
# FY2020 Year End Projections

## A Statistical Look at the Data

## Through 3/31/2020

# For Today

***<u>A projection of FY 2020 Year End</u>***

- Revenues in Total
- Expenditures in Total
- FY 2020 Encumbrances
- A Projection of FY 2021 Year End Fund Balance
- Economic Impact of COVID-19
- Service Demand Impacts of COVID-19
- FY 2021 Budget Process Status Update

# General Fund Revenue

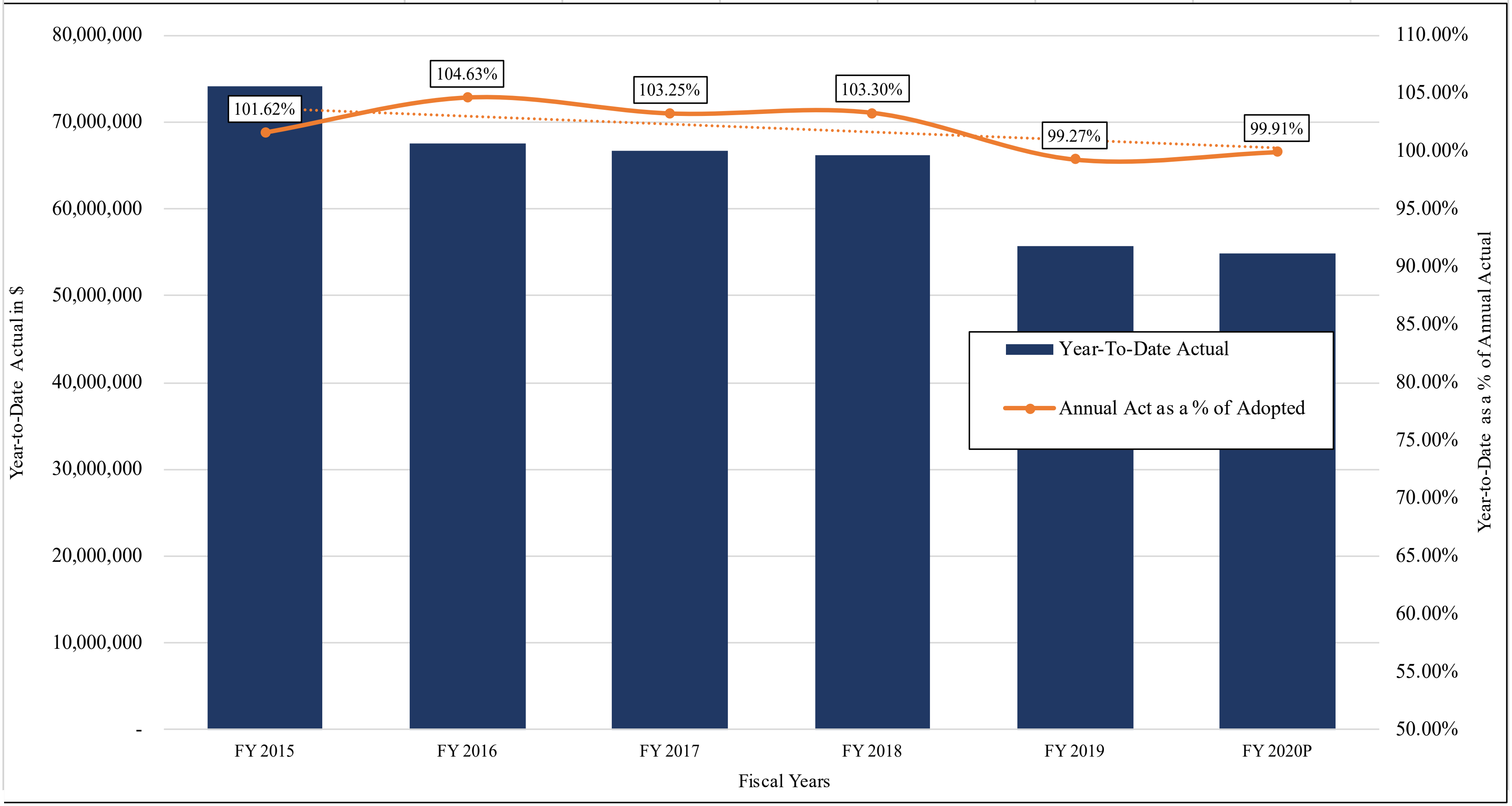
| Category | | Actual FY 2017 | Actual FY 2018 | Actual FY 2019 | Amended FY 2020 | Projected FY 2020 | % |
|---|---|---|---|---|---|---|---|
| ***Revenues*** | | | | | | | |
| Ad Valorem Taxes and Fees | $ | 69,741,631 | 69,198,718 | 57,829,342 | 57,763,211 | 57,708,940 | 99.9% |
| Local Option Sales Tax | | 41,860,291 | 43,070,620 | 45,818,820 | 48,745,636 | 45,362,307 | 93.1% |
| Other Taxes | | 2,822,173 | 2,916,298 | 2,959,554 | 3,326,120 | 3,321,712 | 99.9% |
| Intergovernmental Revenue, Unrestricted | | 10,442,191 | 11,408,872 | 12,791,821 | 13,317,543 | 14,904,993 | 111.9% |
| Intergovernmental Revenue, Restricted | | 3,581,518 | 3,444,298 | 3,469,631 | 3,752,332 | 3,600,008 | 95.9% |
| Intergovernmental Revenue, Federal Grants | | 17,917,394 | 16,203,387 | 15,729,414 | 16,743,086 | 17,813,380 | 106.4% |
| Intergovernmental Revenue, State Grants | | 4,278,944 | 2,791,681 | 2,438,219 | 3,689,888 | 2,941,686 | 79.7% |
| Non-Enterprise Charges for Services | | 8,677,230 | 10,310,022 | 10,073,201 | 9,528,028 | 10,397,480 | 109.1% |
| Debt Proceeds - Restricted Revenue | | - | - | - | 18,555,798 | 18,555,798 | 100.0% |
| Investment Revenue | | 410,770 | 877,699 | 2,503,956 | 1,525,000 | 1,525,000 | 100.0% |
| Interfund Transfers | | - | 14,445 | 6,993,613 | 5,195,292 | 5,195,292 | 100.0% |
| Other Revenue | | 6,939,636 | 7,022,921 | 6,799,166 | 7,012,802 | 7,165,373 | 102.2% |
| Contingent Revenues | | - | - | - | - | - | - |
| Fund Balance Appropriated | | - | - | - | 8,510,462 | - | - |
| Total | $ | 166,671,778 | 167,258,961 | 167,406,737 | 197,665,198 | 188,491,970 | 95.4% |

- ***Ad Valorem collections*** are trending to 100% (99.9% of budget)
- Current ***sales tax projects*** a *20% loss (March-June) or 7% of FY2020 or $3,383,329*
- ***Pre-COVID-19 sales tax*** projections showed collections of 100.2% of budget
- ***Intergovernmental revenue*** trending above budget (104.7% as a group)
- ***Investment revenue***, still unsure of annual return, prior year actual $2.5M
- ***Charges for services*** are trending above budget. (includes reduction for COVID-19 related lost revenue (Park & Rec, Environmental Health, Library, Ag Service, other, etc.)

# Ad Valorem

## Ad Valorem Taxes and Fees

Revenues

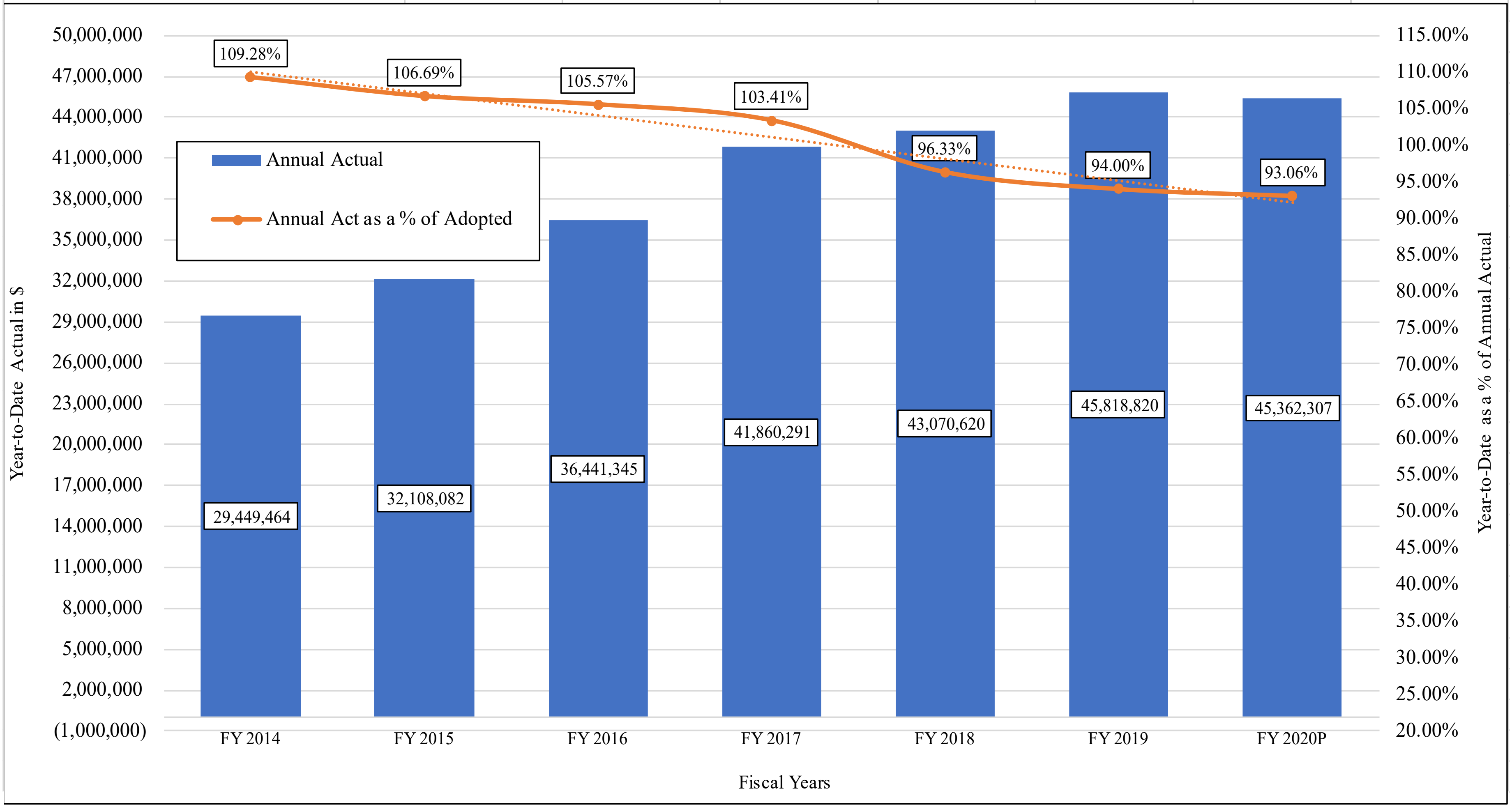



*Data Table*

| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020P |
|---|---|---|---|---|---|---|---|
| Year-To-Date Actual | $ 157,858,988 | 74,133,416 | 67,609,016 | 66,756,518 | 66,106,359 | 55,656,544 | 54,823,493 |
| Annual Actual | 165,029,948 | 77,627,772 | 70,686,848 | 69,741,631 | 69,198,718 | 57,829,342 | 57,708,940 |
| Adopted Budget | 156,081,812 | 76,391,825 | 67,560,063 | 67,546,867 | 66,988,858 | 58,257,401 | 57,763,211 |
| Revised Budget | 156,081,812 | 76,697,213 | 67,814,063 | 67,546,867 | 66,988,858 | 58,257,401 | 57,763,211 |

# Sales Tax

## Local Option Sales Tax — Revenues




### *Data Table*

| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020P |
|---|---|---|---|---|---|---|---|
| Year-To-Date Actual | $ 14,523,313 | 16,137,936 | 17,867,002 | 21,007,819 | 21,856,985 | 22,809,235 | 24,116,960 |
| Annual Actual | 29,449,464 | 32,108,082 | 36,441,345 | 41,860,291 | 43,070,620 | 45,818,820 | 45,362,307 |
| Adopted Budget | 26,948,400 | 30,093,981 | 34,518,523 | 40,481,775 | 44,713,531 | 48,745,636 | 48,745,636 |
| Revised Budget | 26,948,400 | 30,093,981 | 34,518,523 | 40,481,775 | 44,713,531 | 48,745,636 | 48,745,636 |

# General Fund Expenditures

| Category | | Actual FY 2017 | Actual FY 2018 | Actual FY 2019 | Amended FY 2020 | Projected FY 2020 | % |
|---|---|---|---|---|---|---|---|
| ***Expenditures*** | | | | | | | |
| Employee Compensation | $ | 44,140,968 | 46,503,205 | 51,406,454 | 60,386,946 | 57,989,358 | 96.0% |
| Employee Benefits | | 26,159,289 | 29,043,672 | 32,498,995 | 35,056,937 | 34,284,787 | 97.8% |
| Operating Cost | | 30,817,555 | 28,956,229 | 28,498,198 | 32,164,646 | 29,356,918 | 91.3% |
| Capital Outlay | | 2,072,189 | 2,121,393 | 2,198,806 | 3,816,419 | 3,816,419 | 100.0% |
| Contracts, Grants, and Subsidies | | 5,926,130 | 6,323,678 | 6,671,881 | 8,370,840 | 6,172,721 | 73.7% |
| Debt Service | | 45,859,529 | 44,754,827 | 52,790,977 | 49,732,405 | 49,732,405 | 100.0% |
| Interdepartmental Charges | | (1,797,384) | (1,700,668) | (2,213,572) | (2,930,416) | (2,930,416) | 100.0% |
| Interfund Transfers, Out | | 5,600,533 | 9,250,064 | 2,607,470 | 8,157,096 | 8,157,096 | 100.0% |
| Total | | 158,778,809 | 165,252,400 | 174,459,209 | 197,665,198 | 186,579,288 | 94.4% |
| | | | | | | | |
| Over/(Under) | $ | 7,892,969 | 2,006,561 | (7,052,472) | - | 1,912,682 | 1.01% |

- ***Compensation/Benefits*** trending with recent history; FY19 compensation 95.7%, benefits 98.3%
  - March 2020 county vacancy rate - 4.5%
  - Adjusted for countywide hiring freeze as of mid-April ($3.1M)
- ***Operating Costs*** trending down, but in line with prior years.
  - Driven by underspending in utilities, software maintenance, telephone and communications
  - Adjusted for countywide travel & training freeze as of mid April ($588k)
  - Some expense savings due to COVID-19, i.e., closed facilities and remote working
- ***Contracts, Grants, and Subsidies*** trending under budget, but in line with history.
  - Driven by how many economic incentive grants meet thresholds and request payment
  - Adjusted for known encumbrance releases ($388k)

***Projected EOY Total is ***$1,912,682*** Revenue over Expense or ***1.01%*** of total budget.***

# Initial Projection of Fund Balance

## FY 2021 Preliminary Fund Balance Calculation

| Line | | | Calculations |
|---|---|---|---|
| (1) | General Fund Starting Assigned and Unassigned Fund Balance as of June 30, 2019 | $ | 6,468,299 |
| (2) | General Fund Committed Reserve as of June 30, 2019 | | 60,998,762 |
| (3) | Total Starting Position as of July 1, 2019 | $ | 67,467,061 |
| (4) | Less: Estimated Usage for FY 2020* (Positive is Addition) | | 1,912,682 |
| (5) | Less: Estimated General Fund Committed Reserve as of June 30, 2020** | | (63,798,597) |
| (6) | Total Estimated Uncommitted at June 30, 2020 | $ | 5,581,146 |
| (7) | Less: FY 2020 Encumbrance Roll**** | | (2,000,000) |
| (8) | Less: Early Debt Redemption*** | | (3,000,000) |
| (9) | Less: Usage for FY 2020 1x and Contingent Items*** | | - |
| (10) | Total Estimated Unassigned Fund Balance at June 30, 2020 | $ | 581,146 |

