



**MEMORANDUM**

**TO:** Trustees

**FROM:** Rob Poirier, Program Committee Chair **BOARD ACTION REQUIRED**

**DATE:** September 13, 2024

**SUBJECT:** Approve Carryforward of Unspent Funds within Grant Cycle

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**BACKGROUND**

MHB’s current practice at the end of a fiscal year is to determine the amount, if any, of unspent funding paid to a funded project over the course of the fiscal year using the Q4 stewardship report submitted annually in early July, as part of required fourth quarter (Q4) reporting.

Any funding remaining unspent at Q4 would then be “retained” by the funded partner rather than returning the funds via check or ACH debit to MHB. The “retained funds” would be deducted from the next fiscal year’s approved budget and the difference would be disbursed in 12 equal payments. This information is clearly delineated on Attachment B: Allocations and Payment Schedule of the contract amendment.

History, supported by quantitative data, tells us that typically, a significant number of projects are often underspent in year one of the three-year grant cycle. You may recall that this was the case for FY23, the first year of the three-year Community Children’s Services Fund and Early Childhood Funding cycles. However, due to a residual effect of the COVID-19 pandemic on project staffing and start-up costs/time required typical of newly funded projects, the amount remaining unspent at June 30, 2023, was \$948,383. The FY23 unspent funding was repurposed in FY24 for one-time expenditures and braided with FY24 tax revenues to increase community investment project funding. At June 30, 2024, funding not disbursed in FY24 due to FY23 retention totaled \$803,851. For the second consecutive fiscal year, the funding approved in the FY24 budget but not expensed was repurposed in the approved FY25 budget for one-time expenditures and braided with projected FY25 tax revenue.

Currently, MHB’s investments at June 30, 2024, totaled \$13,618,422.55 (\$7,254,831.52 for the Community Mental Health Fund and \$6,363,591,03 for the Community Children’s Services Fund.) Together, MHB’s investments represent 74.64% of budgeted tax fund-related expenses (\$18,068,276) in the FY25 approved operating budget. MHB’s investments at June 30, 2024, represent approximately 75% of budgeted expenses not including the St. Louis Area Violence Prevention Commission (VPC) or Federal Grants in the FY25 budget, which is in line with MHB’s current reserves policy which states, “MHB shall maintain aggregate unrestricted/unreserved funds of between 25% and 100% of annual non-Federal expenditures in order to make a meaningful contribution to recovery, in the event of an unplanned man-made or natural emergency.” For this

reason, in the last two fiscal years funding budgeted but not expended (disbursed to funded partners due to retained funds) has not been transferred to Net Position.

**Proposed Carryforward Practice to Replace Current Retention Practice**

In an effort to maintain healthy financial reserves and with an intention to invest the maximum amount of available tax revenue in funded projects each year, staff are recommending that MHB change its current retention practice by allowing funded partners to carryforward unspent funds at the conclusion of years 1 and 2 of a three-year grant cycle, and years 1, 2, 3, and 4 of a five-year grant cycle. The practice of a full reconciliation of any unspent funding at the conclusion of a grant cycle would not change.

This practice is similar to the approach used for multi-year federal grants. The unspent funding approved to be carried forward would require the funded partner to submit a revised project budget indicating to which line items the funding carried forward has been applied.

Staff believe that implementing a carryforward practice and replacing the current retention practice will significantly mitigate or potentially eliminate the substantial amounts of approved, but unspent funding MHB has experienced in FY23 – 24. It will also help MHB align with the multi-year grant management practices of peer funders that give organizations the flexibility to spend their funding based on the life cycle of their project, instead of losing what they cannot immediately spend as they ramp up.

MHB Controller Susan Kabat, CPA, has consulted with MHB's current audit firm CliftonLarsonAllen, as well as consulting with the Senior Fund's audit firm Rubin Brown, to ensure that the proposed carryforward change in practice would not create any issues with MHB's audit, result in any findings, nor cause any compliance issues with GAAP or GASB.

**CITY OF SAINT LOUIS MENTAL HEALTH BOARD OF TRUSTEES**

**APPROVE CARRYFORWARD OF UNSPENT FUNDS DURING GRANT CYCLE**

**RESOLUTION**

**WHEREAS**, the City of St. Louis, Missouri has levied taxes pursuant to the laws of the State of Missouri Sections 205.975 - 205.990 RSMO (1994) to fund the Community Mental Health Fund and Sections 210.860 - 210.861 RSMO (2005 and 2020) to fund the Community Children’s Services Fund (CCSF); and

**WHEREAS**, MHB is desirous to bring about systemic improvements in policy, funding, and service delivery outcomes for persons with behavioral health disorders; and

**WHEREAS**, Trustees desire to invest the maximum amount of tax revenue available to increase the number of children, youth, and adults served through MHB-funded projects; and

**WHEREAS**, the practice of allowing funded partners to “retain and carryforward” unspent funding at the conclusion of one fiscal year into the next fiscal year, except in the final year of a grant cycle, is anticipated to reflect greater impact and service performance on the part of funded partners, as well as create more level expense trends for MHB;

**NOW THEREFORE BE IT RESOLVED:**

The Executive Director, Deputy Director, and Controller are authorized to implement a change in practice with regard to funds remaining unspent at the conclusion of a fiscal year by funded projects; moving from the practice of retention and reduction of disbursements to a practice of retention and carryforward. The practice will not apply in the final year of a grant cycle.

**APPROVED THIS 19<sup>th</sup> DAY OF SEPTEMBER 2024:**

Board Chair/Officer Name (printed):	Signature:
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**ATTEST:**

Board Officer Name (printed):	Signature:
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