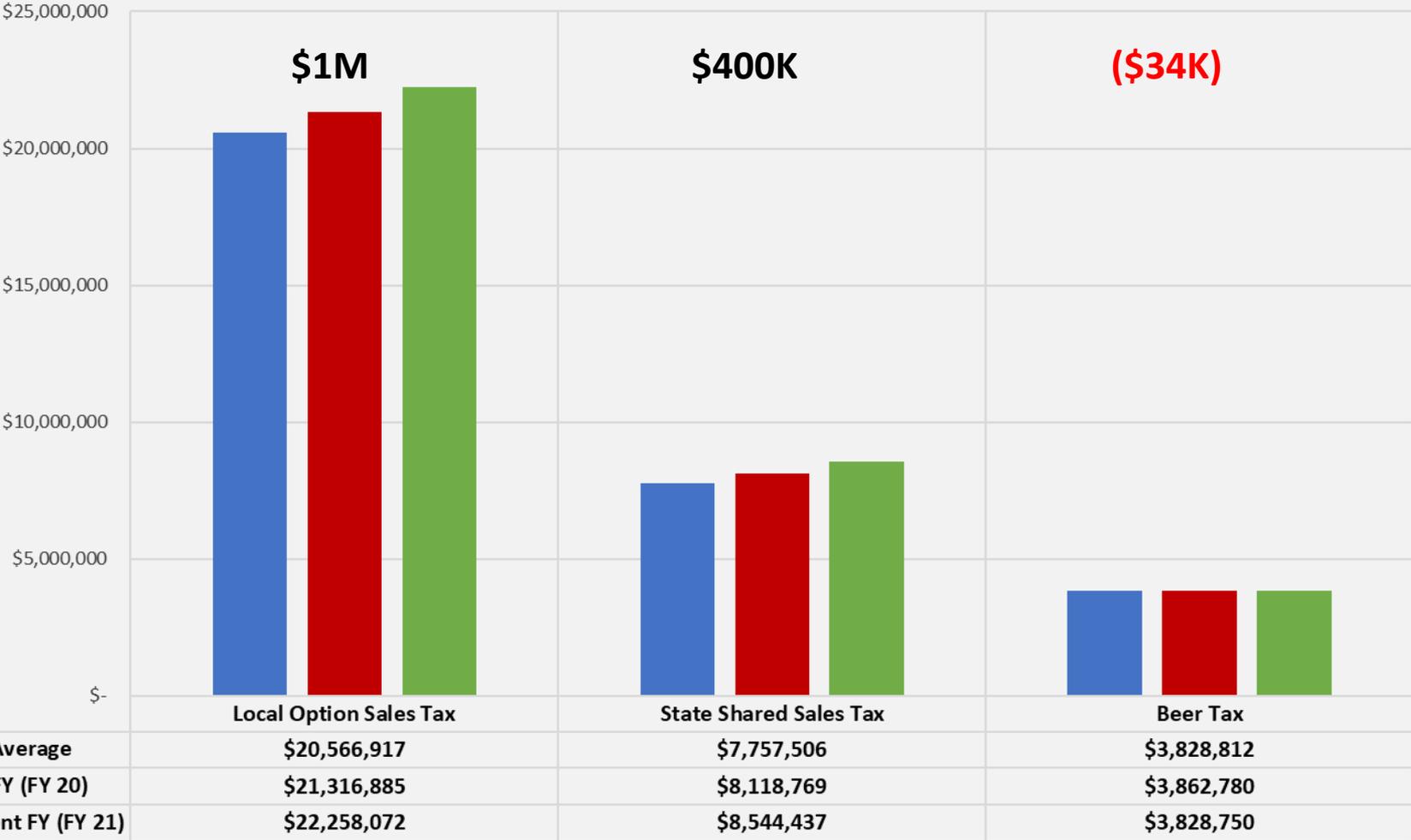
(Excludes Transfers)



