



Finance Report for
Fort Monroe Authority Board of Trustees Meeting
Old Quarters #1
April 17, 2014

Financial Statements / Cash on Deposit

The financial results presented here are for the nine-month period ended March 31, 2014 and 2013. These financial statements are presented on cash or accrual basis (as noted below) and conform to government accounting standards for the presentation of government-wide and fund-based activity.

Government Fund (Cash Basis)

As of March 31, 2014 the Authority's government fund had \$1,665,549 in cash on deposit together with \$608,020 in restricted cash on deposit in public fund accounts at Old Point National Bank.

For the nine-month period, the government fund had revenues of \$4,101,000 compared to \$5,138,456 in the prior fiscal year. The principal revenue sources for government fund revenue are \$3,798,862 in state intergovernmental revenue and \$271,919 in VDOT road maintenance funds transferred from the City of Hampton. The decrease against the prior year results from the reduction in the Authority's appropriation from \$6.23 million in FY13 to \$5.07 million for FY14. Note – no OEA reimbursements have been received for the nine-month period due to negotiation with the OEA on a cost allocation plan to justify the percentage of reimbursement for administrative costs such as travel, supplies, printing and office equipment.

Government fund expenses for the nine-month period were \$3,583,909 compared to \$3,314,702 for the prior fiscal year. The increase results principally from the \$461,511 in VDOT road repairs/signage and site-wide security costs of the extra-duty officer offset by a reduction in consulting fees related to the completion of the Master Plan design process late last year. A large portion of the VDOT expense amount (\$346,514) was funded and completed in FY13 but paid for in FY14.

The excess of revenues over expenditures for the nine-month period was \$517,091 compared to \$1,823,754 in the prior fiscal year. The reduction in excess revenue is related to the aforementioned decrease in state appropriation combined with increases in operating expenses.

The government fund net position as of March 31, 2014 was \$5,383,167 compared to \$4,806,057 in the prior fiscal year.

Enterprise Fund (Accrual Basis)

As of March 31, 2014 the Authority's enterprise fund had \$512,189 in cash on deposit together with \$226,468 in restricted security deposits on deposit in public fund accounts at Old Point National Bank.

Business activity revenue for the nine-month period was \$2,243,203 compared to \$1,533,726 for the prior fiscal year. Residential rental revenue continues to grow with an increase of \$405,722 over the prior year. Commercial rental revenue has increased over the prior year by \$124,174.

Enterprise fund expenses for the nine-month period were \$3,763,649 compared to \$1,702,737 for the prior fiscal year. The large increase in expenses results principally from higher utility charges associated with the Authority's operation of the natural gas, water and sewer systems; repair and maintenance costs associated with the additional portfolio of commercial buildings owned by the Commonwealth; the increase in the PILOT fee as a result of the additional buildings owned by the Commonwealth since June 2013; and the costs associated with creating an operations and maintenance program to address lead-based paint, asbestos and mold management of the buildings at Fort Monroe. It should again be noted that the Authority has established a utility enterprise fund since it is billing third-party tenants such as the Chamberlin and St. Mary's Star of the Sea Catholic Church for utility consumption based on metered usage. The Army continues to hold the electric contract with Dominion Virginia Power and bills the Authority for electric service. The Authority holds the contracts for natural gas, water and sewer and bills the Army and non-metered private tenants for utility consumption on a per-square foot basis.

The net operating deficit for the nine-month period was \$1,520,446 compared to a net deficit of \$169,011 (before extraordinary expenses) in the prior fiscal year. The significantly larger deficit results from the \$2,060,912 increase in operating expenses offset by the \$709,477 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.

Cash on Deposit

As of the close of business on April 7, 2014, the Fort Monroe Authority had on deposit at Old Point National Bank the following account balances:

Government Fund Operating Account	\$ 2,956,051
Government Restricted Account (VDOT)	352,346
Government Restricted Account (Building 83)	250,000
Enterprise Fund Operating Account	649,647

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

Revised FY14/New FY15/16 Budget Request

The budget introduced by Governor McDonnell on December 16, 2013 includes a supplemental appropriation for FY14 of \$701,620. The FMA had requested \$2,845,804 for critical projects such as roof repair/replacements to cure water intrusion in buildings with active residential tenants or commercial prospects, gutter cleaning and repairs, replacement of damaged fascia/soffit boards resulting from poorly maintained paint and gutters, commencement of an exterior painting program to address untreated wood, repair of inoperable elevators in commercial buildings, and repair/replacement of HVAC units including boilers and chillers in commercial buildings to maintain temperature and moisture control. The Department of Planning and Budget (DPB) indicated the supplemental appropriation was reduced from the requested amount to provide for only the increase in operating expenses since any capital projects would be covered in the bond program proposed by Governor McDonnell.

The Governor's budget contains operational funding for the FMA of \$6,718,155 for FY15 and \$5,489,033 for FY16. These amounts match the amounts requested by the FMA.

The Governor's budget also includes a proposed bond issuance of \$22.5 million dollars for capital improvements at Fort Monroe. This bond proposal is intended to cover the capital improvement program costs for the next 5-6 years and would allow the FMA to move aggressively to address a series of projects to deal with building conditions and infrastructure repairs to facilitate the implementation of the master plan. This program exceeds the \$10,991,410 requested by the FMA for capital projects in FY15 and FY16.

The Authority continues to work with DPB, the House Appropriation Committee and Senate Finance Committee staffs to maintain the current amounts proposed in the Commonwealth's FY15/FY16 biennial budget.