

To: Office of Legislative Budget Analysis
From: Christi Branscom, Commissioner *Christi Branscom*
Date: February 1, 2020
Subject: FY2019 Annual Facility Revolving Fund (FRF) Report

The FY2019 Annual Facility Revolving Fund (FRF) Report is herein submitted to the Office of Legislative Budget Analysis in accordance with P.C. 405, Section 23, Item 10, which states "On or before February 1, 2020, the Commissioner of General Services shall submit to the Office of Legislative Budget Analysis the Annual Facilities Revolving Fund Report."

The FY2019 Facilities Revolving Fund (FRF) Revenue and Expenditure "Budget to Actual Report" and the audited FRF financial statements from the Comprehensive Annual Financial Report (CAFR) for the period ended June 30, 2019 are attachment 1. These reports were prepared by F&A, Division of Accounts, in order to comply with State Building Commission By-Laws, Policy, and Procedure, Item 14.01, B, 4, (b), which states that "RPA (STREAM) shall annually present to the SBC a report reflecting the expenditures and fiscal year-end condition of FRF."

In addition, a three-year comparison of the Facilities Revolving Fund (FRF) Revenue and Expenditure "Budget to Actual Report" has been compiled and is attachment 2. Notes have been included to assist in understanding the type of expenditures that would be posted to the various accounts, and in some cases to explain significant variations.

As you will see, all FRF program codes reflected an under expenditure when compared to the budget in FY2019. In addition, the unobligated FRF reserves as of July 1, 2019, were \$79,176,232.07, as reported by F&A, Division of Budget.

If you have any question about the attached reports please direct them to Ron Plumb, DGS Chief Financial Officer, at 615-532-7272 or ron.plumb@tn.gov.

Attachments

RP

To: Christi Branscom, Commissioner of General Services
From: Kristi Couch, Dept. Controller, GS Central Accounting *KDC*
Date: January 16, 2020
Subject: Facilities Revolving Fund

I have attached a copy of the Facilities Revolving Fund (FRF) Revenue and Expenditure "Budget to Actual Report" and the audited FRF financial statements from the Comprehensive Annual Financial Report (CAFR) for the period ended June 30, 2019. These reports are being provided to comply with State Building Commission By-Laws, Policy, and Procedure, Item 14.01, B, 4, (b), which states that "RPA (STREAM) shall annually present to the SBC a report reflecting the expenditures and fiscal year-end condition of FRF".

Information to complete the FRF Revenue and Expenditure Report was obtained from an Edison Trial Balance run on December 05, 2019, for the period July 1, 2018, through June 30, 2019. The Revenue and Expenditure Report reveals the fund had an operational net increase of \$19.6 million for the fiscal year. Actual operational revenue collections and transfers were \$1.4 million more than budgeted, and operational expenditures were \$18.1 million less than budgeted. The \$18.1 million is broken down as follows:

- Building Operations (50101) - \$.3 million underspent
- Project Maintenance (50102) - \$.5 million underspent
- Facilities Management (50103) - \$4 million underspent
- Debt Service (50105) - \$13.3 million underspent.

Capital activity reported (50104) had a net decrease of \$62.3 million for the fiscal year. Actual revenues and transfers related to capital items were \$62.3 million less than budgeted, and capital expenditures were at par with budgeted.

Questions pertaining to the FRF Revenue and Expenditures Budget to Actual Report or the CAFR may be forwarded to me (741-0431) or Victor Nwanso (532-1827).

Attachment

cc: Angela Scott, Capital Budget Coordinator

Facilities Revolving Fund (FRF)
Revenues and Expenditures
Comparison of Final Budget to Actual
As of June 30, 2019
(all amounts in millions)