Estimated Future Pension Contributions



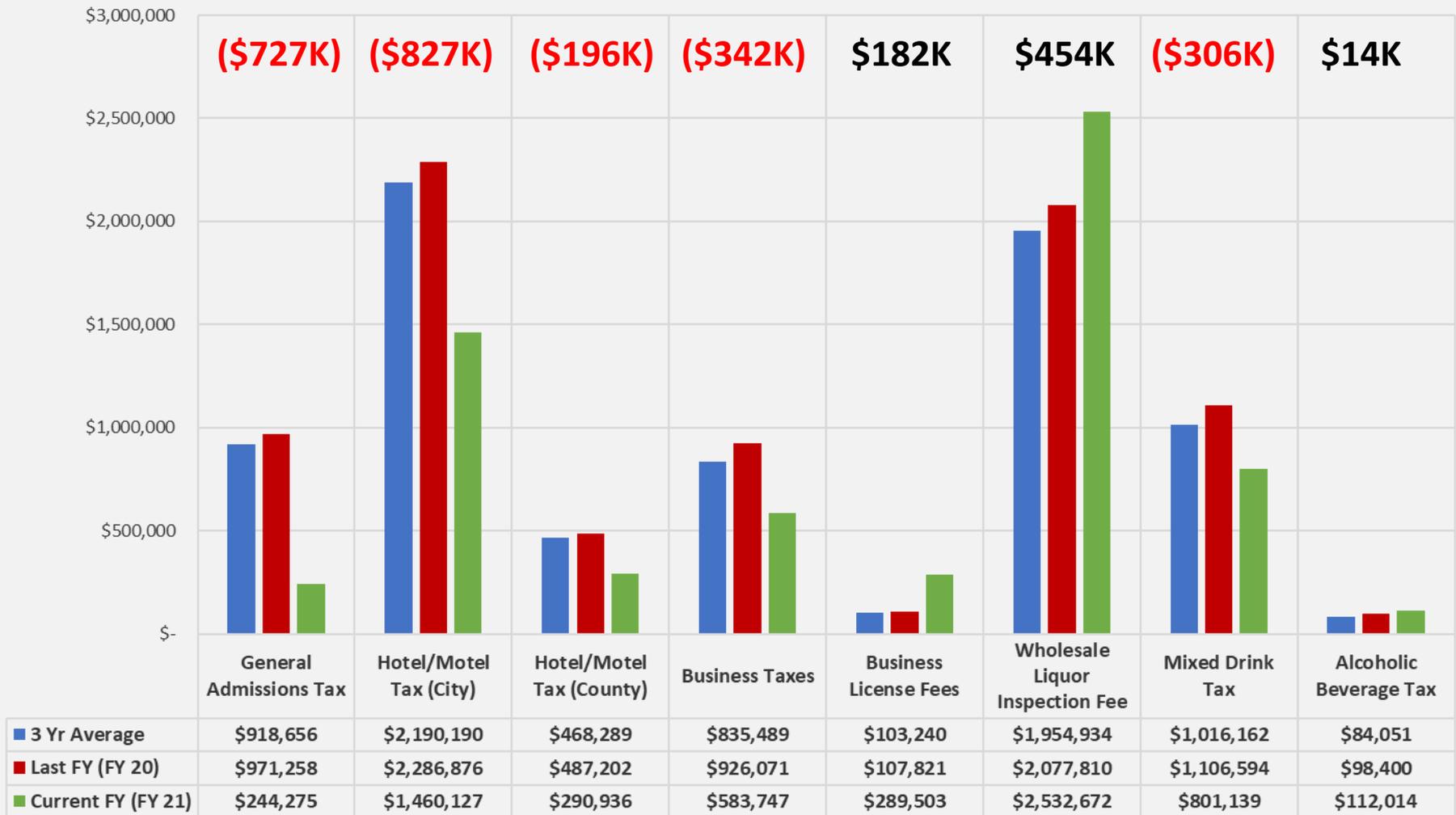
Market Driven Sources of Revenue



■ 3 Yr Average
■ Last FY (FY 20)
■ Current FY (FY 21)

■ 3 Yr Average ■ Last FY (FY 20) ■ Current FY (FY 21)

Market Driven Sources of Revenue



Must refund \$189K to UT

■ 3 Yr Average ■ Last FY (FY 20) ■ Current FY (FY 21)

