

# Budget Status Report

Current Year Status Report

Potential Fiscal COVID Impacts on FY 2020 Results

Early Rainy Day Funds (Fund Balance) Estimate

# Revenue: Current Year Revenues

## How have we prepared the estimates for FY 2020?

Excludes General “Rainy Day” Reserves

- Considered the sensitivity (elasticity) of individual revenues.
- Analyzed prior year(s) trends, current year performance, and knowledge about unique situations **through February**.
- Estimated COVID-related impacts by reviewing, where possible, actual vs. expected revenues for March and April.  
*(Will continue to adjust estimates based on reviews with departments)*
- Applied estimated impacts to our February projections for the rest of the fiscal year

# Revenue: Current Year Revenues

## How have we prepared the estimates for FY 2020?

Excludes General “Rainy Day” Reserves

- Assumed remaining non-motor vehicle tax revenues will be **78%** of original projections from April through June.
- Assumed remaining motor vehicle tax revenues will be **80%** of original projections from April through June.
- Assumed remaining sales tax revenues will be **60%** of original projections for sales in March through June.

# Revenue: Current Year Revenues

## How responsive are our revenues to changes in the economy?

Excludes General “Rainy Day” Reserves

|                           |            |                      |
|---------------------------|------------|----------------------|
| <b>Very Sensitive</b>     | <b>30%</b> | <b>\$180 million</b> |
| <b>Somewhat Sensitive</b> | <b>60%</b> | <b>\$360 million</b> |
| <b>Stable</b>             | <b>10%</b> | <b>\$60 million</b>  |

# Revenue: Current Year Property Tax

## Through February:

- Current year property tax revenues \$6.4 million (+1.8%) ahead of budget.
- Pre-COVID year-end estimated actual receipts vs. budget:

|                      |                              |
|----------------------|------------------------------|
| Budget               | \$378.3 million              |
| Pre-COVID Estimate   | \$385.5 million              |
| Pre-COVID Difference | <b>\$7.1 million (+1.9%)</b> |

# Revenue: Current Year Property Tax

## Potential COVID Impacts:

- **Good news:** most current year property tax revenue collected by January
- **Good news:** ahead of budget through February
- **Negative** impacts on final real estate/personal property collections
- **Negative** impacts on motor vehicle
- **Good news:** built-up tax revenue “reserves” absorb some COVID impacts

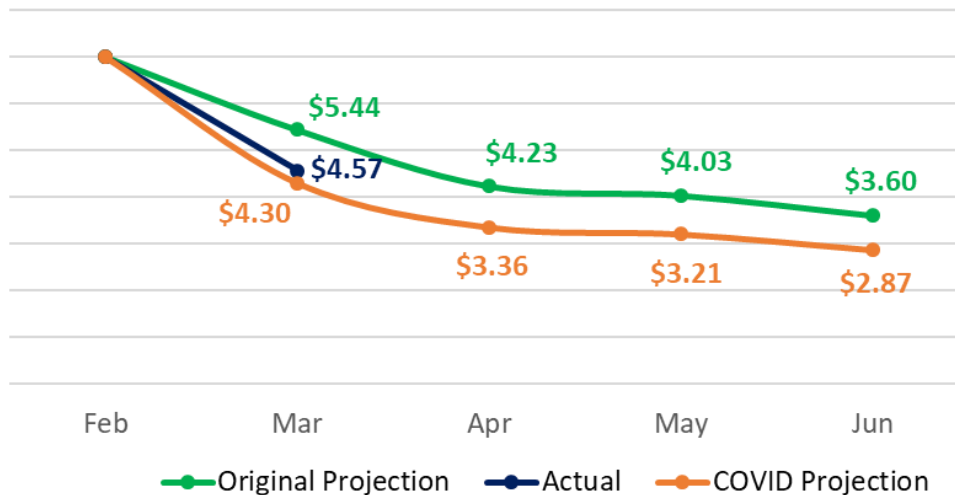
# Revenue: Current Year Property Tax

## Potential COVID Impacts:

- March non-motor vehicle tax collections **78% of expected revenue**
- March motor vehicle tax collections **88% of expected revenue**

### Property Tax Revenue

March - June 2020 Collections (in millions)



Year-end revenue expected to be **\$3.3 million under original projections**, but still **\$3.8 million more than the budget**.

# Revenue: Sales Tax

## Through March:

- Current year sales tax revenues \$1.9 million (+4%) ahead of budget.
- Pre-COVID year-end estimated actual receipts vs. budget:

|                      |                            |
|----------------------|----------------------------|
| Budget               | \$91.0 million             |
| Pre-COVID Estimate   | \$94.9 million             |
| Pre-COVID Difference | <b>\$3.9 million (+4%)</b> |



# Revenue: Sales Tax

## Potential COVID Impacts:

- **Good news**: half of annual sales tax received by March
- **Good news**: ahead of budget through March
- **Negative** impacts on remaining 6 months of collections
- **Mixed news**: built-up sales tax revenue “reserves” absorb some, **but not all**, COVID impacts

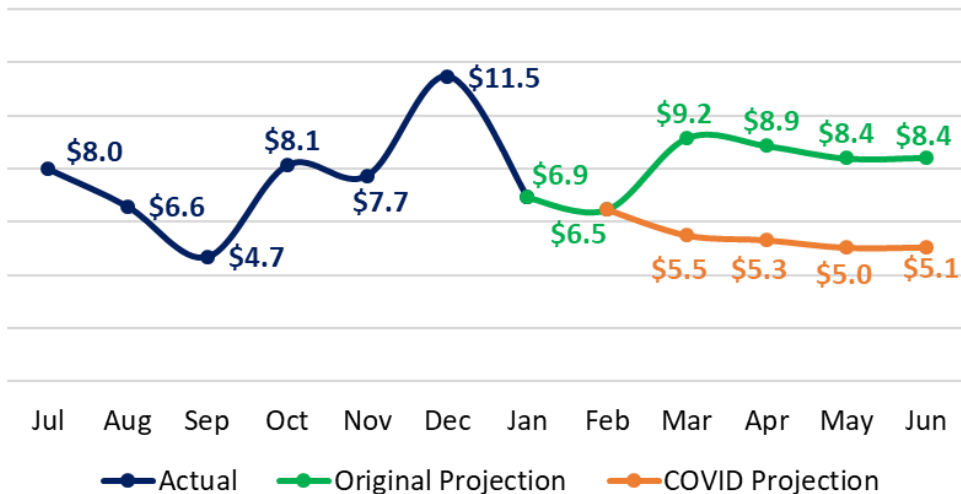
# Revenue: Sales Tax

## Potential COVID Impacts:

- March sales data will not be released until late-May
- March sales tax revenue will not be received until June
- Assumes March through June revenue is **60% of expected revenue**

### Sales Tax Revenue

FY 2020 Collections (in millions)