- Projected to end year with a ***positive unassigned fund balance of $581k***
- Actual fund balance available is calculated during the year end close.
- The Projection will change based on encumbrances and other inter-year transactions
- Line (4) is the year end revenue minus expenses (negative or positive)
- Line (5) is estimate of 20% FY2021 budget amount per BOCC policy
- Line (7) is budget carried into FY 2021 (open encumbrances, unfinished projects)
- Line (8) strategic decision to decrease future general fund debt service requirements
- Line (9) No 1x purchases planned due to lack of unassigned fund balance availability

# History of Unassigned Fund Balance

| County Fund Balance Over Time | | | | | |
|---|---|---|---|---|---|
| *Year Ending* | *Unassigned* | *Assigned* | *Committed (20%)* | *Restricted* | *Total* |
| FY 2014 | 1,941,549 | 31,104,920 | 31,916,595 | 15,184,775 | 80,147,839 |
| FY 2015 | 5,947,876 | 183,151 | 53,982,762 | 17,115,421 | 77,229,210 |
| FY 2016 | 7,619,903 | 3,013,962 | 57,191,296 | 19,392,831 | 87,217,992 |
| FY 2017 | 8,597,591 | 4,722,336 | 60,642,715 | 21,148,319 | 95,110,961 |
| *FY 2018 | 3,103,954 | 8,925,398 | 62,893,854 | 22,194,317 | 97,117,523 |
| **FY 2019 | (8,196,494) | - | 60,998,762 | 38,137,681 | 90,939,949 |
| ***FY 2020 Estimated | 581,146 | - | - | - | - |

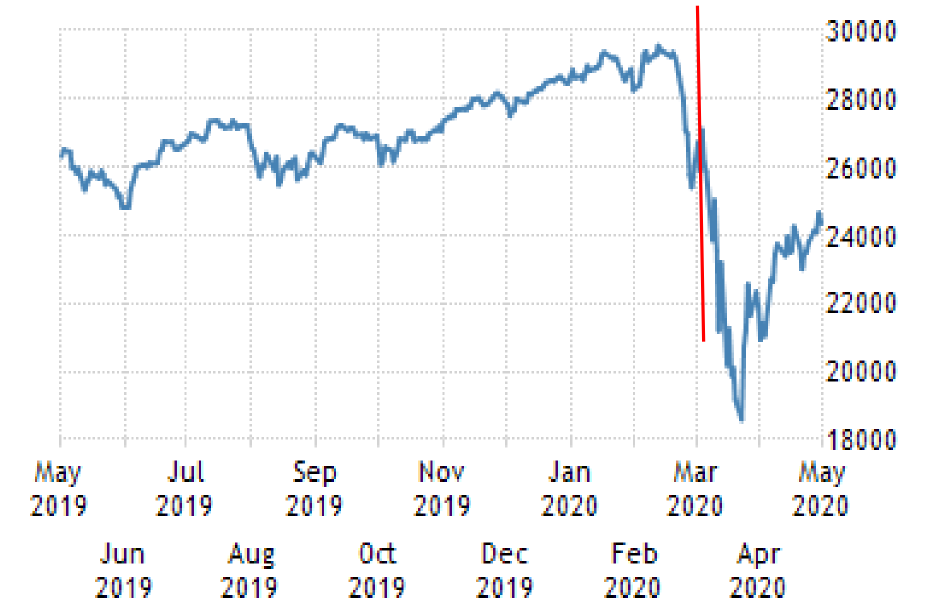
- Significant growth in unassigned fund balance from FY 2014 to FY 2017 ($7M)
- FY 2018 decrease in unassigned fund balance result of 5 penny tax rate reduction and use of fund balance in FY 2009 ($6.5M)
- FY 2019 negative due to interfund loan to CIP for purchase of industrial park
- FY 2019-20 projected lowered amount due to less year end revenue over expense, and use of $3M for early debt redemption

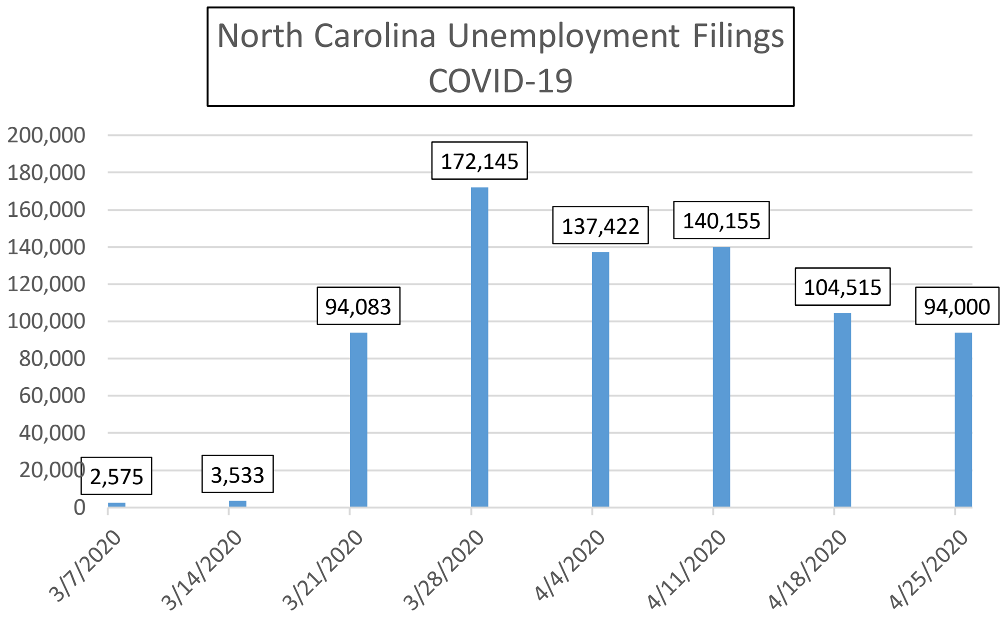
***Best Practice to end the year with a positive unassigned fund balance ($2M - $3M)***

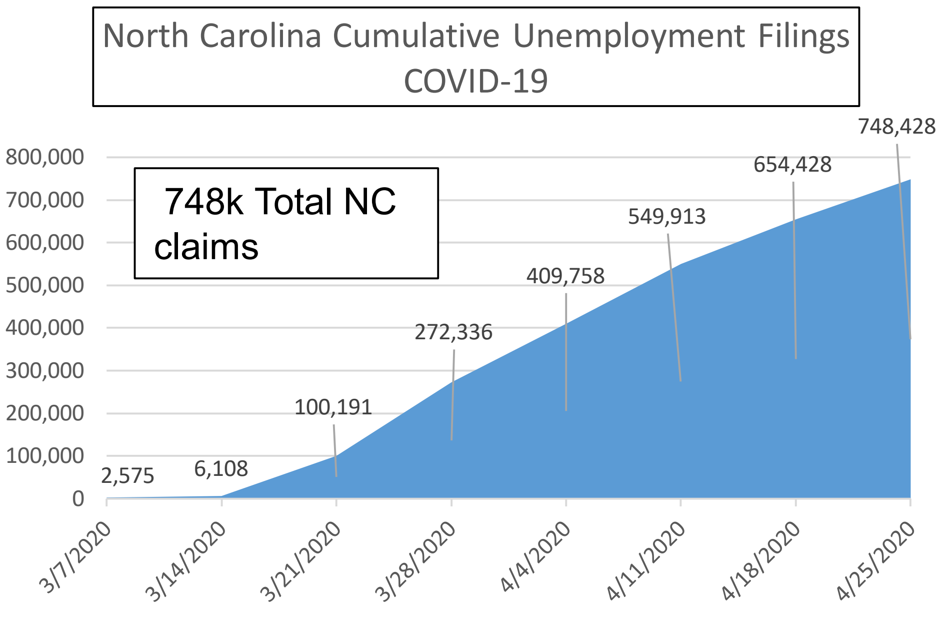
# Economic Impact of COVID-19

***Time Line of Events:***

- 15 Days to Slow the Spread began on March 16th
- Governor Cooper's Stay at Home Order March 27th
- Dow Jones lost 37% of its value, (gained back 19%)
- 748k North Carolinians file for unemployment
- 30.3 million Americans file for unemployment