Account	Final FY 19 Authorized Budget	Actual 7/1/2018 to 06/30/2019	Actual > Budget
Operational Activity			
Revenues:			
FRF Rent Billing		132.677	
Reimbursement of Tenant Alterations		2.826	
Post Mortem		0.325	
Interest Earnings		9.726	
Other		0.313	
Total Revenue	131.595	145.866	14.271
Operating Transfer in	13.066	13.066	-
Reserve Funds Appropriated for Use	12.826	-	(12.826)
Total Available	\$ 157.487	\$ 158.932	\$ 1.445
Expenditures:			
Department of General Services:			
50101			
Operations, Maintenance, and Support		34.360	
Tenant Alterations Billable		2.524	
Utilities		20.572	
	\$ 57.721	\$ 57.456	\$ (0.265)
50102			
Operational and Major Maintenance		2.114	
	\$ 2.641	\$ 2.114	\$ (0.527)
50103			
Contract Rent		49.130	
Tenant Alterations Billable		0.305	
Post Mortem		0.238	
Management and Support		7.211	
Operations and Maintenance		2.597	
	\$ 63.499	\$ 59.481	\$ (4.018)
Debt Service:			
50105			
Bond Principal		14.468	
Interest on Debt		5.811	
Commercial Paper Interest		0.010	
Bond Issue Cost		-	
Total Debt Service Expenditures	\$ 33.626	\$ 20.289	\$ (13.337)
Total Expenditures	\$ 157.487	\$ 139.340	\$ (18.147)
Operational Net Revenues (Rev less Exp)	-	\$ 19.592	\$ 19.592
Capital Activity:			
Funding Sources			
Revenue			
Sale of Real Estate		5.000	5.000
Revenue - Donation		5.500	5.500
Transfers In	20.090	20.090	-
Reserve Funds Appropriated for Use	72.788	-	(72.788)
	\$ 92.878	\$ 30.590	\$ (62.288)
Funding Uses			
SBC/Capital Projects Management:			
50104			
Construction and Renovation	92.878	92.878	-
	\$ 92.878	\$ 92.878	\$ -
Capital Net Revenues (Rev less Exp)		\$ (62.288)	\$ (62.288)

STATE OF TENNESSEE
Combining Statement of Net Position
Internal Service Funds
June 30, 2019
(Expressed in Thousands)

	<u>Strategic Technology Solutions</u>	<u>Risk Management</u>	<u>Motor Vehicle Management</u>	<u>General Services Printing</u>	<u>Facilities Revolving Fund</u>	<u>Employee Group Insurance</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 108,166	\$ 185,835	\$ 55,781	\$ 3,000	\$ 416,918	\$ 370,712
Receivables, net	1,296	329	16	2	798	9,314
Due from other funds	672	-	-	-	197	-
Due from component units	-	-	-	-	-	-
Inventories, at cost	706	-	-	169	-	-
Prepayments	-	-	-	-	-	-
Total current assets	<u>110,840</u>	<u>186,164</u>	<u>55,797</u>	<u>3,171</u>	<u>417,913</u>	<u>380,026</u>
Noncurrent assets:						
Due from other funds	313	-	-	-	-	-
Net investment in capital leases	-	-	-	-	6,910	-
Restricted net pension assets	270	-	3	11	-	-
Capital assets:						
Land, at cost	-	-	-	-	57,915	-
Structures and improvements, at cost	-	-	-	-	672,482	-
Machinery and equipment, at cost	81,932	-	174,160	3,184	1,831	-
Less: Accumulated depreciation	(50,151)	-	(105,954)	(1,566)	(283,723)	-
Construction in progress	-	-	-	-	62,568	-
Software in development	-	-	-	-	-	-
Total noncurrent assets	<u>32,364</u>	<u>-</u>	<u>68,209</u>	<u>1,629</u>	<u>517,983</u>	<u>-</u>
Total assets	<u>143,204</u>	<u>186,164</u>	<u>124,006</u>	<u>4,800</u>	<u>935,896</u>	<u>380,026</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>32,754</u>	<u>-</u>	<u>426</u>	<u>785</u>	<u>3,609</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable	18,921	685	4,816	496	16,365	73,585
Accrued payroll and related deductions	8,019	-	92	198	-	-
Due to other funds	604	87	5	15	253	2
Due to component units	-	52	-	-	13	121
Lease obligations payable	-	-	-	-	381	-
Bond payable	-	-	-	-	13,964	-
Unearned revenue	-	1	-	-	3,397	41,188
Others	4,444	35,013	155	182	-	-
Total current liabilities	<u>31,988</u>	<u>35,838</u>	<u>5,068</u>	<u>891</u>	<u>34,373</u>	<u>114,896</u>
Noncurrent liabilities:						
Pension	33,313	-	471	1,136	-	-
Lease obligations payable	-	-	-	-	7,042	-
Commercial paper payable	-	-	-	-	25,130	-
Bonds payable	-	-	-	-	149,233	-
Others	17,334	109,891	539	555	-	-
Total noncurrent liabilities	<u>50,647</u>	<u>109,891</u>	<u>1,010</u>	<u>1,691</u>	<u>181,405</u>	<u>-</u>
Total liabilities	<u>82,635</u>	<u>145,729</u>	<u>6,078</u>	<u>2,582</u>	<u>215,778</u>	<u>114,896</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>3,029</u>	<u>-</u>	<u>189</u>	<u>230</u>	<u>46</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	31,781	-	68,206	1,618	318,886	-
Restricted for:						
Capital projects	-	-	-	-	5,588	-
Pensions	270	-	3	11	-	-
Unrestricted	58,243	40,435	49,956	1,144	399,207	265,130
Total net position	<u>\$ 90,294</u>	<u>\$ 40,435</u>	<u>\$ 118,165</u>	<u>\$ 2,773</u>	<u>\$ 723,681</u>	<u>\$ 265,130</u>