Year-end revenue expected to be **\$13.9 million under original projections.**

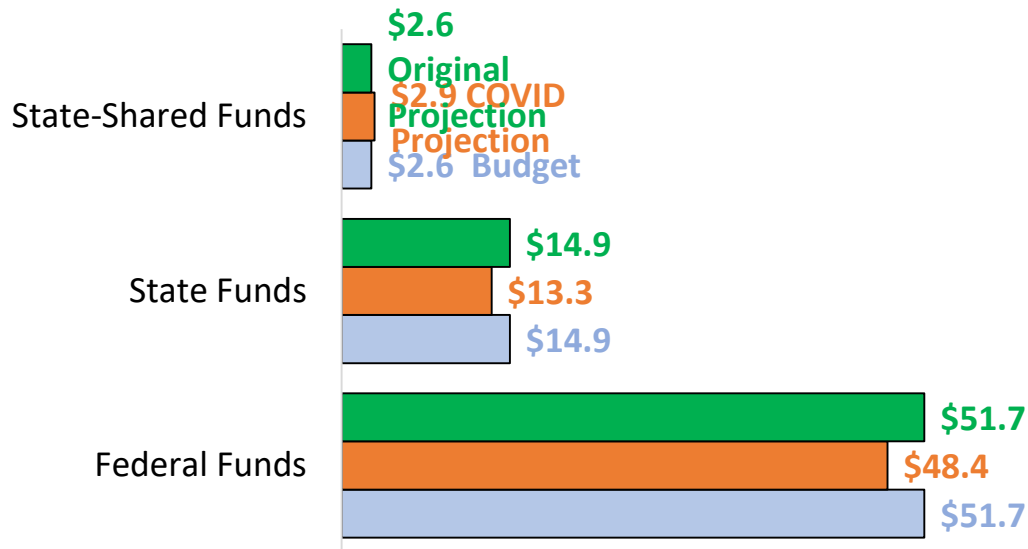
Because of the revenue “reserves” cushion through March, year-end revenue expected to be **\$10 million under budget.**

# Revenue: Federal & State Funds

## Potential COVID Impacts:

### Federal and State Funds

FY 2020 Collections (in millions)



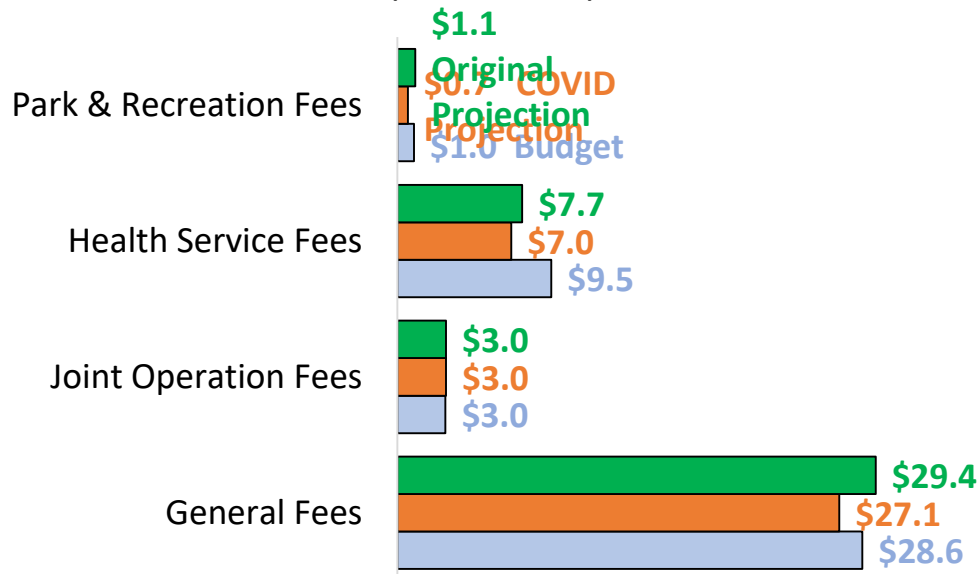
Year-end revenue expected to be \$64.7 million, about **\$4.6 million under budget.**

# Revenue: Service Charges

## Potential COVID Impacts:

### Service Charges

FY 2020 Collections (in millions)



Year-end revenue expected to be \$37.8 million, about **\$4.2 million under budget.**

# Revenue: Investment Earnings

## Potential COVID Impacts:

Year-end Investment Earnings are expected to be \$4 million, about **\$360,000 under budget**.

# Revenue: COVID Year-End Projections

Year-end revenue expected to be **\$15.8 million under budget.**

|                          | Budget             | Original<br>Projection | COVID<br>Projection | COVID vs<br>Budget  |
|--------------------------|--------------------|------------------------|---------------------|---------------------|
| Taxes                    |                    |                        |                     |                     |
| Property Taxes (Current) | 378,325,000        | 385,461,553            | 382,160,380         | 3,835,380           |
| Sales Taxes              | 90,975,000         | 94,858,452             | 80,916,718          | (10,058,282)        |
| Other Taxes              | 6,325,000          | 8,702,503              | 6,890,766           | 565,766             |
|                          | 475,625,000        | 489,022,509            | 469,967,864         | (5,657,136)         |
| Federal & State Funds    | 69,284,926         | 65,497,153             | 64,665,778          | (4,619,148)         |
| Service Charges          | 41,997,840         | 41,129,574             | 37,785,641          | (4,212,199)         |
| Other Revenues           | 13,972,579         | 14,469,429             | 12,644,737          | (1,327,842)         |
| <b>Total</b>             | <b>600,880,345</b> | <b>610,118,665</b>     | <b>585,064,019</b>  | <b>(15,816,326)</b> |

# Expenditures: Year-End Projections

## Revenue Sensitivity

|                    |            |
|--------------------|------------|
| Very Sensitive     | 30%        |
| Somewhat Sensitive | 60%        |
| Stable             | <u>10%</u> |
|                    | 100%       |

## Expenditure Flexibility

| Department                 | Running %<br>of County \$ |
|----------------------------|---------------------------|
| Education                  | 61%                       |
| Law Enforcement            | 73%                       |
| Social Services & Mandates | 78%                       |
| Public Health              | 81%                       |
| Emergency Services         | 84%                       |
| Sandhills                  | 86%                       |
| County Debt Repayment      | 87%                       |
| 33 Other Departments       | <u>13%</u>                |
|                            | 100%                      |