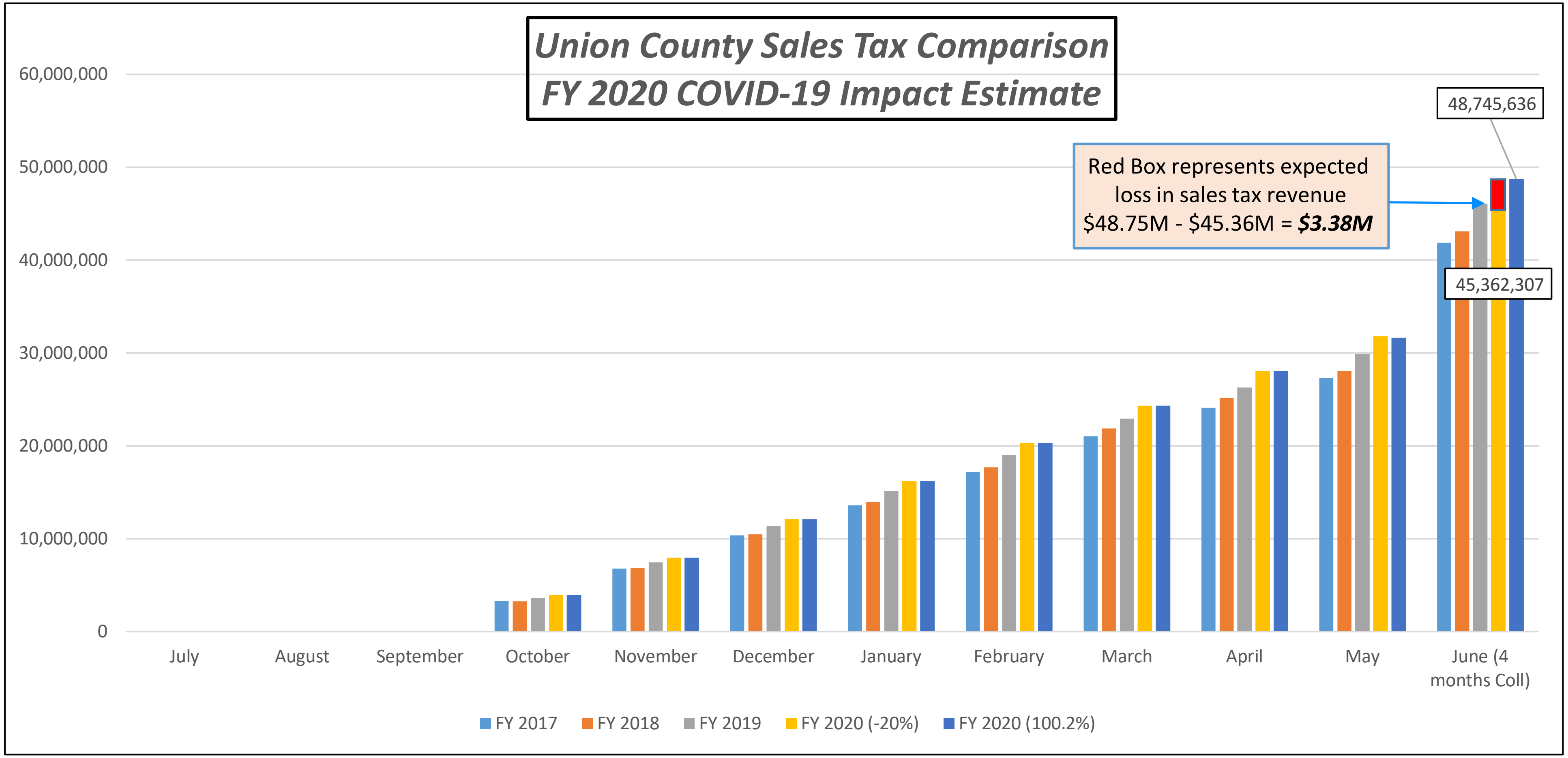



# Economic Impact of COVID-19

***<u>Time Line of Events cont'd:</u>***

- Largest Impact will be to County Sales Tax Revenue
- Congressional Budget Office (CBO) projects strong growth Oct – Dec
- CBO projects 2020 GDP contraction of 2%
- Projections of national unemployment rate up to 15%
- NCLM and NCACC published guidance for reducing sales tax
- Best estimate for county ***<u>20% loss (March - June)</u>***
- *Annualized FY 2020 loss expected at* ***<u>7% of FY2020 or $3,383,329</u>***
- Three month lag from retail transaction to county distribution
- Will not have ***<u>March</u>*** sales tax data until ***<u>June</u>***
- Timing makes it impossible to know real impact until year end
- Adopt FY 2021 budget in 5 – 6 weeks