Property Tax Revenue

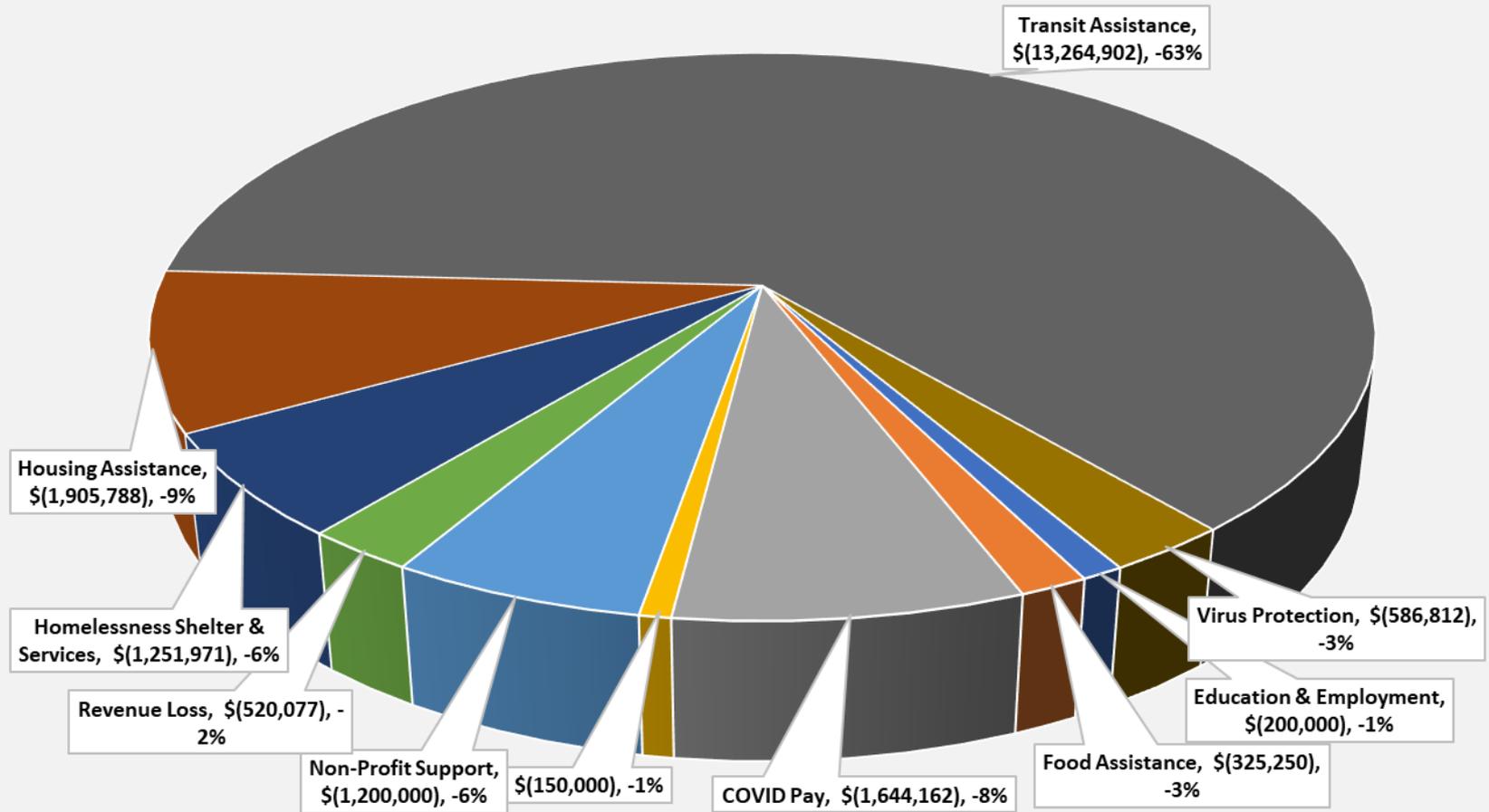


■ 3 Year Avg (as of 12/31)
 ■ Last FY (as of 12/31)
 ■ Current FY (as of 12/31)