# Expenditures: Year-End Projections

Assumes crisis funding used for unbudgeted COVID-related expenditures

Regular expenditures are expected to be **\$23.7 million under budget.**

|                           | Budget             | Year-End<br>Projection | Over/(Under)<br>Budget |
|---------------------------|--------------------|------------------------|------------------------|
| Personnel                 | 198,526,262        | 195,315,650            | (3,210,612)            |
| Supplies & Materials      | 12,748,462         | 10,131,393             | (2,617,069)            |
| Other Services & Charges  | 299,076,156        | 287,696,801            | (11,379,355)           |
| Human Services Assistance | 17,232,872         | 15,000,941             | (2,231,931)            |
| Capital                   | 10,167,407         | 8,759,771              | (1,407,636)            |
| Debt Repayment            | 96,079,655         | 93,180,437             | (2,899,218)            |
| Other                     | 7,507,528          | 7,588,141              | 80,613                 |
| <b>Total</b>              | <b>641,338,342</b> | <b>617,673,134</b>     | <b>(23,665,208)</b>    |



# “Rainy Day” Reserves: Year-End Projections

The county may need to use approximately \$25 million of its **rainy day reserves** (or **fund balance**) to fully fund FY 2020 expenditures, mostly because of revenue shortfalls related to COVID-19.

|                            | Budget            | Year-End<br>Projection |
|----------------------------|-------------------|------------------------|
| Expenditures               | 641,338,342       | 617,673,134            |
| Revenues                   | 600,880,345       | 585,064,019            |
| <b>Difference</b>          | <b>40,457,997</b> | <b>32,609,114</b>      |
| LESS: Bond Premium         | (7,641,123)       | (7,641,123)            |
| LESS: Department Funds     | (3,206,369)       | (3,206,369)            |
| <b>Fund Balance Needed</b> | <b>29,610,505</b> | <b>21,761,622</b>      |

# “Rainy Day” Reserves: Year-End Projections

Based on the assumptions and projections included on the prior slides, the county’s undesignated fund balance as a percent of General Fund expenditures is likely to fall, possibly significantly, by the end of FY 2020.

|  |                     |
|--|---------------------|
| Beginning Unassigned Fund Balance  | 78,240,395          |
| Estimated Fund Balance Needed for FY 2020                                | <u>(21,761,622)</u> |
| <b>Estimated Ending Unassigned Fund Balance</b>                          | <b>56,478,773</b>   |
| <b>Estimated General Fund Expenditures</b>                               | <b>609,765,606</b>  |
| <b>Unassigned Fund Balance as a % of above</b>                           | <b>9.3%</b>         |
| FY 2019 Undesignated Fund Balance as a % of<br>General Fund Expenditures | 13.2%               |

# FY 2021 Early Notes

Guiding Principles

Early Property Tax Estimate

Early Sales Tax Estimate

Notable Budget Drivers

# FY 2021 Budget Development: Guiding Factors

## **1) Communities (and Governments) are People**

We prioritize the well-being and support of our team members, our most important assets.

## **2) The County's Core Priorities & Services are Critical**

We prioritize services that support public health, protect our most vulnerable, and provide effective emergency response.

## **3) The County's Future is Worth Investing In and Stewarding**

We prioritize the stewardship of our physical, financial, and human infrastructure.

# Expenditures: FY 2021 Early Projections

## Revenue Sensitivity

|                    |            |
|--------------------|------------|
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# Revenue: FY 2021 Early Projections

## How have we prepared the estimates for FY 2021?

Excludes General “Rainy Day” Reserves

- Considered the sensitivity (elasticity) of individual revenues.
- Estimated COVID-related impacts by reviewing, where possible, actual vs. expected revenues for March and April.  
*(Will continue to adjust estimates based on reviews with departments)*
- Reviewed NC local government association (NCACC, NCLM) guidance, economic reports, & department advice
- Applied collected information to projections.

# Revenue: Property Tax

The COVID Pandemic will impact property values for FY 2021.

**Pre-COVID:** Base increases by **2.4%** from the values used for the FY 2020 budget.

**Post-COVID:** Base increases by **1.7%** from the values used for the FY 2020 budget.

|                                     | FY 2020<br>Budget | FY 2020<br>Actual* | FY 2021<br>Original<br>Estimate | FY 2021<br>COVID<br>Estimate |
|-------------------------------------|-------------------|--------------------|---------------------------------|------------------------------|
| <b>Real &amp; Personal Property</b> |                   |                    |                                 |                              |
| Real                                | 41.9              | 41.9               | 43.1                            | 42.8                         |
| Personal                            | 4.9               | 5.1                | 5.0                             | 5.0                          |
| Certified                           | 1.4               | 1.4                | 1.4                             | 1.4                          |
|                                     | 48.2              | 48.4               | 49.5                            | 49.2                         |
| <i>change from FY 2020 Actual</i>   |                   |                    | 2.4%                            | 1.7%                         |
| <i>change from FY 2020 Budget</i>   |                   |                    | 2.7%                            | 2.0%                         |
| <b>Motor Vehicles</b>               | 4.4               | 4.6                | 4.7                             | 4.3                          |
| <i>change from FY 2020 Actual</i>   |                   |                    | 3.0%                            | -6.4%                        |
| <i>change from FY 2020 Budget</i>   |                   |                    | 7.9%                            | -2.0%                        |
| <i>COVID growth assumptions</i>     |                   |                    | Jul - Sep                       | -20.0%                       |
|                                     |                   |                    | Oct - Dec                       | -10.0%                       |
|                                     |                   |                    | Jan - Mar                       | 0.0%                         |
|                                     |                   |                    | Apr - Jun                       | 5.0%                         |
| <b>Total Property Base</b>          | <b>52.6</b>       | <b>53.0</b>        | <b>54.3</b>                     | <b>53.5</b>                  |
| <i>change from FY 2020 Actual</i>   |                   |                    | 2.4%                            | 1.0%                         |
| <i>change from FY 2020 Budget</i>   |                   |                    | 3.2%                            | 1.7%                         |

# Revenue: Property Tax

**Post-COVID:** Property tax revenues are estimated to increase by \$8.4 million. This is about \$5.8 million less than the Pre-COVID original estimate.

|  | FY 2020<br>Budget | FY 2020<br>Actual* | FY 2021<br>Original<br>Estimate | FY 2021<br>COVID<br>Estimate |
|--|-------------------|--------------------|---------------------------------|------------------------------|
| <b>Total Property Base (in billions)</b> | <b>52.6</b>       | <b>53.0</b>        | <b>54.3</b>                     | <b>53.5</b>                  |
| <b>Collection Rate</b>                   |                   |                    |                                 |                              |
| Real & Personal                          | 96.3%             |                    | 98.0%                           | 98.00%                       |
| Certified                                | 100.0%            |                    | 100.0%                          | 100.00%                      |
| Motor Vehicles                           | 100.0%            |                    | 100.0%                          | 100.00%                      |
| <b>Blended</b>                           | <b>98.4%</b>      |                    | <b>99.0%</b>                    | <b>99.0%</b>                 |
| <b>Revenues (in millions)</b>            | <b>378.3</b>      |                    | <b>392.5</b>                    | <b>386.7</b>                 |
| <i>% change from FY 2020 Budget</i>      |                   |                    | 3.7%                            | 2.2%                         |
| <i>\$ change from FY 2020 Budget</i>     |                   |                    | 14.2                            | 8.4                          |