STATE OF TENNESSEE
Combining Statement of Revenues, Expenses, and
Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	<u>Strategic Technology Solutions</u>	<u>Risk Management</u>	<u>Motor Vehicle Management</u>	<u>General Services Printing</u>	<u>Facilities Revolving Fund</u>	<u>Employee Group Insurance</u>
Operating revenues						
Charges for services	\$ 248,574	\$ 37,207	\$ 47,827	\$ 6,515	\$ 141,269	\$ 1,000
Premiums	-	-	-	-	-	747,584
Total operating revenues	<u>248,574</u>	<u>37,207</u>	<u>47,827</u>	<u>6,515</u>	<u>141,269</u>	<u>748,584</u>
Operating expenses						
Personal services	111,260	-	1,178	3,130	-	-
Contractual services	117,226	14,710	5,309	2,787	91,015	34,933
Materials and supplies	11,882	-	18,788	1,439	2,978	-
Rentals and insurance	17	5,454	8,887	72	47,430	-
Depreciation and amortization	10,906	-	15,286	331	13,665	-
Benefits	-	29,810	205	-	-	750,587
Other	1,395	-	3	13	-	4,210
Total operating expenses	<u>252,686</u>	<u>49,974</u>	<u>49,656</u>	<u>7,772</u>	<u>155,088</u>	<u>789,730</u>
Operating income (loss)	<u>(4,112)</u>	<u>(12,767)</u>	<u>(1,829)</u>	<u>(1,257)</u>	<u>(13,819)</u>	<u>(41,146)</u>
Nonoperating revenues (expenses)						
Insurance claims recoveries	-	-	278	-	370	-
Gain on sales of capital assets	-	-	-	-	4,972	-
Interest income	-	3,935	-	-	9,726	7,614
Interest expense	-	-	-	-	(6,914)	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>3,935</u>	<u>278</u>	<u>-</u>	<u>8,154</u>	<u>7,614</u>
Income (loss) before contributions and transfers	<u>(4,112)</u>	<u>(8,832)</u>	<u>(1,551)</u>	<u>(1,257)</u>	<u>(5,665)</u>	<u>(33,532)</u>
Capital contributions	-	-	843	-	20	-
Transfers in	6,520	-	5,808	504	33,251	-
Transfers out	<u>(4,254)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(267)</u>	<u>-</u>
Change in net position	<u>(1,846)</u>	<u>(8,832)</u>	<u>5,100</u>	<u>(753)</u>	<u>27,339</u>	<u>(33,532)</u>
Net position, July 1, restated	<u>92,140</u>	<u>49,267</u>	<u>113,065</u>	<u>3,526</u>	<u>696,342</u>	<u>298,662</u>
Net position, June 30	<u>\$ 90,294</u>	<u>\$ 40,435</u>	<u>\$ 118,165</u>	<u>\$ 2,773</u>	<u>\$ 723,681</u>	<u>\$ 265,130</u>

STATE OF TENNESSEE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in Thousands)