■ 3 Year Avg (as of 12/31) ■ Last FY (as of 12/31) ■ Current FY (as of 12/31)

COVID Expenditures

(Spent & Pending)



GRAND TOTAL: \$21.05M

	Amended Budget	Revised FY 21 Forecast
Revenues & Sources	\$ 226,925,680	\$ 228,427,314
Expenditures	\$ (237,354,530)	\$ (227,991,420)
Revenues Less Expenditures	\$ (10,428,850)	\$ 435,894
Beginning Fund Balance	\$ 88,625,792	\$ 88,625,792
Ending Fund Balance	\$ 78,196,942	\$ 99,490,536
FY 21 Unassigned Fund Balance to Date		Revised FY 21 Forecast
Beginning Unassigned FB	\$ 20,052,171	\$ 20,052,171
Budget Amendment to Date	\$ 1,043,930	\$ -
Revised Estimate	\$ -	\$ 10,864,744
Current Unassigned FB	\$ 21,096,101	\$ 30,916,915

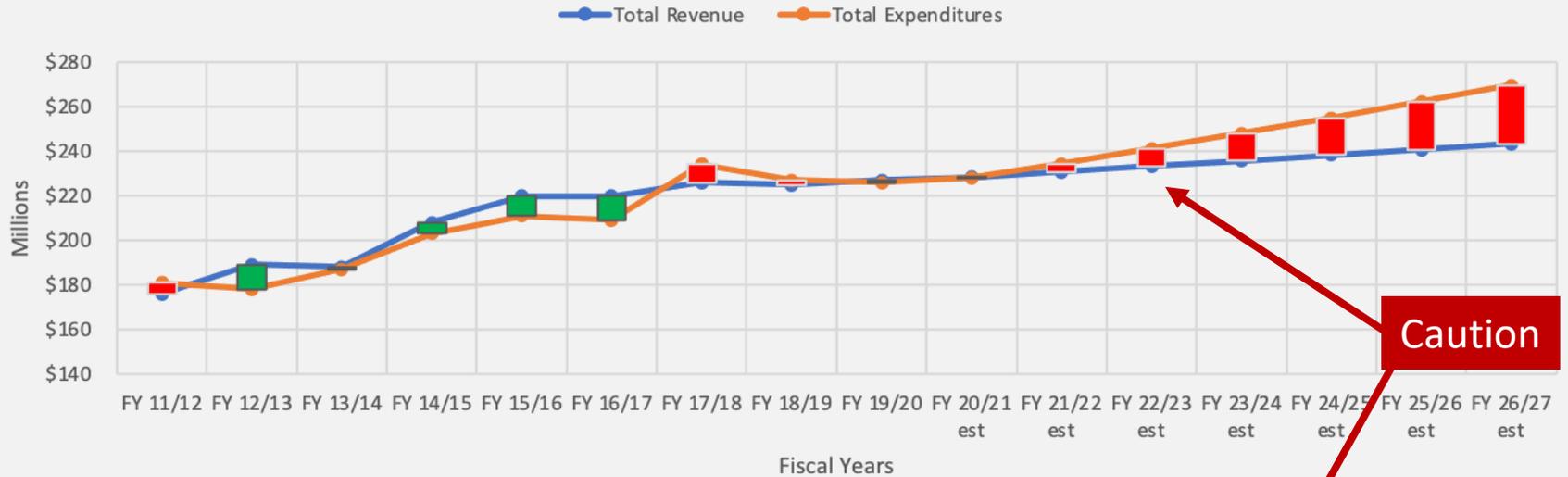
Revenue forecast higher due to one time COVID \$\$