# Revenue: Sales Tax

**Post-COVID:** Sales Tax revenues will decline because of the pandemic. The FY 2021 estimates assume revenues will be below FY 2020 levels through next February.

| <b>Sales Month</b> | <b>% of FY 2020<br/>Revenue</b> |
|--------------------|---------------------------------|
| July - August      | 60%                             |
| September          | 75%                             |
| October            | 80%                             |
| November           | 85%                             |
| December           | 90%                             |
| January            | 95%                             |
| February - June    | 100%                            |

# Revenue: Sales Tax

Sales Tax revenues will decline because of the pandemic. The FY 2021 estimates assume revenues will be below FY 2020 levels through next February.

|                            |                |
|----------------------------|----------------|
| Pre-COVID FY 2021 Estimate | \$96.8 million |
|----------------------------|----------------|

|                             |                       |
|-----------------------------|-----------------------|
| Post-COVID FY 2021 Estimate | <u>\$84.0 million</u> |
|-----------------------------|-----------------------|

|  |                 |
|--|-----------------|
|  | -\$12.8 million |
|--|-----------------|

# Revenue: Property & Sales Tax

## FY 2021 Early Estimates

|                                |                        |
|--------------------------------|------------------------|
| Change in Property Tax Revenue | \$8.4 million          |
| Change in Sales Tax Revenue    | <u>-\$12.8 million</u> |
|                                | <b>-\$4.4 million</b>  |

