



Internal Borrowings and Revenue Cash Reserve

**A Briefing for the Senate Finance
Capital Outlay and General
Government Subcommittee**

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Virginia Department of Accounts

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Internal Borrowings

- Treasury (Anticipation) Loans
- Working Capital Advances
- Lines of Credit

Revenue Cash Reserve



How Internal Borrowings Work

Internal Borrowings – temporary use of available unrestricted cash to fund certain operations or initiatives

- Cash is recovered through grant drawdowns, bond proceeds, or charges for services
- Recorded as interfund payables/receivables on Commonwealth financial statements
- Department of Accounts monitors cash to ensure internal borrowings do not exceed available unrestricted cash
- No impact on debt capacity but overall liquidity is a consideration



Treasury Loans

Treasury (Anticipation) Loans (Chapter 836 § 4-3.02 b.)

- Budget language authorizes DOA (operating loans) and DPB (capital outlay loans) to administratively provide loans to agencies
- Budget language is also used to authorize specific agency Treasury Loans
 - Provided to meet occasional liquidity needs when ability to repay is available from anticipated revenue/bond proceeds
 - Typically cases where the need to make expenditures is shown prior to receipt of supporting revenue or bond proceeds
 - Example – reimbursement-based federal grants
 - Administrative Treasury Loans are repaid within one year
 - Budget authorized Treasury Loan repayment terms can vary based on language
 - Interest is charged unless a specific prohibition against interest charges

Total Treasury Loans as of December 31, 2017:

Outstanding \$ 28.9 million

Authorized \$ 77.3 million



Working Capital Advances

Working Capital Advances

- Budget language authorizations for specific agencies to borrow
 - Provided to meet liquidity needs typically related to longer-term projects/initiatives when ability to repay is available from anticipated revenue
 - Example – Department of Accounts – Cardinal Financials and Payroll
 - Repaid under agreed upon terms

Total Working Capital Advances as of December 31, 2017:

Outstanding \$ 104.1 million

Authorized \$ 177.1 million



Lines of Credit

Lines of Credit (Chapter 836 § 3-2.03)

- Budget authorizations for specific agencies to borrow on an ongoing basis under agreed upon terms
 - Need instigated by short-term operational liquidity needs – LOCs typically address ongoing or permanent revenue and expenditure timing incongruity
 - Provided when both liquidity needs and ability to repay are relatively consistent year-to-year
 - Example – Internal Service Fund operating cash
 - DOA typically requires repayment within one year to demonstrate ability to repay
 - No interest is charged

Total Lines of Credit as of December 31, 2017:

Outstanding	\$ 93.7 million
Authorized	\$ 664.2 million



Revenue Cash Reserve

Chapter 836 Enactment Clause 7

- Established to mitigate potential revenue shortfalls that may arise during the remainder of the 2017-2018 biennium
- Balance from FY 2017 revenues collected in excess of the estimate reduced by the statutory deposit from surplus revenue to the Water Quality Improvement Fund – reduced by 50 percent
- For the year ended June 30, 2017 - \$60.4 million was reported as committed fund balance

Revenue Surplus – FY 2017	\$	134,112,600
Less Water Quality A Deposit		<u>(13,411,260)</u>
Remaining balance of Surplus Revenue	\$	120,701,340
Less 50% reduction		<u>(60,350,670)</u>
Balance available to the Revenue Cash Reserve	\$	60,350,670



Capital Projects Reserve

Chapter 836 Item 478.10 para. 4

- Lesser of \$188.2 million or FY 2017 revenues collected in excess of the estimate reduced by the statutory deposit from surplus revenue to the Water Quality Improvement Fund and the Revenue Cash Reserve
- For the year ended June 30, 2017 - \$60.4 million was reported as committed fund balance

Revenue Surplus – FY 2017	\$	134,112,600
Less Water Quality A Deposit		(13,411,260)
Less Revenue Cash Reserve		<u>(60,350,670)</u>
Balance available to the Capital Project Reserve	\$	60,350,670

Revenue Cash Reserve - Appropriations

SB 29 Item 478.30 and SB 30 Item 266

- Appropriate funds for the Revenue Cash Reserve

Items from the June 30, 2017 Balance Sheet:	
Revenue Cash Reserve	\$ 60,350,670
Capital Projects Reserve	60,350,670
Nonrecurring Expenditures (33% of unrestricted, uncommitted, unassigned GF balance)	<u>694,032</u>
Revenue Cash Reserve from FY 2017 Revenues	\$ 121,395,372
Revenue Cash Reserve Appropriation:	
per Chapter 836 Item 478.30	<u>35,000,000</u>
per SB 29 – FY 2018	\$ 156,395,372
per SB 30 – FY 2019	50,000,000
per SB 30 – FY 2020	<u>220,700,000</u>
Total Revenue Cash Reserve	\$ 427,095,372