Expenditure forecast lower than originally thought

Total & Unassigned Fund Balance forecasted to grow by approx \$10M

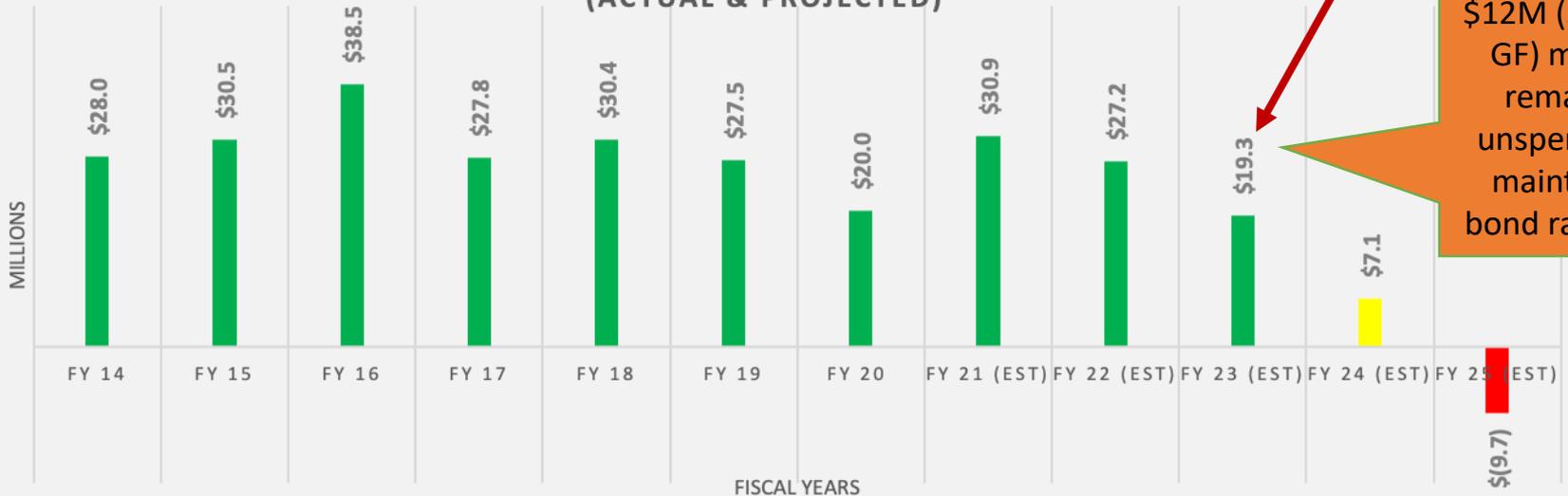


Overall Projection



Caution

UNASSIGNED FUND BALANCE (ACTUAL & PROJECTED)



Approx. \$12M (5% of GF) must remain unspent to maintain bond ratings

Budgetary Factors

- Expenditure growth rate (2.84%) continues to outpace revenue growth (1.06%) causing us to spend fund balance
- Property tax dollars are worth 42 cents less in real dollars than back in FY 11 due to slow but steady inflation
- This is last FY for Hall Tax. Historic proceeds ranged between \$4M & \$11.6M
- Unassigned Fund Balance dropped in FY 19 & FY 20 and would drop this FY were it not for one time COVID dollars & lower expenditure rates due to the pandemic

Budgetary Factors

- Recently issued new debt so debt service payments will increase by approx. \$3.8M/year beginning in FY 21/22
- Property tax collections were strong in Oct but Nov/Dec were slower than prior year. Will monitor through Feb
- State Shared Sales Tax, Local Option Sales Tax, and some other revenue sources doing better than anticipated despite pandemic
- Must strike the right balance between addressing compensation issues, continuing basic services at a high standard, and maintaining our unassigned fund balance at a proper level

Budget Timeline

February 11, 2021	Budget Retreat.
March, 2021	Mayor available to meet individual council members re budget
March 23 – 25, 2021	Mayor's Budget Hearings
April 23, 2021	Mayor's State of the City Address
May 4, 2021	First reading of proposed budget & tax ordinances
May 13, 2021	Knoxville-Knox Planning Commission Hearing on CIP
May 13 – 14, 2021	Legislative budget hearings
May 14, 2021	Public Hearing
May 18, 2021	Second reading of proposed budget & tax ordinances
June 15, 2021	Last possible day to approve Budget/Tax Ordinances
July 1, 2021	New Fiscal Year Begins



Questions?