# Notable Budget Drivers for FY21

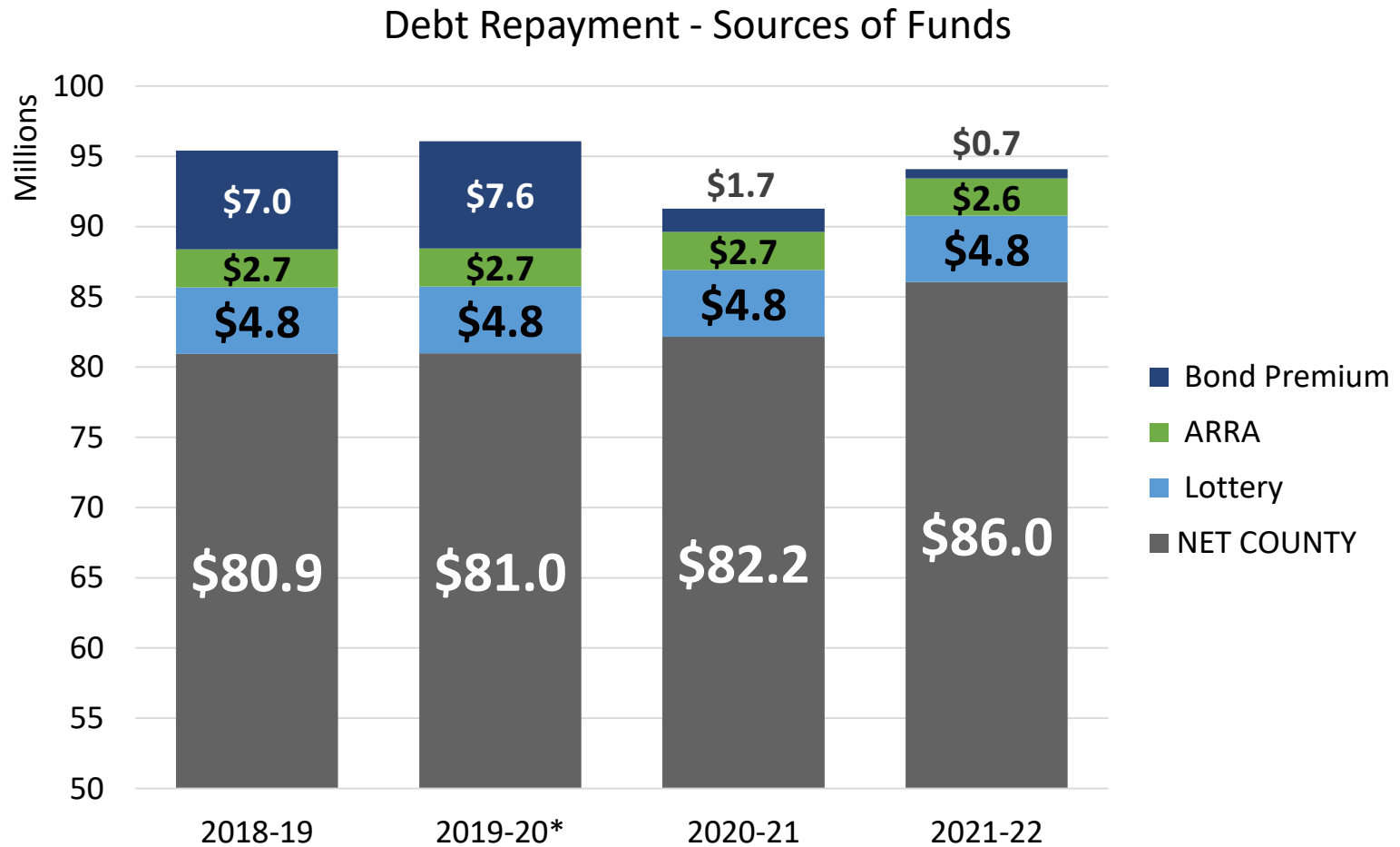
Debt Service

Internal Service Fund

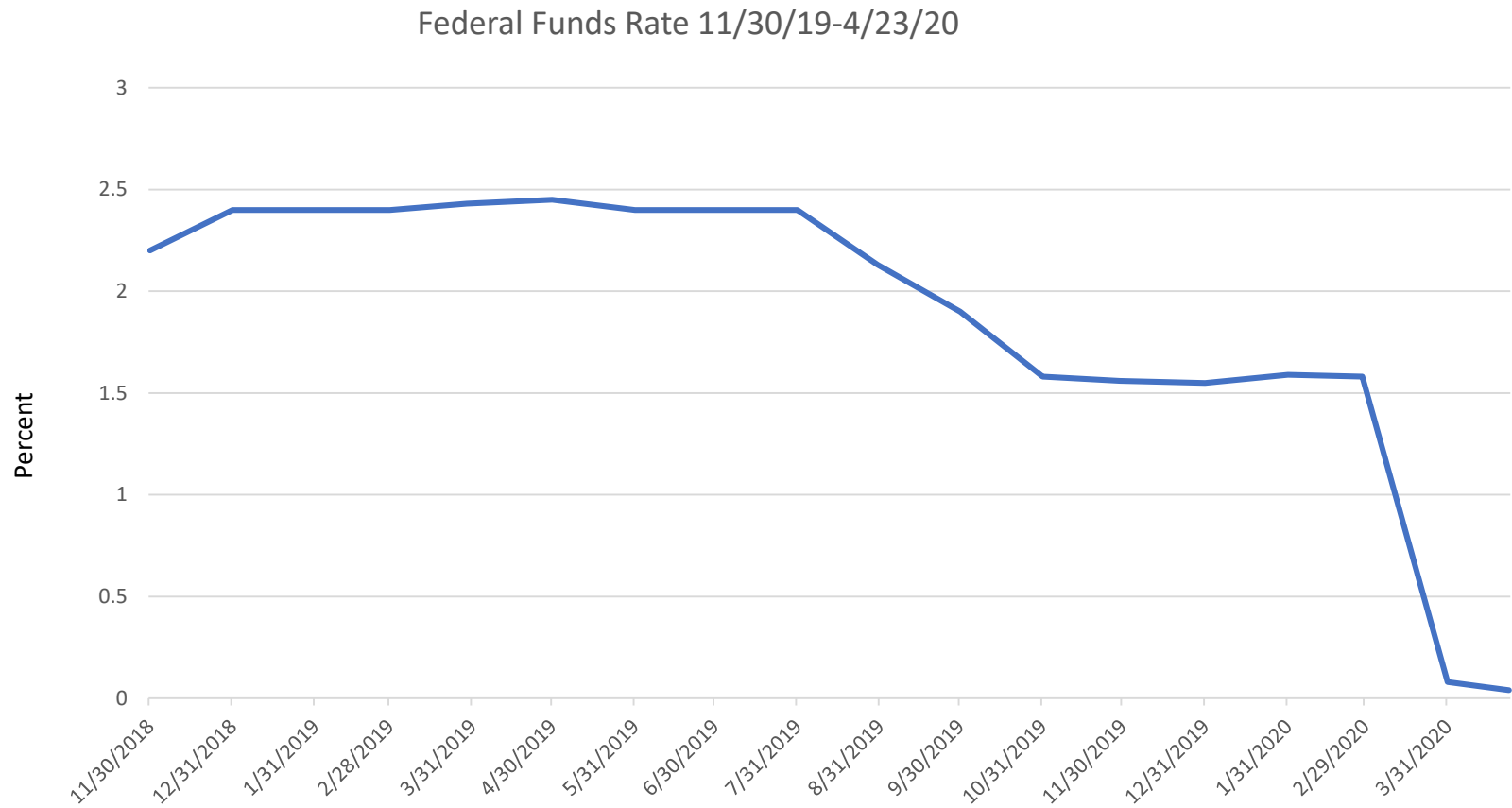
2020 Election

Capital & Facility Investments

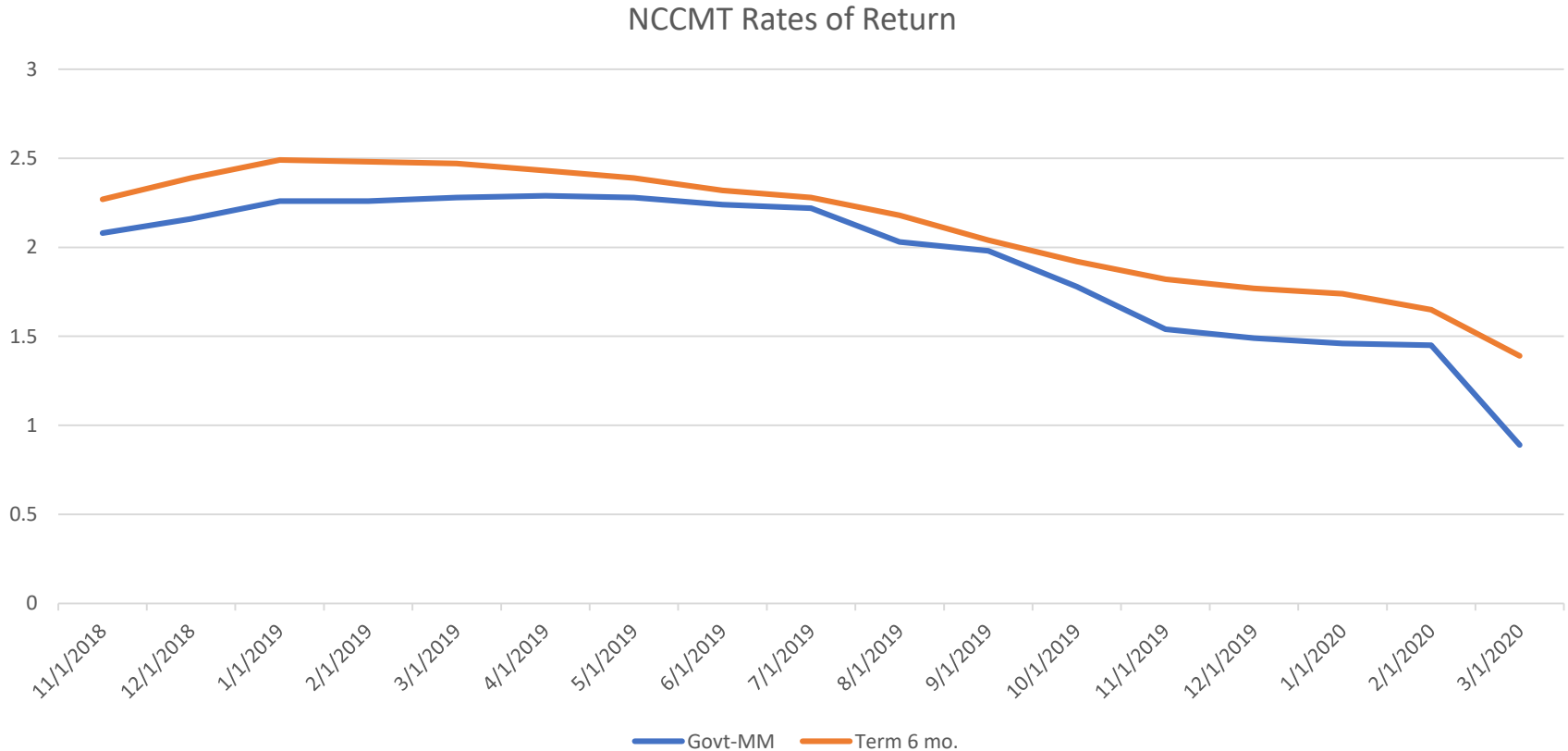
# Budget Drivers: Debt Service



# Interest Rate Indexes



# Government Investment Pool



# Impact on Revenues

- FY 20 Impact on Interest Earning
  - Original Amount - \$4,379,000
  - Change in Estimate - (\$355,908)
- FY 21 Projected Impact
  - Projected Amount - \$1,769,764
  - Change from Prior Year - (\$2,609,235)
  - Rates Used .6 - .7