	Strategic Technology Solutions	Risk Management	Motor Vehicle Management	General Services Printing	Facilities Revolving Fund	Employee Group Insurance
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 8,798	\$ 16,966	\$ 695	\$ 38	\$ 6,577	\$ 366,847
Receipts from interfund services provided	239,855	22,759	47,114	6,480	134,816	422,871
Payments to suppliers	(113,029)	(38,634)	(27,176)	(3,043)	(32,262)	(825,919)
Payments to employees	(110,410)	-	(1,337)	(3,325)	(1)	(1,274)
Payments for interfund services used	(14,611)	(8,066)	(5,253)	(1,072)	(112,309)	(1,840)
Net cash provided by (used for) operating activities	<u>10,603</u>	<u>(6,975)</u>	<u>14,043</u>	<u>(922)</u>	<u>(3,179)</u>	<u>(39,315)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	6,520	-	5,779	481	33,157	-
Net cash provided by (used for) noncapital financing activities	<u>6,520</u>	<u>-</u>	<u>5,779</u>	<u>481</u>	<u>33,157</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(18,774)	-	(19,041)	(1,405)	(80,351)	-
Bond and commercial paper proceeds	-	-	-	-	15,744	-
Proceeds from sale of capital assets	-	-	2,199	-	5,594	-
Insurance claims recoveries	-	-	278	-	370	-
Principal payments	-	-	-	-	(14,468)	-
Interest paid	-	-	-	-	(7,970)	-
Net cash provided by (used for) capital and related financing activities	<u>(18,774)</u>	<u>-</u>	<u>(16,564)</u>	<u>(1,405)</u>	<u>(81,081)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	-	3,935	-	-	9,726	7,614
Net cash provided by (used for) investing activities	<u>-</u>	<u>3,935</u>	<u>-</u>	<u>-</u>	<u>9,726</u>	<u>7,614</u>
Net increase (decrease) in cash and cash equivalents	(1,651)	(3,040)	3,258	(1,846)	(41,377)	(31,701)
Cash and cash equivalents, July 1, restated	<u>109,817</u>	<u>188,875</u>	<u>52,523</u>	<u>4,846</u>	<u>458,295</u>	<u>402,413</u>
Cash and cash equivalents, June 30	<u>\$ 108,166</u>	<u>\$ 185,835</u>	<u>\$ 55,781</u>	<u>\$ 3,000</u>	<u>\$ 416,918</u>	<u>\$ 370,712</u>
Reconciliation of operating income to net cash provided by (used for) operating activities						
Operating income (loss)	\$ (4,112)	\$ (12,767)	\$ (1,829)	\$ (1,257)	\$ (13,819)	\$ (41,146)
Adjustment to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	10,906	-	15,286	331	13,665	-
Loss (gain) on disposal of capital assets	1,148	-	(21)	6	-	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
(Increase) decrease in receivables	(56)	2,502	2	3	147	(3,104)
(Increase) decrease in due from other funds	136	-	-	-	(23)	-
(Increase) decrease in due from component units	-	-	-	-	-	-
(Increase) decrease in inventories	(186)	-	-	(29)	-	-
(Increase) decrease in prepaids	-	-	-	-	-	-
(Increase) decrease in net pension assets	(182)	-	(2)	(5)	-	-
(Increase) decrease in deferred outflows of resources	(8,236)	-	(114)	(52)	-	-
Increase (decrease) in accounts payable	9,252	3,241	656	(55)	4,789	8,745
Increase (decrease) in due to other funds	408	6	-	(2)	(7,951)	3
Increase (decrease) in due to component units	(20)	43	-	-	13	121
Increase (decrease) in deferred inflows of resources	1,545	-	65	138	-	-
Increase (decrease) in unearned revenue	-	-	-	-	-	(3,934)
Total adjustments	<u>14,715</u>	<u>5,792</u>	<u>15,872</u>	<u>335</u>	<u>10,640</u>	<u>1,831</u>
Net cash provided by (used for) operating activities	<u>\$ 10,603</u>	<u>\$ (6,975)</u>	<u>\$ 14,043</u>	<u>\$ (922)</u>	<u>\$ (3,179)</u>	<u>\$ (39,315)</u>
Schedule of noncash investing, capital, and financing activities						
Contributions of capital assets	\$ -	\$ -	\$ 843	\$ -	\$ 20	\$ -
Assets acquired by transfer	-	-	29	23	95	-
Capital assets disposed of by transfer	(4,254)	-	-	-	(267)	-
Amortization of bond premium	-	-	-	-	1,987	-
Amortization of bond discount	-	-	-	-	(1,041)	-
Total noncash capital and related financing activities	<u>(4,254)</u>	<u>-</u>	<u>872</u>	<u>23</u>	<u>794</u>	<u>-</u>



