



Financial Report for
Fort Monroe Authority Finance Committee Meeting
Old Quarters #1
October 9, 2014

Financial Statements / Cash on Deposit

The Finance Department is working with Cherry Bekaert to complete the financial statements and disclosure statements for the fiscal year ending June 30, 2014. Due to the audit work and the short period between the prior month-end and this meeting the statements that are presented are for the two-month period ended August 31, 2014. These statements conform to government accounting standards for the presentation of government-wide and fund-based activity.

Government Fund (Cash Basis)

As of August 31, 2014 the Authority government fund had \$3,082,509 in cash on deposit in public fund accounts at Old Point National Bank (OPNB). The Authority also has with \$798,499 in restricted cash on deposit at the same bank. The increase in restricted funds from the prior period is related to the action the Board took at the last meeting to designate a portion of the FY14 surplus for unpaid invoices for VDOT-related eligible work, the renovation of Building 83 as the Authority's new headquarters and the two OEA-funded contracts.

For the first two months of the fiscal year, the government fund had revenues of \$1,680,233 compared to \$1,267,771 for the prior year. The principal source of government fund revenue was \$1,679,539 in state appropriations. One item of note is that the State appropriation of \$6,718,155 will be remitted to the FMA on a monthly basis from the Treasury Department. In prior years the Authority submitted quarterly requests to DHCD in order to receive its quarterly appropriation.

Government fund expenses for the two-month period were \$659,983 compared to \$957,444 for the prior fiscal year. The large decrease results from the large payment (\$313,871) for VDOT funded projects completed in FY13 but not paid for until FY14.

The excess of revenues over expenditures for the two-month period was \$1,020,250 compared to \$310,327 for the prior year. The large surplus resulted from the increase in state appropriation and the aforementioned VDOT payment variance.

The government fund net position as of August 31, 2014 was \$8,314,592 compared to \$5,176,405 as of August 31, 2013.

Enterprise Fund (Accrual Basis)

As of August 31, 2014 the Authority enterprise fund had \$682,293 in cash on deposit as well as \$252,690 in restricted security deposits in public fund accounts at OPNB.

Business revenue for the two-month period was \$628,464 compared to \$438,694 for the prior fiscal year. Residential rental revenue continues to grow with an increase of \$59,989 for the two-month period as compared to the same period in the prior year. Commercial revenue increased over the prior year by \$56,396. The new Utility Fund accounted for \$70,835 of the increased revenue.

Enterprise fund expenses for the two-month period were \$822,668 compared to \$545,824 for the prior fiscal year. The increase in expenses stems from increased costs for utility charges associated with the Authority's operation of the non-electric utility systems, increased repair and maintenance costs and an increase in the PILOT fee allocated to the Enterprise Fund.

The net operating deficit for the two-month period year was \$194,204 compared to a net deficit of \$107,130 in the prior year. The increased deficit mostly results from the increase in operating expenses offset by the increase in residential, commercial and utility revenue achieved by the Authority. The net deficit is expected to continue as a result of the portfolio of vacant commercial buildings that must be maintained by the Authority until the buildings are leased or sold.

The enterprise fund net position as of August 31, 2014 is a deficit of \$3,330,505 compared to a deficit of \$1,303,578 for the prior year. The deficit has been offset by interfund transfers from the government fund.

Cash on Deposit

As of the close of business on October 1, 2014, the Fort Monroe Authority had on deposit at Old Point National Bank the following account balances:

Government Fund Operating Account	\$ 3,833,403
Government Fund Restricted Account	
Earned by unpaid VDOT invoices	190,000
Reserve for Building 83 renovations	350,000
Building Condition Assessment (OEA)	187,000
Historic Structure Report for Museum (OEA)	63,000
Enterprise Fund Operating Account	716,107
Enterprise Fund Security Deposit Account	277,819

The finance department believes that the current cash balance together with the remaining general fund transfers and business revenue will provide enough funding to meet the near-term operating requirements of the Fort Monroe Authority.

FY15/16 Budget Savings Strategies

On Friday, August 22nd the Governor's Chief of Staff sent a memo to all agency heads documenting the Governor's directive for all state-funded entities (excluding institutions of higher education) to develop budget savings strategies in response to the Commonwealth's projected \$2 billion revenue shortfall for the biennial period. The directive called for all state-funded entities to propose budget savings strategies equal to 5% of General Fund support for FY15 and 7% of General Fund support for FY16. The budget savings strategies had to be approved by the appropriate Cabinet Secretary before being submitted to the Department of Planning and Budget (DPB) for review prior to the Governor's approval. The Authority's department directors met to discuss budget savings strategies on September 2nd. Some of the savings strategies involved amending existing contracts. The Authority was successful in identifying the required \$286,710 in savings for FY15 and \$315,355 in savings for FY16. The savings strategies were reviewed with Secretary of Commerce and Trade Maurice Jones on Friday, September 19th and, after receiving his approval, submitted to DPB for their review and the Governor's approval. Since the Authority has not received confirmation of the Governor's acceptance of our savings strategies there is not a revised biennial budget for the Committee to approve.

OEA Grant Status

FY15 was supposed to be the Authority's first year of a two-year phase-out of federal grant support from the Office of Economic Adjustment (OEA). The limit of the grant for FY15 was \$550,551 under the terms of the phase-out agreement. While attending the Association of Defense Communities conference in June, the Executive Director participated in the LRA Directors meeting. At the meeting a number of communities expressed their frustration at the current state of negotiations with the Army for the transfer of BRAC property. The week after the meeting, the Authority received notice that the OEA was postponing the beginning of our phase-out and they would accept a grant proposal for FY15 as in the past grant years. The Authority's Procurement Manager Yvonne Cash worked with the Finance Department to develop a grant proposal for approximately \$1.2 million. After the grant was reviewed by the OEA Technical Review Committee, the Authority was awarded a grant for \$1,191,592. There are no new projects funded by the grant so the additional funds will be held as surplus until the results of the budget savings strategies are known.

FY15/16 Budget Revision

The Authority expects to bring a revised budget to the Committee for approval and recommendation to the Board at the December 11th meeting.