# Summary of Existing Debt (as of 6/30/19)

## • Observations

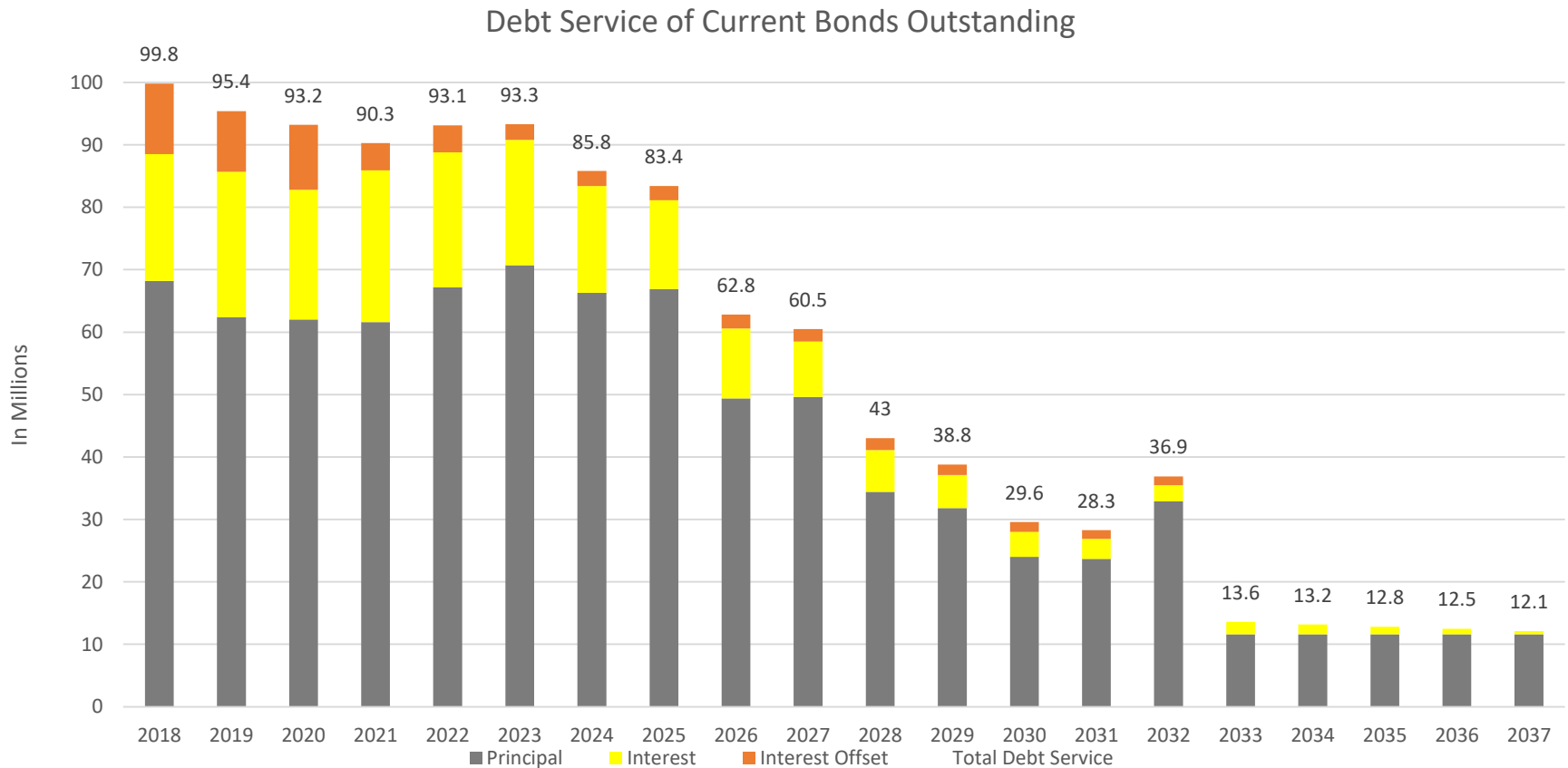
| General Obligation Bonds |  |                 |                |                 |                |                 |
|--------------------------|--|-----------------|----------------|-----------------|----------------|-----------------|
| Series                   | Description  | Par Outstanding | Final Maturity | Call Provision  | Average Coupon | Use of Proceeds |
| Series 2010A             | General Obligation Public Improvement Bonds                | 18,500,000      | 8/1/2026       | Non-Callable    | 5.000%         | New Money       |
| Series 2010B             | Taxable General Obligation Public Improvement Bonds (BABS) | 82,500,000      | 8/1/2030       | Make-Whole Call | 5.051%         | New Money       |
| Series 2010C             | General Obligation Refunding Bonds                         | 9,000,000       | 2/1/2020       | Non-Callable    | 5.000%         | Refunding       |
| Series 2010D             | General Obligation Refunding Bonds                         | 41,060,000      | 8/1/2022       | Non-Callable    | 5.000%         | Refunding       |
| Series 2012A             | General Obligation Public Improvement Bonds                | 35,295,000      | 3/1/2024       | 3/1/2022        | 4.360%         | New Money       |
| Series 2012B             | Taxable General Obligation QSCBs                           | 17,145,000      | 3/1/2032       | 3/1/2022        | 3.934%         | New Money       |
| Series 2012C             | General Obligation Refunding Bonds                         | 19,675,000      | 10/1/2026      | Non-Callable    | 5.043%         | Refunding       |
| Series 2016              | General Obligation Refunding Bonds                         | 92,710,000      | 2/1/2029       | 2/1/2016        | 4.497%         | Refunding       |
| Series 2017A             | General Obligation Bonds (4-3)                             | 25,340,000      | 5/1/2031       | 5/1/2027        | 4.169%         | New Money       |
| Series 2017B             | General Obligation Bonds (Referendum)                      | 161,370,000     | 3/1/2031       | 5/1/2027        | 4.446%         | New Money       |
| Series 2017              | General Obligation Refunding Bonds                         | 167,845,000     | 3/1/2030       | 3/1/2027        | 4.618%         | Refunding       |
| Series 2019A             | General Obligation Public Improvement Bonds                | 40,000,000      | 5/1/2039       | 5/1/2029        | 4.168%         | New Money       |
| Total                    |  | 686,340,000     |                |                 | 4.298%         |                 |

| Limited Obligation Bonds |  |                 |                |                |                |                 |
|--------------------------|--|-----------------|----------------|----------------|----------------|-----------------|
| Series                   | Description                              | Par Outstanding | Final Maturity | Call Provision | Average Coupon | Use of Proceeds |
| Series 2012              | Taxable Limited Obligation Bonds (QSCBs) | 16,245,000      | 4/1/2032       | 4/1/2022       | 4.564%         | New Money       |
| Total                    |  | 16,245,000      |                |                | 4.564%         |                 |
| Grand Total              |  | 702,585,000     |                |                | 4.304%         |                 |

- The County has approximately \$702.585 million of long term debt outstanding, comprised of general obligation bonds and limited obligation bonds.
- The portfolio has a weighted average coupon of 4.304%, an average life of 6.77 years, and is 100% fixed rate.