To: SBC Staff
From: Ron Plumb, Assistant Commissioner/CFO
Date: February 1, 2020
Subject: FY19 FRF Variance Analysis

Operational Activities –

For the fiscal year ending June 30, 2019, FRF had operating revenues and transfers-in of state appropriations totaling \$158.9M and total program expenditures of \$139.3M, resulting in overall net revenue of \$19.6M. Net revenue is added to FRF Reserves at the end of each fiscal year and held until appropriated for further use.

Highlights for FY19

- Operational Revenues increased by 3.4% (\$5.2M) over FY18. The largest sources of this growth are interest earnings (\$3.4M) and rent revenue collected from tenants (\$2.9M). The overall increase was offset in part by a decrease in "Other" revenue after a spike in FY18 as a result of insurance proceeds from property loss.
- 50101 – Operations, Maintenance, and Support expense increased by 5% (\$1.6M) over FY18 due to increased use of security services.
- 50105 – Total debt service expense decreased by 7.6% (\$1.6M). This decrease is the result of lower principal and interest payments due to the use of cash to fund capital projects in prior years instead of issuing more bonds.

Capital Activities –

For the fiscal year ending June 30, 2019, FRF received capital funding totaling \$30.6M and capital project expenses totaling \$92.9M, resulting in overall net deficit of \$62.3M. Funding for capital projects is appropriated to a specific budget year; however, actual project expenditures are spread over a multi-year design and construction period. Unspent capital project appropriations are accrued to FRF Reserves as an obligated amount until the project is completed and the funds are expended. The net deficit for FY19 is the result of capital project expenses occurring in FY19, whereas the appropriations occurred in prior fiscal years (i.e. a reduction to obligated FRF Reserves).

Highlights for FY19

- The sale of one property (4110 Charlotte Avenue, Nashville) netted \$5M in proceeds. By statute, proceeds from the sale of FRF property are to be used for future capital outlay.
- The State received a donation of \$5.5M to go to the construction of the new State Museum.

- FY19 construction and renovation costs were primarily from projects approved in prior years. The largest expenses in FY19 are for construction of the new Library & Archives Building, new State Museum, and renovation projects for John Sevier, James K Polk, and Tennessee Tower.

Unobligated FRF Reserve Balance –

The unobligated FRF Reserve balance at July 1, 2019, as reported by F&A, was \$79.2M.

I would be glad to address any questions you may have about the three-year budget to actual comparison. If you have a question about the FY19 FRF Annual Report, I will assist to the degree I can, or I will consult with the report preparer, DGS Central Accounting Office (F&A).

I can be contacted by email (Ron.Plumb@tn.gov) or at 615-532-7272.