# Economic Impact of COVID-19

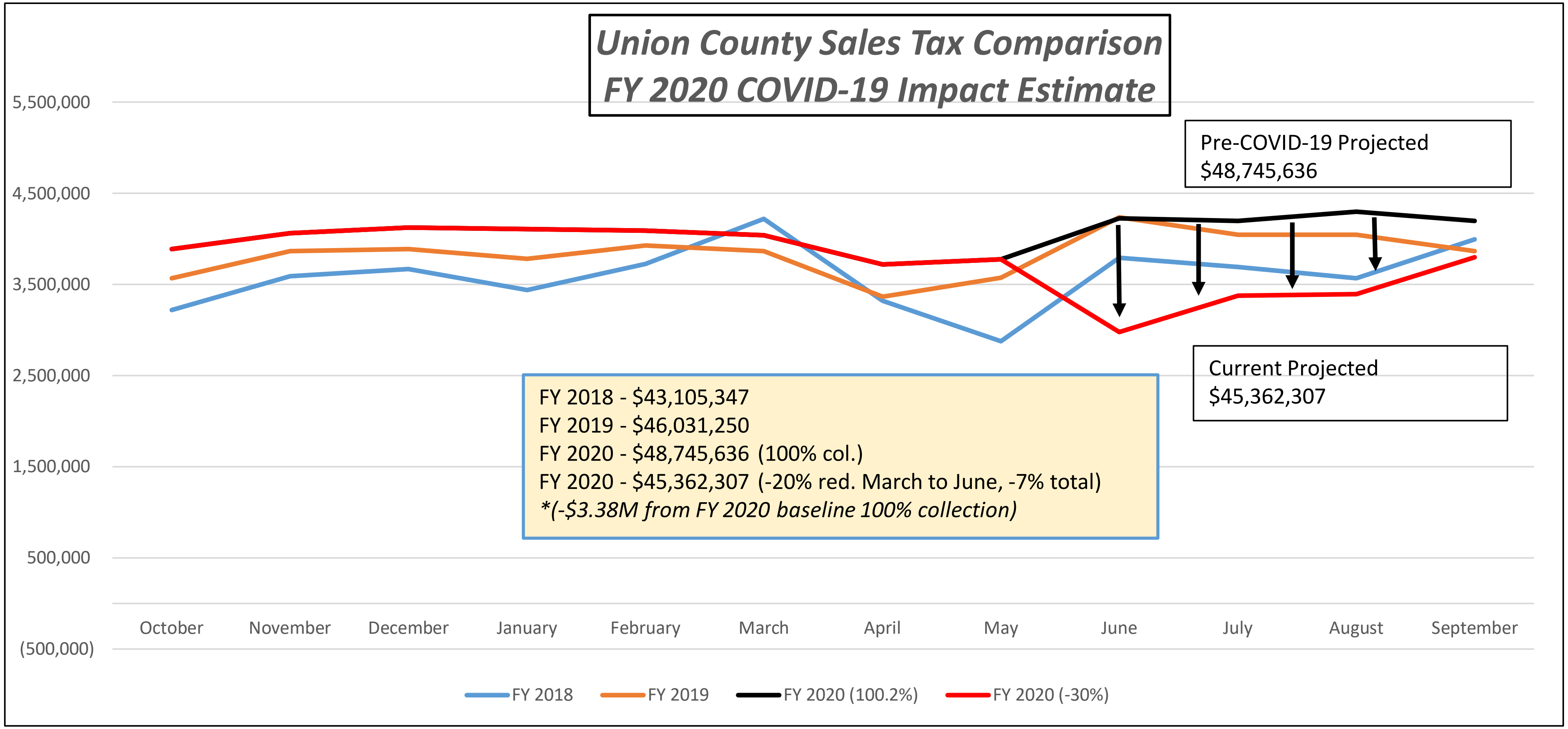



***<u>Sales Tax Split Three Ways (per statute):</u>***

- *County Expenditure - (68%), $2.29M*
- *UCPS Debt Service - (30%), $1.02M*
- *<u>Fire Departments - (2%) $75k</u>*

Total Reduction (100%) - $3.38M

# Economic Impact of COVID-19



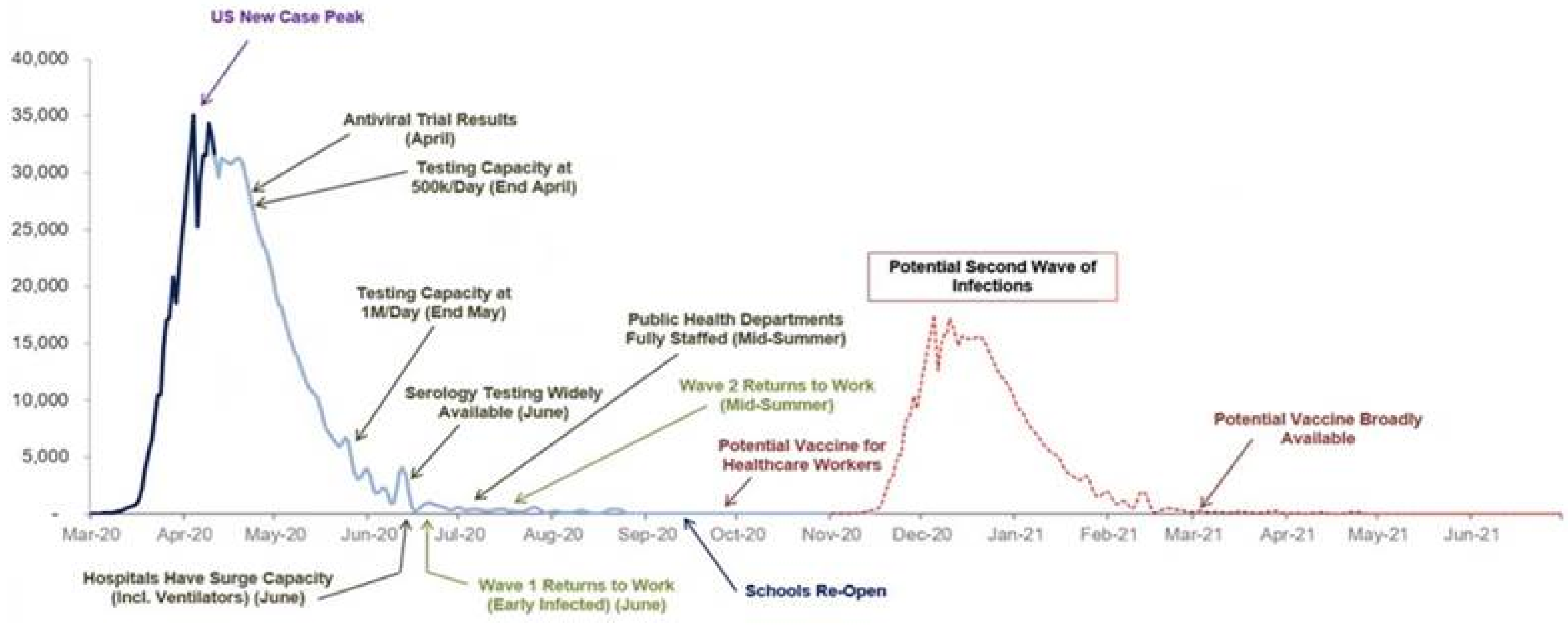

***County Response to Revenue Loss ($3.7M):***

- Freeze all County hiring to offset expected loss:
  - Salary/Compensation Savings ($2.55M)
  - Benefit Savings ($552k)
- Freeze all County Training & Travel ($610k)

# Economic Impact of COVID-19

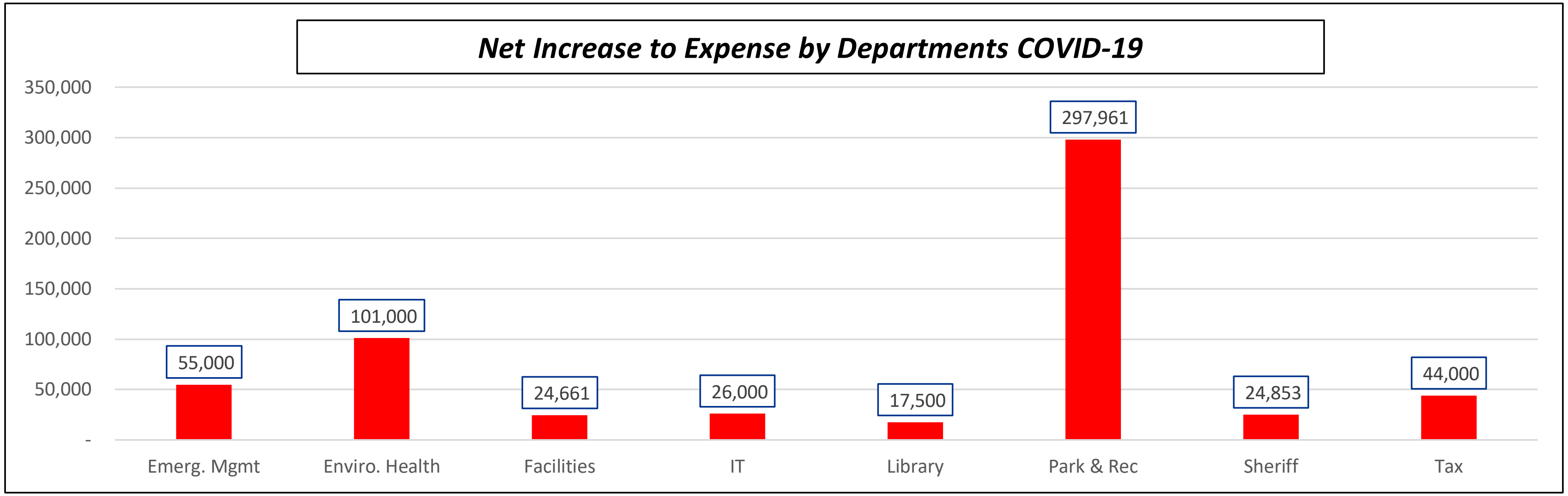
Projected timeline and milestones for a return to work in the U.S.