# Debt Service for Current Portfolio

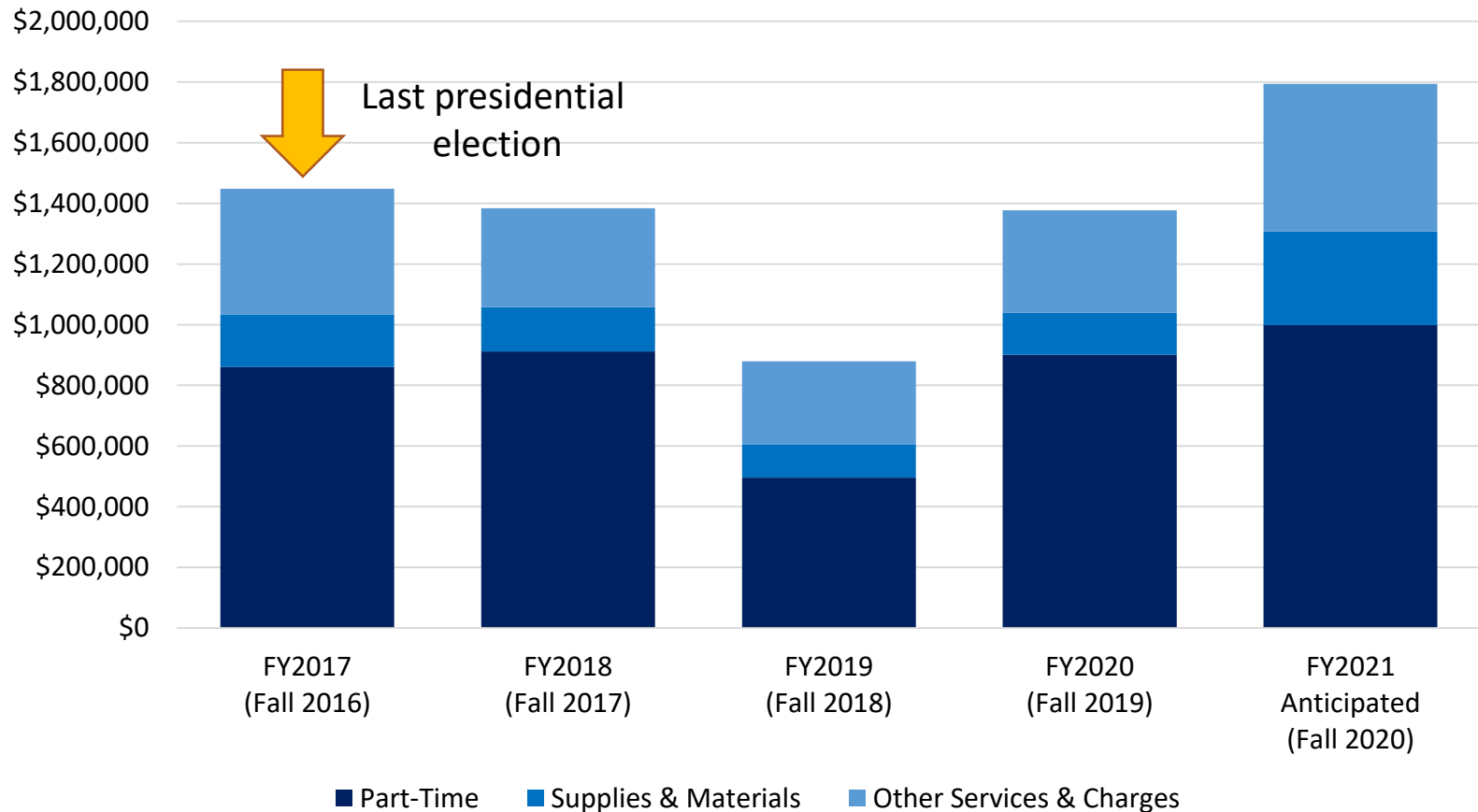


# Significant Factor in Debt Service

- Federal contribution for taxable bond approximately \$2.7M - \$1.4M per year
- Premium Offset of Interest cost
  - 2018 \$8,548,504
  - 2019 \$7,014,550
  - 2020 \$7,640,955
  - 2021 \$1,667,000
  - 2022 \$1,667,000

# Budget Drivers: 2020 Election

Elections Expenses Cycle  
(adopted amounts)