**Facilities Revolving Fund (FRF)
Revenues and Expenditures
Budget to Actual Comparison (3 Years)**

Account	As of June 30, 2017			As of June 30, 2018			As of June 30, 2019		
	Final FY17 Authorized Budget	Actual 7/1/16 to 6/30/17	Actual > Budget	Final FY18 Authorized Budget	Actual 7/1/2017 to 6/30/2018	Actual > Budget	Final FY19 Authorized Budget	Actual 7/1/2018 to 6/30/2019	Actual > Budget
Operational Activity									
Revenues:									
Note #1		125,781,000			129,801,000			132,677,000	
Note #2		1,076,000			2,080,000			2,826,000	
Note #3		349,000			326,000			325,000	
Note #4		2,161,000			6,320,000			9,726,000	
Note #5		554,000			2,180,000			313,000	
	Sub-Total Revenue	126,582,000	129,920,000	3,338,000	140,706,000	11,929,000	131,595,000	145,866,000	14,271,000
Note #6	Operating Transfer In	13,065,000	13,065,000	-	13,066,000	-	13,066,000	13,066,000	-
Note #7	Reserve Funds Appropriated for Use	2,161,000		(2,161,000)	6,320,000	-	12,826,000	-	(12,826,000)
	Total Available	141,808,000	142,985,000	1,177,000	148,163,000	5,609,000	157,487,000	158,932,000	1,445,000
Expenditures:									
Department of General Services:									
50101									
	Operations, Maintenance, and Support		31,277,000		32,738,000			34,360,000	
Note #8	Tenant Alterations Billable		963,000		1,606,000			2,524,000	
	Utilities		21,534,000		20,591,000			20,572,000	
		53,859,000	53,774,000	(85,000)	55,501,000	54,934,000	(567,000)	57,721,000	57,456,000
									(265,000)
50102									
	Operational and Major Maintenance		1,865,000		1,295,000			2,114,000	
		3,045,000	1,865,000	(1,180,000)	2,641,000	1,295,000	(1,346,000)	2,641,000	2,114,000
									(527,000)
50103									
Note #9	Contract Rent		45,815,000		48,884,000			49,130,000	
Note #8	Tenant Alterations Billable		129,000		464,000			305,000	
Note #10	Post Mortem		238,000		227,000			238,000	
Note #11	Management and Support		7,070,000		7,663,000			7,211,000	
Note #12	Operations and Maintenance		1,955,000		1,971,000			2,597,000	
		58,747,000	55,207,000	(3,540,000)	59,802,000	59,210,000	(592,000)	63,499,000	59,481,000
									(4,018,000)
Debt Service:									
50105									
	Bond Principal		16,018,000		15,699,000			14,468,000	
	Interest on Debt		6,794,000		6,192,000			5,811,000	
	Commercial Paper Interest		31,000		52,000			10,000	
	Bond Issue Cost		22,000		18,000			-	
	Total Debt Service Expenditures	26,157,000	22,866,000	(3,291,000)	30,220,000	21,961,000	(8,260,000)	33,626,000	20,289,000
									(13,337,000)
	Total Expenditures	141,808,000	133,712,000	(8,096,000)	148,163,000	137,399,000	(10,764,000)	157,487,000	139,340,000
									(18,147,000)
	Operational Net Revenues (Rev. less Exp.)	-	9,273,000	9,273,000	-	16,373,000	16,373,000	-	19,592,000
Capital Activity									
Funding Sources:									
	Revenue								
Note #13	Sale of Real Estate		-	-	8,198,000	8,198,000		5,000,000	5,000,000
Note #14	Donation		3,500,000	3,500,000	7,603,000	7,603,000		5,500,000	5,500,000
Note #15	Transfers In	82,044,000	82,044,000	-	143,870,000	143,870,000	20,090,000	20,090,000	-
Note #16	Reserve Funds Appropriated for Use	31,530,000		(31,530,000)	19,680,000	-	72,788,000	-	(72,788,000)
		113,574,000	85,544,000	(28,030,000)	163,550,000	159,670,000	(3,880,000)	92,878,000	30,590,000
									(62,288,000)
Funding Uses:									
SBC/Capital Projects Management:									
50104									
Note #17	Construction and Renovation	113,574,000	91,857,000	(21,717,000)	163,550,000	133,903,000	(29,647,000)	92,878,000	92,878,000
		113,574,000	91,857,000	(21,717,000)	163,550,000	133,903,000	(29,647,000)	92,878,000	92,878,000
									-
	Capital Net Revenues (Rev. less Exp.)	-	(6,313,000)	(6,313,000)	-	25,767,000	25,767,000	-	(62,288,000)
									(62,288,000)
	Combined Net Revenues	-	2,960,000	2,960,000	-	42,140,000	42,140,000	-	(42,696,000)
									(42,696,000)

Unobligated FRF Reserve (furnished by F&A Budget)

as of July 1, 2017 27,595,600
as of July 1, 2018 39,711,510
as of July 1, 2019 79,176,232