(Actual/estimated new case count, United States, non-cumulative)




- The sooner the economy opens up, the better county revenue outlook will be

# Economic Impact of COVID-19




***Lost Revenue:***

- ***Environmental Health*** – permitting fees
- ***Facilities*** – Reduction to sign shop requests
- ***Library*** – Facilities closed for six weeks
- ***Park & Rec*** – Facility/programming closures
- ***Sheriff*** – Animal adoptions, jail concessions
- ***Tax*** – Garnishments, legal, advertising

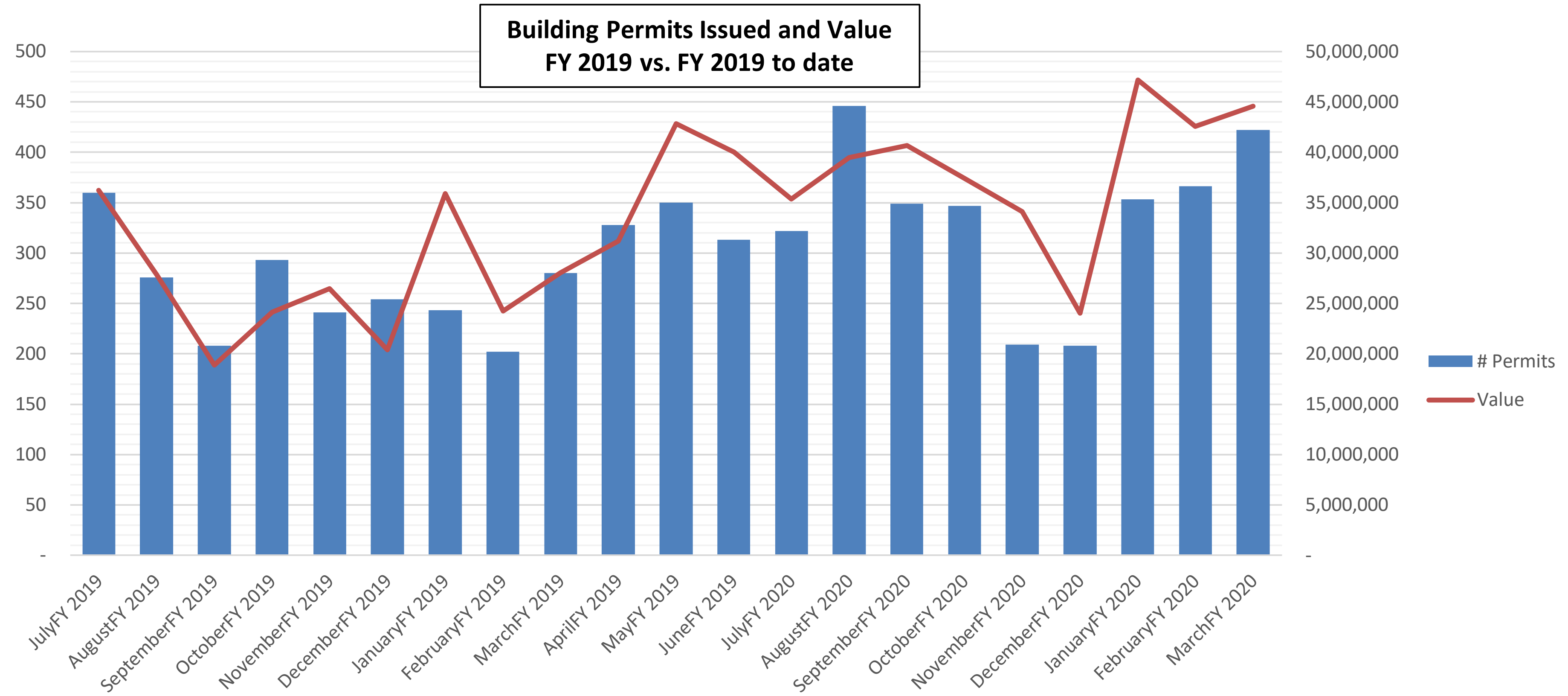
*Impact to Departments - $417,543
*Still developing

***Increased Expense:***

- ***Emergency Mgnt***. – Food, supplies, OT, etc.
- ***Facilities*** – Added custodial, glass panels, etc.
- ***IT*** – Remote working needs
- ***Public Comm*** – Website Maintenance
- ***Sheriff*** – Animal Shelter closed, concessions

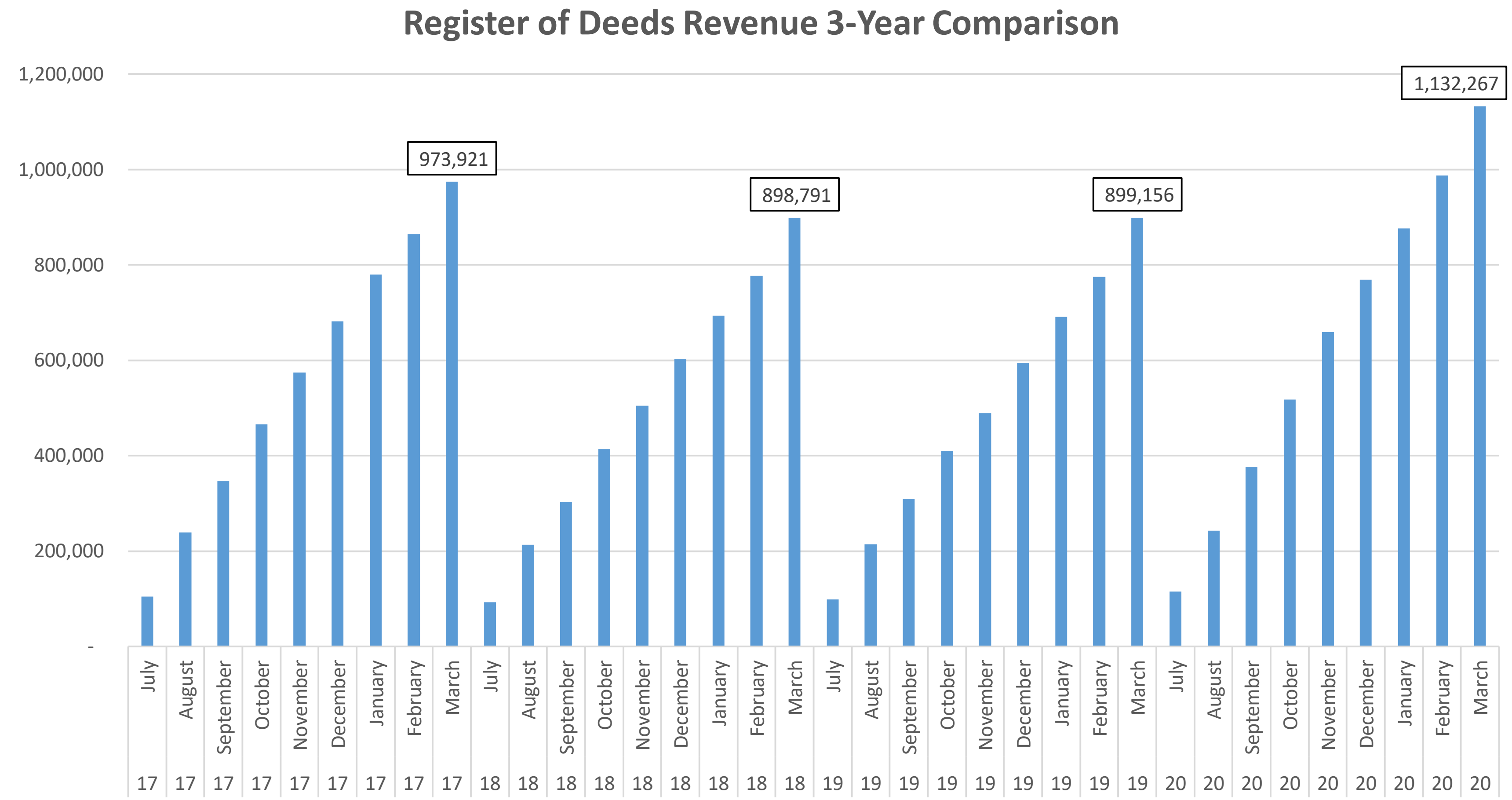
*Impact to departments - $143,419
*Not Complete, still developing