# Budget Drivers: Internal Service Fund

## Operations Gain / Loss History

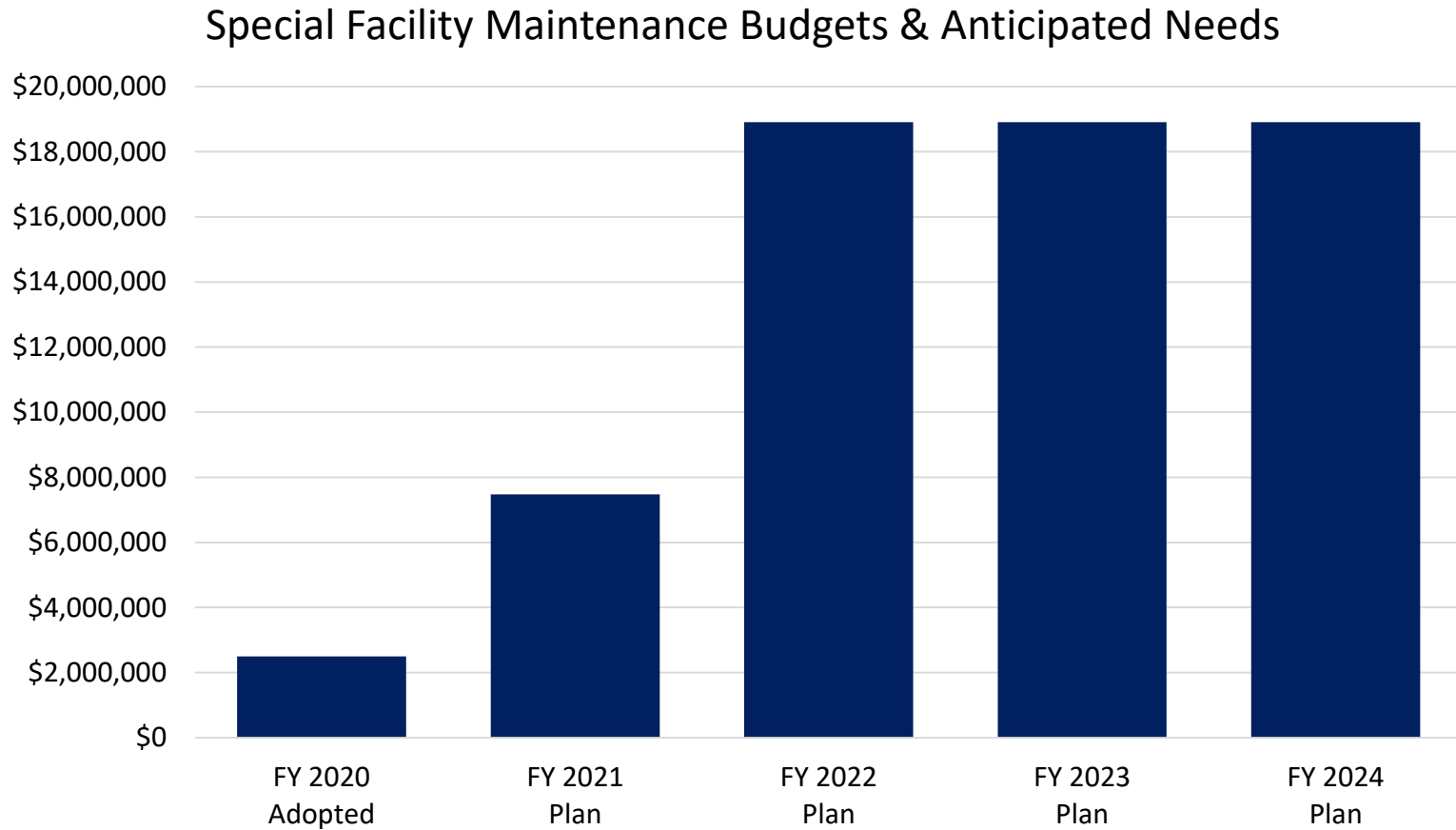
|                        | <b>FY2016<br/>Actual</b> | <b>FY2017<br/>Actual</b> | <b>FY2018<br/>Actual</b> | <b>FY2019<br/>Actual</b> | <b>FY2020<br/>Adopted</b> |
|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| <b>Risk Management</b> |                          |                          |                          |                          |                           |
| Expense                | 3,577,718                | 2,381,729                | 2,319,460                | 2,566,076                | 3,302,411                 |
| Revenue                | 2,411,834                | 2,328,210                | 3,049,658                | 3,626,034                | 2,762,589                 |
| Gain / (Loss)          | (1,165,884)              | (53,519)                 | 730,198                  | 1,059,958                | (539,822)                 |
| <b>Healthcare</b>      |                          |                          |                          |                          |                           |
| Expense                | 37,638,327               | 39,833,727               | 39,980,734               | 44,819,683               | 47,096,065                |
| Revenue                | 38,216,752               | 38,939,134               | 39,779,155               | 40,677,043               | 39,934,458                |
| Gain / (Loss)          | 578,425                  | (894,593)                | (201,579)                | (4,142,640)              | (7,161,607)               |

# Budget Drivers: Capital & Facility Investments

## Facility Maintenance Funding Benchmarks

|  | Standard                              | Driver/Ratio                      | Recomm Amt          | FY19 Adopt         | FY20 Adopt         |
|--|---------------------------------------|-----------------------------------|---------------------|--------------------|--------------------|
| <b>Routine Maintenance</b>                       |                                       |                                   |                     |                    |                    |
| GC Facilities Before FY 2020                     | \$2.00 per sq ft                      | 2,500,000 sq ft                   | \$5,000,000         | \$2,282,690        | \$2,510,391        |
| GC Facilities Current (APPA)                     | 0.5-1.5% of capital replacement value | \$230/sq ft x 2.5M or \$5.75M CRV | \$5,750,000         |                    |                    |
| As % of Current Replacement Value                | 1% of County buildings                | \$235,697,762 in CV               | \$2,356,978         |                    |                    |
| <b>Major Maintenance</b>                         |                                       |                                   |                     |                    |                    |
| GC Facilities Before FY 2020                     | \$2.25 per sq ft                      | 2,500,000 sq ft                   | \$5,625,000         | \$4,154,500        | \$2,795,000        |
| GC Facilities Current (APPA)                     | 1.5-2.5% avg of replacement value     | \$230/sq ft x 2.5M or \$5.75M CRV | \$11,500,000        |                    |                    |
| As % of Current Replacement                      | 2% of County buildings                | \$235,697,762 in CV               | \$4,713,955         |                    |                    |
| <b>Total</b> (Average of Standards / Benchmarks) |                                       |                                   | <b>\$11,648,644</b> | <b>\$6,437,190</b> | <b>\$5,305,391</b> |

# Budget Drivers: Capital & Facility Investments



# Budget Drivers: Capital & Facility Investments

## Capital Investment Plan

- CIP is not fully funded. To fully fund planned projects, an average cash transfer from the General Fund of **\$9 million** is needed in each of the next five years.
- The FY 2020 budget included **\$1.5 million** for CIP needs.
- Substantial additional funding is needed to complete major renovations and repairs to county properties, as well as to fund public safety communication needs.



# Budget Drivers: Capital & Facility Investments

## County Building Construction Fund

### Unallocated Funds:

|   |                       |
|---|-----------------------|
| Anticipated funds   | \$19.9 million        |
| LESS:   |                       |
| Board allocations to projects                                     | -\$10.1 million       |
| Estimated year-end statutory reserves                             | <u>-\$310,000</u>     |
| Sub-total   | \$9.5 million         |
| HOLD: Pending NC Budget passage for<br>Behavioral Health Facility | <u>-\$7.7 million</u> |
| Available Funds   | \$1.8 million         |

# Budget Drivers: Behavioral Health Center

Budget includes:

- Behavioral Health Director
- 6 Deputies
- Contract Security

|                           | Annual<br>FY2021 | Annual<br>FY2022 |
|---------------------------|------------------|------------------|
| Regular Salaries          | 191,565          | 363,552          |
| Retirement                | 20,218           | 38,722           |
| F I C A - Social Security | 14,655           | 27,812           |
| Group Insurance           | 35,055           | 74,825           |
| Workmens Compensation     | 4,684            | 8,639            |
| Deferred Comp 401K        | 7,867            | 16,031           |
| <b>Personnel Services</b> | <b>274,044</b>   | <b>529,581</b>   |
| Printing/Office Supplies  | 5,000            | 1000             |
| Wearing Apparel           | 66,000           | 0                |
| Medical Services          | 200,000          | 450,000          |
| Security                  | 250,000          | 250,000          |
| <b>Non-Personnel</b>      | <b>521,000</b>   | <b>701,000</b>   |
| <b>Estimated Total</b>    | <b>795,044</b>   | <b>1,230,581</b> |