	Separation of Operational and Capital Activities	Beginning in FY18, the Annual FRF Report reflects a separation of revenue and expenses for operational activities, from revenue and expenses for capital activities. Due to fluctuating capital budget amounts and the timing of capital project expenses, separating operating activities from capital provides the user increased visibility into operating activities that occur each year. For presentation purposes, FY17 has been separated into operating and capital sections. No change to actual results has occurred.
Note #1	FRF Rent Billing	Billable SF in FY17 was 8,081,823. Billable SF in FY18 was 7,781,779. Billable SF in FY19 was 7,688,476. Based on June FRF Billing Reports - Billable Square Footage Reconciliation. FY19 rent collections increased due to an increase in the FRF rate for Davidson County office space and in A87 rates.
Note #2	Reimbursement of Tenant Alterations	Tenant alterations revenue is received from agencies for the performance of maintenance/repair services considered to be reimbursable. Tenant alterations vary year to year in quantity and cost. FY18 increase is due to more tenant requests from state agencies housed in FRF locations.
Note #3	Post Mortem	Reimbursement revenue received from Health at two (2) Post Mortem locations, Nashville and Memphis. Memphis location started in FY15.
Note #4	Interest Earnings	Funds appropriated for capital projects accrue interest until the funds are spent. Due to large capital budgets in recent years, interest revenue has been increasing. This revenue is posted to 50105 to offset interest expense on FRF debt.
Note #5	Other Revenue	FY17 increase included \$308K refund from Metro for FY13-16 water/sewer error at 220 French Landing. FY18 includes \$883k reimbursement from Risk Management related to property loss at Clovernook, TBI facility, and Polk Building. FY19 includes reimbursement from Risk Management related to property loss at Citizens Plaza and Andrew Jackson Buildings.
Note #6	Operating Transfer In	State appropriations received to fund operations.
Note #7	Reserve Funds Appropriated for Use	Budget entry made by F&A to recognize excess interest revenue received. See Note #4. For FY19, \$9.726M is attributable to excess interest revenue. The remaining \$3.1M was allotted to 50103 to allow expenses to process until outstanding encumbrances could be moved to FY20 for furniture and supplies not received by June 30, 2019.
Note #8	Tenant Alterations Billable	Expenses associated with maintenance/repair services that are considered to be outside the scope of FRF's normal operational maintenance.
Note #9	Contract Rent	Increase due to increasing market lease rate, especially in Middle TN. Also attributed to an increase in replacement leases as a result of ending holdover leases.
Note #10	Post Mortem	Expenses related to Post Mortem facilities. See Note #3.
Note #11	Management and Support	Expenses associated with allocated administrative overhead from STREAM.
Note #12	Operations and Maintenance	Lease related expenses occurring outside the scope of the rent agreement (Contract Rent). FY19: Increase of \$626k is due primarily to furniture expense for new or updated office space.
Note #13	Land and Building Sale Proceeds	FY18: Sale of TRA Building (\$8M) and Memphis Clovernook property (\$190k). FY19: Sale of 4110 Charlotte Avenue (\$5M).
Note #14	Donation	FY17: \$3.5M - Donation from State Museum Foundation to FRF for the new State Museum. FY18: \$6M donation from State Museum Foundation for new museum. \$1.603M for Library & Archives Parking Garage (earned portion of \$5M from Metro Nashville as part of ballpark deal). FY19: \$5.5M donation from State Museum Foundation for new museum.
Note #15	Capital Project Transfer In	Approved capital projects for FY19 (\$83.7M) included new Library & Archives Building, TN Tower Life Safety Systems Upgrades, Andrew Jackson Building Elevator Replacement, Statewide LED Lighting and Controls Upgrades, Crockett and Johnson Buildings Glazing Restoration, and others. FY19: \$16.8M was transferred in from 32199 statewide capital maintenance fund (\$12.9M) and from Fund 31 residual maintenance (\$3.9M).
Note #16	Reserve Funds Appropriated for Use	Reserve funds appropriated for use on capital projects. FY19: \$5.5M was coded as interdepartmental in the original work program and reflected as reserves appropriated for use.
Note #17	Construction and Renovation	Capital Project expenses typically span multiple fiscal years. Largest expenditures for FY19 are for projects at new State Library & Archives, new State Museum, John Sevier Building, James K. Polk Building, and Tennessee Tower.