



FY 2022 Recommended Budget Budget Question

Board Question #: 22

BUDGET QUESTION: We used the Budget Stabilization Reserve to balance the FY 2021 Budget. The policy for this reserve requires any use of the BSR to be paid back within two years. Could we take half of what we're adding back in FY 2022 and use it for other things?

RESPONDING DEPARTMENT/OFFICE: Budget

RESPONSE: When revenues exceeded expenditures at the close of FY 2020, the budgeted use of the Budget Stabilization Reserve (BSR) for FY 2021's budget was swapped out with available "regular" fund balance. This was reported to the Board in the preliminary end-of-year report for FY 2020, in the FY 2020 CAFR, and to the rating agencies.

What we must resolve in FY 2022's budget is the fact that \$3.9M of on-going costs in FY 2021's budget were funded with one-time money. Right off the top in FY 2022, the Recommended Budget replaces last year's (FY 2021's) use of one-time revenue with on-going revenue, but we don't buy anything extra with it ... it's paying for on-going things already in the base budget from last year (FY 2021).

The use of the BSR in FY 2021 was reasonable from the standpoint that we were using one-time reserves to replace what was expected to be (and what turned out to be) a temporary downturn in certain revenues. Those revenues are expected to be back in FY 2022's budget and the assumption of the use of one-time fund balance is removed. On the revenue side, that's a wash.

There's an estimated \$2 million in undesignated fund balance at the end of FY 2022. It's one-time money. The Board could, of course, choose to use that to support on-going expenses in FY 2022. However, staff does not recommend doing so. It would automatically create a problem in the FY 2023 Budget. Note that FY 2022's \$1.4 million transfer to the Transportation Fund is already funded with fund balance and will be a hole needing to be filled right off the top of the FY 2023 Budget. Any further use of fund balance for on-going needs in FY 2022 will add to next year's hole.

ESTIMATE OF STAFF TIME SPENT ON RESPONSE: