FORT MONROE
Where Freedom Lives

# Financial Report for
# Fort Monroe Authority Finance Committee Meeting
Building 83
February 21, 2019

**Cash on Deposit**

As of the close of business on February 14, 2019, the Fort Monroe Authority (FMA) had on deposit at Old Point National Bank the following account balances:

| | |
|---|---|
| Government Fund Operating Account | $ 1,885,623 |
| Government Fund Restricted Accounts | 276,400 |
| Flexible Spending Employee Account Balances | 6,228 |
| | |
| Enterprise Fund Residential Operating Account | 1,364,673 |
| Enterprise Fund Residential Security Deposit Account | 275,348 |
| Enterprise Fund Utility Operating Account | 320,415 |
| Enterprise Fund Special Events Account | 109,846 |

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 FMA.

**FY19 Capital Improvement Plan**

Due to change orders to the construction contract for the renovation of Building 96 as the new Virginia Marine Resources Commission (VMRC) headquarters, the FMA submitted a capital authorization amendment to the Department of Planning and Budget (DPB) and the Department of General Services. In order for the additional funding to be approved, DPB has required that the Board adopt a revised Capital Improvement Plan (CIP) reflecting the increased construction costs. A revised CIP plan is included as a supplement to this report.

**FY19-20 Budget Requests**

As a result of the National Park Service (NPS) announcement refusing to accept the donation of the 35-acre Wherry parcel, the NPS reimbursement for cooperative management costs for utilities, public works, security patrols, and grounds maintenance will be reduced for FY19 by $156,922. Since the FY19-20 budget did not include the additional funds requested by the FMA to cover the estimated $640k in additional costs associated with the FY17 EDC transfer, the FMA cannot absorb these additional costs. A request was submitted to DPB for an increase in General Fund appropriations for FY19 and FY20 to cover the FMA’s increased share of these contracts. The Governor’s budget included $156,922 in additional funding for both FY19 and FY20. The House version of the budget removed the $156,922 for FY19 but left the funds in place for FY20. The Senate version of the budget still has the additional funding in both years.

A request was also submitted for $100k in FY19 and $400k in FY20 to support the design of a monument to commemorate the first landing of Africans at Old Point Comfort. The funds would be used for preliminary design of the monument location and site improvements around the selected area. Funds to construct and install the monument are expected to be raised from public and private donations. The Governor's budget provided for $500k in FY19. The funding remains in both the House and Senate versions of the budget.

The FMA staff also submitted a request for $32.6M in VPBA bond fund allocations to fund the capital projects detailed in the CIP for FY21-24. This bond allocation was requested to fund utility and infrastructure improvements to support the redevelopment activities resulting from the Reimagine Fort Monroe RFQ/RFP process and the continued implementation of the Utility Master Plan. The General Assembly will not be authorizing a bond issuance and the funding was removed from the budget bill.

**FY19 Financial Statements**

<u>Statement of Net Position</u>

The Statement of Net Position reflects the FMA's financial position as of December 31, 2018. As of that date, the FMA had $3,217,694 in operating and petty cash funds.

As of the same date, the FMA had $607,535 in restricted cash, which consists primarily of resident and tenant security deposits and the homeless trust fund.

Total Assets as of December 31, 2018 were $4,973,552, compared to $4,823,639 in the prior year.

Total Liabilities were $1,991,159 compared to $4,131,426 in the prior year. The significant decrease from the prior year reflects the adjusting entry to remove Deferred Inflow of Resources and Deferred Pension Liability from the internal statements. The adjusting entries were processed in November of the current fiscal year compared to February of the prior year, resulting in a timing difference. The

Total Liabilities reflect a Loan Payable of $260,784 related to the design cost and leasing commission for the renovation of Building 96 for the VMRC headquarters before VPBA funds were approved for the project.

Total Equity as of December 31, 2018 was $2,982,393 compared to $692,213 in the prior year. The significant increase results from the adjustment timing described above.

<u>Statement of Activities</u>

The Statement of Activities reflects the revenue and expenses for the first two months of the fiscal year.

Consolidated revenue for the six-month period was $6,246,936 compared to $5,617,600 for the prior year and $6,888,856 in budgeted revenue. The increase in revenue over the prior year results from the increase in state appropriations combined with an increase in commercial and residential lease revenue.

Residential Revenue is ahead of last year due to a change in accounting method that reflects utility payments as income in lieu of offsetting the utility expenses. Commercial rental revenue is ahead of last year due to leasing activity over the last 24 months.

Operating expenses for the six-month period were $6,485,255 compared to $5,572,552 in the prior year and $6,888,856 in budgeted expenses. Utility & Public Works expenses increased over the prior year as a result of recording residential utility payments as revenue compared to the prior year when these payments were offset against utility costs.

Expenses exceeded revenue for the first six months of the fiscal year, resulting in an operating deficit of $238,319 compared to an operating surplus of $45,048 for the prior year.