# Service Demand Impact of COVID-19



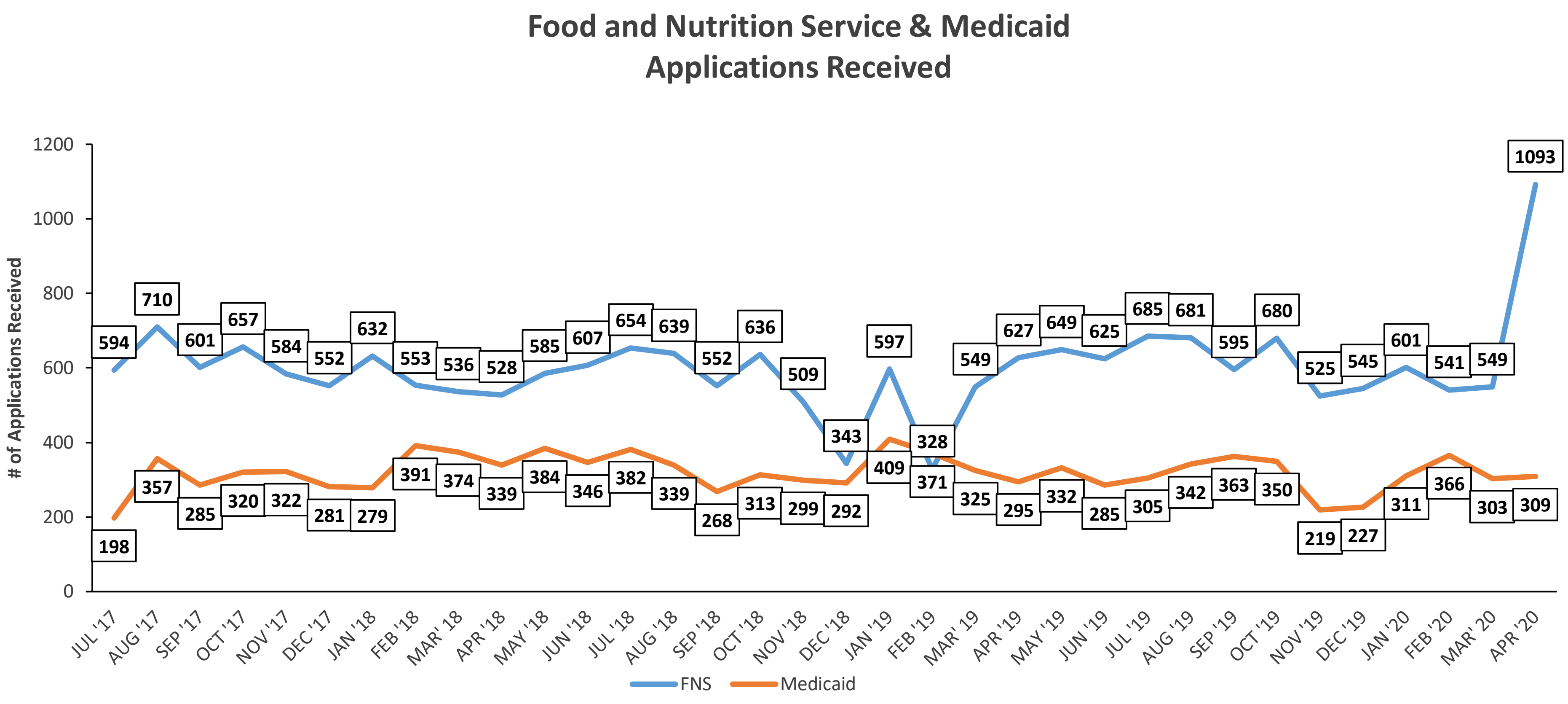

- Building & Code shows considerable growth over previous years through March 2020.
  - March FY 2019 – #280; Value – $28M
  - March FY 2020 – #422; Value – $44.5M
- Numbers are up significantly up over FY 2019, no indication that it would slow in the near term as a result of COVID-19

# Service Demand Impact of COVID-19




- Register of Deeds Revenue through March is stronger than expected trend
  - March FY 2019 – $899k
  - March FY 2020 – $1.13M
- Revenue is up significantly up over previous year, possible slowing could occur if negative economic downturn continues over long term

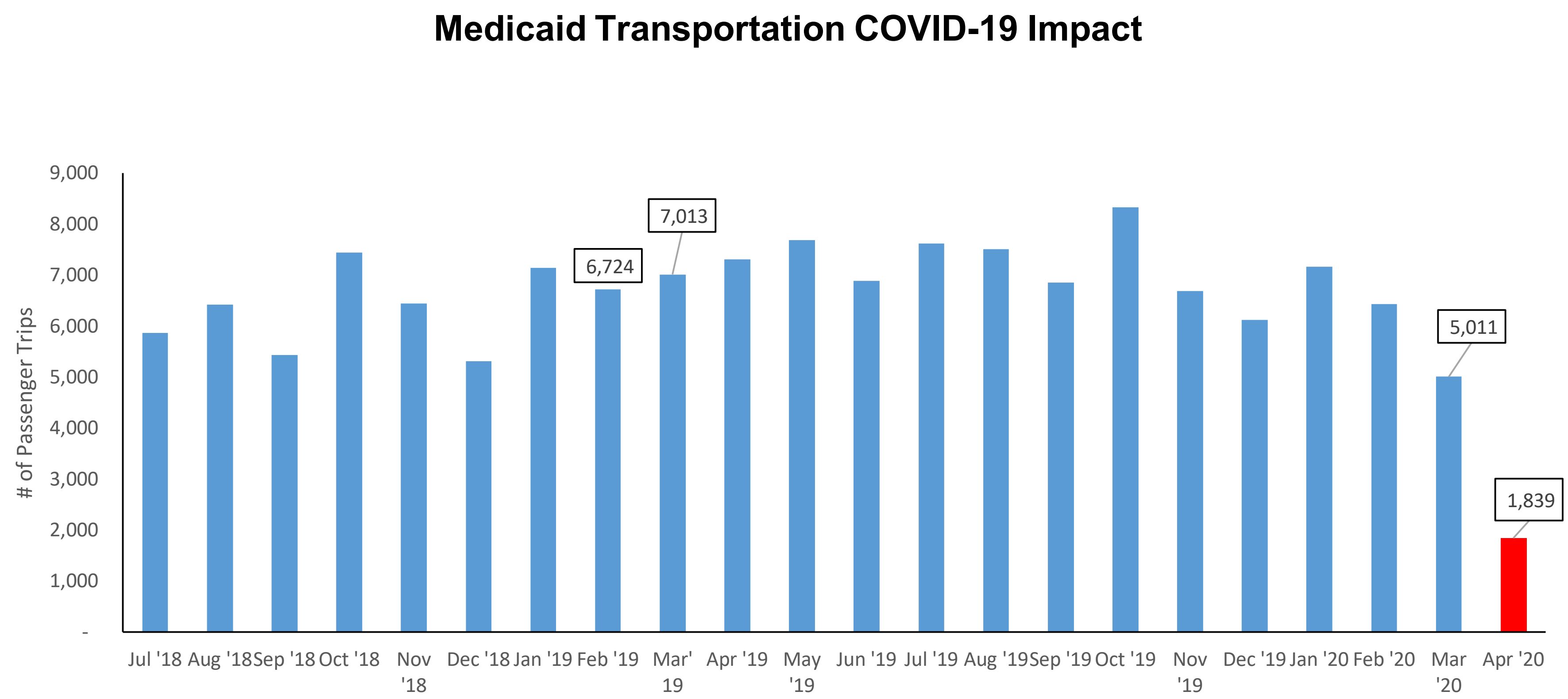
# Service Demand Impact of COVID-19




Source: Client Services Data Warehouse

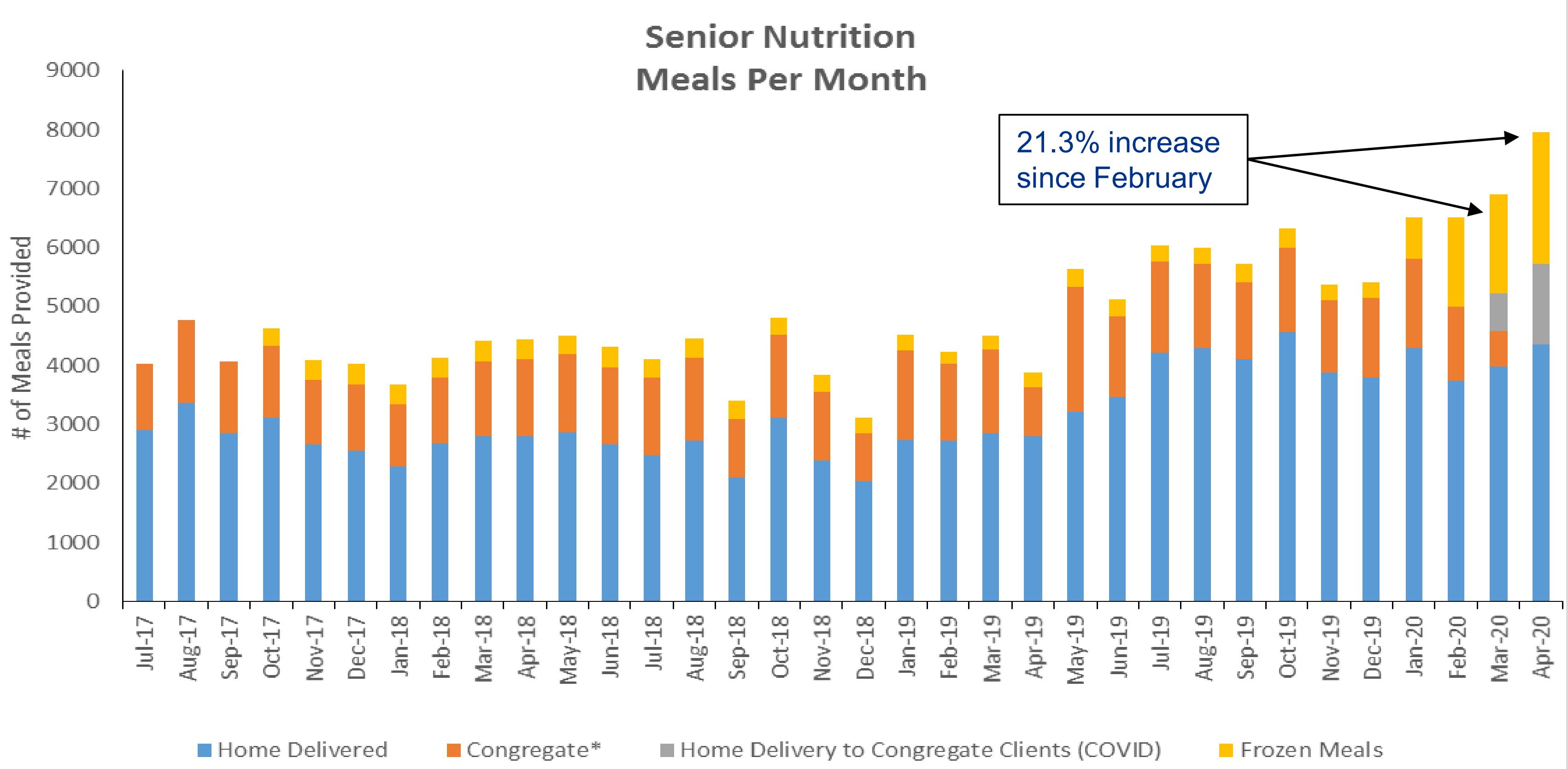
- Social Services (DSS) seeing 99% increase in Food & Nutrition Services Applications
    - March – 549
    - April – 1,093
- Human Services has been very creative in restructuring business processes to meet client needs with the building closed, while maintaining customer service levels

# Service Demand Impact of COVID-19




- Medicaid Transportation Services decreased significantly in ridership over FY 2019
  - March – 25%
  - April – 74%
- Trips for shopping, adult day care (facilities closed), work and many medical appointments stopped or done via web conference.
- Following Governor's and County's direction to keep higher risk populations safer at home
- Vans are cleaned/sanitized nightly, May 18th to begin trips to grocery store and food pantry

# Service Demand Impact of COVID-19



*Congregate sites closed in March 2020 due to COVID-19.
The increase in meals provided is covered by a combination of Families First Act funding, CARES and the Community Development Block Grant.

- Significant increase to Senior Nutrition, 21.3% increase from February,
- Congregate sites closed during COVID-19, more delivery meals provided for clients
- Allowing seniors to shelter in place during dangerous conditions
- Increase in meals covered by a combination of non-county funding (Families First, CARES and CDBG)

# Initial FY 2021 Budget Notions

***Economic Update Dec 2019 (Pre-COVID-19):***

- US-BLS November Jobs Report – Added 266k, exceeded expectations, "Squashed lingering concerns about imminent recession" - (The Conference Board)
- National unemployment rate – 3.5%; Union County unemployment rate – 3.1%, State 3.5%
- Dow passed 28,000, inflation consistently below 2%, consumer confidence is high
- Average Hourly Wages increasing 3.1% over previous year
- 60% of employers plan to add positions in 2020, only 4% are planning cuts (Vistage Employer Survey)
- Newly created jobs are represented in nearly every sector in the economy
- Strong economy making hiring new workers difficult at all skill levels (people have choices)

***Change in Assumptions Post COVID-19:***

- Rising unemployment (U.S. 4.4%, set to rise significantly, estimates at 12% to 15%)
- 30 Million American workers have filed for unemployment claims
- 748,000 North Carolinian's have filed for unemployment since March 14th
- Great depression highest unemployment was 25% (1933); Great Recession 2009 – 10%
- Dow dropped from historic high of 29,551 to 18,600 and now recovered to 23,600

# FY 2021 Budget Process

***FY 2021 Budget Assumptions Post COVID-19 Cont'd:***

- Penny Value updated from $2.786 (3%) to $2.792 (3.2%) based on value
- Local Sales Tax growth revised down from 4.5% to 1.5% (variable)
- Expected loss in sales tax from Pre COVID-19 projection $3.38M
- Departments notified to expect a continuation budget (no growth)
- Little to no opportunities for enhancement or service expansion
- Opportunity to fund contingencies not available
- Difficult decisions will be required to balance the budget with flat tax rate
- Balancing budget may require ***tax rate/revenue realignments between funds and partners***
- Balancing budget may require extending current hiring freeze into FY 2021
- Opportunities to access ***unassigned fund balance very limited***
- Looking for opportunities to find efficiencies within budget
- Looking for opportunities to maximize revenue options
- Focus on supporting and maintaining core, critical services in FY 2021

# FY 2021 Budget Process

| FY 2021 Budget Process Working Calendar | |
|---|---|
| **Date** | **Topic** |
| ***5/18/2020*** | ***ALL FUNDS AND CIP ARE BALANCED*** |
| 5/22/2020 | Draft County Manager's Proposed Document to Leadership Team for Review |
| 5/29/2020 | County Manager's Proposed Document to BoCC |
| ***6/1/2020*** | ***Manager's Proposed Presentation to BOCC*** |
| 6/15/2020 | Public Hearing on the Budget |
| 6/15/2020 | Budget Adoption |
| 7/31/2020 | Adopted Budget Book Printed |

# Closing Thoughts:

- Additional months of data will refine projection
- Projections are in line with expectations, considering COVID-19 impact on sales tax
- As more information concerning budget becomes available, it will be included in the projection
- Upcoming Budget Workshop

# Thank You!